Weekly Charts

2026

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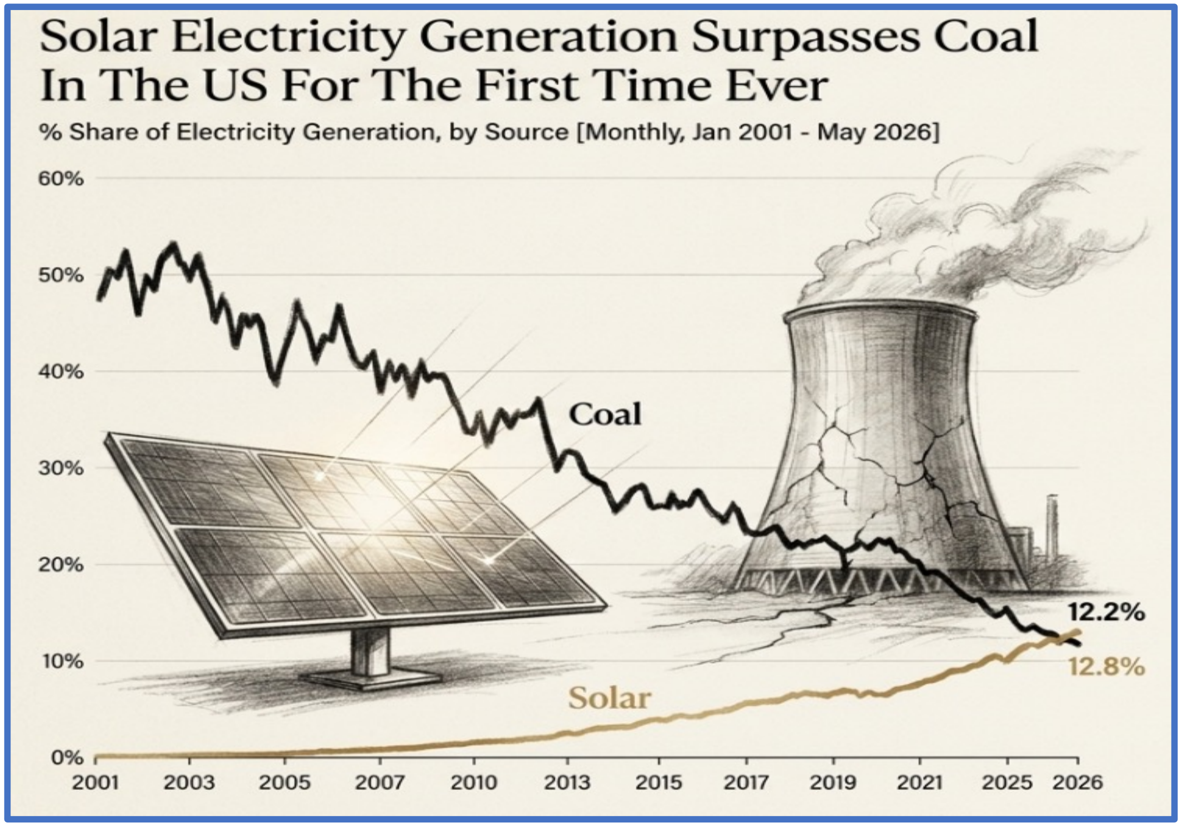

Source: Sherwood.news

We are seeing a historic transition in American energy infrastructure. May 2026 data from Ember reveals that solar supplied 12.8% of U.S. energy generation, officially surpassing coal (12.2%) for the first time in history. This marks the fourth-lowest monthly share coal has ever recorded, a stark decline for a resource that was America's undisputed energy king from 1984 to 2010. Over the past five years, coal's share of the grid has been effectively halved.

This milestone arrives amidst a sharp political paradox. The Trump administration recently announced plans to inject $700 million into reviving the coal industry, following the termination of $7 billion in solar project funding last August.

The demand for renewals like solar has blossomed as America's energy usage keeps surging to new highs. Solar is now the third largest source of electricity in the US overall, trailing only natural gas and nuclear – cementing its status as the nation's fastest growing power source.

