

WEEKLY INSIGHT

May 20, 2026

The S&P 500 finished the week down just 0.1%. The recent rally has taken a pause amid higher bond yields and still unresolved Middle East concerns. Beta was generally weaker as some of the highflyer names pulled back. The NASDAQ was down 0.5% as the software bounce continues. Software names outperformed semiconductors by 6% on the week. Higher yields resulted in a 0.5% loss for core bonds.

Strait of Hormuz tanker crossings remain nearly non-existent as the nearly completed negotiation headlines reach their sixth week. The Energy Information Agency reported a 17-million-barrel drop in U.S. crude oil inventories this week. It was the largest ever recorded. The national average for gasoline sits around \$4.50/gallon, which is a 61% increase from the start of the year.

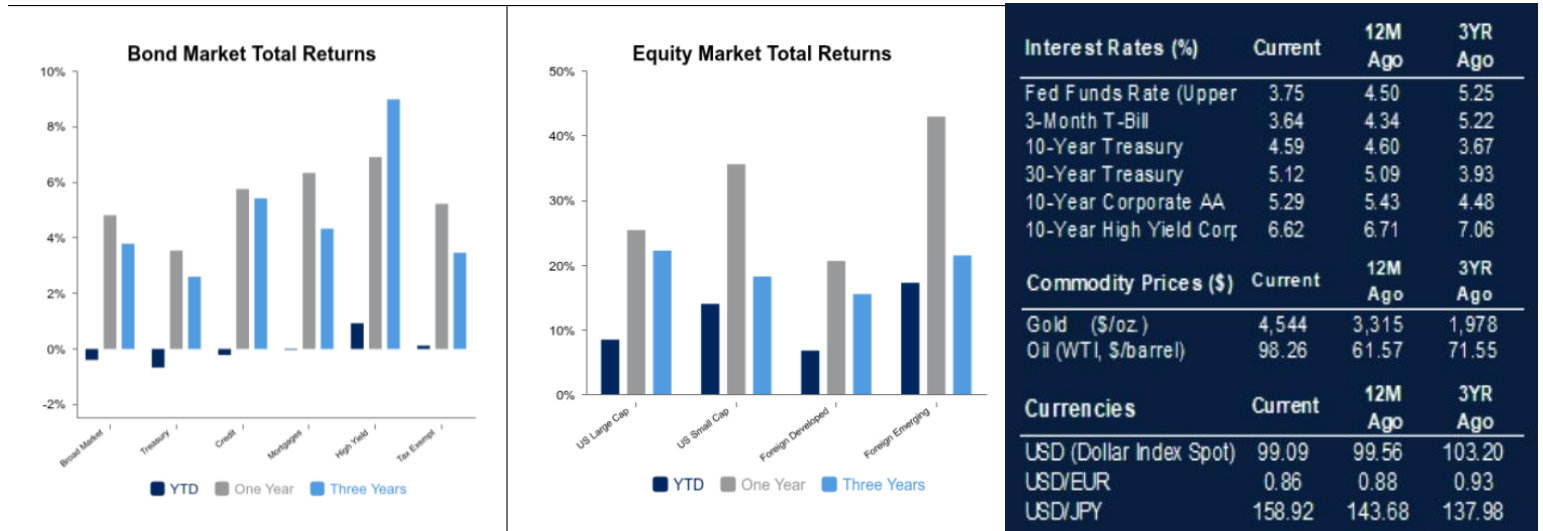
Following the CPI release where annual inflation hit a three-year high, the producer price report confirmed with a jump well above consensus expectations. This helped reinforce inflation concerns and lift yields higher on the week. Real average hourly earnings have dipped negative for the first time in three years. Higher inflation and consistent real GDP growth are resulting in robust readings on economic data that is reported in nominal terms. Retail sales in one example. The results this week again delivered a number that was better than expected.

We now have the Atlanta Fed GDPNow rising to 4.3% for the second quarter 2026 forecast, whereas the economic forecast is under 2%. The consensus has consistently underappreciated the growth potential in the economy over recent years, which included elevated recession odds that failed to materialize in 2023.

Global bond yields hit multi-year high

The bond market has been the lead story most of the week. The 30-year Treasury yield hit 5.18%, its highest level since 2007. The rest of the yield curve remains below its 2023 peak but has seen notable increases this year. This is a global phenomenon. Japan's 30-year government bond yield hit a record, now above 4%. In 2019, their 30-year yields were just 15 basis points. UK 30-year gilt yields reached their highest since 1998.

It was a heavy earnings week, which has been a catalyst for some large stock reactions to the upside. So far, about 80% of companies are beating estimates. The blended growth rate is on pace for a sixth consecutive quarter of double-digit growth.



Sources: BTC Capital Management, Bloomberg

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