PLAINSCAPITAL BANK

MARKET HIGHLIGHTS

Market Commentary
May 2026

By Andrew Cunningham, CFA, CMT, ChFC

Executive Summary

- Equity markets advanced despite volatility stemming from geopolitical tensions and shifting rate expectations.
- Strong earnings and sales revisions underpinned continued equity market resilience.
- Large-cap U.S. stocks led the performance, driven by capital concentration and growth trends.
- Global markets diverged, benefiting commodity exporters while challenging energy importers.
- Sector leadership favored energy, semiconductors, and infrastructure sectors.
- Revenue growth expectations imply sustained nominal economic expansion of nearly 6 percent.
- Interest rate risk increased as markets priced in fewer potential rate cuts.
- Geopolitical risks, especially oil supply disruptions, continue to influence inflation expectations.
- Market gains remain partially concentrated but are broadening across industries and companies.
- Valuation metrics and market structure do not yet signal a broad speculative bubble.
- Markets shifted from expectations of rate cuts to higher policy expectations.
- Federal Reserve policy reflects persistent inflation and resilient economic growth.
- Treasury yield increases are concentrated in the intermediate maturities.
- Limited short-end movement suggests fewer near-term concerns about policy tightening.
- Long-end stability indicates that long-term inflation expectations are contained.
- Credit spreads primarily respond to volatility and geopolitical uncertainty.
- Mortgage-backed security spreads widened amid rising market volatility.
- Credit risk remains manageable thanks to strong economic and earnings growth.
- Interest rate risk has become the primary driver of fixed income returns.
- Markets expect higher rates for longer, with a reduced likelihood of easing.

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Markets at a Glance:

Equity - TR (%)	1M	3M	YTD	1Y
NASDAQ COMPOSITE	7.2	17.9	15.0	39.8
RUSSELL 2000 INDEX	4.8	11.2	18.2	41.5
S&P 500 INDEX	5.0	9.7	10.4	28.6
MSCI EM	5.7	7.5	23.4	51.5
MSCI WORLD	4.4	6.7	9.9	27.0
MSCI AC ASIA PACIFIC	5.8	5.3	21.0	43.6
DOW JONES INDUS. AVG	3.2	3.9	6.1	21.7
S&P500 EQUAL WEIGHTED IX	2.9	1.7	8.9	19.0
MSCI WORLD x USA	3.1	-0.4	9.4	24.2
MSCI EAFE	3.3	-0.6	9.4	23.1
MSCI EM LATIN AMERICA	-4.2	-4.0	15.0	42.1
Sectors - TR (%)	**1M**	**3M**	**YTD**	**1Y**
Information Technology	10.4	26.9	19.9	50.8
Communications	4.5	10.9	11.3	43.5
Consumer Discretionary	3.7	8.6	4.5	16.4
Real Estate	2.7	2.7	12.4	13.4
Energy	0.5	2.1	27.9	42.7
Financials	-0.7	0.4	-5.7	2.5
Industrials	1.2	-1.2	12.9	23.4
Materials	-1.5	-4.7	12.3	18.8
Utilities	-2.3	-4.8	6.5	13.7
Consumer Staples	1.9	-5.1	10.4	6.7
Healthcare	3.9	-6.6	-3.3	14.8
Alternatives - TR (%)	**1M**	**3M**	**YTD**	**1Y**
BBG Galaxy Bitcoin Index	-2.5	14.2	-14.3	-31.8
ALERIAN MLP INDEX	4.9	5.4	22.0	24.9
FTSE NAREIT All Eq REITS	3.5	3.8	14.9	16.4
S&P LISTED PRIV EQUITY	-0.3	1.2	-10.7	-7.2
LS Managed Futures Index	0.7	-0.1	2.0	3.2

