

Farther
Intelligent Wealth

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June market commentary

The Fed gets tougher, market performance gets broader, and oil prices crash

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Executive summary

June 2026 proved to be a significant turning point for markets. A ceasefire in the Middle East and the reopening of the Strait of Hormuz (a critical shipping lane for global oil impacted by the war with Iran) [1] removed a major source of uncertainty that had been driving commodity prices higher: oil fell 20.4% and gold dropped 11.4% for the month [2][3].

At the same time, newly appointed Federal Reserve Chair Kevin Warsh signaled at his first policy meeting on June 17 that interest rates would stay higher for longer than markets had been expecting. The Fed's projected rate for 2026 moved up from 3.4% to 3.8%, the anticipated rate cut later this year was removed entirely, and markets are now pricing in the possibility of a rate increase in October [4][5]. Economic growth and the job market remain healthy, but key inflation measures re-accelerated: core inflation (which strips out volatile food and energy prices) rose to 3.41% and overall consumer prices climbed to 4.17% year-over-year [6][7], putting an end, for now, to hopes that inflation was steadily returning to the Fed's 2% target.

The stock market saw a massive rotation in June, out of many high-flying artificial intelligence (AI) and mega-cap technology names into more defensive, cyclical, and value-oriented sectors. Beneath a headline S&P 500 Index that fell 1.0% for the month [8], the breadth of the overall stock market's performance improved significantly: the industrials (+7.2%), health care (+6.5%), and financials (+4.2%) sectors led in June. Smaller companies outpaced larger ones by approximately 4.7 percentage points (the Russell 2000 small-cap index rose 3.7%), and value stocks, typically lower-priced, more established companies, beat faster-growing stocks by 5.0 percentage points [9]. Stocks in other developed economies such as Europe and Japan were roughly flat, while emerging markets lagged as the U.S. dollar strengthened (-1.4%).

Our investment approach is unchanged. We continue to focus on generating income, maintaining true diversification, and taking risk in a disciplined way. June rewarded investors who held a broad mix of assets and was difficult for those concentrated in a small number of positions, particularly large-cap technology stocks or commodity-linked holdings. That is exactly the pattern our portfolio positioning is designed to benefit from.

- **Markets:** The S&P 500 fell 1.0% in June, closing at 7,499 and leaving it up 10.2% for the year. The technology-heavy Nasdaq 100 was essentially flat (-0.1%), while small-cap stocks bucked the trend and rose 3.7%. Emerging market stocks fell 1.4%. The notable story was breadth: smaller, more value-oriented companies led the market while the largest technology names lagged [9].
- **Interest rates:** The 10-year Treasury yield ended the month at 4.44%. Longer-term bonds now yield more than shorter-term ones, a normal relationship that had been absent for most of the past two years. Short-term government bonds are particularly attractive right now: 3-month Treasuries yield 3.87% and bonds maturing within the next year yield 3.8% to 4.1%, offering returns above inflation without the price volatility that comes with longer-term bonds [10].
- **Corporate bonds:** Both investment-grade and high-yield corporate bonds are offering investors close to minimal income over government bonds, at or close to 52-week lows. In our view, the market is not adequately rewarding investors for the risk of lending to corporations at this point in the cycle [11]. We favor higher-quality bonds for any new fixed-income allocations.

- **How we are currently positioned:**

- **Overweight:** Small-cap stocks (with a preference for value-oriented names), stocks in developed international markets such as Europe and Japan, short-term government bonds, investment-grade corporate bonds, and cash.
- **Neutral:** Large-cap U.S. stocks (with a modest preference for value), mid-cap U.S. stocks, intermediate government bonds, TIPS, agency MBS, municipal bonds, international bonds, real estate, broad commodities, and gold.
- **Underweight:** Long term treasuries, high-yield corporate bonds, and alternative credit.

Our overall positioning reflects the view that we are in a late stage of the economic cycle. Small-cap value stocks look attractively priced relative to history. Higher-quality corporate bonds still offer reasonable returns relative to their risk. Conversely, the largest growth stocks, lower-quality corporate bonds, REITs, and convertible bonds all look expensive or carry risks we do not think the market is fully pricing in. We are positioned defensively, with an emphasis on shorter maturities in our bond holdings.

In plain terms

Markets went through a big rebalancing in June. Oil crashed, gold fell, and the Fed signaled it's not cutting rates this year. But small-cap stocks, industrials, health care, and financials all rallied. If you owned a diversified portfolio (which we recommend), June was likely a good month. If you owned mostly concentrated mega-cap technology stocks or were counting on oil prices going up, it was not.

Strategic asset allocation: Positioning summary

The table below summarizes the Farther Investment Strategy Team’s active stance by asset class relative to a strategic-neutral policy allocation, with a conviction rating indicating how confident we are in the current stance. The narrative rationales that follow address the reasoning behind each major overweight and underweight.

ASSET CLASS	STANCE	CHANGE FROM PRIOR MONTH	CONVICTION	RATIONALE
EQUITIES				
US Large-Cap	Neutral	→	High	U.S. equities remain fairly valued with a modest expected return of 8%–9% over the next year, leading us to maintain a neutral stance while modestly favoring value stocks over growth given their historically attractive valuation discount and better risk-reward profile.
US Mid-Cap	Neutral	→	Moderate	Mid-cap stocks continue to offer balanced valuations and fundamentals between large- and small-cap equities, and we favor higher-quality companies with strong profitability and balance sheets while maintaining a neutral outlook as refinancing risks and earnings expectations remain largely unchanged.
US Small-Cap	Overweight	↑	Moderate	Small-cap stocks continue to benefit from improving market breadth, attractive valuations, and the prospect of a stronger dollar favoring domestic businesses, leading us to favor value-oriented companies while remaining mindful of refinancing risks facing more leveraged businesses.
International Developed	Overweight	↑	Moderate	International developed markets continue to trade at a meaningful valuation discount to U.S. equities, supporting an upgraded view, as lower oil prices provide a tailwind for many energy-importing economies while a stronger U.S. dollar and softer earnings revisions continue to weigh on the outlook.
Emerging Markets Equity	Overweight	→	Moderate	Emerging market equities remain attractively valued, and we maintain an overweight allocation as continued AI-driven investment is supporting the Asian technology supply chain, particularly semiconductor and electronics manufacturers. While a stronger U.S. dollar remains a headwind, lower oil prices provide meaningful relief for many energy-importing economies, creating a supportive backdrop for earnings growth and long-term returns.
FIXED INCOME				
Short-Term Treasuries	Overweight	→	High	Short-term Treasuries remain attractive, offering positive real yields, strong carry, and limited duration risk, while the front end provides a compelling defensive allocation as investors earn elevated income and maintain flexibility to manage duration risk.
Intermediate Treasuries	Neutral	→	Moderate	The 2-Year Treasury remains the preferred duration exposure, offering the best balance of carry and risk-adjusted return. The relatively flat yield curve provides limited incentive to extend duration further given the minimal yield pickup and limited term premium in longer maturities.

ASSET CLASS	STANCE	CHANGE FROM PRIOR MONTH	CONVICTION	RATIONALE
FIXED INCOME				
Long-Term Treasuries	Underweight	→	High	Long-duration Treasuries remain an underweight allocation as elevated term premiums, fiscal spending concerns, and the potential for a higher-for-longer Federal Reserve policy path limit the attractiveness of taking duration risk. While long bonds provide convexity protection during a growth shock, current yields do not sufficiently compensate investors for the volatility and downside risk associated with the long end of the curve.
TIPS	Neutral	→	Moderate	TIPS remain a neutral allocation as elevated real yields provide attractive inflation protection, but the recent decline in oil prices has reduced near-term inflationary pressures and moderated the urgency for additional exposure. While real yields remain compelling, current breakeven levels suggest inflation expectations are relatively contained, supporting a balanced stance on the real yield curve.
Agency MBS	Neutral	→	Moderate	Agency MBS remain a neutral allocation as tight spreads limit upside potential, despite attractive credit quality and improved rate volatility conditions. Current valuations leave limited margin for error if interest-rate volatility rises or spreads widen.
IG Corporates	Overweight	↑	High	Investment-grade corporate bonds upgraded to overweight allocation as they provide incremental carry over Treasuries, with 5–7 year yields offering attractive income despite historically tight spreads. Given OAS levels near cycle tightness, the allocation is focused on higher-quality A/BBB issuers where risk-adjusted returns remain favorable, while acknowledging that future returns will be driven primarily by carry rather than additional spread compression.
High-Yield Corporates	Underweight	→	High	High-yield bonds remain an underweight allocation as historically tight spreads provide limited compensation for credit, liquidity, and refinancing risks. With BB and B spreads near multi-decade lows, investors are not being adequately rewarded for default risk or potential spread widening, particularly as the 2027–28 refinancing cycle approaches. We prefer higher-quality fixed income where carry remains more attractive on a risk-adjusted basis.
Alternative Credit (Bank Loans / Preferreds / Convertibles)	Underweight	↓	Medium	Alternative credit allocations should be underweighted despite higher yields and attractive income potential which are offset by tight credit spreads and limited downside protection. Bank loans, preferred securities, and convertible bonds provide incremental carry, but current valuations leave little cushion against spread widening, rising volatility, or a deterioration in credit conditions.
Municipals	Neutral	→	Medium	Municipal bonds remain a neutral allocation as they provide attractive tax-aware income and high-quality spread over Treasuries, but current valuations offer limited upside with muni/Treasury ratios near historically rich levels. We continue to value the tax-exempt carry and credit quality, while waiting for a more compelling entry point through ratio widening or improved supply/demand dynamics.

