

Marketline May 2026

Stocks:

May brought more stock index records. The Dow has surpassed 51,000 after breaching 50,000 just a few short weeks ago. Considering that during the 1970s, my parents would celebrate every time the Dow flirted with 1,000 – which it did with depressing regularity - I guess we can say, we've come a long way, baby. In terms of price returns, the Industrials notched a gain of 2.8%, while the S&P made over 5%, and the Nasdaq posted 8.4%. Stringing together the last two months, the Nasdaq is up over 23%. And the action hasn't all been in AI-centric names, either. Those software stocks everyone left for dead? In May, software stocks rose somewhere between 17% and 21%, depending how you measure the sector. Dell, the dull old computer maker, *doubled* in May!

These enormous increases in stock prices are not without underpinnings. So far this earnings season, companies of all stripes have bested analysts' earnings estimates by a long shot. The solid earnings reports seem to be a US phenomenon, as overseas stocks have begun to lag again. Mexico's Bolsa rose 1.1%; Canada, which has spent three of the last four quarters in economic recession, rose 2.4%; and the Financial Times European stock index was basically flat.

A common refrain among investors we speak to lately is, how long can this last? No one knows, of course, and we spend almost no time in-house prognosticating about market direction. We're much more focused on individual stocks and their prospects. But another good question is: what should we do now? We've kept a wary eye on overall asset allocation, selling to bring stock exposure down where warranted, and continuing to rustle up undervalued stocks if we need to invest cash. To that end, we've added Ameriprise to our buy list; despite strong profits and high internal returns, this stock has fallen from \$540 per share to \$440 during 2026 over worries about interest rates and potential erosion of assets under management. We think the price action is unwarranted. While investors wait for better days, they'll collect a 1.5% dividend – not as high as many stocks, but better than nothing.

Bonds:

Rates rose across most of the curve last month, the exception being the long bond. Though that rate broke 5% during May, it came back down to 4.97% - its starting point – by month-end. On the other hand, the ten year Treasury rose from 4.37% to 4.44%, and the two-year breached 4%. Speculation has increased about the Fed's next move: from a reasonable probability of one last rate cut, we've swung all the way to a potential hike. On top of the shifting sentiment, we have a new Fed chair. We'll hear from Warsh at the press conference after the June 17 Federal Open Market Committee meeting. The good news is that no matter what happens at the Fed meeting, the yield curve has now normalized through market forces. From our perspective, that makes bond management on behalf of our clients simpler and more effective.

Meanwhile, though bond market participants tend to focus on the Fed chair's leanings vis-à-vis interest rates, there's its pesky balance sheet, too. The value of bonds held at the Fed amount to \$6.7 trillion now, up from about \$6.2 trillion at the beginning of the year. Warsh could leave rates alone and let the balance sheet run down if he wants to rein in liquidity. Even calling a halt to purchases would be helpful.

A question we receive frequently is along the lines of, "I have too much cash in my bank account/I'd like my savings to earn more than the rate I'm getting at my credit union/I sold my xyz, what should I do with the proceeds?" Today's Treasury yields offer a solid opportunity to earn a rate that might be better than at your bank, and the interest is state tax exempt. You can tune the maturity of the Treasuries you buy to when you might need the funds. If you can wait two years for your cash, you'll earn 4% state tax free per year. Or you can stagger maturities. We've helped many clients set this up; let us know if you have questions about this simple strategy.

Marketline Monthly is produced by [Cascade Investment Advisors, Inc.](#) We specialize in value investing for individuals. We apply our approach across markets, looking for low-priced securities that offer above-average potential. We use imagination and hard work to bring performance and personal service to our clients. Phone 971-381-0426 (Michelle); our website is www.cascadeinvestors.com. A full list of securities we invest in is available on request; mention of specific securities is not investment advice; such investments may or may not be profitable. Index returns quoted are price only.