



# PRECISION

## Financial Services, Inc.

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## May Market Update

U.S. markets reached record highs in April, driven by strong corporate earnings and enthusiasm around AI. Investors largely looked past elevated inflation, rising yields, and persistent tensions in the Middle East, marking a sharp reversal from a difficult first quarter.

However, beneath the surface, a more cautious story emerged. The broader economy is slowing, and inflation is proving stubborn. Core measures are easing, but higher energy costs are keeping overall readings above the Federal Reserve's target, leaving policymakers on hold with no clear case to cut or tighten.

Below is a look at how the major indexes performed in April and the key drivers behind the moves.

### Major U.S. Stock Indices

Mega-cap technology and semiconductors accounted for most of the index gains, as investors rewarded companies with clear AI monetization and accelerating profits. Few other sectors kept pace.

That narrowness has raised valuation risks, leaving markets more exposed to any setback in earnings, policy, or geopolitical developments heading into mid-2026.

Overall, in April:

- The S&P 500 [climbed](#) 10.42%.
- The Nasdaq 100 [rallied](#) 15.64%.
- The Dow Jones Industrial Average [gained](#) 7.14%.

### Economic and Market Overview

The Macro Backdrop. The U.S. economy remained solid in April but continued to slow, with gross domestic product (GDP) growth tracking

at [2%](#) for Q1. Core personal consumption expenditures (PCE) continued to ease gradually, but rising oil prices pushed headline inflation above 3.5%, complicating the case for rate cuts. At its late-April meeting, the Fed held steady and signaled it wants more convincing progress on inflation before easing. Rates are unlikely to come down soon.

**The Economy's Complicated Dynamics.** The labor market held steady, with the latest data showing that hiring topped expectations and unemployment changed little. Business investment is increasingly directed toward AI infrastructure and automation, supporting productivity but not widespread growth. Consumer sentiment fell to a record low as households remained focused on the inflation fallout from the Middle East conflict.

**Energy, Inflation, and Rates.** The tension between rising oil prices and markets' hopes for rate cuts remained the dominant story in April. Brent crude spiked to [\\$126](#) per barrel as the conflict between the U.S. and Iran continued to disrupt supply routes through the Strait of Hormuz, pushing headline inflation higher and reducing the likelihood of near-term easing. The 10-year Treasury yield rose above 4.40%, its highest level of the year, as investors reassessed both inflation risk and worries over the U.S. fiscal outlook.

**U.S. Stocks and the AI Rally.** U.S. equities had an exceptional month. The S&P 500 crossed 7,000 for the first time, finishing April at a record high of [7,209.01](#). Earnings primarily drove this gain: With only Nvidia's results still to come, Q1 earnings for the Magnificent Seven are expected to grow 45.7% year-over-year on [24.6%](#) higher revenues.

**Commodities Rally.** Commodities rose broadly, with energy up [7.7%](#) and industrial metals gaining on strong demand linked to data center and AI infrastructure spending. The commodity rally also supported shares of energy and materials companies while putting upward pressure on inflation expectations and Treasury yields.

## Keeping Perspective

April brought plenty of market-moving headlines, but the underlying fundamentals of long-term investing continue to hold up.

Know that we are staying focused on your long-term plan and keeping an eye on what's driving the markets now. If you have questions about recent market shifts or simply want to talk through your strategy, do not hesitate to reach out.

All the best,

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