

## **WEEKLY ECONOMIC UPDATE JUNE 1, 2026**

The post-Memorial Day holiday trading week was short but potent as stocks delivered more record gains while confidence grew that a peace deal would materialize.

The Standard & Poor's 500 Index advanced 1.43 percent, while the Nasdaq Composite Index gained 2.39 percent. The Dow Jones Industrial Average climbed 0.90 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, rose 0.99 percent.<sup>1,2</sup>

### **Ninth Straight for S&P**

Stocks got off to a good start as the chipmaker-led rally continued to support the broader market, while the White House reported diplomatic progress on a Middle East peace deal.<sup>3</sup>

Leadership shifted a bit midweek, with the Dow rising modestly to a new record close as oil prices fell.<sup>4</sup>

The S&P and Nasdaq opened higher Thursday on upbeat economic news. Both posted solid gains, while the Dow Industrials went sideways.<sup>5</sup>

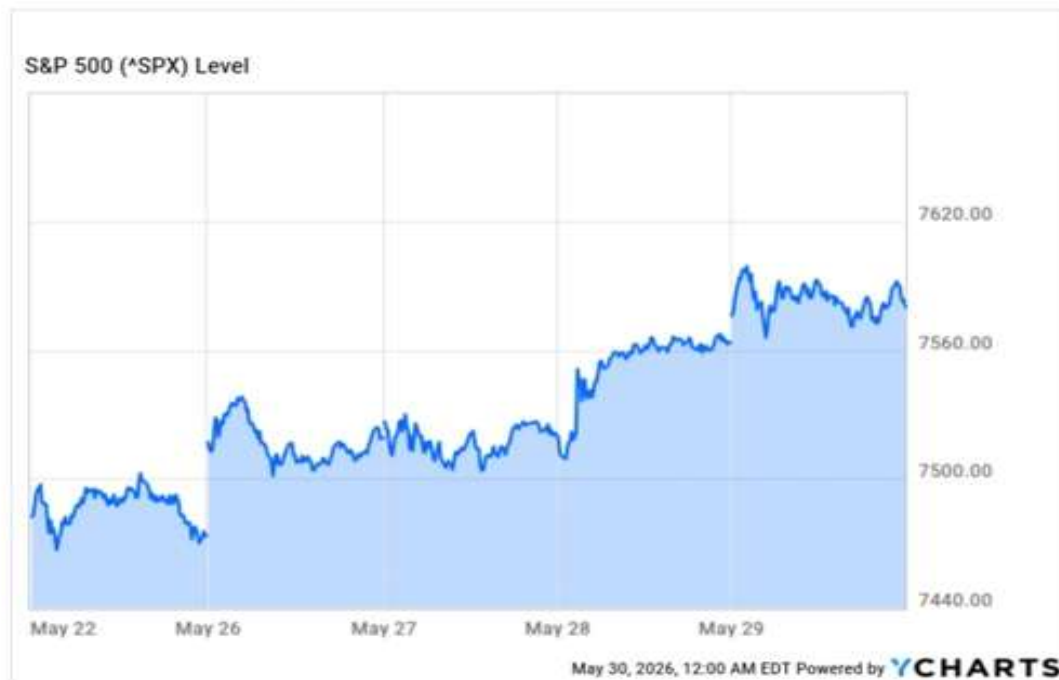
Stocks wrapped up the week and the month on positive notes. Sliding oil prices and technology gains helped push all three averages to record intraday and closing highs, including the Dow cracking the 51,000 mark for the first time.<sup>6</sup>

## Weekly Market Insights (WMI)

### Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
<b><u>Nasdaq Composite</u></b>	9.21%	16.09%	41.79%	103.1%
<b><u>S&amp;P 500</u></b>	6.07%	11.02%	30.02%	93.36%
<b><u>MSCI EAFE</u></b>	3.34%	8.89%	23.29%	54.58%
<b><u>Dow Jones Industrial Average</u></b>	3.26%	6.10%	22.39%	61.29%

### S&P 500 Daily Close



### 10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
<b><u>10 Year Treasury Rate</u></b>	<b>4.45%</b>	4.42%	0.68% ▲
05/29/26		3.97%	12.09% ▲
		4.43%	0.45% ▲

## **Economic Updates**

It was a mixed bag of economic news last week, with four key April data points released on Thursday.

The Fed's preferred inflation measure came in cooler than expected. The personal-consumption expenditure (PCE) index rose 0.4 percent in April, less than the 0.5 percent expected. Annual PCE rose 3.8 percent.<sup>7</sup>

The Gross Domestic Product report showed the economy grew more slowly in Q1 than initially estimated, with the estimate revised down to 1.6 percent annualized growth.<sup>7</sup>

In a good sign for manufacturing, durable goods orders rose 7.9 percent in April, double the expected pace and the biggest increase in almost a year. The main reason? Civilian aircraft orders soared 166 percent after China ordered 200 planes following a recent U.S.-China presidential summit<sup>8</sup>

Homebuyers bought 6.2 percent fewer new homes in April over the prior month. But investors focused on the fact that homebuyers bought 8.9 percent and 7.4 percent more new homes in February and March, respectively, over the prior month.<sup>9</sup>

### **This Week: Key Economic Data**

**Monday:** ISM Manufacturing. Construction Spending. Auto Sales. Minneapolis Fed President Neel Kashkari speaks in South Korea.

