What's on Our Minds

May 26, 2026

MARKET HIGHLIGHTS

- **President Donald Trump announced Sunday that a framework to end the Iran conflict has largely been negotiated.** The agreement is still unratified by Iran and silent on key nuclear-disarmament issues; it remains tenuous and subject to political challenges in both countries.
- **Federal Open Market Committee (FOMC) meeting minutes have turned incrementally more hawkish,** with members suggesting rate hikes may be appropriate if inflation runs persistently above target.
- Federal Reserve (Fed) Governor Chris Waller, typically among the more dovish members, said Friday he would **support removing the easing bias language from the next policy statement.**
- **The May S&P Global flash manufacturing PMI rose to 55.3 from 54.5 in April**—the highest since May 2022 and likely confirmation that manufacturing has exited recession.
- **Higher gasoline prices are damping consumer sentiment:** The May University of Michigan final survey fell to 44.8 from a 48.2 preliminary reading and 49.8 in April.

MARKET PERFORMANCE

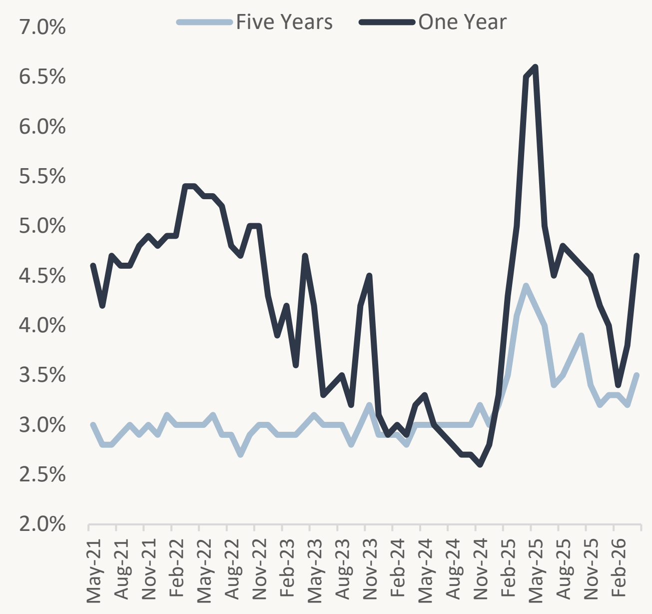
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.26%	-0.45%
Municipal Bonds 1-10Y	-0.18%	-0.08%
U.S. High Yield	0.26%	1.09%
S&P 500	0.91%	9.69%
Russell 2500 (SMID cap)	2.58%	16.32%
MSCI EAFE (International)	2.17%	8.22%
MSCI Emerging Markets	1.11%	20.83%
MSCI ACWI (Global)	1.28%	10.31%
Crude Oil (NYMEX WTI)	-13.81%	68.97%
Gold LBMA PM	-1.30%	3.17%
60/40 ACWI/Agg Portfolio	0.87%	6.01%

WHAT CAUGHT OUR EYES THIS WEEK

Between a Rock and a Hard Place

Kevin Warsh has his hands full for his first few months as Fed Chair. His tenure was supposed to kick off with a resumption of policy easing. Instead, he's being forced to digest an energy shock from the Iran war. Headline Consumer Price Index is running at 3.8% year over year, nearly double the Fed's 2% inflation target. Inflation expectations (both near-term and intermediate-term) are also rising. They're not at extreme levels yet, but it's an uncomfortable trend nonetheless for a Fed looking for signs the energy-driven supply shock could be spreading to the broader inflation basket. Fortunately, wage and shelter inflation—two crucial drivers of broader inflation—are still in a solidly disinflationary trend. Even still, the shifting balance of risks is getting the attention of other voting FOMC members, not least of which is Chris Waller, a historically dovish board member who admitted in a speech last week that he no longer feels it appropriate to maintain an easing bias in the FOMC's policy statement. It goes without saying, but Warsh's first meeting and press conference as chair in June will be must-see TV.

