



SILVERCREST
ASSET MANAGEMENT GROUP

U.S. ECONOMIC & MARKET REVIEW—JUNE 2026

Too Crowded for Yogi Berra?

Up and down the East Coast, beach towns were beset by lengthy bouts of cold and rain over the Memorial Day holiday weekend. While this meant there were no crowds for outdoor activities, the bars and restaurants were packed. Similarly, within the S&P 500 in the month of May, 269 stocks were rained out and posted negative returns, while 17 “popular” stocks were up over 30% for the month. The industry groups represented in those top 17 stocks were primarily AI-related.

For the year-to-date period, returns are still egalitarian, with the Russell 2000 up +17.6%, the NASDAQ up +16.0%, and the S&P 500 up +10.7%. For the quarter to date, which ranks in the top 7% of the past 200 quarters, the gains were a bit narrower, and five stocks were up over 100%. On the month, conditions were narrower still, with six sectors posting negative results and only one, Technology, outperforming the S&P 500.

While the earnings gains powered by the AI theme have been the primary driver of enthusiasm, there may come a time when we start quoting Yogi Berra when asked about his favorite restaurant: “Nobody goes there anymore. It’s too crowded.”

Thus, the essential issue for equities the remainder of the year and beyond is whether earnings and price appreciation extend to a broader swath of the equity market or whether the crowds keep showing up in the same spot, pressing higher and higher into a narrower collection of winners.

What We Are Watching

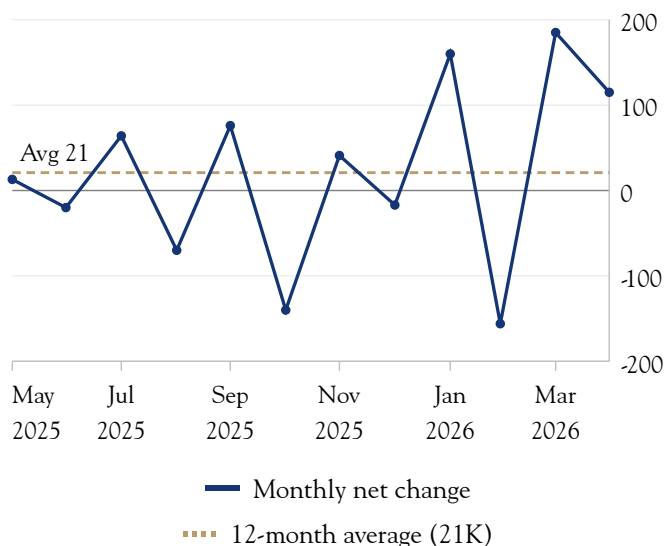
For equity returns to broaden, we would like to see economic acceleration, an easing of interest rates, and more stocks posting strong earnings growth.

Economy: The economic backdrop is sound, though not particularly compelling. Payroll gains have averaged only 21,000/month over the past year. Our thesis on AI and employment is that the best-managed companies that see revenue growth will be able to lag headcount growth. This means the no-hire, no-fire economy remains the prevailing trend.

Implication: Current economic growth is strong enough to facilitate broader earnings gains, though a resolution regarding the Strait of Hormuz could alleviate inflationary pressures and help accelerate consumer demand and economic growth.

FIG. 1
U.S. Employees on Nonfarm Payrolls

Month-over-month net change, in thousands



Source: Bureau of Labor Statistics (BLS).

Fed/Rates: Given the current standoff between stagnant labor markets and stubborn inflation readings, the Fed should remain on a hard pause for an extended period.

Implication: This backdrop suggests that yields are likely to remain in the broad range of 3.5 to 4.5. That range is below the danger zone for equities, but until there is more clarity that rates are headed definitively lower, the backdrop does not support further valuation increases.

Earnings & Equities

Headline earnings growth for the S&P 500 was incredibly strong and well above estimates, posting a gain of +27%. The range across sectors spans from -3% for Health Care to +50% for Technology. Across all companies, approximately two-thirds had positive earnings growth.

For the Russell 2000 index of small-cap companies, the results were slightly less balanced: 60.7% reported negative earnings growth, 36.2% reported positive earnings growth, and 3.1% reported flat earnings.

Market breadth has been OK, though perspective is important. Year to date, broad market indices have performed quite well, and the number of stocks with positive gains and those above their 200-day moving average remains healthy. However, as noted, some narrow pockets are seeing outsized relative gains, a trend that has accelerated over the past two months.

Implication: While there have been sporadic signs of broadening, more evidence is needed to determine whether this can be a durable trend.

Outlook

Current high valuation levels are setting grand expectations. Relative to Treasury yields of 4.5% on the U.S. Ten-Year Note, the S&P 500's 12-month forward earnings "yield" of 4.7% is not especially impressive. Thus, earnings must continue to post impressive gains.

