

## Beacon Weekly Investment Insights

Geopolitical headlines were front-and-center as the trading week commenced, following weekend stories that tensions overseas had flared up once again. Reports began flowing in late Sunday evening that Iran and the U.S. had engaged in airstrikes against one another, in conjunction with Israeli forces going on the offensive in Lebanon – calling into question the viability of the ongoing ceasefire agreement. Iran responded promptly by stating that, from their viewpoint, these actions constituted an end to the weeks-long truce and in retaliation, they threatened to officially close the Strait of Hormuz. The two sides have had trouble bridging the gap on core issues such as Iran's nuclear ambitions and who, if anyone, should be in charge of policing the Strait of Hormuz moving forward. Several other noteworthy breakthroughs occurred later in the week, including a revised peace agreement between Israel and Lebanon that the U.S. helped facilitate, and the passage of a bipartisan war powers resolution by the House of Representatives aimed at ending the hostilities abroad. The measure will likely face an uphill battle in the Senate though.

Aside from this, other significant updates revolved around the persistent artificial intelligence megatheme. AI powerhouse, NVIDIA, was the first to make a splash with an announcement that they will be setting their sights on the personal computer chip segment next, through the introduction of a new processor dubbed RTX Spark, in collaboration with a firm called MediaTek and software behemoth Microsoft. Google followed up on this with news of their own that they'd be raising capital to the tune of \$85 billion, through a public and private stock offering. The proceeds will be used to strengthen the company's artificial intelligence platform and scale the vital infrastructure required to support this growth. As part of this, Berkshire Hathaway (which has noticeably increased its stake in the company over the past few quarters) took its commitment one step further by agreeing to purchase an additional \$10 billion of stock via a private placement transaction. Speaking of stock issuance, initial public offerings were thrust into the spotlight this week as SpaceX gears up for its Nasdaq listing on Friday, June 12, setting the stage for the largest IPO in history. Highly coveted offerings from Anthropic and OpenAI are also on the horizon. Anthropic has an early lead on their competitor, as they've already filed an IPO prospectus with the Securities and Exchange Commission.

Turning to this week's macroeconomic calendar, there were plenty of market moving publications and data points for investors to sift through and digest. The Institute for Supply Management (ISM) Manufacturing reading for May was the first meaningful report to be disseminated, and it depicted strong growth, marking a fifth consecutive expansionary reading in the process (54% for May vs. predictions of 53% or so). This report's counterpart, ISM Services, was released shortly thereafter and it showed an improving economic backdrop as well (54.5% vs. expectations of roughly 54%). Furthermore, it highlighted that even in the face of higher input costs, new orders and overall business activity remained sound. The remainder of the week was primarily dedicated to the health of the job market. The Job Openings and Labor Turnover Survey (JOLTS) set the tone, and it reaffirmed the "low-hire, low-fire" reality that has come to define current labor market trends. Openings reached 7.6 million for April, clocking in well ahead of the consensus forecast of 6.9 million. Another key takeaway is that workers are prioritizing job security over new opportunities, as evidenced by the quits rate dropping to its lowest level since 2020. Both the ADP Employment and Non-Farm Payroll (NFP) reports surpassed official projections by wide margins. The ADP report added 122,000 jobs in May and in a welcome twist, showcased more broad-based hiring – with eight of the ten sectors tracked by the payroll processing firm recording gains. The distribution of hiring was much more evenly dispersed across company sizes too, compared to months prior. The non-farm report extended this momentum by adding 172,000 employees, double the 80,000 predicted by economists. Leisure and hospitality led the surge, while healthcare continued to serve as a reliable anchor of monthly job creation. March and April's prints were also revised upward by 93,000 combined.

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After nine consecutive weeks of gains, equities finally ran out of steam this week, resulting in all three major indices closing in the red. The Dow Jones Industrial Average fared the best of the bunch, dipping just 0.2%. The blue-chip nature of its underlying constituents helped shield it from the aggressive selling that occurred in the tech sector, which bore the brunt of the market's weekly losses. The S&P 500 and NASDAQ Composite rounded out the week down 2.5% and 4.7%, respectively. The pullback should be viewed as constructive at the moment, since it has helped relieve some overbought technical conditions, while also allowing the broader averages to digest their historic run up in price. In fixed-income markets, short-term rates rose faster than long-term rates this week, leading to a flatter yield curve. The 2yr. Treasury rose 19 basis points, whereas the 10yr. Treasury jumped 10 basis points. Sticky inflation and a robust labor market continue to drive yields higher, complicating matters for the Fed by potentially pointing toward more restrictive monetary policy and a higher-for-longer rate scenario. The commodities complex saw crude oil catch a bid during the course of the week (up nearly 4%) spurred by the resurgence of geopolitical tensions. Gold found itself down about 5% for the week, causing the yellow metal to give back all of its year-to-date gains. Cryptocurrencies and other digital assets have experienced discernible outflows over the past few weeks as enthusiasm has waned and investors flock to high-performing technology stocks.

First quarter earnings season is mostly in the books and, in aggregate, results have been quite impressive, with over 80% of companies in the S&P 500 delivering top (revenue) and bottom line (earnings) surprises. As a result of this strength, the blended year-over-year earnings growth rate has been revised up rather markedly. After starting at around 13%, it is now projected to finish the year just shy of 30%. Additionally, there were a few notable companies that reported this week, some for Q1 and others for different fiscal reporting periods. In particular, Broadcom (AVGO), Dollar General (DG), Palo Alto Networks (PANW), and Hewlett Packard (HPE) drew strong investor interest. Although Broadcom and Hewlett Packard had vastly different post-earnings reactions, it was evident that capital continues to flow into both of their main growth engines (semiconductors and servers) – an encouraging sign for the technology sector as a whole. Palo Alto had a mixed response but is undoubtedly benefiting from steady flows into the cybersecurity space as AI-enabled platforms (like Anthropic's Mythos) expose data vulnerabilities, ultimately increasing what corporations spend on these solutions. Dollar General's figures portrayed a more cost-conscious consumer, culminating in the discount retailer raising its full-year guidance.

On the docket next week, inflation will be featured prominently with the release of the Consumer Price Index (CPI) and Producer Price Index (PPI) for the month of May. With the Federal Reserve's next policy meeting slated to commence on June 16th, policymakers will certainly be paying close attention to the data, as tariffs and rising commodity prices (owing to the conflict overseas) have exacerbated recent inflationary pressures. Of note, the market is now pricing in one interest rate hike by the end of the year, contrasting sharply with initial expectations for easing monetary policy or interest cuts. Existing home sales (May), initial jobless claims, and a preliminary reading on consumer sentiment (June) will round out the upcoming economic calendar.

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Market Scorecard:	6/5/2026	YTD Price Change
Dow Jones Industrial Average	\$50,866.78	5.83%
S&P 500 Index	\$7,383.74	7.86%
NASDAQ Composite	\$25,709.43	10.62%
Russell 1000 Growth Index	\$4,936.37	3.61%
Russell 1000 Value Index	\$2,320.10	12.00%
Russell 2000 Small Cap Index	\$2,833.50	14.17%
MSCI EAFE Index	\$3,073.71	6.26%
US 10 Year Treasury Yield	4.52%	35 basis points
WTI Crude Oil	\$90.54	57.68%
Gold \$/Oz.	\$4,365.30	0.56%

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