Consumer Inflation Expectations



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

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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**, but progress will likely be stalled by the impacts of the Iran War.
- **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

Own Stock in a Company Undergoing an IPO? Here's Answers to FAQs

Video: May 2026 Economic and Market Outlook

Financial Planning for DINK (Dual Income, No Kids) Households

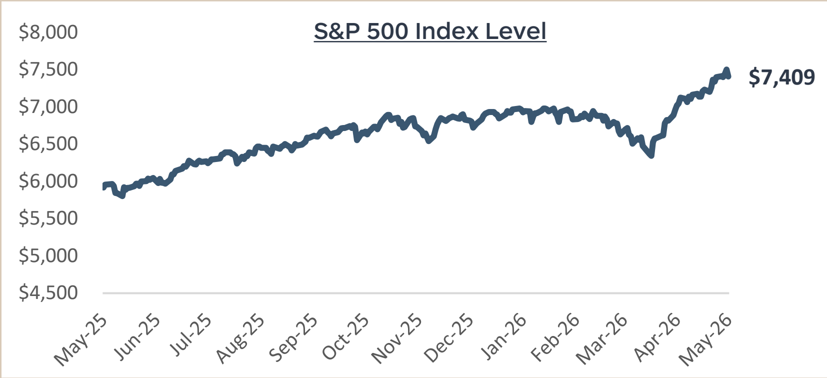
ARCHIVE

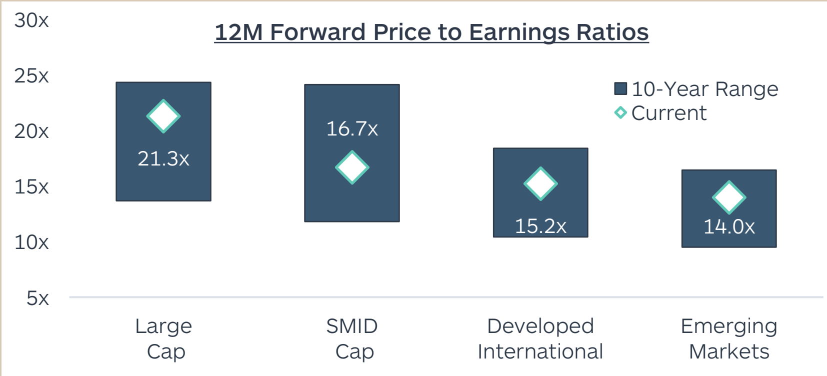
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q2 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Utilities	3.41%	7.02%
Health Care	3.32%	-2.74%
Real Estate	3.10%	12.09%
Consumer Discretionary	1.93%	2.56%
Financials	1.59%	-4.67%
Information Technology	1.00%	18.41%
Industrials	0.23%	11.09%
Materials	0.07%	10.53%
Energy	-0.17%	33.27%
Consumer Staples	-0.96%	11.08%
Comm. Services	-1.86%	9.33%

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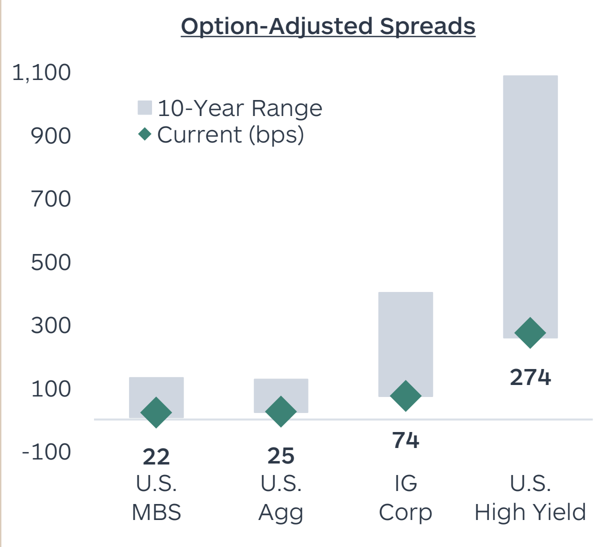
FIXED INCOME

KEY INTEREST RATES	5/22/2026	Δ YTD
Municipal Bonds 1-10Y	3.29%	0.32%
Effective Federal Funds Rate	3.62%	-0.02%
3M T-Bill	3.67%	0.04%
10Y Treasury Yield	4.56%	0.39%
U.S. Aggregate	4.79%	0.48%
30Y Mortgage Rate	6.53%	0.28%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.42%	0.34%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	5/22/2026
Crude Oil	$96.75
Gold	$4,506.15
U.S. Dollar Index	$99.24
Bitcoin	$75,775.00

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THE WEEK AHEAD

May 25 (Mon.)
Memorial Day

May 26 (Tue.)
Mar. FHFA Home Price Index
May Consumer Confidence

May 27 (Wed.)

May 28 (Thu.)
Initial Claims
Apr. Personal Income & Expenditures
Apr. New Home Sales

May 29 (Fri.)
Apr. Chicago PMI

Coming Up
May Employment Report (6/5)
May CPI (6/10)

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

CHART OF THE WEEK: Cerity Partners, University of Michigan, FactSet, 5/25/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 5/18/26. 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 5/18/26 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 5/18/26. 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 5/18/26.

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 5/18/26. 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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