

June 2026

## MONTHLY MARKET INSIGHTS

### **Key takeaways:**

- Equity markets extended their advance in May, with the S&P 500 returning 5.15% and the Russell 2000 gaining 4.27%,<sup>1</sup> though leadership has narrowed substantially, with just 28% of S&P 500 constituents outperforming the index over the previous thirty sessions.<sup>2</sup>
- The IPO calendar has reopened with SpaceX's filing at a target valuation of at least \$1.8 trillion,<sup>3</sup> followed by OpenAI and Anthropic's confidential filings, collectively offering public-market investors the first direct opportunity to participate in the monetization layer of frontier artificial intelligence.<sup>4</sup>
- The Iran conflict remained unresolved through May. There is still minimal commercial traffic through the Strait of Hormuz, and crude prices are elevated but range-bound, as demand destruction has offset supply pressure and inventories have been drawn to historic lows.

**M**ay extended April's rebound, as most major developed-market indices posted further gains. The S&P 500 returned 5.15% while the small-cap Russell 2000 advanced 4.27%. Internationally, European and Japanese equities rose, and emerging markets gained with particular support from Asian semiconductor manufacturers.<sup>5</sup> Underneath the surface, breadth has narrowed substantially, and just 28% of S&P 500 constituents have outperformed the index over the trailing thirty sessions, while 67% of returns have come from only ten companies since the end of March. May's gains rest on an increasingly narrow base but are underpinned by current earnings results. First quarter reporting season is tracking as the strongest in the post-pandemic era and has done so against an elevated bar: First quarter S&P 500 earnings growth is running at approximately +25.1% year-over-year, against consensus of +13% entering the quarter.<sup>6</sup> The magnitude of the beat suggests fundamental momentum may be building.<sup>7</sup>

Narrow leadership and a strong earnings base appear closely linked to a single phenomenon: the artificial intelligence capital-expenditure cycle. Earlier this year, indiscriminate repricing swept names across software, logistics, financial services, and commercial real estate on the premise that AI represented a zero-sum displacement of incumbent business models. Over the past two months, the market narrative has become more constructive. Investors increasingly see AI as a once-in-a-generation supercycle that will drive growth and productivity gains across the economy.<sup>8</sup> We are sympathetic to this reframing but would caution against inferring its durability from price action alone. The displacement thesis has receded for now, but a reversion in sentiment remains a key risk in part because the advance is so concentrated. Market leadership has narrowed, primarily concentrating in the AI infrastructure and semiconductor complex. Micron eclipsed the \$1 trillion

1. Bloomberg.

2. Rubner, Scott. "Global Roadshow Insights." Citadel Securities, Global Market Intelligence series, 28 May 2026, <https://www.citadelsecurities.com/news-and-insights/global-roadshow-insights/>

3. Porter, Kiel, and Ed Ludlow. "SpaceX Said to Cut IPO Valuation Goal to at Least \$1.8 Trillion." Bloomberg News, 28 May 2026, Bloomberg Terminal.

4. Isaac, Mike. "Anthropic Files I.P.O. Paperwork." The New York Times, 1 June 2026, [www.nytimes.com/2026/06/01/technology/anthropic-ipo.html](http://www.nytimes.com/2026/06/01/technology/anthropic-ipo.html).

5. Bloomberg.

6. Rubner, Scott. "Flow Fragility." Citadel Securities, Global Market Intelligence series, 19 May 2026, [www.citadelsecurities.com/news-and-insights/flow-fragility/](http://www.citadelsecurities.com/news-and-insights/flow-fragility/).

