

# MONTH IN REVIEW

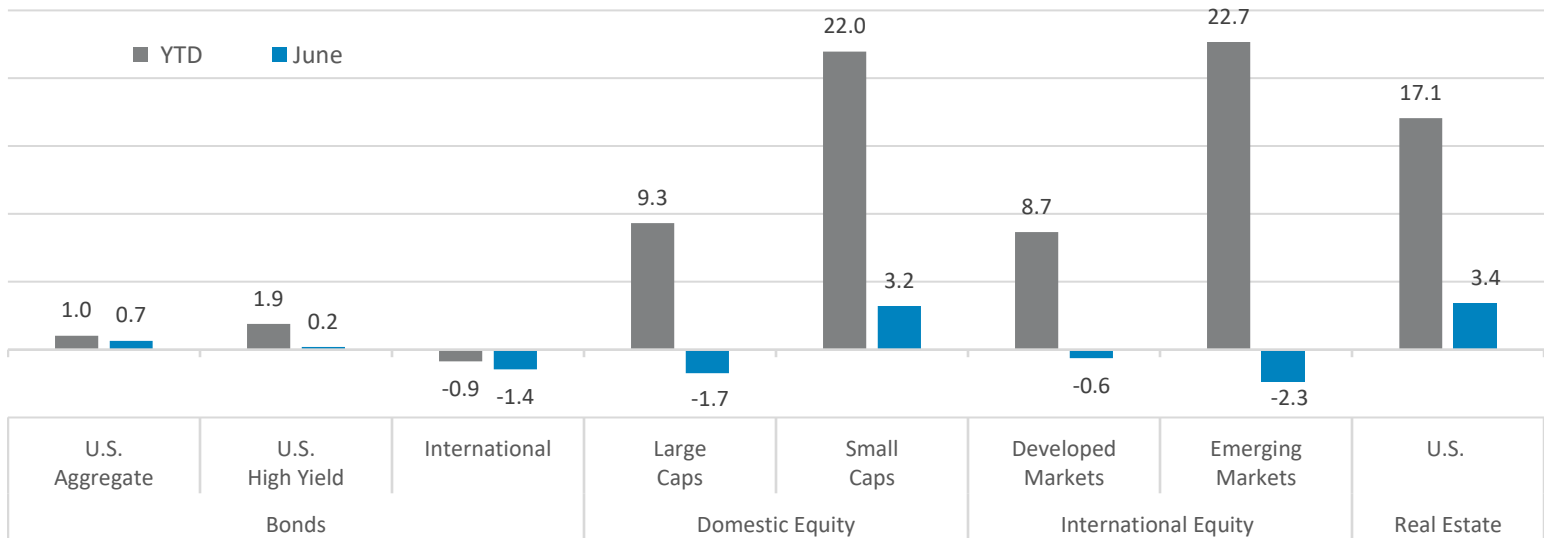
## JUNE 2026

### Quick Takes

- Equities Rallied.** Stocks reversed course from record highs in May, with U.S. large cap stocks declining in June as the Magnificent 7 and tech stocks weighed on indices. International equities' lower tech weighting contributed to its outperformance versus the U.S.
- Inflation & Interest Rates.** The yield curve flattened in June, twisting around the 5Y Treasury. Short-term yields rose as a hawkish Fed and higher dot plot reinforced rate hike risk, while the long end of the curve fell as a de-escalating Iran War and retreating oil prices pulled inflation expectations lower.
- Iran War Ceasefire.** On June 17th, a 14-point, 60-day U.S.–Iran MOU, dubbed the “Islamabad Memorandum” was signed, aiming to de-escalate the conflict and reopen the Strait of Hormuz, though the deal remains unstable with both sides trading attacks near month-end.
- Micron Smashes Earnings.** In Micron’s fiscal third quarter earnings report, the company more than quadrupled revenue year-over-year, shattering revenue and EPS estimates. Micron stock jumped ~15% post-earnings as the memory maker benefits from the AI buildout boom.

### Asset Class Performance

U.S. small caps outperformed large caps in June as a Mag-7 selloff dragged large caps lower and market breadth expanded. International equities ended the month negative but outperformed U.S. large caps, with developed outpacing emerging. Fixed income steadied as a late-month rally in long-dated Treasuries lifted the U.S. Aggregate.



