

MARKET INSIGHTS

MAY 2026



The backdrop remains largely consistent with April, but the interpretation has strengthened incrementally. The conflict with Iran continues to anchor the macro environment, expressing itself most clearly through energy. Oil remains elevated, sustaining the inflation impulse that initially pushed conditions toward Quad 3. But as the month has progressed, the path of oil has mattered more than its level. The initial spike has not continued at the same pace, and that distinction has shaped the evolution in market behavior.

Both Quad 2 and Quad 3 begin from the same place: inflation is accelerating. The difference is what happens to growth alongside it. In Quad 3, higher input costs begin to weigh on activity and growth decelerates. In Quad 2, growth continues to expand despite those pressures. Early in the conflict, the sharp move higher in oil introduced the conditions for that negative feedback loop to take hold, and markets briefly reflected that risk-off posture. But without continued acceleration in energy, that pressure has not compounded. Instead, the environment has stabilized, allowing growth to reassert itself.

The US dollar continues to reinforce that view, behaving in line with what we have consistently outlined throughout the year. As expected, it has responded to periods of geopolitical stress with strength, but it has repeatedly failed to break beyond the upper bound of the range that has defined it. That boundary remains a major line between regimes. A sustained move higher would suggest tightening global liquidity beneath the surface and increase the likelihood of a shift toward risk-off conditions. Until that occurs, the dollar's inability to extend higher is a tailwind for risk-on conditions.

That leaves the key variable unchanged as we move into May: conflict duration. As noted in our initial assessment of the Iran conflict, the longer and more severe the disruption, the greater the risk that energy begins to act as a sustained headwind to global growth. A renewed acceleration in the price of oil from here would be an early signal of that shift. For now, that has not occurred. Oil has stabilized, cross-asset volatility has moderated, and earnings have provided a counterbalance, with S&P 500 results coming through strong in aggregate, supported in part by AI-driven productivity gains that are lifting corporate profits and reinforcing higher forward expectations for the second half of the year.

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ASSET CLASS SIGNAL STRENGTH:

ASSET CLASS	MAY 2026	APRIL 2026	1 - 3 MONTH OUTLOOK *
EQUITIES	OFFENSIVE LONG	OFFENSIVE LONG	FAVORABLE
FIXED INCOME	OFFENSIVE LONG	OFFENSIVE LONG	UNFAVORABLE
COMMODITIES	DEFENSIVE LONG	DEFENSIVE LONG	FAVORABLE
US DOLLAR	DEFENSIVE SHORT	DEFENSIVE SHORT	UNFAVORABLE
RFR (3M TBILL)	OFFENSIVE SHORT	OFFENSIVE SHORT	UNFAVORABLE
BITCOIN	DEFENSIVE LONG	DEFENSIVE SHORT	FAVORABLE

PORTFOLIO SNAPSHOT *(current exposure relative to target range)*

MODEL	EQUITIES			FIXED INCOME		
	RANGE	MAY 2026	APR 2026	RANGE	MAY 2026	APR 2026
BOND	--	--	--	-25 to 100%	70%	70%
PEA CORE STOCK	100%	100%	100%	--	--	--
MODERATE ARM	30 to 60%	45%	45%	10 to 40%	35%	35%
DIVIDEND INCOME	30 to 60%	60%	60%	10 to 40%	40%	40%
MACRO PERSIST	-40 to 40%	30%	30%	-40 to 40%	40%	40%
SYSTEMATIC MACRO	0 to 60%	60%	60%	--	--	--
ALL ASSET	-25 to 100%	50%	50%	-25 to 100%	30%	30%
FOCUS	-100 to 300%	20%	10%	-100 to 300%	30%	30%
Special Situation Equity	0 to 100%	85%	85%	--	--	--

CURRENT MARKET REGIME: *current conviction score 93%*

Quadrant	MARKET REGIME	
	Current % Share	Previous % Share
GOLDILOCKS / Quad 1	30%	28%
REFLATION / Quad 2	45%	44%
INFLATION / Quad 3	23%	25%
DEFLATION / Quad 4	3%	3%

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