



WEEK OF JUNE 8, 2026

Market Navigator

A strong employment report on Friday raised concerns that the Federal Reserve (Fed) may raise interest rates later this year. Fixed income markets sold off as the 10-year Treasury yield rose 10 basis points (bps) to 4.53 percent. As a result, stocks declined broadly.

Quick Hits

1. **Beyond the headlines:** Is Strong Job Growth a Concern for the Market?
2. **Report releases:** Robust job creation in May underscored a strong labor market.
3. **Financial market data:** Stocks fell broadly on rate hike concerns.
4. **Looking ahead:** Inflation data will be in the spotlight this week.

Beyond the Headlines: Is Strong Job Growth a Concern for the Market?

At 8:30 a.m. on the first Friday of every month, investors anxiously await the release of the employment report, a critical economic data point. Market participants believe that strong job data supports consumer spending, which drives roughly 70 percent of the U.S. economy. If people have jobs, investors reason, they are more likely to spend. Robust job growth is usually the market's friend because it provides a strong tailwind. Any sign of job losses raises the specter of a recession and causes market participants to reassess their views. Given accelerating inflation due to higher oil prices, however, strong job growth may be a cause for concern because it could add to price pressures.

Job Growth Defies Expectations

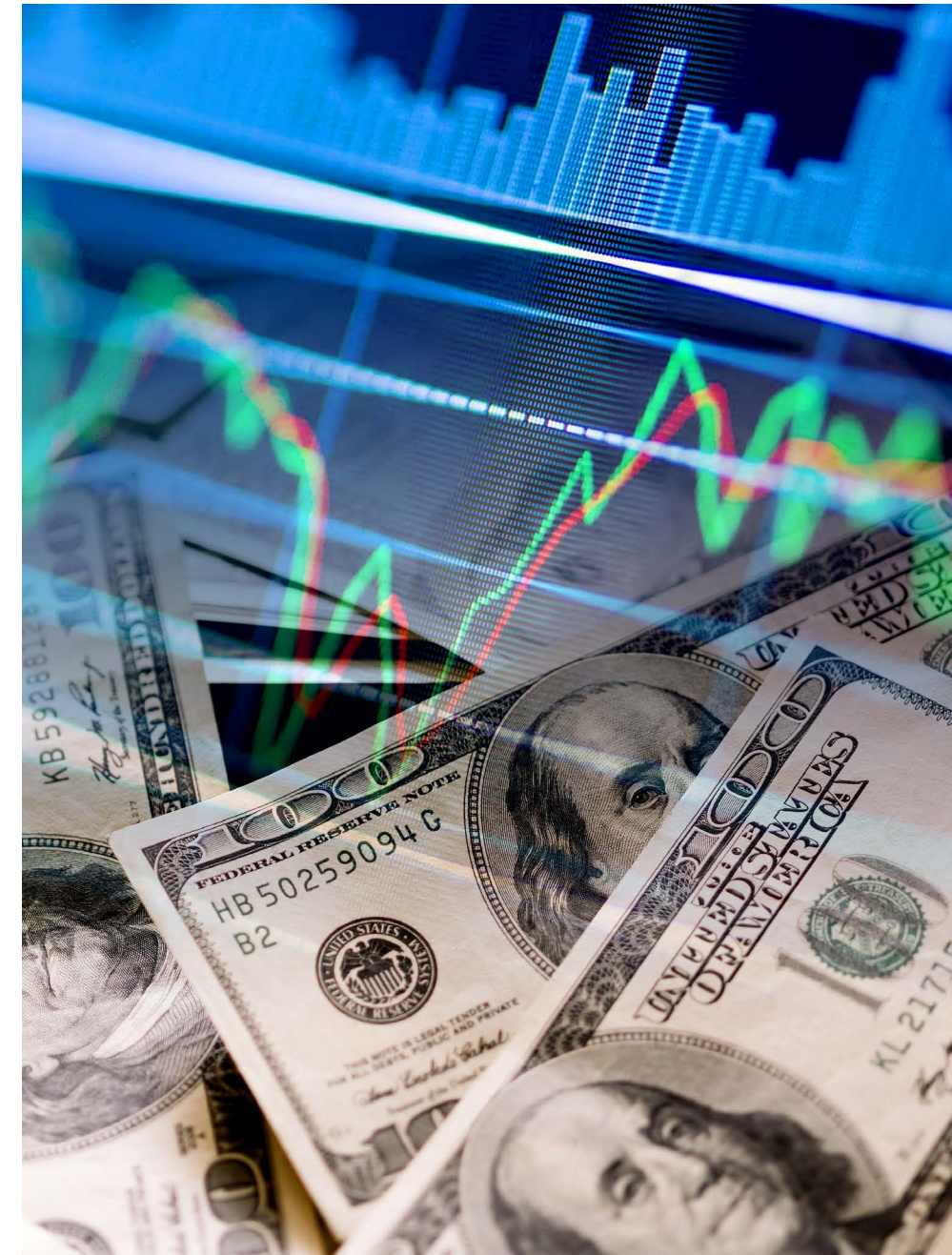
With 172,000 jobs created, May employment data was well above economists' expectations—a strong sign of a healthy labor market. Underscoring this point, March employment data was revised up by 29,000 jobs to 214,000, and April data was revised up by 64,000 to 179,000. That's a three-month average of 188,000 new jobs, marking the highest level since March 2024. This is good news for consumers and the U.S. economy, yet bond yields rose and stocks sold off. Why?