Source: Bloomberg, Goldman Sachs Investment Research, as of June 1, 2026. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

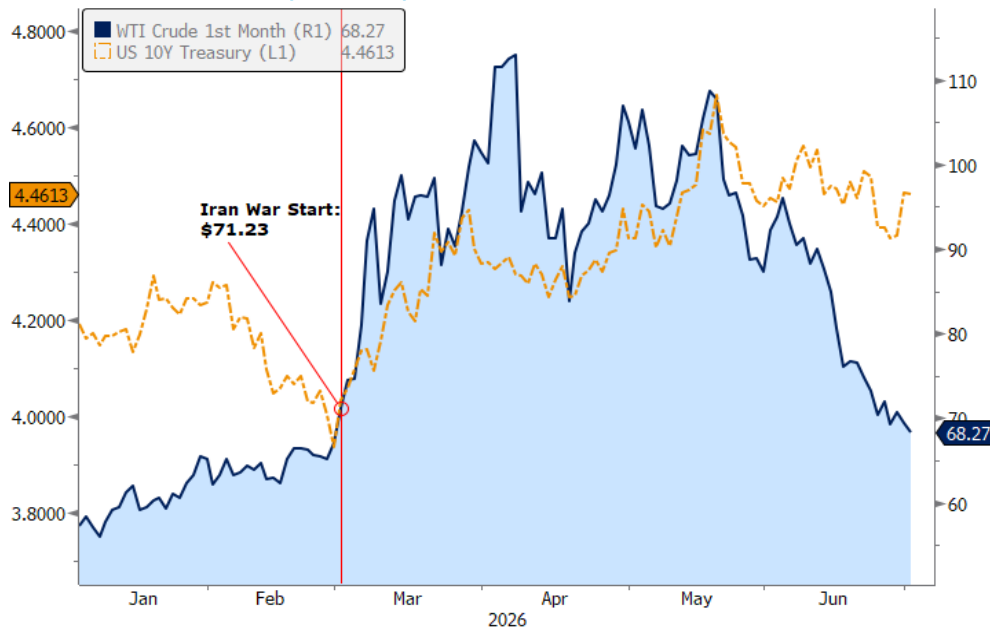
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# Markets & Macroeconomics

## Stocks book best quarter since 2020 despite the Iran War

### WTI Crude Oil & 10Y Treasury Yields

Crude oil falls below pre-war price on ceasefire news



Source: Bloomberg

June's macro picture remained tethered by the same theme from recent months: Elevated oil prices from the Iran War, now past its fourth month, continued to pressure the tape. May CPI rose 0.5% MoM and 4.2% YoY, again driven largely by energy, signaling that although inflationary pressures from the recent oil shock may be fading, annual inflation remains elevated. Core CPI, (excluding food and energy) rose 0.2% MoM and 2.9% YoY. PCE told the same story, rising 0.4% MoM in May and 4.1% YoY, well above the Fed's 2% target and the highest since April 2023, with Core PCE at 3.4%, the highest since October 2023, a sign that price pressures may be broadening beyond the pump and into services. An unstable 60-day ceasefire signed between the U.S. and Iran partially reopened the Strait of Hormuz, pulling average U.S. gas prices down from their May high of a \$4.56/gal to below \$3.90/gal. The memorandum lifts the naval blockade but leaves Iran's nuclear program to be negotiated over

the ceasefire, keeping a permanent deal uncertain. The deal spurred a rebound in sentiment, with the University of Michigan Consumer Sentiment Index rebounding 4.7 points to 49.5 from May's record lows of 44.8 with gains noted across income, wealth, and political affiliation as long-term worries over the conflict eased. Hiring in the U.S. slowed

### S&P 500 vs 10Y Treasury Yields 1Y

Q2's rally stumbles into quarter-end as mega-caps sell off.



Source: Bloomberg

in June, adding just 57K payrolls against estimates of 113K. Hiring was led by healthcare and education, while hospitality jobs saw their biggest decrease since 2020. In Kevin Warsh's first meeting as Fed Chair, the FOMC voted unanimously to hold the fed funds rate at 3.50%–3.75%. Warsh pared the statement to roughly 160 words, stripping the prior easing bias as the updated dot plot flipped hawkish, with the median 2026 projection now implying a hike. Meanwhile, the AI equity rally faltered in June as a selloff in mega-cap tech dragged the major indices lower. The Mag-7 posted one-month declines across the board as investors reconsidered hyperscalers' ballooning capex budgets. Chip stocks extended their gains as investors prioritized the near-term cash flows of the AI picks and shovels. Even with the larger index constituents pulling markets negative on the month, breadth held, with 6 of 11 sectors closing the month higher. On the quarter, the S&P 500 booked its best quarter since 2020, rising over 14% and adding roughly \$8 trillion in value to the index.

