

Broad Returns, Narrow Risk

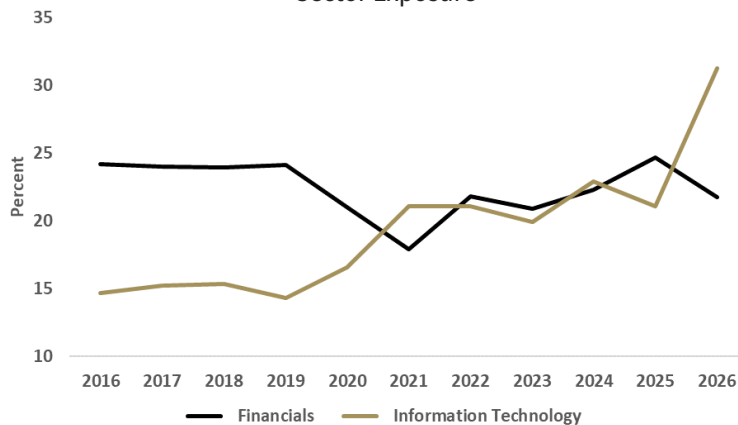
As the year reaches its midpoint, investors can point to a meaningful shift in market leadership. Returns have broadened, with small-cap stocks, emerging markets, and U.S. large-cap value outperforming the S&P 500 over the past twelve months. This marks a clear departure from the narrow, mega-cap-driven gains of recent years. However, while returns are diversified, the underlying sources of risk remain concentrated.

In U.S. small caps, strong performance has been helped by companies such as Bloom Energy, a manufacturer of fuel cells that enable on-site energy production. Now the largest position in the Russell 2000, the company has surged amid enthusiasm for AI-related energy demand, lifting the broader index along the way. This dynamic underscores a key point: headline gains in a different market can mask a dependence on the same investment theme.

A similar pattern is at work in emerging markets, where leadership has shifted decisively toward technology. Taiwan Semiconductor Manufacturing Company, for example, represents an outsized share of Taiwan's equity market (41%), illustrating how a single company can shape index-level outcomes. As a result, performance in these markets is increasingly tied to the trajectory of a few large, tech-oriented firms.

The takeaway is straightforward: broader returns do not necessarily mean broader diversification. When gains are driven by a narrow set of companies or investment themes, portfolios may carry more concentrated risk than surface-level performance suggests.

MSCI Emerging Markets Index
Sector Exposure



Sources: Bloomberg, Sector and company weights from iShares MSCI Emerging Markets ETF (EEM), iShares Russell 2000 ETF (IWO), and Sinopac Taiwan Taiex Index ETF (006204 TT).

Economy

Last Week	This Week
- ISM Manufacturing (May): 54.0 vs. 52.7 one month prior	- NFIB Small Business Optimism (May): 6/09
- JOLTS (Apr): 7.6 mln vs 6.7 mln one month prior	- Consumer Price Index (May): 6/10
- ISM Services (May): 54.5 vs. 53.6 one month prior	- Producer Price Index (May): 6/11
- Payrolls & Unemployment (May): +172k vs. +115k one month prior Unemployment rate unchanged at 4.3%	- U. of Mich. Consumer Sentiment (June P): 6/12

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7406	-2.52	13.69	8.74	24.90	21.36	13.45
Russell 1000 Growth	4947	-4.50	15.38	4.10	21.31	23.51	14.47
Russell 1000 Value	2329	-0.05	11.03	13.33	26.75	17.98	10.40
FTSE High Dividend Yield*	581	-0.69	6.76	10.84	24.34	17.94	11.39
S&P Small and Mid Cap	20706	-0.35	10.35	13.49	25.33	14.69	7.13
MSCI EAFE	3046	-1.33	8.47	7.32	19.85	16.65	8.69
MSCI EM	1655	-6.60	18.98	18.84	43.36	21.52	6.82

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD	
				YTD (%)	1 Year
S&P 500	18.6	15.8	1.2	8.74	24.90
Russell 1000 Growth	22.3	18.2	0.6	4.10	21.31
Russell 1000 Value	15.7	13.7	1.9	13.33	26.75
FTSE High Dividend Yield*	13.2	13.1	3.7	10.84	24.34
S&P Small and Mid Cap	14.6	15.3	1.8	13.49	25.33
MSCI EAFE	14.7	13.5	3.0	7.32	19.85
MSCI EM	10.2	11.1	2.4	18.84	43.36

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.81	-0.54	-0.20	-0.24	4.94	3.88	-0.04
U.S. Int. Gov/Credit	4.50	-0.37	-0.15	-0.17	4.06	4.40	1.07
U.S. Corporates	5.27	-0.64	0.51	-0.03	5.60	5.26	0.33
High Yield	7.19	-0.32	1.80	1.30	6.81	8.80	4.18
Municipals (1-10)	3.10	0.19	1.07	0.84	4.93	3.45	1.24

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.16	4.04	3.80	3.48	4.02	4.52	0.16
10-yr Treasury	4.56	4.44	4.32	4.17	4.47	3.72	1.49
30-yr Treasury	5.04	4.96	4.91	4.85	4.93	3.89	2.17
SOFR	3.63	3.63	3.68	3.87	4.28	5.05	
6-mo. CD rate	3.90	3.82	3.84	3.62	4.37	5.60	0.08
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.25	3.25
30-yr fixed mortgage	6.46	6.63	6.48	6.25	6.90	7.05	3.08

Data as of 4:25 PM ET, June 9, 2026. Returns through June 8, 2026.

The Weekly Market Update is not an offer to buy or sell securities. Past Performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. An Individual cannot invest in an index.