ASSET CLASS	STANCE	CHANGE FROM PRIOR MONTH	CONVICTION	RATIONALE
FIXED INCOME				
International Fixed Income	Neutral	→	Low	International fixed income remains a neutral allocation as the attractive yield premium over comparable-quality domestic credit is balanced by currency, liquidity, and spread risks. Hard-currency emerging market debt offers a more compelling risk profile than local-currency exposure by avoiding FX volatility, while developed market bonds provide limited diversification benefit at current yields. We maintain exposure for incremental income and portfolio diversification, but await more attractive valuations through wider spreads, a weaker U.S. dollar, or improved risk-adjusted return opportunities.
REAL ASSETS & ALTERNATIVES				
Alternatives: Real Estate (US & International)	Neutral	↓	Moderate	REITs remain a neutral allocation as elevated interest rates, potential Fed tightening cycle, compressed valuation spreads, and limited income compensation create a less favorable risk/reward profile.
Broad Commodities	Neutral	→	Low	Commodities remain a neutral allocation as the loss of geopolitical risk premium has driven a sharp decline in oil prices, while mixed performance across energy, industrial metals, and agriculture provides limited directional conviction; the allocation remains focused on real-asset diversification rather than commodity price appreciation.
Gold	Neutral	↓	Low	Gold remains a neutral allocation as elevated real yields, crowded positioning, and a stronger U.S. dollar create headwinds, while ongoing geopolitical uncertainty provides some support; we view gold as a portfolio diversifier but see limited upside without a decline in real rates or a meaningful reversal in dollar strength.
CASH				
Cash & T-Bills	Overweight	→	High	Short-term Treasuries remain an attractive source of income and portfolio flexibility, providing positive real yields with minimal duration risk while serving as dry powder that can be redeployed into equity, credit, or duration opportunities during periods of market volatility or valuation dislocation.

Stance is expressed relative to a representative balanced-growth policy benchmark. Conviction reflects the strength of the signal and the asymmetry of the expected outcome. Positioning is reviewed monthly and adjusted as the data evolves.

The big picture

June delivered two major surprises to markets at the same time, and both moved against widely-held expectations.

The first was the sudden drop in commodity prices. A ceasefire in the Middle East and the reopening of the Strait of Hormuz removed much of the geopolitical anxiety that had been pushing oil, gold, and other assets higher. Oil fell 20.4%, gold dropped 11.4%, silver fell 21.6%, and Bitcoin declined 20.6% [2][13]. Investors who had positioned themselves for an ongoing crisis saw those so-called “risk-off” bets unwind sharply.

The second surprise came from the Federal Reserve. On June 17, new Fed Chair Warsh signaled that the Fed was no longer planning to cut interest rates in 2026 and raised the possibility of an increase in October [14]. That was more aggressive than markets had anticipated.

What didn't happen is just as notable. Long-term government bonds, which many investors treat as a safe haven, barely moved despite the commodity selloff, with the 10-year Treasury yield essentially unchanged (down 0.01 percentage points). And rather than falling broadly, the stock market actually broadened. The areas that rose weren't the traditional "safe" assets, but a wide range of sectors that had previously been overshadowed by large technology companies.

June was a reminder that genuine diversification means owning assets that tend to behave differently from one another, not simply owning assets with a reputation for being safe.

The rally beneath the surface was notable. Industrials led at 7.2%, health care rose 6.5%, financials gained 4.2%, and utilities added 2.4% (materials were essentially flat, -0.1%): the first clear month in over a year where technology stocks gave up market leadership to other sectors [15]. Smaller companies (Russell 2000 small-cap index, +3.7%) outpaced large companies (S&P 500 index) by approximately 4.7 percentage points. Value stocks (typically more established, lower-priced companies) beat growth-oriented stocks by approximately 5.0 percentage points, an unusually wide gap for a single month [9]. This kind of broadening, where more of the market is participating in gains rather than just a handful of large names, is generally considered a healthy sign and looks to us more like a maturing bull market than one beginning to break down.

The underlying economy remains on solid footing. The Atlanta Federal Reserve's real-time growth estimate puts second-quarter GDP growth at approximately 2.4% [16]. Employers added 129,000 jobs in May [17] and the unemployment rate held steady at 4.3% [18]. A closely watched recession indicator known as the Sahm Rule, which has historically signaled recessions when unemployment rises sharply from recent lows, currently reads well below its alert threshold, suggesting no near-term recession risk [19].

The challenge is inflation. Both major inflation measures re-accelerated in May: the Fed's preferred measure, core PCE (which excludes food and energy prices), rose to 3.41%, and the broader Consumer Price Index came in at 4.17% year-over-year [6][7]. The Fed's response was to remove its previously planned rate cut from its projections for the second half of the year. The current picture is one of an economy that is still growing, but with inflation that remains stubbornly above the Fed's 2% target — meaning interest rates are likely to stay higher for longer than many investors had hoped.

In plain terms

The economy is still growing, but inflation is stuck above the Fed's 2% target. That means rates stay high longer than the market was hoping. Meanwhile, the leadership in the stock market is spreading out. This is generally healthy for more diversified portfolios and less so for more concentrated ones.

SpaceX IPO: A glimpse into the future of IPOs?

SpaceX completed one of the most anticipated initial public offerings (IPOs) in recent memory, reigniting enthusiasm for growth companies and innovation. The company's successful public debut reflected investors' continued appetite for businesses with transformational potential and strong long term growth narratives.

There is little question that Elon Musk has built some of the world's most innovative companies while disrupting multiple industries. SpaceX has fundamentally changed the economics of space launch and continues to expand its ambitions across satellite communications, defense, and space exploration.

The investment debate, however, is less about the quality of the business and more about the valuation investors are willing to pay. Many bullish forecasts assume extraordinary revenue growth over the next fifteen years, supported by exceptionally high profit margins. Those projections require SpaceX to become one of the largest and most profitable companies ever created.

History has shown that revolutionary companies can justify premium valuations, but investors should recognize that lofty expectations leave little room for disappointment. Even exceptional businesses can produce disappointing investment returns if expectations become too optimistic.

A broader concern is developing within the IPO market itself. Many of today's largest technology companies are remaining private far longer than previous generations, allowing private investors to capture much of the value creation before public investors have an opportunity to participate. By the time these companies reach the public markets, valuations often already reflect years of anticipated growth. With several large technology IPOs expected over the coming years, maintaining investor confidence in the IPO market will remain important for both companies and investors.

In plain terms

Investors in SpaceX's IPO are betting that the company will become one of the most profitable in history, meaning there is very little room for error if the company fails to meet those massive growth expectations. This points to a trend of companies staying private for longer, meaning IPO investors often end up buying in at a premium price that already factors in years of anticipated success.

A new direction at the Federal Reserve

While the SpaceX IPO captured most of the financial headlines in June, we believe the Federal Reserve's meeting may ultimately prove to be the more important event for markets.

The Fed left its policy rate unchanged at 3.50 percent to 3.75 percent. More notable than the decision itself was the shift in communication under new Fed Chair Kevin Warsh.

The post meeting statement was noticeably shorter, the traditional emphasis on forward guidance was reduced, and the Fed signaled a greater willingness to let incoming economic data drive future policy decisions rather than relying heavily on preannounced policy paths. Chair Warsh also announced several internal reviews covering Fed communications, the balance sheet, economic data, productivity, employment, and the inflation framework.

Markets initially interpreted the meeting as somewhat hawkish. We view it differently.

