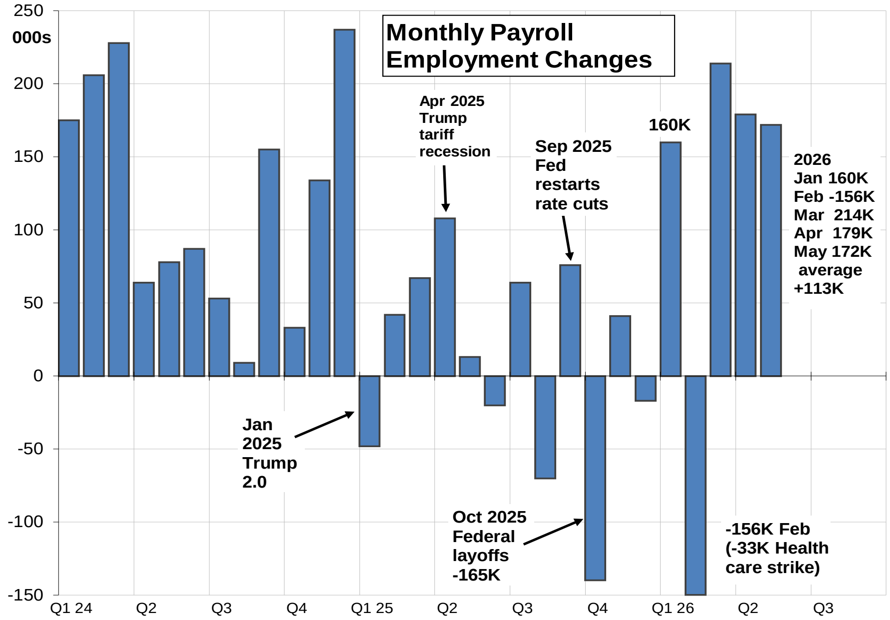
Financial Markets This Week

5 JUNE 2026

Christopher S. Rupkey, CFA
Chief Economist
crupkey@fwdbonds.com

JOBS FOR ALL



Isn't there a war in the Middle East and $4 gasoline and tremendous economic uncertainty? 172K jobs in May, 179K in April, 214K in March with the 93K of upward revisions to April/May. It has been a bumpy ride under Trump 2.0, but the labor market has seemingly weathered the storm. 2025 average monthly payroll gains 10K. 2026 average monthly payroll gains 113K. Here are our stunned comments immediately after the report. There may be AI job cuts for some, but many other companies just cannot do without good old-fashioned manpower. There is no argument for Fed rate cuts with the labor market this strong, and Fed officials must concentrate on the inflation risks because the economy is heating up.

The jobs market slowed to a crawl after the Trump economics team came to Washington in January 2025. But there are definitely some green shoots in the labor market this spring and payroll jobs are really starting to rumble. Today's robust jobs report definitely puts the kibosh on Fed Chair Warsh's first meeting because the labor market is not slowing down and inflation is far above target, so many FOMC participants are likely to pencil in one or two rate hikes, not cuts, later on this year.

After the Liberation Day tariff announcement sank the stock market last April which had investors fearing a Trump tariff recession was imminent, payroll employment barely had a heartbeat with 13K average monthly gains from May through September 2025. The average gain in the last three months is 188K. The news headlines coming out of Washington are not slowing down, but the labor market is picking itself up, dusting itself off and moving forward at an increasingly solid pace. Washington economic officials definitely have something to crow about after today's solid report. The economic outlook is so bright, Trump 2.0 officials might actually forget about the need for an interest rate cut. Fed officials certainly will be. Bet on it.

So yes, jobs but are they good jobs. Or slightly different, will this positive trend continue? We won't count February's 214K gain because it offsets the 156K drop in February that was partly a -33K health care strike and it was unseasonably cold with food services and drinking places seeing a 39K loss of jobs. The similar gains in the 170K range the last two months had quite different reasons for success.

Private services were only 92K in May, a downshift from 163K in April, but the relative loss was made up for by Local government hiring 55K, which probably won't continue, and there were 8K more construction jobs and 7K manufacturing jobs in May after nothing in April. Will private services do better in June? Doing better being relative because maybe the 163K April number was pumped up temporarily by Couriers and messengers unless you are ordering more from DoorDash or Uber Eats. Haha, just kidding, these deliveries are normally independent contractors, and the category is just normal logistics, mail delivery, and local courier services and so, the gains are subject to sudden equally unexplained reversal. Other than this, private jobs were held down in May by the 1K drop in retail stores, and 22K drop in financial jobs, notably insurance. Professional and business jobs are often thought to be "good" jobs, but these have been held back by computer system layoffs and management of companies have bosses' bosses who want the place to be "nimble." What can we say? Looking ahead, 170K may not print every month for payroll job gains, but it is reasonable to think a 100K-plus trend will hold in the second half of 2026 with no risk of recession. We are not factoring in the reversal in immigration trend which is real, but we will leave it out only because we cannot see it in this month's payroll jobs report.

