

May
2026

Market Recap

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FINANCIAL
PLANNING



TOTAL NET
WORTH
APPROACH



INVESTMENT
MANAGEMENT



At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

Investors did not [Sell in May](#), as the US equity market continued to rally by +5.3% during the month. Year-to-date, the S&P 500 is now higher by +11.3%. The rally was supported by progress toward a potential US-Iran agreement, as well as continued strength in corporate earnings and upward revisions to estimates. After declining by about -9% from early February through late March, the index has rebounded by nearly +20% from the low, and it ended the month on a nine-week winning streak. Recent market volatility reinforces our belief in the importance of maintaining a disciplined long-term perspective. Please see our [Principles for Long-Term Investing](#).

- **US/Iran Negotiations Continue:** The US and Iran continue to negotiate toward a potential agreement, though no formal deal has been finalized. Reports indicate that discussions remain focused on several key issues, including traffic through the Strait of Hormuz, Iran's frozen financial assets, and its highly enriched uranium stockpile. While negotiations appear to be progressing, traffic through the Strait of Hormuz remains effectively closed. Oil prices ended the month near \$87 per barrel, well below the peak of approximately \$119 reached in early March, but still elevated enough to contribute to upward pressure on inflation and interest rates.
- **Earnings Remain a Key Support:** Corporate earnings have continued to provide an important foundation for the market rally. While first quarter earnings season is now largely complete, earnings estimates have continued to move higher, with S&P 500 earnings expected to grow by +23% in 2026 and +16% in 2027. Large cloud and AI infrastructure companies continue to forecast approximately \$700 billion in capital expenditures this year, underscoring the scale of ongoing investment in artificial intelligence. Technology remains at the center of this growth story and is the only sector expected to grow earnings faster than the overall market in both years.
- **Growth Stocks Lead Again:** Growth stocks resumed market leadership in May. Much of the ongoing AI infrastructure spending is flowing into semiconductor companies, with the S&P 500 Semiconductor industry group increasing by +15.3% during the month. Strength was especially notable in the semiconductor memory space, where Micron rallied by +88% and became just the 14th global company to surpass a \$1 trillion market capitalization. This strength helped drive the Technology sector (+16.0%) significantly higher, while Consumer Discretionary (+2.6%) and Health Care (+2.5%) were the only other sectors to finish the month with positive returns. Other areas of the market also generated positive returns, including International (+5.0%), Small Caps (+4.4%), Value (+3.0%), and Mid Caps (+2.5%), though all lagged Growth during the month.
 - Market rotations have been pronounced in recent years, reinforcing the importance of [diversification](#). In many of our managed portfolios, we aim to have meaningful exposure to companies and industries benefiting from long-term AI-related growth, while also maintaining diversification across other areas of the market that may benefit from different economic and market cycles. Our view remains that diversification can help deliver more consistent and less volatile results than an all-eggs-in-one-basket approach. *There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

Short-Term Outlook: We remain somewhat cautious following the strong nine-week rally. Market gains have been supported by continued improvement in earnings estimates, reinforcing the underlying resilience of the market. At the same time, geopolitical risks remain elevated and energy prices continue to put upward pressure on inflation, creating the potential for renewed volatility. After a period of unusually strong returns, we believe investors should continue to expect periodic pullbacks and market fluctuations. In this environment, we believe it is prudent to remain disciplined by maintaining regular rebalancing toward long-term targets, opportunistically raising cash for distributions, and positioning portfolios to manage downside risk while remaining prepared to participate in potential upside. Key factors we are monitoring include the path of energy prices, the evolution of monetary policy under new Fed leadership, emerging stress in the private credit space, the trajectory of artificial intelligence, and the overall health of the labor market.

Long-Term Philosophy: We apply a [Total Net Worth Approach](#) to wealth management that integrates comprehensive financial planning with a structured investment process. Markets have historically increased over time despite frequent drawdowns as successful corporations generate profits through advances in innovation and productivity. To capitalize on the [power of compounding](#), we believe in the benefits of staying **D**isciplined, **O**ppportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses.

Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

All data sourced from Bloomberg as of 5/31/26

Fixed Income Markets

Interest Rates

Treasury yields moved higher during May, reflecting continued upward pressure on inflation expectations from elevated energy prices. The 10-Year Treasury yield briefly reached 4.69%, its highest level since early 2025, while the 30-Year Treasury yield climbed to 5.20%, a level last seen in 2007. Yields ended the month below those peak levels on optimism surrounding a potential US-Iran agreement.

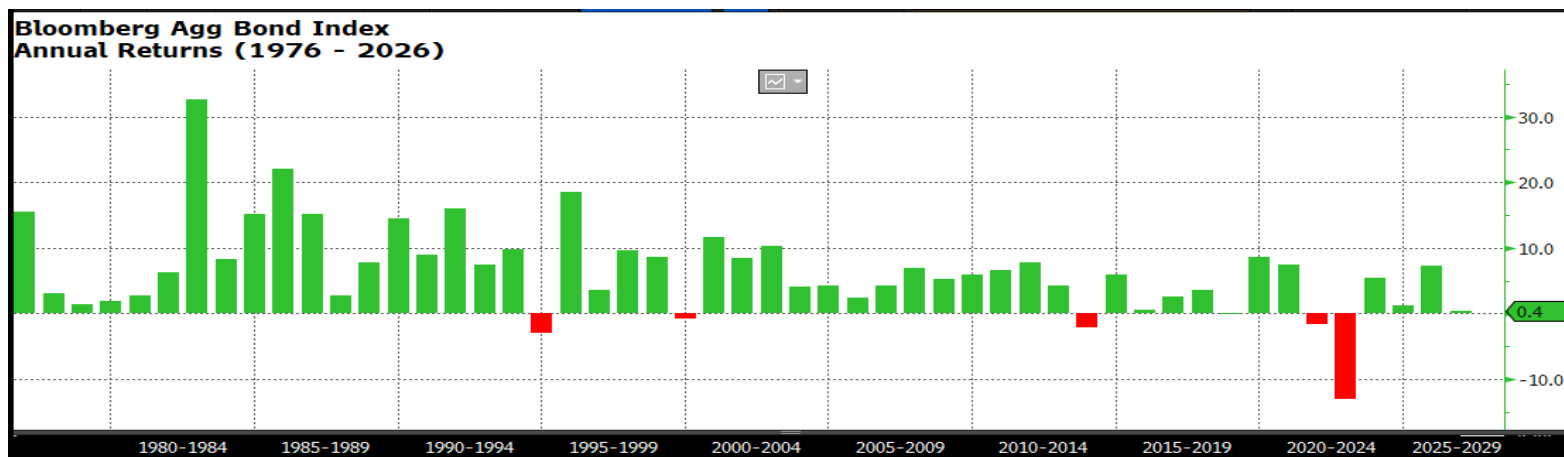
- **Short-Term Treasury Yields:** The Federal Reserve influences short-term interest rates by setting the Federal Funds rate.
 - Month-end levels: 3-Month: 3.67% (0%), 6-Month: 3.74% (+0.1%), 12-Month: 3.77% (+0.1%).
 - According to Bloomberg, market pricing has shifted from roughly two 0.25% rate cuts this year to a potential rate hike. Expectations could shift back if energy prices moderate.
 - Investing in short-term Treasuries with 4%-5% yields was a great strategy over the past few years, but we believe that opportunity has passed, and investors now face reinvestment risk with lower rates at maturity. We suggest using short-term Treasuries to fund anticipated liabilities, and to invest any excess cash in longer maturities or in a diversified portfolio. *Investing involves risk including loss of principal. No strategy assures success or protects against loss.*
- **Long-Term Treasury Yields:** The market determines long-term yields based on supply dynamics, including elevated [federal debt](#) issuance and investor demand, which vary with expectations for future inflation and economic growth.
 - Month-end levels: 10-Year: 4.44% (+0.1%), 20-Year: 4.97% (0%), 30-Year: 4.97% (0%).
 - As a reminder, mortgage rates are more closely tied to the 10-Year Treasury yield than the Federal Funds rate. The average 30-year mortgage rate increased to about 6.60%, in line with the rise in long-term yields over the past several weeks.

