

The Data

- Equity markets declined last week as weakness emerged from some areas that had been leading.
 - S&P 500 -2.50% Dow -0.32% Russell 2000 -3.02%, Nasdaq -4.68%¹
 - The All-Country World Index declined -3.61%¹
 - S&P 500 sub-sectors were notably mixed last week.
 - Tech & Consumer Discretionary led to the downside with losses over 5%.¹
 - Financials, Healthcare, & Energy all gained over +1.4%.¹
 - The CBOE Volatility Index (VIX) rose over 30% to close at 21.07.¹
- US Treasury bond yields moved higher on the week.
 - US 2yr +0.16% at 4.16%, 10yr +0.10% to 4.54%, 30yr +0.02% to 5.01%.¹
 - The 30yr is back above 5% but the short-maturity's yields rose much more.
- Commodities as an aggregate asset class were slightly lower last week.
 - WTI Crude rose +3.23%¹
 - Gold sank -4.69%¹
 - The US Dollar index ended +1.13%¹
- In our opinion, U.S. economic data was mixed last week.
 - The ISM Manufacturing & Services index readings both rose in May.¹
 - Both remain in expansion territory while respondents highlighted extreme price pressures impacting them.
 - The jobs report for May showed a stronger than anticipated labor market while unemployment stayed at 4.3%.¹
- An index of equities outside the US (FTSE All-World ex-US) lost -3.45%.¹

¹ Source: Bloomberg – 6/5/2026

Conclusion

- Equities broke their run of 9 consecutive higher weeks with a down week.
 - Losses seemed to accelerate on Friday as the stronger-than-expected jobs report pushed US Treasury yields higher and shifted market expectations for the Federal Reserve policy rate.
 - The recently leading growth-oriented indices fell the most.¹
 - The Nasdaq dropped -4.68% on the week after experiencing its worst single day performance in over a year on Friday.¹
 - Small-caps declined over 3% as rising yields seemed to weigh on them.¹
 - The Dow Jones Industrial Average was the best performer at -0.32%.¹
 - Of interest is the S&P 500 broke through 2 key technical price levels last week.
 - While in isolation this isn't much of a "signal" we feel it can't be ignored.
- S&P 500 sub-sectors were extremely mixed on the week.
 - The recent outperformers led to the downside while the laggards led to the upside.
 - We believe this type of price action could be deleveraging by large institutional investors OR the beginnings of a large rotation under the surface.
- US Treasury yields returned to higher levels following the robust labor market report.
 - The unexpectedly strong US jobs data spiked yields higher on Friday and bolstered bets that the Fed's next move will be a hike by December.¹
- Commodities as a broad asset class declined last week.
 - Oil moved higher on a lack of a concrete solution in Iran.
 - Metals declined with Gold dropping below key technical support levels.
- Non-US equities also declined last week as the late week risk-off move spread globally.
- The VIX volatility index spiked almost 40% last week.¹
 - As we discussed last week, participants had largely concentrated bets in individual names while leaving index level hedges fairly light.
 - Friday's price action showed investors scrambling to buy downside protection.
- Extreme positioning has a tendency to mean-revert in the opposite direction...and quickly.
 - Semi-conductors have been the darling of markets recently and now account for 18% of the S&P 500 index.¹
 - This means a significant unwind in the recently high-flying semis could have a meaningful impact on the broader markets.
 - In our opinion, given the recent dominance of the AI trade, this risk does not appear to be confined to semiconductor stocks alone.
- All of this volatility last week in the recent AI focused areas of the market comes at a time when these same companies are looking to fund all their AI spending.
 - A flood of new shares are coming to the market from existing companies (Google/Meta) while new IPOs are set to launch. (SpaceX/Anthropic/OpenAI)¹
 - We continue to wonder if there will be enough buyers to soak up all this new supply of shares and what this fresh pile of issues will mean for equity prices more broadly.

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