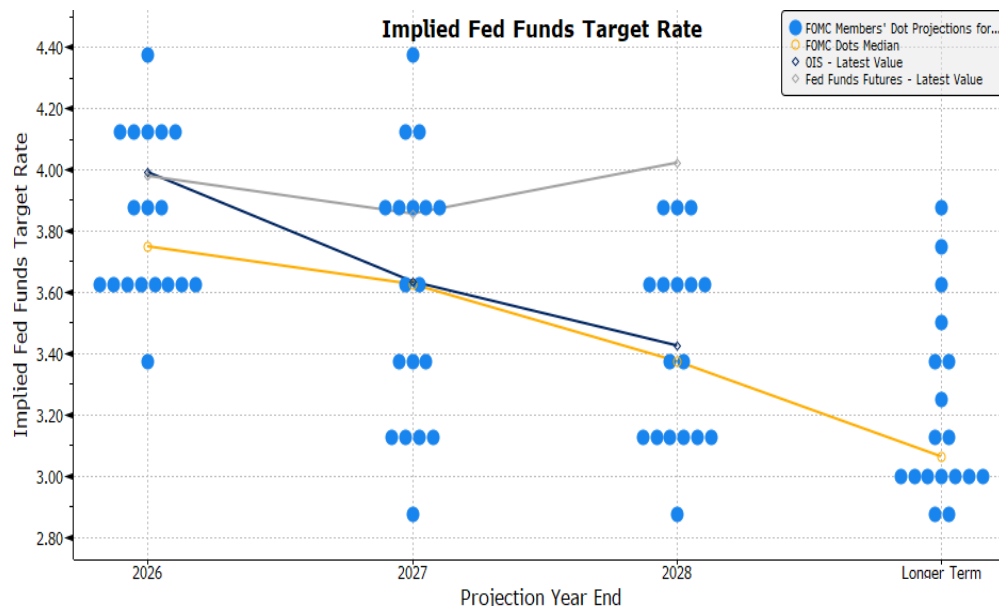
**Bottom Line:** Markets closed a stellar quarter with a wobble, with the AI trade and macro picture still at odds through midyear.

# What's Ahead

## Kevin Warsh's Push for Fed "Regime Change"

Kevin Warsh's first meeting as Fed Chair set the tone that the Fed could potentially undergo significant changes. Aside from the unanimous vote to hold rates steady, with Warsh vowing to restore price stability, June's Federal Open Market Committee (FOMC) meeting was less about a hawkish Fed and more about the "regime change" taking shape at the institution. Two changes were immediately visible. First, the Fed's statement shrank from 341 words in Powell's final April meeting to just 160 in June, eliminating all easing bias from the statement. Second, Warsh withheld his own dot from the longstanding dot plot, a signal of his own skepticism of the 2012 Bernanke-era tool built to provide the public with more transparent forward guidance. Taken together, the shorter statement and absent Chair dot point to a well-known Warsh belief: that the Fed should walk back its Bernanke-era communication changes, operating with less forecasting transparency and preserving its capacity for surprise. Warsh has long argued that telegraphed guidance allows markets to front-run the Fed, blunting the impact of its policy. For a market that's spent the better part of 15 years accustomed to a clear roadmap from the Fed, the