With the Fed reviewing many aspects of its policy framework, we believe officials are likely to move cautiously over the coming months. At the same time, easing energy prices following reduced geopolitical tensions have helped moderate inflation pressures. If those trends continue, inflation may have already reached its high point for 2026.

In plain terms

By focusing less on predicting the future and more on the actual data coming in, the Fed appears to be growing more careful under its new leadership. This suggests they may be apprehensive about making any hikes in the near future, especially since lower energy prices might help bring inflation down on their own.

At a glance: The state of the economy

- **Economic growth:** The U.S. economy is estimated to be growing at roughly 2.4% annually in the second quarter of 2026, according to the Atlanta Federal Reserve's real-time tracking model [16]. That is a healthy pace, though somewhat slower than the stronger growth seen earlier in this cycle.
- **Jobs:** Employers added 129,000 jobs in May [17], and the average over the past three months has been approximately 110,000 per month — a steady, solid pace. The unemployment rate held at 4.3% [18]. The number of open, unfilled jobs across the economy has been declining but remains above the levels typical before the pandemic, suggesting employers are still actively hiring.
- **Consumers:** Retail spending rose 0.4% in May compared to April, and overall consumer spending continues to grow, though more slowly than before. Americans are still spending, but with more caution.
- **Consumer confidence:** The University of Michigan's widely-followed consumer sentiment survey came in at 44.8, a reading that is at the low end of its historical range and consistent with a stressed consumer. The primary driver of that pessimism is frustration with the continued high cost of living.
- **Inflation:** Consumer prices rose 4.17% over the 12 months through May 2026, up from 3.78% the prior month [7]. Stripping out volatile food and energy costs, so-called “core” inflation ran at 2.8% by one measure and 3.41% by the Federal Reserve's preferred measure [6], both moving in the wrong direction. Part of the May increase reflected higher energy prices before oil's sharp drop late in the month, but prices for services and housing also picked up, which is a more persistent concern.
- **What this means for interest rates:** With inflation running well above the Fed's 2% target and still moving higher, the case for cutting interest rates in the near term has effectively disappeared, and the Fed made that explicit at its June 17 meeting. For borrowers, the practical consequence is visible in the average 30-year fixed mortgage rate, which ended the month at 6.49% [20].

In plain terms

We believe the Fed is going to keep interest rates high for longer than markets had been expecting. That's good for savers and bad for borrowers. Growth is holding, unemployment is stable, but prices are still rising too fast. We expect that the Fed will not cut rates until inflation is convincingly headed toward 2%.

Equities: A broadening bull market, not a failing one

Which sectors led and which lagged:

Industrials led at 7.2%, health care gained 6.5%, financials rose 4.2%, and utilities added 2.4% (materials were essentially flat, -0.1%). Technology fell 3.3% and energy dropped 5.1%, making June the first month in over a year where technology stocks meaningfully underperformed the broader market [15].

The reasons behind two of the biggest winners are worth unpacking. Financial stocks, particularly banks, benefited from the current shape of the interest rate environment. When longer-term rates sit meaningfully above short-term rates, as they do now, banks can borrow cheaply and lend at higher rates, widening their profit margins. Health care gains were driven by two forces: investors rotating toward more defensive, recession-resistant companies, and better-than-expected cost data from Medicare Advantage insurance plans in the first quarter.

How different sizes and styles of stocks performed:

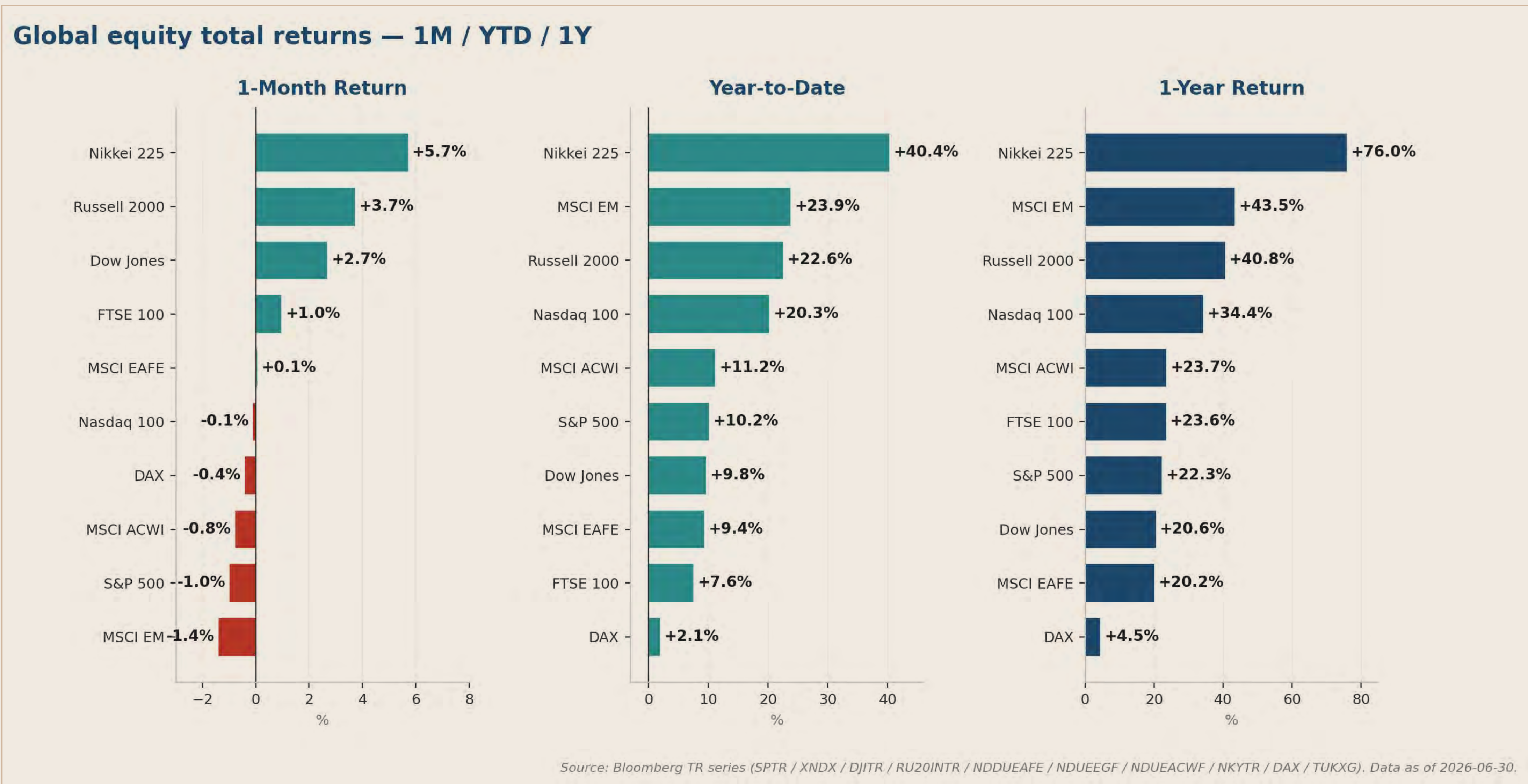
June illustrated a clear divide between large and small cap companies. Large-cap stocks (S&P 500) fell 1.0% while small-cap stocks (Russell 2000) rose 3.7%, with mid-sized companies landing in between. Among investment styles, growth stocks, typically younger and faster-expanding companies whose value is tied to future earnings, fell 2.7%, while value stocks, generally more established companies trading at lower prices relative to their current earnings, rose 2.3%.

The technology-heavy Nasdaq 100 index was essentially flat for the month (-0.1%) as the largest technology companies paused after a strong run. Its longer-term gains remain intact, though: up 20.3% for the year and 34.4% over the past 12 months.

International markets:

Stocks in other developed economies such as Europe and Japan were roughly flat for the month, though they remain solidly positive for the year (+9.4%) and over the past 12 months (+20.2%). Emerging markets, covering developing economies such as China, India, and Brazil, fell 1.4% for the month. India rose 1.5% while Brazil fell 2.9%, both restrained by a strengthening U.S. dollar, which makes dollar-denominated assets more expensive for foreign investors and reduces the value of overseas returns when converted back to dollars [9][21][22][23].

Despite the monthly setback, emerging markets have been the strongest-performing category over the past year, up 43.5%.



