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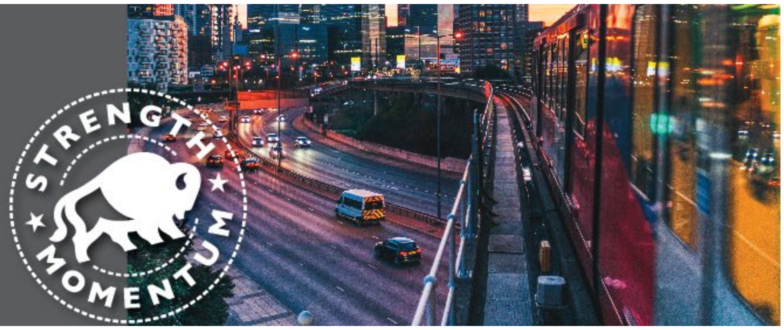
MARKET HIGHLIGHTS



Market Commentary
June 2026

By Andrew Cunningham, CFA, CMT, ChFC

Executive Summary

- Equity markets pulled back modestly after a strong, AI-led rally.
- Semiconductors corrected sharply but remain central to market leadership.
- Market breadth stayed supportive despite headline index volatility.
- Global equities participated, with emerging markets reaching new highs.
- Valuations appear stretched in semiconductors, not across the broader market.
- Earnings growth remains strong, signaling limited near-term recession risk.
- Interest rate expectations rose due to energy-driven inflation pressures.
- Geopolitical risks persist, especially around oil supply disruptions.
- The outlook remains constructive but dependent on stable rates and energy prices.
- Federal Reserve removed forward guidance and reduced policy communication.
- Markets increasingly price higher rates as the potential next policy move.
- Treasury yield increases remain concentrated in short and intermediate maturities.
- Most Treasury curve maturities appear cheap relative to model fair values.
- Two-year Treasuries offer attractive value with lower duration risk.
- Term premia declined alongside modestly lower inflation expectations.
- Investment-grade credit spreads show limited signs of stress.
- Corporate bond markets reflect confidence in economic resilience.
- Inflation expectations suggest persistence rather than a second inflation wave.

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Markets at a Glance:

Equity - TR (%)	1M	3M	YTD	1Y
MSCI EM	7.2	27.9	29.7	56.2
MSCI AC ASIA PACIFIC	6.5	25.3	26.9	49.3
RUSSELL 2000 INDEX	4.2	20.1	21.1	41.9
NASDAQ COMPOSITE	-2.1	17.7	11.3	32.2
MSCI WORLD	0.6	13.4	9.8	25.5
S&P 500 INDEX	-0.8	12.8	8.7	24.3
MSCI EAFE	2.0	12.6	10.8	26.1
DOW JONES INDUS. AVG	2.5	12.4	8.5	23.5
MSCI WORLD x USA	1.7	12.0	10.4	26.6
S&P500 EQUAL WEIGHTED IX	1.9	9.8	10.4	19.5
MSCI EM LATIN AMERICA	-1.6	1.3	11.7	38.8
Sectors - TR (%)	**1M**	**3M**	**YTD**	**1Y**
Information Technology	-0.3	26.9	18.0	41.8
Real Estate	0.6	10.5	12.8	10.7
Industrials	4.4	10.0	16.0	25.9
Financials	4.2	9.9	-0.8	7.7
Materials	2.0	7.8	12.7	18.9
Consumer Discretionary	-5.6	5.5	-3.2	8.6
Healthcare	1.6	5.2	-1.2	16.8
Communications	-8.3	4.1	0.3	27.3
Consumer Staples	-1.5	3.2	9.4	6.4
Utilities	0.0	1.3	7.0	14.1
Energy	-8.4	-9.1	22.0	29.5
Alternatives - TR (%)	**1M**	**3M**	**YTD**	**1Y**
FTSE NAREIT All Eq REITS	1.0	11.8	15.6	14.3
S&P LISTED PRIV EQUITY	-2.9	3.6	-14.2	-9.7
LS Managed Futures Index	0.6	3.4	2.3	3.7
ALERIAN MLP INDEX	-7.7	-1.9	16.5	19.8
BBG Galaxy Bitcoin Index	-17.5	-11.6	-28.5	-39.4