This could embolden hawks on the Federal Open Market Committee (FOMC) to push for higher rates in an effort to rein in inflation before it reaches levels last seen in 2022.

Investors are concerned that the Fed might now consider raising rates. The central bank spent much of the latter part of 2025 worrying about a weakening labor market, lowering interest rates 25 bps three times to ensure that weak job creation didn't pull the economy into a recession. But with the labor market (part of the Fed's dual mandate) bouncing back strongly at the end of 2025 and in early 2026, the other part of the mandate—inflation—has taken center stage. Inflation has started to accelerate again due to higher energy prices and supply chain constraints. This could embolden hawks on the Federal Open Market Committee (FOMC) to push for higher rates in an effort to rein in inflation before it reaches levels last seen in 2022. Odds for a rate hike at the December FOMC meeting now exceed 50 percent.

Risks Exist—but So Do Positive Signs

Market risks are well known. Ongoing geopolitical risk is generating concerns that energy-driven inflation is affecting consumers' ability to spend. Although the Fed's response is a legitimate concern, there are also positives for investors: the economy continues to grow and corporate earnings growth remains robust. It's extremely difficult to time markets, and now is no different. A diversified portfolio should help investors weather volatility while participating in future upside.



Report Releases: June 1–5, 2026

ISM Manufacturing Index May (Monday)

Manufacturer confidence reached a four-year high last month due in large part to rising new orders.

- Expected/prior ISM Manufacturing index: 53.0/52.7
- Actual ISM Manufacturing index: 54.0



ISM Services Index May (Wednesday)

Service sector confidence improved and exceeded expectations last month. Weakening hiring and rising input costs were offset by new orders and business activity.

- Expected/prior ISM Services index: 53.8/53.6
- Actual ISM Services index: 54.5



Employment Report May (Friday)

Last month's employment report showed continued healthy job growth, with 172,000 jobs added versus expectations for 88,000. In another encouraging sign, job creation in April and March was revised higher.

- Expected/prior change in nonfarm payrolls: +88,000/+179,000
- Actual change in nonfarm payrolls: +172,000



>> The Takeaway

- Economic reports were stronger across the board.
- The employment report, which was much stronger than expected, pointed to continued economic growth.

Financial Market Data

Equity

After a multiweek market rally, stocks came under pressure. Consumer discretionary and technology each fell more than 5 percent, leading the market lower. The Nasdaq Composite and S&P 500 declined 4.65 percent and 2.55 percent, respectively. The Dow Jones Industrial Average dropped only 0.21 percent and the equal-weighted S&P 500 dipped 0.5 percent. Strength was seen in energy and health care, with each rising more than 2 percent. International markets also declined.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-2.55%	-2.55%	8.41%	25.82%
Nasdaq Composite	-4.65%	-4.65%	10.92%	34.09%
DJIA	-0.21%	-0.21%	6.63%	22.23%
MSCI EAFE	-1.38%	-1.38%	8.28%	20.53%
MSCI Emerging Markets	-1.93%	-1.93%	23.29%	48.78%
Russell 2000	-2.91%	-2.91%	14.83%	36.95%

Source: Bloomberg, as of June 5, 2026

Fixed Income

The strong employment report raised concerns that the Fed could increase interest rates later this year, sending Treasury yields higher across the curve. The 10-year moved back above 4.5 percent, closing at 4.53 percent, and the 2-year closed at 4.15 percent. Core bonds and high-yield bonds declined. Munis bucked the trend and moved up marginally.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.54%	-0.54%	-0.17%	4.43%
U.S. Treasury	-0.46%	-0.46%	-0.47%	3.17%
U.S. Mortgages	-0.69%	-0.69%	0.08%	6.00%
Municipal Bond	0.39%	0.39%	1.74%	7.16%

