



WEEK OF MAY 11, 2026

Market Navigator

U.S. markets finished higher again, with the Nasdaq Composite and S&P 500 closing at record highs. The Nasdaq led the way, driven by the technology sector, which rose 7 percent. Fixed income markets were marginally higher after Friday's employment report came in stronger than anticipated.

Quick Hits

1. **Beyond the headlines:** Has the employment market turned the corner?
2. **Report releases:** Job creation in April beat expectations for the second consecutive month.
3. **Financial market data:** The Nasdaq led markets higher; the Russell 2000 rose for the sixth consecutive week.
4. **Looking ahead:** Inflation data will be back in the spotlight this week.



Beyond the Headlines: Has the Employment Market Turned the Corner?

The Federal Reserve's (Fed's) dual mandate is maximum employment and stable prices. Before the war in the Middle East began in February, the central bank lowered interest rates 25 basis points (bps) three times in 2025—at its September, October, and December meetings—to help ensure that any deterioration in the labor market didn't spiral and jeopardize the U.S. economy. Given that consumers are the key to the economy, an improving job market would be an important element of continued economic growth.

Tricky Spot for the Fed

After a relatively hot labor market in 2023 and 2024, last year looked a lot different. Negative job creation was seen in four months in 2025, resulting in a cooling employment market. The worst month, however, was still to come: in February of this year, job growth was -156,000. At that point, investors and economists were concerned. It put the Fed in a tricky spot—cutting rates to support the labor market could exacerbate the inflation impact of higher oil prices. Such a scenario could lead to a period of stagflation—lower growth accompanied by rising prices—for the U.S. economy.

Until a resolution in the Middle East allows shipping through the Strait of Hormuz to normalize and bring oil prices down, uncertainty about the war's impact on economic growth will remain high.

The past two months have been marked by surging oil prices, higher prices at the pump, and uncertainty about the path forward in the Middle East. Despite those headwinds, labor market performance has exceeded economists' expectations. After the weak February employment report, 185,000 jobs were created in

March and 115,000 jobs were added in April. At the same time, wage growth was 3.57 percent. While healthy, this pace of wage growth doesn't suggest wages will add meaningful upward pressure on inflation.

Encouraging Resilience

Until a resolution in the Middle East allows shipping through the Strait of Hormuz to normalize and bring oil prices down, uncertainty about the war's impact on economic growth will remain high. For now, though, the economy's ability to initially weather higher oil prices and corporate America's willingness to hire

employees is encouraging. Over the past two months, an average of 150,000 jobs have been created. That is below the monthly pace from 2023 and 2024, but slow growth is still growth.

With inflation moving higher, a stabilizing employment market allows the central bank to take its time and remain data-dependent when evaluating interest rate policy. Earnings remain a key driver for investors—and news on that front remains encouraging, with first-quarter earnings growth exceeding 25 percent.



Report Releases: May 4–8, 2026

Institute for Supply Management (ISM) Services Index April (Tuesday)

Service sector confidence fell slightly last month. New order growth slowed, but business activity increased.

- Expected/prior month ISM Services index: 53.7/54.0
- Actual ISM Services index: 53.6



Employment Report April (Friday)

Last month's employment report showed continued healthy job growth, with 115,000 jobs added against expectations for 65,000.

- Expected/prior change in nonfarm payrolls: +65,000/+185,000
- Actual change in nonfarm payrolls: +115,000



Preliminary University of Michigan Consumer Sentiment Survey May (Friday)

Consumer confidence fell more than expected, marking the second consecutive month in which the index has set a new low, signaling potential headwinds for consumers.

- Expected/prior month sentiment: 49.5/49.8
- Actual consumer confidence: 48.2



>> The Takeaway

- Continued improvement in the employment market is a positive sign for the economy as it weathers higher oil prices.
- Job creation exceeded expectations for the second consecutive month. Service sector and consumer confidence declined, as anticipated.

Financial Market Data

Equity

U.S. equity markets were again led higher by the Nasdaq Composite, which rose more than 4 percent, and the S&P 500, which was up more than 2 percent. Both indices closed at record highs. Markets were paced by the technology sector, which rose 7 percent. With news about the potential for a negotiated end to the Middle East conflict, energy declined more than 5 percent and materials fell roughly 4 percent. International markets finished higher, rising about 1 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.36%	2.66%	8.50%	32.23%
Nasdaq Composite	4.52%	5.46%	13.15%	47.36%
DJIA	0.25%	-0.06%	3.75%	21.99%
MSCI EAFE	1.10%	1.44%	7.94%	26.15%
MSCI Emerging Markets	6.90%	6.98%	22.61%	54.81%
Russell 2000	1.73%	2.20%	15.81%	43.16%

Source: Bloomberg, as of May 8, 2026

Fixed Income

Fixed income markets were mostly higher, with the broad market up marginally. Markets reacted favorably to a stronger-than-expected jobs report, which should give the Fed time to remain data-dependent before changing interest rates. The 10-year Treasury yield was essentially flat, closing at 4.35 percent. Municipal bond yields were down slightly.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.26%	0.37%	0.44%	5.53%
U.S. Treasury	0.19%	0.27%	0.15%	4.03%
U.S. Mortgages	0.30%	0.45%	0.92%	7.09%
Municipal Bond	0.20%	0.21%	1.18%	6.34%

Source: Bloomberg, as of May 8, 2026

>> The Takeaway

- Stocks continued to rise: the Nasdaq and S&P 500 were up for the sixth consecutive week, closing at record highs. The technology sector led the way, rising 7 percent.
- Fixed income markets were marginally higher, and Treasury yields were essentially unchanged.

Looking Ahead

Inflation data returns to the spotlight this week. Consumer and producer prices are expected to show increases as elevated oil prices continue to drive inflation higher.

- The week kicks off Tuesday with the **Consumer Price Index** for April. Elevated oil prices are expected to lead to another increase in prices paid by consumers.
- On Wednesday, we'll see the **Producer Price Index** for April. As higher oil prices begin to work their way through supply chains, it's expected that the prices producers are paying will increase, perhaps to 5 percent.
- On Thursday, we'll have a look at **retail sales** for April. It's anticipated that sales will be strong for the fourth month in a row, which would be a positive sign for the consumer-driven economy.
- A strong first-quarter earnings season is wrapping up, with **reports expected from Simon Property Group, ON Semiconductor, Cisco, and Applied Materials.**





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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.

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