

May 2026

Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 05/31/2026

Global Overview

Global markets advanced in May as resilient economic data, strong corporate earnings, and continued enthusiasm surrounding artificial intelligence supported investor sentiment. U.S. equities continued their rally, led by technology and other growth-oriented sectors, while credit markets remained constructive amid stable interest rates and narrowing spreads. Overall, economic data remained broadly consistent with a soft-landing scenario, although signs of uneven growth and consumer stress persisted across portions of the global economy. International markets also posted positive returns, with emerging markets outperforming developed markets on the back of strong semiconductor demand in Taiwan and South Korea. Investor enthusiasm remained concentrated in companies expected to benefit from AI-related capital spending, contributing to record earnings growth among large-cap technology companies and further increasing their influence within major equity indexes. At the same time, economic data continues to be mixed.

U.S. Markets & Economy

May saw U.S. equities build on the prior month's momentum, with the S&P 500 returning 5.3% and reaching new record highs. Growth was the dominant theme, as strong gains in Information Technology, Health Care, and Consumer Discretionary led the advance. Investors continued to favor areas tied to artificial intelligence, cloud infrastructure, and semiconductor demand, while the other eight sectors had negative performance. Resilience continued to define the economic backdrop in May, as macroeconomic data continued to support the soft landing narrative. Labor market conditions remained stable, as initial jobless claims increased modestly to 225,000 from April's historically low reading of 189,000. Consumer confidence softened slightly during the month from 93.8 to 93.1, as weaker assessments of current business and labor market conditions outweighed improving expectations for future economic conditions. Despite the modest decline in confidence, business activity remained strong as the ISM Manufacturing PMI increased from 52.7 to 54.0, its highest reading since May of 2022. Although growth was the dominant theme during the month, core and value indexes also advanced. In the large cap space, the Russell 1000 Growth Index returned 7.2%, compared to 5.1% for the Russell 1000, and 3.0% for the Russell 1000 Value Index. Small cap stocks also advanced, as the Russell 2000 Growth, Russell 2000, and Russell 2000 Value Indexes returned 5.8%, 4.4%, and 2.8%, respectively.

Attention in fixed income markets turned toward the Federal Reserve in May, as Kevin Warsh officially assumed the role of Chair. While policy remained unchanged during the month, investors evaluated how new leadership might influence the future path of monetary policy. Treasury yields were broadly unchanged during the month, with modest increases concentrated in intermediate maturities. Credit conditions continued to improve during the month, as investment grade spreads decreased from 81 to 74 bps and high-yield spreads tightened from 283 to 274 bps. Fixed income markets remained largely unchanged during the month, with the Bloomberg Aggregate Index gaining 0.3%, the Bloomberg U.S. Intermediate Government/Credit Index advancing 0.1%, and the Bank of America U.S. High Yield Index returning 0.5% for the month.

International Markets & Economy

Inflation remained a key concern across developed international markets during May. Eurozone CPI rose 3.2% year-over-year, driven largely by a 10.9% increase in energy prices amid ongoing supply disruptions in the Middle East. While the ECB left interest rates unchanged at its April meeting, policymakers acknowledged that a rate hike had been discussed extensively and indicated that the June meeting would provide an opportunity to reassess the policy outlook. Economic conditions across Europe remained mixed. Germany confirmed first-quarter GDP growth of 0.3%, supported by stronger household consumption, government spending, and exports, while its Manufacturing PMI improved to an