US Style Returns (%) - Russell Indices

1M

	Value	Core	Growth
Large	4.6	4.7	4.9
Mid	2.8	3.0	3.5
Small	3.2	4.8	6.3

YTD

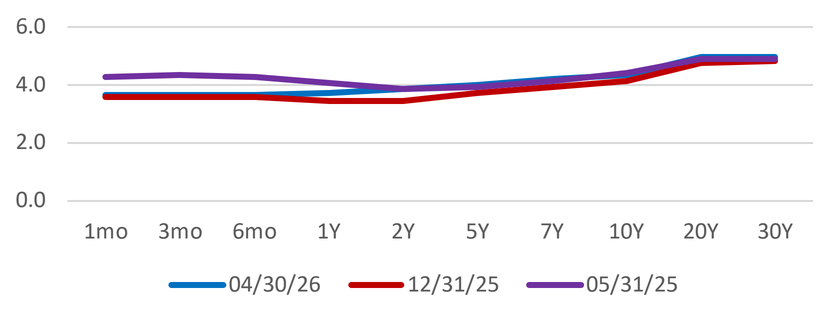
	Value	Core	Growth
Large	13.7	10.0	6.5
Mid	13.8	11.3	2.9
Small	18.8	18.2	17.6

US Factor Returns (%)	1M	3M	YTD	1Y
MSCI Value	19.2	29.9	43.3	85.3
MSCI Momentum	13.7	25.4	27.2	38.1
S&P 500 High Beta	8.8	18.8	25.2	64.9
MSCI Growth	5.7	15.7	9.2	31.6
MSCI Quality	4.4	5.6	8.7	24.8
MSCI Size	3.5	3.9	8.7	18.4
MSCI High Dividend Yield	3.9	-0.2	10.7	20.8

Commodities TR (%)	1M	3M	YTD	1Y
WTI Oil	-2.4	34.8	56.4	49.3
BBG Commodities Index	-1.7	10.8	22.9	32.3
Sugar	0.6	5.9	1.7	-10.5
Wheat	-1.3	3.8	17.0	2.1
Copper	4.1	3.5	9.3	27.5
Natural Gas	11.4	-0.8	-11.4	-25.6
Gold	-4.9	-15.7	3.1	34.9
Silver	-0.7	-20.2	4.5	115.1

Index Characteristics	FWD ERP	P/E TTM	P/S TTM	Div Yield
S&P 500	3.2%	27.6	3.6	1.1
MSCI EAFE	4.7%	18.4	1.8	2.9
MSCI EM	7.9%	18.6	2.1	2.3

US Treasury Yield Curve



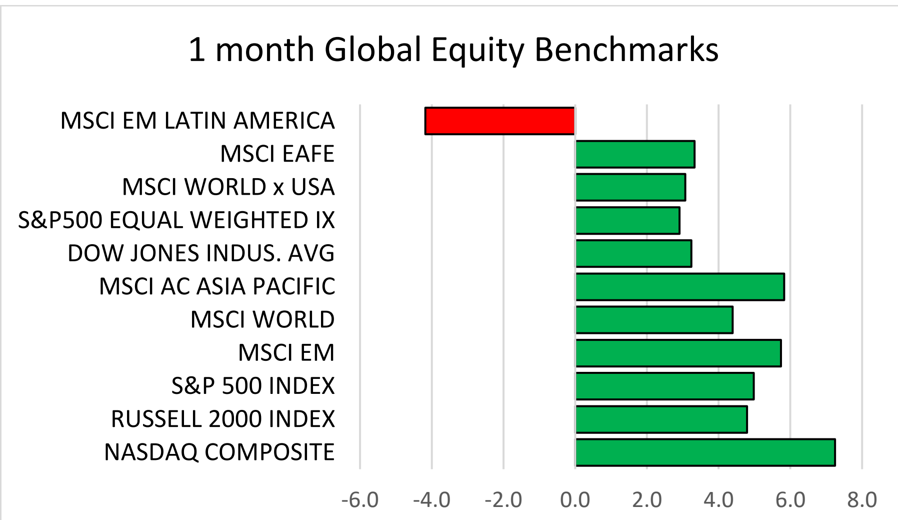
Fixed Income - TR (%)	1M	3M	YTD	1Y
U.S. Corporate High Yield	0.1	0.7	1.4	7.5
1-3 Yr	-0.1	-0.2	0.6	3.8
US Agg 1-7 Yrs.	-0.3	-0.9	0.2	4.3
Corporate	-0.1	-1.2	0.2	6.0
Municipal Bond Index	-0.5	-1.3	0.8	6.2
10 - 20 Yrs	-0.8	-2.8	-0.3	8.0

