

# May 2026 Recap

## May 2026 Monthly Market Commentary

### Investor Summary

U.S. equities advanced in May, extending April's recovery and leaving several major benchmarks at or near record closing levels by month-end. Large-cap technology, semiconductor, software, and other artificial intelligence-related companies led the advance. Small-cap stocks also posted positive monthly results, though their gains were less consistent. Sector performance remained uneven, and dispersion continued to shape market behavior.

The macroeconomic backdrop was mixed. First-quarter real GDP grew at a moderate annual rate, retail sales continued to rise in nominal terms, and corporate earnings remained broadly supportive. At the same time, inflation stayed above the Federal Reserve's longer-run objective, consumer confidence weakened, and elevated borrowing costs continued to pressure rate-sensitive areas such as housing.

Oil prices declined sharply in May as investors reassessed geopolitical supply risks, although energy prices remained an important contributor to inflation. Gold finished the month modestly lower. Overall, May reflected resilient earnings, concentrated equity leadership, lower energy prices late in the month, and continued caution among consumers.

### U.S. Equity Market Review

U.S. large-cap equities continued to move higher in May, building on April's rebound and strong year-to-date gains across the major indexes. The S&P 500 and Nasdaq Composite posted solid monthly returns, supported by technology and communication services companies. The Dow Jones Industrial Average also advanced, reflecting broader strength across blue-chip stocks.

### Major Index Performance

| Index      | Close      | May     | YTD     |
|------------|------------|---------|---------|
| DJIA       | 51,032.46  | +3.10%  | +6.18%  |
| S&P500     | 7580.06    | +4.84%  | +10.73% |
| NASDAQ     | 26,972.62  | +7.40%  | +16.05% |
| OIL \$/bbl | \$87.76    | -14.38% | +52.87% |
| GOLD       | \$4,553.26 | -0.14%  | +4.75%  |

*Index data shown for informational purposes only and sourced from publicly available market data as of May 2026*

Small-cap stocks, represented by the Russell 2000, experienced choppy trading. This segment remained sensitive to interest-rate expectations, credit conditions, and the broader economic outlook. Growth stocks generally outperformed value stocks, especially in sectors tied to innovation and long-term demand trends. Select cyclical and value-oriented areas also participated when economic data surprised to the upside.

Macroeconomic data shaped much of the market narrative. Investors focused on GDP, inflation, labor conditions, and Federal Reserve policy expectations.

Higher-than-expected April inflation data contributed to some mid-month volatility, but strong corporate earnings and continued economic growth helped keep risk sentiment constructive into month-end.

## Global Market Overview

Developed international equities generally followed U.S. markets higher. Strength in Europe and parts of the Far East reflected improved earnings, stabilizing economic data, and monetary policy settings that remained more accommodative than those in the United States. Currency movements also influenced returns, as shifts in the U.S. dollar affected both local-currency and U.S.-dollar-based results.

Emerging-market performance was more uneven. Returns varied by region and sector, depending on exposure to commodities, inflation trends, currency movements, and domestic policy conditions. Countries with large energy-export sectors benefited from higher year-to-date oil prices, while economies facing higher import costs dealt with renewed inflation pressure and less policy flexibility.

Geopolitical developments, particularly tensions in the Middle East, continued to affect commodity markets and investor sentiment. Oil prices remained elevated by historical standards but declined during May as investors weighed geopolitical risk against improving supply expectations. Gold prices were volatile as investors balanced safe-haven demand against higher real interest rates and a stronger U.S. dollar during parts of the month.

## Regional and International Market Performance

Within developed markets, regional performance varied based on local economic conditions, currency movements, and sector composition. European benchmarks generally advanced, supported by improving earnings and stable, though moderate, economic activity. Developed Asian markets also posted constructive results, helped by corporate governance reforms and supportive monetary policy in select countries.

Broader indexes such as MSCI World and MSCI World ex-USA also delivered positive results, reflecting gains across major developed regions. Even so, U.S. equities remained a key driver of global returns because of their heavier exposure to technology and communication services companies.

Investors continued to monitor industrial production, retail sales, and purchasing managers' indexes for signs of divergence in global growth. Differences in inflation trends and central bank policy paths contributed to dispersion in bond yields and exchange rates, which in turn influenced regional equity performance.

## Sector Performance Details

S&P 500 sector performance in May showed continued investor preference for growth-oriented and technology-linked industries. Information technology, communication services, and parts of consumer discretionary were among the stronger performers. These areas benefited from solid earnings, continued cloud and AI-related spending, and steady demand from institutional and retail investors.

Industrials and financials delivered more moderate gains as markets assessed higher long-term interest rates, credit conditions, and global trade flows. Rate-sensitive sectors, including utilities and real estate, continued to face pressure from elevated borrowing costs and higher discount rates. Defensive areas such as consumer staples and healthcare provided diversification but generally lagged the strongest growth sectors.

Growth continued to lead value on both a month-to-date and year-to-date basis, particularly within large-cap benchmarks. Still, the performance gap remained sensitive to changes in interest-rate expectations. Rising yields or stronger inflation data tended to favor value and cyclical stocks, while falling yields and stronger sentiment around long-term growth prospects supported growth-oriented sectors.

## U.S. Economic and Earnings Summary

### Growth and Output

The U.S. economy continued to expand in the first quarter, though the composition of growth remained important. Investment, exports, consumer spending, and government spending contributed to the increase in real GDP. Higher borrowing costs continued to affect interest-rate-sensitive sectors, while technology-related capital investment remained a constructive offset in parts of the economy.

