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Market Insights Monthly

REPORT OVERVIEW | JUNE 2026

The month of June was defined by volatility and investor uncertainty. It began with a sharp selloff across the semiconductor complex as AI enthusiasm faded and Asian market volatility spilled into global equities.

By mid month, markets had recovered and the largest initial public offering (IPO) in US history came to market just ahead of a pivotal Fed meeting, where Chair Kevin Warsh made his debut leading the Federal Reserve. Entering the meeting, market expectations had completely reversed as the Iran conflict and stronger than expected economic data shifted pricing from projected rate cuts to projected rate hikes.

The Fed ultimately left policy unchanged, but several signals stood out. Half of the Board projected a rate hike within the next 12 months, while Chair Warsh declined to offer any forecast. He also provided little forward guidance, reminiscent of the pre 2011 Fed. Less insight, less pomp and circumstance.

Following the meeting, geopolitical developments finally turned constructive after months of political rhetoric. Iran and the US signed a Memorandum of Understanding (MOU) to pursue peace and reopen the Strait of Hormuz. While headlines remain volatile, shipping traffic is increasing and crude oil prices continue to fall, a positive for inflation.

Looking ahead to July and the second half of the year, June left investors with more questions than answers and laid the groundwork for the risks ahead. A Fed hike, renewed Middle East tensions, and a weakening technology trade will likely remain at the forefront of investor attention in the months ahead.

MARKET WISDOM

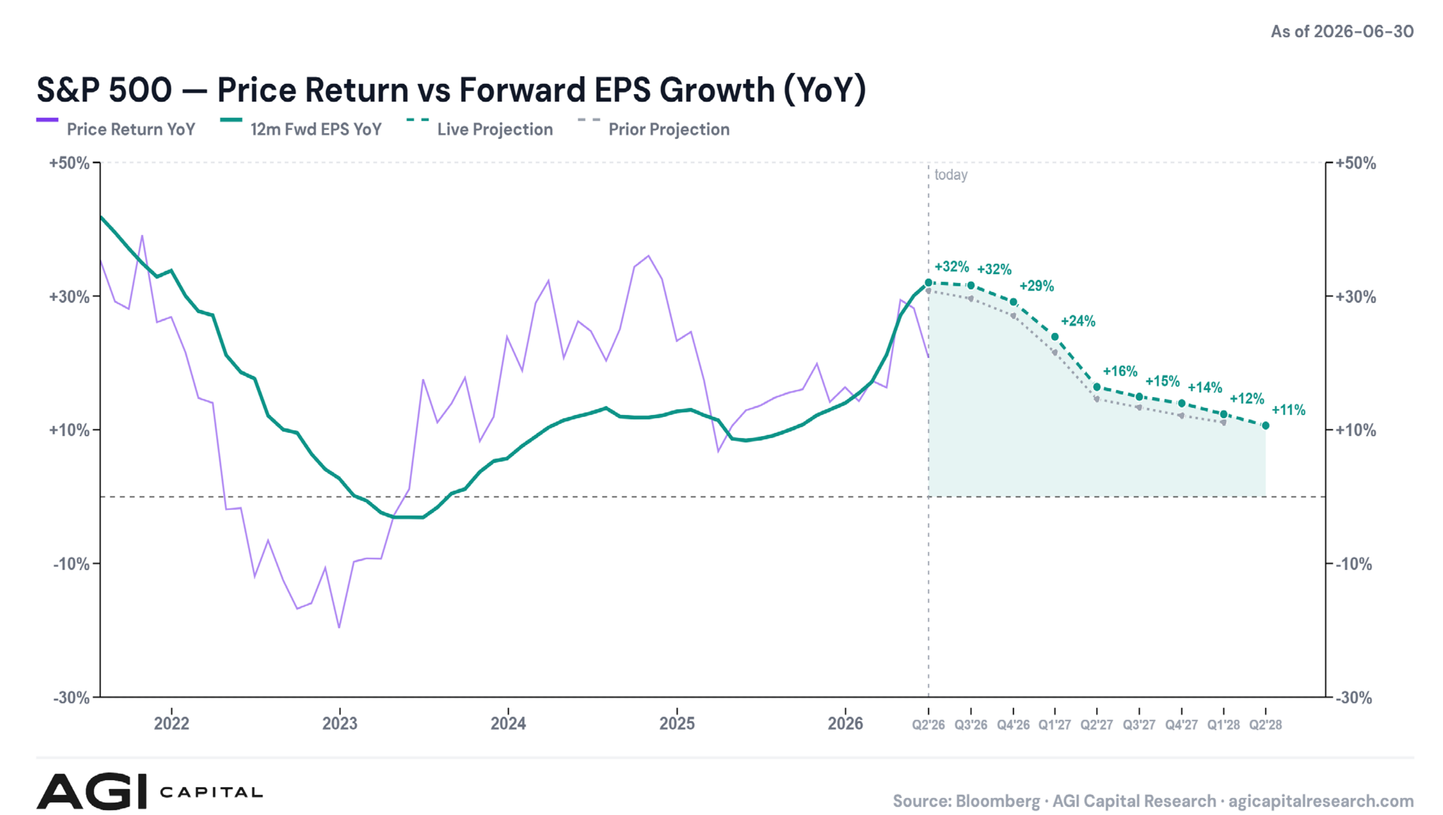
"The stock market is designed to transfer money from the Active to the Patient,"
- WARREN BUFFETT