US Style Returns (%) - Russell Indices

1M

	Value	Core	Growth
Large	2.5	-0.5	-3.1
Mid	2.7	3.3	0.9
Small	3.5	4.2	4.8

YTD

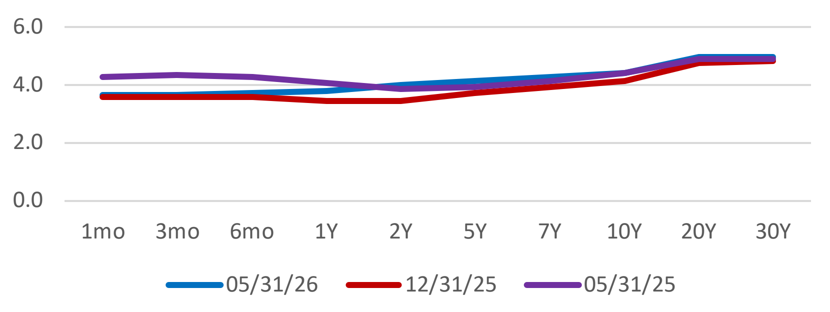
	Value	Core	Growth
Large	15.7	8.7	2.5
Mid	16.0	14.0	2.9
Small	21.2	21.1	20.9

US Factor Returns (%)	1M	3M	YTD	1Y
MSCI Momentum	14.1	44.6	40.5	50.6
MSCI Value	9.7	43.2	51.3	89.4
S&P 500 High Beta	10.7	33.5	34.8	70.1
MSCI Growth	0.2	18.7	8.8	28.9
MSCI Quality	0.3	11.5	8.5	23.9
MSCI Size	1.2	10.7	9.3	17.7
MSCI High Dividend Yield	-0.9	5.8	10.5	19.4

Commodities TR (%)	1M	3M	YTD	1Y
Copper	-3.5	11.4	6.4	22.1
Wheat	-8.5	-1.7	10.5	-6.0
Sugar	0.0	-2.2	4.8	-5.1
BBG Commodities Index	-10.3	-3.4	13.4	18.4
Natural Gas	5.3	-3.5	-13.3	-26.2
Gold	-9.7	-6.4	-4.5	22.5
WTI Oil	-21.4	-8.3	28.2	14.1
Silver	-19.0	-11.6	-14.0	62.8

Index Characteristics	FWD ERP	P/E TTM	P/S TTM	Div Yield
S&P 500	3.2%	27.5	3.6	1.2
MSCI EAFE	4.5%	18.6	1.8	2.9
MSCI EM	7.1%	19.6	2.2	2.2

US Treasury Yield Curve



Fixed Income - TR (%)	1M	3M	YTD	1Y
U.S. Corporate High Yield	0.7	2.3	1.8	6.7
Municipal Bond Index	1.7	1.8	2.0	6.9
10 - 20 Yrs	1.5	1.4	0.5	6.8
Corporate	0.8	1.3	0.5	5.0
1-3 Yr	0.2	0.4	0.6	3.3
US Agg 1-7 Yrs.	0.3	0.3	0.2	3.4

Interest Rates (%)	05/31/26	03/31/26	12/31/25	05/31/25
US Fed Funds Effective Rate	3.62	3.64	3.64	4.33
US Generic Govt 1 Mth	3.67	3.69	3.59	4.26
US Generic Govt 3 Mth	3.67	3.67	3.63	4.33
US Generic Govt 12 Mth	3.77	3.65	3.47	4.10
US Generic Govt 5 Yr	4.14	3.94	3.73	3.96
US Generic Govt 10 Yr	4.44	4.32	4.17	4.40
BBG Tax Muni AGG YW	5.31	5.21	5.09	5.46
BBG UA Corporate YW	5.13	5.14	4.81	5.21
BBG U.S. Corp HY YW	6.96	7.40	6.53	7.46

Data source: Bloomberg

US Equity Highlights

U.S. and global equities extended gains over the past month despite renewed volatility after a two-month rally. Major indexes pulled back, led by technology, with semiconductors down about twelve percent, NASDAQ down seven percent, and the S&P 500 down four to five percent at lows, while the equal-weight S&P declined nearly two percent. This divergence showed market leadership's focus on large-cap growth and AI stocks. Despite the pullback, broad trendlines remained intact; most indexes stayed above key long-term levels, and many stocks stayed above their 200-day averages. Global markets also participated, with emerging markets and parts of Asia reaching new highs, indicating ongoing international risk appetite. Although volatility persists, strength often begets strength. While markets undoubtedly face short- to medium-term risks, investors are historically compensated for a bullish stance even after a historic rally.

