



Market analysis | June 1, 2026

At a glance

Markets stayed constructive, with lower oil prices easing inflation concerns, steady growth supporting earnings and bond yields remaining attractive. Elevated valuations still favor balanced positioning and diversification.

Number of the week

5.9%

The increase in consumer spending in April compared to a year earlier.

Term of the week

S&P Cotality Case-Shiller Home Price Index – Measures the value of single-family housing within the United States. The index is a composite of single-family home price indices for the nine U.S. Census divisions and is calculated monthly.

Consumer spending rose 5.9% from a year earlier in April, extending a four-month acceleration, while wage and salary income increased 3.6% over the same period. Despite higher energy costs, consumer spending still rose 2.1% net of inflation for the period. Weekly jobless claims remain low, and economists expect another month of payroll growth in the May employment report. That combination suggests the labor market is still healthy enough to support consumption, especially among middle- and higher-income households that have benefited from firmer financial markets.

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Global economy

Quick take: Economic activity remains resilient even as energy markets, inflation and policy uncertainty stay in focus. Consumers continue to spend, manufacturing is improving and the labor market remains supportive. Housing still lags. Lower oil prices offer near-term relief, but the Federal Reserve (Fed) will need evidence that inflation is moving down sustainably.

- **Energy remains the clearest channel through which geopolitics can affect growth and inflation.** About one-fifth of the world's oil supply usually moves through the Strait of Hormuz, so disruptions there can quickly raise fuel costs, pressure household budgets and complicate central bank decisions. Last week, Brent crude moved lower as markets focused on signs of negotiation progress between the United States and Iran. The global economy has so far proven resilient to higher oil prices, but inflation headwinds can gradually build the longer energy supplies remain constricted.
- **Household demand continues to support the expansion.** Consumer spending rose 5.9% from a year earlier in April, extending a four-month acceleration, while wage and salary income increased 3.6% over the same period. Despite higher energy costs, consumer spending still rose 2.1% net of inflation for the period. Weekly jobless claims remain low, and economists expect another month of payroll growth in the May employment report. That combination suggests the labor market is still healthy enough to support consumption, especially among middle- and higher-income households that have benefited from firmer financial markets. High borrowing costs still weigh on interest rate-sensitive purchases, but overall demand has held up better than many expected.
- **Housing activity remains slow.** Home prices have been mostly flat over the past year, according to the April S&P Cotality Case-Shiller Price Index, and new home sales and building permits slowed in April as mortgage rates stayed near 6.5%. Even so, many homeowners previously locked in lower rates and benefit from the past years of home price increases.
- **Manufacturing surveys improved** across China, Japan and several U.S. Federal Reserve districts, pointing to steadier factory activity and better capital spending trends. Some of that strength reflects investment tied to artificial intelligence, including spending on semiconductors, equipment, power and data infrastructure. Business confidence looks better than sentiment surveys suggest. The overall picture still points to slower but continuing growth rather than a broad contraction.

Equity markets

Quick take: Equity markets remain supported by strong earnings growth, steady economic activity and continued investment in artificial intelligence. Lower oil prices and rangebound Treasury yields also help. Valuations remain above long-term averages, so markets may pause after a strong run, but profit growth still supports a constructive medium-term outlook for stocks.

- **Global equity performance remains strong and reasonably broad.** Major global equity indexes have advanced between 9.7% and 25.7% year to date, led by emerging markets. Within the S&P 500, nine of the 11 sectors are positive for the year, and five have gained more than 10%. Energy and Information Technology continue to lead performance, but the rally is not limited to only a handful of companies. Breadth has improved enough to reinforce investor confidence in the market's foundation. Broad participation tends to make advances more durable, especially when investors can point to visible earnings growth instead of relying only on multiple expansion (higher valuations) to support returns.
- **Earnings remain the market's primary support.** Consensus estimates now call for roughly 23% growth in S&P 500 earnings for 2026 and another 16% for 2027. First quarter results reinforced that outlook. With nearly all companies reporting, revenue growth reached 11.5% compared to a year earlier, ahead of consensus 9.6% expectations, while earnings growth came in near 27.7%, more than double the pace analysts expected at the start of reporting season. Artificial intelligence remains a major driver, especially across semiconductors, memory, networking and cloud infrastructure. Investors view that spending as meaningful because it reflects real capital investment and rising revenue expectations rather than a purely speculative theme.
- **Positioning should stay constructive, but selective.** The S&P 500 trades near 22 times expected 2026 earnings and 19 times expected 2027 earnings, both above long-term averages but still below prior cycle peaks. Stable Treasury yields help absorb some valuation risk, and lower oil prices reduce concerns about inflation and margin pressure. Even so, markets already reflect a fair amount of good news. That backdrop favors staying invested while emphasizing quality balance sheets, durable cash flow and companies with clear earnings drivers. Investors can still participate in the upside, but a balanced mix of technology leaders, cyclical sectors and more defensive exposures may offer a better path through any near-term volatility or consolidation. That approach can help manage volatility without giving up longer-term upside participation.