**Federal Open Market Committee June Dot Plot**  
9 of 18 Fed members now see a rate hike by year-end



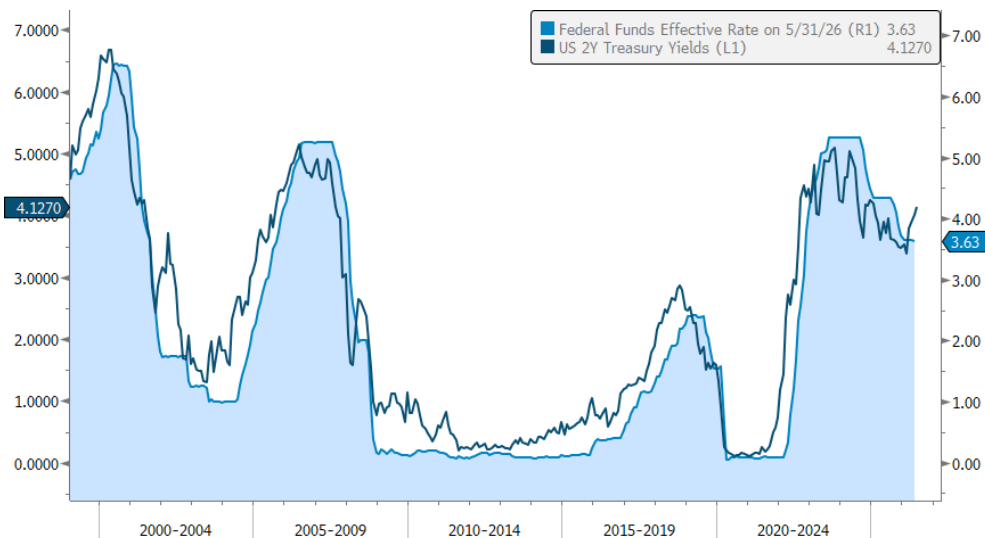
Source: Bloomberg

shift means each decision carries more weight, with less guidance between meetings. In addition to these two immediate changes, Warsh also used his opening remarks to announce the creation of five task forces aimed at examining key areas of the Fed: communications, the balance sheet, economic data sources, productivity and jobs, and the central bank's

inflation frameworks. Each taskforce will be staffed with external experts, paired with the Fed's own subject-matter specialists, with the preliminary goal to finalize their recommendations by the end of 2026. From there, the FOMC will decide which proposals to adopt. In the meantime, the current debate centers on the July meeting. The June Iran War ceasefire sent oil prices back to pre-war levels, and investors are weighing whether retreating inflation from the oil shock will cement June as the month of peak hawkishness. The opposing view is that stripping any directional bias leaves the Fed free to surprise hawkish, with no economic projections until September to settle the question. A hot CPI print ahead of the July meeting could tip the scales toward the hawks, while continued oil disinflation from the end of the Iran War would strengthen the case that inflation has peaked.

### 2Y Treasury Yields vs Fed Funds Rate

Short-term treasuries are now pricing a rate hike



Source: Bloomberg

**Bottom Line:** Warsh's Fed "regime change" means less guidance and more surprise. Markets accustomed to Fed telegraphing should expect bigger moves, with July's decision hinging on energy disinflation.

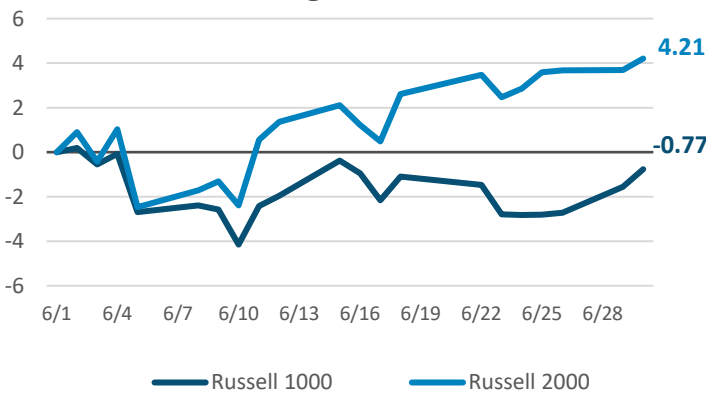
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# Equity Themes

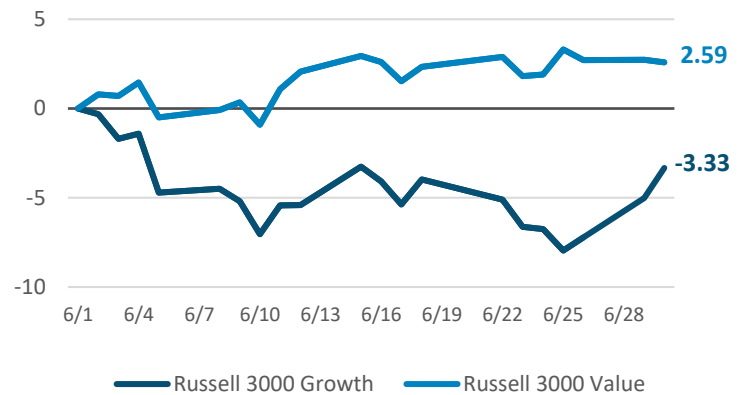
## What Worked, What Didn't

- **Small Outperforms Large while Value Outperforms Growth.** A dragging Mag-7 and a broadening market drove small cap outperformance while value stocks rotated into favor.
- **Low Vol and Momentum Outperformed.** Low volatility stocks beat high beta even as momentum continued to trump quality.
- **International Over Domestic, Developed Over Emerging.** International markets rallied on U.S. mega-cap weakness while a strengthening dollar left emerging markets trailing developed.