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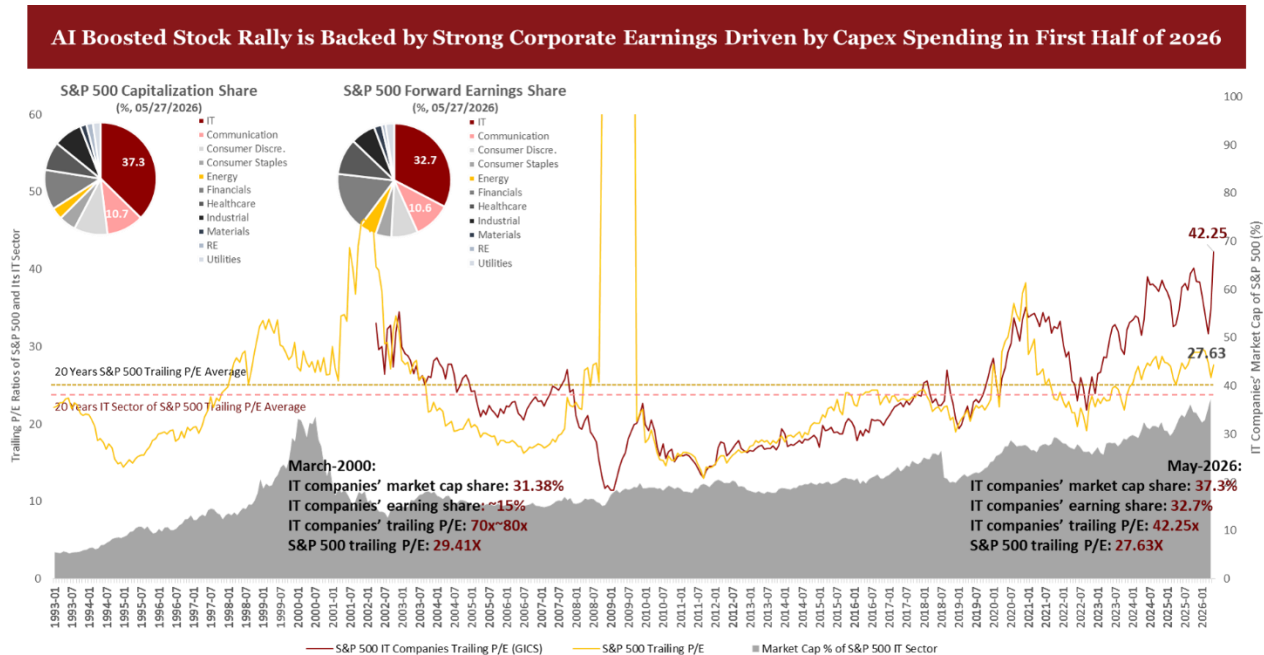
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expansionary reading of 50.1. In contrast, France's economy contracted 0.1% during the quarter as consumption, investment, and exports weakened. In Japan, the yen remained under pressure despite significant foreign exchange intervention by Japanese authorities, reflecting the Bank of Japan's cautious approach to monetary normalization. Against this backdrop, the MSCI EAFE Index returned 3.1% for the month. Emerging markets outperformed developed markets, with the MSCI Emerging Markets Index gaining 9.7%. China's economy expanded 5.0% year-over-year in the first quarter as strong exports helped offset sluggish domestic demand, although weakness in the real estate sector persisted. Performance across emerging markets was further supported by semiconductor companies in Taiwan and South Korea, which continued to benefit from strong global demand for artificial intelligence and advanced computing technologies.

In the News

The S&P 500 reached multiple all-time highs during May, closing the month at 7,580. First-quarter earnings remained a key driver of market performance, with 84% of S&P 500 companies reporting positive earnings surprises and blended earnings growth reaching 28.4%, the strongest quarterly growth since Q4 2021. Earnings growth among the "Mag 7" companies reached 63.2%, while the remaining 493 constituents posted growth of 17.4%, both the highest levels since the post-pandemic recovery. Continued enthusiasm surrounding AI-related capital spending supported the market, with 45 S&P 500 companies tied to AI infrastructure expected to generate earnings growth exceeding 70% this year. Information Technology now represents 37.3% of the S&P 500's market capitalization and 32.7% of forward earnings, while Information Technology and Communication Services combined account for nearly half of the index's market value and 43.3% of forward earnings. Although sector concentration has approached levels last seen during the dot-com era, today's valuations and earnings contribution remain significantly more grounded. Despite the strong equity market performance, economic data continued to reflect a more uneven, K-shaped economy. First-quarter GDP growth was revised down to 1.6% annualized due to weaker inventory accumulation, while inflation remained elevated, with headline PCE rising 3.8% and core PCE increasing 3.3% in April. Higher energy prices pressured consumers, contributing to declines in real gasoline consumption, while credit card, auto loan, and student loan delinquencies continued to rise. Personal savings also remained under pressure, with the savings rate falling to 2.6%, one of the lowest levels outside of the COVID period and the Global Financial Crisis.

