

Beacon Weekly Investment Insights

Elon Musk became the first trillionaire in history on the heels of SpaceX's successful IPO. On Friday, the SpaceX IPO launched and increased almost 20% from its offering price. The company is already valued at an astounding \$2.1 trillion, making it the seventh most valuable company in the world. The S&P 500 increased 0.65% last week amid continued geopolitical turmoil. President Trump stated that a deal with Iran will soon be reached to fully open the Strait of Hormuz, which, of course, has a significant effect on energy prices. Accordingly, oil prices fell 6.6% last week, but remain up a robust 46.8% on a year-to-date basis.

The continued outperformance of small-cap equities is noteworthy. The Russell 2000 Index of small-cap stocks rose 3.9% last week and is up an impressive 18.6% on a year-to-date basis. Small-cap stocks have significantly lagged large-cap stocks in recent years. Smaller firms tend to be more domestically focused and less impacted by geopolitical risks. They may also be greater beneficiaries of productivity improvements generated by the implementation of artificial intelligence (AI) applications. The drop in oil prices coincided with a drop in long-term bond yields. For example, the yield on the benchmark 10-Year U.S. Treasury Note fell to 4.48%, down noticeably from its recent high of 4.69% that was reached less than one month ago. The widely followed Bloomberg Barclays Aggregate Bond Index remains modestly in positive territory, up a meager 0.5% on a year-to-date basis.

The May report on the Consumer Price Index (CPI) released last week showed inflation accelerated to 4.2% on a year-over-year basis, its highest value since April 2023. Rising energy costs linked to the military conflict in Iran were a major contributor to the increase. The May report of the Producer Price Index (PPI), a measure of wholesale inflation, showed an even greater increase, rising 6.6% on a year-over-year basis. Rising transportation, warehousing, and energy costs suggest that businesses continue to face elevated input expenses, increasing the risk that consumer inflation could remain persistent throughout the summer. Consumer confidence, however, showed signs of improvement. The University of Michigan's preliminary June consumer sentiment survey rose 9% from May's record low level.

The highlight of the economic calendar this week will almost certainly be the first Federal Reserve Open Market Committee (FOMC) meeting run by its newly appointed Chairperson, Kevin Warsh. Although it is almost a foregone conclusion that the Fed will keep short-term interest rates unchanged on Wednesday, there is substantial uncertainty about the outlook for the rest of the year. Futures prices in December are roughly equally balanced between no further rate cuts and a modest rate hike. Of course, the price of oil and other factors that impact inflation will play a key role in future Fed policy, but analysts will also closely monitor the methodology and thought processes favored by Mr. Warsh. For example, in his prior remarks to Congress, he discussed the notion of a "trimmed mean" which places less emphasis on extreme data points and hence provides a lower estimate of inflation relative to the more widely followed CPI or Personal Consumption Expenditures (PCE) measures.

There are some other notable economic reports this week, separate from the Fed meeting and press conference on Wednesday. The Housing Starts report will be released on Tuesday and may provide a glimpse of future housing supply, which may further temper the rate of home price appreciation. The Retail Sales report will be released on Wednesday and will provide a pulse on consumer spending, which accounts for roughly seventy percent of GDP. On Thursday, the Weekly Jobless Claims and the Conference Board's Leading Economic Index (LEI) reports will be released. The Weekly Jobless Claims report impacts the monthly employment report, and LEI is a forward-looking measure of economic growth. In general, we expect continued economic growth, although at a somewhat moderate pace, due to the deleterious effects of heightened inflation. Lastly, we close with a sporting event that also has global economic implications. The World Cup began last week across North America. The finals will occur

later next month at MetLife Stadium in New Jersey, marking the first time since 1994 that the most popular sporting event in the world will occur on U.S. soil. Good luck to all the competing teams.

Market Scorecard:	6/12/2026	YTD Price Change
Dow Jones Industrial Average	\$51,202.26	6.53%
S&P 500 Index	\$7,431.46	8.56%
NASDAQ Composite	\$25,888.84	11.39%
Russell 1000 Growth Index	\$4,894.47	2.73%
Russell 1000 Value Index	\$2,377.43	14.76%
Russell 2000 Small Cap Index	\$2,943.99	18.62%
MSCI EAFE Index	\$3,103.02	7.27%
US 10 Year Treasury Yield	4.48%	+32 basis points
WTI Crude Oil	\$84.29	46.82%
Gold \$/Oz.	\$4,239.90	-2.13%

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