"You can't predict. You can prepare."
- HOWARD MARKS

"The single greatest edge an investor can have is a long-term orientation,"
- SETH KLARMAN

*"It's alright. Whatever.
(Reaction to Fed holding rates flat)"*
- PRESIDENT TRUMP

"I've said for years inflation is a choice. You bet it is. And today I'm announcing that this Committee, unambiguously and unanimously, have decided we are going to deliver on that."
- FED CHAIR KEVIN WARSH



Market Review

From a technical standpoint, the S&P 500 (SPX) ended June above all key moving averages but in a weaker position than a month ago.

The index declined 1.24% for the month, underperforming the average June return of 0.20% but better than the June midterm election year average decline of 2.11%.

Tactical Highlight

Over the past month, earnings and hyperscaler AI spending have been at the center of investor debate.

Questions surrounding the future of artificial intelligence (AI), its impact, and its cost have driven both upside and downside across multiple industries, but the effect on earnings has been unmistakable.

Over the past six months, forward earnings per share (EPS) estimates have increased 18.5%. Of that improvement, 46.8% has come from semiconductors, 12.9% from technology hardware, and 10.1% from energy. Put simply, roughly 70% of this year's earnings growth has been driven by the AI buildout and higher crude prices.

The story extends beyond earnings. Profit margin estimates have risen 1.51%, or 151 basis points, over the same period, with those same sectors accounting for nearly all of the improvement.

This level of concentration is not inherently negative, but it does raise questions about the outlook. The largest contributor to earnings growth is also the primary beneficiary of hyperscaler spending, making the group vulnerable if capital spending begins to slow.

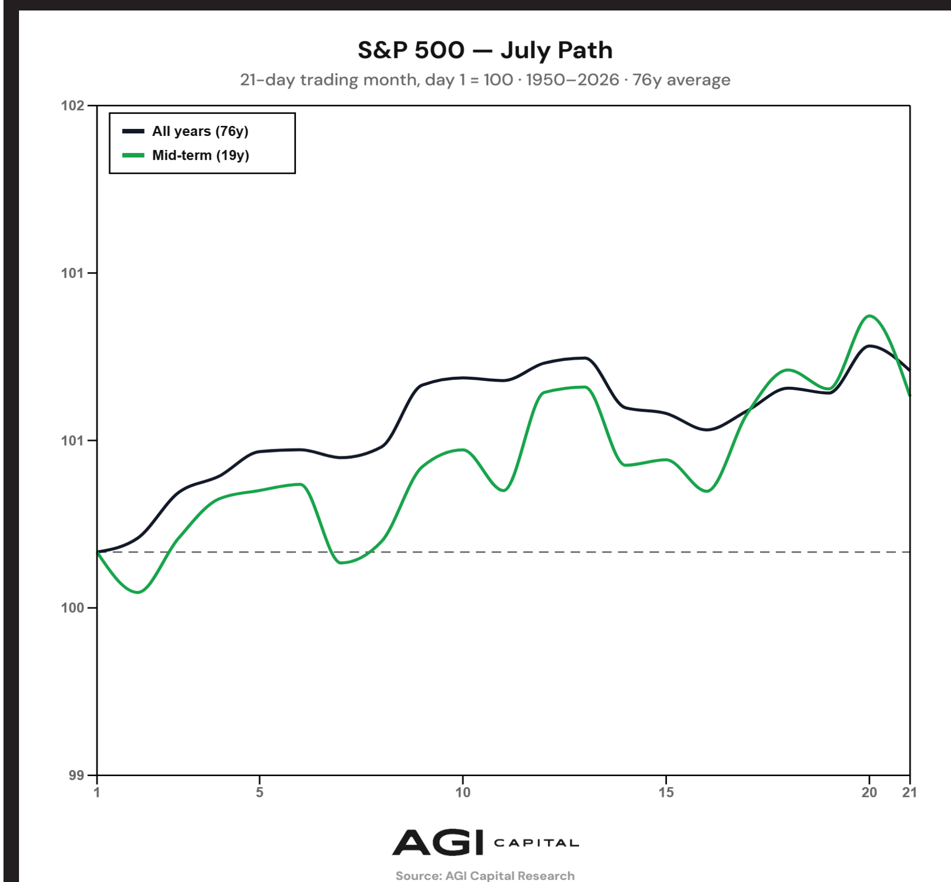
A health check of the hyperscalers suggests investors have plenty to monitor. Between 2021 and 2025, stock buybacks averaged roughly $30 billion per quarter. Today, buybacks have fallen by more than two thirds and could disappear entirely in 2027 on a net issuance basis.