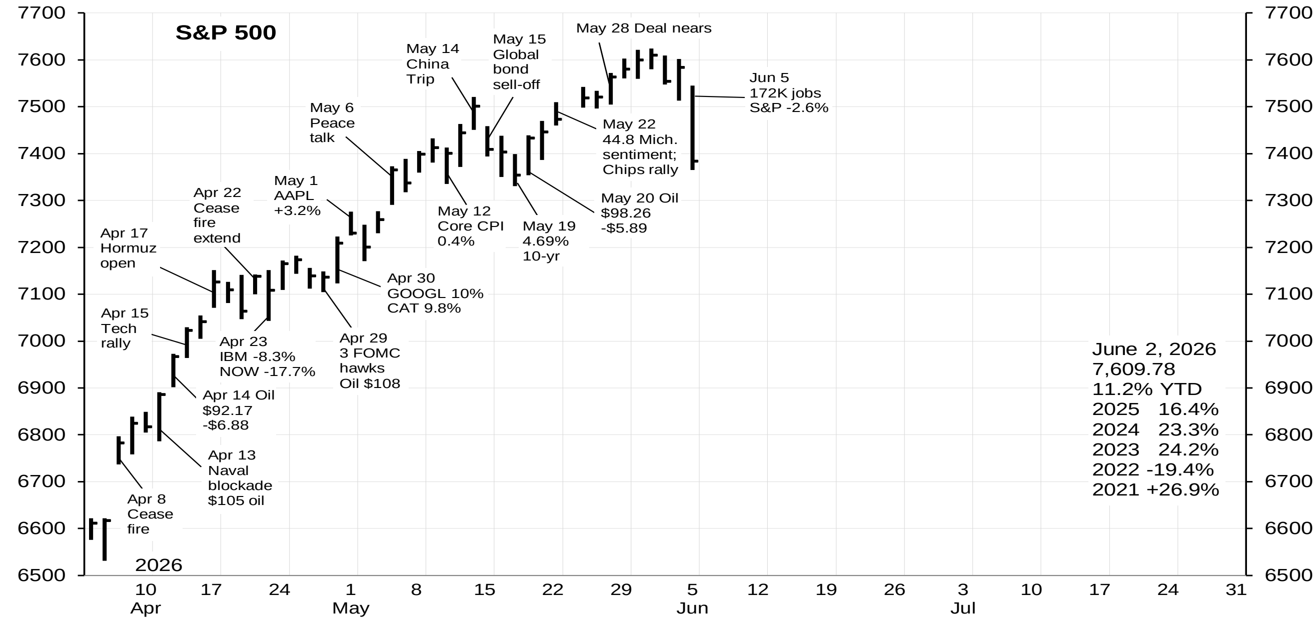
2026 Payroll jobs volatility

Dec. 2025 Totals millions		May 26	Apr 26	Mar 26	5 months Dec 25 to May 26	12 months Dec 24 to Dec 25
158.432	Nonfarm Payroll Employment	172	179	214	569	116
135.083	Total Private (ex-Govt)	120	177	202	531	296
21.456	Goods-producing	28	14	33	99	-135
0.566	Mining	5	4	1	8	-15
12.580	Manufacturing	7	0	15	25	-113
0.951	Motor Vehicles & parts	4	-5	2	7	-37
0.990	Computer/electronics	1	3	2	4	-22
1.780	Food manufacturing	-4	2	-2	-4	1
8.272	Construction	17	9	15	65	-4
5.222	Specialty trade contractors	14	3	9	39	-17
113.627	Private Service-providing	92	163	169	432	431
28.616	**Trade, transportation, utilities**	-3	62	32	93	-195
15.414	Retail stores	-1	24	10	44	-47
3.217	General Merchandise	-8	16	4	30	-16
3.247	Food & Beverage stores	-3	-2	10	7	3
6.555	Transportation/warehousing	1	39	25	42	-108
1.467	Truck transport	-4	5	-1	-2	-28
0.571	Air transportation	-9	0	2	-4	8
1.051	Couriers/messengers	1	38	23	48	-43
1.836	Warehousing and storage	6	4	1	6	-45
2.842	**Information**	-2	-8	1	-59	-53
0.473	Computing, data, web hosting	4	-2	0	-7	-8
9.186	**Financial**	-22	-6	-17	-82	7
2.993	Insurance	-11	-8	-9	-45	-23
2.452	Real Estate	-2	-1	3	-11	-4
1.371	Commercial Banking	-3	0	-5	-17	-7
1.158	Securities/investments	-5	4	0	7	34
22.372	**Professional/business**	6	22	28	96	-160
2.451	Temp help services	1	9	8	39	-91
2.622	Management of companies	3	-5	-2	-8	3
1.746	Architectural/engineering	2	4	4	18	33
2.381	Computer systems/services	2	3	-10	-7	-51
1.231	Legal services	1	2	-1	6	24
1.130	Accounting/bookkeeping	-5	-1	-10	-15	5
27.627	**Education and health**	40	54	95	259	682
4.039	Educational services	-7	-5	3	-15	-5
18.295	Health care	35	41	80	192	387
9.121	Ambulatory health care	26	23	60	112	167
5.719	Hospitals	6	2	12	45	137
3.456	Nursing/residential care	4	15	8	34	83
5.292	Social assistance	12	17	12	83	299
16.961	**Leisure and hospitality**	70	30	44	118	99
1.939	Hotel/motels	11	-7	15	2	-6
12.343	Eating & drinking places	48	35	28	95	78
23.349	Government	52	2	12	38	-180
2.128	Federal ex-Post Office	-3	-4	-7	-52	-283
5.476	State government	-4	2	-4	-9	-39
2.603	State Govt Education	-11	-1	-5	-14	-42
15.151	Local government	55	6	23	92	146
8.232	Local Govt Education	12	-2	11	18	58