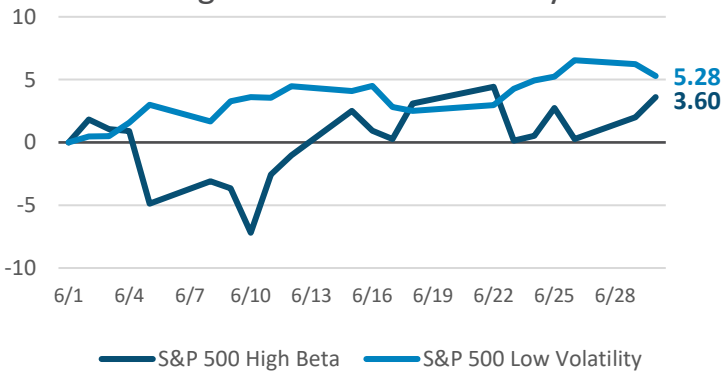
Large vs Small



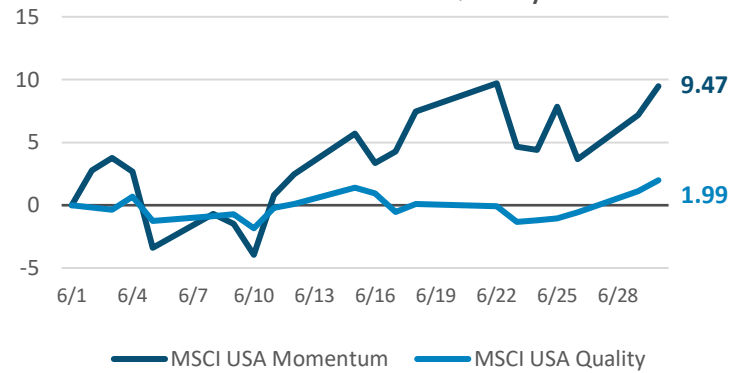
Growth vs Value



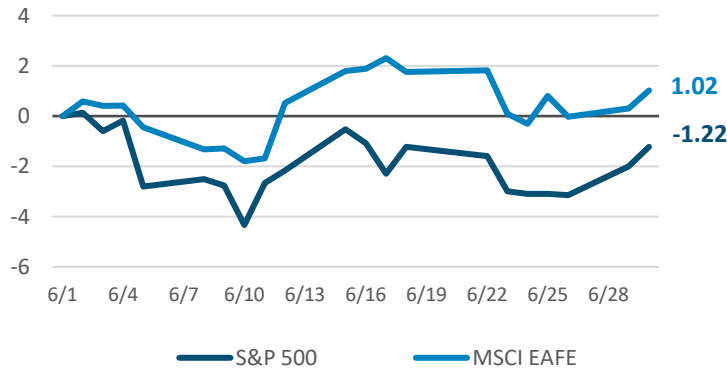
High Beta vs Low Volatility



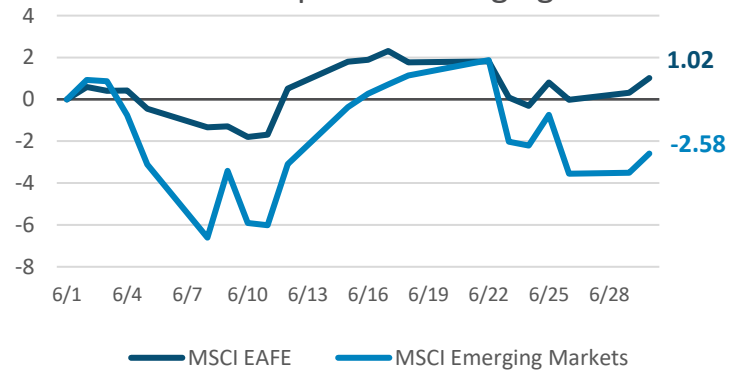
Momentum vs Quality



Domestic vs. International



Developed vs. Emerging



Source: Bloomberg.

