

Key Takeaways:

- Global equities deliver robust returns in 2Q26.
- U.S. economy continues to benefit from capex and consumer.
- U.S. equity rally broadens beyond large caps.
- Municipals see strong inflows as reinvestment season is strong.
- Commodities plummet on hopes for end to Middle East conflict.

2Q26 Market Review – Markets Shrug Off Risks and Post Record Highs

Equity investors were handed some of the best quarterly gains since 2020 in 2Q26, with the majority of U.S. indices making record highs. The rally broadened domestically and globally with the Russell 2000, Nikkei 225, Korea's Kospi and the Taiwan TAIEX hitting a record high. Enthusiasm over AI overshadowed the conflict with Iran, disruption in the Strait of Hormuz, and inflation pressures that pushed central banks to be more hawkish. In this weekly insights we offer a review of 2Q26 from an economic and market perspective.

- **Fed Chair shakes this up:** Kevin Warsh left rates unchanged at his first meeting but leaned hawkish. He is also weighing changes to the committee's transparency practices, the data it monitors, and the future of the Fed's outsized balance sheet.
- **Inflation keeps rising:** Energy costs drove headline inflation (CPI YoY) to the highest in three years (+4.2%). In addition, core inflation (PCE Core YoY) jumped to the highest level since 2023 (+3.4%) led by service costs.

- **Capex spend continues:** AI spending helped manufacturing per the ISM Manufacturing Index to rise to the highest since 2022. Core capital goods orders are rising at the fastest year over year pace since 2022 (10.4%).
- **Consumer mixed:** Consumer confidence according to the University of Michigan hit a record low in 2Q26. However, spending was solid with core retail sales rising at the fastest pace since 2023 (6.3% YoY).
- **Labor market stable:** The U.S. unemployment rate fell to a one year low (4.2%) and job openings accelerated to the highest in 26 months in May.

Equities: The MSCI AC World Index posted its sixth best quarterly return (+14.9%) since inception (1998) led by gains in the emerging markets and a broadening in the U.S. rally.

- **AI wins out!** The global indices that have stocks tied to chips or AI rallied the most in 2Q26. Korea, (+85%) and Taiwan led the global equity rally.

- **U.S. broadens:** Small caps (+22%) outperformed large caps (+15%) by the most since 1Q21.

Fixed Income: The Bloomberg Aggregate Index rebounded in 2Q26 (+0.7%) led by emerging markets and municipal bonds.

- **Emerging market lead:** EM bonds rallied the most in seven quarters (+3.4%) as investors looked outside the U.S. for yield.
- **Municipals stand out:** Municipal bonds (+2.5%) outperformed taxable bonds on reinvestment demand and attractive yields.

Commodities: The Bloomberg Commodity Index posted its worst quarter (-8.1%) since 1Q20 led by energy and precious metals.

- **Oil in bear market:** Oil prices fell as the Strait of Hormuz started to open. Crude oil posted its worst quarter (-31.5%) since 1Q20.
- **Metals diverge:** Precious metals fell (-14.9%) as safe haven demand weakened. Industrial metals rose (+1.9%) on hopes for an end to the Middle East conflict.

Weekly Economic Recap –

Unemployment rate dips lower

Home prices as measured by the S&P Cotality Index rose more than expected on a year over year basis (+1.1% vs. +0.9% est.) in April. However, for the month, prices fell (-0.04% MoM) led by weakness in Phoenix, Las Vegas and Seattle. Of the 20 cities that the Index monitors, 12 of the cities saw price declines while Chicago, Washington and New York saw price gains.

Consumer confidence as measured by the Conference Board rose modestly in June. Confidence on the present situation declined but consumers grew more confident on future expectations which rose to the highest level this year.

Jobs openings according to the JOLTS report showed that job openings rose to a two year high in May (7.59 million). As a result, the number of job openings compared to those unemployed rose for the second consecutive month. Leisure and hospitality led the gains in job openings.

The U.S. economy added fewer jobs than expected (+57K vs. +113K est.) in June. However the unemployment rate dropped for the first time in four months (to 4.2%) as household employment dropped by 507K. Leisure and hospitality led the job gains.

Manufacturing as measured by the ISM Manufacturing Index dipped modestly in June (53.3 vs 54.0 in May). The decline was led by prices paid which fell to the lowest level in four months. In addition, supplier delivery time, export orders and production also declined.

Key Takeaways:

- Home prices falling month over month.
- Has consumer confidence troughed?
- Job growth disappoints but rate dips lower.
- Global equities rally on hopes for peace deal.
- Bonds fall as flight to safety fades.
- Commodities driven lower by energy.

