

Week in review and ahead (vol.24-26)



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Week in review

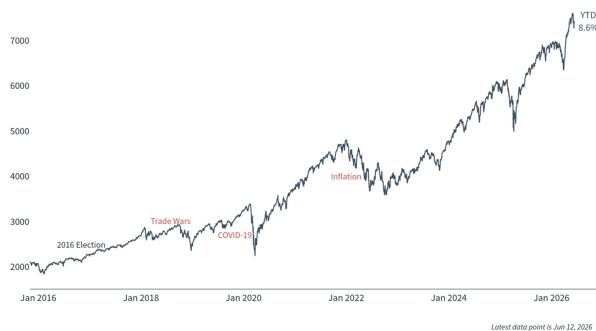
Markets ended the week higher as news that the US and Iran may be close to signing a Memorandum of Understanding (“MOU”) that may end the conflict and likely reopen the Strait of Hormuz helped reverse an early week sell off. Inflation data for May signaled that pricing pressures reaccelerated and becoming more widespread setting up an interesting meeting of the Fed’s FOMC next week under new Fed Chair Warsh. The risk-on momentum continued Friday with the largest IPO, SpaceX, posting a strong debut.

All major US indices advanced for the week as oil prices eased on the prospect of geopolitical de-escalation upon signing of the MOU. The small cap Russell-2000 posted the strongest gains for the week benefiting from a general rotation beyond large cap tech despite heightened rate-hike risks emerging. For the week, the Russell-2000 gained nearly 4%, while all other major US indices saw gains of 0.7%, reversing strong declines earlier in the week when the conflict appeared to escalate on the US resuming strikes.

Internationally, markets were mixed. In Asia, markets were mostly down for the week, except for India and South Korea, which saw gains of 1.7% and 0.9%, respectively, as the US tech selloff from the previous week still reverberated through markets. Japan’s Nikkei and Hong Kong’s Hang Seng indices declined by nearly -1% for the week while China’s CSI 300 broke even. In Europe, most equity markets posted gains for the week. The UK’s FTSE and France’s CAC-40 posted gains of 1% and 1.6%, respectively, while the German DAX declined marginally by -0.5% for the week.

Stock Market Performance

S&P 500 Index, recent period



Sources: Clearnomics, Standard & Poor's © 2026 Clearnomics, Inc.

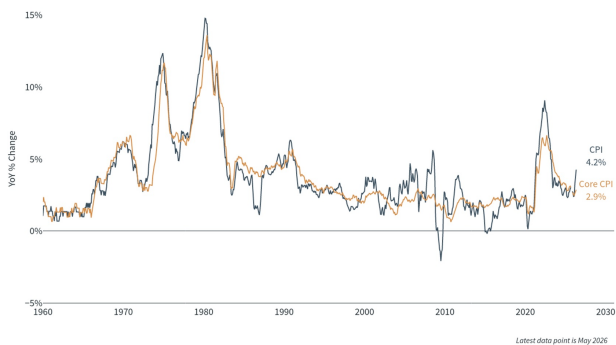
Week in review – US macroeconomics

This past week’s US macroeconomic calendar was dominated by the inflation data for May, with the consumer price index (“CPI”) and the producer price index (“PPI”) taking center stage ahead of the Federal Reserve’s June 16-17th meeting, the first to be presided by new Chair, Kevin Warsh. The balance of the week was rounded out by the latest weekly initial jobless claims, closely watched 10- and 30-year Treasury auctions, and the preliminary University of Michigan (“UMich”) consumer sentiment survey for June. Overall, inflation data offered little comfort, with headline readings pushing to multi-year highs just as the incoming Fed Chair prepares to preside over his first monetary policy decision.

Headline CPI rose 0.5% month-over-month (“MoM”), in line with expectations and a touch softer sequentially than the 0.6% recorded previously. The annual figure, however, accelerated sharply to 4.2% year-over-year (“YoY”), in line with estimates but up a substantial 0.4 percentage-points (“pp”) from the prior month and the highest headline inflation rate in three years, reflective that the energy-driven price pressures evident in recent months are now firmly embedded in the headline data. The core measure, which strips out volatile food and energy components, offered some measure of relief. Core CPI rose just 0.2% MoM, below the 0.3% expected and decelerating from 0.4% previously. The annual trend, however, did tick higher, with core CPI at 2.9% YoY, in line with estimates but an eight-month high and up sequentially, suggesting the disinflation in underlying prices has stalled. The 10-year Treasury auction that followed the CPI report was solid, signaling strong underlying demand even as inflation concerns mount.

Consumer Price Index

CPI and Ex Food and Energy, YoY % Change

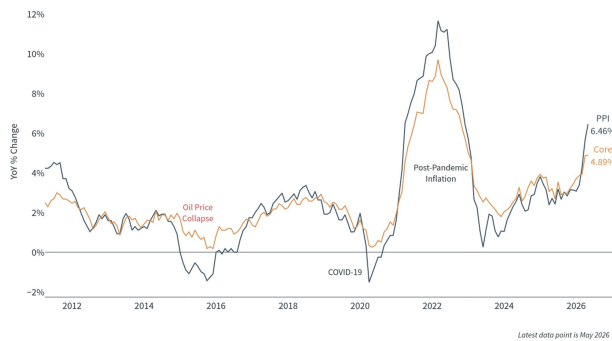


Sources: Clearnomics, Bureau of Labor Statistics © 2026 Clearnomics, Inc.

