WEEK OF JUNE 22, 2026

Market Navigator

Investor enthusiasm over the memorandum of understanding (MOU) to end the war between the U.S. and Iran sent stocks higher. The Federal Reserve (Fed), however, made it clear that it remains focused on bringing inflation down and could raise rates later this year, which capped weekly gains.

Quick Hits

1. **Beyond the headlines:** The tension between optimism and reality.
2. **Report releases:** The Fed held interest rates steady and reiterated its focus on reducing inflation.
3. **Financial market data**: Stocks were broadly higher, led by the technology-heavy Nasdaq Composite.
4. **Looking ahead:** Income and spending data and Micron earnings are in focus.

Beyond the Headlines: The Tension Between Optimism and Reality

After last weekend's announcement of a potential deal between the U.S. and Iran to end the war in the Middle East, markets rallied and oil prices dropped. This reaction made sense, given that higher oil prices contributed to inflation pressure. On Wednesday, however, the Fed concluded its June meeting with inflation still very much on its radar. These competing forces will play a significant role in stock and bond performance this year.

Negotiations to End the War Have Begun

Investors have been focused on the announcement that the U.S. and Iran reached the MOU to end the war in the Middle East. Now that the memorandum has been signed, negotiations have begun. The parties have 60 days to sign a final deal.

Investors quickly discounted what many viewed as the removal of the market's biggest risk. The prospect of higher oil prices accelerating inflation was a concern for investors against an otherwise positive backdrop of strong corporate earnings growth. That concern stemmed from worries that the Fed would raise rates to fight inflation. Rate hikes became more likely as the labor market stabilized over the past three months and consumer and producer price inflation rose more than 4 percent and 6 percent year-over-year, respectively.

The Fed's Reality

Kevin Warsh presided over his first meeting as Fed chair on Wednesday. The statement afterward and Warsh's news conference made it clear that the central bank remains focused on inflation—no matter what oil prices have done over the past several weeks. Warsh noted that the Fed will deliver price stability and that there has been no change to its 2 percent inflation target. Investors viewed that as a hawkish shift for the central bank, and most market participants now believe the Fed will raise rates in September.

From the market's perspective, the critical piece of the MOU is the reopening of the Strait of Hormuz. If it reopens within 30 days and returns to full capacity, oil prices are unlikely to be a continuing risk, though it will certainly take time for consumer and producer prices to return to more normal levels. If there is evidence that price pressures are easing, however, perhaps the Fed would be willing to look through recent inflation when considering whether to raise interest rates by the end of the year. In that case, the reaction to Warsh's first news conference could be overdone.

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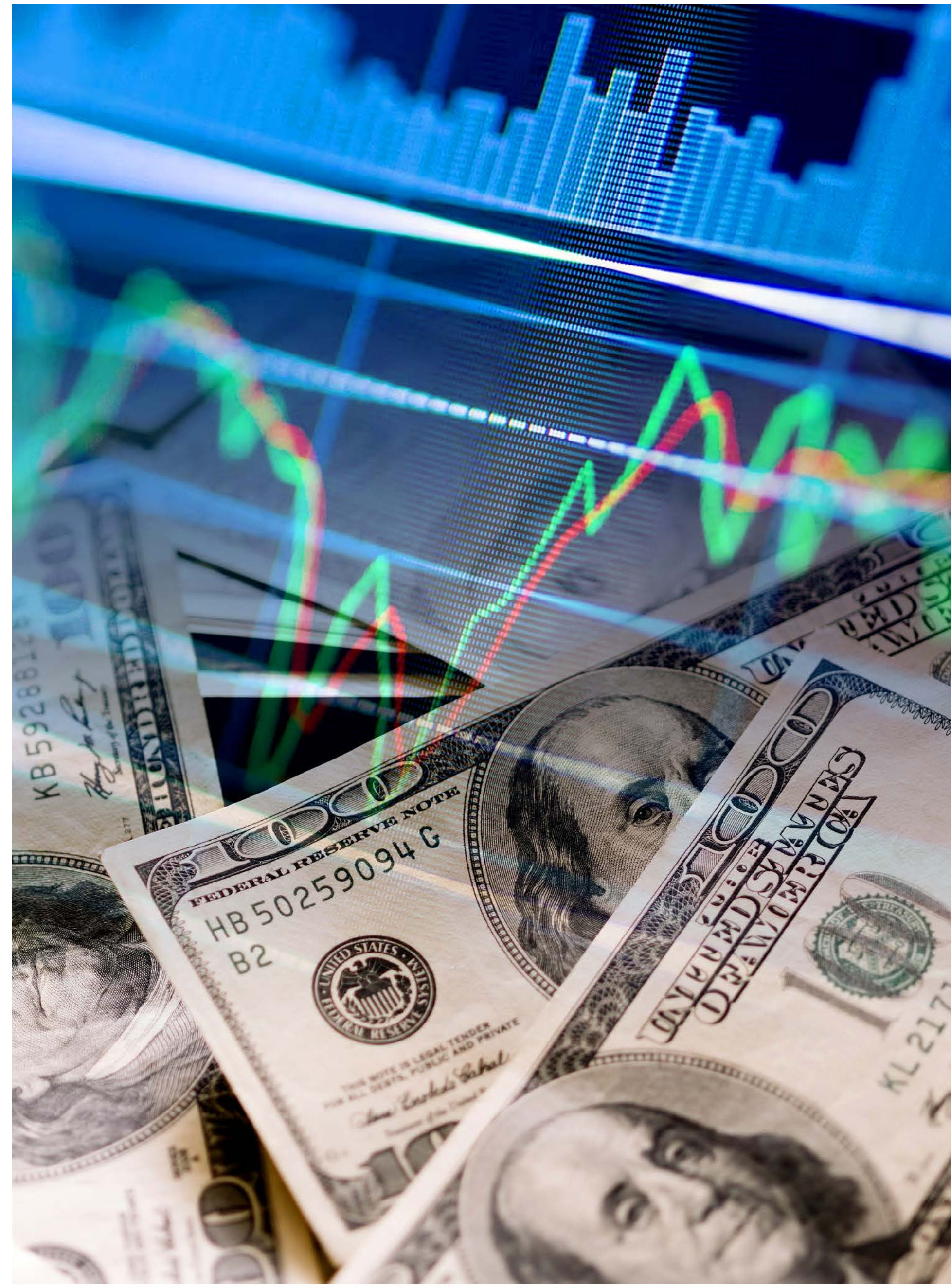
A Supportive Backdrop

