osaic
Research

Market View Monthly

June 2026

Equities pulled back in June, despite further progress towards a resolution in the Middle East, and the excitement around the largest Initial Public Offering (IPO) in history, SpaceX. Investors were concerned about lofty valuations ahead of earnings season in sectors like Technology and Communication Services, and some skepticism about the artificial intelligence (AI) trade seeped back into the market. Despite this, value stocks, and small cap stocks both performed well on the month and continue to lead through the first half of 2026.

Economic review[1]

- The US economy added 172K jobs in May 2026, well above forecasts of 85K, continuing to point to a resilient labor market. The unemployment rate remained at 4.3%, signaling that AI is not causing layoffs at a noticeable scale.
- Job openings expanded meaningfully to 8.18 million, meaning that for every unemployed person there are 1.2 jobs available.
- The ISM Manufacturing PMI expanded for a 5th month in a row, rising to 54.0, which was the highest reading since May of 2022. The index continues to signal expansion in the manufacturing sector, a sign that a rebound may be underway.
    - The prices paid index remains elevated at 82.1 but was slightly lower than previous levels.
- The ISM Non-Manufacturing (Services) Index also moved higher, rising to 54.5, above forecasts of 53.8.
- The Consumer Price Index (CPI) rose 4.2% on a year-over-year (YoY) basis in May of 2026, which was the highest level since April of 2023. The index rose 0.5% month-over-month (MoM), which was the lowest since February.
- Core CPI, which excludes food and energy, rose only 0.2% in May and is up 2.9% over the last year.
    - Much of the increase was linked to rising airfares, which are tied to energy prices.
- The U.S. Producer Price Index (PPI) rose 1.1% MoM in May, the second consecutive month with a rise above 1% on a monthly basis. The index is up 6.5% YoY.
    - Core PPI, which excludes the volatile food and energy categories, rose 0.4% in May but remains up 4.9% YoY.
- U.S. Retail Sales rose 0.9% in quelling concerns of a weakening consumer. The figure rose 6.9% YoY.
    - Excluding gasoline stations, which are dominated by rising energy prices, the reading came in at 0.7%, a commendable reading.
- The University of Michigan Consumer Sentiment Index bounced off its record lows, coming in at 48.9 in June, likely reflecting some relief in lower gas prices.
    - In a rare reading, consumers began pricing in improved future expectations from their current conditions.
- Kevin Warsh had his first press conference as Federal Reserve (Fed) Chairman after the committee decided to hold rates at their current level. He noted that the Fed would be looking at an array of issues like how to communicate with the press, how to view the balance sheet, and how to view inflation best.
- The Personal Consumption Expenditures Price Index (PCE) increased 0.4% in May, lifting the annual inflation rate to 4.1%, its first time passing 4% since 2023.
    - Core PCE, which removes the volatile food and energy categories, increased 0.3% in May and remained elevated at 3.4% over the past year.
- Real Gross Domestic Product (GDP) growth was revised higher to a 2.1% annualized rate in the final estimate for Q1, up from the 1.6% previously reported.

Monthly insight:

June's array of data that was released painted a picture of a resilient consumer, and growing economy. Retail sales and GDP continued to churn higher, and the consumer continues to spend and remain employed despite rising inflation as a headwind to the consumer. The pickup in manufacturing also boded well for growth and could be a leading indicator for the buildout of AI infrastructure. The probability for a Fed rate hike rose in the month of June, in lockstep with the rising concern of inflation, but so far the Fed has not pointed towards a rate hike, and inflation has remained relatively contained to energy prices. However, with the labor market in a strong position, the Fed will likely be squarely focused on their second half of the mandate, inflation.

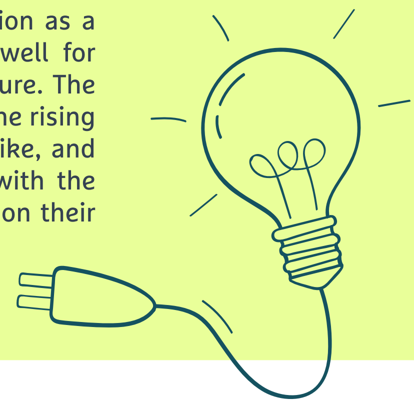

Chart of the month[2]

The "K-Shaped" economy has become a more and more popular phrase. It refers to the economic disparity between the upper and lower echelon of consumers. The wealthy are the upward line of the 'K' whereas the people living paycheck to paycheck are viewed as the lower line of the 'K'. Those with low or no assets have been feeling pinched at the pump and at the grocery store, and rising levels of inflation tend to hurt them the most, and they have the least to gain from appreciating asset prices. They also contribute the least to economic data points like retail sales, as shown in the chart below, making their pain somewhat unfelt by markets, and major economic readings. The top 20% of earners now account for 56.5% of all consumption in the U.S., about 5% higher than three decades ago.

Chart 1

Consumption share for top 20 percent of earners has grown since 1990s

Market Update[3]

