Novum Partners: Biweekly Market Update

Running Hot: Strong Growth, Hawkish Repricing and a Market Catching its Breath

June 5, 2026

Vittorio Treichler
Partner & Strategist

Last 2 weeks performance

World Equity Indices

	% TR USD	% TR Local
MSCI World	-0.9%	-0.9%
S&P 500	-1.1%	-1.1%
S&P 500 Equal Weighted	0.6%	0.6%
Mag 7 Index	-4.1%	-4.1%
Russell 2000	-1.2%	-1.2%
Euro Stoxx 50	0.1%	0.8%
CSI 300 Index	-0.3%	-0.5%
Hang Seng Index	-2.1%	-2.1%
Nikkei 225	4.4%	5.1%
MSCI Asia	1.8%	1.8%
MSCI Latam	-4.7%	-4.7%
MSCI EM	2.0%	2.0%

S&P 500 Sectors

	% TR USD
S&P 500 Info Tech	-1.1%
S&P 500 Comm. Serv	-3.9%
S&P 500 Health Care	2.1%
S&P 500 Financials	0.7%
S&P 500 Cons Discr.	-4.7%
S&P 500 Energy	-3.1%
S&P 500 Real Estate	0.2%
S&P 500 Materials	0.1%
S&P 500 Industrials	1.4%
S&P 500 Cons Staples	-2.2%
S&P 500 Utilities	-2.2%

Key Thematic Indices

	% TR USD	% TR Local
ARK Innovation ETF	-2.5%	-2.5%
Software ETF	2.0%	2.0%
GS Uranium	-3.7%	-3.7%
GS Cyclicals	1.7%	1.7%
BBG Defensive Sectors	-2.38%	-2.38%

Fixed Income

	% TR or bps
LQD (High Grade)	0.2%
HYG (High Yield)	-0.1%
US Treasuries Index	0.3%
TSY 2 year (bps)	3
TSY 10 year (bps)	-3
Bund 10 year (bps)	0
SOFR March 27 rate (bps)	3

FX & Commodities

	% TR USD
US Dollar Index	0.8%
Bitcoin	-19.7%
BBG Precious Metals	-5.2%
BBG Energy	-5.8%

Data as of 5 June

Executive Summary

- Equity markets appear to be transitioning into a corrective phase, as profit-taking in AI leaders and a surprisingly strong U.S. labor market report prompted investors to reprice the path of interest rates. The Nasdaq declined 4.2% on Friday, marking the sharpest pullback of the current rally.
- A resilient labor market and accelerating earnings growth reinforce the U.S. exceptionalism narrative, supporting higher rates and a stronger dollar while remaining inconsistent with neither a recessionary nor a stagflationary outlook.
- The US-Iran conflict remained the dominant market driver over the two-week period, as ceasefire hopes alternated with fresh military strikes.
- The S&P 500 achieved 9 consecutive daily gains (its longest streak in a year) and closed above +10% YTD for the first time in 2026; NASDAQ and Dow set simultaneous records.
- AI-driven semiconductor euphoria amplified equity gains: the Philly Semiconductor Index surged +22.2% in May (+94% YTD); South Korea's KOSPI rose +28.5% in May, taking its YTD return to an astonishing +102.4%.

