

MONTH IN REVIEW

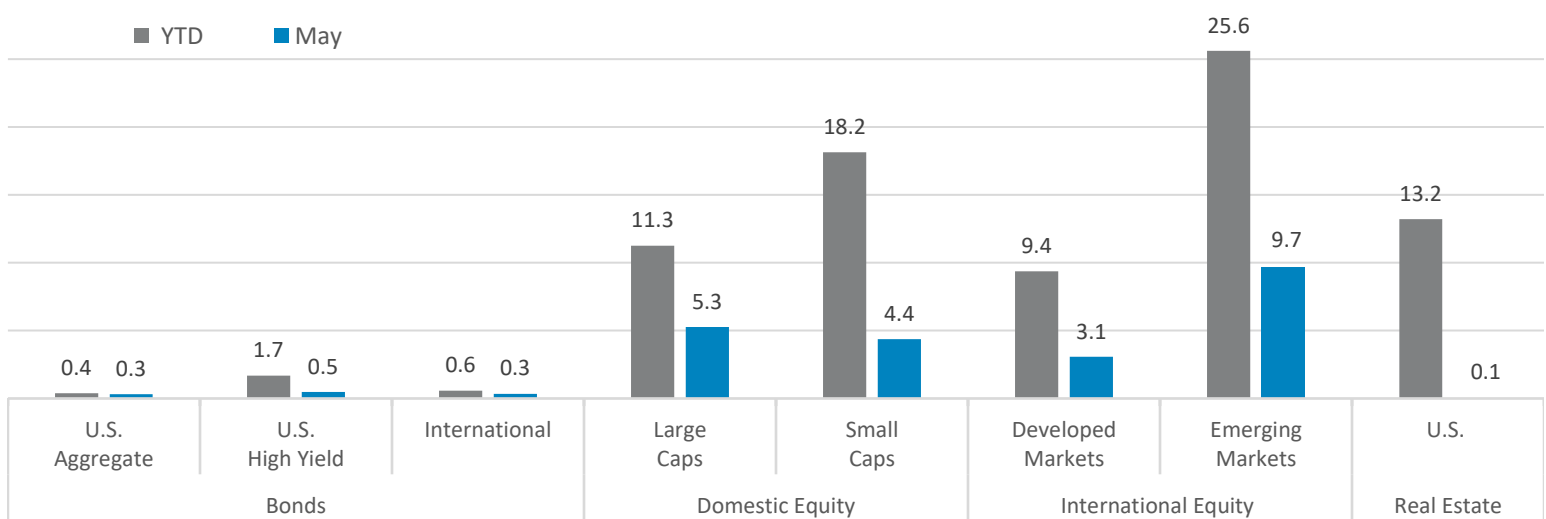
MAY 2026

Quick Takes

- Equities Rallied.** U.S. stocks continued their rally in May, with the S&P 500 rising ~5.3% and Nasdaq 100 ~10.6%, continuing their streak of record highs as solid earnings and continued AI risk-on sentiment propelled markets forward.
- Inflation & Interest Rates.** Treasury yields surged across the curve mid-May as hot inflation reports and the lack of progress towards a U.S.-Iran peace deal sent inflation expectations higher. The 30Y Treasury yields reached 5.19%, the first time since July 2007, before retreating on renewed optimism for an end to the war.
- The Consumer Cracks.** According to the University of Michigan's Surveys of Consumers, consumer sentiment fell to a record-low 44.8 in May in its third-straight monthly decline. 57% of consumers said that high prices were eroding their personal finances, with long-run inflation expectations reaching 3.9%.
- Beijing Summit Underwhelms.** The first U.S. presidential visit to China since 2017 showed progress towards "strategic stability," with China agreeing to purchase 200 Boeing jets and \$17B in agricultural products annually, but the talks yielded no material breakthroughs on Taiwan or tariffs.

Asset Class Performance

U.S. large cap stocks outperformed small caps as April's rally continued throughout May. Global equities continued their winning streak with Emerging Markets rising nearly 9.7%. Fixed income struggled over the course of the month as a global bond selloff and rising yields pressured returns across the curve.