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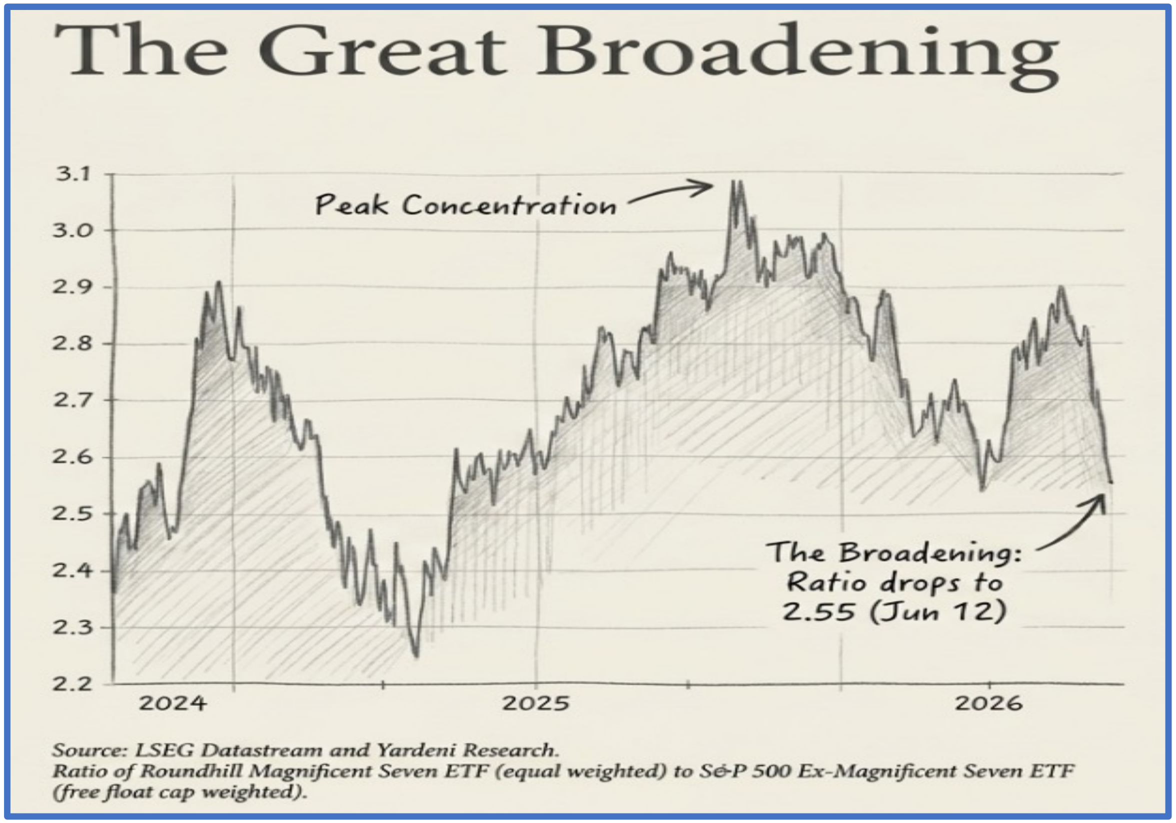

Source: Yardeni-Research

A structural rebalancing appears to be underway beneath the surface of the S&P 500, signaling a shift away from the highly concentrated leadership that has defined the market over the past several years. While the Magnificent Seven delivered impressive earnings growth in the first quarter, institutional investors are beginning to show signs of increased skepticism.

At the center of this debate are the enormous capital expenditures being directed toward artificial intelligence initiatives. Although investors broadly acknowledge the transformative potential of AI, questions are emerging regarding the timing, magnitude, and ultimate return on these investments. As a result, market leadership has started to broaden beyond the mega-cap technology names that have dominated performance.

This shift is increasingly evident in recent market returns. Through June 12, the Roundhill Magnificent Seven ETF (MAGS) has declined 1.59%, while the remaining 493 constituents of the S&P 500 have collectively gained more than 13%. Such a divergence suggests that investors are becoming more selective and are finding opportunities across a wider range of sectors and industries.

We view this broadening of market participation as a constructive development. A healthier market is one in which gains are supported by a diverse group of companies rather than a handful of mega-cap leaders. If this rotation continues, it could provide a more durable foundation for the market to achieve new highs during the second half of the year.