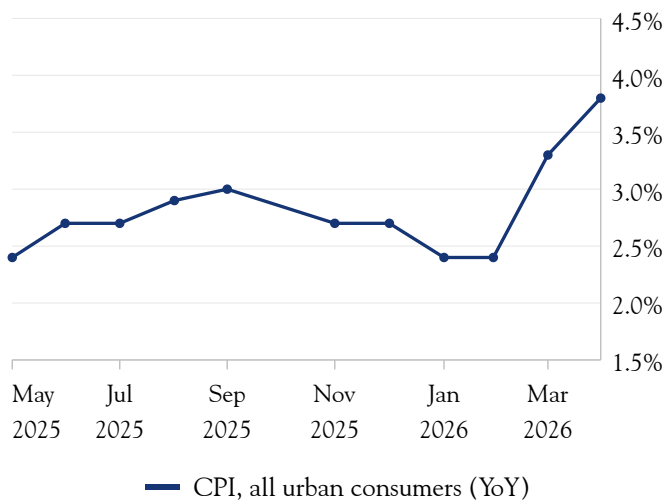
A recent bout of "narrowness" in equity gains has also raised some legitimate concerns over the durability of this rally. For these reasons, we are comfortable maintaining an equity risk level that is in line with target exposures.

However, it is unwise to assume the market is irrational, and earnings growth can largely justify continued market health so long as macro risks do not become too pressing. There is still a window for earnings and the market

FIG. 2

U.S. CPI Urban Consumers

Year-over-year % change

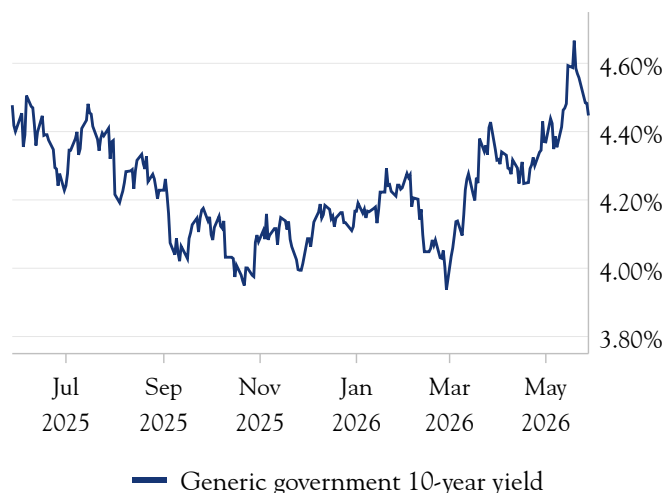


Source: Bureau of Labor Statistics (BLS). October 2025 CPI was not released.

FIG. 3

U.S. Generic Government 10-Year

Yield, daily — as of May 28, 2026



Source: Bloomberg.

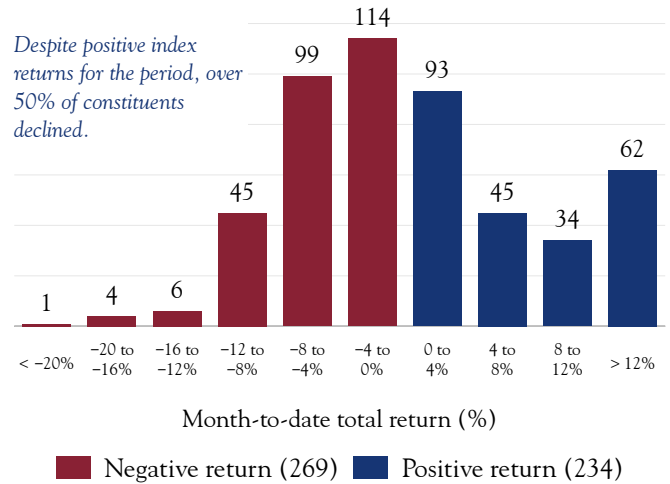
to broaden, particularly if oil prices and attendant inflationary pressures ease. More participation in earnings growth and stock price performance would provide some comfort in a scenario where the rally has a long runway.

Approaching second-quarter earnings season in July, the best scenario would be one where the Strait of Hormuz is open, yields start to decline, and earnings growth is more readily apparent across a broad segment of sectors and companies. In this scenario, we would expect to see healthy, long-lasting equity gains, fueled by improving fundamentals. If narrowness accelerates, we might start to think like Yogi Berra—nobody should go there anymore. It’s too crowded.

FIG. 4

S&P 500 Constituent Return Distribution

Number of stocks by month-to-date total return — iShares Core S&P 500 ETF (IVV), Apr 30 – May 28, 2026



Source: Bloomberg; Silvercrest.

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