Source: Bloomberg, Goldman Sachs Investment Research, as of June 1, 2026. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

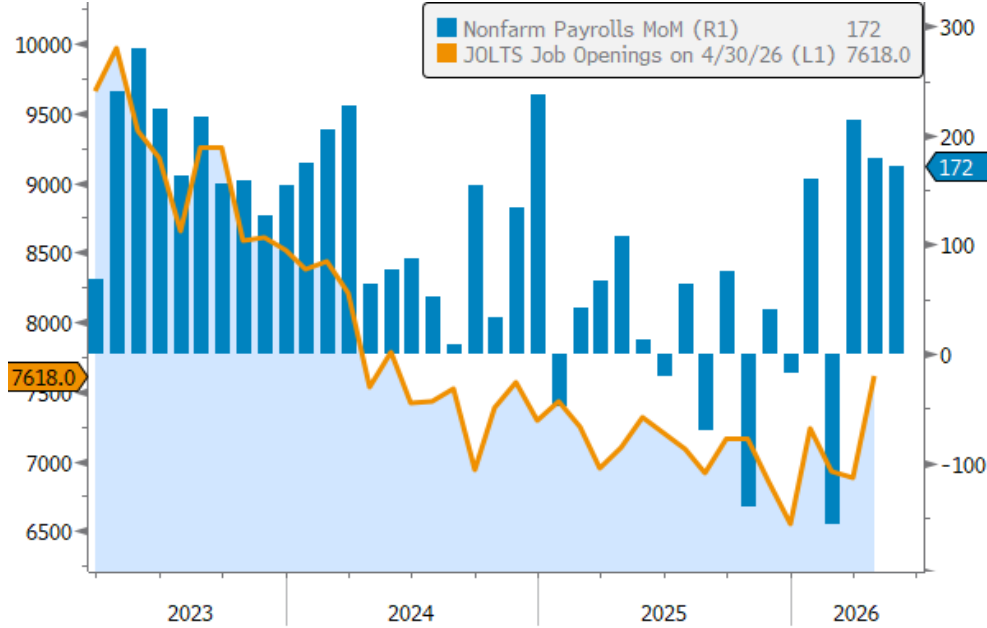
May 2026

Markets & Macroeconomics

Stocks extend their rally against a tumultuous economic backdrop.

US Nonfarm Payrolls & JOLTS Job Openings

Americans see three consecutive months of job gains



Source: Bloomberg, Bureau of Labor Statistics

Throughout the month of May, two conflicting forces continued to define the U.S. economy: mounting economic worries were contrasted with a rallying stock market and AI optimism. On the economic front, concerns of a sticky inflationary environment persisted. Inflation continued to reaccelerate from the Iran War, with April's CPI rising 0.6% MoM and 3.8% YoY, reaching the highest level since May 2023. Energy contributed to over 40% of the gain as gas prices climb higher, reaching a national average of \$4.39 by the end of May. The PCE inflation readout reaffirmed the reacceleration story, with headline PCE reaching 3.8% and core PCE 3.3%, the highest core reading since November 2023. However, on a monthly basis, PCE cooled to 0.2% MoM from 0.3%, raising hopes for easing inflationary pressures from the Iran War. These pressures had a material impact on consumer sentiment in May, with the University of Michigan's Consumer Sentiment Index

notching a second-consecutive record low, dropping 5 points from April to 44.8 as consumers across all income, education, and political demographics wrestled with higher gas prices and a rising cost of living eroding their perception of their current financial health. On the labor front, a recently cool labor market showed signs of revival as

S&P 500 vs 10Y Treasury Yields 1Y

Equities extended their rally in May on renewed AI optimism



Source: Bloomberg

Nonfarm payrolls notched their third-straight monthly gain in May, adding 172K monthly jobs, nearly twice consensus estimates. Hiring was led by a 70K gain in Leisure and Hospitality, but gains were relatively broad-based. Treasury yields surged mid-month as persistent inflation, geopolitical unease, and a ballooning U.S. deficit caused a global bond selloff. Nonetheless, equity markets extended their rally from March lows. Renewed AI optimism, driven primarily by strong Q1 earnings and AI capex forecasts, caused a "melt up" in markets throughout May. While the index returned 5.3%, breadth was a mirage. 8 of the 11 sectors comprising the S&P 500 declined in May, with tech and AI hardware driving nearly the entirety of the market's positive return. After being confirmed by the Senate in May in a 54-45 vote, Kevin Warsh is officially the successor to Jerome Powell, with his first FOMC meeting on June 17, where he will have to balance dovish pressures from the Trump administration with sticky inflation. Additionally, a stabilizing labor market supports a hawkish stance, with markets now pricing a rate hike by year-end.