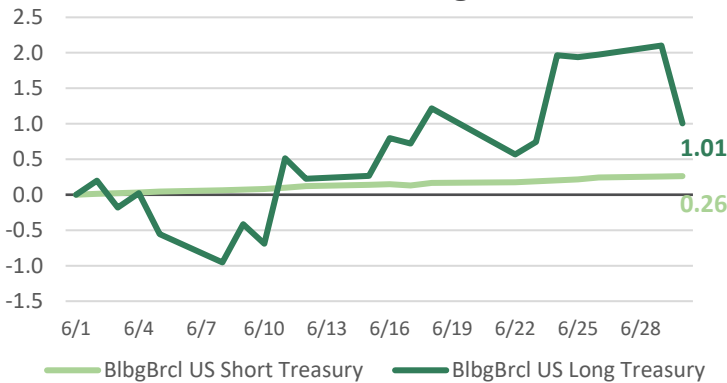
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# Bond Themes

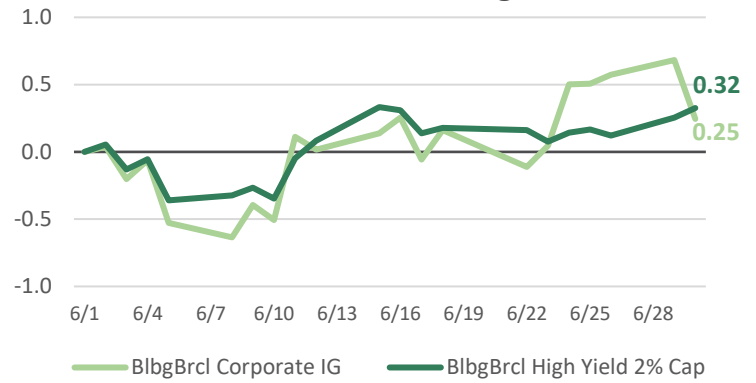
## What Worked, What Didn't

- **Long Duration Outperformed Short while High Yield Beat Investment Grade.** Long duration beat short as the front end priced in a hawkish Fed while risk appetite favored high yield.
- **Duration Over Credit, Treasuries Over TIPS.** Credit spreads held firm while rates swung, with Treasuries outperforming TIPS as Iran War inflation fears eased.
- **Munis Beat Taxable and Domestic Outperformed International.** Municipal bonds beat taxable, while a strengthening dollar dragged on unhedged foreign debt.

