

Index	Asset Class	2026		2025
		June	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	(0.1)%	20.3%	21.0%
S&P 500	Large Cap U.S. Equity	(1.0)	10.2	17.9
S&P 400	Mid Cap U.S. Equity	3.6	17.3	7.5
S&P 600	Small Cap U.S. Equity	7.3	23.9	6.0
MSCI All Country World	Global Equity	(0.8)	11.5	22.9
MSCI All Country World (Ex U.S.)	International Equity	(0.6)	14.0	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	0.1	9.8	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	(1.4)	24.0	34.4
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	0.2	0.6	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	0.8	2.1	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	1.2	3.6	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.3	2.0	8.6
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.6)	9.4	19.8
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.4)	7.2	16.6
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.2)	5.0	13.5
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.0	2.8	10.4
Data as of 6/30/2026. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

‘Multifarious’ I asked an AI app for ‘a word that means many different things,’ and it gave me ‘*multifarious*.’ I thought this was appropriate for two reasons: (1) I believe the economy and markets are facing many important crossroads, and (2) the equity market strength year-to-date (YTD) has been driven by the AI trade by a greater degree than many may realize, and so why not rely on AI for the title of my monthly commentary.

Global investment markets often contend with a variety of countervailing forces – everything really, in some way. What makes the current circumstances different, in my view, is that global investment markets appear to be facing a multitude of potentially very consequential crossroads. *But U.S. equities are coming off their best quarter in six years, and are near all-time highs, you may say. True, I would answer, but that too is among the factors that markets must contend with, particularly because the underlying strength for the broader market indexes has been attributable to an extremely narrow leadership (yes, the AI trade, and semiconductor stocks in particular). More on this later. First let’s survey the multifarious factors, grouping a couple together in the interest of brevity:*

1. Changes and Challenges at the Fed –

- a) **New Chair** – Kevin Warsh was sworn in as the new Fed Reserve Chair on May 22, and he chaired his first FOMC meeting on June 16 & 17. Chair Warsh is moving quickly in his new role, including curtailing communications and by eliminating “forward guidance” for rates. Furthermore, he has established five independent task forces to review central bank operations and monetary policy determination – including with respect to balance sheet

management, data sources, and how it measures inflation.¹ The potential implications of these reviews should not be understated.

Fed watchers have also been posturing recently about the historical tendency for markets to ‘test’ new Fed Chairs – either with a pull-back in stocks, a meaningful economic challenge, or even a financial crisis. Such ‘tests’ may be initially seeded by heightened uncertainties across investment markets about how the incoming leader may both approach monetary policy considerations and respond to challenges. Examples of such ‘tests’ levied on four of the last five Fed Chairs include: (1) Paul Volcker (1979) immediately facing rampant inflation; (2) Alan Greenspan (1987) facing the “Black Monday” crash two months after taking office; (3) Ben Bernanke (2006) facing early cracks in the subprime mortgage market which devolved into the 2008 financial crisis; and (4) Jerome Powell (2018) facing public attacks and criticisms by President Trump regarding FOMC rate decisions beginning just 8 months into his term as Chair.

- b) **SCOTUS Ruling Protects Fed’s Independence** — On June 29, the Supreme Court ruled in favor of Fed Governor Lisa Cook and against President Trump’s effort to fire her. Although this ruling was by a curiously narrow margin of 5 to 4, it still provided an important affirmation of Fed independence by confirming that Fed members can only be fired *for-cause*. Chief Justice Roberts wrote for the majority that “Not only the fact of independence but also the appearance of independence is key to the Federal Reserve’s design.”²
 - c) **Trump Threats Continue** — Immediately following SCOTUS’ ruling favoring Governor Cook, President Trump reasserted his intent to continue to pursue her ouster by perfecting his case against her which alleges that she committed mortgage fraud. To date these allegations have remained unsubstantiated. In addition to his threats against Governor Cook, Trump has also expressed disappointment that Jerome Powell did not step down following the end of his term as Fed Chair. And now the Trump Administration is also trying to exert influence on the selection process for a new Atlanta Fed president, even though it has no formal role in the selection processes for regional Reserve Bank leadership. As Trump’s efforts to influence the Fed appear likely to continue, it’s not too difficult to conceive an eventual challenge for Chair Warsh – particularly if inflation remains elevated.
2. **Inflation and Oil Prices** – The most recent inflation data reported was for May with core CPI coming in at 4.2% year over year, compared with 3.8% for April. May’s number was the first print with a 4-handle since May of 2023. Much of the inflation increase in the May was due to the spike in oil and gasoline prices owing to interrupted oil supplies resulting from the Iran War. In the weeks immediately before the war began on February 28, Brent Crude prices were trading between \$66-\$71/bbl. Between March and May Brent Crude prices reached highs of \$118/bbl, but they have trended steadily lower toward pre-War levels since a sequence of ceasefire agreements began in April. While the War with Iran is not resolved, crude and equity markets appear to be looking beyond the specifics of this ongoing situation based on apparent self-assurance, in our view, that the Trump Administration will do what it takes to restore oil supplies at least through the mid-term elections.
3. **The AI Trade and the “Lag 7”** – What has been most notable, in our view, for the month, the quarter and YTD, has the distinctly narrow leadership and the fact that the preponderance of the overall equity market gains have been attributable to the so-called AI trade. Allow me to share some math here... YTD through June 30, the S&P 500 total return was 10.2%, while the total return of the S&P Tech Sector was 32.7% [as measured by the SPDR Tech Sector ETF (XLK)]. As the Tech Sector accounts for just over 37% of the S&P 500, this means that the Tech sector alone accounted for about 12 percentage points (32.7% x 37%) of the S&P 500’s YTD gain of 10 percentage points. Yes, more than all of it! Now let’s consider the AI trade, which has been mainly personified by semiconductor (and memory) stocks. YTD through June 30, semiconductor stocks’ total return was 113% [as measured by the iShares Semiconductor ETF (SOXX)]. As semiconductor stocks account for over 50% of the S&P Tech sector, this means that semiconductor stocks alone have accounted for nearly 60 percentage points of the Tech Sector’s 33 percentage point

