

What's on Our Minds

MARKET HIGHLIGHTS

- > **Investors appear increasingly confident that the US and Israel's war with Iran is nearing an end**, with focus shifting to the pervasive AI compute and capital expenditures narrative evident in both economic data and security prices. The breadth has narrowed, with the past six weeks' equity gains accruing primarily to AI-linked names.
- > **Trump paused Project Freedom**, the military escort through the Strait of Hormuz, citing progress in Iran talks. WTI briefly dipped below \$90 per barrel before settling in the mid-\$90s.
- > **April nonfarm payrolls rose 115,000**, nearly double the +62,000 consensus, although the prior two months were revised down 16,000. Unemployment held at 4.3%, with prime age participation unchanged at 80.7%. Preliminary first-quarter productivity grew 0.8%, below the +1.4% estimate and +1.6% from the fourth quarter of 2025.
- > **Year-over-year productivity of 2.9%** held unit labor cost growth to just 1.2%.
- > **The April ISM Services index came in at 53.6**, in line with the 53.7 estimate and just below March's 54.0.

MARKET PERFORMANCE

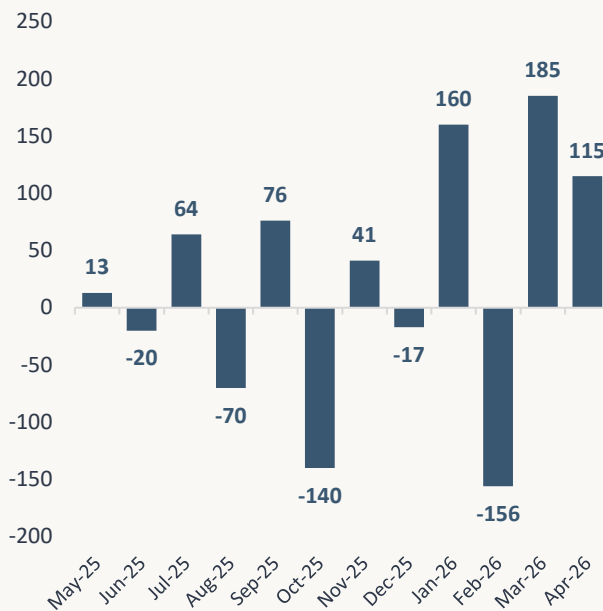
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.26%	0.44%
Municipal Bonds 1-10Y	0.14%	0.50%
U.S. High Yield	0.05%	1.33%
S&P 500	2.36%	8.52%
Russell 2500 (SMID cap)	1.97%	16.02%
MSCI EAFE (International)	1.05%	7.59%
MSCI Emerging Markets	6.90%	22.51%
MSCI ACWI (Global)	2.42%	9.52%
Crude Oil (NYMEX WTI)	-13.09%	66.59%
Gold LBMA PM	2.25%	8.55%
60/40 ACWI/Agg Portfolio	1.56%	5.89%

WHAT CAUGHT OUR EYES THIS WEEK

No Emergencies in the Employment Data

The April employment report we got on Friday was solid. The unemployment rate held steady at a respectable 4.3%. Job creation was encouraging, with nonfarm payrolls up 115,000. This is the second good report in a row after more than a year of volatile labor data. It's still too early to call, but it does appear the fragile balance of "no-hire, no-fire" is beginning to resolve in favor of more hiring as opposed to more firing. The report reinforces the Federal Reserve's recent posturing as it tries to assess the impact of the Iran war on the inflation side of its mandate. With no sense of urgency from the employment side, expect the Federal Open Market Committee (FOMC) to take its time to look for signs that an energy shock is feeding through to broader underlying inflation pressures before resuming a path back to neutral monetary policy. Markets now overwhelmingly see the FOMC on hold for the remainder of the year, with odds of a rate hike quietly building. They are slim odds, but still more likely than a rate cut at this point, according to markets.

US Nonfarm Payrolls: Monthly Change (Thousands)



Please see important disclosures and other key information on page 4.

What's on Our Minds

OUR CURRENT OUTLOOK

- > **The U.S. economy is resilient**, but softer labor markets translate into slower (albeit still positive) trends for consumer spending.
- > **Our current expectations of a recession in the next 12 months are moderately low**, which should allow credit spreads to remain tight.
- > **Benefits from the One Big Beautiful Bill Act will accelerate in 2026**, providing a tailwind for consumer spending and capital expenditures.
- > **The Federal Reserve is still looking to cut interest rates**. We expect one or two cuts for 2026.
- > **We expect S&P 500 profits to continue with their momentum from 2025**, growing in the low to mid-teens again in 2026, and broadening to create new sector leaders in the equity markets.
- > **AI capital spending, driven by the hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.
- > **Potential risks to our outlook include** disappointments in return on investment for AI spending, growing signs of speculative excess in certain pockets of equity markets, continued geopolitical uncertainty, and further deterioration in foreign sentiment for U.S. dollar assets.

