HIGHLAND

June 29, 2026

Multi-Asset Solutions Weekly Commentary

Key Observations

The S&P 500 finished the week lower as the information technology sector again detracted due primarily to weakness out of semiconductor stocks. In contrast to the market cap weighted S&P 500, the equally weighted S&P 500 ended the week in positive territory, highlighting the continued weakness at the 'top of the market,' specifically out of the 'Magnificent 7.' Smaller capitalization indices continue to outperform, buoyed by larger exposures to sectors such as financials, health care, and industrials which have been beneficiaries of outflows from communication services, consumer discretionary, and information technology stocks.

A sharp selloff and spike in volatility in South Korea's KOSPI index spilled over and weighed heavily on technology stocks stateside, even as Micron's closely watched earnings release appeared to bolster the case for semiconductor and memory names. The KOSPI traded both limit up and limit down during the week, which forced trading to be halted for volatility on multiple occasions. Some stabilization in the KOSPI in the week to come would likely go a long way toward improving sentiment surrounding U.S. tech names.

Treasuries caught a bid early in the week as energy prices continued to fall, with West Texas Intermediate (WTI) crude oil closing the week back at pre-conflict prices below $70 per barrel. Yields on shorter-dated bonds fell more than yields on bonds in the belly of the curve as May inflation data, while elevated, came in in-line with expectations, leading to a modest re-pricing of rate hike odds through year-end.

What We're Watching This Week

The Conference Board releases its Consumer Confidence index for June on Tuesday, with the reading expected to improve to 94.6 from 93.1 in May.

The Institute for Supply Management will release the Manufacturing ISM index for June on Wednesday, with the reading expected to fall slightly to 53.9 from 54.0 the prior month. The Prices Paid component is worth watching given concerns surrounding core goods inflation, and that reading is expected to 'cool' modestly to 77.5 from 82.1 the prior month. A reading above 50 indicates expansion or growth, while a reading below 50 indicates contraction.

The June Nonfarm Payrolls Report will be released on Thursday, with the consensus estimate calling for 115k jobs to have been created during the month. The unemployment rate is expected to remain static month over month at 4.3%, while average hourly earnings are projected to have risen 0.3% month over month and 3.5% year over year.

	Price/Yield	Total Return (%)					
	6/26/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	7,354.02	-1.94	-2.10	8.06	21.21	21.49	13.05
NASDAQ 100	29,118.24	-4.23	-2.79	15.70	30.58	25.84	16.11
S&P Mid Cap 400	3,816.30	0.66	2.85	16.18	25.05	15.75	8.62
S&P Small Cap 600	1,797.26	3.06	6.10	23.36	37.00	16.62	7.07
MSCI World ex US	468.25	-2.23	-0.89	12.64	27.28	18.80	8.34
MSCI EM	1,706.40	-4.44	-1.64	22.61	41.69	22.45	6.92
Bloomberg U.S. Aggregate	4.66	0.49	0.91	0.98	4.31	4.21	0.24
Bloomberg Corporate	5.14	0.41	0.89	1.19	5.00	5.46	0.53
Bloomberg U.S.High Yield	7.21	-0.06	0.27	1.75	6.03	8.99	4.18
Bloomberg EM USD Aggregate	6.01	0.02	1.05	2.06	8.33	8.45	2.05
Bloomberg Global Aggregate ex-USD ($Hedged)	3.09	0.67	1.03	0.96	1.19	2.68	-0.01
Bloomberg Municipal Bond	3.60	0.15	1.15	2.15	6.99	3.66	1.05
	Price/Yield						
	6/26/2026	1 Week Ago	1 Month Ago	12/31/2025	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.64	3.62	3.63	4.49	4.49	5.05	0.05
30 Year Mortgage (average rate)	6.57	6.56	6.60	7.28	6.86	7.05	3.13
2 Year Treasury (yield)	4.09	4.18	4.03	4.24	3.72	4.74	0.27
10 Year Treasury (yield)	4.37	4.45	4.48	4.57	4.24	3.72	1.52
30 Year Treasury (yield)	4.86	4.90	5.02	4.78	4.80	3.81	2.15
WTI Crude (closing price)	69.23	76.60	93.89	71.72	65.24	69.37	74.05
Gold (NYM $/oz)	4,078.70	4,224.10	4,502.30	2,641.00	3,333.50	1,923.70	1,776.60

Source: Bloomberg (3- and 5-Year Annualized)
Index returns are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

Stocks

A Down Week For The S&P 500 As Concerns Surrounding AI-Related Spending And Quarter-End Rebalancing Weigh; Small Caps Outperforming On Both Up And Down Days For Large Caps; U.S. Dollar Rally Presents A Headwind For Developed Markets Abroad; Selloff, Volatility In South Korea Weighs On Emerging Market Indices.

