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# INVESTMENT STRATEGY QUARTERLY



**THE MAIN MARKET EVENT:**

## Strength, Surprises, and the Road Ahead

# Letter from the Chief Investment Officer

## The Main Market Event: Strength, Surprises, and the Road Ahead

As we commemorate the 250th anniversary of the United States, it's worth reflecting on institutions that feel distinctly American: innovative, resilient, and constantly reinventing themselves. One unlikely example: WWE (World Wrestling Entertainment and its predecessors). What began in the 1950s as a regional promotion has evolved into a global powerhouse, exporting a uniquely American blend of sport and storytelling around the world. That evolution offers a useful lens for markets. Like professional wrestling, investing blends structure with uncertainty. Narratives build, momentum shifts, and roles are defined – but the outcome is never fully scripted to the audience. Today's market backdrop reflects that same tension between expectations and reality. So, in this quarter's outlook, we'll take our cues from wrestling. After all, in this environment, it's not just about knowing the storyline … it's about anticipating the next plot twist.

The US economy is channeling The Rock: resilient, durable, and firmly in the main event. Despite higher oil prices and plenty of geopolitical noise, growth continues to show up and deliver. And if you ask, "If you smell what the economy is cooking?" – it's steady consumer spending, a labor market finding its footing, ongoing fiscal support, and a surge in AI and infrastructure investment.

But like The Rock in the 'Attitude Era' (1997 to 2002), there's also a bit of swagger – and a touch of unpredictability. One moment, the data flexes with strong payrolls and solid demand; the next, it's hit with increasing AI-driven layoffs and consumer pullbacks. That's the nature of cycles: rarely linear, often noisy, and prone to short-term twists that don't change the broader story.

At the end of the day, the fundamentals remain Rock-solid. We expect US GDP to grow 2.4% in 2026, supported by fiscal tailwinds, tax incentives, and continued investment in AI and data centers. That capex isn't just driving demand – it's improving productivity while a stabilizing labor market underpins consumer spending. For now, the US economy remains the undisputed champion of the global ring.

Every era has its defining villain. Today, inflation is playing the role of Andre the Giant: powerful, imposing, and not easily brought down. Like Andre, inflation still has real presence, fueled in large part by elevated oil prices tied to the lingering Middle East supply disruption. As long as energy remains a pressure point, inflation continues to stand tall in the ring. We expect PCE inflation to end 2026 at 3.7%, above the Fed's 2% target.

Right now, inflation still seems difficult to move. But the setup is beginning to shift and oil is the key catalyst. With a US-Iran deal in place, supply dynamics should gradually improve. We expect WTI to end the year at ~$70 per barrel, close to its level just prior to the Iran conflict.

The reopening of the Strait of Hormuz, and changes in oil demand patterns, should all contribute to lower energy prices. This would relieve one of the most persistent sources of inflation pressure and help accelerate the broader cooling trend.

While the build-out in AI and data centers is adding to near-term demand pressures – particularly in electricity and critical minerals – we believe the longer-term impact is disinflationary. Rising investment in AI should lift productivity, improve efficiency, and ultimately help pin inflation to the mat.

So, while inflation may still look like a heavyweight, the balance of forces is starting to turn. And if history is any guide, the shift may not be gradual. Just as Hulk Hogan stunned the crowd by ultimately lifting the 525-pound Andre the Giant, it may take a decisive move – led by easing oil prices and stronger productivity – to bring inflation back down to earth.

In WWE, the referee plays a critical – yet often underappreciated – role. They're more than rule enforcers; they're in constant communication behind the scenes, ensuring the match unfolds as intended while maintaining order amid the chaos. You may not notice them when things are running smoothly, but their presence is essential to keeping everything on track.


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The Federal Reserve (Fed) plays a similar role in the economy. It operates largely out of the spotlight yet remains deeply connected to the system – shaping financial conditions and helping sustain the expansion. The Fed may not drive the action, but it is instrumental in how the story ultimately unfolds, and critically, it does so with independence, regardless of external pressures or outside noise.

Now, with Kevin Warsh stepping in as chair, the Fed is navigating a complex backdrop: growth remains resilient, inflation is still elevated, and geopolitical risks persist. We expect the Fed to remain on hold through at least year-end, closely monitoring how the data evolves. But if conditions were to shift materially, the Fed stands ready to step in – ensuring the match doesn't spiral out of control.

A useful comparison for today's bond market is The Undertaker. As one of the longest-tenured performers in WWE history, with a career spanning three decades, he built a legacy around durability and consistency. Time and again, he defied defeat, rising ever stronger after setbacks. In many ways, bonds feel similar today. After years of being overlooked, rising long-term yields – now at their highest levels in over a decade – have brought fixed income back to life in investors' portfolios.

And just as every great wrestler has a signature move, the bond market has one of its own – the 'Stabilizer.' It may not generate headlines, but it plays a critical role: delivering income and providing diversification when portfolios need it most. From here, the opportunity set looks increasingly attractive. We expect the 10-year Treasury yield to finish the year in the 4.25%–4.50% range, leaving bonds fairly valued with compelling income potential. We continue to favor high-quality, investment-grade securities, where risk-adjusted returns remain more attractive than in lower-quality credit. Municipal bonds also stand out, offering appealing tax-equivalent yields for investors seeking income with tax efficiency.

If there's one legend who defined staying power, it's Bruno Sammartino. His seven-year championship reign is the longest in WWE history. Like Bruno, the equity market continues to prove it has endurance. Markets may get caught up in the day-to-day drama – Fed moves, geopolitics, and short-term market swings – but over time, the title is decided by the fundamentals.

That said, there are challengers stepping into the ring. From elevated inflation to rising equity supply and a less accommodative Fed, it may be harder for equities to maintain their run. Still, the market's underlying strength remains. Earnings have delivered six straight quarters of double-digit growth, and we expect that momentum to carry well into next year. While the upside may be more measured given elevated valuations, the fundamental backdrop supports our constructive view, with S&P 500 targets of 7,650 for 2026 and 8,200 over the next 12 months (June 2027).

Importantly, this is no longer a one-man show – more players are entering the ring. Technology continues to lead with the AI theme, but the rally is starting to broaden. Industrials should benefit from defense spending and the ongoing AI buildout. And an underappreciated tag team – Consumer Discretionary and Health Care, two very different sectors that have lagged and remain less favored by investors – could also help power the next phase of the rally. So, despite potential distractions – from elections and a new Fed chair to geopolitics and seasonality – the underlying story remains intact: this market has the staying power to extend its run.

One of the most fascinating things about WWE is that you can step away for years, come back, and instantly pick up the story. The faces change. The rivalries evolve. The production gets bigger. But the structure? That never changes.

There are still heroes and villains. Momentum shifts. Underdogs rise. Champions fall. The long-term story keeps moving forward – as the short-term drama grabs the spotlight.

That's investing. Markets, like wrestling, operate within a framework. We analyze the data, assess the matchups, and position portfolios based on the most likely path forward. But just like in WWE, there's always a plot twist. Surprises happen. Narratives shift. Outcomes evolve. Our job is not to react to every headline – it's to stay grounded in fundamentals, remain disciplined, and adjust as the story unfolds. Because in both wrestling and investing, success comes from understanding the structure beneath the spectacle, not getting distracted by it. That's where our team and your advisor play a critical role, helping you tune out the noise, stay aligned with your long-term goals, and keep your portfolio positioned for what matters… not just what's happening in the moment.