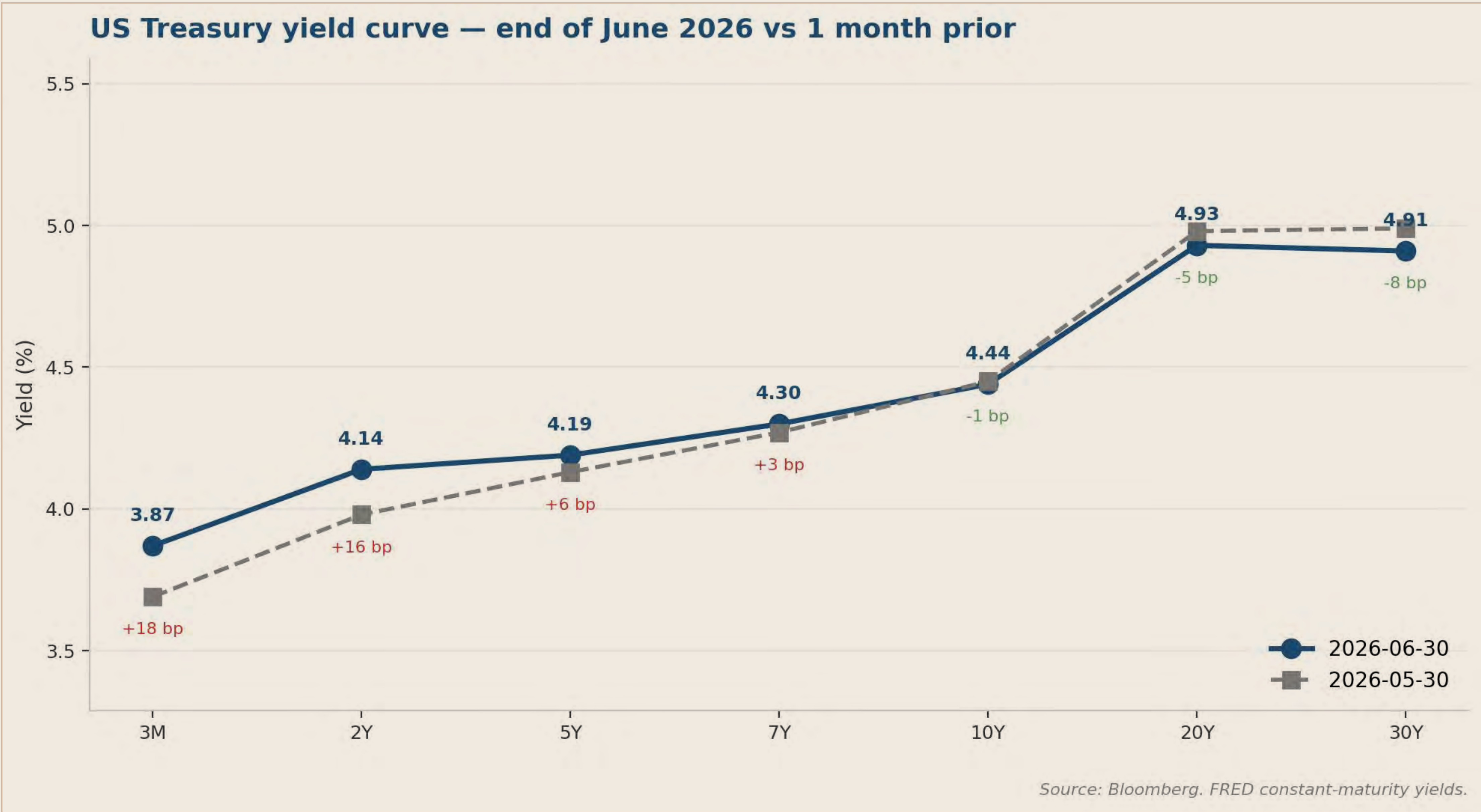
In plain terms

Big-cap tech stocks took a break in June while the rest of the market took the lead. Health-care and financial-sector stocks led. That's a good sign for portfolios that own a mix of asset types, and a warning for portfolios that are overly concentrated in a small number of tech names.

Fixed income: Favoring shorter maturities and higher-quality

Government bond yields across different maturities ended June as follows: 3-month Treasuries at 3.87%, 2-year at 4.14%, 5-year at 4.19%, 10-year at 4.44%, and 30-year at 4.91% [10]. The fact that longer-term bonds now yield more than shorter-term ones is worth pausing on. For much of the past two years the reverse was true, with short-term rates sitting above long-term rates in what is known as an inverted yield curve. That unusual condition, which often signals economic stress, has now normalized. Rates now rise steadily as you move further out along the maturity spectrum, and that gap has been slowly widening.

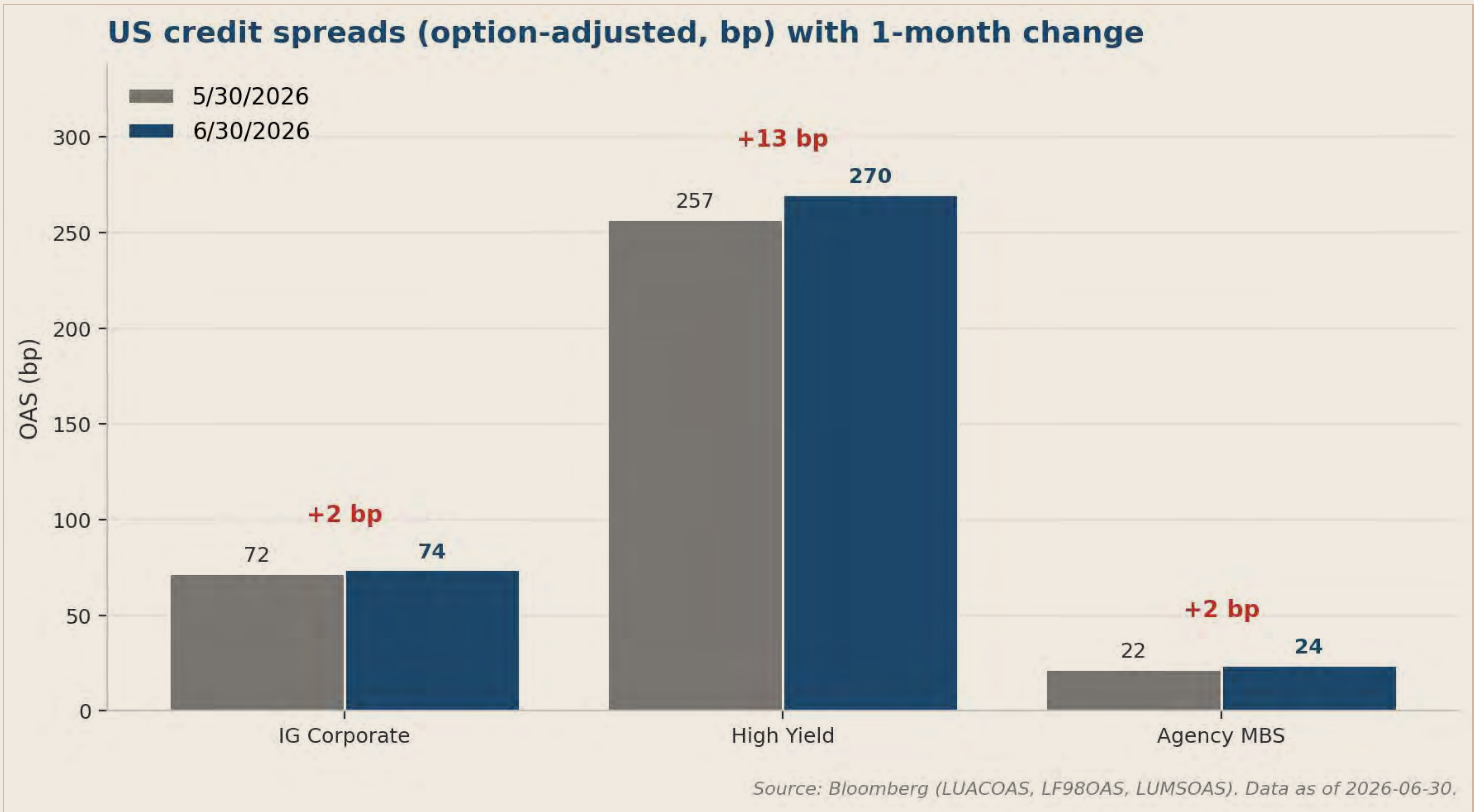
One notable development in June was that 10-year Treasury yields barely moved, essentially unchanged (down 0.01 percentage points) despite the Federal Reserve's more aggressive tone at its June 17 meeting. The reason is that the sharp drop in oil prices simultaneously removed some of the inflation anxiety that had previously been built into long-term bond yields. Those two forces largely cancelled each other out [10].