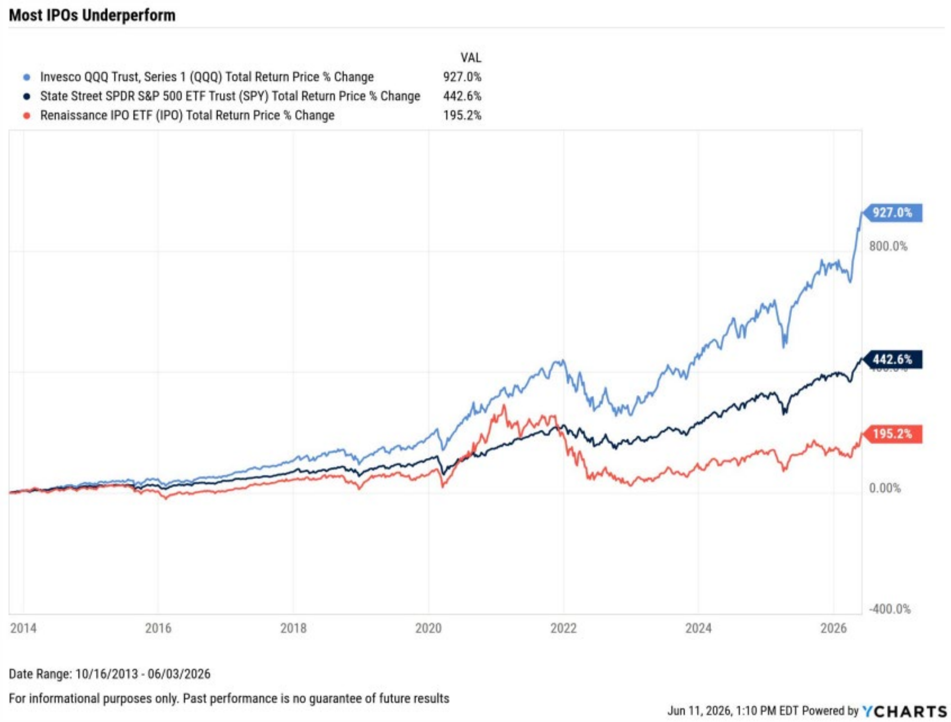
S&P 500 Index: Biggest 9-Week % Gains (January 1950 - May 2026)

20 Biggest Rallies						S&P 500 Forward Total Returns						
Rank	Start	End	Start S&P	End S&P	9-Week Return	3-Month	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
1	3/6/2009	5/8/2009	683	929	36.0%	9%	16%	22%	50%	57%	89%	102%
2	8/13/1982	10/15/1982	104	134	28.6%	11%	22%	33%	35%	58%	109%	133%
3	4/3/2020	6/5/2020	2489	3194	28.3%	8%	17%	35%	33%	41%	76%	85%
4	3/20/2020	5/22/2020	2305	2955	28.2%	15%	21%	43%	36%	49%	91%	102%
5	8/6/1982	10/8/1982	104	131	26.4%	12%	19%	36%	36%	60%	112%	150%
6	12/20/1974	2/21/1975	67	83	23.5%	10%	2%	24%	22%	6%	19%	40%
7	8/20/1982	10/22/1982	113	139	22.8%	5%	18%	25%	33%	54%	104%	104%
8	12/27/1974	2/28/1975	67	82	21.5%	12%	6%	22%	22%	8%	20%	41%
9	12/13/1974	2/14/1975	67	82	21.5%	11%	6%	22%	23%	11%	20%	45%
10	4/11/1997	6/13/1997	738	893	21.1%	4%	8%	25%	49%	70%	49%	15%
11	12/6/1974	2/7/1975	65	79	21.0%	15%	9%	26%	30%	14%	27%	46%
12	3/27/2020	5/29/2020	2541	3044	19.8%	16%	21%	40%	41%	45%	85%	91%
13	2/27/2009	5/1/2009	735	878	19.4%	13%	19%	38%	62%	70%	96%	112%
14	1/3/1975	3/7/1975	71	84	19.2%	10%	2%	18%	20%	4%	15%	35%
15	9/21/2001	11/23/2001	966	1150	19.1%	-5%	-5%	-18%	-7%	7%	16%	22%
16	**3/27/2026**	**5/29/2026**	**6369**	**7580**	**19.0%**							
17	7/10/2009	9/11/2009	879	1043	18.6%	7%	11%	9%	15%	47%	73%	93%
18	1/11/1991	3/15/1991	315	374	18.5%	3%	4%	12%	28%	36%	47%	70%
19	10/9/1998	12/11/1998	984	1166	18.5%	11%	12%	23%	20%	3%	-18%	-9%
20	4/4/2025	6/6/2025	5074	6000	18.3%	8%	15%					
Historical Average (Top 20 Rallies)						**9.2%**	**12%**	**24%**	**30%**	**36%**	**57%**	**71%**
Average: All Other Periods						2.6%	5%	11%	23%	35%	50%	52%
Differential						**6.6%**	**6%**	**13%**	**8%**	**0%**	**8%**	**19%**