Bottom Line: A soaring market diverges from an economic picture that's pressured by the Iran War.

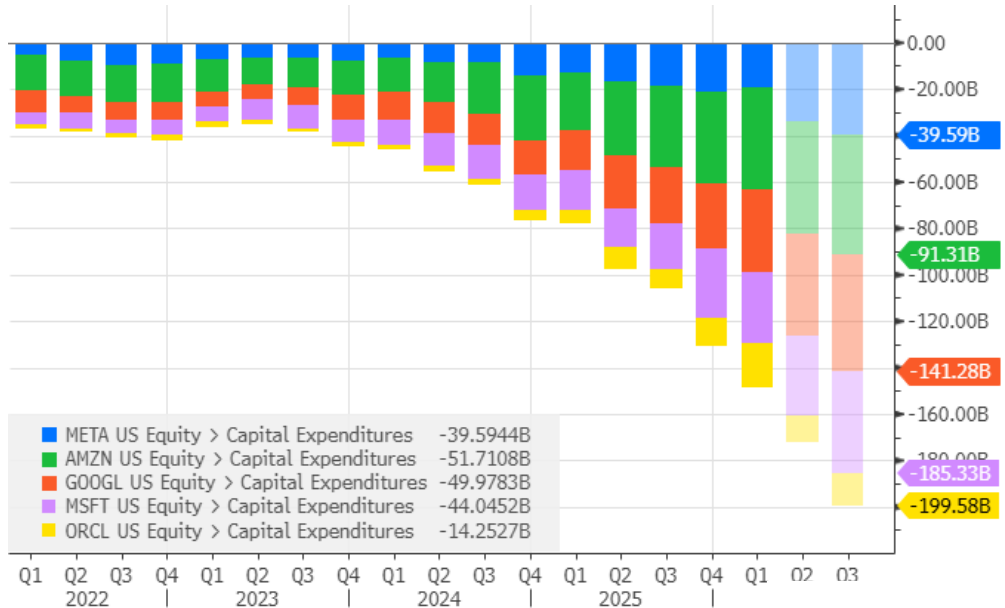
What's Ahead

Revisiting the AI Capex Pillar

The continued rally in equity markets in May was not broad-based; instead, it was heavily concentrated in the Magnificent Seven and supporting AI-related names that contributed to the majority of the gain. Currently, the Mag 7 makes up nearly 35% of the S&P 500's market capitalization, and in 2025, accounted for roughly 42% of the index's total return of ~18%. With market breadth that narrow, the fate of U.S. equity markets rests in the hands of just a few stocks, all tied to the same theme: artificial intelligence. That same theme continues to help prop up the economy. Hyperscalers continue to accelerate their spending on AI infrastructure, with analysts now expecting the four largest hyperscalers to spend somewhere in the ballpark of \$725B on capital expenditures in 2026, an increase of over 75% year-over-year. To put that figure into perspective, the forecasted outlays would exceed Singapore's 2025 GDP by over \$120B. These capital expenditures directly underwrite the explosive growth in stocks like Nvidia, Broadcom, and Micron. That outsized spending shows up in GDP too, though not to the effect that headlines may suggest. Investment in information processing equipment and software