Corporate bonds are currently offering investors very little extra compensation for taking on credit risk. The additional yield that investment-grade corporate bonds pay over equivalent government bonds sits near its lowest point in the past year. The same is true for high-yield bonds, commonly known as junk bonds, and for mortgage-backed securities [11]. In plain terms, the bond market is behaving as though there is almost no chance that companies will struggle to repay their debts. That level of confidence is historically unusual and, in our view, unwarranted at this stage of the economic cycle.

Adding to that concern, the asset management firm PIMCO warned in June that losses are beginning to surface in riskier corners of the lending market, particularly in leveraged loans and privately arranged corporate debt [24]. Those losses have not yet shown up in publicly traded bond prices, but we think the warning is credible and worth acting on before the broader market catches up.

Our response is to prioritize quality in any new fixed income allocations. Within corporate bonds, we prefer higher-quality issuers rated just below or at the border of investment grade, rather than reaching further down into the riskiest, lowest-rated debt. For investors who want exposure to mortgage-related bonds, we favor government-backed mortgage securities over corporate bonds, as they tend to hold their value more reliably when interest rates move. For higher-income investors in the top federal tax brackets, top-rated municipal bonds currently yield 2.90%, which works out to the equivalent of a 4.6% taxable yield [11].



In plain terms

Bond investors are being paid the least in years for taking credit risk. We're keeping fixed-income exposure high-quality (investment-grade, government, agency mortgages, and top-quality municipal bonds) and avoiding junk-rated corporate bonds and private credit that hasn't been repriced yet.

The interest rate backdrop

The 30-year Treasury bond now yields 4.91%, and long-term interest rates are being held at elevated levels by three separate forces that are each pushing in the same direction. The first is inflation. Price increases have re-accelerated in recent months rather than continuing their expected decline, giving the Federal Reserve less room to consider cutting rates.

The second is the federal government's fiscal position. The U.S. is running large budget deficits and issuing substantial amounts of new Treasury debt to fund them. When the supply of bonds increases, prices tend to fall and yields tend to rise.

The third is Federal Reserve policy itself. The Fed's shift toward keeping rates higher for longer has removed the expectation of near-term rate cuts that had previously been helping to hold long-term yields down. For investors willing to buy and hold bonds through maturity, the current environment does offer something that has been largely absent for most of the past decade: a genuine return above inflation.

The 10-year Treasury Inflation-Protected Security (TIPS), a government bond whose value adjusts with inflation, currently yields 2.20% above whatever inflation turns out to be over the next decade. The bond market's implied inflation forecast for that same period sits at 2.24% annually. Together those figures suggest that patient investors in longer-term government bonds are being paid a real return for the first time in years.

One reassuring note is that bond market volatility is currently low, suggesting that traders are not bracing for any sudden or disruptive shift in Federal Reserve policy in the near term [25].

In plain terms

Long-term interest rates are staying elevated at 4.5% to 5% on the 10- and 30-year Treasury. That offers a real return above inflation and represents genuine income potential for anyone buying and holding these bonds through maturity.

Treasury Inflation-Protected Securities (TIPS) & inflation expectations

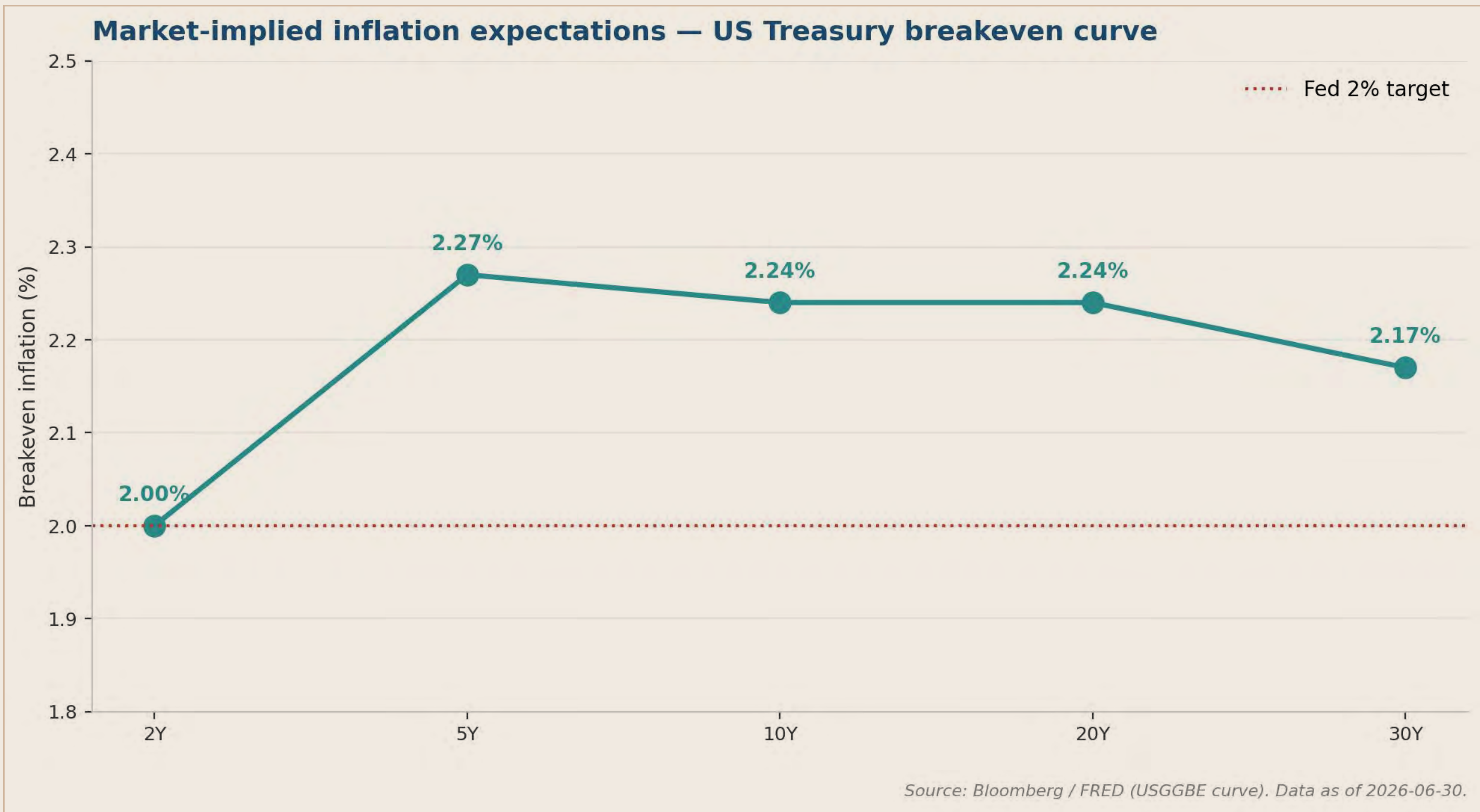
The bond market is telling a consistent story about inflation: it expects prices to keep rising at a rate above the Federal Reserve's 2% target, and that expectation has not been coming down.

One way to read inflation expectations from financial markets is to compare the yields on regular government bonds against those on inflation-protected bonds of the same maturity. The gap between them reflects what bond investors collectively expect inflation to average over that period. Currently, those implied forecasts range from 2.01% over the next two years to 2.26% over the next five and twenty years [26]. Every single one of those figures sits above the Fed's 2% target.