Chart of the Month



Source: MacroMicro, Yardani, Morningstar

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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	4.55	7.28	10.49	27.49	21.89	11.96	13.09
	Bloomberg US Agg Bond TR USD	0.31	(1.35)	0.38	5.13	3.95	0.17	1.70
	Russell 3000 TR USD	5.07	10.03	11.20	29.45	23.16	12.92	15.12
	DJ Industrial Average TR USD	2.94	4.64	6.86	22.71	17.84	10.19	13.48
	NASDAQ Composite PR USD	8.36	18.99	16.05	41.12	27.76	14.43	18.48
	MSCI EAFE NR USD	3.07	(0.65)	9.37	22.80	18.15	8.79	9.28
	FTSE Treasury Bill 3 Mon USD	0.32	0.94	1.56	4.11	4.90	3.62	2.38
Bloomberg Commodity TR USD	(3.56)	12.05	25.03	40.47	16.59	11.75	7.21	
Domestic Equities	S&P 500 TR USD	5.26	10.52	11.27	29.78	23.61	14.15	15.65
	S&P MidCap 400 TR	2.45	4.56	13.27	25.87	17.45	8.08	11.30
	S&P SmallCap 600 TR USD	1.04	7.02	15.48	33.33	16.38	5.94	10.80
	Russell 1000 TR USD	5.10	9.97	10.88	28.85	23.33	13.33	15.38
	Russell 1000 Growth TR USD	7.20	13.71	8.23	28.66	26.45	15.73	18.86
	Russell 1000 Value TR USD	2.95	5.97	13.68	28.55	19.44	10.42	11.37
	Russell Mid Cap TR USD	2.85	4.52	11.82	22.37	18.45	8.15	11.71
	Russell Mid Cap Growth TR USD	4.75	4.54	4.45	7.88	17.46	6.86	12.74
	Russell Mid Cap Value TR USD	2.32	4.51	14.13	27.21	18.60	8.57	10.40
	Russell 2000 TR USD	4.37	11.26	18.15	43.08	20.25	6.61	11.21
	Russell 2000 Growth TR USD	5.84	13.75	17.98	41.87	20.22	5.80	11.53
Russell 2000 Value TR USD	2.79	8.62	18.30	44.36	20.22	7.27	10.50	
International Equities	MSCI ACWI Ex USA NR USD	5.03	2.74	14.36	32.77	20.81	8.77	9.82
	MSCI EAFE NR USD	3.07	(0.65)	9.37	22.80	18.15	8.79	9.28
	MSCI EAFE Growth NR USD	4.18	0.16	8.25	15.72	12.46	4.72	8.33
	MSCI EAFE Value NR USD	2.06	(1.39)	10.41	30.07	24.04	12.78	9.97
	MSCI Japan NR USD	4.97	0.35	16.15	31.74	20.21	9.50	9.60
	MSCI AC Asia Ex Japan NR USD	11.25	11.61	27.85	56.62	26.00	7.59	11.30
	MSCI Europe NR USD	2.63	(0.98)	6.81	19.96	17.65	8.99	9.32
	MSCI United Kingdom NR USD	(0.28)	(3.18)	7.04	22.97	19.33	11.65	8.50
	MSCI EAFE Small Cap NR USD	3.95	0.86	11.81	27.23	18.31	5.80	8.46
	MSCI EM NR USD	9.69	9.39	25.61	54.31	25.15	7.54	10.66
Fixed Income	Bloomberg US Govt/Credit TR USD	0.32	(1.38)	0.24	4.58	3.78	0.05	1.79
	Bloomberg US Govt/Credit Interm TR USD	0.11	(0.90)	0.30	4.13	4.40	1.22	2.06
	Bloomberg US Govt/Credit Long TR USD	0.96	(2.84)	0.06	6.04	1.88	(3.30)	1.11
	ICE BofA US High Yield TR USD	0.49	0.99	1.64	7.44	9.29	4.36	5.79
	JPM EMBI Global Diversified TR USD	1.00	0.49	2.58	13.66	10.87	2.58	3.98
	Morningstar LSTA US LL TR USD	0.51	2.35	1.24	5.12	8.33	6.07	5.49
	FTSE WGBI NonUSD USD	0.44	(1.86)	0.65	1.64	2.70	(4.32)	(0.92)
Bloomberg Gbl Agg Ex USD TR USD	0.35	(1.73)	0.59	1.70	3.30	(3.00)	(0.13)	
REITs	FTSE Nareit All REITs TR	0.07	2.22	12.63	12.67	10.93	3.42	6.10
	Wilshire US REIT TR USD	(0.12)	2.64	14.10	16.81	13.64	5.94	6.50