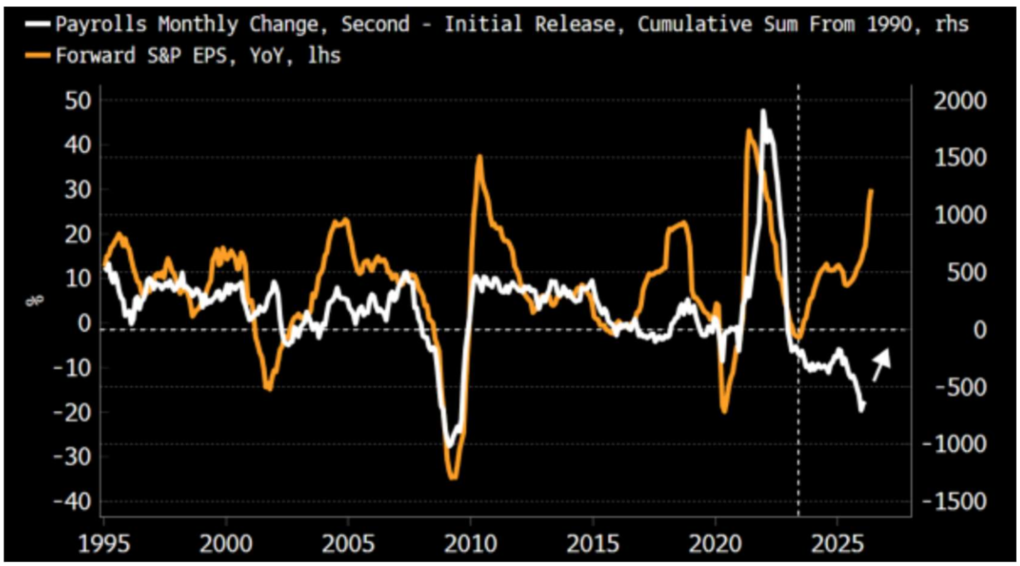
- Monetary policy signals were distinctly hawkish: probabilities of a Fed rate hike by December have reached 100%; ECB hike pricing for June stands at 99% after Eurozone CPI hit +3.2% year-on-year, its highest since 2023.
- On the macro side, US activity data remained resilient (ISM Manufacturing 4-year high of 54.0, while Q1 GDP was revised down to +1.6% annualised, but supported by solid investments.
- The geopolitical picture remained fluid to the very end of the period: US/Israeli strikes, Lebanon/Hezbollah escalations, Iran freezing negotiations and then resuming, and Polymarket odds for Hormuz reopening oscillating between 22% and 36%.
- Broadcom's disappointing AI chip revenue forecast on 4 June introduced a new near-term risk, triggering a broad tech correction on 5 June and trimming some of the sector's outsized gains.

Economy and Monetary Policy

The US economy continued to display remarkable resilience despite elevated rates and the energy shock. The May ISM Manufacturing index reached a four-year high of 54.0, while the services ISM rose to 54.5 (vs 53.8 expected).

Further, the latest payroll report reinforced a message that has been emerging from a broad range of labor market indicators for several months: the U.S. economy appears to be accelerating rather than slowing. While the headline payroll gain of 172k was already well above expectations, the additional 93k upward revision to prior months further strengthened the signal. More importantly, this is not a story about a single data point. Jobless claims, hiring trends, wage growth and business surveys have all pointed to a labor market that remains remarkably resilient despite restrictive monetary policy.

In our view, this should not come as a surprise. The U.S. is currently experiencing one of the largest investment cycles in decades, driven by unprecedented AI-related capital expenditure. Corporate earnings have been growing at roughly 25% year-on-year, and historically labor markets tend to follow the direction of corporate profitability with a lag. Stronger earnings lead to greater hiring demand, which in turn supports household income and economic activity. Seen through this lens, labor market strength is not an anomaly but rather a natural consequence of the ongoing AI investment boom.

