AI and Geopolitics Continue to Drive Markets

June 1, 2026

Monthly Market Summary

- The S&P 500 Index gained +5.3% in May and set multiple new all-time highs. Technology led all S&P 500 sectors with a +16.0% return, followed by Consumer Discretionary (+2.6%) and Health Care (+2.5%). However, eight of eleven sectors traded lower, led by Energy (-5.6%), Utilities (-5.1%), and Consumer Staples (-3.2%).
- Bonds traded higher despite a mid-month surge in Treasury yields. The U.S. Bond Aggregate returned +0.3% but underperformed corporate bonds as credit spreads tightened. Investment-grade and high-yield corporates returned +0.7% and +0.5%, respectively, with both outperforming the broader Bond Aggregate.
- International stock traded higher in May but were mixed. Emerging markets gained +9.7% and outperformed the S&P 500, while developed markets' +3.2% return lagged both U.S stocks and emerging markets.

Stocks Set New Highs as Geopolitical Tensions Ease

May was a strong month for equities, with most major indexes setting fresh all-time highs. The S&P 500 and tech-heavy Nasdaq 100 set new highs each week, with the Dow Jones and Russell 2000 also setting new highs throughout the month. Even the equal-weight S&P 500, which gives each company the same weight regardless of market cap, set a new high. While the equal-weighted index's move signals broadening participation, leadership was narrow within the index. The technology sector gained +16% and was the only sector to outperform the S&P 500 Index. Eight of eleven S&P 500 sectors traded lower, and ten of eleven sectors underperformed the index. The concentration showed up in factor indexes as well, with large-cap growth returning +7.2% versus +2.9% for large-cap value. The performance gap highlights a notable trend this year: AI and tech stocks continue to outperform more traditional, cyclical companies.

Bonds also traded higher, with the U.S. Aggregate Bond Index returning +0.3% and corporate bonds outperforming as credit spreads tightened further. The bond market's gains came despite a surge in interest rates mid-month. The 30-year Treasury yield spiked above 5%, reaching levels last seen in 2007, and the 10-year Treasury set a new 52-week high. The trigger was back-to-back hot inflation reports for consumer and producer prices, with the Middle East conflict and elevated oil prices creating broader price pressures. Following the inflation reports, the market now places a greater than 50% probability of a Fed rate hike at the December 2026 meeting, a significant shift from earlier in the year when the market

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assumed a rate-cutting path. With Treasury yields at multi-decade highs and oil prices leading to inflation concerns, the bond market is shifting toward interest rates remaining higher for longer.

This Year's Two Defining Themes: Geopolitics & Artificial Intelligence

Two themes have defined markets this year. The first is geopolitics. Trade and tariff uncertainty earlier in the year has given way to military conflict in the Middle East, which has created an oil supply disruption. The Strait of Hormuz, which carries roughly 20% of global oil supply, has been effectively closed since the conflict began in late February, causing global oil inventories to shrink. Oil prices remain elevated after briefly hitting four-year highs earlier this year but have been relatively contained given the extent of the oil supply disruption. There was partial relief in May as U.S.-Iran negotiations progressed and the market began pricing in a potential reopening of the Strait. West Texas Intermediate crude ended the month below $90 per barrel, down -16.5%. However, the path forward remains uncertain, as a successful deal would take months to restore shipping traffic to pre-conflict levels. What happens next in the Middle East will impact energy prices, the inflation outlook, and the broader financial market.

The second theme is the artificial intelligence buildout. Companies have committed hundreds of billions to build the AI industry's physical backbone, including data centers, computer chips, and power generation. Forecasted 2026 capital spending across the leading tech companies now exceeds $600 billion, with most of the capex directed at AI infrastructure. The spending is driving economic growth and starting to show up in corporate earnings, with AI-linked revenue growth becoming a significant driver of overall S&P 500 profit growth. The investment is also creating drastic changes. Shortages across parts of the technology supply chains are creating bottlenecks, and companies are experiencing rapid growth as they repurpose products and services for the age of AI. The pace of spending and technological change explains much of the performance gap between the tech sector and more traditional areas of the stock market.