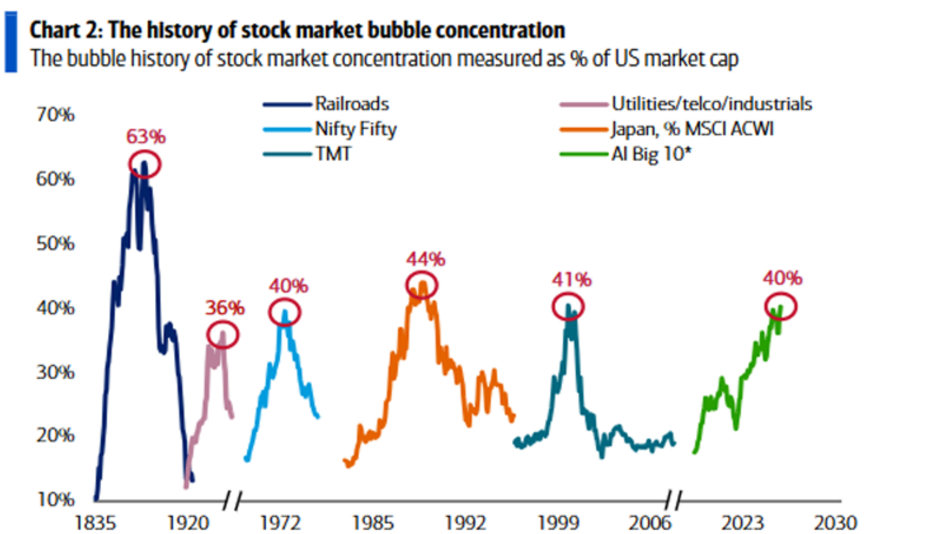
At a $1.75T valuation, SpaceX became the 7th-largest US company, trading at over 90X revenue. Since its June 12th IPO, the stock has surged 40%, adding over a trillion to market cap and, by mid-June, overtaking Amazon and Broadcom to become the 5th-largest company by market cap. However, the meteoric rise then reversed, with the share price dropping from over $200 to under $150, a 27% decline. In comparison, the Renaissance IPO ETF, which tracks IPO activity, has been in a drawdown since 2021, while the NASDAQ 100 and S&P 500 have hit new all-time highs. Since 1980, the 3-year annualized return on IPOs has averaged just 6%, about half the total return of the US stock market index. This underscores the importance of asset allocation, following the best trends in style and sector leadership, and being less concerned with the most hyped individual securities.

Critical points for the equity markets:

- Equity markets pulled back modestly after a strong, AI-led rally.
- Semiconductors corrected sharply but remain central to market leadership.
- Market breadth stayed supportive despite headline index volatility.
- Global equities participated, with emerging markets reaching new highs.
- Valuations appear stretched in semiconductors, not across the broader market.
- Earnings growth remains strong, signaling limited near-term recession risk.
- Interest rate expectations rose due to energy-driven inflation pressures.
- Geopolitical risks persist, especially around oil supply disruptions.
- The outlook remains constructive but dependent on stable rates and energy prices.