Weekly Market Recap –

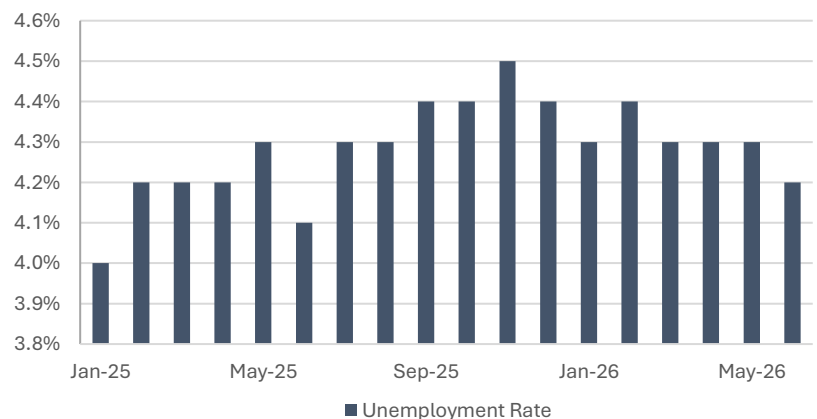
Global equities rise on hopes for a peace deal

Equities: The MSCI AC World Index rallied by the most in eight weeks given renewed optimism about an end to the U.S./Iran turmoil. From a global perspective developed international equities outperformed U.S. equities on hopes for geopolitical relief. Within the U.S. large caps outperformed small caps and growth outperformed value.

Fixed Income: The Bloomberg Aggregate Index fell for the first time in four weeks led by weakness in Treasuries. High yield bonds rallied along with the strength in equities.

Commodities/FX: The Bloomberg Commodity Index rallied for the first time in seven weeks as crude oil continues to trend lower on hopes for a peace deal between the U.S. and Iran. Gold prices rebounded after a soft U.S. jobs report pushed off expectations for rate hikes.

Unemployment Rate Dips Lower



Footnotes: Data is as of June 2026.

Data Source: Bloomberg Finance LP, Verdenca Capital Advisors.

Global Equities Rally on Hopes for a Peace Deal

		Current	1WK	1MO	3MO	1YR	YTD			Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	52,900	1.9%	3.2%	14.2%	20.9%	11.0%	International Equities	MSCI AC World (USD)	1,124	2.0%	-0.4%	13.5%	22.9%	11.6%
	S&P 500	7,483	1.7%	-1.6%	14.0%	21.6%	10.0%		MSCI EAFE (USD)	3,169	2.8%	2.3%	9.6%	22.1%	11.3%
	Russell 1000 Growth	4,884	2.7%	-5.3%	13.0%	15.2%	2.8%		MSCI Europe ex UK (USD)	3,522	3.2%	4.2%	11.9%	19.2%	9.9%
	Russell 1000 Value	2,430	1.1%	3.6%	15.0%	28.0%	18.3%		MSCI Japan (USD)	5,617	2.4%	0.4%	12.0%	33.7%	18.1%
	Russell 2500	N/A	-0.6%	2.1%	17.4%	32.8%	21.7%		MSCI UK (USD)	1,694	2.8%	2.7%	3.5%	22.8%	8.8%
	Russell 2000	2,996	-0.3%	2.3%	18.8%	36.4%	21.5%		MSCI EM (USD)	1,721	1.0%	-3.4%	20.3%	41.7%	23.9%
	Nasdaq	25,833	1.9%	-4.6%	18.2%	27.5%	11.5%		MSCI Asia ex Japan (USD)	1,141	1.1%	-4.0%	23.5%	44.0%	26.1%
Fixed Income	U.S. Aggregate	4.8%	-0.5%	0.3%	0.5%	4.1%	0.5%	Commodities	Bloomberg Commodity Index	316	-0.7%	-10.0%	-9.5%	23.3%	14.3%
	U.S. Govt/Credit	4.7%	-0.4%	0.1%	0.5%	3.6%	0.3%		Crude Oil (USD/bbl)	\$68.8	-0.7%	-21.8%	-43.6%	1.8%	11.4%
	U.S. 10 Year Treasury	4.5%	-0.8%	0.4%	0.1%	3.4%	-0.4%		Gold (\$/oz)	\$4,176.9	2.2%	-5.8%	-10.7%	25.6%	-3.3%
	U.S. TIPS (1-10YR)	4.4%	0.0%	-0.6%	0.4%	3.8%	1.2%		Copper	\$611.5	0.4%	-1.8%	10.2%	21.1%	8.6%
	U.S. High Yield	7.1%	0.2%	0.4%	2.1%	5.8%	2.0%		Wheat	\$599.8	-0.3%	-2.7%	-3.6%	-4.6%	9.9%
	EM Bonds (USD)	6.0%	-0.2%	0.5%	2.9%	7.6%	1.9%		U.S. Dollar	101	-0.5%	1.3%	0.8%	3.8%	2.6%
	Municipal Bonds	3.6%	0.1%	0.6%	2.1%	7.0%	2.2%		VIX Index	15.8	-14.5%	2.4%	-32.3%	-2.9%	8.0%

Footnotes: Data is as of July 2, 2026.

Source: Bloomberg Finance LP, Verdense Capital Advisors.

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