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Q2 2026 - Market Commentary[1]

- New Federal Reserve Chairman Kevin Warsh led his first policy meeting in June.
- The Fed left interest rates unchanged, but Warsh emphasized that inflation will be the central bank's primary focus.
- U.S. equities led global stock returns, posting their strongest quarterly gain in six years.
- The Russell 3000 Index rose +15.4% during the quarter and is now up +10.8% year to date.
- Small-cap stocks were the strongest segment of the U.S. market, with the Russell 2000 Index gaining +21.5%.
- The end of the Iran conflict, together with a sharp decline in oil prices, helped fuel broad gains across global equity markets.
- Notably, U.S. mega-cap stocks, including the Magnificent 7, were not the primary market leaders.
- The Russell Top 50 Index gained +10.7% for the second quarter but is up only +2.0% year to date.
- The VanEck Semiconductor ETF (SMH) surged +71.7% during the second quarter, helping lift the broader technology sector as the State Street Technology Sector ETF (XLK) gained +43.5%.
- Performance outside this narrow leadership group was far more subdued.
- Three sectors posted negative returns, two others gained only +2.0%, and 10 of the 11 sectors trailed the Russell 3000 Index for the quarter and underscored the extreme narrowness of market returns.
- Non-U.S. equity returns were led by emerging markets, with the MSCI EM Index gaining +24.1% during the second quarter.
- As in the U.S., however, performance was narrow and heavily influenced by semiconductor exposure and its impact on country-level returns.
- South Korea and Taiwan markets rose +87.6% and +48.9%, respectively, while China declined -6.6%.
- China continued to face multiple economic headwinds, including weak consumer spending, a struggling real estate market, and financially strained local governments.
- The 10-year U.S. Treasury yield rose from 4.32% to 4.45% during the second quarter, after starting 2026 at 4.17%.
- Against that backdrop, the Bloomberg Aggregate Bond Index returned just +0.7% for the quarter.
- High-yield bonds fared better, benefiting from the broader risk-on rally and returning +2.5%.
- Following the ceasefire in late March, oil prices fell sharply, with benchmark WTI crude declining -31.3% during the quarter.
- The end of hostilities, combined with the broader risk-on rally, also reduced demand for perceived safe-haven or stability assets. As a result, gold declined -14.5% and Bitcoin fell -13.5%.
- The Global 60/40 Balanced Index returned +9.1% during the second quarter, bringing its year-to-date return to a solid +7.4%.

Performance

	2Q26		YTD		2025		2024		2023	
S&P 500 Index (U.S. large/mega cap stocks)	15.2%	↑↑↑	10.2%	↑↑↑	17.9%	↑↑↑	25.0%	↑↑↑	26.3%	↑↑↑↑
Russell 2000 Index (U.S. small cap stocks)	21.5%	↑↑↑	22.6%	↑↑↑	12.8%	↑↑↑	11.5%	↑↑↑	16.9%	↑↑↑
Russell 3000 Index (all U.S. stocks)	15.4%	↑↑↑	10.9%	↑↑↑	17.2%	↑↑↑	23.8%	↑↑↑	26.0%	↑↑↑↑
MSCI EAFE Index (large cap developed markets int'l stocks)	10.8%	↑↑↑	9.4%	↑↑	31.2%	↑↑↑↑	3.8%	↑	18.2%	↑↑↑
MSCI EM Index (emerging markets stocks)	23.0%	↑↑↑	22.8%	↑↑↑	33.6%	↑↑↑↑	7.5%	↑↑	9.8%	↑↑
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	14.5%	↑↑↑	13.7%	↑↑↑	32.4%	↑↑↑↑	5.5%	↑↑	15.6%	↑↑↑
MSCI All Countries World Index (all global stocks)	14.2%	↑↑↑	11.3%	↑↑↑	22.1%	↑↑↑	17.5%	↑↑↑	22.2%	↑↑↑
Bloomberg Aggregate Bond Index (invt. grade bonds)	0.7%	↑	0.6%	↑	7.3%	↑↑	1.3%	↑	5.5%	↑↑
Bloomberg High Yield Index (below invt. grade corp. bonds)	2.5%	↑	2.0%	↑	8.6%	↑↑	7.7%	↑↑	13.5%	↑↑↑
Bloomberg Short-Term Treasury Index (cash)	0.9%	↑	1.7%	↑	4.3%	↑	5.3%	↑↑	5.1%	↑↑
Bloomberg Municipal Bond Index	2.5%	↑	2.3%	↑	4.3%	↑	1.2%	↑	6.4%	↑↑
Gold	-14.5%	↓↓↓	-6.7%	↓↓	63.7%	↑↑↑↑↑	27.4%	↑↑↑↑	13.2%	↑↑↑
Oil (West Texas Intermediate Crude)	-31.3%	↓↓↓↓	22.1%	↑↑↑	-20.1%	↓↓↓	0.7%	↑	-11.4%	↓↓↓
Bitcoin	-13.5%	↓↓↓	-33.0%	↓↓↓↓	-6.4%	↓↓	122.7%	↑↑↑↑↑	153.0%	↑↑↑↑↑
Global Balanced Index (60% stocks / 40% stocks)	9.1%	↑↑	7.4%	↑↑	16.1%	↑↑↑	7.6%	↑↑	10.7%	↑↑↑

Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.

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