At the same time, hyperscaler free cash flow could swing from more than $200 billion in 2025 to negative in 2026.

The purpose is not to call an end to the AI boom, which remains exceptionally strong, but to highlight the growing concentration and fragility of the earnings drivers supporting this market in 2026.

Summer Pullback or Continuation?

As the market closes out the seasonally weak month of June, investors can turn to July with greater optimism. Since 1950, the S&P 500 has averaged a 1.31% return in July, finishing higher 61% of the time. Looking exclusively at midterm election years, July has also averaged a 1.31% gain, with positive returns 58% of the time, reinforcing the month's historically favorable seasonal backdrop.



Forward Vision

As we look ahead to July, there are both positives and risks likely to guide markets.

Starting with the positives, earnings expectations have accelerated sharply over the past six months, with forward 12 month earnings growth rising from 15.5% in January to 32% today, one of the largest increases on record.

At the same time, a relatively muted S&P 500 combined with that earnings acceleration has lowered valuations, with the index trading near 20x forward earnings. Adjusting for the strong margin expansion, the S&P 500 trades below 14x forward price to earnings, an attractive level relative to the expected earnings outlook.

Beyond fundamentals, the geopolitical backdrop has improved. The Strait of Hormuz is reopening, shipping traffic has climbed to its highest level since February, and crude has fallen back into the 70s. That said, many energy experts believe prices will remain elevated until conditions fully normalize.

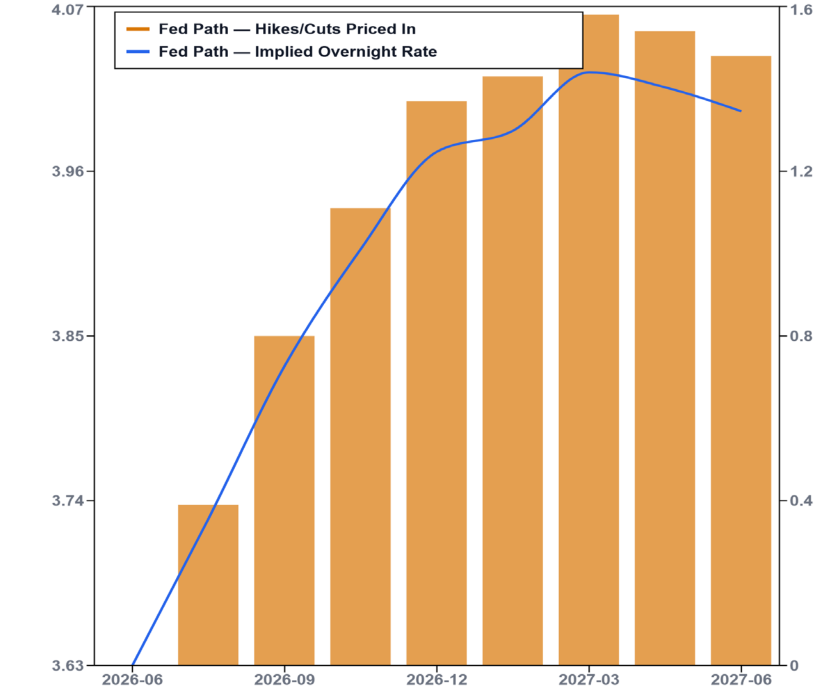
Seasonality is another tailwind. Since 1950, July has returned an average of 1.31% and finished higher 61% of the time, making it one of the strongest months of the calendar year.