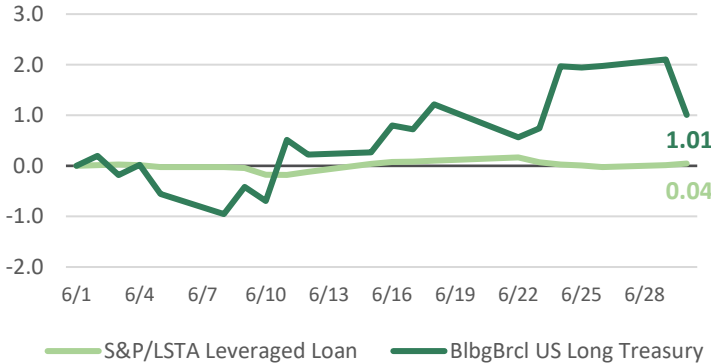
### Short Duration vs Long Duration



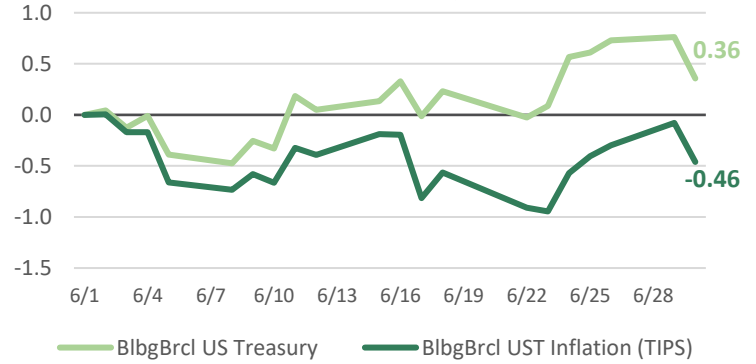
### Investment Grade vs High Yield



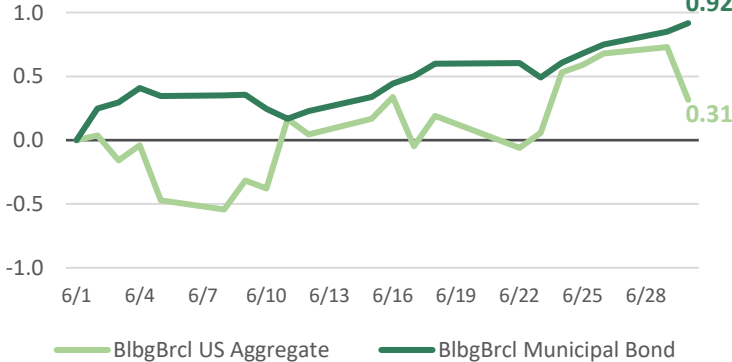
### Credit vs Duration



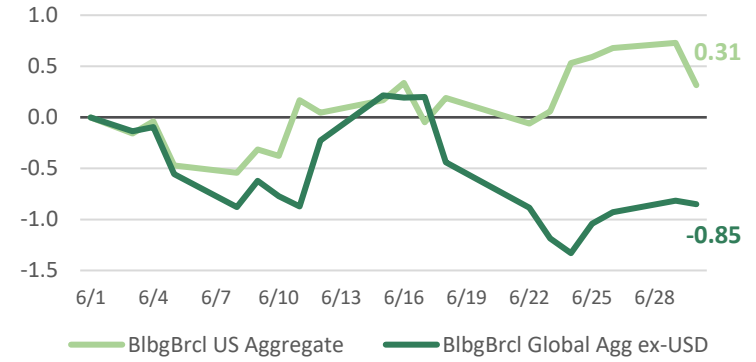
### Treasury vs Treasury Inflation



### Taxable vs. Municipal



### Domestic vs. International



Source: Bloomberg.