Bond markets

Quick take: Fixed income benefited from lower Treasury yields last week as easing oil prices reduced inflation pressure. Yields remain attractive across many bond sectors, which supports income generation and diversification. The Federal Reserve is still cautious, and credit valuations remain rich, so investors should emphasize quality, balance and careful sector selection in portfolios.

- **Bonds gained last week because inflation fears eased at the margin.** Treasury yields moved lower as oil prices fell, extending a pattern that has linked sovereign bond markets to energy prices during the recent Middle East conflict. Broad bond exposures benefited from that change and yields across the Treasury curve still sit near levels that provide meaningful income for long-term investors. Today's starting yields already create a stronger return foundation than investors had through much of the previous decade.
- **The Federal Reserve still needs convincing evidence that inflation is moving down.** Recent comments from St. Louis Fed President Alberto Musalem and Fed Governor Lisa Cook showed that policymakers remain focused on inflation risk. Both suggested they expect rates to stay steady, and Cook said she would support higher rates if inflation failed to slow as expected. Markets currently price roughly even odds between one additional quarter-point hike in 2026 and no change at all. That leaves the policy path unsettled and keeps duration, or sensitivity to interest rates, useful but still exposed to inflation surprises. For investors, the message is straightforward: Lower oil prices help, but the Fed will want broader disinflation across services and other sticky categories before it grows more comfortable.
- **Income remains compelling, but valuation differences matter across sectors.** Treasury yields remain in the roughly 4.0% to 5.0% range depending on maturity. Corporate bonds offer extra yield, often called a spread, above Treasury bonds to compensate investors for credit risk, but those spreads remain near the low end of historical ranges. Investment-grade corporate bonds yield about 0.7% more than Treasuries, while high-yield corporates yield about 2.6% more. Municipal bonds also look attractive, particularly on a tax-equivalent basis for higher-income investors. Overall, fixed income still looks useful not only as a portfolio stabilizer, but also as a meaningful source of carry, which is the income investors earn by simply holding a bond over time.

Real assets

Quick take: Real assets pulled back last week as lower oil prices weighed on infrastructure and commodity indexes, but the asset class offers diversification benefits. Real estate, infrastructure and commodities respond differently to growth and inflation. That mix can help portfolios, especially when inflation trends and geopolitical risks remain uncertain across markets.

- **Real estate remains selective rather than uniformly strong.** Publicly traded real estate investment trusts (REITs) fell 1.0% last week after strong year-to-date gains. Healthcare REITs declined 4.0% during the week but are up 11.5% this year, while retail, industrial and data-center REITs have also delivered solid gains. Data centers still benefit from spending tied to artificial intelligence infrastructure, while retail and industrial properties depend more on consumer demand and business investment. Broad REIT exposures span a variety of unique property types, enhancing diversification benefits.
- **Infrastructure and commodities still reflect the inflation and growth backdrop in different ways.** Global infrastructure fell 1.2% last week, with lower oil prices weighing on energy infrastructure, and Utilities also slipped. Energy infrastructure, including many pipelines, usually earns fee-based revenue rather than taking direct commodity price risk, but market sentiment often still moves with oil. Broad commodity indexes fell 2.2% because Brent crude dropped 11.1%, more than offsetting gains in assets such as gold and copper. Gold often benefits when investors seek a store of value, while copper responds more to industrial demand, power-grid investment and data center construction.

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