### Inflation and Prices

The April CPI report showed that inflation remained above the Federal Reserve's longer-run objective. The all-items CPI rose 0.6% month over month and 3.8% year over year. Energy, shelter, and selected service categories remained important contributors to the overall inflation picture.

The data supported a cautious policy narrative. Inflation had not returned to target, but declining oil prices late in May eased some immediate pressure in market-based inflation expectations.

### Earnings and Valuations

Corporate earnings remained an important support for equity prices in May. First-quarter reports from several technology and AI-infrastructure companies exceeded expectations, and guidance from select firms suggested continued demand for data-center and computing capacity, although future demand remains uncertain. S&P 500 earnings growth remained positive, although results varied meaningfully by sector.

Forward valuation measures remained elevated relative to longer-term averages in several growth-oriented areas. This does not provide a market forecast. It does, however, highlight the importance of earnings durability, interest-rate sensitivity, and sector concentration when interpreting market performance.

Corporate guidance for current and upcoming quarters remained mixed. Differences in demand, input costs, and financing conditions continued to shape company outlooks.

## Consumer and Retail Data

Consumer sentiment was mixed in May. Households continued to show confidence in the labor market, but concerns about inflation, interest rates, and the cost of living weighed on expectations. Higher energy and gasoline prices were especially important in shaping views on real purchasing power.

Retail sales continued to grow on a year-over-year basis, though at a more moderate pace than earlier in the expansion. Spending remained resilient in services, travel, and experiences. Goods-oriented categories, especially those sensitive to financing costs, showed more restrained growth.

Housing data continued to reflect the impact of higher mortgage rates. Existing-home sales and pending-home-sales indicators remained slower than earlier in the cycle. Regional conditions varied, with stronger job markets and limited housing supply supporting some areas, while other markets experienced softer price appreciation and lower transaction volumes.

### Manufacturing and Industry Indicators

Manufacturing and industrial indicators presented a mixed picture. National and regional purchasing managers' indexes, along with Federal Reserve regional surveys, suggested that manufacturing remained subdued but was showing signs of stabilization. Many surveys pointed to modest growth in new orders and production, while respondents continued to cite input-cost pressure and improving supply-chain conditions.

Employment components generally indicated steady labor demand, though some firms reported more selective hiring and a stronger focus on productivity. Capital-spending plans varied by region and industry. Export-oriented manufacturers and firms tied to infrastructure, energy, and technology investment were more likely to report continued spending intentions. Companies facing softer demand or higher financing costs remained more cautious.

Regional differences reflected local industry exposure. Areas with greater concentration in energy, industrials, and materials benefited from commodity strength and infrastructure-related demand.

Regions more reliant on residential construction and consumer durables saw more restrained activity.

## Corporate Earnings: 1Q 2026 Season

The 1Q 2026 earnings season concluded during May with results that broadly exceeded analyst expectations. This provided important support for equity valuations during a period of macroeconomic uncertainty.

According to FactSet Research Systems data compiled in early May 2026, 81% of S&P 500 companies that had reported first-quarter results exceeded revenue estimates. That was above the five-year average of 70% and the 10-year average of

67%. Nine of the 11 sectors reported year-over-year earnings growth, and seven sectors reported double-digit growth. Communication services, information technology, consumer discretionary, and materials led the earnings growth rankings. Healthcare and energy reported year-over-year earnings declines.

The S&P 500's forward 12-month price-to-earnings ratio stood at approximately 20.9x at month-end. That was above the five-year average of 19.9x and the 10-year average of 18.9x. Analyst estimates at the time of publication projected earnings growth of approximately 21.3% for calendar year 2026; actual results may differ materially from forecasts. Forecasts called for earnings growth of 21.3% in the second quarter, 23.0% in the third quarter, and 20.6% in the fourth quarter.

## **Key Data Sources (May/ 2026 edition)**

Market and economic data referenced in this commentary are derived from publicly available sources believed to be reliable, including but not limited to S&P Dow Jones Indices, Nasdaq, Russell Investments, MSCI Inc., FactSet Research Systems, LSEG I/B/E/S, the U.S. Bureau of Economic Analysis, the U.S. Bureau of Labor Statistics, Federal Reserve Banks, the U.S. Census Bureau, University of Michigan Surveys of Consumers, The Conference Board, the National Association of Realtors, UBS Global Real Estate Bubble Index, CME Group, the Energy Information Administration, and major commodity exchanges. Additional context and commentary were obtained from financial news and research outlets, including The Wall Street Journal, Reuters, Barron's, MarketWatch, Associated Press, Financial Times, and related market-data providers.

Market indices and levels: Standard & Poor's, S&P Dow Jones Indices, YCharts, MSCI, Nasdaq, Dow Jones, Russell Investments.

- *Market indices and levels: S&P Dow Jones Indices, Dow Jones, Nasdaq, Russell Investments, MSCI, The Wall Street Journal market data, MarketWatch, Associated Press, and other public market-data providers.*
- *Volatility and derivatives: Cboe, CME Group, and related futures and options data providers.*
- *Economic data: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve, The Conference Board, University of Michigan Surveys of Consumers, and U.S. Census Bureau.*
- *Global markets and flows: MSCI, iShares, public index providers, and major financial news organizations.*
- *Housing data: National Association of Realtors, Freddie Mac, and regional realtor associations.*
- *Commodity data: CME Group, NYMEX/Comex, Energy Information Administration, The Wall Street Journal, and other commodity exchanges and market-data providers.*

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