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# Asset Class Performance

**The Importance of Diversification.** From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-08	Jun-09	Jun-10	Jun-11	Jun-12	Jun-15	Jun-16	Jun-17	Jun-18	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-29	Jun-30	Jun	YTD
High	EM 2.16	SCV 1.06	RE 0.01	RE 1.79	RE 0.74	EM 1.80	RE 2.38	RE 0.03	EM 4.39	SCV 1.17	EM 3.27	RE 0.25	EM -0.12	EM 3.25	SCG 1.24	RE 1.36	MCG 0.97	MCV 1.74	RE 1.49	LCG 2.47	LCG 1.80	SCV 4.35	EM 25.67
	LCG 0.72	EM 1.03	LCV -0.01	SCG 1.57	USB -0.50	SCG 0.93	MCV 0.65	USB -0.06	SCG 3.48	MCV 1.16	LCG 2.35	IEQ 0.22	USB -0.36	SCG 2.37	RE 1.15	USB 0.08	MCV 0.55	LCV 1.41	LCG 0.80	MCG 2.16	EM 1.45	SCG 3.96	SCV 22.85
	MCG 0.62	MCV 0.94	MCV -0.04	SCV 1.34	HYB -0.50	SCV 0.86	MCG 0.45	HYB -0.19	IEQ 3.11	LCV 0.98	SCG 1.64	USB 0.12	SCG -0.36	SCV 1.49	MCV 0.69	HYB -0.09	USB 0.49	EM 1.06	SCV 0.60	IEQ 0.89	MCG 1.20	RE 3.17	SCG 22.14
	60/40 0.06	SCG 0.79	USB -0.21	MCG 0.80	IBD -0.73	IEQ 0.61	SCV 0.44	IBD -0.29	MCG 2.78	RE 0.89	MCG 1.64	IBD 0.03	HYB -0.37	LCG 1.31	EM 0.59	SCV -0.20	SCV 0.48	IEQ 0.87	IBD 0.35	60/40 0.54	SCG 0.95	MCV 2.97	MCV 17.41
	MCV 0.01	LCV 0.78	HYB -0.28	IEQ 0.80	MCV -1.87	LCV 0.36	LCV 0.38	SCV -0.59	SCV 2.32	SCG 0.66	LCV 1.00	HYB -0.01	IEQ -0.51	MCG 0.95	LCV 0.56	IBD -0.32	SCG 0.34	SCG 0.75	MCG 0.35	SCG 0.50	IEQ 0.42	LCV 2.41	LCV 16.05
	USB -0.05	IEQ 0.56	IBD -0.44	LCV 0.72	LCV -1.91	60/40 0.29	SCG 0.25	60/40 -0.88	MCV 2.09	EM 0.56	60/40 0.83	60/40 -0.21	60/40 -0.75	MCV 0.93	SCV 0.52	LCV -1.06	60/40 0.18	SCV 0.70	USB 0.09	EM 0.36	60/40 0.22	MCV 1.94	IEQ 9.88
	HYB -0.08	RE 0.39	60/40 -0.57	MCV 0.42	60/40 -1.95	LCG 0.24	IBD 0.22	LCV -1.23	LCV 1.93	IEQ 0.28	MCV 0.67	LCV -0.34	MCG -1.06	60/40 0.80	IEQ 0.16	MCV -1.08	EM 0.12	60/40 0.36	HYB -0.06	IBD 0.29	SCV -0.04	IEQ 1.03	RE 9.75
	LCV -0.21	60/40 0.31	IEQ -0.86	60/40 0.38	IEQ -2.56	HYB 0.14	USB 0.20	MCV -1.23	60/40 1.76	60/40 0.27	IEQ 0.66	MCV -0.38	LCV -1.06	LCV 0.75	60/40 0.01	60/40 -1.11	IBD 0.03	RE 0.24	60/40 -0.10	HYB 0.23	HYB -0.05	60/40 0.45	60/40 8.08
	IEQ -0.34	HYB 0.08	MCG -1.05	IBD 0.25	SCV -2.60	MCV 0.04	60/40 0.18	IEQ -1.29	LCG 1.57	IBD 0.13	IBD 0.29	SCV -0.51	SCV -1.16	IEQ 0.61	HYB -0.09	MCG -1.30	LCV 0.02	USB 0.06	MCV -0.54	USB 0.03	IBD -0.13	USB 0.30	MCG 7.08
	SCG -0.36	IBD 0.06	EM -1.24	HYB 0.19	MCG -2.75	USB 0.00	EM 0.11	SCG -1.46	IBD 0.67	MCG 0.06	HYB 0.13	MCG -0.58	IBD -1.30	HYB 0.35	SCG -0.13	SCG -1.57	HYB -0.03	HYB 0.04	IEQ -0.59	LCV 0.00	LCV -0.13	HYB 0.16	LCG 5.12
	IBD -0.39	USB 0.03	LCG -1.29	USB 0.16	LCG -3.26	MCG -0.06	EM 0.10	EM -1.76	HYB 0.59	LCG 0.03	USB 0.09	LCG -0.81	MCV -1.38	USB 0.29	IBD -0.13	LCG -1.60	LCG -0.12	IBD -0.03	LCV -0.68	SCV -0.07	MCV -0.20	IBD -1.11	HYB 1.69
	SCV -0.53	MCG -0.18	SCV -1.31	LCG 0.16	SCG -4.34	IBD -0.13	IEQ 0.02	LCG -1.91	USB 0.58	HYB 0.00	SCV -0.11	SCG -1.23	LCG -1.42	IBD 0.06	USB -0.27	IEQ -2.03	RE -0.14	MCV -0.11	SCG -0.92	MCV -0.12	USB -0.39	EM -1.89	USB 0.74
Low	RE -1.80	LCG -0.37	SCG -1.41	EM -1.17	EM -6.53	RE -1.42	LCG -0.78	MCG -2.05	RE -0.07	USB -0.12	RE -0.75	EM -1.59	RE -2.63	RE -0.17	LCG -1.16	EM -5.67	IEQ -0.20	LCG -1.31	EM -1.13	RE -0.53	RE -1.77	LCG -3.49	IBD -1.80

### Legend

60/40 Allocation (60/40)

Large Growth (LCG)	Mid Growth (MCG)	Small Growth (SCG)	Intl Equity (IEQ)	U.S. Bonds (USB)	Intl Bonds (IBD)
Large Value (LCV)	Mid Value (MCV)	Small Value (SCV)	Emg Markets (EM)	High Yield Bond (HYB)	Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by Prime Capital Financial. The performance of those funds in February may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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