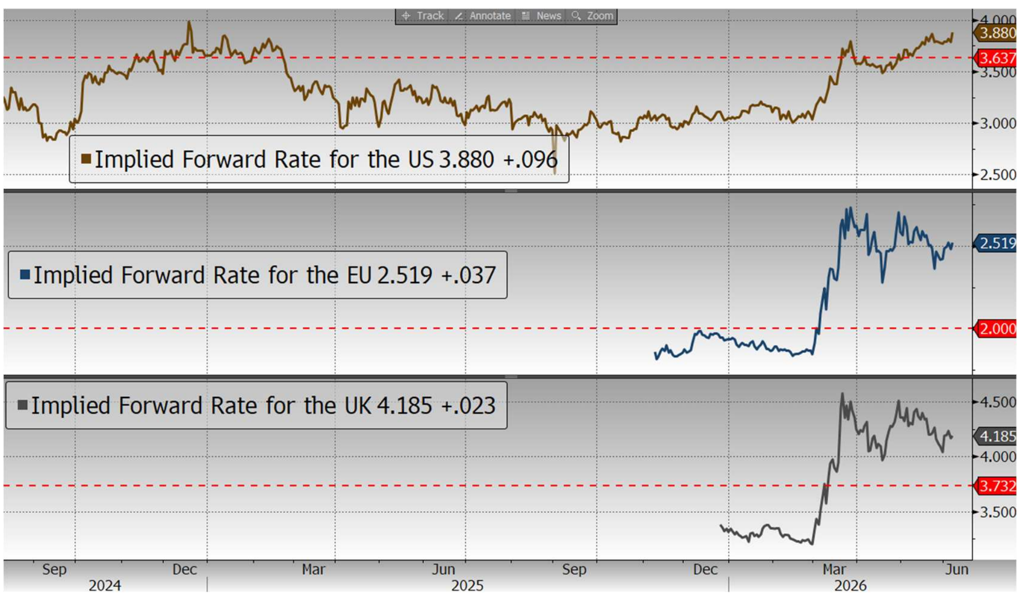


The market implication is straightforward: stronger growth reduces the urgency for monetary easing and increases the likelihood that the Federal Reserve may need to tighten policy further. Interest-rate markets now effectively price a full additional 25bps hike by year-end. While explicit endorsement from Kevin Warsh is still lacking, it would be increasingly difficult for the Governor to convince the Committee against further tightening if incoming data continue to surprise to the upside.

This backdrop has naturally put upward pressure on Treasury yields, particularly at the long end of the curve. However, the price action remains orderly. Higher yields driven by stronger growth expectations are fundamentally different from higher yields driven by inflation fears or fiscal concerns. Equity markets may therefore enter a period of consolidation as investors adjust to a higher-rate environment, but we remain constructive on the second half of the year. Current economic conditions remain far removed from a recessionary scenario.

Finally, this environment continues to be highly supportive for the U.S. dollar. We have consistently maintained a constructive view on the currency, never subscribing to the view that American exceptionalism was coming to an end. Recent market action reinforces that thesis. U.S. yields have moved materially higher while European and UK rates have remained comparatively stable, widening interest-rate differentials once again. As a result, the dollar has started to break through important technical levels, providing an additional tailwind for globally diversified portfolios.

In Europe in fact, the growth-inflation mix is quite different. Pressure on rates is coming only from inflation, as we saw past week. Eurozone flash CPI for May printed at +3.2% year-on-year - the highest since 2023 - with core at +2.5%, a tenth above expectations. This outcome, combined with hawkish comments from ECB Executive Board member Schnabel (who argued the ECB should hike even if the Iran conflict ended immediately), pushed pricing for a June ECB rate hike to 99%. This would be the ECB's first hike since 2023. The number of hikes priced by year-end fluctuated between 53bps and 68bps across the period, reflecting the oil-driven inflation uncertainty.



Finally, a rate hike could be delivered even in Japan in June, after real wages rose +1.9% year-on-year in April (vs +1.7% expected), and nominal total cash earnings increased +3.5%, the fastest pace since December 2024.
Notably, this marked the first time in over 34 years that wage growth has exceeded 3% for three consecutive months. BoJ Governor Ueda signalled that rate hikes may be necessary if upside inflation risks outweigh downside growth risks. Futures markets priced a 96% probability of a BoJ hike at the 16 June meeting as of 5 June.