IN CASE YOU MISSED IT

INSIGHTS

[Video: May 2026 Economic and Market Outlook](#)

[Financial Planning for DINK \(Dual Income, No Kids\) Households](#)

[First Quarter 2026 Review and Second Quarter 2026 Economic and Market Outlook](#)

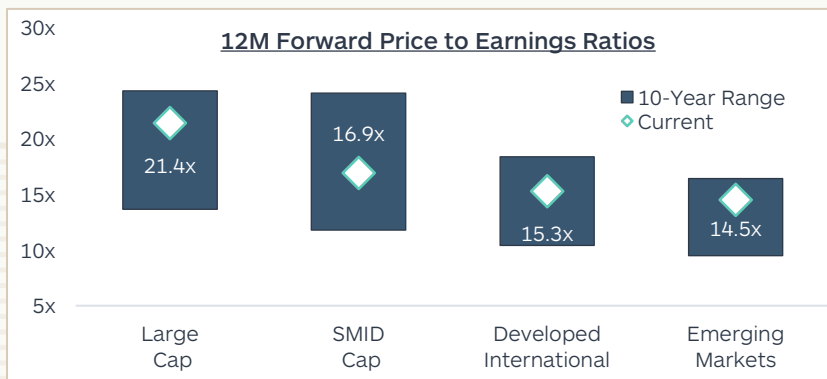
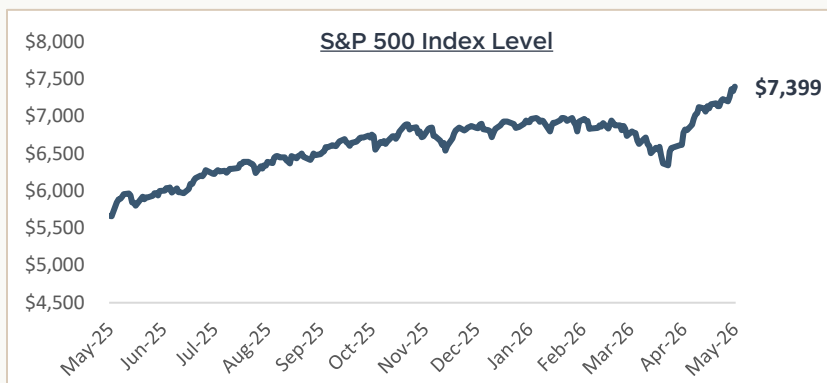
ARCHIVE

[Historical Economic and Market Outlooks Insights](#)

WEBINARS

[Recording: Q2 2026 Market & Economic Outlook](#)

EQUITIES

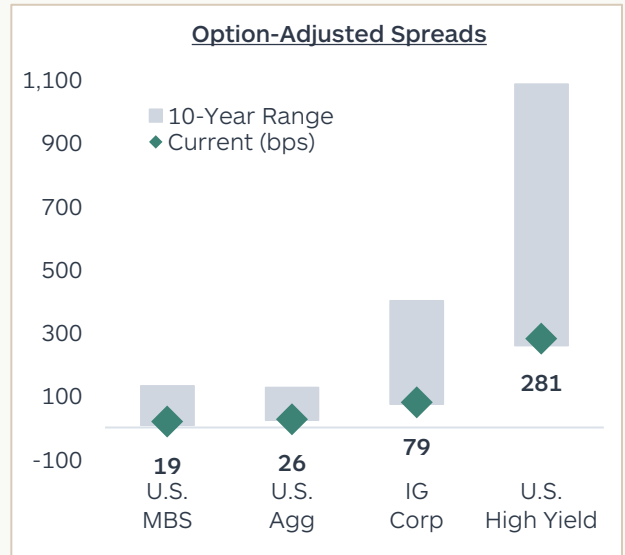


S&P 500 SECTOR	1-WEEK	YTD
Information Technology	7.02%	15.84%
Comm. Services	1.86%	12.35%
Consumer Discretionary	1.76%	3.78%
Materials	0.55%	12.95%
Industrials	0.19%	12.07%
Real Estate	0.06%	11.56%
Consumer Staples	-0.19%	10.72%
Health Care	-1.11%	-6.85%
Financials	-1.29%	-5.89%
Utilities	-3.89%	5.52%
Energy	-5.30%	24.73%

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FIXED INCOME

KEY INTEREST RATES	5/8/2026	Δ YTD
Municipal Bonds 1-10Y	3.13%	0.16%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.68%	0.05%
10Y Treasury Yield	4.37%	0.20%
U.S. Aggregate	4.59%	0.27%
30Y Mortgage Rate	6.44%	0.18%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.31%	0.24%

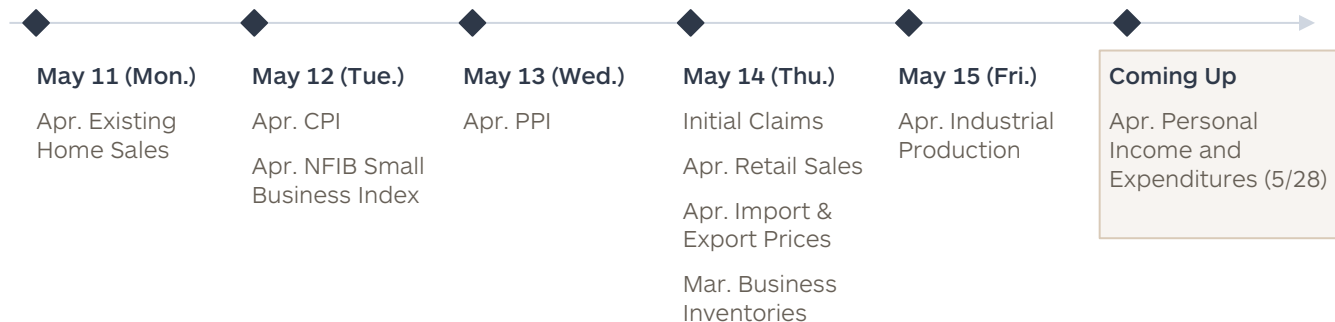


COMMODITIES, CURRENCIES, CRYPTO

Asset Class	5/8/2026
Crude Oil	\$95.39
Gold	\$4,741.40
U.S. Dollar Index	\$97.90
Bitcoin	\$80,385.00

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THE WEEK AHEAD



Please see important disclosures and other key information on page 4.

ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, FactSet, 5/11/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 5/8/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 5/8/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 5/8/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 5/8/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 5/8/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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