Monthly changes (000s)	May	Apr	Mar	Feb	Jan
Payroll employment	172	179	214	-156	160
Private jobs	120	177	202	-148	180
Federal govt ex-post office	-3	-4	-7	-1	-37
Bars/Restaurants	48	35	28	-39	23
HH Employment Survey*	149	-226	-64	-185	-895
Unemployment rate %	4.30	4.34	4.26	4.44	4.32
Participation rate %	61.8	61.8	61.9	62.0	62.1
Not in labor force (mln)	104.976	104.959	104.771	104.283	104.211
... and Want A Job (mln)	6.187	6.111	6.040	5.974	5.838
Average hourly earnings	$37.53	$37.41	$37.35	$37.27	$37.15
MTM % Chg	0.3	0.2	0.2	0.3	0.4
YOY % Chg	3.4	3.6	3.4	3.7	3.7

* Household (telephone) Survey of employment behind unemployment rate

INTEREST RATES



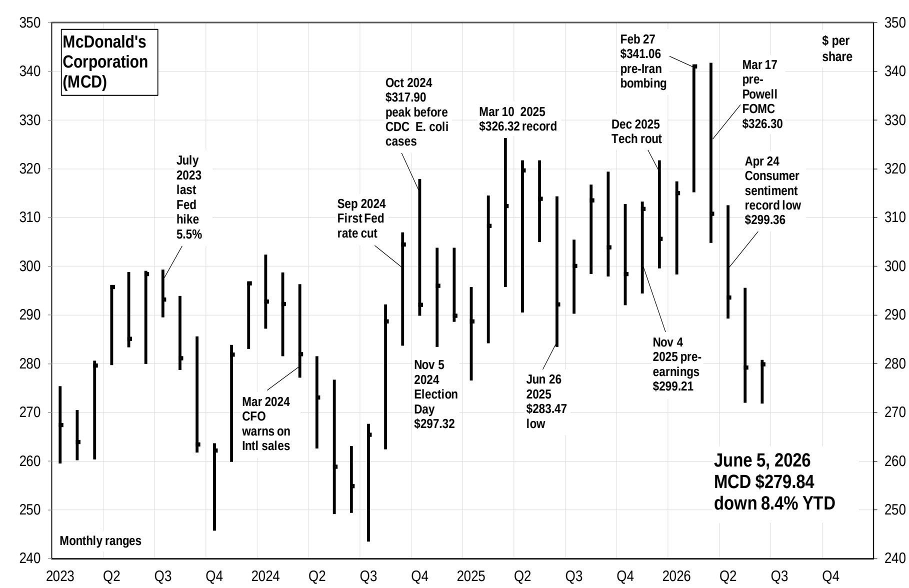
Where's the market going? No more fundamental question. This week the answer is straight down, is where it is going. 172K payroll jobs Friday and fears of a Fed rate hike. Other things on Friday, Bitcoin breaking down below $70,000, distrust of AI and selling of some tech and lots of chip stocks (Broadcom fell 12.6% Thursday after earnings). On Friday S&P 500 down 2.6%. Even non-tech Dow 30 industrials down 1.3% with NVDA, IBM, Cisco. Trump 2.0 officials tried to rally shares, starting with the President's encouraging post on the jobs data. The yield curve flattened Friday preparing for a Fed rate hike (can a 3.75 to 4.00 percent move really bring the economy crashing down, housing market already collapsed) with 2-year +10 bps to 4.25%, 10-year +4 bps to 4.52%, 30-year +2 bps to 5.00%. Friday 2.6% S&P drop is most since October 10, 2025 on Trump's new China tariff threat.

