The Weekly Market Update – 6/8/26: Overdue Equity Market Pullback Despite Strong Jobs Data

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,383.74	-2.59%	13.10%	7.86%	24.90%	7,609.78	3.1%
Dow Jones Industrial Average	50,866.78	-0.32%	9.77%	5.83%	20.34%	51,561.93	1.4%
NASDAQ Composite	25,709.43	-4.68%	19.08%	10.62%	34.51%	27,093.90	5.4%
Russell 2000	2,833.50	-2.94%	13.50%	14.17%	37.13%	2,936.57	3.6%
MSCI EAFE (USD)	3,073.71	-1.41%	8.28%	6.26%	18.20%	3,179.91	3.5%
MSCI Emerging Markets (USD)	1,717.34	-1.99%	22.91%	22.29%	48.39%	1,789.14	4.2%
Bloomberg Commodity Index	132.63	-1.84%	-1.94%	20.91%	32.64%	237.95	79.4%
Barclays U.S. Aggregate Bond	92.48	-0.66%	-0.82%	-1.69%	1.06%	112.07	21.2%

Source: FactSet

The S&P 500 decreased -2.6% for the week ended 6/5/26, its first weekly decline since 3/27/26, ending an impressive streak of nine consecutive weekly gains. On Tuesday, 6/2, the S&P 500, Nasdaq Composite and Dow Jones Industrial Average each set an all-time high closing price but weakness on Wednesday and Friday led to the weekly decline. The S&P 500 dropped -2.6% on Friday, its worst single day of 2026. Equities decreased on Friday despite strong May employment data as nonfarm payrolls, or jobs (reported by the Bureau of Labor Statistics, or BLS), increased +172 thousand (K), well above estimates. Although this solid data point supports consumer spending activity and U.S. economic growth, equities moved lower. We attributed the market weakness to higher interest rates as the 2-year U.S. Treasury yield spiked to 4.19% on 6/5 (the highest level in 16 months), up from 4.05% the day before. Bond investors now contemplate a 2026 interest rate increase from the Federal Reserve Bank (Fed) that would take its overnight fed funds interest rate target range above the current 3.50% to 3.75% level. The Fed operates under a dual mandate to set monetary policy supporting both maximum employment and stable prices. If the labor market continues to exceed expectations, then the Fed could view rising inflation as a greater risk to the economy (the Fed often raises its fed funds target to fight inflation). However, we are not convinced that the Fed will soon hike rates, and we believe Technology sector profit-taking also contributed to last week's equity market weakness. Arguably, the S&P 500 was overdue for a pullback after nine weeks of gains and narrowing leadership in recent weeks. For the month of May, just 3 of 11 S&P 500 GICS sectors (MSCI's Global Industry Classification Standards) were positive (so 8 were negative) and market upside came from the Technology (Tech) sector, which increased +15.6% in May and +36.1% in April and May combined. Second quarter (through May) Tech gains substantially outpaced all other sectors as investor sentiment for artificial intelligence-related (AI) stocks surged, setting up for a potential pullback. The S&P 500 Tech sector declined -5.4% for the week ended 6/5 and its Semiconductor sub-industry decreased -6.8%. In our view, volatility in Technology stocks is likely to continue, although the AI investment boom appears robust. We continue to expect a broadening of gains supporting sector diversification in portfolios.

Labor market trends have improved in 2026. May's jobs increase (+172K vs. +85K consensus estimate) was notable as it represented the third consecutive monthly positive surprise. In addition, the prior two months' reports (March and April) were revised up by +93K. The 3-month average jobs increase surged to +188K, the highest 3-month average in 17 months (since the end of 2024). May gains were led by leisure & hospitality +70K, local government +55K, and health care +35K. Construction and manufacturing jobs posted modest gains, +17K and +7K, respectively. The unemployment rate remained unchanged at 4.3% as the eligible jobs force expanded (new entrants and people returning to looking for work). Five months of solid employment gains pushes back on emerging AI-caused job loss fears as layoffs remain low and job openings have increased.

The week ahead includes inflation data for the month of May, but the expected initial public offering (IPO) of Elon Musk's SpaceX on Friday will likely dominate the late-week headlines. The consumer price index, or CPI (inflation data from the BLS), is estimated to rise to +4.2% (vs. +3.8% in April). This would be the highest level since May 2023. But core CPI (excluding food and energy prices) is estimated at +2.8%, unchanged from April and at the same level as one year ago (May 2025 also +2.8%). The SpaceX IPO price is expected to be set late Thursday, 6/11, and begin trading on the Nasdaq Exchange mid-morning on Friday, 6/12/26.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

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. As of 5/29/26, based upon equity market capitalization, the Information Technology sector comprised 37.9% of the weight of the S&P 500 index. The next largest sector was Financials, at 11.1%.

Within the Information Technology sector, the S&P 500 has six sub-industry groups. This includes Communications Equipment, Electronic Equipment, Instruments & Components, IT Services, Semiconductors and Semiconductor Equipment, Software, and Technology Hardware, Storage & Peripherals.

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 revision of 1Q26 U.S. GDP was released on 5/28/26 and can be found at www.bea.gov. 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 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.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

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.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.