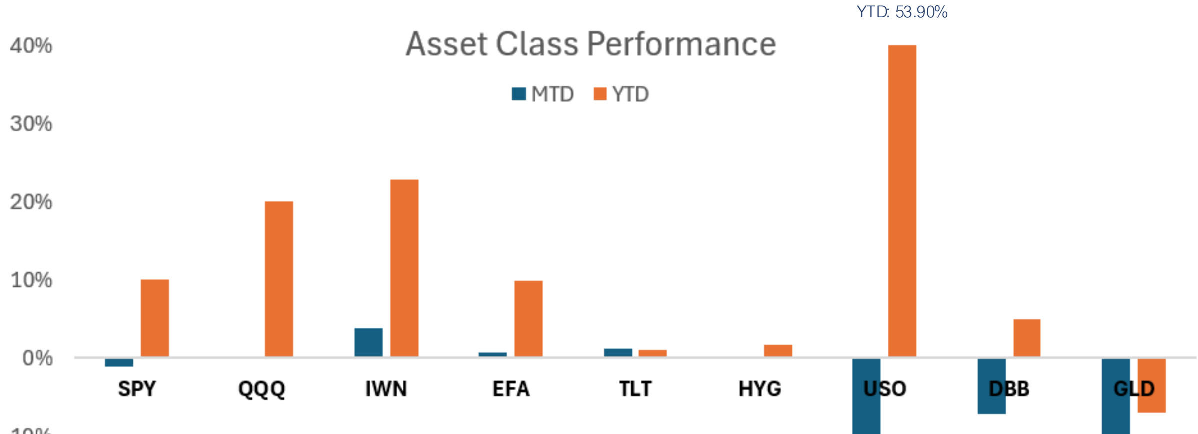
Key Developments

Our top market developments of the past month are as follows:

1) Markets Broaden Out – We have been waiting for markets to broaden out beyond a small group of tech shares. It happened (at least for this month), as the equal-weight S&P 500 outpaced the cap-weighted index by ~300bp, and the small-cap Russell 2000 rose 3.6% while the Nasdaq fell 2.8%. The Mag 7 shed over $2 trillion in their worst month in over a year, as funds rotated into industrials (+7.2%), healthcare (+6.5%), and financials (+4.2%).

2) But the Chips were not (yet) Down – Memory continues to be a “flash”-point (excuse the bad pun), as DRAM producers such as Micron (which surged 18.9% on strong HBM demand) helped semis avoid the Nasdaq selloff (the SOX Index gained 11.1%). The planned doubling of Korean production by Samsung and SK Hynix raised oversupply concerns, while price increases by Apple and Microsoft could hit demand.



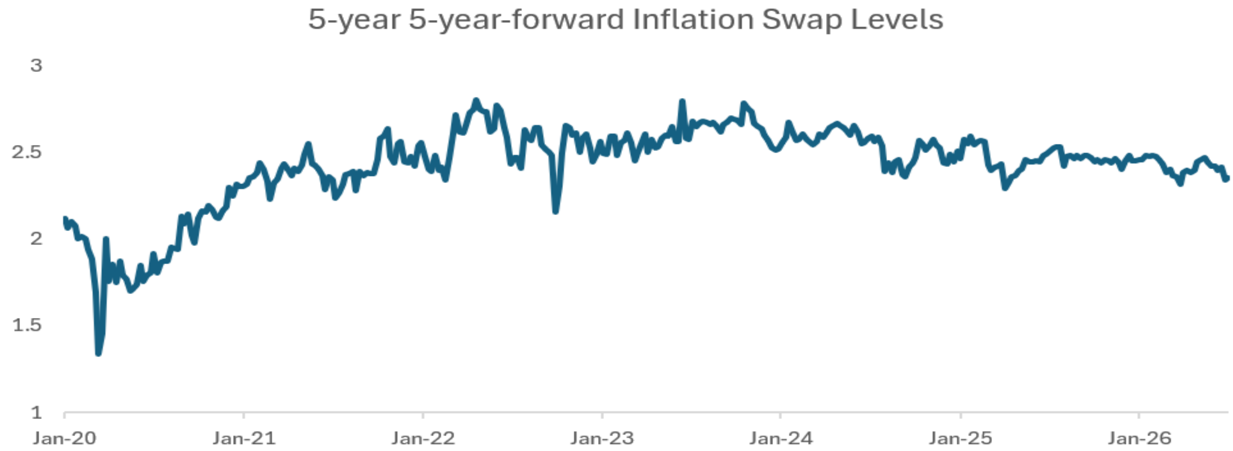
Source: Bloomberg Finance L.P. (“Bloomberg”)*.

3) Hawkish Debut? – In his first meeting as Fed Chair, Kevin Warsh scrapped forward guidance and delivered a dot plot showing a median 12.5bp of hikes for 2026. Markets initially priced 41bp through year-end; however comments from seasoned officials such as NY Fed President Williams softened the reaction, even as macro data remained solid.

* Through Jun. 30, 2026; SPY (SPDR S&P 500 ETF Trust); QQQ (Invesco QQQ Trust Series 1); IWM (iShares Russell 2000 ETF); EFA (iShares MSCI EAFE ETF); TLT (iShares 20+ Year Treasury Bond ETF); HYG (iShares iBoxx High Yield Corporate Bond ETF); USO (United States Oil Fund LP); DBB (Invesco DB Base Metals Fund); and GLD (SPDR Gold Shares).

Portfolio Considerations

- **Equity Supply Overhang –** SpaceX's record $75B offering was followed by Alphabet (which raised $85B in equity), Super Micro ($7B), and reports Meta is considering tens of billions in stock–the largest equity supply wave in years. SpaceX gained 67% from its $135/shr offering before selling off over 30%, leading OpenAI to potentially delay its IPO to 2027. This issuance pressure may weigh on broader equity returns.
- **Inflation Expectations –** Fed officials (including Chair Warsh) often comment on how inflation expectations remain anchored. They do not lie! Below is a market measure of long-term expectations. It is notable that even during the deflationary depths of the pandemic and the inflationary scare of the recovery, expectations of long-term inflation have stayed contained: a sign of a well-functioning central bank.



Source: Bloomberg Finance L.P. ("Bloomberg").

Looking forward...

- **Inflation Relief? –** The ceasefire and Hormuz reopening drove WTI crude down 20% to near pre-war levels, easing the energy-driven inflation impulse. If oil stays contained, CPI and PCE should moderate in upcoming prints, giving the Fed cover to pause. But the ceasefire is fragile and the relief may prove fleeting.