

Monthly Market Commentary

Benchmark Returns AS OF MAY 31, 2026

	MONTH	YTD
S&P 500	5.26%	11.27%
Dow Jones Industrial Average	2.94%	6.86%
Nasdaq	8.43%	16.33%

	MONTH	YTD
Bloomberg Agg Bond Index	0.31%	0.38%
Developed International	3.18%	9.74%
Emerging Markets	9.71%	25.74%



Steady Gains in an Unsteady World

U.S. financial markets delivered another month of robust gains in May, extending the strong rebound that began in April. April's major concerns - geopolitical tensions, elevated energy prices, and accelerating inflation - carried forward as well. Investors also faced uncertainty about monetary policy and signs of slowing economic growth. But extraordinary growth in corporate earnings propelled the major equity indices to record closing highs at month's end. Optimism surrounding artificial intelligence investment, continued consumer spending, and anticipation of several landmark public offerings helped offset persistent macroeconomic risks.

The ongoing U.S./Israel war with Iran continued to create volatility across global energy markets. Disruptions around the Strait of Hormuz caused swings in oil prices and added pressure to global supply chains. Investors reacted to headlines that alternated between military escalation and ceasefire negotiations but ultimately seemed sanguine about the outlook for resolving the conflict. At month-end, both West Texas Intermediate and Brent Crude oil were trading below \$100 per barrel.

Economic data released during May painted a picture of an economy that continues to expand, though at a more measured pace. The labor market remained healthy overall. The April payroll report showed the addition of 115,000 new jobs, which exceeded expectations. The unemployment rate stayed at 4.3%. Still, underemployment measures drifted higher and job-finding rates softened modestly, signaling that labor conditions are cooling after several years of post-pandemic tightness.

Inflation remained a central concern for both policymakers and investors. Consumer price pressures accelerated during the month, driven largely by higher energy and transportation costs associated with the Middle East conflict. The Federal Reserve's preferred inflation gauge, Personal Consumption Expenditures (PCE), moved higher again in April, complicating hopes for near-term interest rate cuts. Markets increasingly recognized that inflation may remain structurally above the Fed's long-term target for longer than previously anticipated.

Consumer spending continued to demonstrate resilience. Retail sales data showed households are still willing to spend despite higher gasoline prices and elevated borrowing costs. However, this is an area to watch, as measures of consumer confidence are at historic lows, and there was evidence of slower consumer spending growth in the latest GDP release.

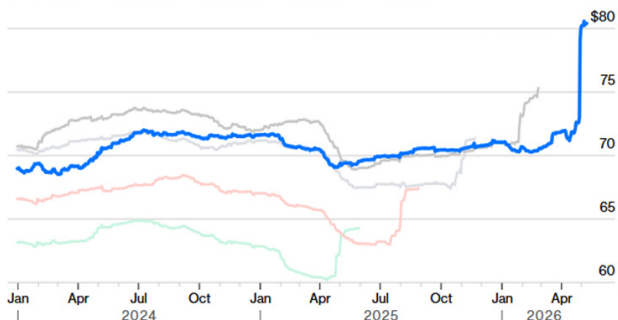
Specifically, the latest estimate for first-quarter GDP growth was revised lower from 2.0% to an annualized 1.6%, reflecting both softer consumer spending and weaker inventory investment than initially reported. Nevertheless, business investment remained strong, particularly in artificial intelligence infrastructure, automation, and data center expansion. Corporate America continues to aggressively invest in technologies that are intended to boost long-term productivity.

First-quarter earnings results were widely cited as the primary support for equity markets during May. Aggregate earnings growth came in substantially above consensus forecasts, led by technology and communication services companies. As of May 29th, actual 1Q26 earnings growth for the S&P 500 was 29.3% (source: LSEG I/B/E/S). Further, analysts have been increasing their earnings estimates for the second quarter and full-year 2026.

An Earnings Season Unlike Others

S&P 500 EPS usually beats expectations - but not like this

■ Q1 2026 ■ Q4 2025 ■ Q3 2025 ■ Q2 2025 ■ Q1 2025



Source: Bloomberg Earnings Estimates Graphs

Monetary policy also remained in focus. Kevin Warsh was sworn in as the new Federal Reserve Chair on May 22nd. His leadership style and policy priorities remain to be seen, but investors generally interpreted the transition as signaling a more market-sensitive and less transparent Federal Reserve. The month's higher inflation readings have dampened expectations for imminent interest rate cuts. Warsh will lead his first FOMC meeting on June 16 - 17.

Finally, anticipation of SpaceX's potential IPO added another layer of enthusiasm to growth-oriented segments of the market. Expectations that the offering could become one of the largest public debuts in history helped reinforce investor appetite for innovation-driven companies and the broader AI and space technology ecosystem. Even amid geopolitical uncertainty and inflation pressures, investor demand for transformational growth stories remained exceptionally strong.

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