

Multi-Asset Solutions Weekly Commentary

Key Observations

The S&P 500 avoided closing lower for the 2nd consecutive week as an announcement mid-day on Thursday that a memorandum of understanding between the U.S. and Iran had been agreed upon and could be signed as soon as the weekend spurred short covering and portfolio re-risking. Smaller capitalization U.S. stocks outperformed their large cap peers as less exposure to tech again proved beneficial.

Sector rotation was again evident early in the week, with information technology a source of funds and 'defensive' sectors such as consumer staples, health care, and utilities beneficiaries of inflows. But a broad swath of sectors rebounded into the weekend, allowing the equally weighted S&P 500 to outperform the market cap-weighted version of the index by around 1.2% on the week.

Bonds, broadly speaking, had a decent week, with most segments of the fixed income market rallying around 0.5%. Treasury yields fell alongside crude oil prices, with the 10-year yield falling 7-basis points on the week to close at 4.48%. Market participants ratcheted lower their expectation for rate hikes out of the FOMC this calendar year amid hopes for an imminent U.S./Iran 'deal,' leading to larger downward moves for yields in the 2- to- 5-year portion of the Treasury yield curve.

What We're Watching This Week

The Federal Open Market Committee (FOMC) concludes its two-day meeting on Wednesday and is expected to leave the Fed funds rate unchanged. This will be Kevin Warsh's first meeting as FOMC Chair and market participants will be closely parsing his post-meeting remarks for any clues as to the path forward for monetary policy. It is expected that the FOMC will adopt a more explicitly balanced stance as opposed to an implied easing bias, and how Warsh communicates this change could prove market moving, both for stocks and rates.

The advance reading on May Retail Sales is released on Wednesday with Control Group sales expected to rise 0.4% month over month, which would compare to a 0.5% reading in April.

	Price/Yield			Total Return (%)			
	6/12/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	7,431.46	0.66	-0.04	9.15	24.44	21.00	13.47
NASDAQ 100	29,635.95	2.35	1.01	17.73	36.15	26.71	17.09
S&P Mid Cap 400	3,796.32	2.81	4.03	15.51	26.04	15.45	8.30
S&P Small Cap 600	1,744.69	4.33	6.25	19.69	34.42	14.80	6.32
MSCI World ex US	471.21	0.67	1.18	13.30	28.38	18.48	8.33
MSCI EM	1,715.97	0.02	0.90	23.21	45.34	22.00	7.01
Bloomberg U.S. Aggregate	4.72	0.52	0.40	0.35	4.47	4.18	0.05
Bloomberg Corporate	5.18	0.55	0.60	0.62	5.14	5.56	0.40
Bloomberg U.S.High Yield	7.10	0.45	0.56	1.71	6.97	8.88	4.24
Bloomberg EM USD Aggregate	5.99	0.51	0.82	1.72	8.72	8.63	1.91
Bloomberg Global Aggregate ex-USD (\$Hedged)	3.17	0.37	0.94	0.17	0.50	2.65	-0.27
Bloomberg Municipal Bond	3.65	-0.12	0.71	1.62	6.80	3.67	0.84

	Price/Yield						
	6/12/2026	1 Week Ago	1 Month Ago	12/31/2025	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.60	3.63	3.60	4.49	4.28	5.05	0.01
30 Year Mortgage (average rate)	6.56	6.60	6.44	7.28	6.88	7.02	3.08
2 Year Treasury (yield)	4.08	4.15	3.99	4.24	3.91	4.58	0.15
10 Year Treasury (yield)	4.48	4.53	4.46	4.57	4.36	3.74	1.45
30 Year Treasury (yield)	4.97	5.00	5.02	4.78	4.84	3.88	2.14
WTI Crude (closing price)	84.88	90.54	102.18	71.72	68.04	67.12	70.91
Gold (NYM \$/oz)	4,215.00	4,337.10	4,686.70	2,641.00	3,380.90	1,955.30	1,877.40

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

Sector Rotation Evident As Profit Taking Again Hit Tech, But Portfolio Re-Risking And Short Covering Spur A Broad-Based Rally Into The Weekend; Somewhat Surprisingly, Small Caps Are More Than Holding Their Own Relative To U.S. Large Caps.