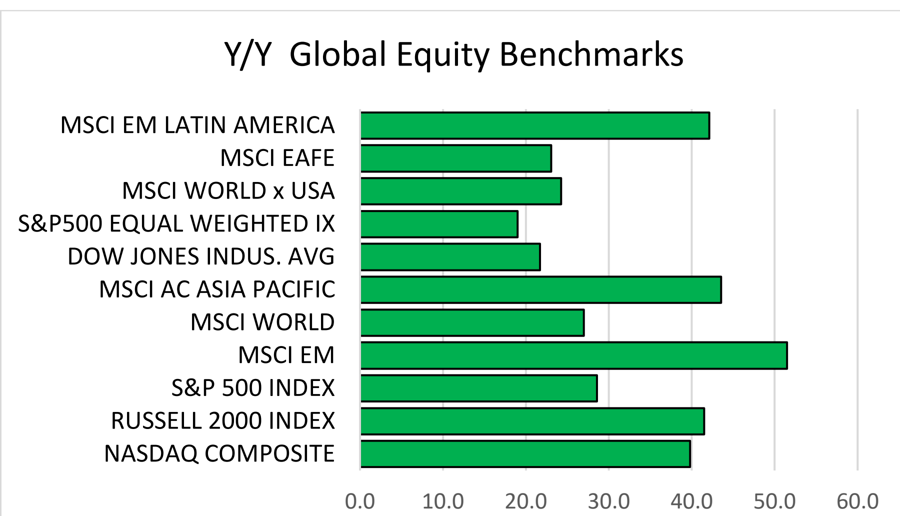
Interest Rates (%)	04/30/26	03/31/26	12/31/25	05/31/25
US Fed Funds Effective Rate	3.64	3.64	3.64	4.33
US Generic Govt 1 Mth	3.64	3.69	3.59	4.26
US Generic Govt 3 Mth	3.66	3.67	3.63	4.33
US Generic Govt 12 Mth	3.71	3.65	3.47	4.10
US Generic Govt 5 Yr	4.01	3.94	3.73	3.96
US Generic Govt 10 Yr	4.37	4.32	4.17	4.40
BBG Tax Muni AGG YW	5.28	5.21	5.09	5.46
BBG UA Corporate YW	5.14	5.14	4.81	5.21
BBG U.S. Corp HY YW	6.98	7.40	6.53	7.46

Data source: Bloomberg

US Equity Highlights

Equity markets advanced over the past month despite elevated volatility tied to geopolitical developments and shifting policy expectations. Large-cap U.S. stocks remained a central driver of performance, supported by strong capital flows and improving earnings estimates. At the same time, smaller companies and rate-sensitive sectors faced greater pressure from elevated financing costs. Global equity performance remained uneven, with commodity-exporting regions benefiting from higher energy prices and emerging markets gaining relative strength, while developed markets reliant on imported energy faced headwinds from inflation and deteriorating trade balances. Sector leadership reflected these conditions, with energy, industrials, and infrastructure-linked industries benefiting from supply constraints and capital investment trends. Commodity-exporting regions, especially in Emerging Markets, continue to lead y/y despite a setback in the month.