Hyperscaler Capital Expenditures

AI-driven capex has ballooned in recent years



Source: Bloomberg

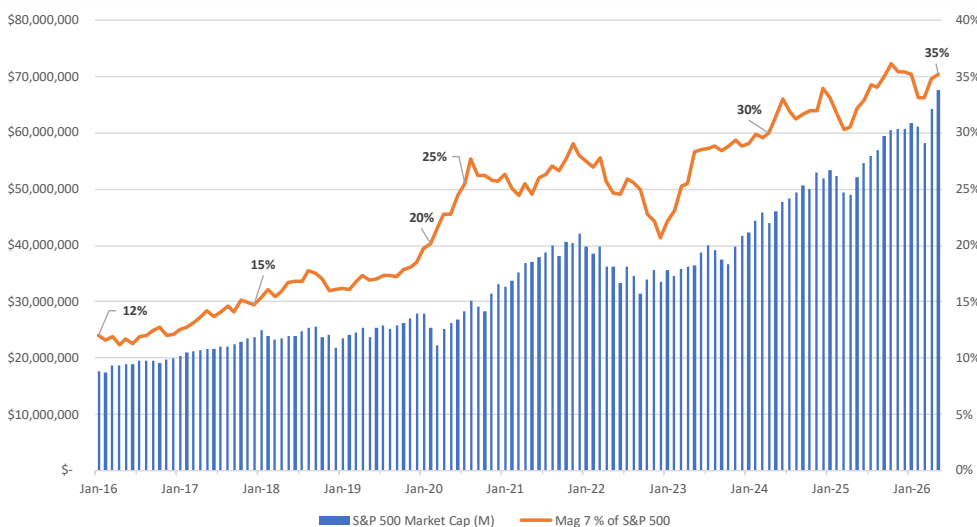
contributed to 1.36 of Q1 2026's 1.6 percentage points of annualized growth (second revision). However, much of the AI hardware is imported from overseas, offsetting the contribution via imports, which are subtracted from GDP's calculation. On a net basis, AI hardware's contribution to GDP is much smaller, arguably negligible. So, although AI spending may not directly

drive GDP growth, the effects are felt throughout both the stock market as well as the broader economy. While hyperscaler capex has compounded at a 40% CAGR since 2022, the rate of growth in spending cannot continue in perpetuity. At this point, the key risk doesn't appear to be a crash in AI spending, but rather a deceleration in growth that bleeds the momentum from the AI trade, bringing other economic concerns to the forefront. Issues like sticky inflation, a consumer already drawing down savings to get by, and an ongoing Middle East war all loom in the background, overshadowed by incredible AI-related growth. A historically narrow market coupled with a slowdown in spending that cracks the AI narrative would leave markets with a host of problems and no secondary growth engine to sustain the rally.

Bottom Line: The current AI capex boom that continues to drive the market narrative is underpinned by a shaky economic picture. With a narrow market and consumer sentiment at historic lows, a crack in the AI trade could spell significant trouble for the multi-year market rally.

Mag 7 Concentration in S&P 500

Just seven names comprise 35% of the total S&P 500 market cap



Source: Bloomberg

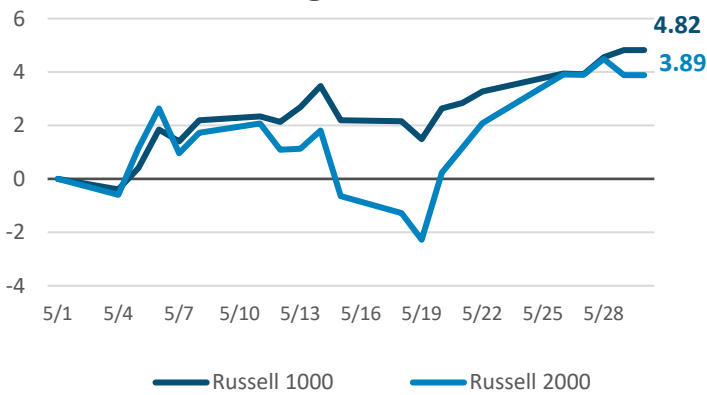
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Equity Themes

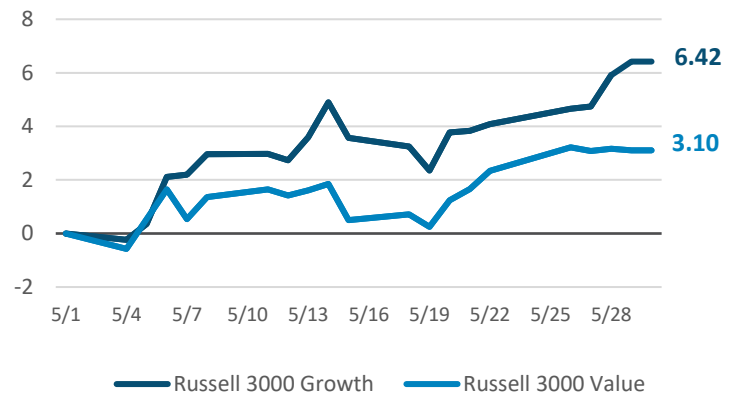
What Worked, What Didn't

- **Large Outperforms Small while Growth Outperforms Value.** Investors rotated into large caps over small in May as AI stocks soared, pushing growth ahead of value.
- **High Beta and Momentum Outperformed.** High beta crushed low volatility in May while momentum beat quality, continuing the trend from April.
- **Domestic Over International, Emerging Over Developed.** Domestic continued their rally in May to outperform international stocks while emerging markets continued leading developed.