Mega Cap Technology Weakness The Driver Of Another Down Week For The S&P 500. The S&P 500 finished lower by 1.9%, with the bulk of that decline attributable to continued weakness out of the information technology sector, which fell 5.4% on the week. Profit taking and portfolio de-risking was evident early last week in the lead-up to Micron's earnings report after the market close Wednesday. Some of this year's biggest winners tied to the buildout of AI-related infrastructure seeing the largest drawdowns as investors appeared to increasingly question the sustainability of current lofty spending projections tied to the AI buildout. Micron played its part, posting a gross profit margin of almost 85% and stated that it expects the memory market to remain tight through 2027, easing fears of oversupply and a loss of pricing power in the next 18 or so months.

Micron's strong report and outlook were cheered and drew capital back into the AI-related names that had sold off most substantially prior to the report, but rotation was again evident as the 'Mag 7' and software names appeared to be sources of funds as investors moved back into semiconductor and memory names. All of the names in the anointed 'Mag 7' fell 1.5% or more on the week, with an equally weighted basket of this cohort of stocks dropping 5.4%, while the equally weighted S&P 500 fared much better, rising 1.5%. This again highlights just how weak the 'top of the market' continues to be.

The combination of quarter-end rebalancing and skittishness surrounding the selloff in South Korea played a role in the pullback seen stateside last week, but optimism could creep back in as we approach quarterly earnings season kicking off in mid-July as the outlook for earnings growth remains robust. From a seasonality perspective, July has historically been the strongest individual month for S&P 500 returns, with an average return of 1.7% since 1928, so the prevailing bias could be for investors to get more bullish once we close the book on June and trading resumes following Independence Day.

Steady As It Goes For Small Caps. While the S&P 500 was on its back foot for much of the week as profit taking hit the information technology sector, indices tied to smaller capitalization stocks were steadier, with the S&P Small Cap 600 index rising by 3% as it was buoyed by larger exposures to sectors such as financials, health care, and industrials, each of which performed well on a relative basis. This is a familiar story as quarter-to-date the S&P Small Cap 600 index has now returned 19.1% on a total return basis, outpacing the S&P 500's more than respectable 12.9% gain. The surge in small caps over the past three months has been a bit surprising given the rapid rise in energy prices along with expectations for less accommodative monetary policy in the U.S. in the quarters to come as the FOMC focuses on the price stability component of its dual mandate. But in our view, allocators remaining persistently underweight smaller capitalization stocks in recent years as investors crowded into the 'Magnificent 7' and select AI beneficiaries has been a significant driver of the rally in small caps year-to-date as market participants have taken profits in large caps and redeployed into 'cheaper,' economically sensitive areas that have largely been ignored amid the AI mania. While mergers and acquisitions (M&A) activity has already been supportive of small caps in the first six months of this year but the asset class could continue to see a tailwind from deal making as we look out over the balance of this year. Sectors such as financials, health care, and industrials could continue to garner interest from investors looking for small cap exposure and hold increasing appeal when viewed through both a fundamental and an M&A lens.

Volatility In South Korea's KOSPI Spills Over Into U.S. Tech, Acts As A Drag On The Broader MSCI EM Index. Last Tuesday, South Korea's KOSPI index had a limit-down day, with circuit breakers halting trading as the index fell 9.9% amid rumors that lawmakers were weighing taxing unrealized stock gains. A steep selloff in South Korea's 'DRAM Darlings' Samsung and SK Hynix spilled over into semiconductor and memory weakness stateside with bellwethers such as Micron (MU) and Sandisk (SNDK) falling 13% and 12%, respectively, on Tuesday in the lead-up to Micron's quarterly earnings report on Wednesday. Even after last week's 6% pullback, the MSCI Korea index is still higher by 218% over the past 51 weeks, and pullbacks of this magnitude, while unsettling, help to shake leverage out of the system and reset sentiment and positioning, ultimately putting the KOSPI on more stable footing.

