

Financial markets experienced a choppy but resilient June, finishing the month largely flat. Tensions between the US and Iran cooled, with the announcement of an initial agreement to end the conflict and reopen key energy supply routes, driving energy prices and inflation expectations lower. Now under the direction of Chairman Kevin Warsh, the Fed appears to be on course to changing how it operates and markets remain unsure what that means for interest rates.

Domestic Equity

After two incredibly strong months of returns in April and May, the S&P 500 gave back some of its gains for the quarter in June, losing nearly 1%. However, June wasn't all bad as small and mid cap stocks both returned more than 3% in June and value and dividend-oriented stocks also made gains during the month. Overall, seven of eleven S&P 500 sectors advanced in June, but there was significant dispersion. The Industrials and Healthcare sectors returned 7.3% and 6.6% respectively in June, while Communication Services and Energy lost 7.8% and 5.1% respectively. The risk-on sentiment was rewarded with SpaceX, which went public on June 12th at \$135 per share and rose to nearly \$220 on its third trading day, before declining to end the month at just over \$153.

	June	YTD '26
S&P 500	(1.0%)	10.2%
S&P 500 Equal Weight	2.4%	12.1%
Russell 1000 Growth	(2.7%)	5.3%
Russell 1000 Value	2.3%	16.3%
Russell Mid Cap	3.1%	15.3%
Russell 2000	3.7%	22.6%

International Equity

International Returns were more muted in June with International developed markets (MSCI EAFE) gaining only 0.1% and emerging market equities (MSCI EM) losing 1.4%. These returns faced the headwind of a stronger U.S. dollar, which reduced returns for US-based investors. EM equity returns were dragged down by weakness in China and several Latin American countries (MSCI LatAm -2.4%). Chinese stocks sold off due to signs of a weakening domestic economy as well as a rotation away from many tech stocks in June. Several Latin American countries declined in June as falling oil and commodity prices could weigh on their exports in the second half of 2026.

	June	YTD '26
MSCI ACWI ex USA IMI (USD)	(1.0%)	13.1%
MSCI Europe (USD)	0.9%	7.8%
MSCI Japan (USD)	(0.3%)	15.8%
MSCI Pacific ex Japan (USD)	(3.0%)	6.8%
MSCI EM (USD)	(1.4%)	23.8%
MSCI China (USD)	(7.1%)	(15.0%)

Rates & Credit

The US Treasury (UST) yield curve flattened in June, with 2-year yields increasing 28 basis points (bps) to 4.18% from 3.90%, while at the long-end of the curve 30-year yields increased by a mere 2 bps to 4.95%. The move at the short end was in response to the hawkish Fed statement, increasing the likelihood of an increase in the Fed Funds rate. Corporate spreads modestly widened from historically low levels, thus being a slight drag on Aggregate performance. Investors are increasingly aware of corporate-specific issues such as heavy supply, increasing M&A risks, and weakness among lower income consumers, but show no signs yet of giving up the extra income earned for the perceived safety of Treasury securities.

	June	YTD '26
10 Yr Treasury	0.3%	(0.1%)
Bloomberg US Agg Bond	0.2%	0.6%
Bloomberg Interm Corp	0.1%	0.8%
Bloomberg Govt/Credit 1-3 Yr	0.1%	0.8%
Bloomberg US High Yield	0.3%	2.0%
Bloomberg Muni 1-10 Yr	0.5%	1.1%

Diversifying Strategies

Hedged strategies delivered positive performance in June despite choppy intramonth equity market volatility. Equity hedge strategies were the strongest performers, driven by solid stock selection across fundamental growth and value strategies, as well as gains in mean-reverting, factor-based approaches. Event-driven strategies also posted solid gains, supported by special situations and company-specific catalysts. Relative value strategies generated modest positive returns, helped by relatively stable rates that supported multi-strategy and convertible arbitrage positioning. Macro strategies were the only laggard, as systematic trend-followers were whipsawed by trend reversals, a stronger U.S. dollar, and rocky commodity performance.

	June	YTD '26
HFRX Global Hedge Fund	0.6%	4.8%
HFRX Equity Hedge	1.7%	8.7%
HFRX EH: Equity Market Neutral	1.8%	(0.3%)
HFRX Event Driven	0.6%	2.7%
HFRX Relative Value Arbitrage	0.3%	1.9%
HFRX Macro/CTA	(0.9%)	7.1%

Real Assets & Other

June was a rough month for commodities as the US Dollar strengthened on a hawkish tone from the Fed and mixed equity markets. Industrial and precious metals declined sharply as a result, with the price of gold falling below \$4,000/oz and sending YTD performance into negative territory. Oil prices eased towards the end of the month as the US and Iran reached a ceasefire agreement and aimed to reopen the Strait of Hormuz. REITs saw another solid month, driven by resilient fundamentals and strong performance in the lodging and resorts sector as summer travel demand picks up. Bitcoin was notably weak, as US-listed ETFs saw \$4.5 billion of outflows, signaling a shift in risk appetite and cryptocurrency sentiment.

	June	YTD '26
BB Commodity/Industrial Metals	(7.6%)	6.6%
BB Commodity/Energy	(11.8%)	38.7%
BB Commodity/Gold	(11.8%)	(7.4%)
MSCI US REIT	3.1%	17.6%
FTSE Global Core Infra 50/50	1.3%	11.1%
US Dollar	2.3%	2.9%
Bitcoin	(20.0%)	(33.0%)

DISCLOSURES: Return Source: Morningstar Direct and HFRI. International indexes are net USD. Bitcoin performance is represented by iShares Bitcoin Trust ETF returns as proxy. Returns assume the reinvestment of dividends and interest. Information provided in this article is general in nature, is provided for informational purposes only, and should not be construed as investment advice. The views expressed by the author are based upon the data available at the time the article was written. Any such views are subject to change at any time based on market or other conditions. Clearstead disclaims any liability for any direct or incidental loss incurred by applying any of the information in this article. All investment decisions must be evaluated as to whether it is consistent with your investment objectives, risk tolerance, and financial situation. The performance data shown represent past performance. Past performance is not an indicator of future results. Current performance data may be lower or higher than the performance data presented.