McDonald's Corporation (MCD) down 8.4% YTD Burger King anyone?

The high close was $341.06 on February 27 before the Iran war and it has been all downhill since. Except for Friday's 2.6% rally on safe-haven buying as the S&P 500 fell 2.6%. The stock tried to rally after earnings on May 7, but closed lower at $283.70. The company is worried about consumer demand this quarter because of higher energy prices, $4 gasoline. The $1.86 June dividend is 2.7% off of Friday's close.

MCD results (billions)

Quarter	Revenues	Operating Income	U.S. Comp sales	Stock price Qtr end
3.31.2026	6.517	2.953	3.9%	310.79
12.31.2025	7.009	3.156	6.8%	322.22
9.30.2025	7.078	3.357	2.4%	315.43
6.30.2025	6.843	3.232	2.5%	289.91
3.31.2025	5.956	2.648	-3.6%	245.30
12.31.2024	6.388	2.868	-1.4%	239.71
9.30.2024	6.873	3.188	0.3%	210.86
6.30.2024	6.490	2.920	-0.7%	202.26
3.31.2024	6.159	2.736	2.5%	182.35

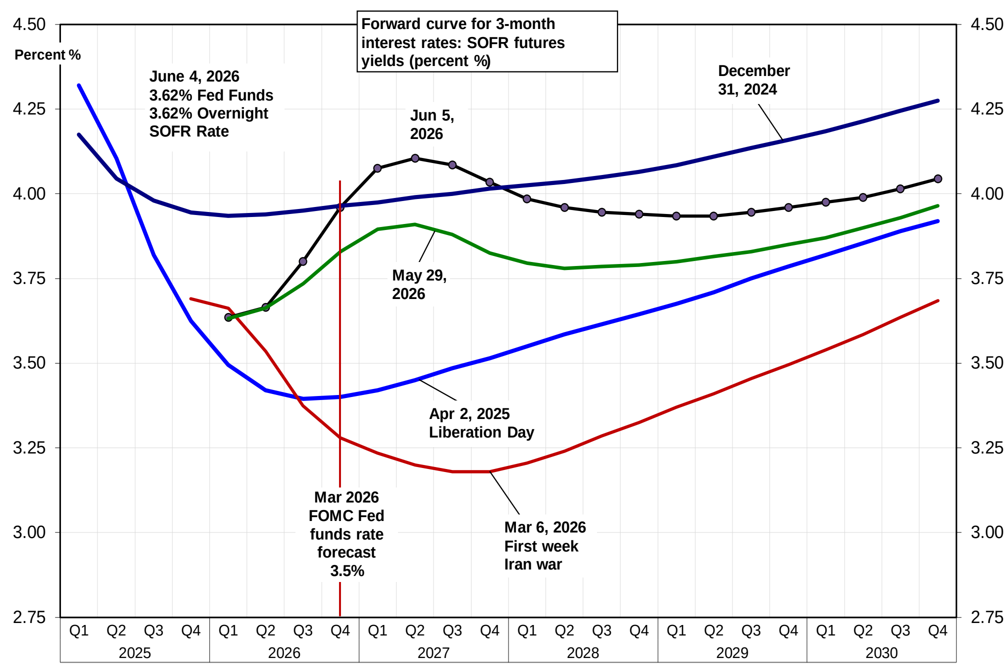


FEDERAL RESERVE POLICY

The Fed meets June 16-17, 2026 to consider its monetary policy. Bond yields rose with stronger 122K ADP private jobs on Wednesday before the real data on Friday. Before you think a better labor market rules out a Fed rate cut, we will circle back to comments last week by Fed Vice Chair for Supervision Bowman for confirmation. Sometimes simple explanations are more useful than complex reasoning when it comes to the setting of monetary policy. Think back to the popularity of the Taylor Rule some years ago. She described the decision making framework that guided her approach to setting the Fed funds rate. “If the labor market is fragile and expected to deteriorate, with rising unemployment and relatively weak job gains” then the Fed funds rate should be cut. She gave the 3 rate cuts 2.5% down to 1.75% in 2019 as an example, rate cuts from such a low 2.5% “neutral” level that were not going to do any economic good for anyone. And unemployment was way-low at 3.7% in July 2019. **Friday update: 172K payroll jobs, no rate cut based on Bowman rules.

