



MONTHLY MARKET REVIEW – May 2026

	May 2026	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	5.26%	11.27%	29.78%	23.61%	14.15%	15.65%
U.S. Small Cap Equities Russell 2000	4.37%	18.15%	43.08%	20.25%	6.61%	11.21%
Energy Infrastructure Equities Alerian U.S. Midstream	-5.57%	20.71%	22.54%	30.92%	24.57%	13.67%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-0.13%	13.57%	17.26%	12.96%	5.45%	5.72%
Global Equities MSCI All Country World	5.16%	12.15%	30.27%	22.30%	11.45%	12.81%
Int'l Developed Equities MSCI EAFE	3.07%	9.37%	22.80%	18.15%	8.79%	9.28%
Emerging Market Equities MSCI Emerging Markets	9.69%	25.61%	54.31%	25.15%	7.54%	10.66%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	0.31%	0.38%	5.13%	3.95%	0.17%	1.70%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.37%	1.34%	6.67%	3.77%	0.92%	2.21%
High Yield Fixed Income Bloomberg U.S. Corp High Yield	0.49%	1.68%	7.57%	9.36%	4.39%	5.88%
Floating Rate Loans Morningstar LSTA U.S. Loan	0.51%	1.24%	5.12%	8.33%	6.07%	5.49%
Collateralized Loan Obligations JP Morgan Collateralized Loan	0.50%	2.05%	5.61%	7.74%	5.53%	4.69%

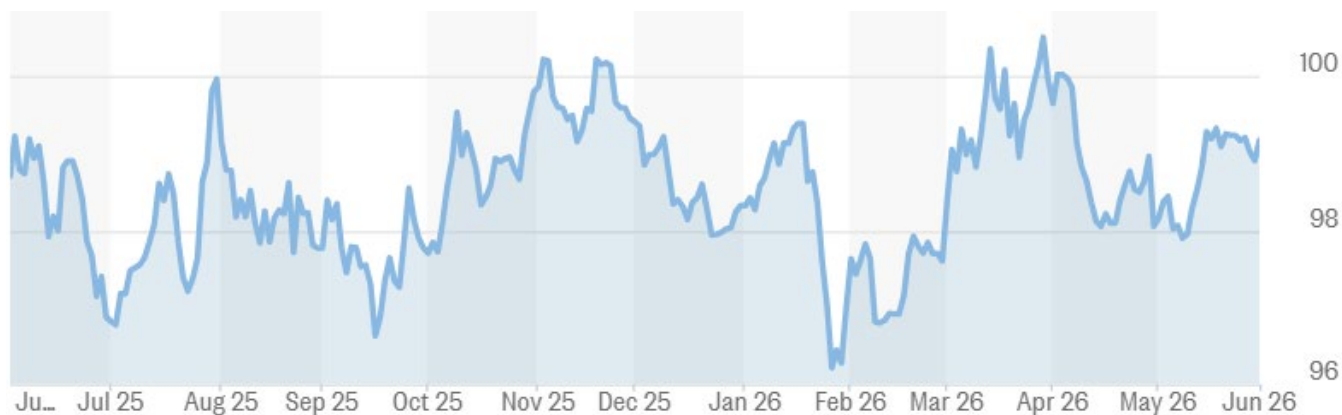
- Global equity markets extended April gains and returned greater than 5% for the month.
 - Investor confidence was driven by strong earnings growth combined with macro data that pointed to resilience in the U.S. and global economy.
- U.S. equities reported another positive month, with growth outperforming value by 6.1%.
 - The 10 largest companies in the S&P 500 represented 40.6% of the index at month-end.
 - These companies traded at a 12-month forward P/E of 25.1x, or an average 32% premium compared to the remaining companies in the index that traded at 19.0x.
- Oil prices fell sharply in May, down nearly 17%, dropping below \$100 per barrel in the hope of a resolution to shipping traffic in the Strait of Hormuz.
- Emerging markets equities reported the strongest gain for a second consecutive month, with Korea and Taiwan benefitting from positioning in the global AI supply chain as a major chip manufacturer.
- Fixed income yields declined and prices rose on the prospect of relief from the most sensitive phase of the energy crisis. IG corporate bonds and U.S. HY bonds yielded 5.1% and 7.0%, respectively.
- High yield bonds and floating rate loans continued to outperform investment grade fixed income.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, RBC, Bureau of Economic Analysis, CME Group

