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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"I've never opened a glass of champagne on any acquisition. Bankers do that." Ivan Glasenberg

MARKETS

Macro Recap: Labor market momentum carried through May, with job creation exceeding economists' forecasts for the third consecutive month. Employers added 172,000 positions, and revisions to earlier data brought the three-month average gain to 188,000 jobs. This marks the strongest rolling three-month pace since March 2024.

Bitcoin declined for a fourth straight week, with the leading cryptocurrency dropping to its lowest level since September 2024. By Friday afternoon, Bitcoin hovered near $60,000, representing a weekly loss of roughly 18%. This places it well below its recent high of approximately $82,000 on May 10 and its all-time peak of $126,000 reached last October.

Geopolitical tensions in the Middle East drove volatility in energy markets, causing crude oil prices to fluctuate widely. U.S. crude briefly moved above $96 per barrel on Wednesday before pulling back to about $90 by Friday afternoon. Overall, oil prices rose close to 4% for the week.

Equity Market Recap: Stocks experienced their weakest performance in several months, as a sharp decline on Friday wiped out earlier gains and pushed all major indexes into negative territory. The S&P 500 dropped 2.6%, ending a nine-week streak of gains. The Nasdaq Composite fell 4.7%, with technology shares giving back a notable portion of their recent rally. The Dow Jones Industrial Average showed relative strength but still edged down 0.3% for the week.

Beneath the headline numbers, market dynamics pointed to a notable shift in investor sentiment. Early in the week, enthusiasm tied to artificial intelligence, easing geopolitical risks, and solid economic data helped lift markets toward record levels. However, stronger economic releases and a firm labor market redirected focus toward inflation concerns and the likelihood of higher interest rates. This shift weighed particularly heavily on high-valuation growth stocks.

Fixed Income and Rates Recap: The bond market sell-off resumed after a brief pause, with Treasury yields moving higher following Friday's stronger-than-expected employment data. Short-term yields saw the most pronounced increase, with the 2-year Treasury yield closing at 4.16%, up from 4.00% the prior week.

Market pricing indicated increasing expectations for a Federal Reserve rate hike before year-end. As of Friday, futures markets suggested about a 72% chance that the Fed would raise its benchmark rate by 0.25% to 0.75% by December, according to CME FedWatch data. The likelihood of rates remaining unchanged stood near 27%, while the probability of a rate cut remained below 1%.

Week Ahead: Investors will turn their attention to Wednesday's Consumer Price Index report for insight into inflation trends. The most recent data showed annual inflation at 3.8% in April, the highest since May 2023, with energy prices accounting for a significant portion of the increase from March's 3.3% reading. Core inflation, which excludes food and energy, registered 2.8% in April.

INDICES

	June 1 Open	June 5 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	51,032	50,867	-0.3%	48,063	5.8%
S&P 500	7,580	7,384	-2.6%	6,846	7.9%
NASDAQ	26,973	25,709	-4.7%	23,242	10.6%
Russell 2000	2,919	2,834	-2.9%	2,482	14.2%
KBW Bank Indx	169.4	173.9	2.6%	164.0	6.0%
Bitcoin	$71,938	$63,725	-11.4%	$87,648	-27.3%
Oil (WTI)	$89.73	$91.94	2.5%	$57.42	60.1%
Gold	$4,501	$4,325	-3.9%	$4,319	0.1%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.62	3.62	0.00	3.64	-0.02
3m Tbill	3.67	3.70	0.03	3.63	0.07
2yr UST	4.03	4.15	0.12	3.47	0.67
10yr UST	4.45	4.54	0.09	4.17	0.37
2-10yr UST Spread	42	39	-3	69	-30
2y AAA Muni/10y UST	60.9%	57.6%	-3.3%	70.3%	-12.7%
10y AAA Muni/10y UST	67.1%	64.5%	-2.6%	65.4%	-1.0%
5yr Inflation Forecast	2.55	2.49	-0.06	2.27	0.22

Week Ahead

- **Monday:** No major reports scheduled
- **Tuesday:** Wholesale inventories, Existing home sales
- **Wednesday:** CPI, Federal budget
- **Thursday:** PPI, Weekly unemployment
- **Friday:** U of M Consumer Sentiment

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