This Month in Numbers

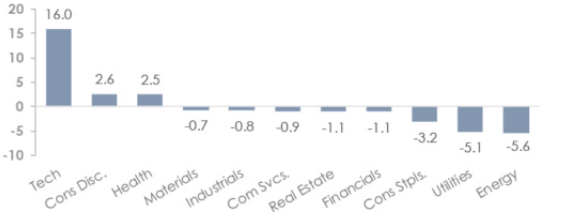
THIS MONTH IN NUMBERS

FIGURE 1
U.S. Style Returns (May in %)

	Value	Blend	Growth
Large	2.9	5.3	7.2
Mid	2.3	2.9	4.8
Small	2.8	4.4	5.8

Data Reflects Most Recently Available As of 5/31/2026

FIGURE 2
U.S. Sector Returns (May in %)



Data Reflects Most Recently Available As of 5/31/2026

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FIGURE 3

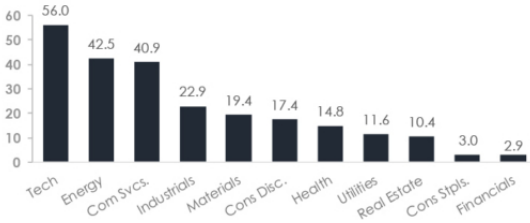
U.S. Style Returns (1-Year in %)

	Value	Blend	Growth
Large	28.5	29.8	28.7
Mid	27.2	22.4	7.9
Small	44.4	43.1	41.9

Data Reflects Most Recently Available As of 5/31/2026

FIGURE 4

U.S. Sector Returns (1-Year in %)



Data Reflects Most Recently Available As of 5/31/2026

FIGURE 5

Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	5.3%	10.5%	11.3%	11.3%	29.8%	88.9%
Dow Jones	2.9%	4.6%	7.8%	6.9%	22.7%	63.7%
Russell 2000	4.4%	11.3%	17.5%	18.2%	43.1%	73.9%
Russell 1000 Growth	7.2%	13.7%	7.6%	8.2%	28.7%	102.2%
Russell 1000 Value	2.9%	6.0%	14.5%	13.7%	28.5%	70.4%
MSCI EAFE	3.2%	-0.3%	13.0%	9.7%	23.4%	67.4%
MSCI EM	9.7%	9.5%	29.5%	25.7%	55.1%	99.0%
NASDAQ 100	10.6%	21.7%	19.6%	20.5%	43.1%	117.7%

Dividend Yield	NTM P/E	P/B
0.98%	21.1x	5.2x
1.37%	19.8x	5.4x
0.87%	26.4x	2.2x
0.33%	26.6x	12.1x
1.50%	17.1x	3.1x
3.10%	15.4x	2.2x
1.77%	12.0x	2.4x
0.38%	26.0x	8.3x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.67%	0.3%	-1.3%	0.4%	5.1%	12.3%
U.S. Corporates	5.09%	0.7%	-0.7%	0.8%	6.2%	17.6%
Municipal Bonds	3.44%	0.4%	-0.7%	1.3%	6.5%	11.6%
High Yield Bonds	6.84%	0.5%	1.0%	1.6%	7.4%	30.5%

Commodities	Level	1 month	YTD
Oil (WTI)	87.76	-16.5%	52.8%
Gasoline	3.24	-15.3%	86.4%
Natural Gas	3.27	18.3%	4.6%
Propane	0.87	7.1%	36.6%
Ethanol	1.85	-1.9%	11.8%
Gold	4,570	-1.3%	5.3%
Silver	75.58	2.1%	7.1%
Copper	6.36	7.3%	13.0%
Steel	1,123	3.9%	17.6%
Corn	4.47	-5.8%	1.5%
Soybeans	11.72	0.0%	14.8%

Key Rates	5/31/2026	4/30/2026	2/28/2026	11/30/2025	5/31/2025	5/31/2023
2 yr Treasury	4.00%	3.89%	3.39%	3.49%	3.90%	4.39%
10 yr Treasury	4.44%	4.39%	3.96%	4.01%	4.39%	3.64%
30 yr Treasury	4.98%	4.99%	4.63%	4.66%	4.91%	3.86%
30 yr Mortgage	6.63%	6.35%	6.12%	6.36%	6.95%	6.63%
Prime Rate	6.75%	6.75%	6.75%	7.00%	7.50%	8.25%

Data Reflects Most Recently Available As of 5/31/2026

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

The Russell 1000 Value index is an index that tracks large cap, value stocks. This benchmark is important for investors that might tilt their investments towards large cap value. Value stocks, in comparison to growth stocks, are considered companies with a stable cash flow, and more mature business model.

The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index

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serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to riskier corporate bonds that might not necessarily be investment grade.

Treasuries, also known as Treasury securities, are debt obligations issued by the United States government. They are used to raise cash needed to fund government operations and help finance the federal deficit. Treasuries are backed by the full faith and credit of the US government, making them one of the safest investments. They are an important instrument in monetary policy, allowing central banks to control the money supply.

The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.

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