Because in the end, whether it's in the ring or in the markets, the winners aren't the ones chasing every twist; they're the ones who stay disciplined, stay focused, and stick to the game plan.

Enjoy the summer!

**Lawrence V. Adam, III, CFA, CIMA®, CFP®**
*Chief Investment Officer*

*Financial forecasts should NOT be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Expressions of opinion are as of this date and are subject to change. Past performance is not a guarantee or a predictor of future results.

# In the Fed We Trust?

**Eugenio J. Alemán, PhD,** *Chief Economist,* Raymond James
**Giampiero Fuentes, CFP®,** *Economist,* Raymond James

The economy has continued to reaccelerate in 2026, and we expect growth this year to outpace 2025. Strong investment in AI infrastructure, along with broader industrial activity, is boosting nonresidential fixed investment. Government spending has also picked up following the fourth-quarter 2025 shutdown, while defense outlays are rising as the US works to replenish armaments used overseas. Additionally, stronger demand for petroleum products and increased shipments of industrial supplies and materials are likely to boost exports.

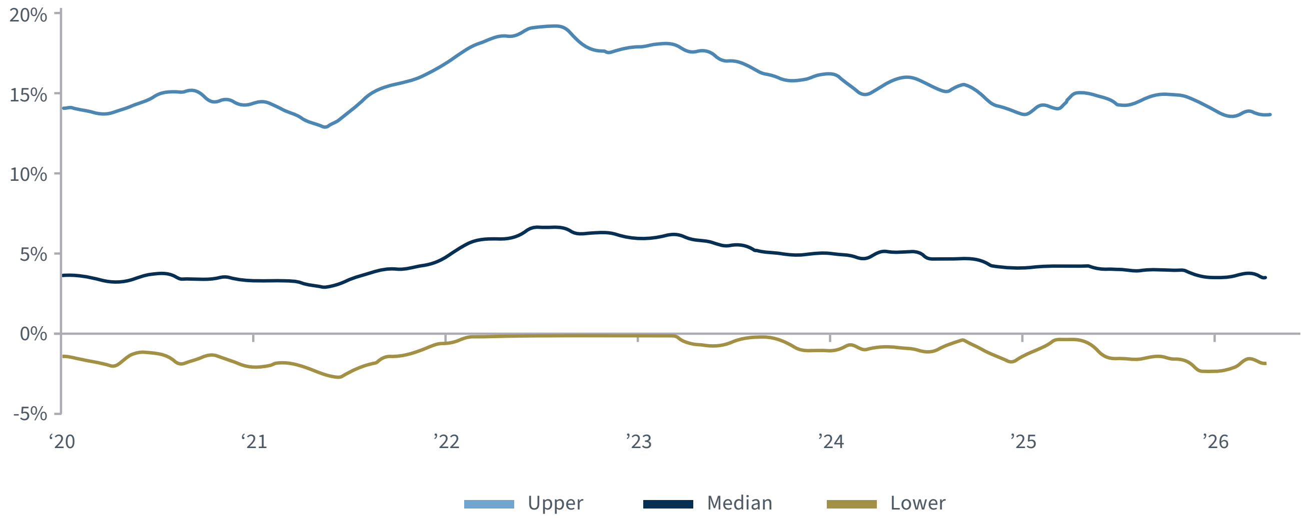
At the same time, the two-speed consumer economy remains firmly in place. Headline consumer spending has continued to appear resilient, but the underlying drivers remain uneven. Higher-income households, households with equity investments and retirees that continue to benefit from higher returns in 401(k)s and IRAs, continue to account for a disproportionate share of spending – a trend that was once again evident during the latest earnings season, as higher-end companies generally outperformed lower-tier, more price-sensitive businesses.

US growth is reaccelerating in 2026, led by AI investment, industrial activity and government spending.

In addition to positive real wage growth, wealthier households have benefited from strong financial market performance. Equities returned roughly 10% by the end of the second quarter, while elevated fixed-income yields have provided an additional source of income and support for household balance sheets. Given our team's constructive outlook on both equities and fixed income, we believe these tailwinds are likely to remain in place throughout the remainder of the year.

## Wage Tracker by Household Income

(YoY change, 3-month moving average)




Source: AtlantaFed, data as of 6/30/2026

> The two-speed consumer economy remains firmly in place, with higher-income households continuing to drive spending.

### KEVIN WARSH AND THE FUTURE OF THE FEDERAL RESERVE

Kevin Warsh has spent years arguing that the Federal Reserve (Fed) became too talkative and too dependent on outdated economic models. He believes the central bank lost credibility by placing excessive confidence in inflation forecasts, intervening too aggressively in financial markets, and communicating too frequently about the future path of interest rates. In his view, a stronger Fed is not a louder Fed, but a more disciplined one.

The challenge is that Warsh's diagnosis was largely formed before today's environment became so complex. Inflation has not settled comfortably back at the Fed's 2% target, while pressures stemming from energy prices, tariffs and geopolitical tensions continue to complicate the case for looser monetary policy. A year ago, Warsh could argue that restoring credibility would ultimately allow the Fed to lower rates. Today, that same credibility argument may instead support keeping rates higher for longer or even tightening policy if inflationary pressures reemerge.

It is also important to recognize that President Donald Trump may have sought a Fed chair more sympathetic to lower interest rates, but Warsh will not govern alone. The Federal Open Market Committee includes governors and regional Fed presidents with their own perspectives, institutional experience and policy preferences. A chair can shape the discussion and influence the agenda, but consensus remains essential.

As a result, Warsh's most important test now looks institutional as much as ideological. At the June FOMC meeting, the Fed held rates steady, emphasized that inflation remains above target, and issued a shorter statement that dropped forward guidance. Warsh also announced task forces on communications, balance-sheet policy, data, productivity and jobs, and inflation frameworks. Each priority carries implementation risk: better real-time data will take time, balance-sheet changes could unsettle markets, and less guidance may make policy cleaner but less transparent.

### OUR OUTLOOK FOR MONETARY POLICY

We believe Warsh was a strong choice for Fed chair because of his unique combination of experiences. As a member of the Federal Reserve Board during the Global Financial Crisis, he gained first-

## The 12 Voting Members of the FOMC

**Monetary policy decisions are made by the Federal Open Market Committee (FOMC).**

**1**
**FED CHAIR**
A Board Governor designated by the president and confirmed by the Senate.

+

**5**
**RESERVE BANK PRESIDENTS**
Includes the New York Fed president and four rotating Reserve Bank presidents.

+

**6**
**OTHER BOARD GOVERNORS**
Appointed by the president and confirmed by the Senate.

=

**12**
**TOTAL VOTES**
Decisions are made by a majority of the 12 votes.

Each voting member has one vote.

hand experience navigating one of the most significant economic downturns in modern history. At the same time, much of his career before and after his tenure at the Fed has been spent on Wall Street, providing him with valuable insight into how monetary policy decisions affect financial markets, businesses and investors.

Overall, while Warsh has begun to shift the Fed's communication style through a shorter statement, less forward guidance, and a broader review of the operating framework, we believe the institution will remain fundamentally data dependent. With the June FOMC statement keeping rates unchanged, citing solid activity, stable unemployment, and inflation still above target, the Fed is unlikely to pursue policy easing in 2026. Nevertheless, we continue to anticipate a single rate cut next year, reflecting our expectation that growth will slow, fiscal tailwinds will diminish, and inflationary pressures will gradually subside, absent any material economic shocks.