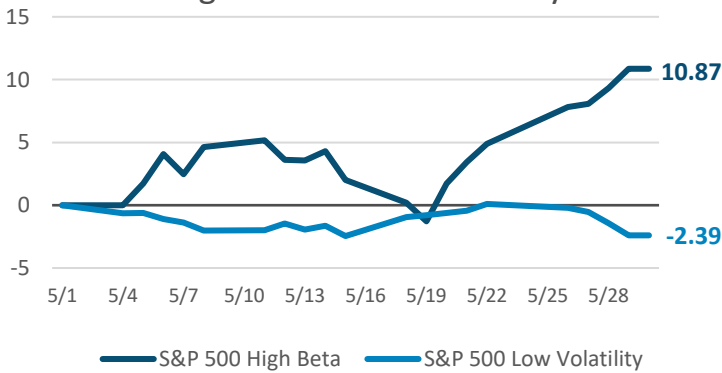
Large vs Small



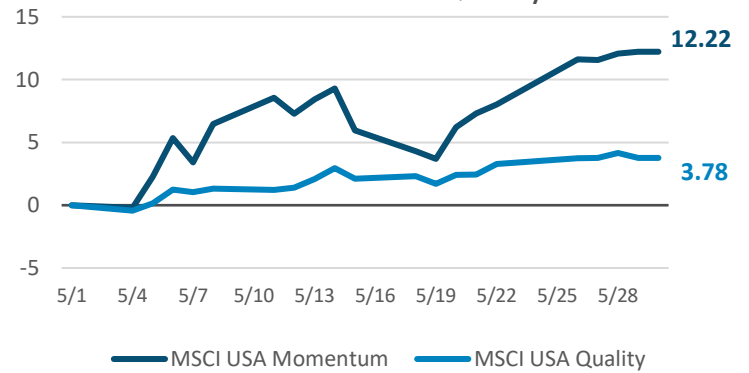
Growth vs Value



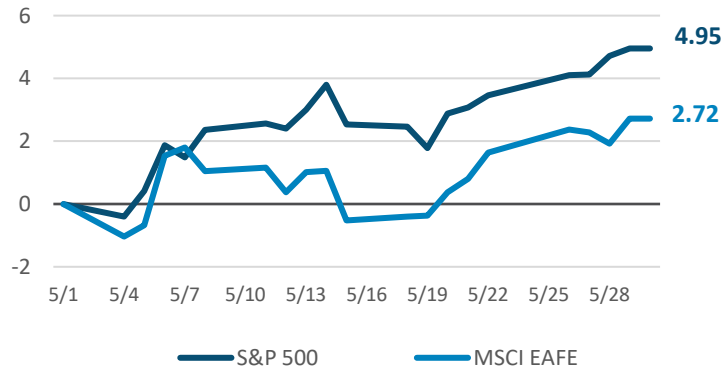
High Beta vs Low Volatility



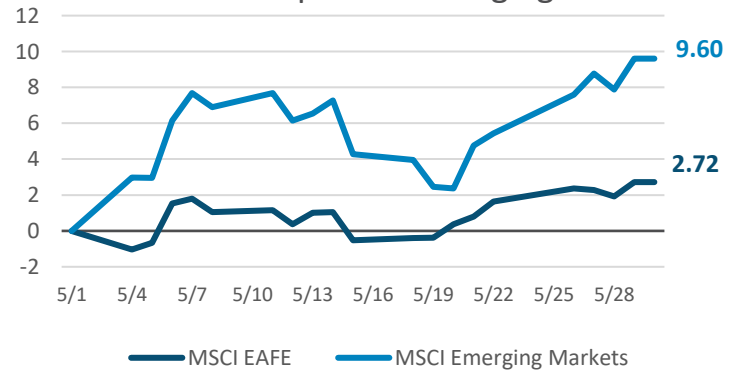
Momentum vs Quality



Domestic vs. International