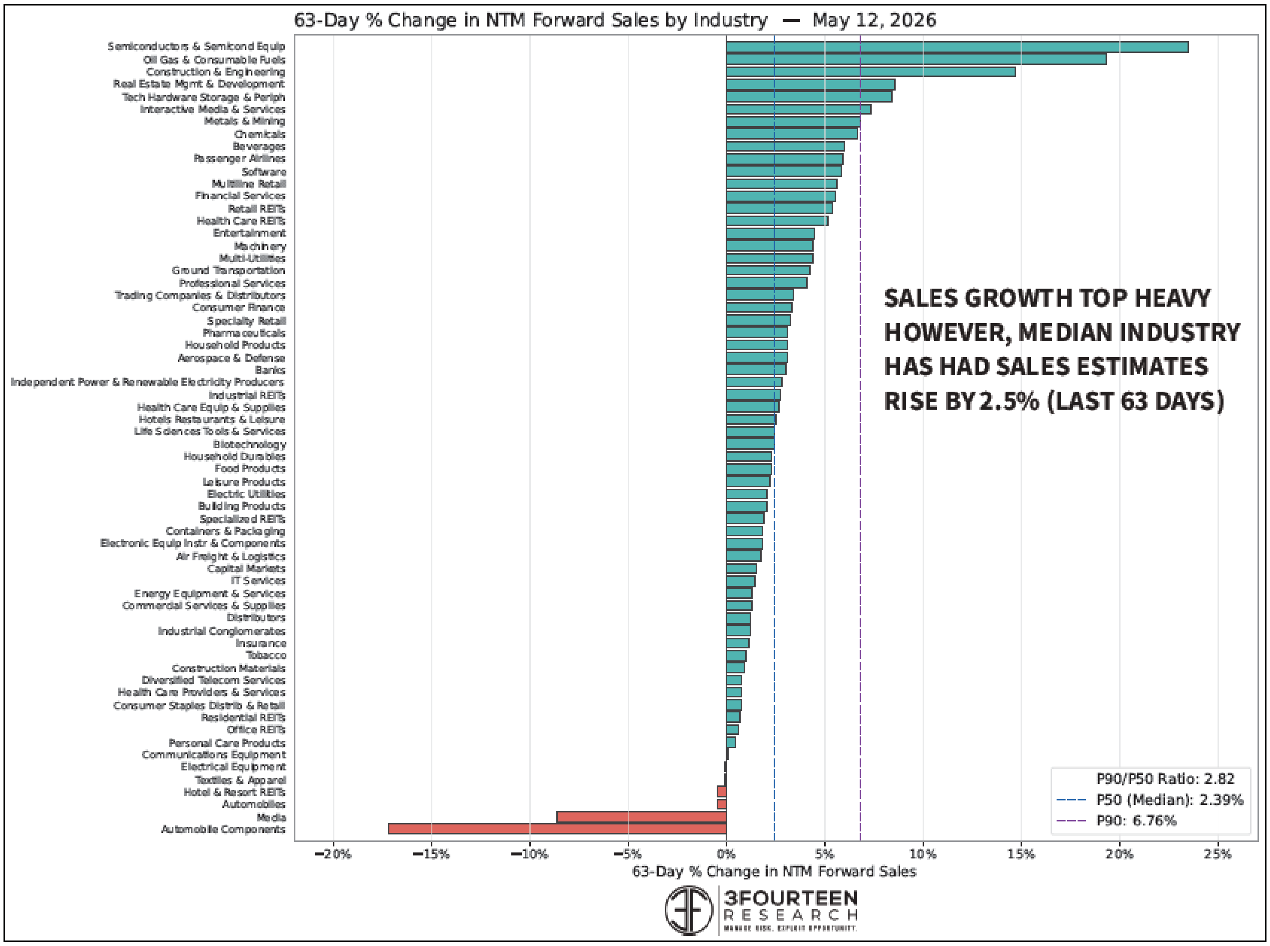




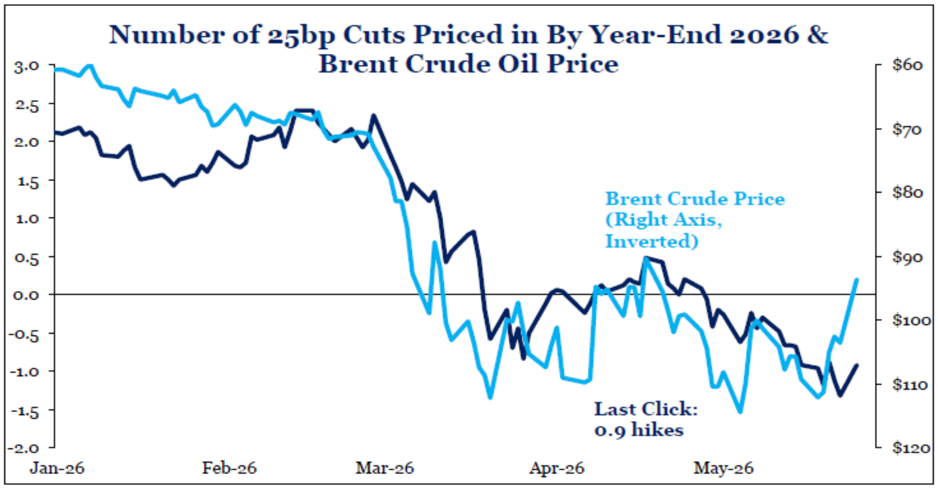
Critical points for the equity markets:

- Equity markets advanced despite volatility stemming from geopolitical tensions and shifting rate expectations.
- Strong earnings and sales revisions underpinned continued equity market resilience.
- Large-cap U.S. stocks led the performance, driven by capital concentration and growth trends.
- Global markets diverged, benefiting commodity exporters while challenging energy importers.
- Sector leadership favored energy, semiconductors, and infrastructure sectors.
- Revenue growth expectations imply sustained nominal economic expansion of nearly 6 percent.
- Interest rate risk increased as markets priced in fewer potential rate cuts.
- Geopolitical risks, especially oil supply disruptions, continue to influence inflation expectations.