Profit Taking In Tech Into Midweek Gives Way To Re-Risking And A Broad-Based Rally Into The Weekend.

Profit taking was evident in some of this year's biggest AI-related winners early last week in the lead up to the SpaceX IPO on Friday. But following President Trump's announcement Thursday that the U.S. and Iran were on track for a peace deal to be signed, potentially as soon as this past weekend, AI-related stocks rallied as energy prices and Treasury yields fell in tandem, allowing the S&P 500 information technology sector to find its footing. The 'Magnificent 7' was notably weak, with an equally weighted basket of this cohort of stocks lower by 2.5% on the week and we speculate that the 'Mag 7' could have been used as a source funds for those looking to allocate to the \$75B SpaceX IPO as these are the most liquid stocks in the market. The broader S&P 500 will likely struggle to move higher so long as this cohort of stocks sees outflows.

While the S&P 500 finished the week with a 0.65% gain, market breadth improved week-over-week and the equally weighted S&P 500 index rose 1.8%, evidence of how the 'top of the market' continued to weigh on the headline index. While we typically think of a broader market as a healthier market, if improved market breadth has to come at the expense of information technology stocks, then we might be set up for a frustrating summer with the headline

index struggling to find its footing and move higher. Signs of sector rotation were again evident early in the week with consumer staples, health care, and utilities performing best into mid-week. This more defensive, higher quality leadership profile has been typical in the late summer months during midterm election years, so that playbook could have just been implemented a bit earlier than usual. We also don't want to gloss over the fact that economically sensitive sectors such as consumer discretionary, financials, industrials, and materials posted gains on the week, with each of the latter three sectors rising between 1% and 3%.

Technical Levels Worth Watching As Bulls And Bears Battle It Out.

The From a technical perspective, after the S&P 500 ended the week at 7,431, we are focusing on the 20-day and 50-day moving averages for the index as guideposts to inform our view as to whether the next sizable move in the index will be higher or lower. The 20-day sits at 7,465 and the 50-day at 7,247 so a weekly close above 7,465 could be viewed as a breakout and draw in additional buyers, specifically trend followers, while a close below 7,247 or thereabouts could potentially usher in a visit to round-number resistance at 7,000 in relatively short order. The index could also be stuck between these moving averages as bulls and bears battle it out for control, and a period of consolidation in this range as the S&P 500 builds a base would likely be healthy. With sentiment and positioning reset after a period of elevated volatility and a 5% drawdown in the S&P 500 in recent weeks, we hope to see signs of basing/stabilization in the coming week(s).

Small Caps Rocket Higher, Benefit From Sector Rotation. The S&P Small Cap 600 index outpaced the S&P 500 by 4.3% on the week, the strongest relative showing for small caps since late March. Momentum propelling the



S&P 600 to record highs accelerated last week as the rotation into health care, consumer discretionary, and financials came at the expense of information technology stocks. The small cap benchmark's differentiated sector makeup proved beneficial early in the week as under-owned health care and consumer discretionary names caught a bid, but the index also participated in the late week tech rally, in essence, allowing small cap investors to have their cake and eat it too. From a technical perspective, it's hard to quibble with the strength in small caps as the S&P 600 broke out to new all-time highs last week, and the index still hasn't crossed into overbought territory yet. Market breadth looks notably better for small cap indices, an enduring trend on our radar from the March lows. Small caps remain a valuable diversifier within equity portfolios due to their higher betas and cyclical upside, which stands in contrast to U.S. large cap exposures currently dominated by secular growth and 'momentum' names tied to the AI buildout.

Bonds

Treasury Yields 'Sticky,' But Ultimately Follow Energy Prices Lower; 10-Yr. Auction Met With Solid Demand; Dispersion Within High Yield Credit Notable; The ECB Responds To Elevated Inflation Readings By Raising Rates, And Japan Is Expected To Follow Suit This Week; May CPI Comes In As Expected.

