

Primary Market Drivers

Earnings & Economic Data

Last week's results from DELL were astounding: EPS \$4.86 vs. \$2.96, Revenues \$43.84B vs. \$35.74B, and Q2 guidance of \$44-\$45B vs. \$35.1. We were not expecting DELL to drive the tech sector at large, let alone the market, but the results were so strong that it did just that and stocks ended the week trading at new all-time highs. Earnings season may be all but over (97% of companies have reported), but that doesn't keep this week's slate of announcements from being light but certainly impactful. We will see results from Hewlett Packard Enterprise (HPE 6/1), Palo Alto Networks (PANW 6/2), Broadcom (AVGO 6/3), CrowdStrike (CRWD 6/3), and Medtronic (MDT 6/3), among a few others. These are some big tech names for being the earnings season "stragglers," so expect heavy focus on AVGO and to a lesser extent HPE, PANW, and CRWD. Last week's Core PCE came in below expectations (+0.2% vs. +0.3%), giving the inflation expectations narrative a needed breather. This week's data focuses on the labor market, with JOLTS (6/2), ADP Employment (6/3), Challenger Job Cuts (6/4), and Nonfarm Payrolls & Unemployment (6/5) all on tap. Other releases include: PMI Services (6/3), ISM Non Manufacturing (6/3), Factory Orders (6/3), Productivity & Labor Costs (6/4), and Consumer Credit (6/5).

Fed Policy

No change from last week outside of policy probability updates. The Fed kept interest rates steady at its last meeting, as expected, in Jerome Powell's farewell as Fed Chair. While Kevin Warsh is not a known commodity in his new role yet, expectations for his first policy decision on 6/17 appear to be. CME's FedWatch Tool indicates a nearly-certain 99.3% probability of "no change," so don't expect any surprises next month. Warsh's first press conference, on the other hand, should be filled with questions regarding his viewpoints, philosophy, and plans as Fed Chair. We will be watching that closely as it will be the first real glimpse into who and what we can come to expect over the next four years. Meanwhile, rate cut probabilities by year end have shifted back to favoring rate hikes as the Iran conflict drags on. We're now sitting at a 47.7% chance of higher rates by year end (down from 54.4% last week). Once again, we advise taking these odds with a grain of salt as they shift considerably week-to-week.

Iran Conflict

Not much has changed from last week, though optimism remains slightly higher than prior weeks. US strikes continue, most recently with a "self-defense" strike on Iranian missile sites in which Iran retaliated by launching a ballistic missile towards Kuwait. The Strait of Hormuz tensions remain as the US naval blockade persists, though negotiations have resumed. However, we seem to be stuck in a loop of mixed signals, with the Trump administration touting progress and Iran denying imminent deals and not budging on key issues. Nevertheless, it's progress following weeks of the conflict trending in the wrong direction. We will continue to update this section with the latest each week.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 5/29/2026

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	11.24%
Dow Jones	DIA	6.79%
Large-Cap Growth	QQQ	20.34%
Large-Cap Value	IVE	7.87%
Mid Caps	MDY	13.10%
Small Caps	IWM	18.19%
International Equity		
Developed Intl	EFA	9.13%
Emerging Markets	EEM	25.39%
Fixed Income		
Core Bonds	AGG	0.49%
Corporate Bonds	LQD	0.76%
High Yield Bonds	HYG	1.60%
ST Treasuries	IEI	-0.16%
LT Treasuries	TLT	-0.13%
International Bonds	BNDX	0.93%



Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Historically Strong Earnings Growth	Rate Cut Expectations Diminished	Broadcom Earnings (AVGO 6/3)
AI & Tech Revolution Long-Term Theme	Iran Conflict	Nonfarm Payrolls & Unemployment (6/5)
Stable Labor Market	Oil Prices Remain Elevated	Other Earnings: HPE, PANW, CRWD, MDT
Strong US GDP	Inflation Expectations Elevated	Watching Oil, Yields
Stocks Trading at All-Time-Highs		Earnings Continue to Dominate

Portfolio Manager Commentary

Ken Hartley, CFA

The US government bond market is the largest market in the world. To ignore the signals from it could prove to be financially painful. So, what is the bond market (interest rates) telling us now? At the beginning of the year, the market had expectations of three cuts of ¼ of a percent each in the fed funds rate (short term rates). Don't look now, but the market has priced in the possibility of a ¼ percent rate HIKE by year end. What happened?