- Market gains remain partially concentrated but are broadening across industries and companies.
- Valuation metrics and market structure do not yet signal a broad speculative bubble.

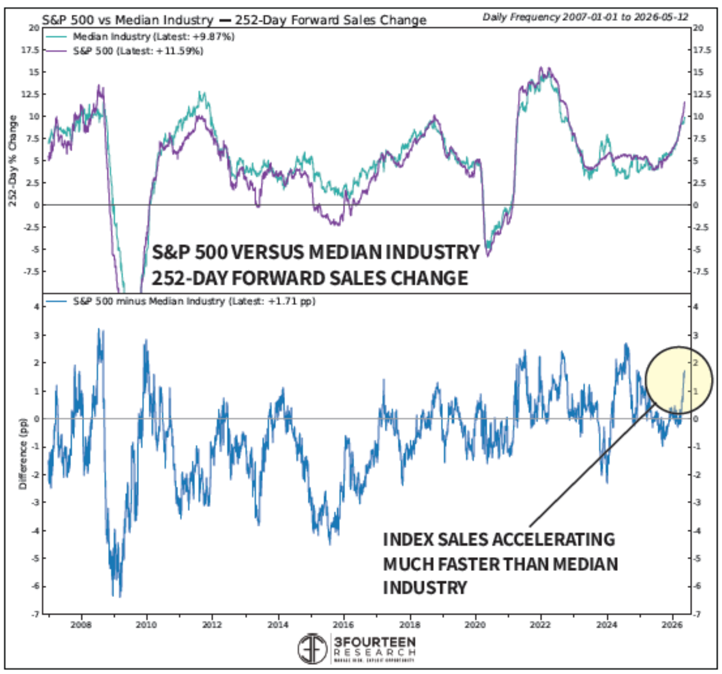
A defining feature of the current market environment has been the persistence of strong earnings and revenue expectations. Analysts have continued to revise estimates higher, with S&P 500 sales projections implying nearly 10 percent growth over the next year and close to 18 percent over a two-year horizon. This improvement has been supported by a broad, though uneven, expansion across industries, with semiconductors, energy, and construction-related sectors contributing disproportionately to aggregate growth. The underlying trend has reinforced equity performance, even as higher interest-rate expectations would traditionally act as a constraint.