Intermediate-Term Bonds

The Bloomberg US Aggregate Bond Index (Agg), which serves as a proxy for the intermediate-term investment-grade bond market, increased by +0.3% in May, despite a modest rise in the 10-Year Treasury yield. Year-to-date, the Agg is also higher by +0.4%. Bond prices move inversely to interest rates and credit spreads. Please see our [Bond Primer](#).

As a reminder, we hold fixed income to seek ballast, stability, and income. Ballast refers to the ability to help offset equity risk during periods of volatility. Bonds have not provided much ballast this year, as higher inflation expectations and rising interest rates have pressured bond prices. While periods of muted or negative performance can be frustrating for existing bond holders, the same increase in interest rates that pressures bond prices today also improves the future total return capability of the asset class through the potential for higher income, price appreciation, or both.

In our opinion, intermediate-term bonds remain an attractive investment opportunity. The yield to maturity on the US Aggregate Bond Index increased to 4.7% at month-end. Yield to maturity represents the estimated annualized return an investor can expect if bonds are held to maturity and all interest and principal payments are made as scheduled. Historically, higher starting bond yields have been associated with higher future returns, which strengthens our conviction over the long term. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*



Source: Bloomberg.

Monetary Policy

"A majority of participants highlighted that some policy firming would likely become appropriate if inflation were to continue to run persistently above 2 percent."

- Minutes of the Federal Open Market Committee (April 2026)

Minutes from the April FOMC meeting released in May suggest the Fed is becoming more concerned that inflation may remain elevated for longer than expected. Several members of the committee indicated they no longer believe the next move is necessarily a rate cut and instead believe additional rate hikes could become appropriate if inflation does not continue moving lower. The latest Core PCE inflation reading was +3.8% year-over-year in April, still well above the Fed's 2% target. Market expectations have shifted in recent weeks, with investors now leaning toward the possibility of a rate hike later this year after previously expecting multiple rate cuts. The duration of the conflict in the Middle East and the path of oil prices remain important variables for inflation and the Fed's next move. Sustained elevated oil prices would likely increase the probability of a rate hike, while lower oil prices would likely shift expectations back toward rate cuts.

[Kevin Warsh](#) officially took the oath of office as the 17th Chair of the Federal Reserve and will serve a four-year term ending in May 2030 unless renominated by the President. At the ceremony, President Trump stated that he wanted Chair Warsh to remain "totally independent," an important comment given recent market concerns around political influence over monetary policy. Chair Warsh has not commented publicly since taking office, and his first FOMC meeting as Chair will take place on June 17th. Based on previous speeches and interviews, Chair Warsh has generally favored lower interest rates and a smaller Federal Reserve balance sheet. However, the Chair only has one vote in setting monetary policy, meaning any change in direction will still require support from a majority of the committee. We expect to gain more clarity on Chair Warsh's current views over the next several weeks.