### LABOR MARKET STRENGTHENS

Our view is that the labor market has remained resilient. During the first five months of the year, the economy generated an average of nearly 114,000 jobs, with average monthly job creation exceeding 188,000 between March and May. That pace is substantially stronger than the roughly 10,000 jobs per month generated on average in 2025.

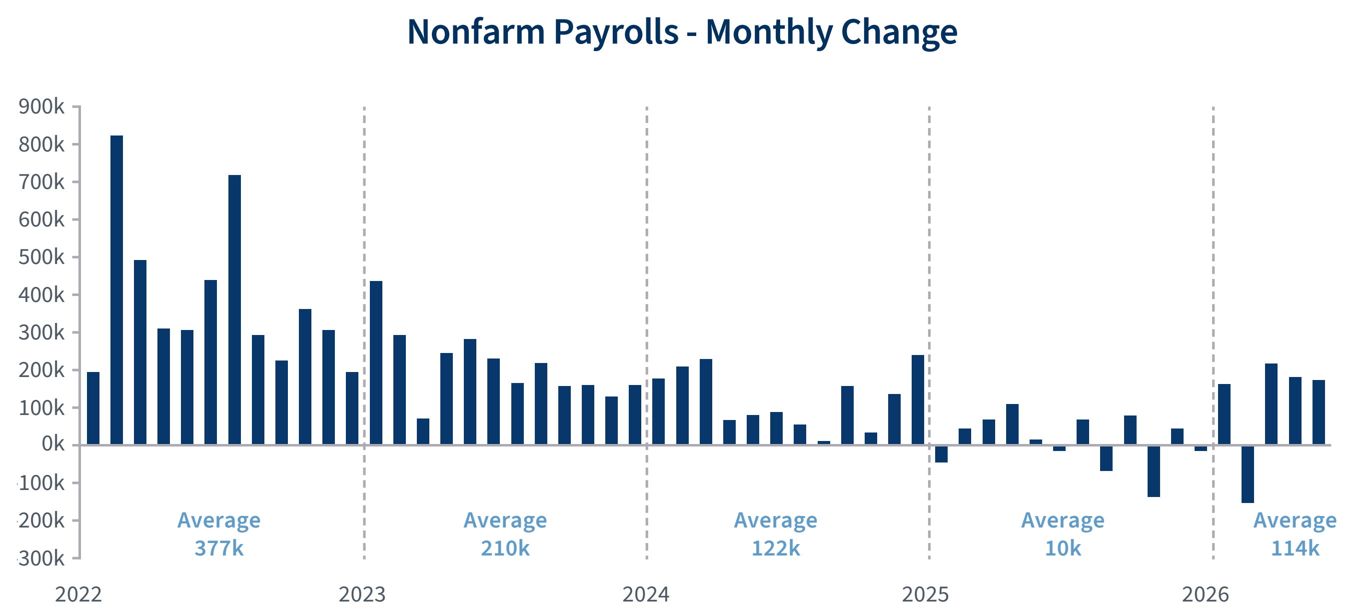
As a result, despite potential headwinds from advances in AI and the possibility of softer consumer demand later in the year, labor market conditions remain relatively healthy. Moreover, several sectors, particularly Health Care, continue to experience robust hiring demand. Consider the lengthy waiting times many patients face when trying to see a doctor or the delays homeowners often encounter when scheduling a skilled contractor. These examples highlight ongoing labor shortages in key industries.

In our view, the labor market story is increasingly one of sector-specific shifts and labor reallocation rather than broad-based weakness that would justify aggressive monetary easing. While certain industries may face disruption, the overall employment backdrop remains considerably stronger than many expected at the start of the year.

### INFLATION OUTLOOK AND INTEREST RATES

From an inflation perspective, the outlook has improved. With the conflict involving Iran now appearing to have reached a framework for de-escalation, oil prices have declined meaningfully. We expect energy prices to move lower as the year progresses, providing additional support for the disinflation process and helping inflation move closer to policymakers' targets.

Consequently, for now, we continue to view rate hikes as unlikely during this year. In addition to the improving inflation backdrop, a single rate increase would likely do little to meaningfully restrain economic activity while potentially creating unnecessary market volatility. Historically, a meaningful tightening in financial conditions has required a sustained series of rate hikes rather than a one-time move.




Source: FactSet, data as of 6/30/2026

That said, inflation risks have not disappeared entirely. One key factor to monitor is the potential for additional fiscal expansion, which could provide further support to demand and complicate the disinflation process. Even so, absent a material reacceleration in inflation driven by stronger fiscal stimulus or other demand-side pressures, the case for renewed monetary tightening remains weak.

> The Fed can afford to remain patient: labor markets are resilient, inflation is moderating and any policy easing is likely to be gradual.

### BOTTOM LINE:

Taken together, a stronger labor market, moderating inflation pressures and continued economic expansion suggest that the Fed can remain patient. While policy easing may eventually become appropriate, we believe any adjustment will be gradual and driven by incoming data rather than urgency. For investors, the key question is not whether rates move by 25 basis points in either direction, but whether the underlying economic backdrop continues to support stable growth, healthy labor markets and further progress on inflation.

### KEY TAKEAWAYS

- Economic growth is broadening and strengthening in 2026, supported by accelerating AI infrastructure investment, stronger industrial activity, firmer government and defense spending, and improving demand for energy and industrial materials.
- Consumer spending remains resilient, but leadership is increasingly concentrated in higher-income cohorts.
- A Warsh-led Fed is already reshaping communications and reviewing its policy framework, but decisions should remain driven by incoming data.
- The macro backdrop supports patience from the Fed, not urgency.

# Q&A – Midterm Elections and Geopolitical Risk Will Drive the Market

**Ed Mills,** *Washington Policy Analyst,* Equity Research

As we move through 2026, the political and geopolitical landscapes remain key drivers of policy uncertainty. For the midterm elections, our base case is a Democratic House and Republican Senate, a historically favorable outcome for equities. Meanwhile, the US-China relationship has stabilized modestly, and multiple Trump-Xi meetings are expected this year, creating opportunities for incremental progress, with key questions around export controls and access to advanced technology unresolved. Geopolitical risks remain elevated, particularly amid the ongoing US-Iran tensions. While markets have remained resilient to geopolitical flareups so far, a prolonged conflict or sustained pressure on energy prices could weigh on economic activity and introduce greater market volatility.

Divided government has historically been positive for equities.

## 2026 MIDTERM ELECTIONS

### Q. What's the base case for the 2026 midterm elections?

A. Our base case remains a Democratic House and Republican Senate. Divided government historically has provided for a market-friendly backdrop, limiting legislative surprises, but President Donald Trump's use of executive action could continue to drive uncertainty and volatility. As we have framed all year, elections ultimately remain a math problem. Republicans enter the cycle with a 220-215 House majority. 218 seats are needed for a majority and several structural challenges against Republicans present an opportunity for Democrats to capture a majority, including an unfavorable national environment, weak presidential approval ratings, elevated voter dissatisfaction and an energized Democratic base. Redistricting efforts could add anywhere from four to eight seats to the Republican column and reduce Democratic gains. In the Senate, Democrats would need to net four seats out of the 33 Senate races. Midterm Senate election results tend to match the presidential results in most states. An analysis of previous midterms shows there is a 20-29% deviation between the winner of the Senate election and the state's preference in the previous presidential election. For Democrats to win the Senate, they would need a 67% deviation. Not impossible, but a significant departure from recent midterm election results.