At the same time, risks remain elevated and increasingly interconnected. Geopolitical tensions, particularly around the Strait of Hormuz, continue to influence energy prices, which in turn drive inflation expectations and central bank policy. Energy supply disruptions have broader economic effects, raising input costs across transportation, manufacturing, and agriculture and eroding consumer purchasing power and corporate margins. Inflation pressures are further reinforced by an expanding money supply and fiscal stimulus, suggesting that inflation may remain above prior targets even if oil prices decline. Interest rates remain a central risk factor. Stronger nominal growth expectations point to structurally higher bond yields, potentially tightening financial conditions and challenging traditional portfolio diversification.



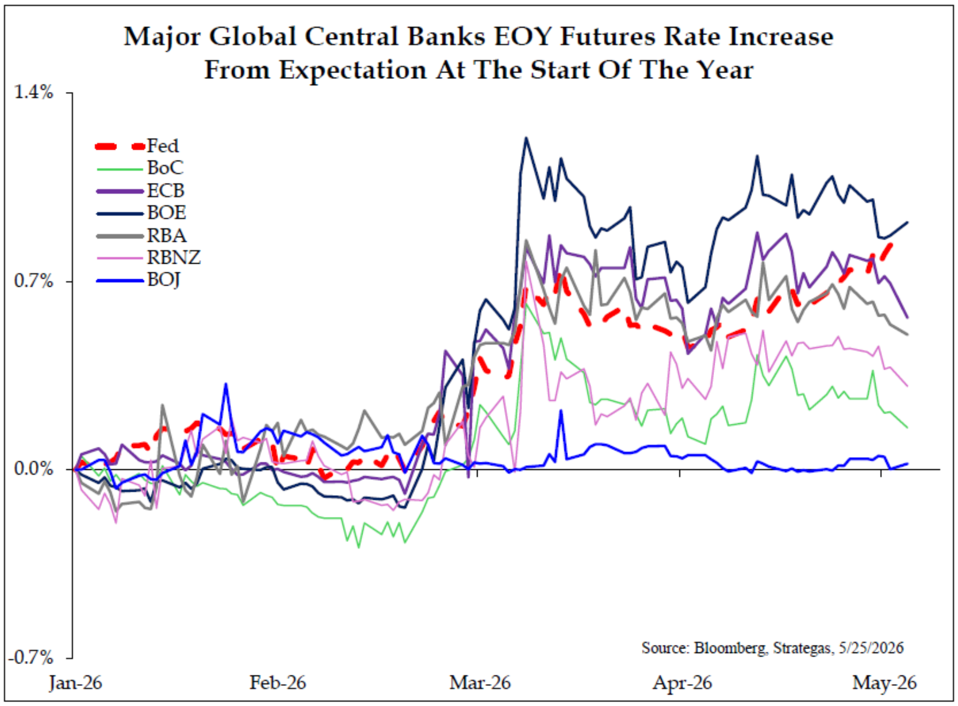
Another recurring theme is the concentration of market leadership alongside broader participation. While a subset of industries tied to artificial intelligence infrastructure and energy investment has driven outsized gains, the median company has also seen improving sales expectations, indicating that the expansion is not limited to a few firms. At the same time, valuation and price-based indicators do not yet suggest broad speculative excess, with signs of bubble-like behavior confined to a limited number of industries rather than the overall market.



Looking ahead, the outlook for equities remains closely tied to earnings durability, inflation trends, and interest rate dynamics. Strong revenue growth expectations, supported by ongoing investment in artificial intelligence infrastructure and fiscal support, provide a constructive backdrop for equities if realized. However, this outlook depends on the economy sustaining relatively strong nominal growth, which would likely keep interest rates elevated and create uneven sectoral conditions. Investor sentiment remains cautious rather than euphoric, suggesting that markets are not fully pricing in an optimistic outcome and may retain room to advance if fundamentals remain intact. At the same time, continued geopolitical uncertainty and inflation pressures could sustain periods of volatility.