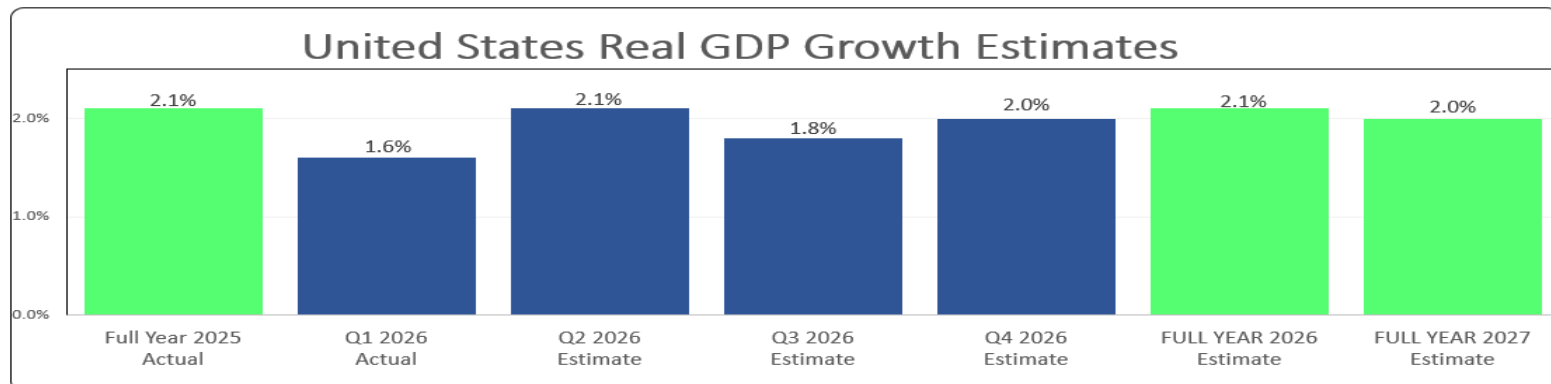
US Economy

"On the consumer, increasingly it depends upon which consumer you're talking about. We see with our customers that the high-income customer is spending with confidence into many categories, while the lower income consumer is more budget conscious and perhaps navigating financial distress."

- John David Rainey, Executive Vice President and Chief Financial Officer, Walmart

The US economy continues to expand, though the outlook has become more uncertain amid the conflict between the US and Iran and the associated increase in energy prices. Economic growth remains supported by rising household net worth and continued investment in artificial intelligence infrastructure. Looking ahead, real GDP is estimated to increase by approximately +2.1% in 2026 and +2.0% in 2027.

The labor market has shown signs of stabilizing but remains in a "low firing, low hiring" environment, with both job gains and layoffs subdued. The Bureau of Labor Statistics employment report has averaged of approximately +48,000 jobs added over the past three months, below the roughly +100,000 pace observed over the last three years. At the same time, inflation pressures continue to weigh more heavily on lower-income households, where spending is more sensitive to fuel and utility costs. In contrast, consumer spending at the upper end of the income spectrum remains supported by the wealth effect, as rising asset prices and home values continue to bolster household balance sheets. The path of growth will depend on how long the conflict persists, how long energy prices remain elevated, and whether those pressures begin to weigh more broadly on consumer demand and the labor market.



Source: Bloomberg.