gain. Yes, more than all of it by a factor of almost two times! This means that non-semi Tech stocks actually declined as a group YTD. This is supported by a survey of the YTD performance of some major non-semi Tech stocks (mostly software names) – including **Microsoft (MSFT)** down 22%, **Oracle (ORCL)** down 24%, **Salesforce (CRM)** down 41%, and **Adobe (ADBE)** down 41%.

Aside from pulling capital from software names, the AI trade appears to have been pulling attention away from the rest of the equity market and even the “Mag 7” names – which are now being referred to as the “Lag 7.” In addition to **Microsoft**, these 7 include **Apple (AAPL)**, **NVIDIA (NVDA)**, **Alphabet (GOOGL, GOOG)**, **Meta (META)**, **Amazon (AMZN)**, and **Tesla (TSLA)**. All have lagged the S&P 500 gains YTD, except Alphabet, and 3 of these 7 are down YTD. To complicate things further, equity markets must continue to absorb meaningful new supply from new issues, such as the recent \$85 billion SpaceX IPO (discussed below), and the upcoming \$28 billion U.S. listing of **SK Hynix (SKHY)**, a South Korean-based memory-chip giant, scheduled to issue new American Depository Shares (ADS) to debut July 10 on NASDAQ. We must also mention that **Alphabet** recently announced a combined \$80 billion equity capital raise, about half of which has been completed and half to be raised over time in the open market beginning in Q3.

Quick update on **SpaceX (SPCX)**... the company did successfully complete on June 11 the largest IPO in history of a U.S. based company; it raised \$85.7 billion (including the underwriters’ greenshoe). The S&P Dow Jones decided to adhere to its profitability criteria for its S&P 500 Index and, as such, will not be adding SPCX until that prerequisite is satisfied. The NASDAQ 100 does not have a profitability requirement, and it waived its standard 3-month waiting (‘seasoning’) period. SPCX was added to the NASDAQ 100 effective with the close of trading on July 6, 2026. As the NASDAQ 100 caps the index weight for companies with limited float, SPCX’s initial capitalization within this index will be capped at around \$300 billion, indicating an initial index weight of less than 1% (according to WSJ estimates).³

Equity Markets

Global equity indexes were mixed in June, as they finished off a strong quarter. The major large cap indexes ticked lower, while U.S. Small Caps exerted increasing leadership over recent weeks and caught up with the Emerging Market index’s YTD leading 24% gain. Close behind is the NASDAQ 100’s 20% YTD gain. Although, as we detailed above, the main leadership by a wide margin has been the AI trade, and semiconductor stocks which are up 113% YTD [as measured by the iShares Semiconductor ETF (SOXX)].

Fixed Income Markets

Overall, the bond indexes another month of steady, albeit modest total returns in June. Within that, Muni bond indexes continued to outperform and regain ground on taxable bonds, following their underperformance in 2025.

Reference(s):

- 1) CNBC, “‘Regime change but in a velvet glove’: How Kevin Warsh has set out to remake the Fed”, June 21, 2026 – [Link](#)
- 2) CNBC, “Supreme Court rulings on Fed, FTC: What they mean for consumers”, June 29, 2026 – [Link](#)
- 3) Wall Street Journal, “SpaceX is About to Join the Nasdaq-100. Here’s How Exposed You’ll Be.” July 6, 2026 – [Link](#)

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