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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"If I must fall, may it be from a high place." Paulo Coelho

MARKETS

Macro Recap: Inflation data showed price pressures remained elevated in May, with the Consumer Price Index rising 4.2% year over year, the highest pace in more than three years. On a monthly basis, however, inflation moderated slightly from April, and core categories outside of energy were relatively steady. Producer prices told a similar story, with the PPI increasing 6.5% annually, marking its highest level since late 2022. Meanwhile, consumer sentiment showed signs of stabilization, with the University of Michigan's preliminary June reading improving to 48.9 from 44.8 in May, breaking a three-month streak of declines despite ongoing concerns around energy costs. In Europe, the European Central Bank delivered its first rate hike since 2023, raising borrowing costs by 25 basis points while also revising its inflation outlook higher and lowering its growth expectations, citing persistent price pressures and geopolitical risks.

Equity Market Recap: Equities navigated a busy set of crosscurrents, including inflation releases, swings in semiconductor stocks, geopolitical headlines, and the closely watched SpaceX IPO. Despite the noise, sentiment improved later in the week as oil prices eased and market breadth strengthened. Major indexes finished modestly higher, with the S&P 500, Nasdaq Composite, and Dow Jones Industrial Average each gaining about 0.7% on the week. Volatility expectations shifted notably throughout the period, as reflected in the CBOE Volatility Index (VIX), which climbed to its highest level since early April midweek before retreating sharply; by Friday, the index had fallen roughly 18% from the prior week's close, underscoring a late-week calming in investor anxiety.

Fixed Income and Rates Recap: Treasury yields moved within a relatively tight range but experienced notable intraweek swings. The 10-year yield began the week near 4.55% and finished closer to 4.48%, after dipping to around 4.45% during a midweek rally fueled by easing geopolitical tensions and mixed economic data. That downward move proved short-lived, as yields edged back higher into the end of the week. Overall, rates remained anchored by expectations that the Federal Reserve will keep policy restrictive for longer, supported by resilient labor conditions and still-elevated inflation readings. The result was a choppy but directionally limited environment, with yields across the curve ending slightly below where they began while remaining firmly within established ranges.

Week Ahead: Attention will turn to the Federal Reserve's upcoming policy meeting, concluding Wednesday, which will mark the first meeting under new Chair Kevin Warsh. While no change in the policy rate is expected, markets will closely parse the post-meeting statement and press conference for signals on the Fed's policy trajectory. In particular, investors will be watching for any shift in tone that could reinforce or challenge growing expectations that rates may need to stay higher for longer, with some risk of additional tightening later this year.

INDICES

	June 8 Open	June 12 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	50,867	51,202	0.7%	48,063	6.5%
S&P 500	7,384	7,431	0.6%	6,846	8.6%
NASDAQ	25,709	25,889	0.7%	23,242	11.4%
Russell 2000	2,834	2,944	3.9%	2,482	18.6%
KBW Bank Indx	173.9	179.8	3.4%	164.0	9.6%
Bitcoin	$63,725	$66,799	4.8%	$87,648	-23.8%
Oil (WTI)	$91.94	$80.30	-12.7%	$57.42	39.8%
Gold	$4,325	$4,354	0.7%	$4,319	0.8%
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	3.70	3.69	-0.01	3.63	0.06
2yr UST	4.15	4.04	-0.11	3.47	0.56
10yr UST	4.54	4.45	-0.09	4.17	0.28
2-10yr UST Spread	39	41	2	69	-28
2y AAA Muni/10y UST	57.6%	59.0%	1.4%	70.3%	-11.3%
10y AAA Muni/10y UST	64.5%	66.0%	1.5%	65.4%	0.6%
5yr Inflation Forecast	2.49	2.39	-0.09	2.27	0.12

Week Ahead

- **Monday:** Industrial production, Housing Market Index
- **Tuesday:** Housing starts, Import and export prices
- **Wednesday:** FOMC meeting, Retail sales, Pending home sales
- **Thursday:** Leading Economic Indicators
- **Friday:** Juneteenth holiday

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