U.S. Dollar Rally Points To Tighter Monetary Policy Being Needed In Developed Markets Abroad. The U.S. Dollar Index (DXY) traded at a one-year high around 101.60 into the middle of last week before backing off a bit into the weekend. This is a notable break above where it was trading prior to the Middle East conflict breaking out in early March, and is a somewhat surprising rally given the back-off in crude oil prices over the past month and the rate hikes delivered by the European Central Bank (ECB) and Bank of Japan (BoJ) in June. It's notable that the U.S. dollar has continued to strengthen relative to the euro and yen even after the ECB and BoJ tightened monetary policy, likely a byproduct of market participants believing that additional rate hikes may be required out of both central banks. If this proves to be the case, both the Eurozone and Japan could face headwinds to economic and profit growth in the quarters to come, so it stands to reason that - at least in the near-term - U.S. stocks could garner increased interest from foreign investors, potentially leading to relative outperformance versus developed market indices abroad.

Bonds

Treasuries Rally As Market Participants Shrug Off May Inflation Data, Focus on Falling Energy Prices; May Inflation Data 'Hot,' But In-Line With Expectations; High Yield Credit Spreads Leak Wider On The Week, Approach Mid-May Highs.

Treasuries Catch A Bid As Energy Prices Fall To Pre-Conflict Levels. Yields fell across the U.S. Treasury curve last week, with some of the largest moves occurring on the short-end as expectations for rate hikes out of the FOMC were ratcheted modestly lower amid falling energy prices and in-line inflation data from May. The drop in energy prices continued to garner attention last week, with West Texas Intermediate (WTI) crude oil falling below $70 per barrel on Friday to a level last seen at the end of February. While the drop in energy prices is most welcome and takes some of the pressure off of U.S. consumers, we have been a bit surprised at how quickly crude oil prices have fallen back to pre-conflict levels and current prices don't provide much cushion should tensions in the Middle East flare and traffic in and out of the Strait of Hormuz come to a standstill yet again. We continue to see little downside for Treasury yields from here and maintain portfolio positions in-line with our strategic long-term target allocations as we look for interest rate volatility to create opportunities to tactically adjust in the quarters to come.

May Inflation Data Comes In 'Hot,' But In-Line With Expectations. Thursday brought with it the release of the May Personal Consumption Expenditure (PCE), the FOMC's preferred inflation gauge. Headline PCE was expected to rise 0.5% month over month and 4.1% year over year, while core PCE was projected to rise 0.3% and 3.4%, respectively. Core PCE came in in-line with the consensus estimates, while headline PCE month over month rose 0.4% month over month, modestly below the 0.5% estimate. On balance, the May PCE release could be described as 'hot,' but broadly in-line with expectations, and Treasury yields across the curve fell a couple of basis points following the release. This is likely a function of market participants looking through the elevated May inflation readings and choosing instead to focus on the sharp drop in energy prices throughout June which is likely to lead to 'cooler' readings in the months to come. The Fed funds futures market modestly repriced rate hike expectations following the release and is still projecting 30-basis points of hikes by year-end, down from 35-bps prior to the PCE release.

High Grade Corporates Outperform High Yield On The Week. The Bloomberg U.S. Corporate High Yield index closed out the week with a modest loss as the index's credit spread over the Treasury curve rose to 274-basis points, up from 255-bps in mid-June and back to a level last seen in late April. The all-investment grade Bloomberg Corporate index, on the other hand, saw its credit spread leak wider by around 2-bps on the week and posted a 0.4% weekly gain as the drop in yields in the 5- to 10-year portion of the U.S. Treasury curve buoyed total return. Given our view that yields on longer-dated Treasuries likely don't have much downside from here, and with credit spreads on investment-grade corporate bonds exceedingly tight by historical standards at around 74-bps over similar duration Treasuries, we view corporates as fairly/fully valued at present and await a bout of interest rate volatility to create dislocations and opportunities to tactically shift positioning.

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