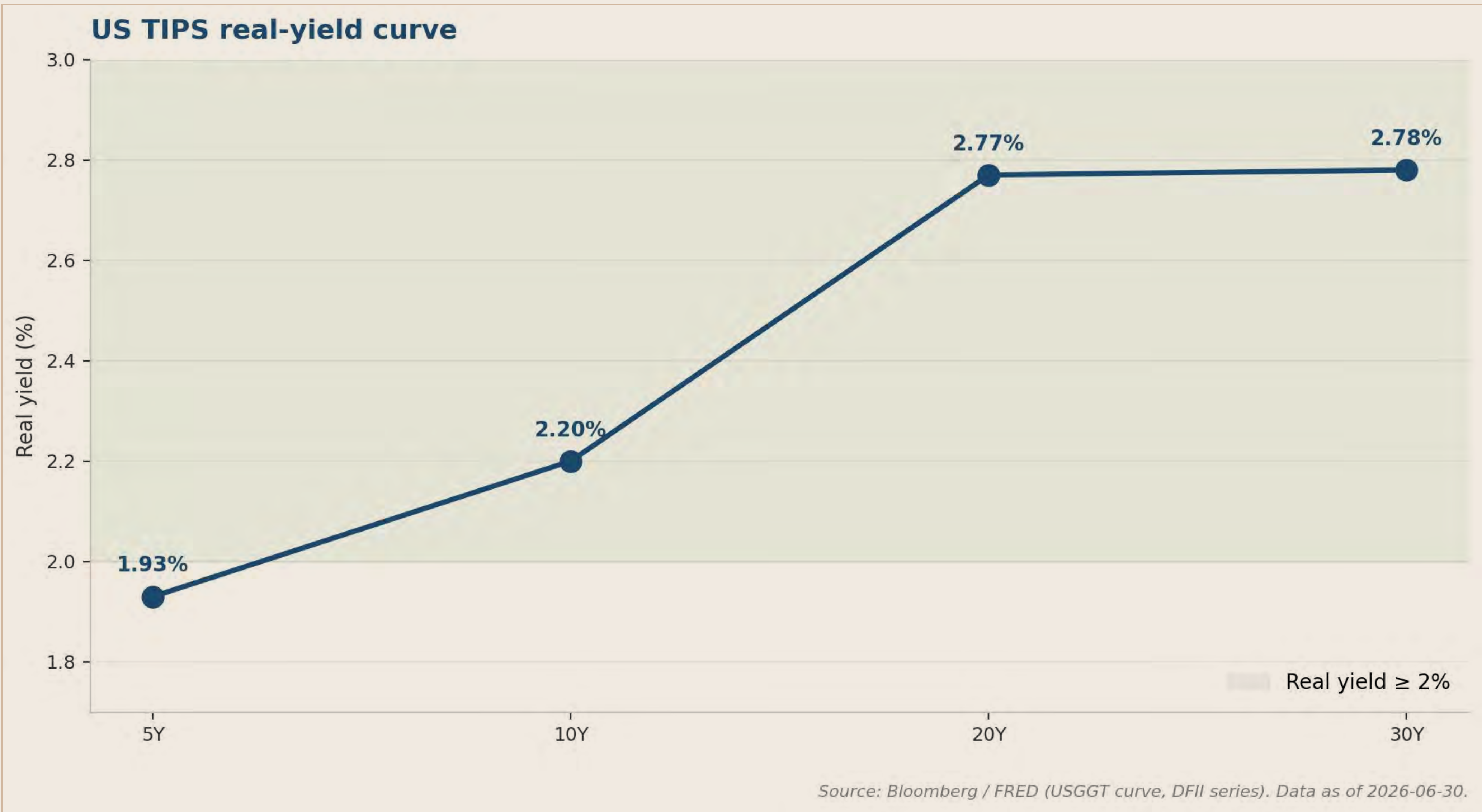
A separate measure, which the Federal Reserve pays particular attention to because it filters out short-term swings in energy prices, looks at where markets expect inflation to run during the five-year period that begins five years from now. That figure currently stands at 2.22% [27]. A further measure, derived from inflation swap contracts that institutional investors use to hedge against rising prices, puts the ten-year inflation outlook at 2.38% [28].

Taken together, these figures point in the same direction. Earlier this year, markets had been pricing in a fairly optimistic scenario in which inflation would steadily return to the Fed's 2% target. That story has lost credibility. The bond market is no longer willing to bet that inflation is durably heading back to 2%, and the Fed's rate decisions in the months ahead are likely to reflect that reality.

The return above inflation that TIPS currently offer is historically high. Across maturities ranging from two to thirty years, those returns run from roughly 1.93% to 2.76% above inflation [29]. The ten-year TIPS, at 2.20% above inflation, is at a level that has not been sustained since before the 2008 financial crisis.



That matters because it changes the calculus for long-term investors, particularly those holding bonds in retirement accounts and other tax-sheltered structures. To put the numbers in concrete terms: an investor in the 24% federal income tax bracket who buys a ten-year TIPS today would earn a return of approximately 1.19% above inflation after tax if inflation registers 2% over the remaining life of the bond. That is still higher than the long-run after-fee return that cash has historically delivered, and it compares favorably with the long-run premium that global stocks have historically earned over safe assets, once fees are accounted for.



There is one meaningful complication, however. TIPS adjust with the Consumer Price Index, which includes energy prices. The sharp drop in oil prices during June will, if sustained, drag reported inflation lower in the months ahead, which in turn reduces the inflation adjustment that TIPS investors receive. That headwind is the primary reason we are holding a neutral rather than overweight position in TIPS for now, despite the otherwise attractive yields on offer.

Nominal Treasury vs TIPS vs breakeven — the term-structure decomposition

TENOR	NOMINAL UST (%)	TIPS REAL YIELD (%)	BREAKEVEN INFLATION (%)	FED TARGET GAP (BP)
2Y	4.14	2.15	2.01	+1
5Y	4.19	1.93	2.26	+26
10Y	4.44	2.20	2.24	+24
20Y	4.93	2.76	2.26	+26
30Y	4.91	2.73	2.19	+19

Treasury vs. US TIPS vs. breakeven — Source: Bloomberg.

Additional market-implied inflation gauges:
10Y inflation swap 2.38%; 30Y inflation swap 2.31%; 5Y5Y forward breakeven 2.22%. All three sit 20-40 bp above the Fed's 2% target, suggesting the market is not pricing durable disinflation.

In plain terms

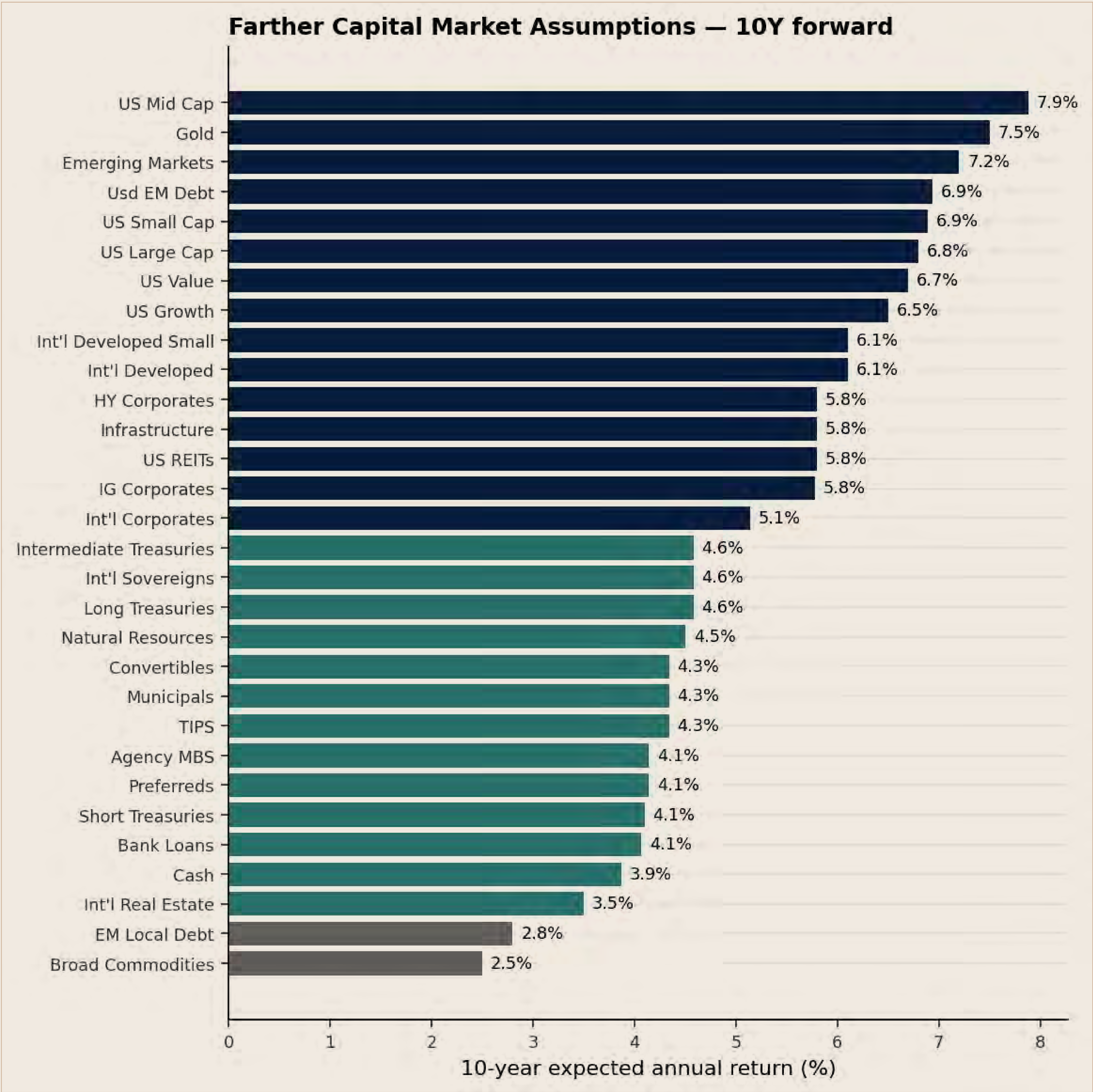
Bond markets are indicating that inflation should run at roughly 2.2-2.3% per year over the next 10 years, meaningfully above the Fed's 2% target. That is why the Fed removed its planned rate cuts and is keeping policy restrictive. It is also why TIPS look attractive relative to historical valuation: they lock in a guaranteed return above whatever inflation turns out to be. However, the wild card remains the unpredictable impact of oil prices on future inflation numbers.