### Q. What's the impact of divided government on policy?

A. Traditionally, policymaking is limited to bipartisan efforts in divided governments. Volatility occurs on must-pass legislation such as government funding bills, increasing the risk of government shutdowns. A key issue after the election will be how Democrats and Trump approach policy debates. Will Democrats and Trump work together or will they seek to define the other as the obstacle? In his second term, Trump has increasingly used executive action and emergency powers to implement policy. The unpredictable nature of these efforts – for example, the April 2025 tariff announcement – has caused significant market volatility. Markets have become more accustomed to this style and the courts have limited some of these actions, but it may usher in a different policy environment than previous divided government scenarios.

- **Divided government market impact?** Historically, equities perform best under this scenario, and markets experience the least overall volatility. While shutdown risks would likely increase, other policy initiatives would face substantial hurdles. Areas with bipartisan support, including potentially more hawkishness toward China, infrastructure spending, national security initiatives, supply chain resiliency and permitting reform remain the most likely avenues for legislative action.

- **Sweep scenarios and market impact?** While divided House and Senate remains our base case, investors should not ignore the possibility of sweep scenarios. Unified control of Congress by either party would increase the likelihood of increased standoffs between Congress and the president. A change in the Senate majority would limit the president's ability to win confirmation of his appointments and would likely cause the return of many of the fired Democrats at independent agencies. Increased executive action, as discussed above, would also become even more likely.

## US-CHINA

### Q. What's the status of the US-China relationship?

A. The US-China relationship is currently characterized by a mutual desire to reduce friction and increase stability. While fundamental tensions remain – and with that, a long-term effort to mutually de-risk – both Trump and Xi are placing emphasis on the truce struck last October. In their first meeting of 2026, this focus was demonstrated by the announcement of aerospace and agricultural purchase agreements, initial progress on the bilateral Boards of Trade and Investment, and a stated desire to continue high-level contact between the two countries. Taiwan remains one area of tension, with Xi seeking concessions from Trump on arms sales to the island and Trump potentially using their suspension as a bargaining chip.

### Q. What should we expect from US-China ties this year?

A. Trump and Xi have already met once this year in Beijing and up to three more meetings are expected, the next being a September summit held in Washington, DC. Given the multiple expected meetings, few of the market-relevant deliverables were raised or finalized at the May meeting. As such, key issues such as tech controls will be watched closely in the runup to the September meeting. The Trump administration has overall shown a greater willingness to export leading-edge US tech to China than its predecessor or Congress, and Beijing is keen to receive access to the latest semiconductors and semiconductor capital equipment. While some initial easing has taken place, it remains to be seen whether Trump opens the spigot further given competing concerns between the US tech industry, which wants to promote the US tech stack overseas, and concerned China hawks in Congress. Further progress on the Board of Trade is another key issue, with the White House preparing to receive public comment on which goods should be eligible for a $30 billion trade initiative intended to identify and promote bilateral trade in sectors not sensitive to national security.

## GEOPOLITICS

### Q. With geopolitics front and center in 2026, what are the key lessons for investors?

A. One fundamental shift we have observed between 2025 and 2026 has been the White House's preferred policy lever for securing policy outcomes overseas. While 2025 was dominated by the use of economic tools like tariffs, paired with fairly limited uses of force, 2026 has been marked by the demonstrated willingness to use military force in a more expansive manner. This shift, exemplified most by the US-Iran war, has been accompanied by a renewed focus on the Western Hemisphere and the adoption of a wartime footing on the defense spending and industrial policy front.

> Geopolitical risk is the key macro threat.

### Q. What should investors expect in terms of key risks going forward?

A. While a durable resolution to the Iran war remains a ways away (especially as negotiations continue between the US and Iran), other geopolitical risk areas are simmering, such as Cuba, Greenland and Venezuela. If these regions are to see flareups, market expectations will likely continue to assume a short-term duration to these engagements. However, the more these incidents take place, and the longer US-Iran negotiations take to complete, the more these expectations will be challenged. Market reaction to the geopolitical flareups of recent memory has overall been relatively muted; economic stimulus and earnings optimism have played roles here, but the longer pressures continue – such as oil pressure associated with the Iran war – the greater the economic impact and associated market risk.

# Resilience by Construction: How Index Evolution Drives Earnings Strength

**Matt Barry, CFA,** *Senior Investment Strategist,* Investment Strategy
**Mike Payne,** *Investment Strategy Analyst,* Investment Strategy

Despite multiple risks that emerged over the past year – tariffs, higher energy prices, upward pressure on interest rates and evolving growth and earnings outlooks – equities have shown remarkable fortitude. The S&P 500 has gained 10% year-to-date (YTD) with eight of 11 sectors in positive territory for the year.[1] Notably, the move higher was driven by earnings rather than multiple expansion. In fact, while the S&P 500 has moved higher YTD, the next 12-month price-to-earnings estimate has moderated from 22.2x to 21.4x. Contrarily, consensus estimates now point to a remarkable 24% year-over-year earnings per share (EPS) growth for the S&P 500 in 2026 – levels usually seen only during recoveries following recessions. Perhaps unsurprisingly, one of the biggest questions market participants have at this stage is: How have corporate earnings been so resilient despite the risks that have materialized thus far?

> S&P 500 earnings resilience reflects a structural shift toward less energy-intensive, more asset-light and technology-driven sectors.

## FUNDAMENTALS: REMARKABLE STRENGTH DESPITE HIGHER ENERGY PRICES

S&P 500 earnings have shown impressive strength in 2026 despite higher energy costs largely because the index itself looks very different than it did in prior cycles. Most importantly, it is far less energy-intensive than in the past. Over time, index earnings have become less exposed to traditional manufacturing, where higher energy costs directly pressure margins, and to energy-sensitive

[1] As of 6/19/2026


Source: FactSet, RJ Investment Strategy, data as of 6/1/2026

areas of consumer spending, where elevated fuel prices can weigh on demand. Today, the composition has shifted decisively toward asset-light, service-oriented and technology-driven businesses. As a result, energy is a smaller share of total cost structures for the average S&P 500 company, dampening the direct margin impact of rising oil. This declining energy intensity reflects not only sectoral shifts but also operational changes within firms. Advances in energy efficiency, more flexible supply chains and the increasing digitization of business models have all reduced the amount of energy required per unit of output. As a result, the sensitivity of corporate margins to oil price shocks is structurally lower than in prior decades. Another important factor is improved pricing power across large-cap corporations. Following the post-pandemic inflationary period, many firms have demonstrated an increased ability to pass on higher input costs to end customers. While not universal, this has reduced the typical margin compression associated with rising energy prices, particularly among firms with strong competitive positioning and differentiated value propositions.