Despite the positives, risks remain. The latest Fed meeting carried a more hawkish tone, with 9 of 19 members projecting rate hikes in 2026. Chair Kevin Warsh also placed greater emphasis on inflation while offering little forward guidance.

Markets have already responded, shifting from pricing rate cuts in 2026 to pricing more than one rate hike by 2027. Another risk is slowing earnings growth. On page one we plot forward S&P 500 earnings estimates over the next eight quarters, where growth is expected to decelerate meaningfully. If those estimates are not revised higher, slower growth could pressure valuations and increase volatility.

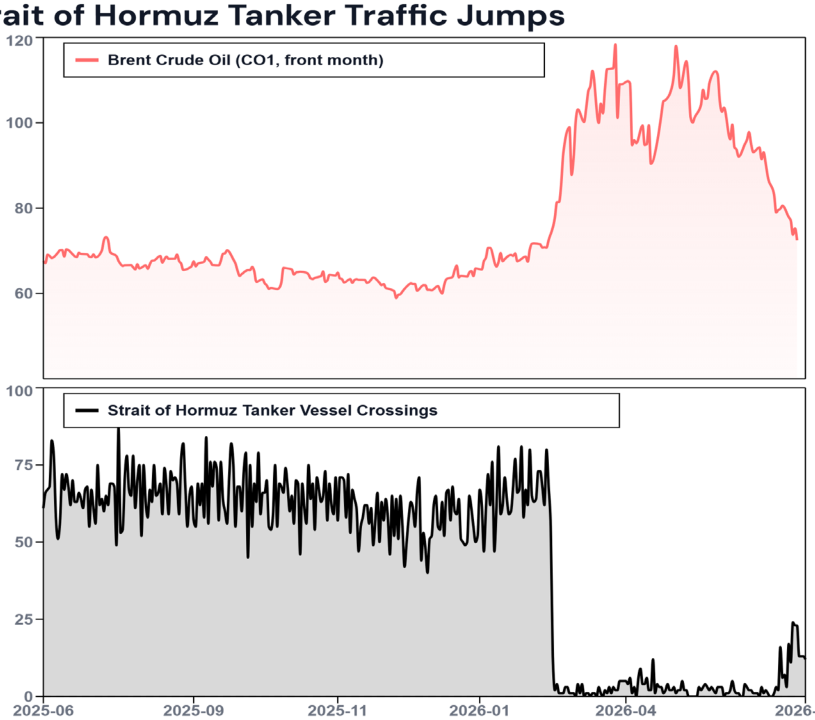
For now, seasonals remain supportive, geopolitics continues to improve, and earnings expectations are strong. Taken together, the backdrop supports a cautiously bullish outlook in the months ahead while acknowledging that uncertainty remains elevated and volatility is likely to persist.

Markets Price Hikes



Source: AGI Capital Research · agicapitalresearch.com

Strait of Hormuz Tanker Traffic Jumps



Source: Bloomberg · AGI Capital Research · agicapitalresearch.com

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S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

S&P Midcap 400 Index: The S&P Midcap 400 Index is a capitalization-weighted index measuring the performance of the midrange sector of the U.S. stock market, and represents approximately 7% of the total market value of U.S. equities. Companies in the Index fall between the S&P 500 Index and the S&P SmallCap 600 Index in size: between $1-4 billion.

S&P Small-Cap 600 Index: The S&P SmallCap 600 Index consists of 600 domestic stocks chosen for market size, liquidity (bidasked spread, ownership, share turnover and number of no trade days) and industry group representation. It is a market valueweighted index (stock price times the number of shares outstanding), with each stock's weight in the index proportionate to its market value.

Russell 2000® Index: The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

NASDAQ 100 Index: The NASDAQ 100 Index is an unmanaged group of the 100 biggest companies listed on the NASDAQ Composite Index. The list is updated quarterly and companies on this Index are typically representative of technology-related industries, such as computer hardware and software products, telecommunications, biotechnology and retail/wholesale trade.

NASDAQ Composite Index: The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.

Hollerith, David. "Jamie Dimon Warns Markets Resemble Pre-Financial Crisis Era: 'I See a Couple of People Doing Some Dumb Things'." Yahoo Finance, 24 Feb. 2026, https://finance.yahoo.com/news/jamie-dimon-warns-markets-resemble-pre-financial-crisis-era-i-see-a-couple-of-people-doing-some-dumb-things-133719344.html.