Selected Fed assets and liabilities						Change
Fed H.4.1 statistical release						from
billions, Wednesday data	3-Jun	27-May	20-May	13-May	3/11/20*	3/11/20
Factors adding reserves						to Jun 3
U.S. Treasury securities	4469.293	4461.901	4457.712	4450.235	2523.031	1946.262
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1964.786	1964.786	1977.661	1981.060	1371.846	592.940
Repurchase agreements	0.004	0.111	0.007	0.004	242.375	-242.371
Primary credit (Discount Window)	6.072	6.362	5.599	6.002	0.011	6.061
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	0.026	0.026	0.027	0.029		
Main Street Lending Program	0.600	0.599	1.420	1.406		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.116	0.050	0.016	0.042	0.058	0.058
Federal Reserve Total Assets	6763.0	6755.7	6765.1	6779.9	4360.0	2402.961
~~3-month Libor %~~ SOFR %	3.61	3.63	3.50	3.59	1.15	2.460
Factors draining reserves						
Currency in circulation	2466.972	2465.412	2461.745	2458.020	1818.957	648.015
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	845.722	842.660	781.979	807.420	372.337	473.385
Treasury credit facilities contribution	0.000	0.000	0.821	0.821		
Reverse repurchases w/others	2.062	1.853	24.867	3.719	1.325	0.737
Federal Reserve Liabilities	3717.333	3688.720	3658.367	3662.487	2580.036	1137.297
Reserve Balances (Net Liquidity)	3045.654	3067.025	3106.715	3117.367	1779.990	1265.664
Treasuries within 15 days	78.762	93.305	88.919	94.449	21.427	57.335
Treasuries 16 to 90 days	371.017	347.048	343.911	332.071	221.961	149.056
Treasuries 91 days to 1 year	495.977	500.718	504.852	511.124	378.403	117.574
Treasuries over 1-yr to 5 years	1426.360	1430.262	1429.880	1394.557	915.101	511.259
Treasuries over 5-yrs to 10 years	485.277	481.343	481.258	515.413	327.906	157.371
Treasuries over 10-years	1611.899	1609.226	1608.892	1602.621	658.232	953.667
Note: QT starts June 1, 2022	Change	6/3/2026	6/1/2022			
U.S. Treasury securities	-1301.486	4469.293	5770.779			
Mortgage-backed securities (MBS)	-742.660	1964.786	2707.446			
**March 11, 2020 start of coronavirus lockdown of country						

Fed Policy-key variables	2026	2027	2028	Long Term
Fed funds	3.4	3.1	3.1	3.1
PCE inflation	2.7	2.2	2.0	2.0
Core inflation	2.7	2.2	2.0	
Unemployed	4.4	4.3	4.2	4.2
GDP	2.4	2.3	2.1	2.0
March 2026 median Fed forecasts				



1 bps away from a 50/50 rate hike chance by the September 2026 meeting.

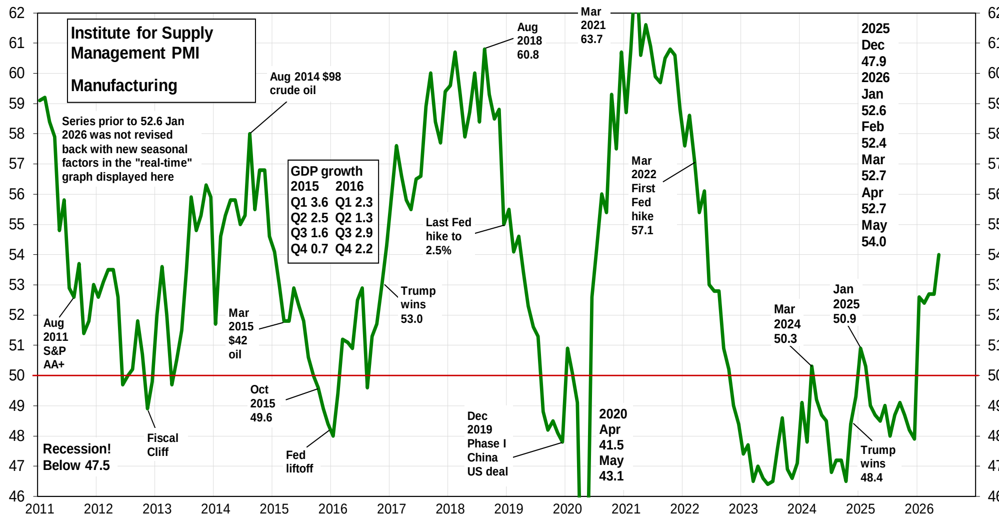
Fed funds futures call Fed policy	
Current target: June 5 -- 3.75%	
Rate+0.13 Contract	Fed decision dates
3.755 Jul 2026	Jun 17*
3.865 Oct 2026	Adds Jul 29, Sep 16*
*July 2026 could be two days at a new rate	
*Oct 2026 could be 3 days at a new rate	

Next up: May CPI inflation Wednesday, June 10 830am ET

Monthly	2026				2025										2025
% Changes	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb
Core CPI inflation	0.4	0.2	0.2	0.3	0.2	na	na	0.2	0.3	0.3	0.2	0.1	0.2	0.1	0.3
Core PCE inflation	0.2	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.4
Core PCE YOY	3.3	3.2	3.0	3.1	3.0	2.8	2.8	2.8	2.9	2.9	2.8	2.8	2.6	2.7	3.0
Core CPI YOY	2.8	2.6	2.5	2.5	2.6	2.6	na	3.0	3.1	3.1	2.9	2.8	2.8	2.8	3.1

OTHER ECONOMIC NEWS

ISM manufacturing and construction spending (Monday)



Breaking economy news. Anecdotal evidence on the economy from the survey of purchasing managers at manufacturing firms (is that still a job title) say things are looking up in May 2026. The giant leap from 47.9 in December to 52.6 in January, lifted further to 54.0 in May. We cannot say a recession from higher Iran war energy prices is imminent. ISM says no recession when index remains higher than 47.5 percent.