Capital market assumptions: 10-year forward

The chart below shows our best estimates for how different categories of investments are likely to perform over the next decade, ranked from highest to lowest expected annual return [30].

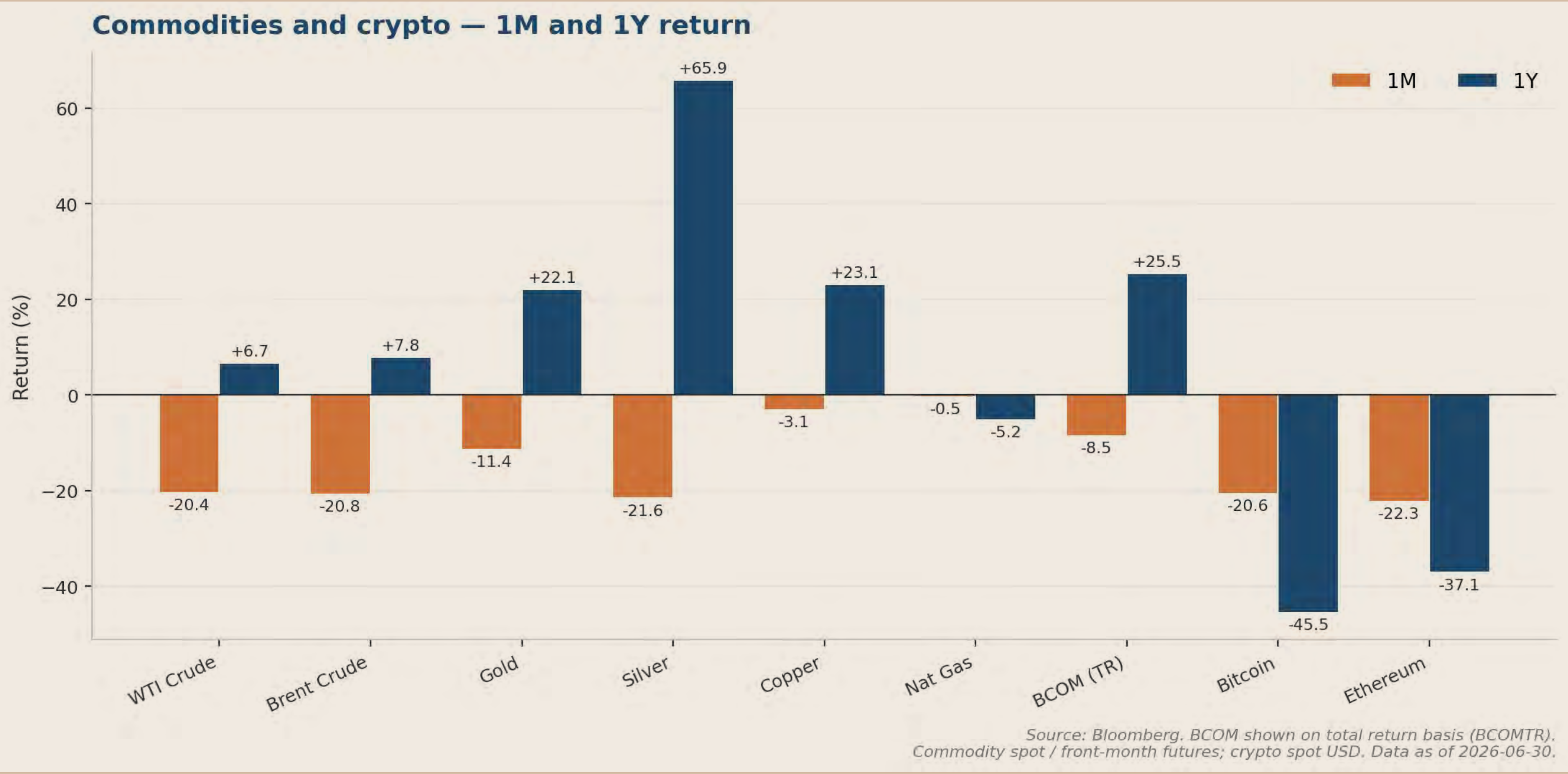
These estimates are not simple guesses. They are built by combining three different analytical approaches: long-run historical return data, adjustments for where we currently are in the economic cycle, and forward-looking signals implied by current market prices. The weight given to each approach varies depending on the asset class being assessed, since some categories of investment are better suited to one method than another.

No forecast of this kind should be treated as a guarantee. Markets are unpredictable over short periods, and actual returns will inevitably differ from these estimates. What this framework provides is a disciplined, consistent basis for comparing the long-term return potential of different investments against one another, which in turn informs how we allocate across asset classes in our model portfolios.



Farther Capital Market Assumptions — 10-year forward expected total return by asset class. Source: Farther.

Commodities, currencies & alternatives



Oil prices fell sharply in June, with U.S. crude dropping 20.4% to \$69.50 per barrel and the international benchmark declining similarly to \$72.92. Gold fell 11.4% to \$4,038.50 per ounce, though it remains 22.1% higher than a year ago. Silver dropped 21.6% for the month but is still up 65.9% over the past year. Bitcoin fell 20.6% to \$58,642 and is now 45.5% below where it stood twelve months ago. A broad index tracking commodity prices across energy, metals, and agriculture fell significantly for the month as well [30].

It is worth being clear about what drove these declines. The selloff in oil, gold, and related assets was not caused by a weakening global economy or falling demand for raw materials. It was caused by the resolution of the Middle East conflict, which removed the geopolitical anxiety that had been pushing those prices higher in the first place. That is an important distinction: falling oil prices in this context reflect a reduction in fear rather than a deterioration in economic conditions.

On currencies, the U.S. dollar strengthened 2.1% against a basket of major currencies during June. The euro fell 2.1% against the dollar and the British pound also weakened. The Japanese yen weakened about 2% against the dollar [32], moving in line with the broader dollar rally. Despite Japan’s central bank gradually raising its own interest rates, carry-trade dynamics and yield differentials continue to favor dollar-denominated assets.

Where major markets stand

Equity indices

INDEX/INDICATOR	LAST	1W % TR	1M % TR	1Y % TR	52W RANGE
S&P 500	7,499.36	+1.8	-1.0	+22.3	6,092 – 7,610
Nasdaq 100	30,276.35	+3.2	-0.1	+34.4	22,191 – 30,661
Dow Jones Industrial	52,319.20	+1.3	+2.7	+20.6	42,982 – 52,319
Russell 2000	3,024.37	+1.7	+3.7	+40.8	2,136 – 3,024
Russell 1000 Value	2,386.33	+0.7	+2.3	+27.1	1,885 – 2,405
Russell 1000 Growth	5,003.83	+3.8	-2.7	+17.7	4,137 – 5,182
MSCI EAFE (USD)	3,116.71	+0.9	+0.1	+20.2	2,602 – 3,180
MSCI EM (USD)	1,722.89	-0.6	-1.4	+43.5	1,212 – 1,803
MSCI ACWI	1,120.46	+1.3	-0.8	+23.7	902 – 1,137
Nikkei 225	70,062.32	+0.5	+5.7	+76.0	38,791 – 72,366
DAX	24,995.81	+0.4	-0.4	+4.5	22,301 – 25,421
FTSE 100	10,497.12	+0.7	+1.0	+23.6	8,719 – 10,911
VIX	16.45	-15.6	+7.4	-1.7	13.47 – 31.05