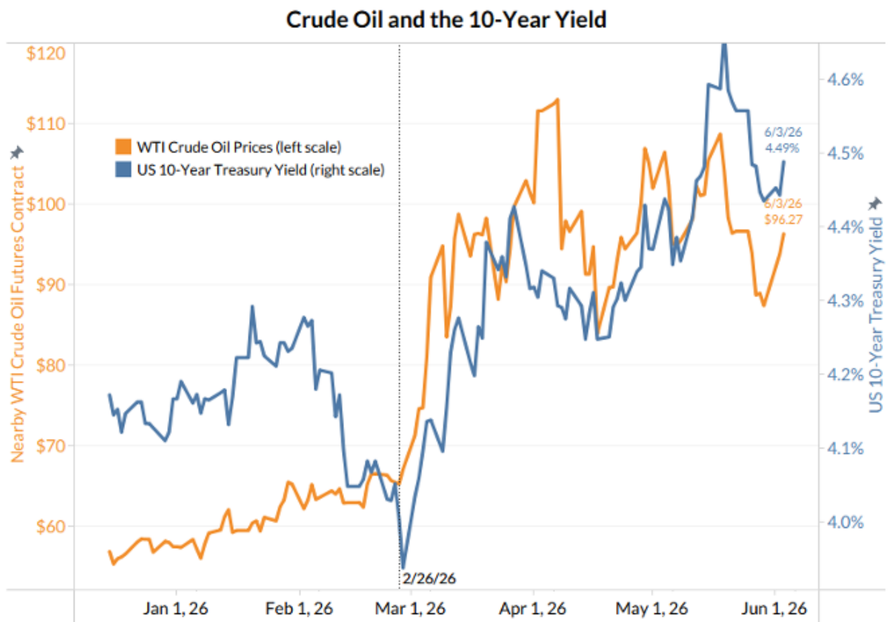
Sector leadership focused on technology, AI infrastructure, semiconductors, industrials, and homebuilders, with value stocks outperforming growth. Semiconductors remained key due to their role in AI and index contribution. Despite valuation concerns and volatility, historical data show that such pullbacks often occur within long secular trends. Market breadth improved slightly, but internal signals lagged behind index levels. This is the technology sector's largest outperformance in history, accounting for nearly 40% of the S&P 500's market cap.



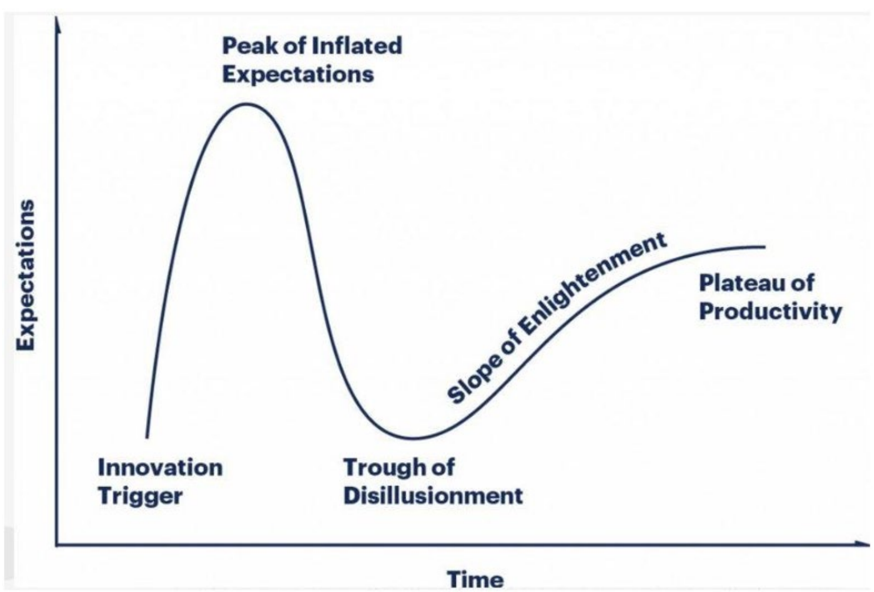
Source: BofA Global Investment Strategy, GFD Finaeon, Bloomberg. Note: Japan is measured as % of MSCI ACWI, all others as % of US stock market. *"AI Big 10" = Magnificent 7 + Broadcom, AMD, Micron.

BofA GLOBAL RESEARCH

Current risks revolve around market concentration, monetary policy, and geopolitics. Market concentration, with a small AI-related sector now dominating index gains, heightens sensitivity to sector reversals. Monetary policy risks are rising as inflation pressures from energy markets are driving up interest rate expectations, shifting from rate cuts to hikes and potentially challenging equity valuations. Geopolitical risks include energy supply uncertainties and depleted oil inventories, amid hopes of a quick resolution.