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

Source: Morningstar

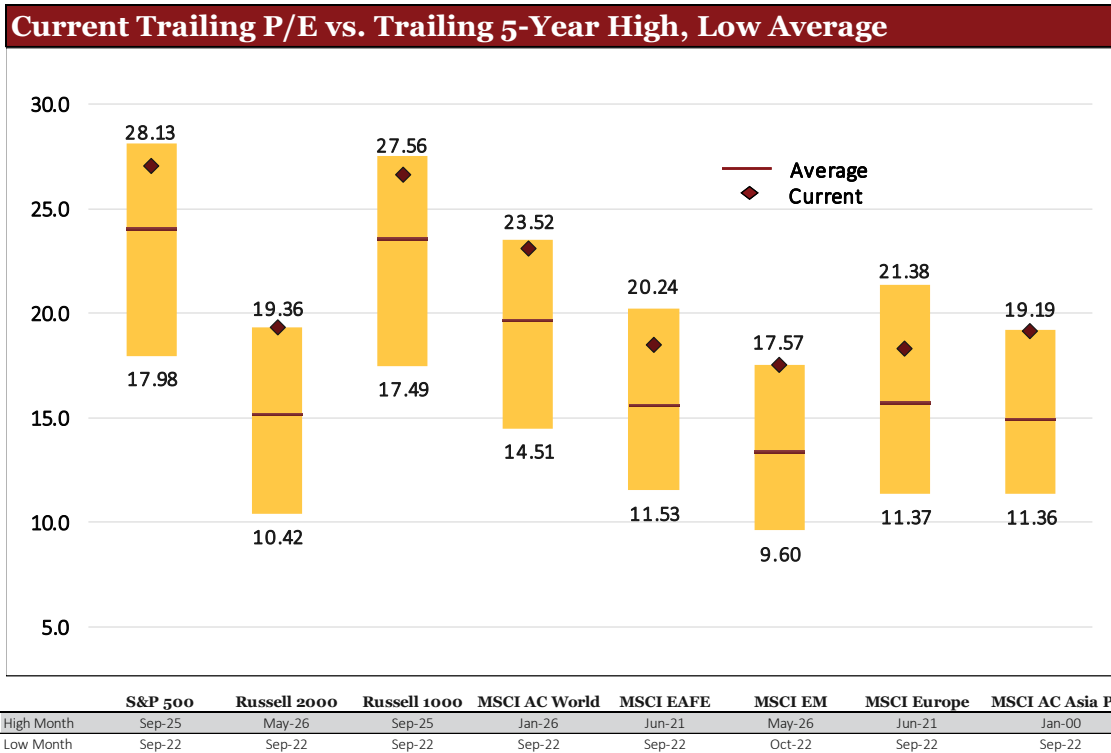
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Source: Morningstar; Data as of 05/31/2026

