The Weekly Market Update – 5/11/26: Jobs Gains Impress, China Summit on Tap

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,398.93	2.33%	13.33%	8.08%	32.86%	7,398.93	0.0%
Dow Jones Industrial Average	49,609.16	0.22%	7.05%	3.22%	21.98%	50,188.14	1.2%
NASDAQ Composite	26,247.08	4.51%	21.57%	12.93%	50.44%	26,247.08	0.0%
Russell 2000	2,861.21	1.72%	14.61%	15.28%	45.67%	2,886.77	0.9%
MSCI EAFE (USD)	3,076.29	0.90%	8.37%	6.35%	23.00%	3,179.91	3.4%
MSCI Emerging Markets (USD)	1,711.25	6.86%	22.48%	21.85%	53.77%	1,723.92	0.7%
Bloomberg Commodity Index	138.40	-1.30%	2.33%	26.17%	37.13%	237.95	71.9%
Barclays U.S. Aggregate Bond	93.30	0.22%	0.06%	-0.82%	0.95%	112.07	20.1%

Source: FactSet

April U.S. jobs gains exceeded consensus estimates for the second consecutive month, but the report included some less-positive data as the labor participation rate trended lower. According to the Bureau of Labor Statistics (BLS), April nonfarm payrolls (jobs) increased +115 thousand (K), well above the +65K FactSet consensus estimate. Gains were led by health care, transportation/warehousing, and retail stores, with more modest increases from social assistance, leisure/hospitality, and construction. Jobs were lower in April for information (includes technology), financial services, and the federal government. The +115K April jobs increase followed +178K in March and was the best two-month contribution since the end of 2024. While two months of data generally does not confirm a trend, the +55K average monthly increase over the past six months was at the highest level since May 2025. The April unemployment rate was 4.3%, unchanged from March, and matched the lowest level since June of last year. However, the unemployment rate was impacted by a -92K reduction in the civilian labor force, which includes discouraged job seekers who have stopped looking for work. In addition, BLS said that part-time workers preferring full-time employment increased by +445K in the month. Since November 2025 (5 months), the civilian workforce decreased more than the increase in the eligible working population. People leave the workforce for many reasons, including retirement, but rising discouraged workers is something to keep an eye on. Wages, as measured by average hourly earnings (AHE), increased +3.6% year-over-year (Y/Y) in April, matching the average of the first quarter (January through March), but on a sequential basis (month-to-month) the increase was only +0.2%. In our view, this is an indication that inflation pressures from the Iran war have not yet impacted wages. Near-term, this is a potential benefit to corporate earnings (helps keep costs low), but over time, wage growth below inflation creates consumer spending challenges.

President Trump travels to China to meet with President Xi, the first U.S. presidential visit to China since 2017, with the Summit beginning on 5/14/26. While stakes are high with the two largest global economies negotiating on trade and other issues, expectations are muted for this meeting. Potential topics include trade and tariffs, technology and artificial intelligence, Taiwan, rare earth minerals, and the Iran War/Strait of Hormuz. The U.S. has invited an impressive list of high-profile corporate leaders (CEOs), an indication that business discussions will dominate the agenda. U.S.-imposed China tariffs, by some accounts, average 30%+, but have been stable since October 2025 when both countries agreed to a tariff truce (no escalation). China could ask for more tariff relief and an extension of the truce, while the U.S. would like to see China agree to purchase more U.S. goods and increase access to rare earth minerals. Our base expectation is for only incremental news from the Summit, but given the volatile nature of this relationship, and President Trump, we are prepared for potential surprises.

Second quarter (2Q26) economic data is front and center this week with scheduled releases for April on inflation and retail sales. As of 5/8/26, the consensus estimate for 2Q26 U.S. economic growth (as measured by gross domestic product, or GDP) was +2.1% annualized. Early April data tracked above that estimate as both consumer spending and business investment appear strong. Inflation data, as measured by the consumer price index (CPI), will reflect a second month of higher gasoline prices and the consensus is for Y/Y inflation of +3.7%, vs. +3.3% in March. Excluding food and energy, "core CPI" is estimated to increase +2.7%. Retail sales are expected to increase in April compared to March, but will include gasoline stations, so we will look at the data excluding gas as well.

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The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices are provided by FactSet.

Gross domestic product (GDP) is a measure of economic growth and refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. The first estimate of 1Q26 U.S. GDP was released on 4/30/26 and can be found at www.bea.gov.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3./1/26 the White House published a release detailing the operation. On 3/6/26, President Trump issued a 10-day deadline for Iran to open the Strait of Hormuz to shipping traffic. The deadline was set to end the evening of 4/6/26. On 4/8/26, the U.S. and Iran agreed to a two-week ceasefire that was set to expire (unless extended or replaced with a peace agreement) on 4/22/26 but has since been extended indefinitely.

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels per day are transported on ships through the Strait on a daily basis. This includes liquefied natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 5/11/26, very limited shipping vessels were using the Strait of Hormuz.

The International Energy Agency (IEA) has monitored shipping and supply disruptions through the Strait of Hormuz. They have published key facts on the disruption with links to other reports as well. The Middle East and Global Energy Markets.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in

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the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE).

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

We track a measure of wages, average hourly earnings of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics, average hourly earnings, or AHE. The data measures average hourly earnings of all private employees on a “gross” basis (includes overtime and late shift work but excludes benefits).

The U.S. Census Bureau conducts the Advance Monthly Retail Trade and Food Services Survey to provide an early estimate of monthly sales by kind of business for retail and food service firms located in the United States. Each month, letters are mailed to a probability sample of approximately 4,800 employer firms selected from the larger Monthly Retail Trade Survey (MRTS). Advance sales estimates are computed using a link relative estimator.

Detailed analysis of U.S. effective tariff rates by country (weighted average by tariff be product category) has been calculated by the Penn Wharton Budget Model at the University of Pennsylvania. The model calculated an effective tariff rate for China, as of February 2026, at 31.6%.