Well, in case you have missed it, there is a major conflict taking place in the Middle East. The price of oil has gone up 60% and a gallon of gas on the NY Mercantile exchange has breached \$3.10. When you add in Federal and State taxes, some places are north of \$5.00 at the pump. Don't even think about the unhappy citizens of California, some cities there are paying \$8.00 for a gallon. Tell me again why people live there. I mean, it's beautiful and all but damn!

There has been an attempt to move rates higher. Mainly the increased expectations of future inflation from the increase in oil. The cost of living goes up because so many things are dependent on oil. There is another, less talked about reason that rates are moving higher. The economy is proving to be stronger than most of the "experts" want you to believe. Now, I've heard all the stories about the "K" economy and how many people are falling behind. That is unfortunate. However, what explains the continued increases in discretionary spending? The raw truth is that the higher income consumers are continuing to spend. There is a "new" contributor to the economy: the "G" economy. Believe it or not, grandparents and retired people having IRA's and 401k's reaching new highs. They are spending it on themselves and members of their family who may not be as fortunate. The post-COVID economy doesn't conform to the old patterns, so it seems.

The market gurus that are saying inflation will fall when oil prices come down are going to be disappointed. The interest rates are being driven by two things: inflation expectations (long end of the curve) and the Federal Reserve's overreaction to the effect of elevated oil prices. The Fed will raise rates because of the short-term pressure of oil prices (short end of the curve). The combination of the two risks an economic slowdown. Interest rates will come down in the short end if the economy slows, but that would be a bad thing for stocks. The AI build out will be a deflationary force for the global economy. Let's hope the Fed under Chairman Warsh can get it right. Economic growth is not inflationary.

Was there a "swear jar" in your house as a kid? I'm going to set one up in my office. Every time I hear the phrase "in a bubble" or "late 1999" to describe the market, I'm going to put a quarter in it. By the end of 2026, I may have enough money to buy something pretty.

Don Moenning

Of the myriad of ridiculous AI skepticism narratives over the past three years, the gold medalist of the bunch has to be the "AI is going to kill all software and render an entire industry absolutely useless" slop that gave hedge funds cover to short software into oblivion for five straight months. I've spoken and written about how absurd it all was ad nauseum since its November 2025 inception, but to the day it still boggles my mind how "the market" could run with something so asinine and so shallow for so long. The efficient market theory has to be rolling over in its grave after what has transpired with software over the past six months.

I won't rehash the rant or point out how unfairly some stocks were treated being lumped in with the narrative. I'm a glass-half-full person and it's looking like "the market" (whatever that is these days) has recently decided that software is back, it's sexy again, and it's a great value.

Over the past week: SNOW +48% on amazing earnings, NOW +21.8% on earnings and AI workflow momentum, ORCL +18.9%, PLTR +14%, MSFT +8%, IGW +9%. Not the past quarter or month – the past week. This kind of thrust typically signals a new "trade" is happening and this is one that makes some real sense. The fear has abated, the growth continued, and suddenly best-of-breed software names that have done nothing but crush the past several quarters are the greatest value the market has to offer.

I don't expect software to magically rebound across the board and lead the broader market to the promised land the way semiconductors have, but I do think the software rebound is "on." Though I expect the action to be fast and extreme, I believe there will be significant selectivity among the names participating. I have serious reservations moving forward for companies like Adobe and Intuit, concerns that have absolutely nothing to do with companies like Microsoft and Palantir. While all four were treated essentially the same on the way down, I don't think the market will make it as cut and dry on which stocks rotate back in favor – investors want clear AI monetization, sticky workflows, and proprietary data advantages.

It's still early stages but last week's action felt like a signal that the mood has finally shifted on software. It would be very unsurprising to see traders ramp software names into and straight through the summer to retrace the massive damage caused by the fear trade of Q4 25 / Q1 26. It will be interesting to see how this subindustry fares this week, but this one makes too much sense to ignore. One of my favorite market sayings is "just because it's obvious doesn't make it wrong." Stay tuned.

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