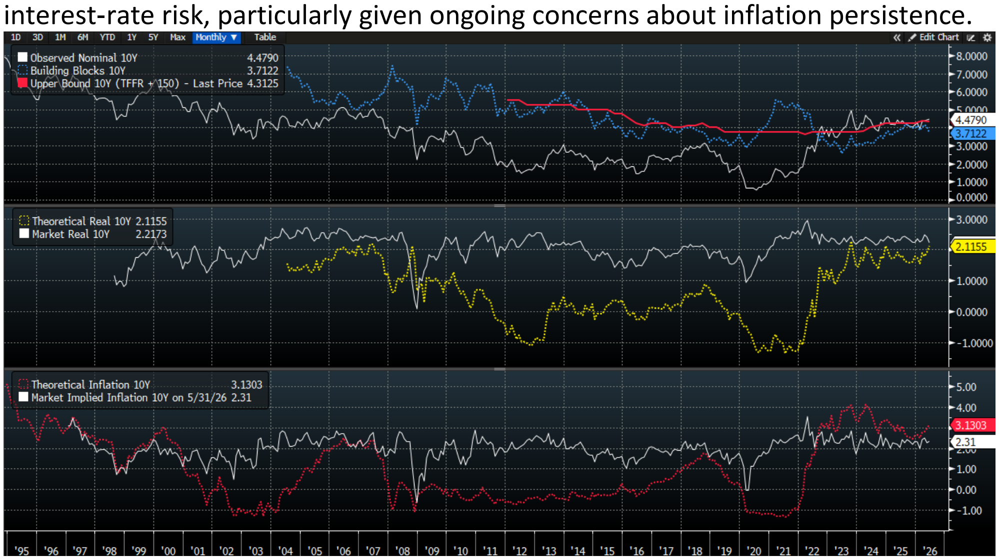
Looking ahead, equities remain supported by strong earnings and revenue growth, especially from AI-related investments. Analysts expect solid profit increases, and recent earnings suggest limited short-term recession risk. GPU supply data shows some easing but stays historically tight for high-performance models, indicating strong demand. Investor sentiment is cautious but not at levels typical for market peaks, and volatility is contained. Valuations may worry some, but as long as earnings meet expectations, no major market decline is imminent. The bulls see room for earnings growth; bears think expectations have peaked. While eventual risks exist, current evidence suggests we are still on an upward trajectory rather than hitting the apex of expectations.



US Fixed Income Highlights

Over the past month and year to date, fixed-income markets have been shaped by a meaningful shift in Federal Reserve communication, persistent inflation pressures, and evolving risk dynamics across rates and credit. At its June meeting, the Federal Reserve held the policy rate steady but signaled a notable change in approach under new leadership. Forward guidance was largely removed, policy statements were shortened, and the chair declined to publish an individual rate forecast. This shift toward “less talking and more data dependence” has increased uncertainty about the policy path, even as official projections show a growing number of policymakers viewing higher rates, rather than cuts, as the next potential move. Inflation remains elevated relative to the Fed’s target, supported in part by energy-related supply shocks, reinforcing the sense that policy will remain restrictive for longer.

Treasury markets have reflected this backdrop through higher yields, particularly in the front and intermediate segments of the curve. Year to date, two-year yields have risen roughly twice as much as ten-year yields, leaving increases concentrated in the belly of the curve. Model-based analysis suggests that most of the Treasury curve is trading at cheap to fair value, with two-, seven-, and twenty-year maturities standing out as the most undervalued. On a duration-adjusted basis, however, shorter maturities offer a more attractive balance between yield and interest-rate risk, particularly given ongoing concerns about inflation persistence.