ISM manufacturing index

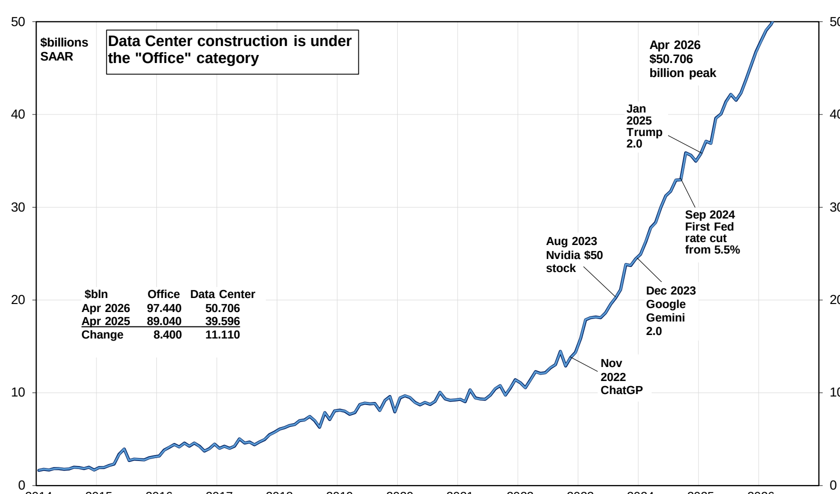
	May 26	Apr 26	Mar 26	Feb 26
PMI index	54.0	52.7	52.7	52.4
Prices	82.1	84.6	78.3	70.5
Production	54.3	53.4	55.1	53.5
New orders	56.8	54.1	53.5	55.8
Supplier deliveries	60.6	60.6	58.9	55.1
Employment	48.6	46.4	48.7	48.8
Export orders	50.6	47.9	49.9	50.3
Import orders	53.0	50.3	52.6	54.9

Value of Private Nonresidential Construction Put in Place ($mln SAAR)

	Apr 26	Dec 25	Dec 24	Dec 23	Dec 22
Total	729,789	734,203	744,025	791,270	663,715
$ chg	-4,414	-9,822	-47,245	127,555	145,209
Office	97,440	93,761	88,339	87,748	87,700
Data center	50,706	46,771	34,977	24,450	14,347
$ chg	3,935	11,794	10,527	10,103	2,958
Other office	46,734	46,990	53,362	63,298	73,353
Manufacturing	184,514	198,426	227,427	229,598	158,487
Computer***	64,671	79,384	118,005	120,236	69,453
$ chg	-14,713	-38,621	-2,231	50,783	47,527
Other mfg	119,843	119,042	109,422	109,362	89,034

*** Computer/electronic/electrical

Meanwhile, construction spending keeps falling. April nonresidential construction is down $4.4 billion or 0.6% from the end of last year. The Chips Act sent manufacturing up and now back down to square one. Data center construction has offset some of the construction weakness, increasing $3.9 billion or 8.4% so far this year to $50.706 billion. Data centers are part of the Office category of construction. More to come for data centers, unless public NIMBY resistance rises further, as total capex from Meta, Microsoft, Alphabet and Amazon are running over $125 billion in Q4 2025 and in Q1 2026. We can watch, but construction spending has not added to real GDP since a 0.4 percentage point contribution to Q4 2023.