**Tuesday:** Job Openings. Cleveland Fed President Beth Hammack speaks.

**Wednesday:** ADP Employment Report (private sector hiring). Factory Orders. ISM Services. Fed Beige Book. Fed governor Michael Barr speaks.

**Thursday:** Weekly Jobless Claims. Productivity. Richmond Fed President Tom Barkin speaks.

**Friday:** Federal Employment Report. Consumer Credit.



***THE OCCASIONAL MUSICAL QUOTE OF THE WEEK***

Salute to Bach - Oscar Peterson Trio

[https://www.youtube.com/watch?app=desktop&v=RPPQLzwCosI&list=RDRPPQLzwCosI&start\\_radio=1](https://www.youtube.com/watch?app=desktop&v=RPPQLzwCosI&list=RDRPPQLzwCosI&start_radio=1)



We already know that the bond market is upset with America's fiscal and monetary policy. Now we know that foreign governments are dumping U.S. Treasuries, and China is leading the way, even while President Trump pals around with President Xi Jinping.

According to CNBC, foreign holdings of U.S. government debt fell sharply in March as central banks sold Treasuries to defend weakening currencies during the geopolitical and energy shock tied to the escalating Middle East conflict.

China reduced its Treasury holdings to roughly \$652 billion, the lowest level since 2008. Japan, the single largest foreign holder of U.S. debt, also cut exposure aggressively. Overall foreign holdings dropped from approximately \$9.49 trillion to \$9.25 trillion in a single month.

That should deeply concern anyone paying attention to the structural fragility underneath the U.S. financial system.

For decades, the global economy has operated on a relatively simple arrangement. The United States issues the world's reserve currency, foreign governments recycle trade surpluses into U.S. Treasuries, and America finances massive deficits because the rest of the world willingly absorbs its debt. That system only works as long as there is confidence in the dollar, confidence in the Federal Reserve, and confidence that U.S. government debt remains the safest and most liquid place on earth to park capital.

When major foreign holders begin reducing exposure during a period of rising inflation, exploding deficits, and growing fiscal instability, it creates a potentially dangerous chain reaction. And the timing for the world to be dumping treasuries right now could not be worse.

Bonds are already under pressure because inflation is proving far stickier than policymakers expected. Both CPI and PPI came in significantly hotter than anticipated, forcing markets to rapidly reassess the possibility that the Federal Reserve may actually have to raise rates again instead of cutting them.

Meanwhile, deficits continue spiraling, interest expense on the national debt keeps exploding higher, and the Treasury must issue enormous amounts of new debt simply to keep funding government spending. Now layer weakening foreign demand on top of all of that.

That combination is nasty. If foreign governments buy fewer Treasuries while supply continues surging, yields move higher. Higher yields tighten financial conditions across the entire economy. Mortgage rates stay elevated. Corporate refinancing becomes more expensive. Regional banks sitting on massive unrealized bond losses face renewed pressure. Commercial real estate weakens further. Consumers get squeezed harder.

And because Treasuries serve as the foundational collateral layer of the global financial system, instability there spreads everywhere else. This is why the liquidation story matters far beyond geopolitics.

China reducing Treasury exposure is not entirely new. The broader trend has been developing for years as Beijing slowly diversifies reserves away from direct dependence on U.S. assets. Whether through outright selling or indirect “shadow holdings” routed through financial centers like Belgium and Luxembourg, the direction has been fairly clear for a long time.

But Japan selling aggressively alongside China is where things become even more uncomfortable. Some of Japan’s selling is likely tied to defending the yen as energy shocks and rising oil prices pressure its economy. Japan imports the overwhelming majority of its energy, so a collapsing yen combined with surging import costs creates enormous strain domestically. Selling Treasuries gives Tokyo access to dollar liquidity it can use to intervene in currency markets and stabilize the yen before the situation spirals further.

Japan has spent decades as one of the most reliable buyers of U.S. debt. If even Tokyo is becoming less comfortable absorbing massive amounts of Treasuries while inflation remains elevated and deficits continue exploding, markets should pay attention. Japan may simply see the same thing the bond market increasingly sees: the United States is issuing debt at an unsustainable pace into an environment where inflation is no longer fully under control.

If that's the case, that is not just a portfolio adjustment. That is a confidence signal. The uncomfortable reality is that the United States has become dangerously dependent on perpetual debt expansion at the exact moment global appetite for absorbing that debt is becoming less certain.

And this is where the Federal Reserve's trap becomes even more severe. If inflation reaccelerates while Treasury demand weakens simultaneously, the Fed faces two terrible options: raise rates further to defend credibility and contain inflation, risking deeper stress across banks, housing, private credit, equities, and the broader economy or step back in with liquidity programs and money printing to stabilize markets and absorb debt issuance, effectively reigniting the same inflation problem they spent years trying to contain.

That is the corner policymakers have backed themselves into after years of artificially suppressed rates, endless stimulus, and the assumption that global demand for U.S. assets would remain infinite regardless of fiscal discipline.

It won't. Fed Chair Kevin Warsh has a job in front of him that seems impossible. The most dangerous part of this story is that markets still seem unwilling to fully process what sustained deterioration in Treasury demand would actually mean. Investors have spent decades treating U.S. government debt as the unquestioned risk-free foundation of the financial system.

But when foreign governments begin reducing exposure while inflation stays elevated and deficits spiral, that assumption starts getting tested in real time.

And once confidence in the system itself begins eroding, things can unravel far faster than policymakers would like to admit.<sup>10</sup>

## Footnotes And Sources

1. WSJ.com, May 29, 2026
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The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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