

## Week in Review

### Equity Markets:

US stock markets ended last week's holiday-shortened trading sessions in positive territory. The S&P 500 finished the week with a 1.47% gain. Meanwhile, the Dow Jones Industrial Average had 1.45% growth, and the Nasdaq marketplace appreciated by a strong 2.76%.<sup>1</sup>

The biggest factors impacting stock market performance were the easing of geopolitical tensions in the Middle East; the first meeting of the Federal Open Market Committee under new Fed Chair Kevin Warsh; and continued fundraising by companies in the Technology Sector, including significant Initial Public Offerings taking place.<sup>2</sup>

### Fixed Income Markets:

The Federal Open Market Committee's first meeting with its new Chair, Kevin Warsh, centered on their holding the Key Rate (Fed Funds rate) at its current level of 3.50%-3.75%, with a forward outlook more inclined towards interest rates to rise this year rather than being cut. This led to a "bear-flattening" of the yield curve for Treasuries, with short-term rates rising and long-term rates falling. The 2-Year had its interest rates grow by 10 basis points while the 0-Year Treasuries recognized a decline of 3 basis points. Meanwhile, the 30-Year saw its rate decline by 7.<sup>3</sup>

Bond markets overall held tight, with trader sentiment benefiting from falling oil prices and hopes for peace in the Middle East. The Bloomberg Aggregate Bond Index grew by 0.15% last week. Investment-Grade Corporates also appreciated by 0.15% while High-Yield Bonds grew by 0.10%. Municipal Bonds performed quite well, with the Bloomberg Municipal Index gaining 0.37% last week while the Bloomberg Municipal Taxable Index grew by 0.34%.

### Economic Updates:

The Consumer Price Index report pointed to inflation running hot at 4.2% this past May, its highest level in the past three years. Concurrently, the Producer Price Index showed prices rising at a 6.5% annual rate, its highest reading since November 2022. Both metrics saw price increases being led by higher energy costs. Indeed, inflation remains a major consideration.<sup>4</sup>

Other economic metrics pointed to signs for confidence. US Retail Sales grew 0.9% in May, besting Wall Street's expectations. May's Pending Home Sales indicated 4.8% growth on a year/year basis, its fastest single month for growth since November 2024. That housing growth offset the negative implications of New Housing Starts declining 15.4%.<sup>5</sup>

## Looking Ahead

### Equity Markets:

Global markets were positively impacted last week as diplomatic negotiations between Washington and Tehran indicated a potential end to the Iran War. This past weekend saw the initial Memorandum of Understanding expand towards terms to fully reopen the Strait of Hormuz and ease the global energy crisis.

Should these diplomatic progressions continue, they will likely lessen this geopolitical variable that has burdened markets since the war began and allow for markets to return to more normal conditions. Investors should keep their eyes out for declining crude oil prices, which should spur an increase in broader risk tolerances.<sup>6</sup>

### Fixed Income Market

The first FOMC meeting under new Chair Kevin Warsh surprised market observers over how "hawkish" it was, with broad considerations among FOMC members towards hiking interest rates during the calendar year. While Warsh's term had been anticipated to lead to interest rate cuts rather than increases, this pivot reflected a more data-driven response, enhancing the Chair's credibility and independence.

Bond investors should consider three major considerations: the pricing of oil futures down from their highs and towards pre-war levels, an inflated Consumer Price Index being recognized as unduly influenced by tech-related measurement distortions, and a reacceleration in payroll growth. These factors could lead to decreased inflation, which could give the Fed the opportunity to minimize or negate anticipated interest rate hikes.

### Economic Updates:

Personal Consumption Expenditures will be announced this week. We recognize how the Federal Reserve considers Core PCE to be its preferred measure for real inflation. We also will see the Third (and Final) estimate for Gross Domestic Product in the First Quarter of 2026.

Other important metrics being reported include May's New Home Sales and Durable Goods Orders, as well as the Quarter's final reading of Consumer Sentiments by the University of Michigan.<sup>7</sup>

\*\*\*\* See Important Disclosures on following page

## Sources:

- 1) JP Morgan Asset Management  
<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
- 2) Seeking Alpha  
<https://seekingalpha.com/article/4916454-what-moved-markets-this-week>
- 3) Nuveen, LLC  
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- 4) John Hancock Investment Management, LLC  
<https://www.jhinvestments.com/weekly-market-recap#market-moving-news>
- 5) T. Rowe Price  
<https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html>
- 6) LPL Research  
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- 7) Charles Schwab  
<https://www.schwab.com/learn/story/stock-market-update-open>

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