US Fixed Income Highlights

Over the past month and year-to-date, fixed-income markets have been driven largely by a sharp shift in expectations about Federal Reserve policy, alongside persistent inflationary pressures and resilient economic activity. At the start of the year, markets broadly anticipated a series of rate cuts, but those expectations have reversed materially, particularly following energy market disruptions and geopolitical developments. Interest rate expectations for year-end have moved higher, with markets increasingly pricing in a prolonged pause or even modest rate hikes, reflecting the view that inflation may remain sticky rather than quickly returning to target levels.



This repricing has been most evident in the Treasury market, where yields have risen, especially in the intermediate part of the curve. Year-to-date increases have been concentrated in maturities from two to seven years, while short-term and long-term yields have risen more modestly. This suggests that investors are reassessing the medium-term inflation outlook and the trajectory of Federal Reserve policy, while remaining less concerned about near-term policy tightening or a runaway long-term inflation regime.

Critical points for the fixed-income markets:

- Markets shifted from expectations of rate cuts to higher policy expectations.
- Federal Reserve policy reflects persistent inflation and resilient economic growth.
- Treasury yield increases are concentrated in the intermediate maturities.
- Limited short-end movement suggests fewer near-term concerns about policy tightening.
- Long-end stability indicates that long-term inflation expectations are contained.
- Credit spreads primarily respond to volatility and geopolitical uncertainty.
- Mortgage-backed security spreads widened amid rising market volatility.
- Credit risk remains manageable thanks to strong economic and earnings growth.
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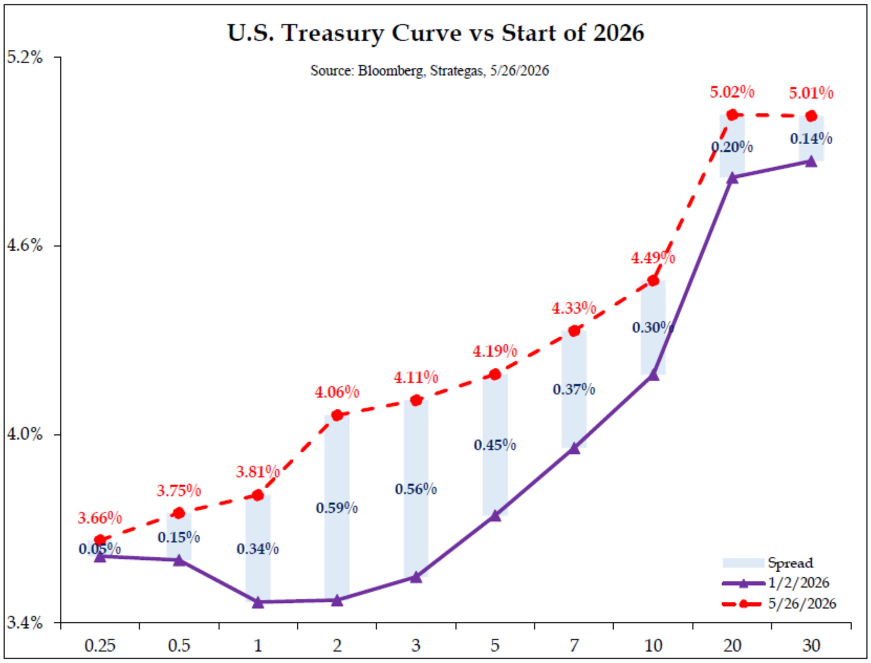

Credit and funding markets have reflected these dynamics through evolving spread behavior closely tied to volatility and macroeconomic uncertainty. Mortgage-backed securities spreads have widened during periods of heightened Treasury volatility, underscoring the sensitivity of spread sectors to shifts in risk sentiment. As geopolitical tensions have driven rate fluctuations and volatility, credit conditions have remained functional but increasingly dependent on stability in underlying rate movements. Should volatility subside, particularly with any easing of external shocks, there is evidence that spread sectors such as agency MBS could tighten again as liquidity and investor demand improve. Credit risk remains relatively contained, supported by ongoing economic resilience and strong corporate fundamentals, including robust earnings growth and revenue expansion aligned with broader nominal growth trends. At the same time, interest rate risk has re-emerged as a dominant driver of fixed income returns. Rising yields, particularly at the intermediate end of the curve, reflect a market environment in which inflation remains elevated and nominal growth exceeds earlier expectations.

