

May Observations

Markets Climb on AI Momentum and Iran Optimism

May was another constructive month for risk assets, and while the path was far from smooth, markets ultimately powered higher on ceasefire optimism and a resurgent AI trade. The S&P 500 gained 5.3% for the month, extending its winning streak to nine consecutive weeks, while the Nasdaq Composite outperformed at 8.4%, driven by blockbuster earnings from semiconductor and AI-infrastructure names. The broadening trade moderated relative to April, though emerging markets continued to perform well, returning 9.7% for the month, supported by the global risk-on tone and easing oil prices into month-end. U.S. small caps (Russell 2000) lagged large caps, posting a more modest 4.4% gain. Fixed income markets faced renewed pressure as war-driven energy costs stoked inflation fears and prompted a significant mid-month bond selloff as bond traders moved to fully price in a Fed rate hike by year-end, a notable shift in the policy narrative.

Inching Towards a Resolution

Geopolitical developments surrounding the U.S.-Iran conflict remained a consequential driver of market volatility in May. The closure of the Strait of Hormuz kept energy markets on edge throughout the month, with Brent crude trading above \$115/barrel at its peak mid-month before retreating sharply toward month-end, finishing the month at \$92/barrel as Iran ceasefire hopes gathered momentum.

Global Inflation and Central Bank Policy Divergence

Central banks were forced to navigate the increasingly difficult tradeoff between slowing growth and persistent price pressures. In the U.S., bond traders moved to fully price in a Federal Reserve rate hike by year-end, while European Central Bank officials signaled additional tightening may still be necessary despite weakening economic activity while Australia's central bank also raised rates. The U.K. remained a notable outlier, with inflation cooling more rapidly than expected and prompting markets to scale back expectations for further Bank of England tightening.

Asset Manager Commentary

Multi-Asset Portfolio Manager

Unlike previous capex booms that were largely one-time buildouts, this cycle is expected to require ongoing investment as the underlying technology quickly evolves. However, investors are increasingly focused on profitability rather than spending for spending's sake, rewarding companies with the scale and market position to convert elevated capital expenditures into durable earnings growth.

Emerging Markets Manager

The emerging markets opportunity set is almost unrecognizable compared to even just a few years ago and could play at the heart of the next global growth cycle. Specific to AI Infrastructure, there is no AI without the Tech companies in Taiwan and South Korea. In the U.S., the question is, "Can AI make money?" In Asia, the question is, "How much?"

Short Duration Bond Manager

Despite the gradual lowering of rates by the Fed, money has continued to pour into money market funds. This manager commented that, when the market sees the Fed cutting rates, the market may be worried that the Fed is cutting because something bad may happen, hence the flight to safety in money market fund.

Market Returns - 5.31.2026

		1-Mo	QTD	YTD	2025	2024	2023
Equity	S&P 500	5.3%	16.3%	11.3%	17.9%	25.0%	26.3%
	Nasdaq Composite	8.4%	25.0%	0.16	21.1%	29.6%	44.6%
	Russell 1000 Growth	7.2%	20.0%	8.2%	18.6%	33.4%	42.7%
	Russell 1000 Value	2.9%	11.3%	13.7%	15.9%	14.4%	11.5%
	Russell 2000	4.4%	17.1%	18.2%	12.8%	11.5%	16.9%
	MSCI EAFE	3.1%	10.7%	9.4%	31.2%	3.8%	18.2%
Fixed Income	MSCI Emerging Markets	9.7%	25.8%	25.6%	33.6%	7.5%	9.8%
	Treasury	0.1%	0.0%	0.0%	6.3%	0.6%	4.1%
	Municipal	0.4%	1.5%	1.3%	4.2%	1.1%	6.4%
	Aggregate	0.3%	0.4%	0.4%	7.3%	1.3%	5.5%
	Investment Grade Corporate	0.8%	1.2%	0.7%	7.8%	2.1%	8.5%
FX	High Yield Corporate	0.5%	2.2%	1.7%	8.6%	8.2%	13.4%
	US Dollar Index	0.9%	-1.1%	0.6%	-9.4%	7.1%	-2.1%
Real Assets	Real Estate	0.1%	9.0%	12.6%	1.7%	4.3%	11.5%
	Infrastructure	-2.5%	0.1%	8.3%	21.5%	14.0%	5.8%
	Oil	-19.3%	-22.2%	51.3%	-17.6%	-4.2%	-10.3%
	Gold	-1.2%	-2.0%	5.0%	62.5%	26.6%	12.8%

Asset Class Valuations - 5.31.2026

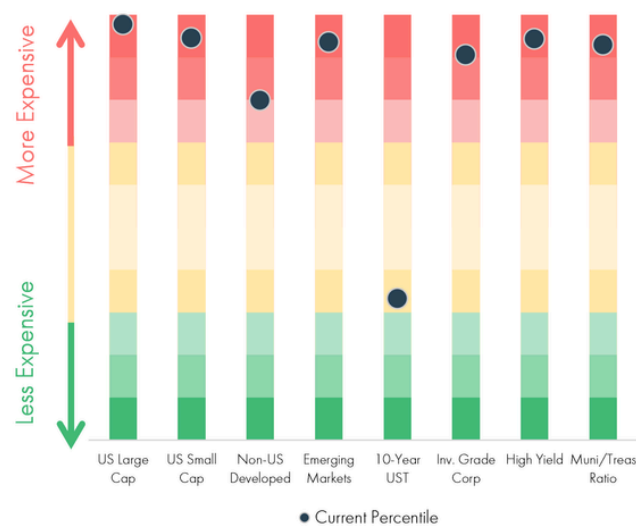
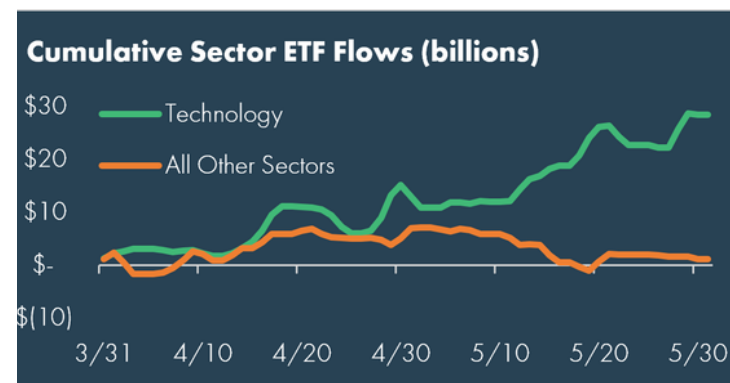


Chart of the Month



Source: Bloomberg as of 5/31/2026. See important information in the disclosures.

Flows remain a key source of support for the broader market, reflecting investors' "buy-the-dip" mentality. Notably, recent flows have been relatively one-sided and concentrated, with technology ETFs attracting \$28.5 billion in cumulative net inflows since the beginning of the quarter.

Disclosures

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Sources

Morningstar Direct, Bloomberg as of 5/31/2026

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group .

Definitions

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure Index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent Crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

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Asset class valuations are a percentile ranking based on monthly data going back to common inception of 12/31/1995. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.