Geopolitics

The US-Iran conflict, now 3 months since the initial strikes and 54 days into the ceasefire/truce, remained the single most important variable across the entire two-week period. The Strait of Hormuz has remained functionally closed, and the prospect of its reopening drove all major asset classes.
Week one (22–29 May) opened on a constructive note, with multiple sources reporting that the two sides were close to a 60-day ceasefire extension. This narrative drove Brent down over -11% on the week. However, progress proved non-linear: US and Israeli jets conducted targeted strikes on Iranian missile launch sites and drone-laying boats, described as "defensive" actions. Iran's chief negotiator visited Qatar, seeking the release of half of $24bn in frozen assets as part of a deal. US Secretary of State Rubio emphasised the core US red lines: open and unimpeded Hormuz passage, Iran surrendering enriched uranium, and dismantling its nuclear programme.
The optimism culminated on Friday 29 May with an Axios report citing a tentative 60-day memorandum of understanding, with further nuclear talks. Vice President Vance called the US "very close" to a deal. Brent fell to a one-month low of $93.71/bbl that day. However, by Monday 2 June the mood darkened: Iran's Tasnim news agency reported the suspension of talks, and Brent spiked +4.24% intraday before settling higher. Trump himself then intervened to de-escalate Lebanon, claiming Israel and Hezbollah had agreed to "stop shooting", but continued US-Iranian strikes and Iranian attacks on the US 5th Fleet HQ in Bahrain ratcheted tensions higher into week two.

The final day of the period (5 June) brought marginal relief: a ceasefire agreement between Israel and Lebanon (conditional on Hezbollah compliance) was announced, helping oil ease from its three-day rally, and Trump's criticism of the House vote - calling it "right in the middle of my final negotiations" - suggested talks were alive. Overall, the situation as of 5 June remains unresolved; a deal that meets Trump's three red lines would be the most market-significant event of 2026.

Capital Markets

During the period, Anthropic confidentially submitted its IPO filing, with OpenAI also expected to file soon. Alphabet announced an $80bn equity offering package - a landmark capital raise reflecting the unprecedented scale of AI infrastructure investment.

SpaceX is set to price during the next two weeks what would be the largest IPO in history - an $85bn raise at a $1.75 trillion valuation. To put that in perspective, Saudi Aramco's 2019 record-breaking IPO raised $25.6bn - SpaceX would raise more than three times as much in a single offering.

We looked back at the most significant IPOs ever recorded to find a meaningful benchmark, and nothing comes close. The table above tells the story: the entire historical leaderboard sits below $26bn. SpaceX would rewrite it entirely.

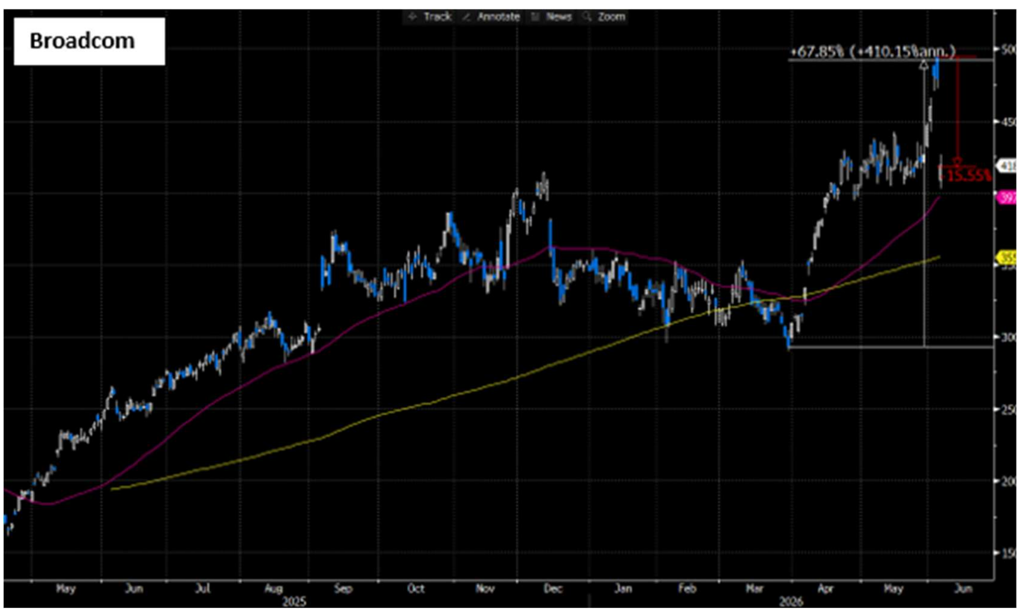
Company	IPO year	Proceeds (USD bn)	Mkt cap (USD bn)
SpaceX 2026	2026	85.0	1,750.0
Saudi Aramco	2019	25.6	1,750.6
Alibaba	2014	25.0	305.2
SoftBank Corp.	2018	23.5	64.2
Agricultural Bank of China	2010	22.1	319.8
General Motors	2010	20.1	73.7
ICBC	2006	19.1	362.3
Enel	1999	19.0	114.0
Visa	2008	19.0	603.0