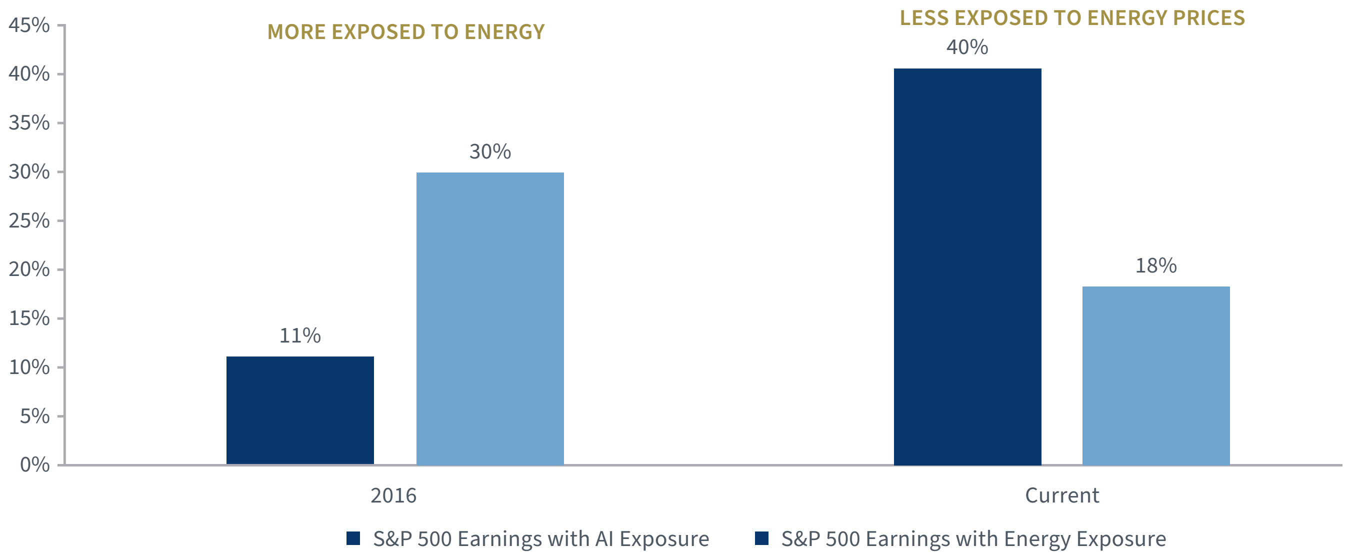
## MARGIN RESILIENCE: COST DISCIPLINE AND OPERATING LEVERAGE

Another important, and often underappreciated, factor supporting earnings strength is the shift toward greater capital and cost discipline across large-cap corporations. In the years following the pandemic, firms have become more focused on efficiency, margin durability and return on invested capital rather than purely top-line growth. This has led to leaner cost structures, tighter control over operating expenses and more scalable business models. At the same time, operating leverage has structurally shifted in favor of larger firms, particularly within asset-light and technology-enabled sectors where fixed costs are relatively high but variable costs remain low. This dynamic allows revenue growth, although uneven across the economy, to translate more efficiently into earnings. As a result, many companies are better positioned to absorb input-cost volatility, including energy, without a proportional impact on profitability. Taken together, stronger cost discipline and improved operating leverage have reduced the sensitivity of earnings to external shocks, reinforcing the broader resilience seen at the index level. This evolution in corporate behavior, along with greater exposure to more insulated secular growth trends, is reflected in S&P 500 net margins projected to reach a record high of 15% in 2026, underscoring the durability of profitability even in a more challenging cost environment.

## CONCENTRATION EFFECTS: THE RISING DOMINANCE OF AI-DRIVEN EARNINGS

Even more critical is the increasing concentration of earnings in a narrow set of AI-enabled industries, particularly semiconductors and cloud computing. The modern S&P 500 is now nearly half AI-

## Composition of S&P 500 Earnings Has Evolved Over Time




Source: FactSet, RJ Investment Strategy, data as of 6/1/2026

*AI Exposure is defined as Cloud Computing, Electrical Equipment, Semiconductors, and Software. Energy Exposure is defined as Materials, Industrials Ex. Electrical Equipment and Professional Services, Consumer Discretionary Ex. Services and Internet, Consumer Staples, and Health Care Equipment and Supplies.

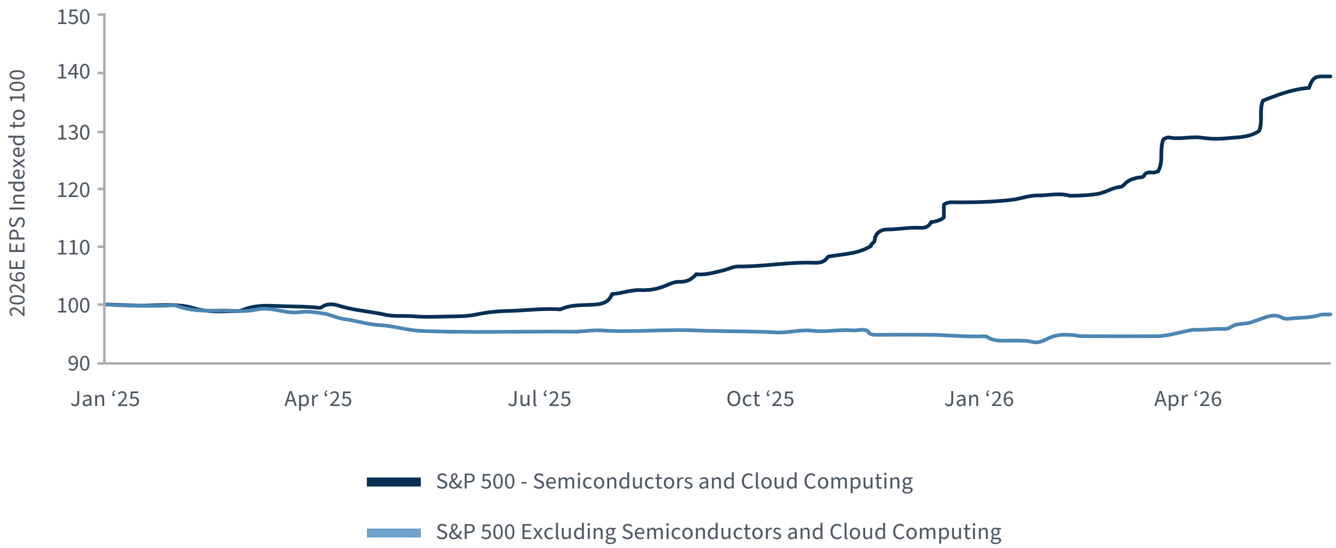
focused when viewed through the lens of earnings contribution and index composition. These industries are benefiting from powerful secular demand tied to artificial intelligence adoption, data center buildouts and enterprise digitization. Unlike traditional industries, their revenue growth is driven less by cyclical factors and more by structural trends, allowing them to offset cost pressures elsewhere in the index. In fact, 10 years ago, 30% of S&P 500 earnings were directly exposed to energy prices while only 11% were tied to today's AI beneficiaries. Today, AI-related firms are responsible for 40% of S&P 500 earnings while only 18% of index earnings are exposed to energy prices. Importantly, the AI investment cycle is also creating second-order support across the broader index. Data center buildouts and infrastructure expansion are driving demand for industrial equipment, electrical components and power generation, benefiting sectors that would otherwise be more exposed to higher energy costs. This capex-driven demand spillover further cushions earnings in aggregate.

### EARNINGS DIVERGENCE: NARROW BREADTH BENEATH STRONG HEADLINE GROWTH

This divergence between macro pressures and secular growth themes is clearly visible in earnings revisions. Over the last two years, 2026 earnings estimates for semiconductors and cloud computing companies have been revised higher by roughly 39%, reflecting strong pricing power, accelerating AI demand and sustained capital investment in AI infrastructure. In contrast, the rest of the index has seen aggregate earnings estimates revised modestly lower, by about 1%. In other words, while much of the S&P 500 is experiencing margin pressure from higher input costs, including energy, the outsized growth of AI-linked industries is more than compensating at the index level. At the same time, this dynamic also points to narrower earnings breadth, with a smaller group of companies driving a disproportionate share of index-level growth, leaving aggregate earnings increasingly dependent on the durability of AI-driven demand and execution.