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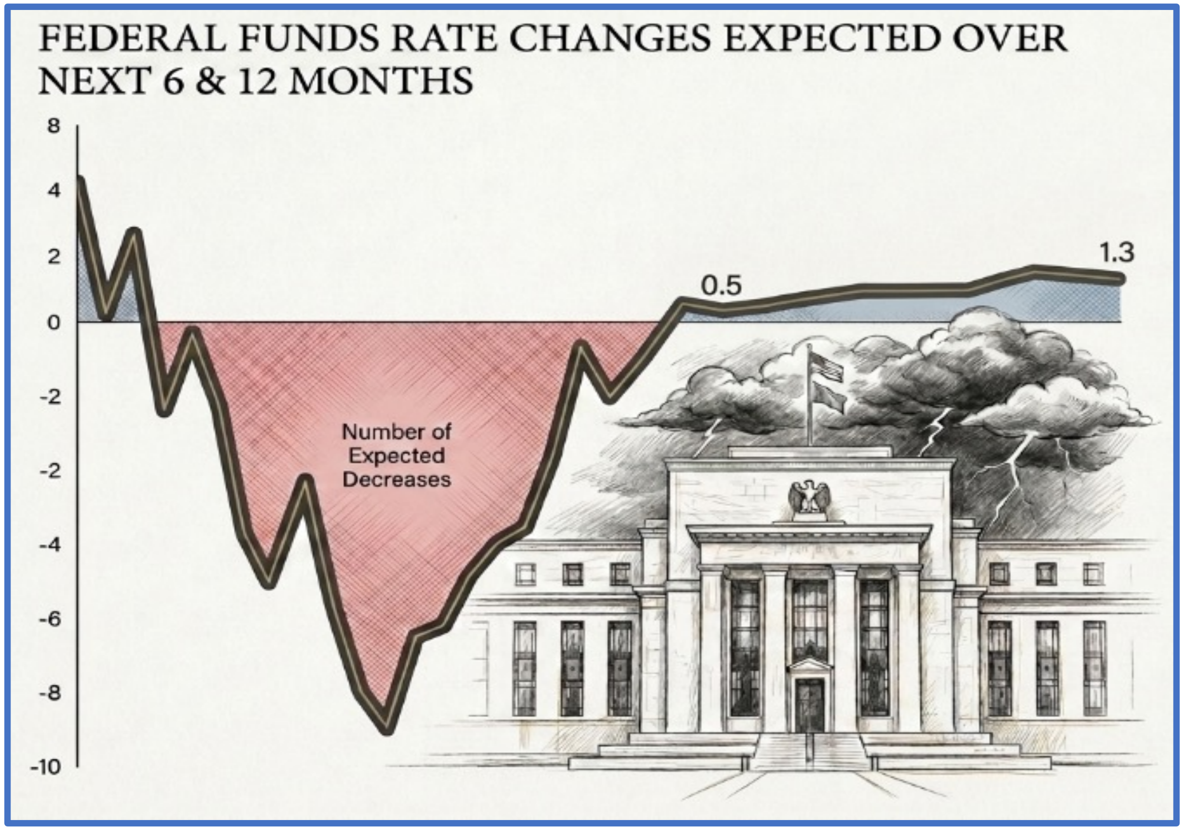
Source: Ycharts

The May Consumer Price Index (CPI) had something for everyone, leaving the Federal Reserve with a complex policy backdrop. Headline CPI rose 0.5% month-over-month and accelerated to 4.2% year-over-year from 3.8% in April. In contrast, core CPI remained relatively subdued, rising 2.8% over the last 12 months.

The divergence between headline and core inflation was driven primarily by energy prices. Energy costs rose 3.9% in May and are up 23% over the past year, accounting for much of the recent acceleration in headline inflation. While core inflation remains closer to the Fed's long-term target, both measures continue to indicate inflationary pressures that remain above the Federal Reserve's stated 2% objective.

Looking ahead, the inflation outlook may improve. Oil prices have declined more than 30% from their early-April peak, which should help moderate energy-related inflation and contribute to a softer CPI reading next month. If the recently announced peace agreement remains intact and energy markets remain stable, there is a reasonable case that the cyclical peak in inflation is now behind us. Such a development would ease some of the pressure on the Federal Reserve and could provide the incoming Fed Chair with greater flexibility regarding the future path of interest rates.



Source: Yardeni-Research

Speaking of the Federal Reserve, the FOMC meets this week under the leadership of Kevin Warsh for his first meeting as Chair. Market expectations have shifted dramatically over the past several weeks. What was once a consensus outlook calling for multiple rate cuts has disappeared, replaced by expectations that the Fed may need to deliver at least one rate hike this year or early next year.

While no policy change is expected on Wednesday, the key question is whether the Committee formally adopts a neutral stance or signals a tightening bias. A move toward neutrality appears likely. However, an explicit tightening bias may be less probable if policymakers choose to look through the recent rise in inflation, viewing it primarily as a supply-driven phenomenon rather than a reflection of accelerating underlying demand.

Warsh has also indicated that his preferred inflation measure is the Trimmed Mean PCE Index, which removes the most extreme price movements each. This approach is designed to provide a clearer view of underlying inflation trends by filtering out temporary volatility. If—and it is a significant if—the Committee begins placing greater emphasis on this measure, the case for an imminent rate hike becomes less compelling. The latest Trimmed Mean PCE reading stands at 2.35% year-over-year, nearly 1% below the current Core PCE rate.

Should the Committee maintain its current policy framework and preserve a bias toward future rate cuts, financial conditions would remain accommodative. In that environment, asset price would continue to rise, increasing the risk that speculative behavior becomes more widespread and raising concerns that portions of the market are entering bubble territory, if not already there.

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