Rates & credit

INDEX/INDICATOR	LAST	Δ 1W (BP)	Δ 1M (BP)	Δ 1Y (BP)	52W RANGE
UST 3-month yield	3.87	+2	+18	-54	3.62 – 4.42
UST 2-year yield	4.14	-2	+16	+42	3.38 – 4.24
UST 5-year yield	4.19	-8	+6	+40	3.51 – 4.32
UST 7-year yield	4.30	-8	+3	+32	3.72 – 4.50
UST 10-year yield	4.44	-6	-1	+20	3.97 – 4.67
UST 20-year yield	4.93	-3	-5	+14	4.52 – 5.19
UST 30-year yield	4.91	-3	-8	+13	4.54 – 5.18
2s10s slope (bp)	+30	-4	-17	-22	27 – 74
US IG OAS (bp)	0.76	+2	+2	-9	0.71 – 0.93
US HY OAS (bp)	2.70	+0	+13	-20	2.50 – 3.35
US MBS OAS (bp)	0.24	+0	+2	-13	0.14 – 0.40
Muni AAA 10Y (BVAL)	2.89	-5	-8	-32	2.49 – 3.36
FNMA 30Y current coupon	5.44	+6	+2	-7	4.82 – 5.73
SOFR 3M (CME)	3.73	-1	+8	-56	3.63 – 4.33

Commodities & Foreign exchange (FX)

INDEX/INDICATOR	LAST	1W %	1M %	1Y %	52W RANGE
WTI crude (\$/bbl)	69.50	-5.1	-20.4	+6.7	55.27 – 112.95
Brent crude (\$/bbl)	72.92	-5.4	-20.8	+7.9	58.92 – 118.35
Gold spot (\$/oz)	4,038.50	-2.2	-11.4	+22.1	3,287.60 – 5,318.40
Silver front (\$/oz)	59.48	-4.2	-21.6	+65.9	35.73 – 115.50
Copper front	619.25	+0.7	-3.1	+23.1	435.45 – 667.65
Natural gas (Henry Hub)	3.28	+4.1	-0.5	-5.2	2.52 – 7.46
BCOM (total return)	315.91	-0.9	-8.5	+25.5	247.05 – 365.50
Bitcoin (USD)	58,642.15	-6.0	-20.6	-45.5	58,642.15 – 125,260.81
Ethereum (USD)	1,573.83	-5.3	-22.3	-37.1	1,557.07 – 4,848.19
DXY	101.19	-0.2	+2.3	+4.5	96.22 – 101.61
EUR/USD	1.1422	+0.4	-2.0	-3.1	1.1358 – 1.2041
USD/JPY	162.55	+0.6	+2.1	+12.9	143.42 – 162.55
GBP/USD	1.3262	+0.4	-1.4	-3.4	1.3021 – 1.3849
USD/CHF	0.8084	-0.2	+3.5	+1.9	0.7612 – 0.8148
USD/CAD	1.4196	-0.1	+2.9	+4.3	1.3490 – 1.4234
AUD/USD	0.6919	+0.0	-3.7	+5.1	0.6420 – 0.7258
USD/CNY	6.7870	-0.1	+0.3	-5.3	6.7567 – 7.2000

Total returns where available. Source: Bloomberg.

GLOSSARY

- **Hawkish / Dovish:** Terms describing a central bank's attitude toward interest rates. A "hawkish" Fed is leaning toward raising rates or keeping them high to fight inflation. A "dovish" Fed is leaning toward cutting rates to support economic growth.
- **OAS:** Option-Adjusted Spread — the extra yield over comparable-maturity U.S. Treasuries earned on a corporate bond, adjusted for embedded options.
- **Basis point (bp):** One one-hundredth of a percentage point. A move from 4.40% to 4.45% is five basis points.
- **Core PCE:** The Personal Consumption Expenditures price index excluding food and energy, the Federal Reserve's preferred measure of underlying inflation.
- **Sahm Rule:** A recession indicator that triggers when the three-month moving average of the unemployment rate rises 0.50 percentage points or more above its trailing twelve-month low.
- **TIPS:** Treasury Inflation-Protected Securities — Treasury bonds whose principal adjusts with CPI, providing direct inflation protection.
- **Breakeven inflation:** The difference between a nominal Treasury yield and a TIPS yield of the same maturity; the level of inflation at which the two would deliver equal returns.
- **GICS:** The Global Industry Classification Standard, the eleven-sector classification system used by S&P and MSCI to organize publicly traded equities.
- **Capital Market Assumptions (CMA):** Forward-looking estimates of expected return, volatility, and correlation for each asset class, used as inputs to strategic asset allocation.
- **FOMC:** Federal Open Market Committee — the Federal Reserve's interest rate-setting body.
- **DXY:** a widely-used index measuring the U.S. dollar's strength against a basket of major currencies.
- **MOVE index:** a measure of expected volatility in the Treasury bond market, similar to the VIX for stocks)
- **BCOM:** Bloomberg Commodity Index
- **NIMs:** Net Interest Margins — the profit banks earn on loans vs. what they pay on deposits.
- **MLR:** Medicare Advantage Medical Loss Ratio — a technical insurance metric.
- **NIIT:** Net Investment Income Tax
- **BoJ:** Bank of Japan

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*We publish this commentary monthly and will adjust positioning as the data evolves.
Please contact your Farther advisor with questions about how this view applies to your specific financial plan.*

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Alex leads the research effort for a team of professionals dedicated to developing and implementing investment strategies that align with each advisor's unique client goals and objectives. With more than a decade of experience in portfolio management, investment analysis, and asset allocation strategy, he brings both technical expertise and strategic vision to Farther's investment approach.

As a CFA® charter holder, Alex specializes in investment due diligence, portfolio optimization, and asset allocation design, with a particular focus on shaping Farther's capital market outlook and high-level investment strategy.

A graduate of the University of Michigan–Ann Arbor, Alex earned High Honors with degrees in Biochemistry and Economics — an uncommon combination that reflects both his analytical rigor and intellectual curiosity.



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With more than two decades of experience across prominent East Coast investment firms, Vinit Madan brings deep expertise in portfolio management, asset allocation, and risk control. He began his investment career at Gabelli Asset Management (GAMCO) as an equity trader for Mario Gabelli's mutual funds, where his early exposure to disciplined investing sparked a lasting interest in building thoughtful, well-balanced portfolios.

After earning his MBA from Vanderbilt University with dual concentrations in Finance and Accounting, Vinit joined Ospraie Fund Management, a leading commodity-based hedge fund, as an analyst. He went on to serve as a portfolio manager at both GAMCO and Noble Partners, a Boston-based hedge fund, before joining Morgan Stanley as a portfolio manager from 2016 to 2019. Most recently, he served as Director of Investments at Prime Capital Financial from 2020 to 2025 before joining Farther.

Throughout his career, Vinit has maintained a guiding belief that successful investing is a continuous process of learning, adaptation, and intellectual curiosity.

About this commentary

The Farther Investment Strategy team

The Farther Investment Strategy (IS) team serves as a specialized support arm for Farther Advisors, providing institutional-grade portfolio analysis, investment due diligence, and actionable market intelligence. The team operates independently of individual advisor practices. This structural independence ensures that the views expressed in this commentary reflect a consistent, firm-wide perspective grounded in objective, rigorous research rather than any single business development objective.

As part of our commitment to delivering client-ready investment insights, this monthly market commentary is designed to help advisors articulate a compelling, data-driven investment narrative. Produced on a monthly cadence, each issue is rigorously reviewed to ensure alignment with Farther's overarching capital market outlook and to provide actionable assessments of how current economic and policy trends impact portfolio positioning.

How to use this commentary

This commentary is written to be accessible to informed investors who want to understand the forces shaping their portfolio. Clients do not need a finance background to engage with it. Each section includes a plain-language summary of the key takeaway, and the document is structured to be read in full or by section depending on the reader's interest.

Clients reading this commentary should keep a few things in mind:

- **It reflects firm-level views, not your individual plan:** The positioning described here represents Farther's broad strategic stance. How it applies to your specific portfolio depends on your goals, time horizon, and risk profile. Your advisor is the right person to connect these views to your personal financial plan.
- **It is a snapshot, not a prediction:** Markets change, and so does our positioning. This commentary captures our best thinking as of the publication date. We update it monthly and will communicate material changes as they occur.
- **The 'In plain terms' callouts are written for you:** Throughout the document, tan-shaded callout boxes summarize the most important takeaway from each section in plain language. If you read nothing else, read those.
- **Questions are welcome:** If something in this commentary raises a question about your portfolio or our investment approach, reach out to your Farther advisor. These conversations are exactly what this document is designed to support.

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