

June 1, 2026

May Market Recap

Equity markets continued their rally through May, extending the S&P 500's positive return streak to eight weeks in a row, the longest stretch since 2023. Tech companies' strong earnings drove the index to a record high.

Raymond James Chief Investment Officer Larry Adam expressed confidence in the market's underlying fundamentals: "Stronger than expected earnings – especially in technology – have continued to underpin market performance, with momentum in the sector showing no signs of easing. Notably, earnings revisions are trending higher, pointing to a durable fundamental tailwind."

AI-driven optimism led the charge for the tech sector, although investors began to focus on real-world returns from AI investments rather than promises of what the technology might do.

Markets also navigated growing tension between strong economic data and persistent inflation pressures. The US economy appears resilient, with solid growth numbers, expanding manufacturing activity and stable labor markets. But higher oil prices tied to geopolitical conflict kept inflation elevated and pushed interest rates higher.

Fixed income markets saw volatility as Treasury yields moved higher. The markets repriced a more hawkish path for monetary policy, with increasing expectations for a rate hike by the Federal Reserve by year end. The 30-year Treasury closed at 5.18% on May 19, its highest level since 2007. New Fed Chair Kevin Warsh joined the Federal Open Market Committee (FOMC) at a complex moment, and the committee has become increasingly divided.

We'll dive into more details below, but first, let's look at how May finished.

	12/31/25 Close	5/29/26 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	48,063.29	51,032.46	2,969.17	+6.18%
NASDAQ	23,241.99	26,972.62	3,730.63	+16.05%
S&P 500	6,845.50	7,580.06	734.56	+10.73%
MSCI EAFE	2,892.71	3,093.73	201.02	+6.95%
Russell 2000	2,481.91	2,919.34	437.43	+17.62%
Bloomberg Aggregate Bond	2,348.85	2,355.21	6.36	+0.27%

*Performance reflects index values as of market close on May 29, 2026.

Equities soar thanks to earnings

Following the S&P 500's pullback in the first quarter, incremental progress in the Middle East combined with strong earnings in the tech sector led to yet another historic rally. Earnings in the first quarter of 2026 are on pace for 27% year-over-year growth, more than double consensus expectations. Robust capital spending and consumer stimulus from tax refunds have kept the economy on the rails and chugging along.

Job numbers remained steady

Private sector employment grew by 109,000 jobs according to the ADP Employment Survey, the highest level of monthly growth since January 2025. Nonfarm payroll gains were stronger than expected, up 115,000. This growth was broad, with the only sectors reporting lower employment being manufacturing, information technology, financial activities and government. Unemployment remained unchanged at 4.3%.

Tough decisions for the Fed

With the FOMC's dual mandate of price stability and full employment at odds with current conditions, the Fed's job hasn't gotten any easier over the past month. With inflation still on the rise due to geopolitical issues and with labor markets stabilizing, the committee may have to choose one battle over the other eventually. That unemployment is seemingly under control makes it more likely inflation will prevail as the greater of two evils competing for attention. The bond market has priced in this assumption as yields climbed across the entire curve, with some reaching near 20-year highs.

A busy month for diplomacy

May saw two major events involving the US and foreign entities. US-Iran negotiations limped along throughout the month. A partial, phased deal could come shortly and likely will provide for reopening the Strait of Hormuz as a phase one condition, though additional negotiations are still ahead, and the status of talks remains highly fragile. In Beijing, Presidents Trump and Xi met for a long-awaited summit where they discussed the affirmation of a trade truce and the desire to stabilize the bilateral relationship between both nations.

A rocky road to oil supply recovery

With hopes of a US-Iran deal rising, oil prices began to decline. But supply won't recover overnight. Despite crude prices sinking back down below \$100 a barrel, that doesn't mean that Gulf-supplied oil will snap back to pre-war levels. Supply is unlikely to normalize before July at the earliest, given the logistical hurdles to the resumption of oil shipping and production in the region.

International developed markets face challenges

Euro area equities made new highs in May but failed to keep pace with the US and Asia. Pressure on economic activity and prices intensified because of hostilities in the Middle East, but markets have taken note of the crude price dropping off its earlier highs. The UK's economic resilience was called into question, and Prime Minister Keir Starmer's leadership challenged, as more timely data added to the threat of a near-term economic contraction. In Japan, government bond yields rose in May, hitting multi-decade highs in common with yields across developed economies.

China faces headwinds

Despite strengthened external demand for China's electronics exports, the pace of their industrial output has slowed to its lowest levels since mid-2023. A weak domestic construction sector and disappointing consumption show a shift in household spending away from goods and toward services. Yet, China continues to have some of the lowest inflation rates among major economies.

The bottom line

With equity markets on a seemingly unstoppable path thanks to tech, there's good reason for optimism. But inflation is still a concern and will likely continue to be as long as global energy supply is disrupted. Investors stand to benefit from both equity markets in the short term and bond markets in the long term. As usual, steady and consistent strategies that let time do the work remain viable.

I hope this update finds you well. If you have any questions, please reach out at your earliest convenience.

Sincerely,



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