> Lower energy sensitivity, stronger pricing power and improved cost discipline have reduced the impact of rising input costs on profitability.

## AI Strength Masking Mixed Fundamentals Beneath the Surface




Source: FactSet, RJ Investment Strategy, data as of 6/1/2026

### BOTTOM LINE: INDEX CONSTRUCTION LARGELY RESPONSIBLE FOR RESILIENT FUNDAMENTALS

Taken together, the resilience of corporate earnings is less about uniform strength across all sectors and more about composition effects. A less energy-intensive cost base, combined with the increasing dominance of high-growth, AI-driven industries, has allowed aggregate earnings to hold up even in the face of rising energy costs. This structural shift underscores why headline index earnings can remain strong even when underlying conditions are more mixed.

### KEY TAKEAWAYS

- S&P 500 earnings durability reflects a structural shift toward asset-light, less energy-intensive, and technology-driven businesses rather than uniform strength across sectors.
- Reduced energy intensity, enhanced efficiency and stronger corporate pricing power have materially dampened the historical margin pressure associated with rising oil prices.
- A narrow group of AI-linked sectors – particularly semiconductors and cloud computing – is generating an outsized share of earnings growth, masking weaker trends across the broader index.

# Crude Awakening: The Iran Conflict's Aftereffects Will Linger Long After It's Over

**Pavel Molchanov,** *Senior Investment Strategist*, Investment Strategy

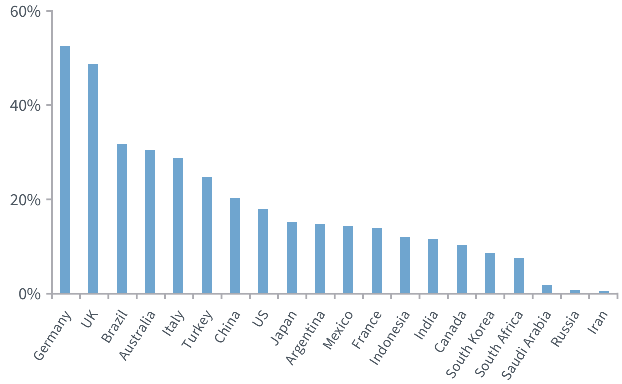
Every major geopolitical crisis has two types of effects: those that occur during the crisis itself and those that remain on a long-term basis, perhaps even permanently. The US-Iran conflict is no exception. The most severe oil supply disruption in world history – and related impacts on liquefied natural gas, helium, ammonia and aluminum – has led to higher commodity prices around the world, with some countries experiencing outright shortages. While $100+/barrel oil and $4.00+/gallon gasoline are already in the rearview mirror, some of the aftereffects of this unprecedented crisis are here to stay. Just as the energy shocks of the 1970s led to, among other things, the creation of emergency oil stockpiles and a shift away from gas-guzzling vehicles, the latest crisis may exert influence on policymakers, businesses and consumers for years or even decades to come.

## NATURAL GAS STOCKPILING: A LONG-MISSING PIECE OF THE ENERGY SECURITY PUZZLE

When the 32 member countries of the International Energy Agency (IEA) pledged this past March to release 400 million barrels from their emergency oil stockpiles, it was by far the largest such action in the IEA's 52-year history; in fact, it was larger than all previous ones combined. But the IEA's remit has never been extended to include natural gas. In retrospect, that was a big oversight, dating back to the IEA's creation in 1974.

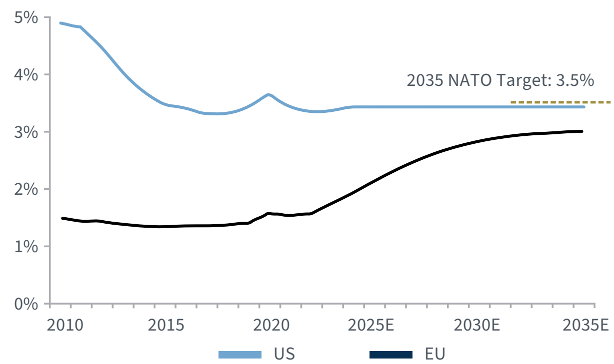
Natural gas plays a much greater role in the global energy mix today than it did half a century ago. Whereas oil is overwhelmingly used for transportation, natural gas has a wide range of use cases: electric power, heating, industrial processes (e.g., steel mills) and the chemical industry (where it has been increasingly displacing oil). And while global oil demand has been growing at less than 1% per year in the post-COVID era – even setting aside the decline in 2026 due to the price spike – global natural gas demand tends to increase two to three times faster.

## Non-Hydro Renewables Share of Electricity Mix, 2025E




Source: FactSet, RJ Investment Strategy, data as of 6/1/2026

## Amid Conflicts, Europe Ramps Up Defense Spending




Source: FactSet, RJ Investment Strategy, data as of 6/1/2026

Europe's energy crisis in 2022 – the result of Russia's decision to cut off natural gas supply after its invasion of Ukraine – illustrated that natural gas also needs to be stockpiled. Europe has made progress in that regard over the past four years. By contrast, countries in Asia – the main importers of liquefied natural gas from Qatar, whose main facility was seriously damaged by an Iranian strike in March – have yet to follow suit. Along the same lines, there may be efforts to stockpile natural gas derivatives such as ammonia (a key input for fertilizer) and helium (playing an important role in semiconductor manufacturing).

### MORE RENEWABLES AND NUCLEAR POWER: A WAKE-UP CALL FOR ASIAN ECONOMIES

Countries such as Japan and South Korea, which are virtually 100% dependent on imported oil and natural gas, cannot drill their way toward energy independence – they simply do not have the required natural resources. What they are able to do, however, is shift their electricity mix towards renewables – wind, solar, in certain cases hydro and geothermal – as well as nuclear power. Whereas power plants that burn fossil fuels require non-stop supply of those raw materials and thus are prone to supply disruptions, energy security can be enhanced by shifting to electricity sources that face little to no geopolitical risk.

The energy crisis of 2022 provided an impetus for European countries to accelerate the buildout of renewable power generation, as well as nuclear (with the notable exception of Germany), and this latest crisis may provide a similar wake-up call for countries in Asia. As shown in the chart, Germany and the UK are among the leaders in non-hydro renewable power as a percentage of the electricity mix. China and Japan are further behind – although China is installing more solar and wind in absolute terms than the rest of the world combined – with India and South Korea near the bottom of the international spectrum. Wind turbines, solar panels and other products for the electric grid are manufactured by companies in the Industrials sector, and bolstered demand for this equipment would support our positive stance on the sector.

### FASTER EV ADOPTION: A STEP THAT CONSUMERS CAN TAKE TO PROTECT THEMSELVES

The 50% run-up in US retail gasoline prices during the Iran conflict provided the latest illustration of the fact that when oil prices rise, they rise worldwide – even in countries such as the US that are net exporters. The global nature of the oil market means that there is no such thing as immunity from oil price hikes. A similar story played out during the 2022 energy crisis, even though Russian oil exports (in contrast to natural gas) never actually experienced a significant disruption.

The good news is that consumers and businesses can protect themselves from sudden spikes in oil prices by shifting toward electric vehicles (EVs). (Electricity prices are rising over time, but because they are regulated, they are not prone to abrupt changes in either direction.) With the exception of China, the price tag of EVs tends to be higher than comparable conventional vehicles, but the higher fuel prices become, the shorter the payback period. If, hypothetically, gasoline were to stay at $4.00 per gallon permanently, we estimate that the payback for US consumers would be in the range of six to seven years, as compared to eight to 10 years if prices were back to the $3.00 per gallon level.