Second-quarter corporate earnings season begins soon. The bar has been raised, with analysts expecting almost 22 percent earnings growth for the S&P 500. Although this raises the risk of too much optimism around corporate America, that concern has proven to be unfounded over the past five quarters. If companies continue to deliver strong growth, the market should be supported over the long term—no matter what volatility might occur in the short term.



Report Releases: June 15–18, 2026

Housing Starts and Building Permits
May
(Tuesday)

Housing starts fell more than 15 percent last month, well below expectations, bringing the pace of new home construction to its slowest level since 2020.

- Expected/prior housing starts: –2.0%/–8.5%
- Actual housing starts: –15.4%
- Expected/prior building permits: –0.9%/+4.5%
- Actual building permits: –0.7%

Retail Sales
May
(Wednesday)

Retail sales growth beat expectations last month. Although some of the improvement may be due to larger tax refunds this year, it remains an encouraging economic sign given the importance of consumer spending.

- Expected/prior monthly change in retail sales: +0.6%/+0.4%
- Actual monthly change in retail sales: +0.9%

Federal Open Market Committee (FOMC) Rate Decision
June
(Wednesday)

As widely expected, the Fed left interest rates unchanged after its June meeting. The post-meeting statement and Warsh's news conference, however, were viewed as hawkish by investors.

- Expected/prior federal funds rate upper limit: 3.75%/3.75%
- Actual federal funds rate upper limit: 3.75%

>> The Takeaway

- Although housing starts declined sharply, retail sales again exceeded expectations.
- The Fed made it clear that it remains focused on reducing inflation and will consider raising interest rates this year.

Financial Market Data

Equity

The signed MOU between the U.S. and Iran helped drive markets higher. The technology-heavy Nasdaq Composite led the way, rising 2.44 percent. From a sector perspective, technology and industrials each rose nearly 3 percent. With the Strait of Hormuz poised to reopen and oil prices declining more than 10 percent, energy fell 6.5 percent. Real estate, health care, and consumer staples each sold off roughly 3 percent. International markets continued their strong performance.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.96%	–0.96%	10.18%	26.90%
Nasdaq Composite	2.44%	–1.63%	14.43%	36.53%
DJIA	0.75%	1.22%	8.16%	24.33%
MSCI EAFE	1.24%	0.34%	10.17%	25.21%
MSCI Emerging Markets	4.32%	2.19%	28.48%	55.39%
Russell 2000	1.24%	2.15%	20.81%	42.93%

Source: Bloomberg, as of June 18, 2026

Fixed Income

Bond markets were up marginally despite investors interpreting the Fed's meeting as hawkish. The central bank, which remains focused on reining in inflation, left the door open for a potential rate increase this year. Short-term Treasury yields rose, and longer-term yields declined, with the 10-year closing at 4.45 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.15%	0.12%	0.49%	4.80%
U.S. Treasury	0.18%	0.16%	0.15%	3.60%
U.S. Mortgages	0.09%	0.06%	0.83%	6.31%
Municipal Bond	0.43%	0.65%	2.00%	7.03%

