



The Weekly Market Update – 5/26/26: Peace is a Market Catalyst & Warsh Era Begins

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,473.47	0.88%	14.47%	9.17%	34.20%	7,501.24	0.4%
Dow Jones Industrial Average	50,579.70	2.13%	9.15%	5.24%	24.37%	50,579.70	0.0%
NASDAQ Composite	26,343.97	0.45%	22.02%	13.35%	51.00%	26,635.22	1.1%
Russell 2000	2,869.23	2.72%	14.94%	15.61%	46.08%	2,886.77	0.6%
MSCI EAFE (USD)	3,086.86	2.05%	8.75%	6.71%	23.42%	3,179.91	3.0%
MSCI Emerging Markets (USD)	1,686.05	1.07%	20.67%	20.06%	51.51%	1,723.92	2.2%
Bloomberg Commodity Index	138.66	-1.60%	2.53%	26.41%	37.39%	237.95	71.6%
Barclays U.S. Aggregate Bond	92.39	0.25%	-0.92%	-1.79%	-0.03%	112.07	21.3%

Source: FactSet

Gains in global equities have continued as peace hopes gain traction. While still premature to declare an end to the U.S.-Iran military conflict, behind-the-scenes negotiations have continued with involvement from Pakistan and other Middle Eastern countries. In recent days, President Trump made social media comments indicating that a near-term peace agreement was possible. According to the Wall Street Journal, the latest deal framework includes opening the Strait of Hormuz for the next 30 days while allowing ongoing talks about Iran’s nuclear program. Optimism was tempered on Monday evening as the U.S. defended ships from Iranian threats, but the ceasefire that began on 4/7/26 remains in place. Oil markets have responded positively in late May, and U.S. oil (as measured by West Texas Intermediate, or WTI) was \$94 per barrel (bbl) on 5/26/26, its lowest level in more than two weeks. In our view, a reopening of the Strait of Hormuz would lead to WTI closer to \$80/bbl. While \$80 is still nearly 20% above the \$67 WTI price prior to the war (supply chain disruptions will take longer to fully recover), it would be enough, in our view, to support lower gasoline pump prices and ease inflation pressures that built in March and April. With the S&P 500 at or near record levels (trading above 7,500 mid-day on 5/26/26), the index is up more than +9% in 2026 to-date. While oil prices and interest rates (U.S. Treasury yields) remain elevated relative to pre-war levels, U.S. equity indices have surged. We attribute gains to strong earnings and economic data as growth trends so far have not been disrupted by constraints from the Strait of Hormuz closure. S&P 500 year-over-year (Y/Y) earnings growth was +28% in the first quarter of 2026 (1Q26), significantly outpacing the +13% consensus estimate (as of 5/26, 95% of index companies had reported results). This was the best earnings growth quarter in more than four years and was attributed to multiple factors including technology capital investment, resilient consumer spending (especially with high-income earners), and expanding margins. 1Q26 U.S. economic growth, as measured by inflation-adjusted gross domestic product (GDP), was an increase of +2.0%, in-line with +2.1% for all of 2025. The consensus estimate for 2Q26, as of 5/26, was +2.1% and an early read from April data (just the first month of the quarter) suggests that trends were running better than the estimate. While an extended conflict with Iran remains the largest risk to continued market gains, in our view, markets are positioned for more progress on peace talks and the Strait of Hormuz reopening.

Kevin Warsh was sworn in as the U.S. Federal Reserve Bank (Fed) Chairman on 5/22/26. We expect Chair Warsh to move slowly initially but to ultimately make changes with how the Fed communicates with the public. Inflation pressures and higher Treasury yields constrain the Fed’s ability to lower its overnight fed funds interest rate targets for now, but eventually Warsh would like to balance a smaller Fed balance sheet (owning fewer Treasury and mortgage securities) with lower fed funds rate targets. The next scheduled Fed meeting is in just over three weeks (6/17), and we expect no change to interest rate policy and much interest in the new Chair’s comments about how he intends to fulfill the dual mandate to support stable prices and maximum employment.

Economic data will be watched closely this week as the 1Q26 GDP report is revised and important April consumer spending and inflation data gives an early read on 2Q26 trends. The scheduled revision of 1Q26 GDP, first reported +2.0%, is expected to be unchanged, but will include more complete data on key components including business investment and consumer spending. The Fed’s preferred inflation gauge, the PCE price index, is expected to show April inflation up +3.9% (vs. March +3.3%) and core PCE inflation (excludes food and energy) up +3.3%. Both numbers have trended higher and add to policy discomfort.

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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.

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 estimate of 1Q26 U.S. GDP was released on 4/30/26 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 ceasefire that was set to expire (unless extended or replaced with a peace agreement), but as of 5/26/26, the ceasefire remained in place (49 days).

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels per day are transported on ships through the Strait on a daily basis. This includes liquefied natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 5/26/26, some ships were travelling through the Strait, but activity remained severely disrupted.

The International Energy Agency (IEA) has monitored shipping and supply disruptions through the Strait of Hormuz. They have published key facts on the disruption with links to other reports as well. [The Middle East and Global Energy Markets](#).

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 Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA). The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: gasprices.aaa.com. The EIA provides comprehensive data on the U.S. and global energy markets through its eia.gov home page.

Kevin Warsh became the new Chair of the Federal Reserve after being confirmed by the U.S. Senate on May 13, 2026, in a 54–45 vote, replacing Jerome Powell. He was sworn into office on 5/22/26. Jerome Powell has remained on the Fed Board as a Governor and will be a voting member. Warsh is a former Federal Reserve Governor (2006–2011) and a macro-focused policymaker viewed as an inflation hawk, taking leadership at a time of elevated inflation and policy uncertainty.