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June 5, 2026



ECONOMIC REVIEW¹

- The ISM Non-Manufacturing (Services) Index increased to 54.5 in May and exceeded consensus expectations of 53.8. (Readings higher than 50 indicate expansion, while readings below 50 represent contraction).
 - The advance in May saw new orders and business activity expand at a faster pace while the employment index remained mostly unchanged.
 - However, the prices paid index increased again from 70.7 to 71.3 in May, which marked its highest reading since August of 2022.
- The ISM Manufacturing Index increased to 54.0 in May and exceeded the consensus expectation of 53.0.
 - May marked the fifth consecutive month the index was in expansion, which hasn't happened since 2022.
 - The production and new orders index expanded at a faster pace in May while the employment index contracted less than the previous month (46.4 to 48.6).
 - Additionally, the prices paid index saw an improvement as the index fell from 84.6 to 82.1, however, it is still significantly higher from the reading of 58.50 at the end of last year.
- The nonfarm payroll report for May increased by 172,000 jobs, far exceeding the expected rise of 88,000 jobs.
 - April and March data was also revised higher by 93,000 jobs; the unemployment rate stayed at 4.3%.
 - 120,000 private sector jobs were added in May, notably the leisure and hospitality sector added 70,000 jobs, its highest reading in the last three months.
 - However, professional and business services only added 6,000 jobs and the financial activities sector lost 22,000 jobs, its third consecutive month of negative job growth.

How does the most recent economic data impact you?

- The services sector remains resilient, posting its 23rd consecutive month of expansion, while manufacturing continues to recover. Improving activity, productivity, and output, along with convergence of public policy and private investment, continue to bolster U.S. manufacturing reshoring efforts.
- The strong jobs report reinforced the market's shifting view that the Fed may keep rates elevated for longer. Expectations for two rate cuts in 2026 at the start of the year have disappeared, while the probability of a rate hike has increased.



A LOOK FORWARD¹

- This week, investors will be closely watching inflation data for May and consumer sentiment readings.

How does this week's slate of economic data impact you?

- This week's Consumer Price Index (CPI) report is expected to reflect a further uptick in inflation, driven in part by rising gasoline prices. A stronger than expected reading is likely to reinforce the Federal Reserve's cautious approach towards future rate cuts and a more hawkish policy stance.
- Consumer sentiment, already near historically low levels, is unlikely to improve meaningfully in the near term as elevated energy costs and the ongoing uncertainty surrounding the Iran conflict continues to weigh on household confidence.



MARKET UPDATE²

Market Index Returns as of 6/05/26	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-2.55%	13.35%	8.43%	24.56%	21.53%	13.42%
NASDAQ	-4.65%	19.22%	10.92%	32.46%	25.51%	14.06%
Dow Jones Industrial Average	-0.21%	10.15%	6.63%	20.96%	16.96%	9.99%
Russell Mid-Cap	-1.01%	9.28%	10.69%	19.25%	16.58%	7.83%
Russell 2000 (Small Cap)	-2.91%	13.71%	14.71%	34.57%	16.76%	5.82%
MSCI EAFE (International)	-1.39%	9.21%	7.85%	20.22%	16.39%	8.26%
MSCI Emerging Markets	-1.94%	23.38%	23.18%	47.94%	23.05%	7.03%
Bloomberg US Agg Bond	-0.54%	-0.12%	-0.17%	5.02%	3.82%	0.04%
Bloomberg High Yield Corp.	-0.42%	1.77%	1.26%	6.77%	8.87%	4.25%
Bloomberg Global Agg	-0.89%	0.68%	-0.40%	2.41%	3.35%	-1.73%



OBSERVATIONS

- Major U.S. large-cap equity indices ended the week lower as a stronger-than-expected employment report reinforced expectations that the Federal Reserve may maintain a more restrictive policy stance for longer, while weakness in technology stocks added further pressure on market performance.
 - The Nasdaq led the decline for the week (-4.65%), followed by the S&P 500 (-2.55%), and the Dow Jones (-0.21%).
- Mid-cap stocks also finished the week in negative territory, declining -1.01%. Small-cap stocks were the second weakest performer for the week and posted a loss of -2.91%.
- Developed international markets posted lower returns for the week (-1.39%), while emerging markets also posted weaker returns (-1.94%) as the tech sell-off impacted markets such as South Korea and Taiwan.
- Domestic and international fixed income indices fell on the week as interest rates rose. The U.S. Aggregate Bond Index dipped -0.54% as yields rose while high-yield corporate bonds also declined (-0.42).
 - International bonds underperformed for the week and finished down -0.89%.



BY THE NUMBERS

Trump Signals Interest in U.S. Owning Stakes in Top AI Labs: President Donald Trump expressed interest in the US government holding equity stakes in leading artificial intelligence developers, saying that he planned to discuss the idea of a partnership with AI companies’ executives as soon as next week. In his remarks, he addressed news reports that the administration would put the stock into a government-run wealth fund that would redistribute some of the financial windfall to the public and signaled his openness to that idea. The president’s comments highlight how debate over how to share the potentially massive gains from the artificial intelligence boom is intensifying in Washington and around the world, ahead of a series of trillion-dollar initial public offerings by AI companies. Calls for profit sharing have escalated in recent months as fears grow over AI replacing human work and jobs.³

Knicks Hold Off Spurs Comeback Attempt to Take Game 2 of NBA Finals: The New York Knicks held off a furious fourth-quarter comeback from the San Antonio Spurs, winning 105-104 in Game 2 of the NBA Finals. The win extends the Knicks’ playoff win streak to 13, the second longest in NBA playoff history. With a 2-0 series lead, New York is now two victories away from not only tying an NBA record but from hoisting the Larry O’Brien Trophy for the first time since 1973. With the win, the Knicks became the third team to win the first two games of an NBA Finals on the road, joining the 1993 Chicago Bulls and the 1995 Houston Rockets. Game 3 is scheduled for Monday at Madison Square Garden in New York at 8:30 p.m. ET.⁴

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: The Manufacturing ISM Report On Business is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), the report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction, and the diffusion index. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining.

ISM Services Index: The Services ISM Report On Business® is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (Business Activity, New Orders, Backlog of Orders, New Export Orders, Inventory Change, Inventory Sentiment, Imports, Prices, Employment and Supplier Deliveries) this report shows the percentage reporting each response, and the diffusion index. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50 percent indicates that it is generally declining. Orders to the service producers make up about 90 percent of the US economy.

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.

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).

U-3 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.

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 represent 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 Data obtained from Bloomberg as of 6/05/26.

² Data obtained from Morningstar as of 6/05/26.

³ [Trump signals interest in US owning stakes in top AI labs](#)

⁴ [Knicks hold off Spurs comeback attempt to take Game 2 of NBA Finals | CNN](#)



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