The US equity market will likely absorb the supply, but the governance structures, rushed index-inclusion rule changes, and sheer scale of these deals make this a moment worth watching closely.

In terms of performance, the equity story of the two-week period can be summarised as: oil-driven stagflation fears ease → yields fall → equities rip higher, followed by AI enthusiasm amplifying gains, until a hawkish macro re-pricing and a single disappointing earnings report interrupted the run.

After nine consecutive sessions of gains for the S&P 500, the market finally encountered a cold shower toward the end of the second week. Following such a powerful rally, some profit-taking was both natural and healthy. In reality, it took very little to trigger it: a series of earnings releases that were strong but not exceptional, combined with a significant move higher in interest rates as markets moved to fully price in an additional Fed funds hike before year-end. At this stage, a correction should be viewed as a normal consolidation rather than a cause for concern. Importantly, it is unfolding against a backdrop of accelerating economic activity, rising corporate earnings, and sustained investment spending - conditions that remain fundamentally supportive for risk assets over the medium term.

Two of the market's favorite AI plays, Broadcom and CrowdStrike, reported quarterly results on June 3 after exceptional rallies from their March lows. Despite delivering broadly positive results, both stocks experienced profit-taking as expectations had become extraordinarily demanding. In other words, the issue was not the quality of the quarter, but the fact that the companies failed to exceed the market's most optimistic assumptions.



The contrast in the share price reaction is particularly noteworthy. Broadcom, which had rallied 67.8% from its March low, fell nearly 15% over the following two sessions. CrowdStrike, meanwhile, had more than doubled over the same period (+106%) yet declined only 7.8%.

In both cases, the market reaction was a classic “sell the news” event. Both stocks peaked one to two days before earnings, suggesting investors had already priced in exceptionally strong outcomes.

For Broadcom, the reported quarter was solid. The disappointment came entirely from guidance, with Q3 AI semiconductor revenue projected at $16 billion versus consensus expectations of roughly $17.2 billion. In a market anticipating a further acceleration in AI-related growth, guidance that was merely in line to modestly above prior expectations was interpreted as a miss.

CrowdStrike also beat consensus estimates on both revenue and EPS. However, the annual recurring revenue (ARR) beat was viewed as modest relative to elevated buy-side expectations tied to its Mythos and Glasswing AI initiatives. As with Broadcom, the issue was not the reported results but the scale of the forward outlook: FY27 net new ARR guidance was increased by $52 million, but investors had hoped for a larger upgrade.

The common thread is that neither company disappointed on current-quarter execution. Rather, both were penalized because forward-looking AI-related revenue expectations failed to clear an exceptionally high bar. This was fundamentally a guidance story, not a results story.

European equities were a clear beneficiary of oil relief but faced a dual headwind: higher energy exposure and market closures that meant they repeatedly missed constructive US newsflow.

In Fixed Income, government bonds moved almost entirely in lockstep with oil prices. Each day oil fell, yields followed; each day oil rose, yields reversed. This pattern was so consistent that it dominated all other factors, including data surprises.

Bitcoin came under pressure during the period, falling -5.41% in a single session on 3 June to $67,489, and continuing to slide to $61,000 by 5 June, its lowest level since early February. This appears to reflect pockets of risk-off behaviour even as equities made records, suggesting cryptocurrency has lost its traditional correlation with equity market risk appetite.