MAY 2026 MARKET RETURNS

US Equity													
Index	May	2026	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	5.26%	11.25%	17.86%	25.00%	26.26%	-18.12%	28.68%	18.39%	29.74%	23.56%	14.12%	15.60%	11.44%
Russell 3000	5.07%	11.19%	17.13%	23.80%	25.93%	-19.22%	25.64%	20.88%	29.42%	23.12%	12.89%	15.09%	11.17%
Dow Jones Industrial Average	2.93%	6.86%	14.92%	14.99%	16.18%	-6.86%	20.95%	9.72%	22.71%	17.83%	10.18%	13.42%	10.47%
Nasdaq	8.43%	16.34%	21.17%	29.60%	44.70%	-32.51%	22.21%	45.06%	42.01%	28.65%	15.29%	19.59%	14.56%
S&P 400	2.45%	13.27%	7.48%	13.89%	16.39%	-13.12%	24.73%	13.65%	25.85%	17.41%	8.03%	11.27%	9.87%
Russell 2000	4.37%	18.27%	12.79%	11.52%	16.88%	-20.46%	14.78%	19.93%	43.21%	20.25%	6.60%	11.23%	8.69%
Russell 1000 Growth	7.20%	8.23%	18.55%	33.35%	42.67%	-29.14%	27.59%	38.49%	28.65%	26.41%	15.72%	18.83%	13.70%
Russell 1000 Value	2.95%	13.64%	15.88%	14.35%	11.42%	-7.56%	25.12%	2.78%	28.48%	19.38%	10.38%	11.32%	8.68%
International Equity													
MSCI Index	May	2026	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	3.07%	9.37%	31.22%	3.82%	18.24%	-14.45%	11.26%	7.82%	22.80%	18.14%	8.78%	9.25%	5.53%
Europe	3.59%	7.32%	40.30%	2.64%	22.94%	-17.86%	13.54%	7.89%	20.80%	19.62%	9.22%	9.81%	5.23%
Japan	4.97%	16.15%	24.60%	8.31%	20.32%	-16.65%	1.71%	14.48%	31.74%	20.19%	9.49%	9.72%	4.83%
China	-3.03%	-8.49%	31.17%	19.42%	-11.20%	-21.93%	-21.72%	29.49%	6.11%	11.85%	-5.22%	5.31%	6.29%
Emerging Markets	9.69%	25.61%	33.57%	7.50%	9.83%	-20.09%	-2.54%	18.31%	54.31%	25.13%	7.53%	10.65%	6.82%
All Country World (ACWI)	5.16%	12.15%	22.34%	17.49%	22.20%	-18.36%	18.54%	16.25%	30.27%	22.28%	11.45%	12.78%	8.47%
ACWI ex US	5.03%	14.36%	32.39%	5.53%	15.62%	-16.00%	7.82%	10.65%	32.77%	20.79%	8.77%	9.79%	5.84%
US Fixed Income													
Bloomberg Index	May	2026	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	0.31%	0.38%	7.30%	1.25%	5.53%	-13.01%	-1.54%	7.51%	5.13%	3.95%	0.17%	1.70%	3.32%
Treasury Bills	0.31%	1.50%	4.29%	5.32%	5.14%	1.52%	0.04%	0.54%	4.01%	4.78%	3.54%	2.32%	1.66%
Corporates	0.76%	0.67%	7.77%	2.13%	8.52%	-15.76%	-1.04%	9.89%	6.09%	5.36%	0.63%	2.81%	4.39%
Securitized MBS/ABS/CMBS	0.29%	0.76%	8.49%	1.45%	5.08%	-11.67%	-1.04%	4.18%	6.71%	4.44%	0.52%	1.52%	3.16%
High Yield	0.49%	1.68%	8.62%	8.19%	13.45%	-11.19%	5.28%	7.11%	7.57%	9.35%	4.39%	5.89%	6.64%
Munis	0.37%	1.34%	4.25%	1.05%	6.40%	-8.53%	1.52%	5.21%	6.67%	3.77%	0.92%	2.21%	3.56%
US Equity Sectors													
Index	May	2026	2025	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	15.99%	23.81%	24.04%	36.61%	57.84%	-28.19%	34.53%	43.89%	56.03%	35.18%	24.62%	26.66%	18.11%
Real Estate	-1.05%	10.59%	3.15%	5.23%	12.35%	-26.13%	46.20%	-2.17%	10.37%	11.11%	4.04%	6.97%	5.17%
Industrials	-0.81%	11.99%	19.27%	17.30%	18.08%	-5.51%	21.10%	11.05%	22.73%	23.15%	12.20%	13.64%	10.29%
Energy	-5.56%	26.04%	8.68%	5.72%	-1.42%	65.47%	54.39%	-33.68%	42.50%	17.23%	21.23%	9.46%	6.82%
Consumer Discretionary	2.61%	4.11%	6.04%	30.14%	42.30%	-37.03%	24.43%	33.30%	17.41%	19.87%	8.56%	13.41%	12.09%
Communication Services	-0.91%	9.31%	33.56%	40.23%	55.80%	-39.89%	21.57%	23.61%	40.93%	33.88%	14.87%	13.62%	10.76%
Consumer Staples	-3.17%	7.49%	3.90%	14.87%	0.52%	-0.62%	18.63%	10.75%	2.98%	9.53%	7.64%	8.34%	9.82%
Utilities	-5.14%	4.84%	16.04%	23.43%	-7.08%	1.56%	17.67%	0.48%	11.55%	14.56%	9.76%	9.69%	9.14%
Materials	-0.66%	11.94%	10.54%	-0.04%	12.55%	-12.28%	27.28%	20.73%	19.41%	12.78%	5.15%	10.20%	8.28%
Financials	-1.06%	-5.44%	14.97%	30.50%	12.10%	-10.57%	34.87%	-1.76%	2.74%	19.46%	8.18%	12.42%	5.50%
Health Care	2.48%	-2.96%	14.60%	2.58%	2.06%	-1.95%	26.13%	13.45%	14.76%	7.23%	5.66%	9.65%	10.34%
Calendar Year Returns									Annualized Returns				

Source: Bloomberg.

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