The Weekly Market Update – 6/29/26: Leadership Rotation: A Positive Take

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,354.02	-1.95%	12.64%	7.43%	24.40%	7,609.78	3.5%
Dow Jones Industrial Average	51,876.11	0.60%	11.94%	7.93%	22.73%	51,999.67	0.2%
NASDAQ Composite	25,297.62	-4.60%	17.17%	8.84%	32.35%	27,093.90	7.1%
Russell 2000	3,010.09	1.02%	20.58%	21.28%	45.68%	3,010.09	0.0%
MSCI EAFE (USD)	3,085.46	-1.77%	8.70%	6.66%	18.66%	3,179.91	3.1%
MSCI Emerging Markets (USD)	1,706.40	-4.67%	22.13%	21.51%	47.44%	1,802.77	5.6%
Bloomberg Commodity Index	122.99	-3.10%	-9.07%	12.12%	23.00%	237.95	93.5%
Barclays U.S. Aggregate Bond	93.44	0.42%	0.21%	-0.67%	2.11%	112.07	19.9%

Source: FactSet

Value stocks lead year-to-date (YTD) equity gains as the first half of 2026 comes to a close on Tuesday. In our view, the 6-month outperformance of value indices reflects a healthy market rotation that includes broadening participation and economic optimism. Through 6/26/26, the YTD gain (price return, does not include dividends) for the widely followed S&P 500 equity index was +7.4% (with 1Q26 -4.6% and 2Q26 through 6/26 +12.6%) while the Russell 1000 Value index increased +15.3% YTD (1Q26 +1.6% and 2Q26-to-date +13.5%). The Russell 1000 Index approximately represents the largest publicly traded U.S. companies by market capitalization (cap) and reflects about 93% of the market cap of the U.S. market. This compares to the S&P 500 (500+ large companies) comprising an estimated 80% of total market capitalization. Both indices accurately reflect U.S. large-company stocks, but the Russell 1000 extends lower on the size spectrum. The Russell 1000 then divides into two sub-indices, the Russell 1000 Value and Russell 1000 Growth. The Russell 1000 Value Index includes companies that trade at lower price-to-book ratios and lower past and expected growth rates for revenue and earnings. Relative to the S&P 500, the Russell 1000 Value has more diverse exposure to sectors, a larger percentage of capitalization allocated to Financials, Industrials, Health Care, and Energy, and a lower allocation to Technology (Tech). Tech deserves a special mention as it comprises an estimated 37% of the S&P 500 (as of 6/26/26) and 20% of the Russell 1000 Value (many of the 2026 large memory stocks are in the Value Index). When value outperforms, as it has over the past six months, it generally includes better performance of the "average" stock, and that has happened in 2026. In 2024 and 2025, seven very large ('mega-cap') companies, often called the "Magnificent 7," led stock market gains, driving the S&P 500 to market leadership. In 2026, the average Magnificent 7 stock was down -5.6%. Another way to see this rotation is to look at the Equal Weight S&P 500 (EWSP), which gives each stock in the index an equal weight (rather than based upon market cap). The EWSP YTD gain was +11.0% through 6/26.

We expect broadening sector gains to continue in the second half of 2026, with periods of Technology outperformance. In June, the S&P 500 Tech sector declined -7.3% while other sectors have shined. We attribute this to a consolidation of unsustainable semiconductor gains (too far too fast) in April and May, and a recurring concern that data center spending is highly capital intensive and could ultimately weigh on the profit margins of the big spenders. However, we expect market-leading earnings growth from the Tech sector in the second quarter and capital spending to remain meaningful drivers of 2026 U.S. economic growth. Consumer spending has been good, not great, and described as "resilient," but jobs growth has improved in 2026 and the recent drop in oil prices should lead to near-term inflation relief, boosting consumer sentiment. In our view, the YTD rotation in 2026 equity market leadership reflects that optimism.

The holiday-shortened week includes the end of the 2nd quarter and is highlighted by the June jobs report on Thursday. Despite weakness in June, equity markets are holding 2Q26 gains. On Thursday, 7/2 (as Friday is the Independence Day market holiday), the Bureau of Labor Statistics (BLS) will report June labor data. Nonfarm payrolls (jobs) are estimated to increase +100 thousand (K) for the month with the unemployment rate holding steady at 4.3%. Jobs increased +172K in May, and averaged +114K monthly in 2026 (January – May). Recent monthly jobs data have exceeded expectations, but investors are concerned than a job market that is "too hot" could drive inflation pressure. However, we are in the camp that a strong job market is good for economic growth.

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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. Within the Technology sector, the Semiconductor group is a sub-industry that includes makers of memory chips.

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.

Information on the Russell 1000, Russell Value and Russell 1000 Growth indices can be found at https://www.lseg.com/en/ftse-russell/indices/russell-us/russell-1000 Data is updated regularly (through Fact Sheets) to view index weights by sectors (the weights change on a daily basis due to stock price movements).

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.

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. According to FactSet, the 2Q26 weighted average consensus earnings growth estimate for the S&P 500 Technology is up +63% year-over-year (as of 6/26/26). This compares to estimated growth of up +23% for the S&P 500 broader index.

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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

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 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.

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 term "Magnificent 7" was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla.

Consumer confidence is measured by the Conference Board's monthly Consumer Confidence Survey. It reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitudes, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.