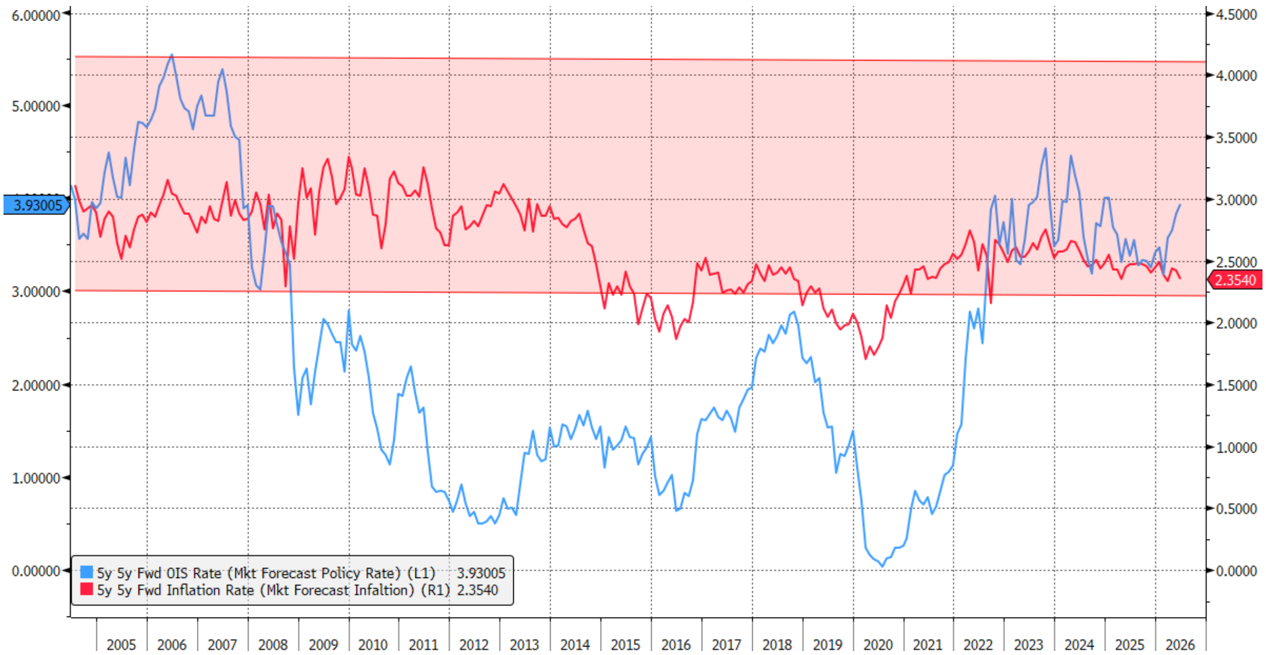


Changes in term premia have also been notable. Over the past several weeks, the term premium curve shifted largely lower in parallel, consistent with a modest decline in both short- and long-run inflation expectations. Longer-dated maturities remain more sensitive to inflation volatility and Treasury supply, while shorter maturities continue to respond more directly to policy expectations. This dynamic underscores why the front end remains closely watched as markets reassess how long restrictive policy may persist.

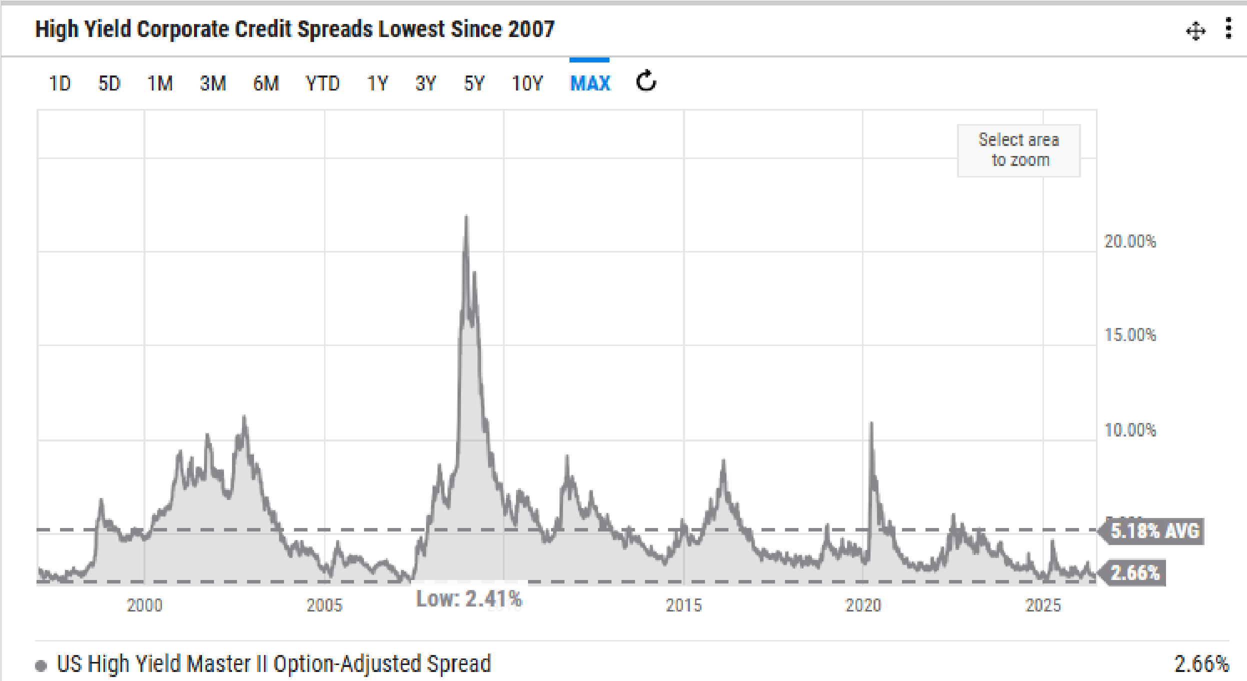
Critical points for the fixed-income markets:

- Federal Reserve removed forward guidance and reduced policy communication.
- Markets increasingly price higher rates as the potential next policy move.
- Treasury yield increases remain concentrated in short and intermediate maturities.
- Most Treasury curve maturities appear cheap relative to model fair values.
- Two-year Treasuries offer attractive value with lower duration risk.
- Term premia declined alongside modestly lower inflation expectations.
- Investment-grade credit spreads show limited signs of stress.
- Corporate bond markets reflect confidence in economic resilience.
- Inflation expectations suggest persistence rather than a second inflation wave.

Credit and funding markets have stayed relatively calm despite volatility in other asset classes. Investment-grade corporate bond spreads have shown limited dispersion, reaching some of the lowest levels since late last year. This stability suggests that investors remain confident in corporate balance sheets and the economy's ability to absorb higher energy costs. Forward inflation rates have remained anchored, and the market appears to price in higher inflation than in the previous decade over the next few years, without being overly concerned about a second inflationary surge. Most of the recent movement in interest rates has been in short-term rates, reflecting a market recalibration of expectations for interest rate policy.



From a risk perspective, credit risk remains contained, supported by steady economic growth and limited signs of financial stress. Interest-rate risk, however, continues to dominate fixed-income performance, especially for longer-duration assets. Historical comparisons following prior oil shocks suggest a wide range of possible outcomes, with market performance hinging on whether energy disruptions prove temporary or prolonged.



Looking ahead, the fixed-income outlook balances several competing forces. Persistent inflation and reduced policy transparency argue for caution on duration, while stable credit conditions and selective value along the curve create opportunities for income-oriented investors. The path of energy prices and the Fed's evolving framework will remain key drivers, shaping whether yields stabilize near current levels or move higher as markets continue to adjust to a higher-for-longer rate environment.

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

Asset Class	2022	2023	2024	2025	2026	10Y Cumulative	10Y Annualized
Emerging Market Stocks	(20.6)	9.0	6.5	34.1	24.4	107.10	9.08
Commodities	19.4	(6.2)	2.2	8.1	21.3	83.51	7.32
US Small Cap Stocks	(20.5)	16.9	11.4	12.7	20.7	104.75	9.48
US Large Cap Growth Stocks	(32.7)	55.0	25.6	20.8	17.4	234.01	20.58
US Mid Cap Stocks	(17.5)	17.1	15.2	10.4	12.7	116.92	10.77
US REITs	(26.3)	11.8	4.8	3.3	11.4	68.78	5.41
Developed International Stocks	(14.4)	18.5	3.5	31.6	8.7	100.40	9.02
US Large Cap Stocks	(19.2)	26.5	24.3	17.2	8.5	152.33	14.10
Agriculture	2.5	7.7	33.5	(0.6)	4.4	51.84	4.50
USD Emerging Market Bonds	(18.7)	10.6	5.5	13.9	2.3	37.19	3.22
Cash ($)	1.4	5.0	5.2	4.2	1.7	22.14	2.20
US Corporate High Yield Bonds	(11.0)	11.6	8.0	8.6	1.6	45.16	4.28
Preferred Shares	(18.2)	9.2	7.2	4.9	1.6	39.19	3.50
20Y+ US Treasury	(31.3)	2.8	(8.1)	4.3	0.9	3.82	(0.58)
US TIPS	(12.3)	3.8	1.7	6.8	0.8	27.20	2.53
US Corporate Investment Grade Bonds	(18.0)	9.4	0.9	7.9	0.8	30.83	2.64
US Agg Bond Market	(13.1)	5.7	1.4	7.1	0.5	19.71	1.78
International Agg Bond Market	(22.1)	5.6	(6.5)	10.0	(1.7)	(0.51)	(0.59)
Gold	(0.8)	12.7	26.7	63.9	(4.5)	147.52	13.22
Bitcoin (Digital Assets)	(63.9)	153.7	122.5	(6.5)	(28.5)	1976.24	52.06

Highest Return	19.4	153.7	122.5	63.9	24.4	1976.24	52.06
Lowest Return	(63.9)	(6.2)	(8.1)	(6.5)	(28.5)	(0.51)	(0.59)
% Asset Classes Positive	15%	95%	90%	90%	85%	94%	88%