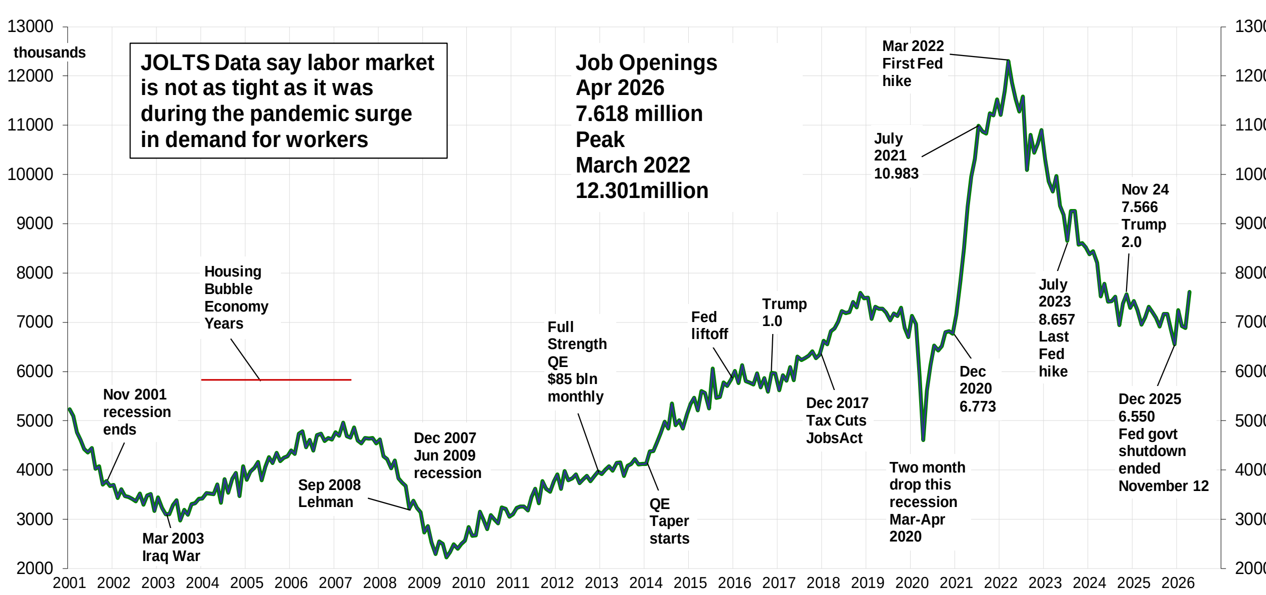


7.6 million job openings (Tuesday)

Change	Apr 2026	Mar 2026	Thousands
731	7618	6887	Total
684	6841	6157	Private
2	22	20	Mining/logging
25	259	234	Construction
24	474	450	Manufacturing
25	321	296	Durable goods
0	153	153	Nondurable
5	1165	1160	Trade, transport, utilities
15	170	155	Wholesale
-43	661	704	Retail
34	335	301	Transport, warehousing, utilities
4	87	83	Information
-134	367	501	Financial
-135	300	435	Finance, insurance
1	67	66	Real estate, rental, leasing
668	1715	1047	Professional and business services
96	1582	1486	Private education/health services
7	115	108	Private education services
89	1467	1378	Health care, social assistance
-67	815	882	Leisure and hospitality
6	135	129	Arts, entertainment, recreation
-74	679	753	Accommodation/food services
62	356	294	Other Services
47	777	730	Government
17	95	78	Federal
30	682	652	State and local
15	249	234	State and local education
15	433	418	State and local non-ed.

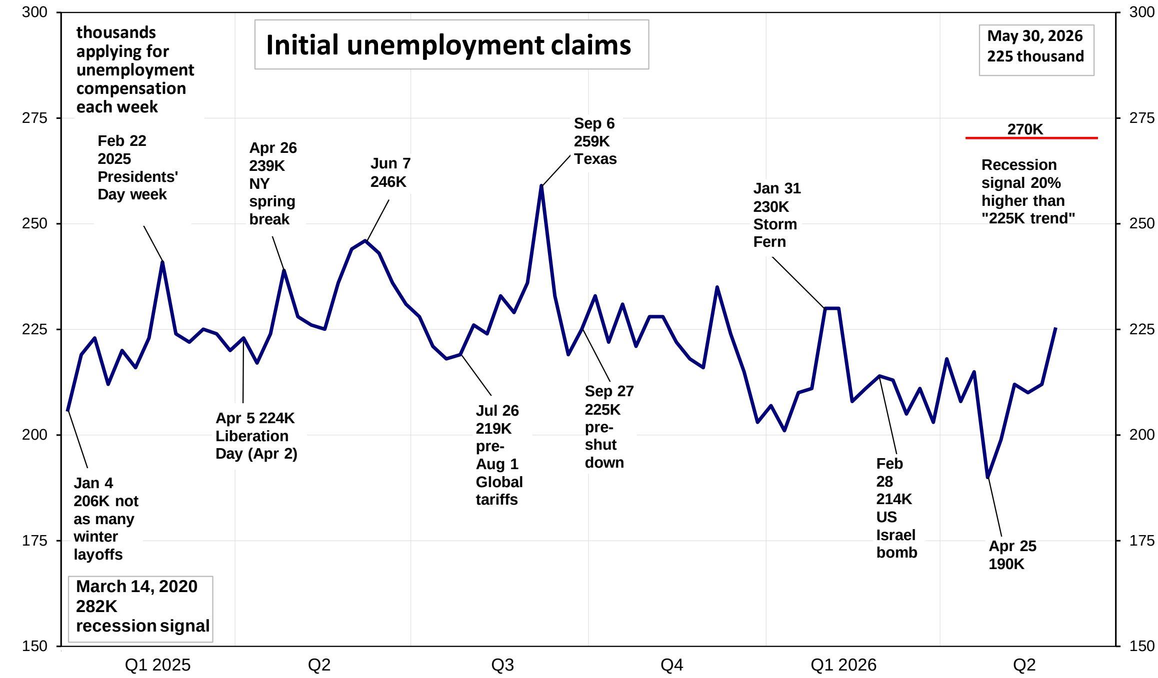
Breaking economy news. Job openings jumped 731K to 7.618 million at the end of April, and March revised slightly to 6.887 million instead of the previously reported 6.866 million. We guess the data are okay, given the Trump 2.0 economic officials' forecasts for stronger growth this year based on their policies. The report certainly looks odd.

