



Wealth Advisory Market Update

June 15, 2026

## Market Commentary

### Equities

Markets continued to advance through May despite the ongoing conflict in the Middle East. Technology stocks led the rally, with the NASDAQ climbing more than 8%, while the broader market, as measured by the S&P 500, gained over 5%. Both indices finished the month at record highs, with the S&P 500 extending its winning streak to nine consecutive weeks. Valuations remain historically elevated, geopolitical negotiations between Iran and the United States are unresolved, and the Federal Reserve has officially appointed a new chair.

Our view of the equity market has not wavered. We are still taking a very cautious stance for many reasons but the most important being valuation. The cyclically adjusted price-to-earnings (CAPE) ratio stands at 42x, nearing levels last seen during the dot-com bubble (44x). By comparison, the long-term average is 17x, and the 30-year average is 28.6x. The S&P 500's forward P/E ratio is approximately 22x, well above its 30-year average of 17.1x. The Buffet indicator stands at 231% and market concentrations are higher than any time in history. Given elevated valuations—particularly within the semiconductor sector—we are avoiding momentum-driven positioning. Instead, we are focusing on areas of the market trading closer to historical norms, including healthcare, consumer staples, and software.

Market leadership remains narrow, with large-cap technology stocks continuing to drive index performance. While indices have risen, underlying breadth has weakened. In January, roughly 75% of S&P 500 constituents traded above their 50-day moving average; that figure has since declined to 52%, placing it in the 35th percentile. Notably, as of May 26, eight of the past twelve S&P 500 record highs occurred on days when declining stocks outnumbered advancing ones. This concentration of leadership is not characteristic of a healthy market.

The current environment bears similarities to the dot-com era, with elevated valuations, concentrated leadership, and a wave of large technology IPOs—many of which are not yet profitable. These conditions reinforce our disciplined approach, as the risk-reward profile for high-beta equities appears increasingly unfavorable.

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### Geopolitical and Federal Reserve

The situation in Iran remains uncertain. Negotiations have been underway for several weeks and a deal was announced over the weekend. However, deals have been mentioned every few days for a couple of months and it does not seem to have produced much movement. Oil prices have remained relatively stable, though they could shift rapidly if negotiations deteriorate or stall further. Strategic reserves have buffered supply disruptions longer than expected, but continued depletion could eventually lead to a repricing of oil.

Kevin Warsh has been appointed as the new Federal Reserve Chair and will be introduced at the June meeting, a challenging time as the Fed navigates geopolitical uncertainty. Recent inflation data has trended higher, particularly headline inflation, which reflects rising energy costs. Prolonged geopolitical tensions could push energy prices further into core inflation measures.

Consumer financial health is also showing signs of strain. The personal savings rate has declined to 2.6%, its lowest level since 2022 and well below the historical average of 8.4%. Additionally, the share of credit card balances that are over 90 days delinquent has risen to levels last seen in 2008. With credit card interest rates exceeding 20%, consumer spending—an essential driver of the U.S. economy—may face significant headwinds, potentially impacting GDP growth.

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## Strategy

Given current conditions, which appear more indicative of a market peak than a sustained bull trend, we are maintaining a cautious stance. Our focus remains on companies with strong balance sheets, inelastic demand, and consistent free cash flow generation. Historically, these characteristics have proven advantageous during periods of economic slowdown or market correction.

We continue to identify selective opportunities in undervalued segments of the market, prioritizing companies trading below their intrinsic value.

In fixed income, yields have continued to rise amid ongoing geopolitical uncertainty. We have been extending duration to take advantage of higher yields, with the intermediate portion of the yield curve appearing most attractive. Within this segment, mortgage-backed securities (MBS) offer compelling risk-adjusted return potential.

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## Outlook

While recent market conditions have tested investor patience, history underscores the importance of disciplined portfolio management in achieving long-term returns and managing risk. We remain committed to a thoughtful, active investment approach and appreciate your continued trust as we navigate this evolving market environment together.

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