

Monthly Download

May 2026

Summary

- ◆ **Markets extended gains** in May as investors increasingly focused on the businesses enabling AI adoption, from software and data platforms to memory manufacturers and semiconductor companies supporting growing compute demand. Negotiations between the US and Iran were still ongoing as of month-end, but the lack of active conflict eased energy prices and near-term inflation concerns. Global economic activity remained relatively resilient, with higher energy prices causing less disruption in the near-term than initially feared. Corporate earnings finished a very strong 1st quarter, led by robust growth in the U.S. and Asia alongside positive results in Europe.

By Summit Trail Investment Team

David Romhilt, CFA
Seth Katz
Ben Johnson, CFA
Michelle Zeng, CFA
Charu Lahiri, CFA
Isabelle Kane
Kevin Dawson, CFA
Ryan Gell, CFA
Tobit Powell
Darryl Frank
Blake Peters

Market Overview

- ◆ **Equity markets** finished the month higher, with growth stocks continuing to outperform value. While developed markets generated solid returns, emerging markets led performance, fueled by strong gains in Korea and Taiwan. Investor demand remained concentrated in companies tied to artificial intelligence, particularly those benefiting from their positions within the semiconductor supply chain and ongoing hyper-scaler spending.
 - US Large Cap stocks (S&P 500) rose 5.3%, driven primarily by strong corporate earnings. Technology was the overwhelming leader, with most other sectors experiencing negative performance during the month. Year to date gains now stand at 11.3%.
 - US Small Cap stocks (Russell 2000) gained 4.4% in May with broader sector contribution relative to large caps. Technology still dominated performance within small caps, rocketing 21.4%. Small Cap stocks are now up 18.2% for the year.
 - Non-US stocks (MSCI EAFE Net) added 3.1% for the month but were the relative laggard of global equity markets due to their lesser tilt to Technology relative to US and Emerging Markets. Year to date returns are now up 9.4%.
 - Emerging Markets (MSCI Emerging Markets Net) outperformed other regions in May, jumping 9.7%. Korea and Taiwan were the bright spots as they benefitted from a continued rally in chip and memory stocks. Year to date gains are now 25.6%.
- ◆ **Interest rates** were slightly higher again in May as a result of by hotter-than-expected inflation data, shifting Federal Reserve expectations, and continued economic growth. Yields moved higher before moderating in the second half of the month in response to optimism about a peace deal between the US and Iran and easing oil prices. The 10-Year Treasury yield rose from 4.39% to 4.45%.
 - High Grade Taxable bonds (Bloomberg US Aggregate) returned 0.3% in May following intra-month volatility. Year to date returns are 0.4%.
 - Municipal bonds (Bloomberg 1-10 Year Muni Bond) added 0.2%, supported by robust demand during the month. Municipal bonds are still outperforming taxable bonds for 2026 with returns standing at 0.6%.
 - Investment Grade bonds (Bloomberg US Corporate Investment Grade) and High Yield bonds (Bloomberg US Corporate High Yield) returned 0.8% and 0.5% respectively as credit spreads narrowed in May and geopolitical

All market performance data are sourced from FactSet or Bloomberg.

Summit Trail Advisors LLC (“STA”) is a SEC registered investment advisor headquartered in New York, NY. Please see the Important Information section for additional disclosures.

tensions eased. Year to date, Investment Grade bonds are now positive at 0.7% and High Yield bonds have returned 1.7%.

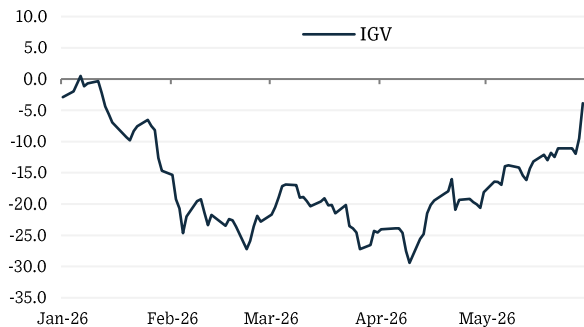
- ◆ **Commodities** (Bloomberg Commodity Index) fell 3.6%, driven by drawdowns in energy and precious metals. Gold declined modestly (-0.8%) while Silver posted a gain of 2.4%. Crude oil (WTI) ended down 17%, back below \$90/barrel on easing Middle East tensions and a recalibrating of earlier supply fears. Commodities are now up 25.0% in 2026.