Category	Comments
Growth	The U.S. economy grew at a 1.6% rate (annualized) in the first quarter: <ul style="list-style-type: none"> • Softer consumer spending was offset by stronger business fixed investment. • Consumer spending rose 1.4% while business fixed investment rose 10.4%.
Profits	The 1Q 2026 earnings season is nearly complete with 95% of market cap reporting: <ul style="list-style-type: none"> • S&P 500 EPS is projected at 26.9% y/y; 4Q25 estimate was 12.1% y/y. • The Information Technology sector is projected to contribute 52% of the y/y index EPS growth; Health Care was a meaningful drag due to cost inflation.
Jobs	The April jobs report's results exceeded expectations: <ul style="list-style-type: none"> • The U.S. added 115k new jobs; 3-month average eased; 6-month average rose. • Wage growth eased to 0.2% m/m to 3.6% y/y; unemployment was flat at 4.3%.
Inflation	Fed Gauge: Personal Consumption Expenditures Index (PCE - Core): <ul style="list-style-type: none"> • Core PCE inflation stands at a 3.3% annualized rate (April, ex. energy & food), reflecting a 0.2% monthly increase; the Federal Reserve's long-term target is 2%.
Interest Rates	The FOMC policy rate was unchanged in April at a range of 3.50%-3.75%: <ul style="list-style-type: none"> • The Committee acknowledged mounting upside risk to inflation. • Jerome Powell announced he will remain on the Board of Governors. • Kevin Warsh was announced as the new Federal Reserve Chairmen.

CANADA:

- The U.S. dollar index (DXY) **strengthened** 0.9% in May and 0.2% over the past 12 months (see chart below). The U.S. dollar **strengthened** 1.4% against the Canadian dollar in May to end the month at an FX of **1.38**.



- The Bank of Canada's policy interest rate was **unchanged** at 2.25%.
- **Core CPI**, referred to as "CPI-trim," **decreased** to end April at 2.0%.
- Canada's first quarter GDP contracted 0.1% on an annualized basis. This followed a 1.0% contraction in the fourth quarter (annualized).
- Canada's economy entered a **technical recession** following two consecutive quarters of annualized GDP decline, although estimates suggest modest growth of 0.4% in April.
- The economic contraction reflects U.S. trade uncertainty and U.S.-imposed tariff impacts.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters, Bureau of Economic Analysis, CME Group

OIL:

- **The price of crude oil was \$87.36 per barrel (WTI).**
- Oil prices **decreased** \$17.71 per barrel, or 16.9%.
- Crude prices rose as high as \$112 per barrel before falling sharply through month-end. The price decrease was attributable to productive negotiations between the U.S. and Iran. Prices are expected to remain volatile until a peace agreement is forged and the Strait of Hormuz is fully reopened.
- **Oil is forecasted to trade between \$75 and \$110 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$81.97	\$112.95	\$55.99	52%
2025	\$64.62	\$78.71	\$57.13	-19%
2024	\$75.83	\$87.01	\$66.37	1%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%

COPPER:

- **The price of copper was \$6.41 USD per pound.**
- Copper prices **increased** \$0.43 per pound, or 7.2%.
- Copper prices surged to a record high \$6.68 per pound on May 13th as tightening global supply and increased demand expectations continued to support the market. Supply is expected to remain low, with Chile reporting its weakest April output in 23 years.
- **Copper is forecasted to trade between \$6.25 and \$6.75 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$5.94	\$6.68	\$5.37	13%
2025	\$4.86	\$5.82	\$4.03	41%
2024	\$4.23	\$5.10	\$3.68	3%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%

ALUMINUM:

- **The price of aluminum was \$3,675 USD per tonne.**
- Aluminum prices **increased** \$192 per tonne, or 5.5%.
- Aluminum prices surged to their highest point in four years amid supply disruptions stemming from the Middle East conflict. The intermittent closure of the Strait of Hormuz, which accounts for 9% of the global Aluminum supply, suggests prices may increase until a resolution is reached between the U.S. and Iran.
- **Aluminum is forecasted to trade between \$3,500 USD/tonne and \$3,750 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$3,338	\$3,679	\$2,996	23%
2025	\$2,643	\$2,913	\$2,340	17%
2024	\$2,458	\$2,768	\$2,159	7%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters, Bureau of Economic Analysis, CME Group

Disclosures:

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MARKET UPDATE

May 31, 2026

By Thomas Grugan, Director & Senior Investment Strategist

High Level Summary

Improved sentiment supported global equity markets in May, with easing Middle East tensions and a significant decline in oil prices pushing both the S&P 500 and the MSCI All Country World Indexes higher by more than 5%. Artificial Intelligence (AI) and technology remained the key drivers of equity gains, but returns were led by a narrow group of tech and semiconductor stocks. The macroeconomic environment remained mixed, with persistent growth concerns in Europe/China, a resilient labor market in the U.S. and a wide divergence in growing inflation trends globally.

U.S. Economy

- *The U.S. economy expanded at a 1.6% annualized rate in the first quarter, driven primarily by consumer spending, government expenditure, and business investments, led by AI buildout driven capital expenditures.*
- *The first quarter earnings season concluded in mid-May, with companies widely beating initial expectations. The S&P 500 Index y/y EPS growth was estimated at nearly 28%, the highest rate since 2021.*
- *The April FOMC meeting was unusually divisive, with the committee voting to hold the benchmark rate steady at a target range of 3.5%-3.75%. The decision reflected intense debate over balancing persistent inflation in consideration to labor market and wage growth data. The committee will convene again in June, marking the inaugural meeting under Federal Reserve Chair, Kevin Warsh.*

Topic of the Month

June will mark a meaningful change in Federal Reserve leadership, which could lead to a rapid shift in market expectations as the committee seeks to manage maximum employment and stable prices in a heightened inflationary environment. The new Chairman will be tasked with evaluating policy amid three straight months of higher inflation, higher job growth, minimal wage growth, delayed tariff passthrough, and fiscal stimulus that could pressure even higher inflation.