If the CPI report overall was mixed, the PPI release was decisively elevated and arguably the week’s most troubling print. Headline PPI surged 1.1% MoM, far above the 0.7% expected, even as the prior month was revised down to 1.1% (from 1.4%). On an annual basis, headline PPI reached 6.5% YoY, above the 6.4% consensus and the highest since November 2022. Core PPI rose 0.4% MoM, marginally better than the 0.5% expected, but on a yearly basis the core measure printed 4.9% YoY; while below the 5.4% feared, it matched the prior month’s upwardly revised pace and stands as the highest since January 2023. With PPI disappointing and showing an elevated magnitude of price pressures, it heightens concerns that producer-level costs will be passed on to the consumer and that inflation may

become entrenched and not reverse quickly.

Producer Price Inflation



Sources: Clearnomics, Bureau of Economic Analysis
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The week's labor read offered a tentative counterpoint. Initial jobless claims came in at 229K, above the 220K expected and higher sequentially, marking the highest weekly reading since February. While one print does not constitute a trend, and the level remains well contained by historical standards, it may be viewed as an early indication that the resilience evident in the recent payroll data may begin to soften, even as inflation re-accelerates.

The long end of the Treasury market delivered its own warning. In contrast to the well-received 10-year sale, the 30-year auction did not perform well, with the long bond auction carrying a 5% handle in back-to-back auctions for the first time since 2001.

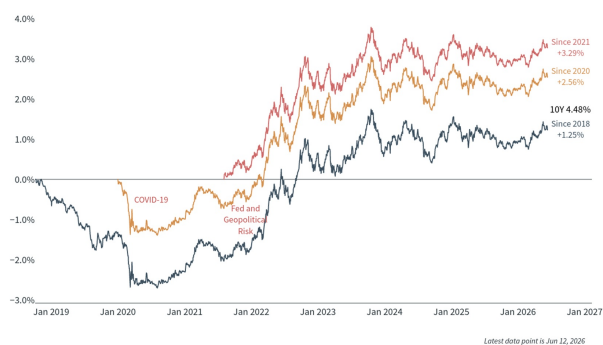
The tepid demand is as much a global story as a domestic one, with heavy supply from governments and corporations worldwide impacting demand and pushing term premia higher. For a Fed weighing its next move, including removing the softening bias from its language, a long end that struggles to clear at 5% tightens financial conditions for the economy, independent of monetary policy and certainly narrows any dovish stance.

Finally, the preliminary UMich survey for June provided a rare upside surprise on sentiment, with the headline index at 48.9, ahead of the 46 expected and better sequentially. The encouraging tone was tempered, however, by the survey's inflation expectations component: long-term inflation expectations rose to 3.4%, well above the 3.1% expected.

The recent inflation data combined with the upward trajectory in yields along all maturities will provide a somewhat uncomfortable backdrop for new Fed Chair Warsh heading into the June 16-17th meeting. With headline CPI at a three-year high, producer prices at their warmest in over three years, long-term inflation expectations drifting higher, and a long end of the curve demanding ever-greater compensation amid a global wave of supply, the focus will likely move from simply removing a "softening bias" to a likely rate-hike yet this year. Markets, having spent recent weeks repricing for the once-improbable prospect that the Fed's next move may be a hike rather than a cut, will scrutinize not only the policy decision itself but the tone the new Chair strikes, in what is shaping up to be an early and consequential test of his resolve.

Interest Rates in Perspective

10-year yield over different time frames, reindexed



Sources: Cleareconomics,
Federal Reserve
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Week ahead

With earnings season in the rear view mirror, the prospect of a signed MOU that may bring the conflict with Iran to an end as the conflict is about to enter its 16th week, markets will turn to the Fed's interest rate decision under new Fed Chair Warsh and the allocation of risks to the Fed's two mandates. With POTUS expressing that notwithstanding recent inflation data, the Fed should cut, markets will closely watch how Fed Chair Warsh articulates the Fed's stance on inflation. Moreover, markets will closely dissect the Fed's FOMC projections with respect to the inflation mandate, particularly as the new Fed Chair previously expressed concern about the Fed's communication policy and personally preferred to see it reduced, noting that he does

intend to propose a series of reforms. Of particular interest for markets may be his reform to the Fed's balance sheet as he intends to reduce the size, which itself would make monetary policy restrictive as it would pursue quantitative tightening. Besides the highly anticipated FOMC meeting, next week will offer an update on the state of the consumer, and housing market, with reports due on retail sales as well as an update on housing starts and building permits for the month of May.

Number of the week: \$75 billion

SpaceX's equity raised with the largest IPO in history, which makes Elon Musk the world's first trillionaire, at least on paper. It was just one of many "firsts" that will mark the IPO and arguably impact the IPO market going forward. It took SpaceX just 23 days from public filing to trading as it changed the traditional (Wall Street) price-setting mechanism. It used a fixed price model (instead of the standard dynamic process), bypassing the traditional book building in its entirety, which normally reflects an extensive institutional price-discovery period, and allocating an unprecedented 30% to retail investors. It did not just end there. Nasdaq, in anticipation of the historic IPO, changed its longstanding index methodology to fast-track the entry of SpaceX, allowing it to be eligible after just 15 trading days rather than the usual three (3) months. In addition, it eliminated the minimum float requirement of at least 10% of the shares publicly available in its entirety given SpaceX free float is somewhat less than 5%. Given the low free float and to prevent it being underrepresented, Nasdaq implemented a weighting multiplier (of up to 3x) to enhance the representation in its index. Considering the aforementioned, SpaceX, indeed marks an historic IPO. While the Nasdaq changes its eligibility rules to accommodate this historic IPO, it should be noted that the S&P500 did not. All its eligibility rules remain in effect and may make it difficult to include SpaceX anytime soon, including, among others, having a free float of 50%. At least for now that is, as some have already criticized S&P for not altering its rules.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at claudio@caladocapital.com.

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