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2026 ¹	2027 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	1.60	1.72	1.86	4.30	4.51	-	-	2.80
China	1.30	4.41	4.34	5.20	1.71	6.77	7.19	1.20
Japan	0.50	0.89	0.90	2.50	2.69	159.23	144.09	1.40
United Kingdom	0.60	1.17	1.33	5.00	4.90	1.35	1.35	2.50
Euro Area	0.10	1.21	1.40	6.30	3.33	1.17	1.14	2.50
Germany	0.30	1.00	1.45	6.30	3.01	1.17	1.14	2.50
France	-0.10	0.95	1.04	8.10	3.63	1.17	1.14	1.20
Italy	0.30	0.62	0.74	5.10	3.76	1.17	1.14	1.80
Canada	0.00	1.27	1.70	6.90	3.47	1.38	1.38	2.10
India	1.80	6.15	6.45	5.20	7.02	95.53	85.25	4.95
Mexico	-0.60	1.17	1.73	2.50	9.16	17.52	19.34	4.26
Brazil	1.10	1.67	2.23	5.80	14.15	4.98	5.65	4.46

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2026 & 2027 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

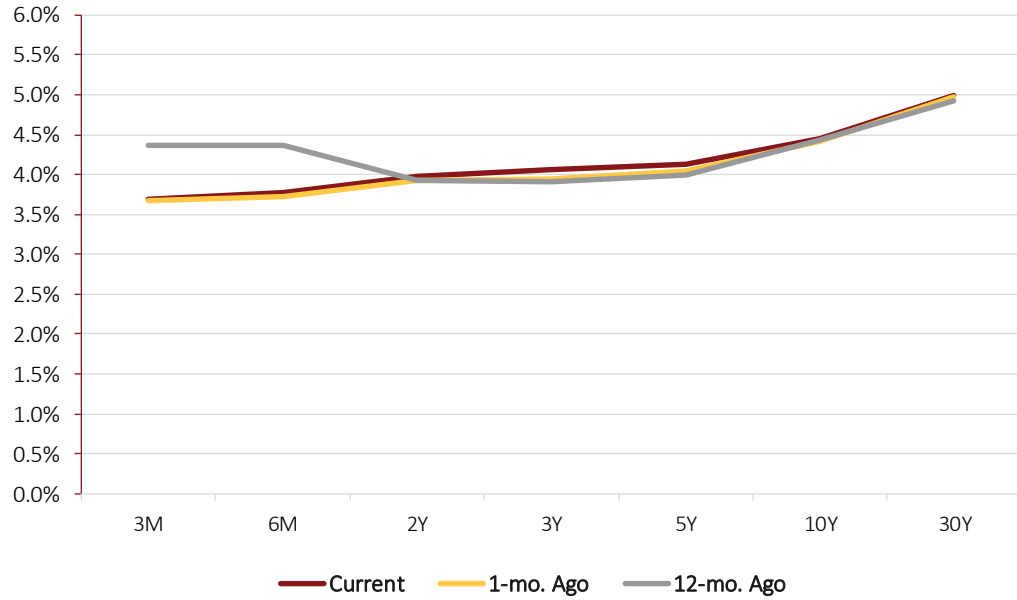
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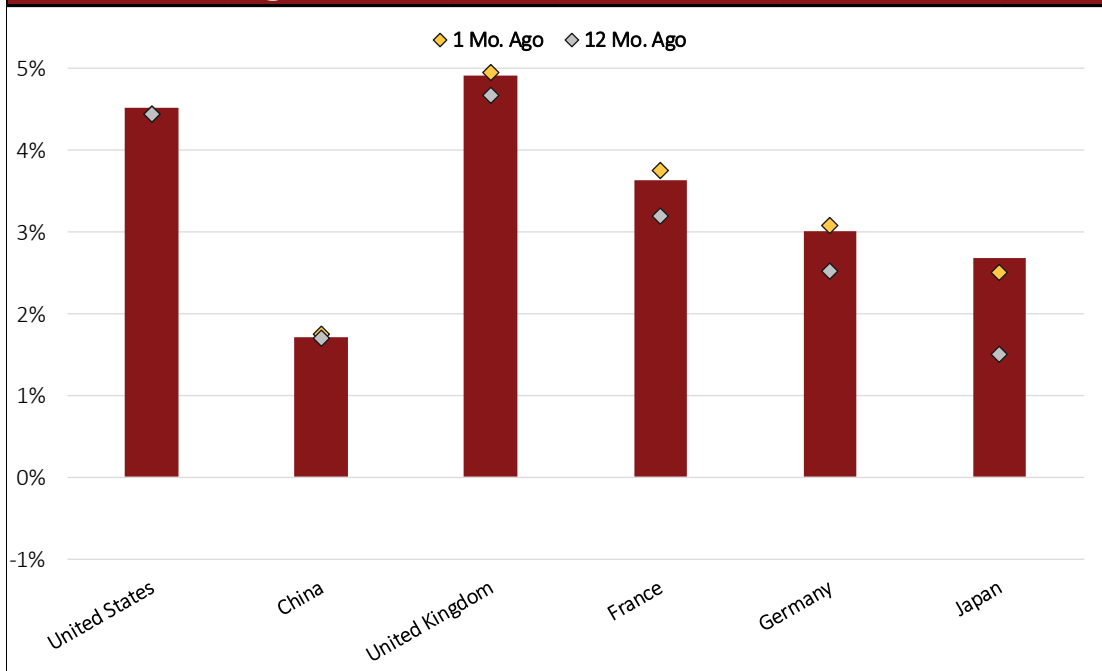
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U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 05/31/2026