As it stands, EVs comprise more than half of new auto sales in China, roughly 30% in Europe, but only roughly 10% in the US. Interestingly, among the leaders in EV adoption are low-income countries with essentially no oil of their own – Ethiopia and Nepal are notable case studies – because it is precisely these countries that struggle the most during oil shocks. The faster EV adoption progresses, the slower global oil demand is set to grow in the future, which is among the reasons for our underweight on the energy sector.

It is worth noting that EVs, more so than conventional vehicles, depend on critical minerals such as lithium and nickel (for batteries) and rare earths (for powertrains). The Iran conflict directly disrupted supply of only one metal – aluminum, which is refined in the UAE and Bahrain, though there are hypothetical geopolitical scenarios that could have far-reaching impacts on critical minerals. Case in point: war between China and Taiwan. But here's the essential difference between critical minerals and oil: While disruption of such exports from China would make it more difficult to manufacture new EVs, it would have no effect on existing EV drivers. By contrast, every owner of a conventional vehicle felt the impact of $100+ oil each time they pulled up to the fuel station.

## MORE DEFENSE SPENDING: IN A VOLATILE WORLD, PAST ISN'T ALWAYS PROLOGUE

Never in the modern history of the Middle East has there been a war that embroiled more countries than this one. The first Gulf War in 1991 involved many countries in the region but Iran chose to stay off to the side. More recently, brief conflicts between Israel and Iran remained limited to just those two countries. But in March and April of this year, Iran's willingness to attack fellow Muslim countries around the Persian Gulf shocked its neighbors. While air defenses in these countries were partially successful in intercepting Iranian missiles and drones, there was still widespread damage to infrastructure, including, as mentioned earlier, energy facilities. It is a good bet that governments across the region will want to be even better prepared in the future.

Looking beyond the Middle East, this conflict had a second-order effect: It provided a hefty boost to the Russian economy. Accordingly, the Kremlin will have even more resources to continue its war in Ukraine. As NATO's European members ramp up defense spending toward the alliance's official target of 3.5% of gross domestic product by 2035, the threat from Russia is top of mind. While we doubt that Europe as a whole will average 3.5%, those countries that are geographically closer to Russia – Baltic states, Poland, to some extent Germany – have a heightened perception of risk and therefore are willing to spend more. Growth in defense spending among the US and its allies is also a driver of our overweight on Industrials.

> The good news is that consumers and businesses can protect themselves from sudden spikes in oil prices by shifting toward electric vehicles.

## CONCLUSION

As was the case with previous geopolitical crises, we expect the Iran conflict to have a series of long-term consequences. Given that energy was more affected by this conflict than any other sector of the global economy, these aftereffects are disproportionately energy-related: stockpiling of natural gas, a push for energy security via renewable and nuclear power, and bolstered demand for electric vehicles. Looking beyond energy, higher defense spending is also likely. The ways in which these aftereffects materialize will vary in different parts of the world. For investors, the key message is that all long-term trends carry opportunities as well as risks.

### KEY TAKEAWAYS

- With emergency oil stockpiles playing a useful role during the Iran conflict, governments may pursue similar policies for natural gas, particularly in Asia.
- Energy-vulnerable economies in Asia are likely to follow Europe's lead in bolstering domestic generation of renewable and nuclear power.
- Given that oil price shocks have a worldwide scope, electric vehicle sales around the world are getting a boost, which accentuates the importance of critical minerals.
- Defense spending is likely to keep increasing in the Middle East as well as Europe, as governments prepare for potential future wars.

## Economic Snapshot

**EUGENIO J. ALEMÁN, PhD**
**Chief Economist**

The economy continues to benefit from several earlier tailwinds: tax cuts and retroactive accelerated depreciation supporting consumer and business spending, productivity-oriented investment tied to automation and AI adoption, resilient capital investment, rising foreign direct investment, and the near-term lift from the World Cup and America's 250th anniversary. We expect growth to remain above the subdued pace of late 2025 and early 2026, but only modestly above potential, as labor market conditions cool to a more sustainable pace following several months of strong job growth. Real income growth is being squeezed by higher energy costs, and policy uncertainty around tariffs and trade rules that continue to delay some investment decisions. Similarly, residential investment and the housing market remain under pressure as mortgage rates, affordability constraints, and elevated construction costs continue to restrain housing activity. At the same time, tariffs and higher oil prices are putting renewed upward pressure on headline inflation, although still-restrictive monetary policy should limit broader pass-through. On the fiscal side, no progress has been made in reducing federal deficits, and geopolitical tensions have contributed to a stronger but still range-bound US dollar.

| | ECONOMIC INDICATOR | COMMENTARY |
|---|---|---|
| FAVORABLE | GROWTH | Economic growth continues to reaccelerate, with growth showing the economy settling closer to its long-term trend rather than moving toward recession. |
| FAVORABLE | EMPLOYMENT | The labor market has been gaining momentum while the unemployment rate has remained relatively stable. We expect the labor market to stabilize at a healthy pace, with growth moderating from the stronger gains seen in recent months. |
| NEUTRAL | CONSUMER SPENDING | Consumer spending remains positive, but lower-income households are facing greater financial strain from rising prices, while higher-income consumers continue to support overall spending. |
| NEUTRAL | BUSINESS INVESTMENT | Policy uncertainty around tariffs and global trade continues to weigh on some investment decisions. However, structural investment tied to industrial policy, reshoring, and technology remains supportive of overall capital spending. |
| NEUTRAL | MANUFACTURING | With continued investment in advanced manufacturing, the manufacturing sector has continued to expand and remains on a favorable trajectory. |
| NEUTRAL | MONETARY POLICY | The Federal Reserve has a challenging year ahead, with inflation on the way up again while the administration calls for lower interest rates. Expect the dual mandate between inflation and employment to become unbalanced once again. |
| NEUTRAL | LONG-TERM INTEREST RATES | The acceleration in inflation and the strong fiscal expansion during this year have the potential to keep interest rates high during the rest of the year. |
| NEUTRAL | THE DOLLAR | Global instability is supporting a recovery in the US dollar, but fiscal deficit fears remain and could be a headwind in the future. |
| NEUTRAL | REST OF THE WORLD | We continue to believe the US will outperform its global peers, especially as the country is much less affected by higher oil prices than its counterparts. |
| UNFAVORABLE | HOUSING AND RESIDENTIAL CONSTRUCTION | High mortgage rates, rising construction costs, and tariffs will keep this sector of the economy in the red. Meanwhile, the low supply of homes will keep upward pressure on prices and reduce the number of potential home buyers. |
| UNFAVORABLE | INFLATION | Inflation has accelerated mostly due to higher oil prices, interrupting a promising disinflationary trend. This is expected to create a very difficult tradeoff for policymakers. |
| UNFAVORABLE | FISCAL POLICY | With an expected increase in the fiscal deficit due to higher spending, high interest rates, lower taxes and lower tax collections, the fiscal deficit debate will continue to keep the markets on edge. |

# Sector Snapshot

**MIKE PAYNE**
**Investment Strategy Analyst**

This report is intended to highlight the dynamics underlying the 11 S&P 500 sectors, with a goal of providing a timely assessment to be used in developing your personal portfolio strategy. Our time horizon for the sector weightings is not meant to be short-term oriented. Our goal is to look for trends that can be sustainable for several quarters; yet given the dynamic nature of financial markets, our opinion could change as market conditions dictate.