Source: Bloomberg, as of June 18, 2026

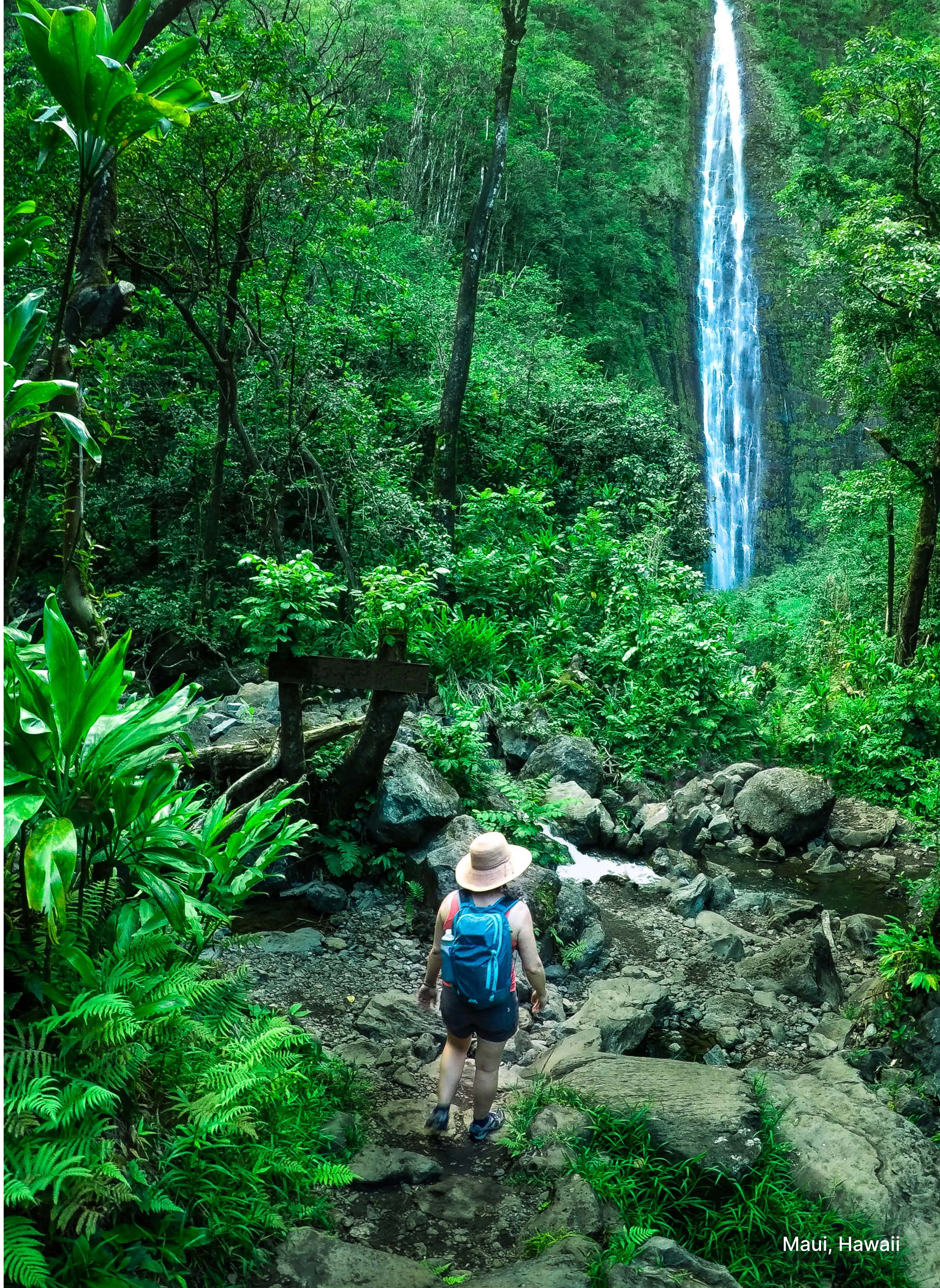
>> The Takeaway

- The signing of the MOU to end the war in the Middle East sparked a stock rally. The Nasdaq led the way, rising more than 2 percent.
- Fixed income markets were essentially flat as investors balanced the signing of the MOU with a more hawkish Fed.

Looking Ahead

The highlight this week will be the release of personal income and spending data for May.

- The week kicks off on Wednesday, when Micron reports earnings for its May quarter. Micron has been a big beneficiary of the AI buildout, and investors will be focused on the outlook because the company has been one of the biggest drivers of corporate profits this year.
- On Thursday, we'll see the preliminary durable goods orders report for May. Orders are expected to decline sharply because of weakness in volatile transportation orders.
- Also on Thursday, the personal income and spending report for May is expected to be released. Both data points are expected to show growth, which would represent a solid rebound after a flat April.



Maui, Hawaii

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