Source: Bloomberg, as of June 5, 2026

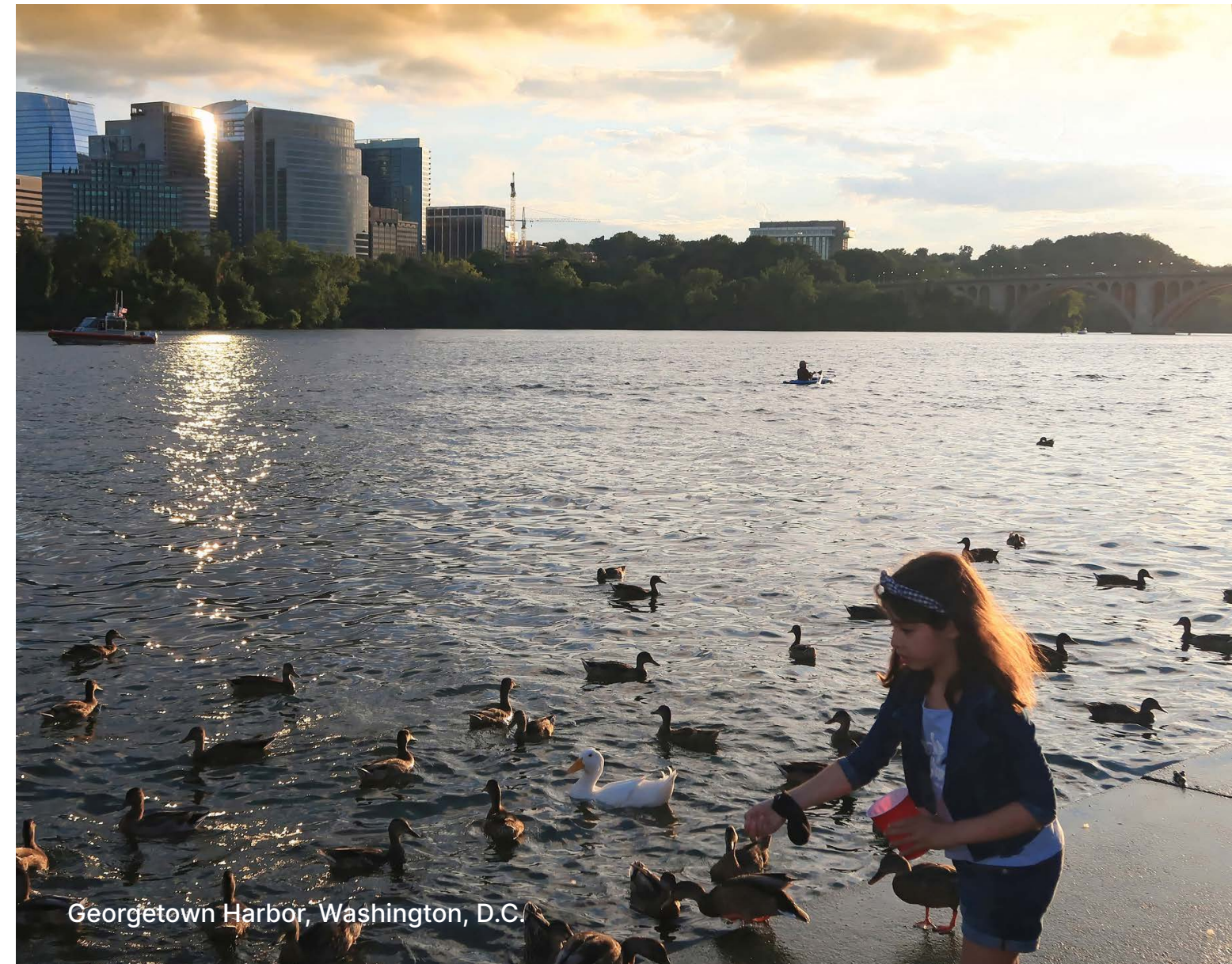
>> The Takeaway

- Stocks were weaker across the board as consumer discretionary and technology stocks were pressured.
- Fixed income markets were also broadly lower, and the 10-year yield rose 10 bps to close at 4.53 percent.

Looking Ahead

Inflation data will be in focus for investors this week as they try to determine whether the Fed will raise interest rates this year.

- The week kicks off on Wednesday with the **Consumer Price Index** for May. Year-over-year consumer inflation is expected to rise above 4 percent for the first time since 2023.
- On Thursday, we'll see the **Producer Price Index** for May. Given continued inflationary pressures, headline and core producer price inflation are expected to move higher again.
- Finally, on Friday, we'll receive the preliminary **University of Michigan consumer sentiment survey** for June. After reaching a record low last month, confidence is expected to fall further.



Georgetown Harbor, Washington, D.C.



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convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

Authored by the Investment Research team at Commonwealth Financial Network®

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