10-Year Sovereign Yields



Source: Trading Economics; Data as of 05/31/2026

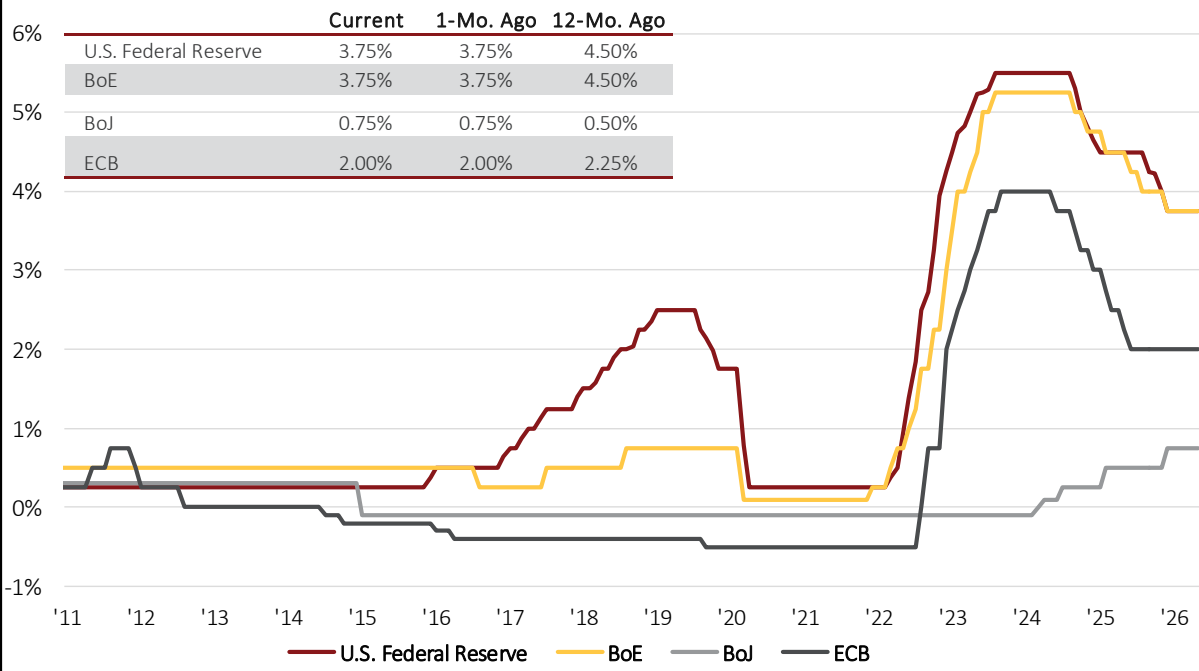
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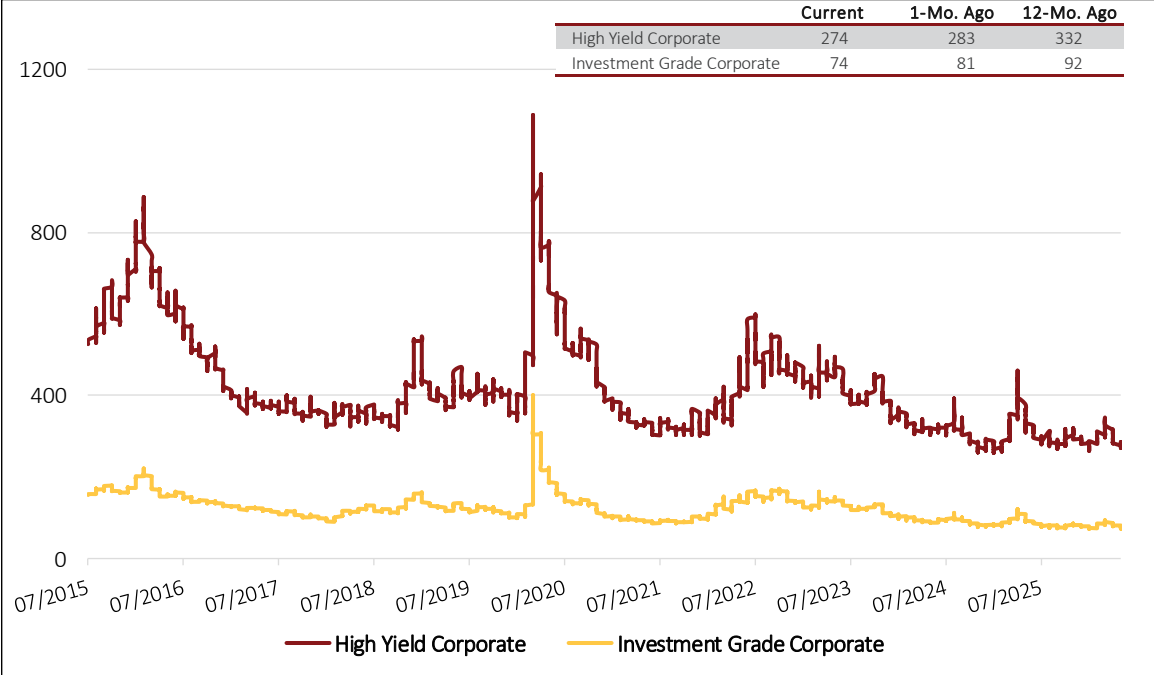
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Central Bank Policy Rates



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 05/01/2026

Corporate Bond Average Spread (basis points)



Source: Federal Reserve Bank, Bank of America; Data as of 05/31/2026