Kevin Warsh vs Jerome Powell

Kevin Warsh succeeded Jerome Powell as Chairman of the United States Federal Reserve, marking a potentially significant shift in monetary policy and leadership style. While Powell favored a data-driven consensus building approach and telegraphing policy to markets, Warsh supports a more aggressive, reform-oriented approach to shrink the Fed's balance sheet and utilize new economic models. Warsh has been brought in to steer a more expansionary monetary approach and has posited that artificial intelligence is a "significant disinflationary force" that gives the Fed more flexibility to lower rates. This contradicts Powell's perspective that the huge investment in emerging technologies like AI are contributors to higher inflation. Warsh has also argued for aggressively shrinking the Fed's balance sheet, asserting that the balance sheet tool "disproportionately helps those with financial assets" while interest rate tools hit the entire economy more equitably.

Warsh and the FOMC

It is difficult to predict how the transition to Kevin Warsh will play out. In his pre-appointment statements, when he served as governor from 2006-2011, he was often perceived as being particularly hawkish (aiming to fight inflation by raising interest rates), but in his campaign to become Fed Chair, his sentiment appeared to shift towards dovish (prioritizing economic growth and employment by keeping borrowing costs low). A key point of speculation specific to Warsh's appointment is whether the Fed will in fact remain independent, a key consideration when evaluating future market pricing. Fortunately, Warsh represents only one vote out of twelve, in a committee that includes seven Board of Governors seats and eleven Reserve Bank presidents. This broadness of views promotes debate and informed perspective and encourages independence.

When evaluating whether the FOMC is, in the majority, hawkish or dovish, consensus suggests it is shifting in a hawkish direction. This is supported by recent dissenting votes in favor of less dovish forward guidance, and the recent statement by influential Governor Waller, who voiced an opinion to move to a more neutral bias. Much of this has to do with the recent energy shock, which has increased headline and core inflation concerns.

One of the factors that makes the Fed Chair transition less certain is the differentiation between Powell and Warsh in terms of communication and forward guidance. Powell implemented a more progressive communication style, offering press conferences after each meeting, while Warsh has implied, he prefers to "talk less and give less forward guidance." This may prove to be a market-stabilizing change, but it also diminishes his ability to establish the narrative. What is generally agreed is that in addition to less post-meeting communication, there is some talk Warsh may push to doing away with Fed rate forecasts.

Administrative Influence

It was widely expected that Warsh's appointment was politically motivated by an administration that is seeking to quickly reduce borrowing rates. Some administration officials, including Kevin Hassett and Scott Bessent, have publicly acknowledged that now is not the right time to cut rates. The question then, how will Warsh navigate any tension with the President during a sustained period of higher inflation? In our view, the committee has no room to cut, despite administration jawboning, against a backdrop of higher inflation, a solid labor market and recent projection for higher long-run inflation expectations.

Artificial Intelligence

During his campaign, Warsh argued that AI could unlock a massive productivity gain that would ease inflationary pressure. We agree that this may be a long-term impact of a massive investment in technology but disagree with this narrative in the short run due to evidence to the contrary. During the last economic cycle, we saw low productivity growth that didn't raise inflation. Additionally, the massive data center build-out has already increased electrical prices and consumer electronic prices due to chip and other base supply shortages. JP Morgan has noted that, "higher productivity growth should raise the real neutral interest rate...meaning that normal interest rates should be higher in any given environment."

June 2026 Meeting

The FOMC will convene on June 16th. May employment and Consumer Price Index data came in hot with headline CPI at 4.25% and core CPI at 2.85%, even with negative real wage growth. Consensus suggests the committee will move away from its dovish bias, in favor of a more neutral bias, and while the median participant looked for one cut this year, we and the market are currently expecting no cuts with a potential 0.25% hike in play should inflation stay elevated well above 3%...

In the table below, we present our current tactical portfolio positions.

Tactical Positioning

Overall Position	UW	N	OW	Note
Equity				Quality; larger; NTM earnings up
Fixed Income & Credit				High quality Credit and Term premium offers advantage to cash
Alternatives				Mid-market and secondaries
Cash				Dry powder
U.S. Equity				Neutral-to-overweight
Value				Balanced; growth and value
Growth				
Size				
• Quality				
• Momentum				
International Equity				Underweight-to-neutral
Private Equity				Mid-market and secondaries
Duration				
IG Fixed Income (AGG)				
• USD				
• Global				
High Yield Credit				Bonds over bank loans
Private Credit				Senior secure, first lien
Public Real Estate (REITs)				
Private Core Real Estate				
Infrastructure				Inflation-protected revenues
Transportation				
Hedge Funds				

Disclosure:

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