7. Id.

8. Shah, Nohshad. "More Growth, More Inflation...but Uneven Consequences." Citadel Securities, Some Macro Thoughts series, 9 May 2026, [www.citadelsecurities.com/news-and-insights/more-growth-more-inflationbut-uneven-consequences/](http://www.citadelsecurities.com/news-and-insights/more-growth-more-inflationbut-uneven-consequences/).

market capitalization threshold during a month of exceptional gains, while other AI names like Samsung, SK Hynix, AMD, TSMC, Intel, Dell, and SanDisk also experienced surging price action.<sup>9</sup>

Against this backdrop, the IPO market appears to be reopening. SpaceX filed its registration on May 20th and is reportedly targeting a valuation of at least \$1.8 trillion, which would be the largest IPO by valuation in history. The filing is notable for the framing of the opportunity set and its attempt to focus on the AI theme, despite the lion's share of the company's existing revenues coming from its space launch and Starlink communication businesses. In the S-1, SpaceX points to a total addressable market of \$28.5 trillion, of which \$22.7 trillion is derived from enterprise AI applications. OpenAI and Anthropic have both filed with the SEC in anticipation of an IPO and are expected to follow shortly after. Both would represent the first opportunity for public-market investors to participate directly in the monetization of frontier models, rather than the infrastructure layer that has driven returns to date.

Monetary and fiscal policy have contributed to the demand for risk assets to date, but also threaten to impair the inflation outlook. Following three years of contraction, the Federal Reserve's balance sheet began expanding in December, which has coincided with accelerated deposits growth of approximately \$760 billion over the subsequent five months, concentrated at the largest institutions.<sup>10</sup> Fiscal policy has reinforced this dynamic, with tariff refunds of roughly \$23 billion disbursed during May, which function as incremental stimulus.<sup>11</sup>

This liquidity and growth backdrop has revived concern over a reacceleration in inflation, and the bond market began to take notice this month as sovereign yields moved meaningfully higher across the term structure. US 2-year yields breached 4% for the first time in fifteen months, while the 30-year reached 5.12% intramonth, its highest since 2007, before receding back below 5%.<sup>12</sup> A higher discount rate tends to compress the present value of long-duration, high-multiple constituents of the AI infrastructure complex and even as the valuation premium extends on real earnings growth, it can cause the margin of error to compress. Expanding liquidity and rising long-term yields are uneasy companions, and the tension between them can be a latent source of volatility.

Against this backdrop, Kevin Warsh was confirmed as the 17th Chairman of the Federal Reserve in a closely contested Senate vote of 54-45, largely along party lines.<sup>13</sup> He inherits a committee with well-documented divisions; the April meeting produced the most dissents in over three decades, and the minutes released in May underscored this fragmentation.<sup>14</sup> Chairman Warsh has signaled an intention to reform the institution's current processes, with emphasis on communication, forecasting, and a diminished Federal Reserve footprint in open-market operations.<sup>15</sup> Whether he can pursue these initiatives is an open question, constrained by parts of the committee reluctant to ease rates further and Jerome Powell's continued presence on the Board of Governors. This friction has the potential to reignite tension between the Federal Reserve and the administration.

Geopolitical headlines remained front and center throughout the month although market participants were not deterred by the lack of a US/Iran deal that would reopen the Strait. The status quo largely persisted throughout May, as diplomatic jockeying fell short of producing a lasting breakthrough and intermittent kinetic action stopped short of material escalation. Commercial traffic through the Strait of Hormuz remains minimal. Crude prices have stayed elevated but range-bound since hostilities began. On the demand side, higher prices have

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9. Bloomberg.

10. Clifton, Dan. "Policy Outlook." Strategas Research Partners, 26 May 2026, [www.strategasrp.com](http://www.strategasrp.com).

11. Clifton, Dan. "Policy Outlook." Strategas Research Partners, 1 June 2026, [www.strategasrp.com](http://www.strategasrp.com).

12. Bloomberg.

13. Guida, Victoria. "Kevin Warsh Confirmed as Fed Chair, Ushering in New Era for Central Bank." Politico, 13 May 2026, [www.politico.com/news/2026/05/13/kevin-warsh-fed-chair-powell-trump-senate-00918837](http://www.politico.com/news/2026/05/13/kevin-warsh-fed-chair-powell-trump-senate-00918837).

