The Weekly Market Update – 6/22/26: New Fed Tilts Hawkish, Equities Mixed

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,500.58	0.93%	14.89%	9.57%	26.88%	7,609.78	1.5%
Dow Jones Industrial Average	51,564.70	0.71%	11.27%	7.28%	21.99%	51,999.67	0.8%
NASDAQ Composite	26,517.93	2.43%	22.82%	14.09%	38.74%	27,093.90	2.2%
Russell 2000	2,979.77	1.22%	19.36%	20.06%	44.21%	2,979.77	0.0%
MSCI EAFE (USD)	3,141.16	1.23%	10.66%	8.59%	20.80%	3,179.91	1.2%
MSCI Emerging Markets (USD)	1,790.05	4.32%	28.12%	27.46%	54.67%	1,790.05	0.0%
Bloomberg Commodity Index	126.92	-1.93%	-6.16%	15.71%	26.94%	237.95	87.5%
Barclays U.S. Aggregate Bond	93.05	0.13%	-0.21%	-1.09%	1.69%	112.07	20.4%

Source: FactSet

The Kevin Warsh era began with a hawkish interest rate outlook and a promise of changes ahead. The U.S. Federal Reserve Bank (Fed) held its fourth scheduled monetary policy meeting of 2026 on 6/17/26, the first meeting led by new Chairman Kevin Warsh. As expected, the Fed made no changes to its fed funds (overnight bank lending) interest rate target range of 3.50% to 3.75% (the same range since December 2025). But Fed communication (meeting statement, Summary of Economic Projections, or SEP, and press conference) was decidedly hawkish (future interest rate path appears higher). Chair Warsh shortened the post meeting statement to just seven sentences, and the final sentence, “The Committee will deliver price stability”, emphasized inflation (possible higher interest rates) as a Fed priority. A more obvious hawkish shift was revealed in the June SEP, which reflected individual estimates from 18 Fed voters. The median estimate for the fed funds rate at year-end 2026 was 3.8%, up from 3.4% in the previous SEP (March). The median estimate suggests Fed members see a 0.25% hike by year-end, a reversal from a 0.25% cut median just three months ago. Nine of the 18 voters estimated one or more rate hikes this year, while there were no hikes in the March SEP. Following the meeting, short-term U.S. Treasury yields (TY) surged as the 2-year TY moved to 4.21% on 6/17, its highest level in more than a year. Equities declined, with the S&P 500 down -1.2% on Wednesday (although the index rallied on Thursday). Chair Warsh announced five new Federal Reserve task forces that will review Fed processes and, in our view, are likely to recommend changes by year-end, adding uncertainty to markets. The task forces will review 1) Fed communication, 2) Fed balance sheet, 3) data sources, 4) technology investment and labor productivity, and 5) expanded inflation analysis. Warsh also indicated that he believes that the economy and jobs can grow even if higher rates are needed to fight inflation. In our view, a 2026 rate hike is not certain, especially given a recent drop in oil prices.

Equity returns in June are choppy, but the second quarter (2Q26) still shows solid gains. Through 6/18/26, the S&P 500 index was down -1.0% in June-to-date. June sector returns have been mixed with 6 of 11 GICS sectors (MSCI’s Global Industry Classification Standards) lower. Sector weakness through 6/18 was led by Communication Services and Consumer Discretionary, both down -4.7% in June through 6/18. Technology was lower by -2.0%. Month-to-date gains were led by Industrials +4.4% and Financials +3.8%. Value stocks have outpaced growth stocks in June (Russell 1000 Value +2.0%, Russell 1000 Growth -3.5%), perhaps an indication of broadening sector participation. For 2Q26-to-date (3/31/26-6/18/26), the S&P 500 increased +14.9% with Technology up +33.4% and 9 of 11 GICS sectors positive. The 2Q26-to-date Russell 1000 Growth index gain was +15.7%, while the Russell 1000 Value index increased +13.2%. We attribute equity market strength to strong 1Q26 earnings results, solid economic trends from consumers and technology-related business investment, and Middle East peace progress, causing falling oil prices.

The Fed’s preferred inflation measure, the PCE price index (PCE PI), is expected to move above 4.0% in May. With oil and gasoline prices still elevated in May, the PCE PI consensus estimate sits at +4.1%, the highest level since April 2023. This compares to +3.8% in April, and +2.9% in February (prior to the Strait of Hormuz closure). In June, oil prices (West Texas Intermediate) and unleaded gas (national average) were down -12% and -13%, respectively, as of 6/18, which will help the June inflation readings. However, May core PCE PI (which excludes energy) remains above 3% (+3.3% in April), indicating some price pressure beyond gasoline.

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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 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).

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 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. Kevin Warsh was sworn in as the Chairman of the U.S. Federal Reserve Bank on 5/22/26. He replaced outgoing Chairman Jerome Powell, who had been Chair since February 2018 (8.25 years). Mr. Powell has remained on the Fed's Board of Governors, serving a term that ends in January 2028. Mr. Warsh's first monetary policy meeting as Fed Chairman concluded on 6/17/26. The next scheduled policy meeting is 7/28-29/26. A link to Fed Calendar is here, and includes the Fed's latest post meeting policy statement and also the Summary of Economic Projections (SEP) which shows individual voting members outlook for the U.S. economy, unemployment, inflation and the fed funds interest rate range.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI. This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX). Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA). As of 6/18/26 WTI traded at $76.50 per barrel, compared to $87.50 on 5/29/26.

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 liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports.

The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: gasprices.aaa.com. The U.S. average price for unleaded gasoline on 6/20/26 was $3.94 per gallon, compared to $4.46 per gallon on 5/29/26.

As of 6/20/26, President Trump signed a Memorandum of Understanding with Iran, discussing the outline of a 14-point peace agreement. Much work is yet to be done to complete that agreement, which could take 60 days or more.