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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

May 18, 2026

"If you can't afford it, you can't have it." Margaret Hilda Thatcher

MARKETS

Macro Recap: The past week reinforced a clear theme: inflation remains more persistent than expected, energy risks are rising, and the Federal Reserve is likely to stay on hold longer than anticipated.

Both CPI and PPI surprised to the upside, with April CPI rising 3.8% year over year, the highest since May 2023, and PPI jumping 6.0%, signaling mounting pipeline pressures and the potential for further pass-through to consumers. Treasury yields moved higher in response, while the curve remained relatively flat as expectations shifted toward fewer, if any, rate cuts.

Geopolitical tensions involving Iran pushed oil prices sharply higher into the weekend, adding to inflation concerns. At the same time, the Senate confirmed Kevin Warsh as the next Fed Chair, introducing additional uncertainty ahead of the June FOMC meeting. The U.S. dollar strengthened to a two-week high, supported by higher yields and a more restrictive policy outlook.

Equity Market Recap: U.S. equity markets extended their rally, with the S&P 500 and NASDAQ posting a sixth consecutive weekly gain and closing at new record highs. The advance was driven by stronger-than-expected corporate earnings, with technology stocks continuing to lead.

The NASDAQ outperformed, rising 4.5% on broad gains across large-cap growth names. The S&P 500 advanced 2.4%, while the Dow lagged, finishing modestly higher. Earnings remained a key tailwind as the season neared completion, with first-quarter S&P 500 earnings now projected to grow approximately 27.7% year over year, the strongest pace since late 2021.

Fixed Income and Rates Recap: The bond market sell-off accelerated, pushing Treasury yields to their highest levels in over a year as rate expectations repriced. The 10-year climbed to 4.59% (up from below 4.00% in late February), the 2-year ended at 4.08%, and the 30-year reached 5.12%, its highest level since 2007. The move was driven by hotter inflation data and rising energy prices, reinforcing persistent price pressures.

Markets have shifted accordingly, now pricing roughly a 50% chance of a Fed rate hike by year-end, with about a 49% probability of no change and rate cuts largely off the table. The curve remains relatively flat as front-end yields adjust higher alongside the long end, reinforcing a “higher-for-longer” rate environment and pushing expectations for Fed easing further out.

INDICES

	May 11 Open	May 15 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	49,609	49,526	-0.2%	48,063	3.0%
S&P 500	7,399	7,409	0.1%	6,846	8.2%
NASDAQ	26,247	26,225	-0.1%	23,242	12.8%
Russell 2000	2,861	2,793	-2.4%	2,482	12.5%
KBW Bank Indx	165.8	162.8	-1.8%	164.0	-0.7%
Bitcoin	$81,255	$77,648	-4.4%	$87,648	-11.4%
Oil (WTI)	$95.42	$104.09	9.1%	$57.42	81.3%
Gold	$4,715	$4,573	-3.0%	$4,319	5.9%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.63	3.63	0.00	3.64	-0.01
3m Tbill	3.68	3.67	-0.01	3.63	0.04
2yr UST	3.88	4.04	0.15	3.47	0.56
10yr UST	4.35	4.56	0.21	4.17	0.40
2-10yr UST Spread	47	52	6	69	-17
2y AAA Muni/10y UST	62.1%	61.6%	-0.4%	70.3%	-8.6%
10y AAA Muni/10y UST	67.1%	66.1%	-1.0%	65.4%	0.7%
5yr Inflation Forecast	2.63	2.69	0.06	2.27	0.42

Week Ahead

- **Monday:** Housing Market Index
- **Tuesday:** Pending Home Sales
- **Wednesday:** Release of FOMC minutes from April 28th – 29th
- **Thursday:** Housing starts, Weekly unemployment
- **Friday:** U of M consumer sentiment, Leading economic indicators

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