

Week in Review

Equity Markets:

Stock markets were mostly down last week, with considerable drawdowns for those that lost ground. The S&P 500 declined -1.94% last week while the Nasdaq gave up -4.59%. It wasn't all negative, however, as the Dow Jones Industrial Average posted a 0.60% weekly gain and the small caps of the Russell 2000 Index recognized 1.03% growth.¹ The S&P 500's Forward 12-Month Price/Earnings Ratio now stands at 20.1, just above its 5-Year Average [19.9] and over a point above its 10-Year Average [19.0].²

The divergence between Nasdaq's decline and the Dow Jones Industrial Average's growth last week reflects how investors had taken a contrarian eye towards the Technology Sector and the considerable growth it has experienced this year. This was especially true for the Semiconductor Industry and those stocks with exposure to the rise of Artificial Intelligence.³

Fixed Income Markets:

Bonds were favorably impacted by positive diplomatic action in the Middle East, with decreases in oil prices to pre-war levels easing inflation fears as hopes for peace grew.

Yields on the 10-Year Treasuries came down by 3 basis points, and by 7 on the 30-Year Treasuries. The Bloomberg US Aggregate Bond Index produced a gain of 0.46% last week, with Investment-Grade Corporates appreciating 0.41% and the Municipal Index gaining 0.15%. Meanwhile, High-Yield Bonds came down last week by -0.06% as investors preferred higher-quality fixed income purchases.⁴

Economic Updates:

Personal Consumption Expenditures reflected ever-higher inflation in the US economy. Headline PCE rose by 0.4% in May, which put the year/year rate at 4.1%; that's the highest it's been since April 2023. Core PCE, which removes both Energy & Foods from their measure, rose 0.3% for the month and 3.4% year/year, which is its highest reading since October 2023.⁵

The final estimate for US Gross Domestic Product in the First Quarter was reported to be 2.1% at an annualized rate, up from the prior estimate of 1.6%. This reflected a decline in domestic imports, which offset a decline in consumer spending. Also, the S&P Global Flash Purchasing Managers' Index read at 52.2 in May, marking its third consecutive month of growth.

Looking Ahead

Equity Markets:

This holiday-shortened week will focus upon whether the recent sell-off in the Technology Sector will continue. Last week's market action was centered upon this, as well as a rotation from growth-centric investments towards value-centric. Indeed, more defensive sectors were the beneficiaries of last week's downturn for investments into high-tech companies, including Artificial Intelligence ventures.⁶

Investors should perhaps consider their risk tolerances amidst their current portfolio allocations. Especially in dynamic market environments like those we've experienced this year, it remains prudent to monitor how one's holdings react to changing environments and to act accordingly.

Fixed Income Market

Bond investors should pay particular attention this week towards geopolitical developments, especially those surrounding the Iran War, as they will certainly impact the price of crude oil. Very much, there was a notable correlation between the downward movement of crude oil prices and the relative decline of yields for longer-term Treasuries. The primary consideration is the continued expansion of inflation across the economy, which has been notably furthered by recent prices for crude oil. Following last week's Personal Consumption Expenditures report, the fixed income markets will consider how these factors will impact on the potential for the Federal Reserve to raise interest rates later this year.⁷

Economic Updates:

Employment news will be the highest priority this week. The Nonfarm Payrolls report will be delivered on Thursday ahead of the holidays; we also will see the Job Openings and Labor Turnover Survey [JOLTS], ADP Private Payrolls, and Challenger Layoffs reports.

Beyond labor market updates, the start of the new month means Wall Street will also take note of the S&P Global Manufacturing Purchasing Managers Index, the ISM Manufacturing Index, Construction Spending, Factory Orders, Durable Goods Orders, Capital Goods Orders & Shipments, and the Consumer Confidence report from the Conference Board.⁸

Happy 250th Independence Day to all who read this report.

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
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- 4) Nuveen, LLC
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- 5) T. Rowe Price
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- 6) John Hancock Investment Management, LLC
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- 7) Charles Schwab
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- 8) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-june-26-2026.html>

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