14. Federal Open Market Committee. Minutes of the Federal Open Market Committee, April 28–29, 2026. Board of Governors of the Federal Reserve System, released 20 May 2026, [www.federalreserve.gov/monetarypolicy/fomcminutes20260429.htm](http://www.federalreserve.gov/monetarypolicy/fomcminutes20260429.htm).

15. Timiraos, Nick. "Kevin Warsh's Plan to Remake the Federal Reserve." The Wall Street Journal, 21 May 2026, [www.wsj.com/economy/central-banking/kevin-warsh-remake-federal-reserve-6293e57b](http://www.wsj.com/economy/central-banking/kevin-warsh-remake-federal-reserve-6293e57b).

dampened consumption, inducing airlines to cut flights and consumers to shift from oil-based transportation where accessible.<sup>16</sup> On the supply side, inventories have served as the principal cushion and have been drawn to historically low levels as sovereigns continue to tap reserves.<sup>17</sup> That cushion, however, is finite and steady depletion represents a potential risk. The strain has been most visible in refined products such as gasoline and jet fuel, rather than in the crude benchmark.<sup>18</sup> Longer-term consequences are more structural, as a re-pricing of energy security takes hold and a realignment of regional alliances appears to be underway. Effects are likely to be felt unevenly, falling most heavily on food- and fuel-importing economies. The resolution path is likely sequential, with the reopening of the Strait the market-relevant first step ahead of negotiations over Iran's nuclear program.<sup>19</sup>

Separately, President Trump, flanked by top US chief executives, met with Chairman Xi in the first meeting of a sitting US President in mainland China since Trump's 2017 visit.<sup>20</sup> The meeting produced little of immediate consequence beyond anticipated commitments from China on agricultural, energy, and commercial-jet purchases.<sup>21</sup> The subsequent pause by the US on an arms sale to Taiwan, a departure from precedent, was interpreted as a concession to Beijing. A reciprocal summit in Washington was scheduled for autumn.

Looking ahead, a series of events are likely to be consequential to the outlook for risk assets for the remainder of the year. The June Federal Open Market Committee meeting will be scrutinized for signals of policy shift. The impending IPOs of SpaceX, OpenAI, and Anthropic should serve as a referendum on the market's appetite for the next leg of the AI wave. Negotiations with Iran are likely to materially influence the path of energy prices and, by extension, the inflation outlook. Our posture reflects the duality of the present environment. The advance in markets is supported by reported earnings growth and ample liquidity conditions. Concurrently, it is narrow, liquidity-assisted, and the threat of an inflation reacceleration lurks in the background. We continue to favor diversification across capitalizations and geographies, as a hedge against concentration and to maintain participation. We will continue to monitor the resolution of the Middle East conflict, the trajectory of oil and inflation, and new capital-market developments, making tactical adjustments to portfolios as warranted. As always, we welcome the opportunity to speak with clients who wish to discuss their portfolios or the current market environment in greater detail.

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16. Kaneva, Natasha. "Oil Flash Note." J.P. Morgan Markets, 29 May 2026, [markets.jpmorgan.com/jpmm](https://markets.jpmorgan.com/jpmm)

17. DiChristopher, Tom, and Natasha Turak. "Exxon Warns Oil Inventories Will Hit Dangerously Low Levels Due to Iran War." CNBC, 28 May 2026, [www.cnbc.com/2026/05/28/oil-inventory-exxon-strait-hormuz-iran-war.html](https://www.cnbc.com/2026/05/28/oil-inventory-exxon-strait-hormuz-iran-war.html).

18. Kaneva, Natasha. "Oil Flash Note." J.P. Morgan Markets, 19 May 2026, [markets.jpmorgan.com/jpmm](https://markets.jpmorgan.com/jpmm)

19. Clifton, Dan. "Policy Outlook." Strategas Research Partners, 26 May 2026, [www.strategasrp.com](https://www.strategasrp.com).

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21. Clifton, Dan. "Next Steps Following the Trump Xi Summit." Strategas Research Partners, 15 May 2026, [www.strategasrp.com](https://www.strategasrp.com).

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