The broader macro backdrop reinforces these trends. Strong nominal growth, supported by sustained inflation and solid economic activity, has pushed yields higher and lowered expectations for aggressive easing. Market-implied policy paths now assume that rates will remain near current levels for longer, with some probability of additional tightening depending on inflation outcomes. This shift has also been reflected in front-end rates, as short-term yields closely track evolving expectations for Federal Reserve decisions.

Looking ahead, fixed-income markets are increasingly shaped by a balance between resilient growth and persistent inflation. On the one hand, continued economic strength supports credit fundamentals and lowers the likelihood of widespread defaults. On the other hand, elevated inflation and uncertain energy dynamics put upward pressure on yields and create ongoing volatility in interest rates. Key risks remain centered on persistent inflation, geopolitical developments affecting energy markets, and potential further repricing of policy expectations. Overall, the environment points to a more complex and less directional fixed-income landscape, where policy uncertainty and macro resilience continue to shape outcomes across the asset class.

Sources: 3Fourteen Research, Strategas Research Partners, Bianco Research, Bloomberg, FRED, St. Louis Federal Reserve Bank

Asset Class Return Rank

Asset Class	2022	2023	2024	2025	2026	10Y Cumulative	10Y Annualized
Commodities	19.4	(6.2)	2.2	8.1	31.8	93.97	8.22
Emerging Market Stocks	(20.6)	9.0	6.5	34.1	25.2	107.91	9.15
US Large Cap Growth Stocks	(32.7)	55.0	25.6	20.8	18.9	235.55	20.74
US Small Cap Stocks	(20.5)	16.9	11.4	12.7	18.1	102.14	9.25
US Mid Cap Stocks	(17.5)	17.1	15.2	10.4	11.2	115.36	10.62
US REITs	(26.3)	11.8	4.8	3.3	10.8	68.26	5.36
US Large Cap Stocks	(19.2)	26.5	24.3	17.2	9.9	153.73	14.25
Developed International Stocks	(14.4)	18.5	3.5	31.6	9.1	100.86	9.07
Agriculture	2.5	7.7	33.5	(0.6)	7.6	55.02	4.81
Gold	(0.8)	12.7	26.7	63.9	3.1	155.09	14.09
Preferred Shares	(18.2)	9.2	7.2	4.9	2.9	40.59	3.64
US TIPS	(12.3)	3.8	1.7	6.8	1.4	27.80	2.59
Cash ($)	1.4	5.0	5.2	4.2	1.4	21.88	2.17
USD Emerging Market Bonds	(18.7)	10.6	5.5	13.9	1.4	36.30	3.13
US Corporate High Yield Bonds	(11.0)	11.6	8.0	8.6	1.4	44.94	4.26
US Corporate Investment Grade Bonds	(18.0)	9.4	0.9	7.9	0.4	30.45	2.60
US Agg Bond Market	(13.1)	5.7	1.4	7.1	0.2	19.41	1.75
International Agg Bond Market	(22.1)	5.6	(6.5)	10.0	0.0	1.20	(0.42)
20Y+ US Treasury	(31.3)	2.8	(8.1)	4.3	(0.7)	2.30	(0.73)
Bitcoin (Digital Assets)	(63.9)	153.7	122.5	(6.5)	(14.3)	1990.43	54.83

Highest Return	19.4	153.7	122.5	63.9	31.8	1990.43	54.83
Lowest Return	(63.9)	(6.2)	(8.1)	(6.5)	(14.3)	1.20	(0.73)
% Asset Classes Positive	15%	95%	90%	90%	90%	100%	88%