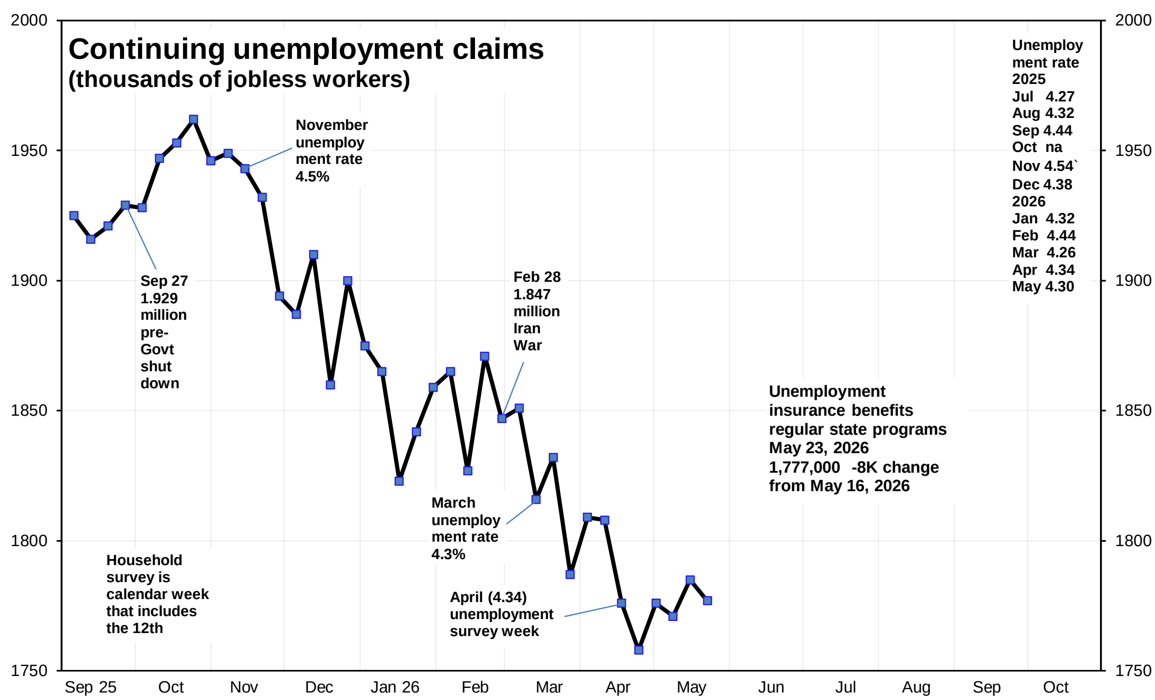
Net, net, you can put those AI job disruption stories to rest because American companies are putting the Help Wanted signs back out in April big time. The breakdown presents a complicated picture, but the takeaway is college grads might have an easier time this summer than economists thought as professional and business services hiring jumped 668K to 1.715 million openings. This gain was partly offset by a big decline in financial jobs, hotels and dining out, and some retail job openings. Stay tuned. America is back in business when it comes to hiring intentions two months after the Iran war started so the geopolitical uncertainty and $4 dollar gasoline is not holding corporate America back. The labor market job openings data at the end of April is a good sign for the all-important employment report for May that is due out on Friday with its survey period centering around the 12th of the month. The surprising drop in the quits level shows jobholder caution, but the bottom line is companies need help and this sets the economic outlook on a better course in the months to come.



Claims rise over Memorial Day (Thursday)

Breaking economy news. Initial unemployment claims rose 13K to 225K during the May 30 Memorial Day holiday week, meaning it is technical. The trend up from 190K on April 25 would be more concerning if payroll employment had not increased 172K in May and 179K in April, looking ahead to Friday's report. The decline in continuing claims is consistent with bigger monthly jobs numbers.





Analyst Certification

The views expressed in this report accurately reflect the personal views of the research staff at FWDBONDS LLC, the primary analysts responsible for this report, about the subject securities or issuers referred to herein, and no part of such analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed herein.