Most investors should seek diversity to balance risk versus reward. For this reason, even the least-favored sectors may be appropriate for portfolios seeking a more balanced equity allocation. Those investors seeking a more aggressive investment style may choose to overweight the preferred sectors and entirely avoid the least favored sectors. Investors should consult their financial advisors to formulate a strategy customized to their preferences, needs, and goals.

These recommendations will be displayed as such:

**Overweight:** favored areas to look for ideas, as we expect relative outperformance

**Equal Weight:** expect in line relative performance

**Underweight:** unattractive expectations relative to the other sectors; exposure might be needed for diversification

For a complete discussion of the sectors, please ask your financial advisor for a copy of *US Equity Strategy.*

| | SECTOR | S&P WEIGHT | COMMENTARY |
|---|---|---|---|
| OVERWEIGHT | INFORMATION TECHNOLOGY | 39% | The AI megatrend remains the preeminent driver of Technology earnings. Alongside strong demand for advanced chips, the theme is broadening into cloud computing and specialized use cases. Quantum computing is an earlier-stage opportunity. Technology accounts for the vast majority of the YTD upward estimate revisions for the S&P 500, and consensus points to another year of market-leading EPS growth in 2027. |
| OVERWEIGHT | CONSUMER DISCRETIONARY | 10% | As evidenced by Redbook retail sales and TSA screenings, overall consumer spending has remained resilient despite a wide range of inflation pressures. While elevated oil prices are unhelpful for near-term spending on large-ticket items such as autos, we believe this headwind will gradually subside in 2H26—and in the meantime, labor market dynamics are improving. |
| OVERWEIGHT | HEALTH CARE | 8% | Health Care is benefiting from secular trends, including an aging population and biotech innovation. Amid a busy 2026 for M&A in the pharma industry, resulting increases in corporate costs have contributed to downward estimate revisions. This helps explain the sector's YTD underperformance, though we do not see it as a long-term issue. Valuations are moderate by historical standards, and the sector is full of stocks with enticing dividend yields. |
| OVERWEIGHT | INDUSTRIALS | 8% | The buildout of AI data centers and associated modernization of the electric grid are potent demand drivers for the sector. Other themes are supportive as well: tariff-fueled reshoring of supply chains, robust defense spending on both sides of the Atlantic, and drought-related investments in water infrastructure. Consensus expects the sector's EPS growth to accelerate in 2027. |
| EQUAL WEIGHT | FINANCIALS | 11% | This is among the worst-performing sectors YTD, amid pressure on banks' net interest margins due to a flattening yield curve. More encouragingly, there are signs that investment banking and capital markets activity is continuing to strengthen, though this year's flurry of mega-sized IPOs is unlikely to be repeated in 2027. With valuations having moderated, our neutral stance reflects the balanced risk/reward profile. |
| EQUAL WEIGHT | COMMUNICATION SERVICES | 10% | While some investors look at Communication Services as an AI derivative, we prefer Technology and Industrials to play AI. Although this sector's largest companies are Big Techs that benefit from robust digital ad spend, it also includes telecom and traditional media firms, which have weaker growth profiles. For example, the traditional media space faces structural headwinds from shrinking TV audiences. |
| EQUAL WEIGHT | UTILITIES | 2% | Amid the data center buildout, US power demand is poised to grow nearly as much between 2025 and 2030 as in the previous 25 years. While balance sheets in the sector are highly leveraged—resulting in hefty interest-rate sensitivity—most companies have a predictable revenue model, which translates into mild credit risk. Meanwhile, as rising electric bills lead to political pushback, the sector may face even stricter regulatory scrutiny. |

 *Continued on next page*

# Sector Snapshot (cont.)

| | SECTOR | S&P WEIGHT | COMMENTARY |
|---|---|---|---|
| | MATERIALS | 2% | With all of the precious metals having fallen into bear market territory from their all-time highs set in early 2026, they are less stretched than before. Industrial metals such as copper and lithium continue to have more robust demand trends. Meanwhile, as we expect oil and international natural gas prices to decline further, that should benefit producers of plastics and chemicals. **Accordingly, we are upgrading the sector to market weight.** |
| UNDERWEIGHT | CONSUMER STAPLES | 5% | Consensus expects single-digit EPS growth in both 2026 and 2027—significantly slower than the broader market. This reflects sluggish demand as inflation-stressed consumers balk at high prices on store shelves, as well as persistent input cost risk resulting from volatile prices for a wide range of commodities. Alcohol and tobacco face their own health-related headwinds. |
| UNDERWEIGHT | ENERGY | 3% | Although the US-Iran deal is in place, the Persian Gulf supply disruption isn't over yet. While oil prices have already come down sharply, Energy remains one of the top performers YTD, and we would use these gains as an opportunity to take profits. The supply disruption is transitory, whereas the longer-term outlook is for sluggish growth in global oil demand—and some of this year's 'demand destruction' may be permanent. We expect WTI to end the year at ~$70/barrel. |
| UNDERWEIGHT | REAL ESTATE | 2% | A mild EPS acceleration is underway in 2026. Commercial office space is facing structural headwinds, partially offsetting the growth from data centers, healthcare facilities, and logistics. The sector's lofty dividend yield is not enough to get us enthused. |

## Disclosure

All expressions of opinion reflect the judgment of the authors and are subject to change. Past performance may not be indicative of future results. There is no assurance any of the trends mentioned will continue or forecasts will occur. The performance mentioned does not include fees and charges which would reduce an investor's return. Dividends are not guaranteed and will fluctuate. Investing involves risk including the possible loss of capital. Asset allocation and diversification do not guarantee a profit nor protect against loss. Investing in certain sectors may involve additional risks and may not be appropriate for all investors.

International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing in emerging and frontier markets can be riskier than investing in well-established foreign markets.

Investing in small- and mid-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise.

US government bonds and Treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. US government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term obligations of the US government.

While interest on municipal bonds is generally exempt from federal income tax, they may be subject to the federal alternative minimum tax, or state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit.

If bonds are sold prior to maturity, the proceeds may be more or less than original cost. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency.

Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Investing in REITs can be subject to declines in the value of real estate. Economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

High-yield bonds are not suitable for all investors. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.

Beta compares volatility of a security with an index. Alpha is a measure of performance on a risk-adjusted basis.

The process of rebalancing may result in tax consequences.

Alternative investments involve specific risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum net worth

## Disclosure (cont.)

tests. Investors should consider the special risks with alternative investments including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. Investors should only invest in hedge funds, managed futures, distressed credit or other similar strategies if they do not require a liquid investment and can bear the risk of substantial losses. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided.

The companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. Investing in the technology sector is not suitable for all investors.

The indexes mentioned are unmanaged and an investment cannot be made directly into them. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The S&P 500 is an unmanaged index of 500 widely held securities. The Shanghai Composite Index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

The VIX is the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility.

The MSCI Emerging Markets Index is used to measure the financial performance of companies in fast-growing economies around the world. The MSCI China A Index measures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges. The MSCI Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The MSCI USA Index is designed to measure the performance of the large- and mid-cap segments of the US market. The MSCI Europe index is a European equity index which tracks the return of stocks within 15 European developed markets.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Bloomberg US Treasury Index measures the performance of fixed-rate, nominal debt issued by the US Treasury and denominated in US dollars. It is a benchmark for the US Treasury market, excluding Treasury bills (which are covered by a separate index) and certain special issues according to Bloomberg.

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