Chart 2

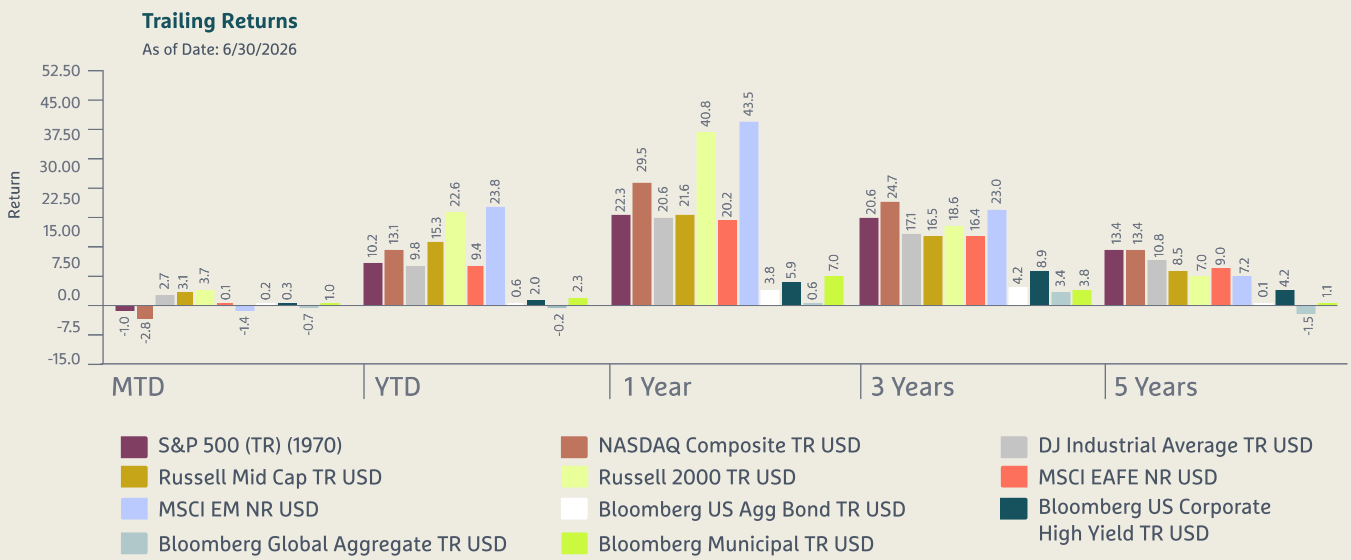

Table 1

Investments (as of 6/30/2026)	Trailing Returns					Equity Evaluations	
	MTD	YTD	1 YR	3 YR	5 YR	P/E Ratio	P/B Ratio
S&P 500	-0.95%	10.21%	22.32%	20.61%	13.41%	27.09	5.43
NASDAQ	-2.75%	13.13%	29.48%	24.74%	13.40%	31.53	7.74
Dow Jones Industrial Average	2.71%	9.76%	20.65%	17.10%	10.78%	24.24	5.56
Russell Mid-Cap	3.11%	15.30%	21.63%	16.51%	8.50%	22.47	3.11
Russell 2000 (Small Cap)	3.74%	22.57%	40.78%	18.60%	6.98%	19.36	2.38
MSCI EAFE (International)	0.07%	9.44%	20.23%	16.44%	9.05%	18.50	2.21
MSCI Emerging Markets	-1.41%	23.85%	43.51%	23.03%	7.20%	17.57	2.48
Bloomberg US Agg Bond	0.24%	0.62%	3.79%	4.16%	0.08%	—	—
Bloomberg High Yield Corp.	0.27%	1.96%	5.91%	8.86%	4.17%	—	—
Bloomberg Global Agg	-0.71%	-0.21%	0.62%	3.41%	-1.55%	—	—
Bloomberg Municipal	0.96%	2.32%	7.03%	3.76%	1.05%	—	—

Market Review[1]

Equities

Equities broadly felt the heat in the first month of summer. A multitude of questions around inflation, interest rates, and valuations plagued investors. Investors took profits and trimmed their holdings, particularly their domestic large cap growth after the rally seen in May and April. The S&P 500 returned -0.95% in June, and the NASDAQ returned -2.75%. There was reason for enthusiasm as the more value-oriented Dow Jones returned a positive +2.71%, and small caps returned +3.74%. Small cap companies continued to be the leader in the domestic equity market for the year, and are only overshadowed internationally by emerging markets, which did pull back in June, but remains the leader year-to-date. SpaceX officially became the largest IPO in history in mid-June and rapidly became one of the largest companies in the world, seeking to revolutionize space, and seek profits in its multi-faceted business model. Looking forward to the second half, investors are expecting solid economic growth and consumer spending to fuel earnings, which just finished a historically strong season. Although questions remain about the war in Iran, investor sentiment is high.

Fixed Income

Fixed income delivered modest but positive returns in June, acting as a ballast to equities within a fully diversified portfolio. Yields rose slightly as inflation remains the focus of fixed income investors. The negative performance from rising yields was offset by high starting levels of interest that padded investors from losses. The Bloomberg Aggregate Bond Index returned +0.24%, and higher yielding bonds returned +0.27% outperforming their investment grade counterparts. The yield on a two-year treasury rose 14 bps as the Fed Funds Future alludes towards three rate hikes being more probable than one rate cut by the end of the year. Although rising yields can impact total return, it does offer an opportunity for investors to gain access to high quality bonds that have high levels of interest. On the year, the volatility in interest rates has led to nearly flat performance for fixed income investors, and the volatility is unlikely to subside in the second half, absent a clear direction on where inflation, and likewise interest rates, are headed.

Conclusion

Although markets broadly pulled back in June, the surrounding economic backdrop, and corporate earnings landscape continue to bode favorably for equity markets into the second half of the year. Investors also have the upcoming IPOs of both OpenAI, and Anthropic to look forward to in the coming quarters, as the AI trade looks to regain its momentum. Despite sticky inflation related to energy prices, the majority of consumers remain on solid footing and continue to propel spending and drive economic growth forward. Corporate investment in AI and its corresponding infrastructure are also positive tailwinds for growth in the coming quarter. All-in-all, economic data and financial indicators remain poised for strength in spite of some profit taking in June.

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Job Openings – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Producer Prices – PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg's EM country definition, are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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1 Obtained from Bloomberg as of 6/30/2026

2 Consumption concentration may be up, adding slightly to economic fragility - Dallasfed.org

3 Returns obtained from Morningstar as of 6/30/2026