



The Weekly Market Update – 6/1/26: May Adds to April Gains

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,580.06	1.43%	16.11%	10.73%	28.22%	7,580.06	0.0%
Dow Jones Industrial Average	51,032.46	0.90%	10.12%	6.18%	20.73%	51,032.46	0.0%
NASDAQ Composite	26,972.62	2.39%	24.93%	16.05%	41.12%	26,972.62	0.0%
Russell 2000	2,919.34	1.75%	16.94%	17.62%	41.28%	2,936.57	0.6%
MSCI EAFE (USD)	3,117.57	1.00%	9.83%	7.77%	19.89%	3,179.91	2.0%
MSCI Emerging Markets (USD)	1,752.15	3.92%	25.40%	24.76%	51.39%	1,752.15	0.0%
Bloomberg Commodity Index	135.11	-2.56%	-0.10%	23.17%	35.13%	237.95	76.1%
Barclays U.S. Aggregate Bond	93.09	0.75%	-0.17%	-1.04%	1.73%	112.07	20.4%

Source: FactSet

U.S. equities posted solid gains in May, extending a second quarter (2Q26) rally. The widely followed S&P 500 equity index increased +5.1% (price return, not including dividends) in May, and the Nasdaq Composite index rose +8.4%. Following monthly decreases in both February and March attributed to the Iran military conflict and soaring oil and gas prices, equities rallied from March lows, and from 3/27/26 to 5/29/26, the S&P 500 increased for nine consecutive weeks, driving a two-month price return (April and May) of +16.1% (the best two-month gain in six years). However, S&P 500 sector gains narrowed in May compared to April, an indication that momentum has driven the recent rally, stoking concern for a near-term pullback. Just 3 of the 11 S&P 500 macro sectors (as measured by MSCI's Global Industry Classification Standards, or GICS) were positive in May, while 9 of the sectors increased in April. The Technology sector increased +15.9% in May, the only sector to beat the index, with Consumer Discretionary +2.6% and Health Care +2.3%, the other two monthly gainers. For the 2-month period (2Q26 through May), eight sectors remained positive, also led by Technology with an impressive +36.1% increase. Strength in Technology (Tech) is attributed to the breathtaking surge in capital spending to support generative artificial intelligence models and data centers. While early 2026 Tech strength mostly prioritized semiconductors, gains in 2Q26 expanded to include memory and storage, communications equipment, and electronic instruments. In addition, software, another Tech sub-industry group, posted gains in both April and May after posting three consecutive monthly losses to start the year. On a year-to-date basis (five months through 5/31/26), the S&P 500 software sector was still down -5.3%. A factor driving strong Tech sector investor sentiment in 2Q26 was first quarter earnings growth as 1Q26 Tech earnings increased +54% (93% of companies reported, as of 6/1/26) compared to the overall S&P 500 index earnings growth of +28.7% (97% of companies reported). We expect Tech sector earnings growth to slow in future periods, creating some risk to trading based upon earnings momentum. This can lead to better balance across sectors, and we believe that broader sector participation across the second half of 2026 is likely.

Despite the concentration of recent gains, multiple equity indices closed May at all-time highs. With the Tech sector driving impressive market momentum, we were not surprised to see widely used growth indices like the Nasdaq Composite and Russell 1000 Growth close the month at all-time highs. And because Technology is the S&P 500's largest sector weight (38% of the weight at the end of May), that index is skewed toward growth as well. But perhaps surprisingly, the Equal Weight S&P 500 and Russell 1000 Value indices, as well as the Russell 2000 (small companies), all closed at new highs last week as well. This was helped by the broadening of the Tech sector discussed above (the rally included many "value" Tech stocks, including memory) but also suggests that market fundamentals for the year-to-date are better than what we have seen over the past two months.

The first week of June includes important economic data releases leading up to the May jobs report due Friday. Economic data through April suggested that the U.S. economy in 2Q26 was on track to meet or exceed the +2.1% (annualized) consensus estimate. But May and June data are yet to come and the jobs report from the Bureau of Labor Statistics (BLS) will be among the first May data. The consensus estimate for nonfarm payrolls (jobs) is an increase of +100 thousand (K). This would be below the average monthly increase of +150K in March and April, but above the +76K monthly average since the end of 2025. The unemployment rate is expected flat at 4.3%.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings. As of 5/29/26, based upon equity market capitalization, the Information Technology sector comprised 37.9% of the weight of the S&P 500 index. The next largest sector was Financials, at 11.1%.

Within the Information Technology sector, the S&P 500 has six sub-industry groups. This includes Communications Equipment, Electronic Equipment, Instruments & Components, IT Services, Semiconductors and Semiconductor Equipment, Software, and Technology Hardware, Storage & Peripherals.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices are provided by FactSet.

Gross domestic product (GDP) is a measure of economic growth and refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. The first revision of 1Q26 U.S. GDP was released on 5/28/26 and can be found at www.bea.gov. On 2/28/26 the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26 the [White House published a release](#) detailing the operation. On 3/6/26 President Trump issued a 10-day deadline for Iran to open the Strait of Hormuz to shipping traffic. The deadline was set to end the evening of 4/6/26. On 4/8/26 the U.S. and Iran agreed to a two-week cease fire that was set to expire (unless extended or replaced with a peace agreement), but as of 5/26/26, the cease fire remained in place (49 days). The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE).

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time (“term”) to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

When we discuss “growth stocks” we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 12/31/25) were Information Technology, Consumer Discretionary, and Communication Services. “Value” stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 Value Index (as of 12/31/25) were Financials, Industrials and Health Care.