Developed vs. Emerging



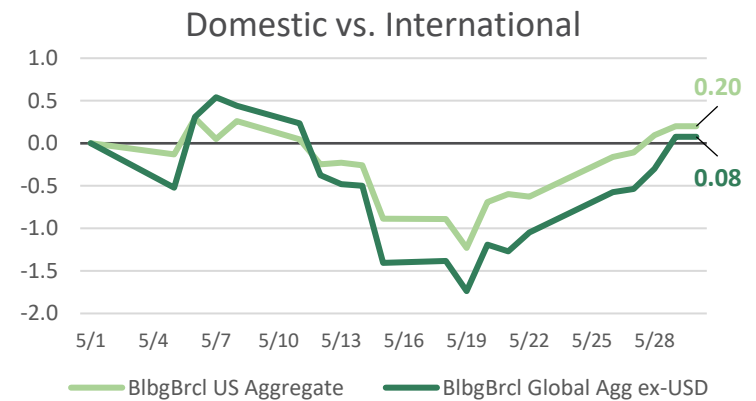
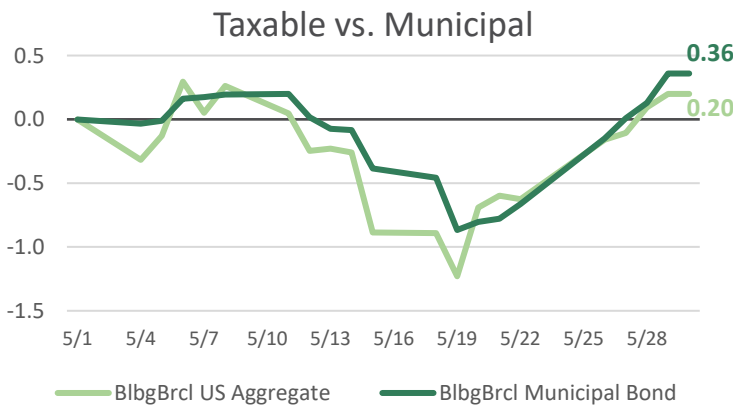
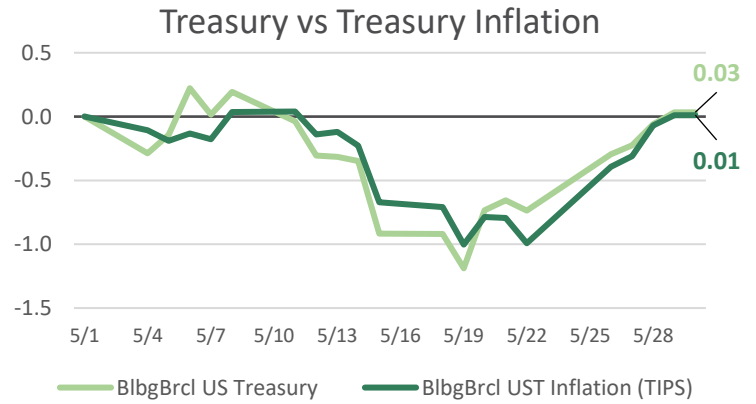
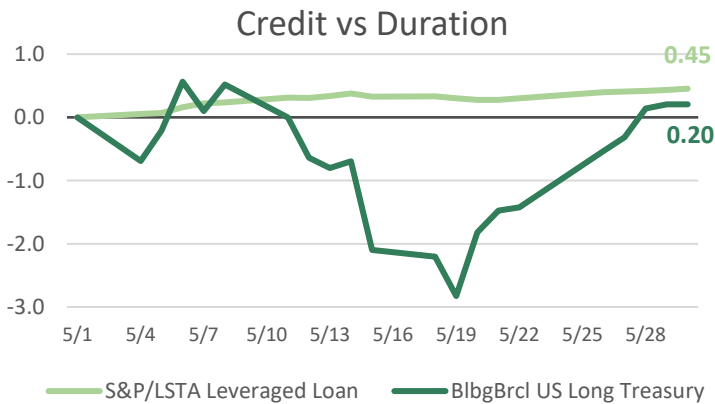
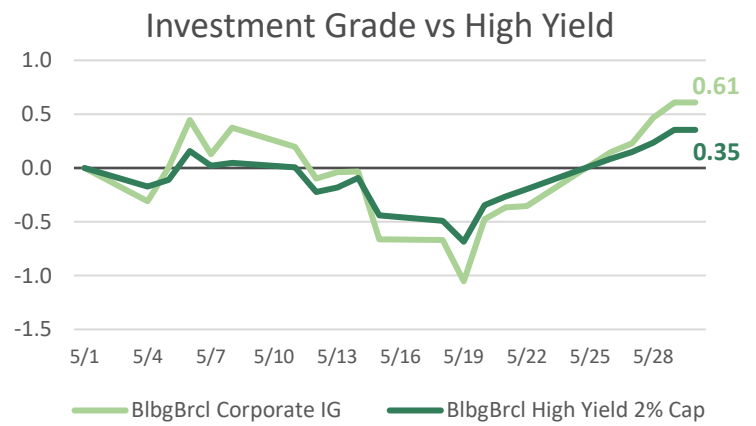
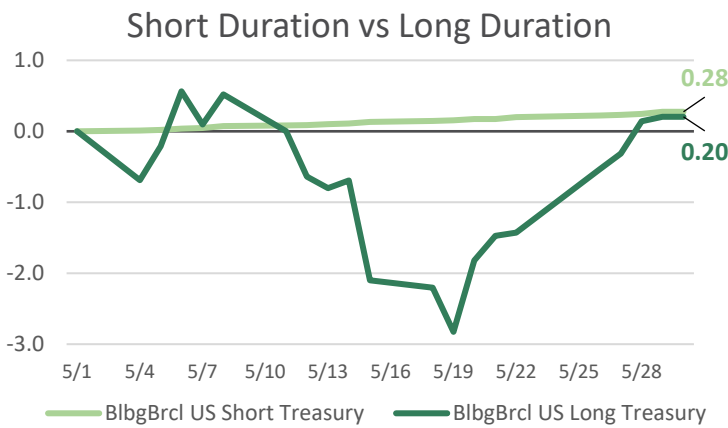
Source: Bloomberg.