Economic Commentary

Leadership within the market's artificial intelligence(AI) theme shifted notably in May. While AI-related stocks have led the market for much of the past two years, the strongest performance this month extended beyond the familiar group of GPU manufacturers and hyperscale cloud providers. Software companies posted their strongest monthly performance since 2001 with the iShares Expanded Technology & Software ETF (IGV) +8.1%, while select semiconductor and infrastructure names tied to memory, networking, and data-center expansion also continued to outperform. The move suggests investors are increasingly looking beyond the companies building AI models and designing advanced chips. Attention is now expanding to the broader ecosystem required to support AI adoption, including software platforms, data management, cybersecurity, memory, storage, networking, and other infrastructure businesses that help organizations deploy AI at scale. The strength in software was particularly notable given the skepticism that surrounded the sector earlier this year. Investors had questioned whether AI agents could reduce demand for traditional software applications, leading to concerns that many software companies would become victims rather than beneficiaries of the AI revolution. Recent earnings results from companies such as Snowflake, Okta, ServiceNow, and Salesforce have helped challenge that narrative. Rather than replacing software, AI appears to be increasing demand for the data, security, workflow, and infrastructure layers that many software companies already provide. Performance across the

semiconductor industry further suggested that investors are increasingly looking beyond the first wave of AI winners into other areas including memory, networking, storage, and data-center components that are essential to supporting growing compute demand. Several analysts raised their growth expectations and price targets for memory manufacturers during the month, including Micron, which was up 29% and became the latest \$1 trillion+ market cap stock. The market's enthusiasm reflects

increasingly ambitious growth assumptions. Current valuations suggest investors expect elevated levels of AI-related spending to persist for many years, requiring continued growth in data-center construction, compute demand, and enterprise adoption. While those expectations may ultimately prove justified, they also raise the bar for future execution. Whether May's rally marks the beginning of a sustained broadening in AI leadership or simply a temporary rotation remains to be seen. In the meantime, investors have begun to shift their focus from how AI may disrupt existing business models to identifying companies that help implement AI at scale.



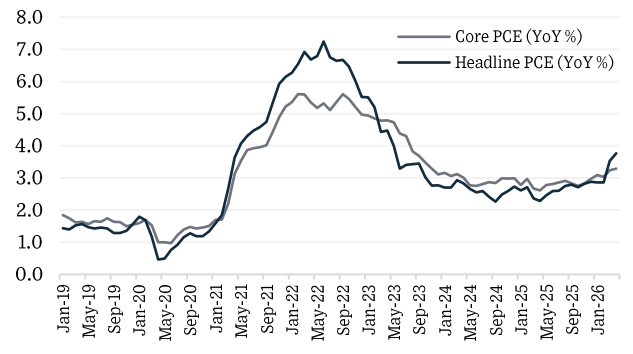
iShares Expanded Technology & Software ETF (IGV) Total Return
Source: Factset

Prediction Markets have grown quickly from a niche forecasting tool into a more visible part of the financial landscape. Platforms such as Kalshi and Polymarket now allow users to trade on the outcome of elections, economic data, sports, corporate events, and even questions tied to private companies that are not publicly traded. This growth has attracted increasing attention from policymakers and regulators. In May, the White House began reviewing a