Treasury Yields 'Sticky' But Ultimately Follow Energy Prices Lower On The Week. The 10-year Treasury yield closed lower by 7 basis points on the week, with the bulk of that move occurring on Thursday as oil prices fell sharply amid hopes of thawing tensions in the Middle East. The 10-year Treasury yield ended the week at 4.47% and remains mired in a relatively tight trading range between 4.30% on the low side and 4.60% on the high side until further notice. The break higher in yields in mid-May that briefly took the 10-year yield to 4.66% is now a distant memory and appears to be nothing more than a false breakout, but the 10-year yield remains in an uptrend that began last October. A sustained move lower for energy prices would likely result in an upgrade of economic growth expectations, and as a result we see little near-term downside for yields/upside for prices of higher quality, longer duration bonds.

10-Yr. Treasury Auction Met With Solid Demand. The U.S. Treasury auctioned off \$39B of 10-year notes last Wednesday, and the offering was met by solid demand. Indirect bidders such as foreign central banks, institutional asset managers, and sovereign wealth funds stepped up in a big way, taking down 78% of the issue, compared to around 63% of last month's 10-year auction, while dealers inventoried around 9.5% of the offering, compared to between 10% and 12% in recent 10-year auctions. Buyers of the newly issued 10-year were likely feeling good about their purchase as yields fell as optimism returned surrounding a deal between the U.S. and Iran, but yields remain linked with news flow out of the Middle East and should talks falter and tensions again flare, the 10-year yield could quickly move back toward the high-end of the 10-year's multi-month trading range.

Equity Stress Puts Strain On Lowest Quality High Yield Credits.

Credit spreads on below investment grade bonds moved wider for the second consecutive week, briefly reaching levels last seen in April after bouncing off the late May low of 257-bps earlier this month. Improved risk appetite into the weekend allowed high yield bonds to rally into the weekend and option-adjusted spreads for the broader high yield index now sit at roughly 266-bps. The positive price action on Thursday was helpful, but if we isolate the lowest quality CCC-rated borrowers we can see that spreads have been rising consistently since the May lows. To that end we've seen CCC-rated bonds cheapen in 7 of the last 9 weeks, suggesting dispersion in underlying credit is rising with more fundamentally challenged bonds trading at lower prices thus far in June. The demand for higher yields in the lowest quality names appears to be at least partially led by the uptick in interest rates as cash-strapped companies are going to see less favorable refinancing opportunities with Treasury rates higher. The CCC-rated index ended last week with a yield-to-worst of 11.7%, over 400-bps above the broader high yield index at 7.1%, capturing just how much premium bond buyers are seeking in a higher rate environment, even with the U.S. economy on firm footing

ECB 'Blinks,' Tightens Monetary Policy In The Face Of Higher Energy Prices, And Japan Could Be Next.

The European Central Bank (ECB) concluded its meeting last Thursday and unanimously voted to hike its key deposit rate by 25-basis points to 2.25%, as was widely expected coming into the meeting. The ECB's sole mandate of price stability forced the central bank to act as the May preliminary reading on Eurozone Core CPI showed a 2.5% year over year rise, ahead of the 2.4% consensus estimate and the 2.2% reading from April, showing that inflation moved further away from the ECB's 2% target last month. ECB President Christine Lagarde remarked that the ECB has "more ground to cover," calling into question whether the central bank would be 'on pause' when it meets in July. Lagarde also stated that while the conflict in the Middle East is tamping down economic activity in the Eurozone, she was adamant that the Eurozone is not in an environment devoid of growth, and with the unemployment rate close to historical lows, this backdrop likely provides the ECB with a cushion to hike further, if necessary.

May CPI Comes In Largely As Expected. The most closely watched economic data release last week was the May Consumer Price Index (CPI) that came out prior to the market open on Wednesday. Headline CPI rose 0.5% month over month and 4.2% year over year, with both readings in-line with the consensus estimate. The more closely watched Core CPI readings rose 0.2% month over month and 2.9% year over year, with the month-over-year rise falling just below the 0.3% estimate and the year-over-year reading in line with expectations. While year over year core CPI of 2.9% remains well above the FOMC's stated 2% inflation target, the month over month core CPI reading rising just 0.2% likely did little to sway either 'moderates' or 'doves' on the FOMC to vote for a rate hike when the Committee meets this week. We expect a prolonged pause out of the FOMC as inflation doesn't appear to be running away to the upside, and the labor market likely isn't as strong as the May payrolls report would imply. This backdrop provides newly confirmed Chair Kevin Warsh with cover to 'wait and see' for the foreseeable future.

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