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Bond Themes

What Worked, What Didn't

- **Short Duration Outperformed Long while Investment Grade Beat High Yield.** Short duration treasuries edged out long duration in May as investment grade ran ahead of high yield.
- **Credit Over Duration, Treasuries Over TIPS.** Credit spreads held firm while rates swung, with treasuries outperforming TIPS as Iran War inflation fears eased.
- **Munis Beat Taxable and Domestic Outperformed International.** Municipal bonds beat taxable, while U.S. debt outperformed international.



Source: Bloomberg.

May 2026

Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	May-01	May-04	May-05	May-06	May-07	May-08	May-11	May-12	May-13	May-14	May-15	May-18	May-19	May-20	May-21	May-22	May-26	May-27	May-28	May-29	May	YTD
High	SCG 0.72	MCG 0.18	EM 2.03	EM 3.20	LCG 0.25	EM 2.03	SCG 1.04	RE 0.01	EM 2.11	LCG 1.27	HYB -0.49	RE 1.11	RE 0.35	SCG 2.81	SCG 1.35	MCG 1.18	EM 3.83	USB 0.08	LCG 1.12	MCG 0.59	EM 6.97	EM 25.39
	LCG 0.65	EM -0.05	SCG 1.85	IEQ 2.71	IBD -0.03	IEQ 1.04	MCV 0.40	HYB -0.14	LCG 0.78	MCG 0.88	IBD -0.60	IEQ 0.92	HYB -0.24	SCV 2.16	EM 0.87	SCG 1.16	SCG 1.97	SCV 0.06	MCG 0.97	LCG 0.57	LCG 6.50	SCV 18.35
	SCV 0.23	LCG -0.19	SCV 1.48	LCG 1.69	USB -0.24	LCV 0.81	LCV 0.31	LCG -0.14	IEQ 0.67	SCG 0.80	USB -0.63	IBD 0.45	USB -0.39	EM 1.87	MCV 0.57	SCV 0.72	SCV 1.60	SCG 0.05	SCG 0.77	IEQ 0.11	SCG 5.05	SCG 17.92
	EM 0.22	SCG -0.26	IEQ 1.33	SCG 1.61	HYB -0.37	SCV 0.73	MCG 0.28	LCV -0.18	60/40 0.34	SCV 0.35	MCG -1.08	LCV 0.21	LCV -0.41	MCG 1.77	SCV 0.55	LCV 0.69	IEQ 1.11	LCG 0.04	IBD 0.60	HYB 0.10	MCG 4.95	MCV 14.03
	USB 0.13	MCV -0.28	MCV 1.09	SCV 1.50	MCG -0.48	SCG 0.66	RE 0.07	USB -0.29	LCV 0.20	MCV 0.26	LCG -1.21	60/40 0.19	MCV -0.53	IEQ 1.67	IEQ 0.55	MCV 0.69	MCG 0.97	EM -0.01	EM 0.32	60/40 0.07	LCV 3.08	LCV 13.56
	HYB 0.12	USB -0.31	LCV 1.06	60/40 1.35	RE -0.70	LCG 0.65	LCG -0.02	MCV -0.49	SCG 0.19	EM 0.25	LCV -1.27	HYB 0.10	60/40 -0.58	MCV 1.31	LCV 0.38	LCG 0.26	MCV 0.94	HYB -0.06	MCV 0.28	MCV 0.07	SCV 2.71	IEQ 9.13