Summit Trail Advisors LLC ("STA") is a SEC registered investment advisor headquartered in New York, NY. Please see the Important Information section for additional disclosures

proposal from the Commodity Futures Trading Commission (CFTC) that could help determine how prediction markets are regulated going forward. The review highlights a broader debate over whether these platforms should be viewed primarily as forecasting tools, financial markets, or a new category altogether. The industry's growth has been difficult to ignore. Combined trading volume across major prediction market platforms has increased from less than \$5 billion per month in late 2025 to approximately \$24 billion per month by April 2026. Lifetime trading volume across the two largest platforms, Kalshi and Polymarket, has now surpassed \$150 billion.¹ The most significant issue may be the growing potential for insider trading related to the events on which prediction bets are placed. This month, a Google employee was charged with using confidential internal information to profit from trades on a prediction market platform. While the case did not involve buying or selling company stock, it demonstrated how nonpublic corporate information can be monetized through event contracts in much the same way insider information has historically been used in securities markets. The employee allegedly generated more than \$1 million in profits using information unavailable to the public. Prediction markets are increasingly creating ways for investors to express views on private companies, even when those companies' shares are unavailable to the public. Contracts tied to IPO timing, fundraising activity, executive changes, valuation milestones, product launches, or other corporate events effectively allow participants to place wagers on businesses that would otherwise be inaccessible to most investors. This creates new challenges for companies and regulators alike. Employees often have access to confidential information regarding financial performance, customer activity, strategic initiatives, or future corporate actions. As prediction markets expand, that information may become valuable not only in traditional securities markets, but also through contracts tied to specific corporate outcomes. In response, some companies have already begun reviewing whether existing insider trading policies adequately address prediction market activity. Supporters argue that prediction markets improve information discovery by allowing participants to continuously price probabilities. Critics counter that these markets may be vulnerable to manipulation, misinformation, and the misuse of privileged information. As participation grows and liquidity improves, regulators will likely face increasing pressure to determine where legitimate forecasting ends and where securities laws, gambling regulations, and insider trading rules begin. For investors, prediction markets are worth watching because they offer a real-time view into how participants are pricing uncertainty. As these platforms continue to expand, they may become an increasingly important source of market intelligence, while simultaneously raising new questions about transparency, regulation, and the use of nonpublic information.

Kevin Warsh officially assumed the role of Federal Reserve Chair in May after the inquiry into former Fed Chair Powell was dropped and Senator Tillis provided the vote to move his nomination to the full Senate where it was approved along party lines. While much of the focus leading up to his appointment centered on how a new Fed Chair might influence monetary policy, the economic backdrop Warsh has inherited leaves little room for immediate change. April core PCE, the Federal Reserve's preferred inflation measure, accelerated to 3.3% year-over-year, while headline inflation remained elevated due in part to higher energy prices. Although inflation is well below the peaks reached several years ago, progress toward the Fed's 2% target has become increasingly uneven. At the same time, the broader economy has remained remarkably resilient. Consumer spending continues to trend near record levels, unemployment claims remain historically low, and corporate profit growth



Year Over Year Percentage Change in Personal Consumption Expenditures
Source: US Bureau of Economic Analysis

¹ Source: Pew Research Center, *The Block as of May 2026*.

Summit Trail Advisors LLC ("STA") is a SEC registered investment advisor headquartered in New York, NY. Please see the Important Information section for additional disclosures

remains positive. While growth has slowed from the strong pace experienced earlier in the cycle, the data continues to point toward moderation rather than recession. This combination of above-target inflation and stable economic activity creates a difficult environment for policymakers. Investors entered the year anticipating a more accommodative Fed, but recent inflation readings, elevated energy prices, and firm economic data have reduced the urgency for rate cuts. As a result, markets now expect monetary policy to remain restrictive for longer than previously anticipated. Higher interest rates have not yet produced the economic slowdown many expected, just as elevated inflation has not prevented equity markets from reaching new highs. For now, Warsh begins his tenure facing many of the same challenges confronting his predecessor in that inflation remains above target, growth remains positive, and the path toward lower interest rates remains uncertain.

Important information

The information provided is for informational purposes only and does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Summit Trail Advisors, LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situations, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Summit Trail Advisors, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. Summit Trail Advisors, LLC is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Summit Trail Advisors, LLC's current written disclosure statement discussing our advisory services and fees is available upon request. If you are a Summit Trail Advisors, LLC client, please remember to contact Summit Trail Advisors, LLC, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Summit Trail Advisors LLC ("STA") is a SEC registered investment advisor headquartered in New York, NY. Please see the Important Information section for additional disclosures