	60/40 0.06	HYB -0.32	MCG 0.81	RE 1.31	60/40 -0.76	60/40 0.61	EM -0.07	60/40 -0.57	HYB 0.05	LCV 0.20	60/40 -1.27	SCV 0.05	IEQ -0.72	LCG 1.29	60/40 0.32	60/40 0.20	60/40 0.89	MCG -0.07	60/40 0.28	USB 0.06	IEQ 2.64	RE 8.33
	MCG -0.11	IBD -0.47	60/40 0.75	MCG 1.07	LCV -1.05	MCV 0.53	60/40 -0.07	IEQ -0.58	USB 0.04	60/40 0.13	MCV -1.50	MCV 0.01	IBD -0.73	60/40 1.16	MCG 0.31	RE 0.16	LCV 0.84	60/40 -0.08	60/40 0.25	IBD 0.00	MCV 2.53	LCG 8.14
	LCV -0.17	60/40 -0.50	LCG 0.49	LCV 1.06	SCV -1.25	IBD 0.41	HYB -0.20	IBD -0.69	IBD -0.10	USB -0.03	RE -1.51	USB -0.01	MCG -0.74	RE 1.14	RE 0.15	IBD 0.13	LCG 0.53	LCV -0.16	USB 0.20	EM -0.01	60/40 2.43	60/40 7.51
	IEQ -0.22	LCV -0.55	RE 0.31	MCV 0.98	MCV -1.33	HYB 0.35	SCV -0.20	SCV -0.74	MCG -0.18	HYB -0.08	IEQ -1.68	MCG -0.08	LCG -0.83	LCV 0.90	IBD 0.13	USB 0.10	IBD 0.45	IBD -0.16	HYB 0.12	LCV -0.03	HYB 0.31	MCV 4.40
	MCV -0.22	RE -0.71	USB 0.18	IBD 0.76	EM -1.33	USB 0.23	IEQ -0.21	MCG -0.81	SCV -0.19	IBD -0.19	SCV -1.91	EM -0.15	SCV -0.90	IBD 0.71	USB 0.12	HYB 0.01	RE 0.39	MCV -0.21	LCV 0.04	SCG -0.53	IBD 0.28	HYB 1.60
	IBD -0.22	SCV -0.80	HYB 0.15	USB 0.43	IEQ -1.83	RE 0.20	USB -0.26	SCG -1.13	MCV -0.23	IEQ -0.36	SCG -2.68	LCG -0.22	EM -1.09	HYB 0.64	HYB 0.05	IEQ -0.20	HYB 0.34	RE -0.32	IEQ -0.08	SCV -0.69	USB 0.16	USB 0.49
Low	RE -0.26	IEQ -1.37	IBD 0.00	HYB 0.30	SCG -2.02	MCG -0.67	IBD -0.35	EM -3.05	RE -0.82	RE -0.67	EM -3.43	SCG -1.29	SCG -1.22	USB 0.60	LCG 0.02	EM -0.23	USB 0.28	IEQ -0.34	RE -0.47	RE -0.86	RE -0.91	IBD -0.31

Legend

60/40 Allocation (60/40)

Large Growth (LCG)	Mid Growth (MCG)	Small Growth (SCG)	Intl Equity (IEQ)	U.S. Bonds (USB)	Intl Bonds (IBD)
Large Value (LCV)	Mid Value (MCV)	Small Value (SCV)	Emg Markets (EM)	High Yield Bond (HYB)	Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by Prime Capital Financial. The performance of those funds in February may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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