OpenArc
CORPORATE ADVISORY

Market Brief – June Recap

MACRO

Growth: The labor market cooled sharply in June, with nonfarm payrolls rising just +57,000, well below the roughly 110,000-115,000 consensus and a marked step down from May's pace. April and May were also revised down by a combined -74,000. The unemployment rate ticked down to 4.2%, though the improvement was driven by a drop in labor force participation to 61.5%, the lowest since March 2021, rather than stronger hiring. Leisure and hospitality lost -61,000 jobs on weaker seasonal hiring, while professional and business services (+36,000), social assistance (+25,000), and health care (+22,000) continued to add. Average hourly earnings rose +0.3% monthly and +3.5% annually.

Inflation: May's CPI report, the most recent available heading into the new month, showed headline inflation accelerating to 4.2% year-over-year, the highest since 2023 and a third straight monthly increase, driven largely by the energy pass-through from the Iran conflict. Core CPI held at 2.9% annually, though the monthly core print decelerated to 0.2% from April's 0.4%, an early signal that underlying pressure may be easing even as the headline stayed hot. The Fed's preferred gauge, core PCE, rose to 3.4% year-over-year in May, its highest reading since 2023. June's CPI report is due out July 14 and will be an important data point for whether the deceleration in monthly core inflation holds.

Monetary Policy: The Fed held rates steady at 3.50-3.75% at its June 17th meeting, the first led by new Chair Kevin Warsh following Jerome Powell's departure. The decision was unanimous, but the tone underneath was notably hawkish. The updated dot plot showed the median year-end 2026 projection rising to 3.8% from 3.4% in March, flipping from an implied cut to an implied hike, with 9 of 18 participants projecting at least one increase and only one still penciling in a cut. Warsh declined to submit his own projection and delivered a markedly shorter policy statement that dropped prior easing-leaning language, signaling a broader review of Fed communication practices ahead.

MARKET

Equities: U.S. equities pulled back modestly in June, with the S&P 500 down about -1.3%. The Nasdaq 100 held up better than the headlines suggested, ending the month nearly flat, though the composition beneath that number was uneven. Communication Services fell on weakness from names like META and GOOGL, while broader Technology finished roughly flat and semiconductors surged, extending their leadership for another month. Small caps and value-oriented names outperformed, with the Russell 2000 up over +3% and the Dow up over +2% on rotation into industrials and health care, both of which led sector performance. Energy lagged badly as crude prices collapsed late in the month.

Bonds: Fixed income was mixed in June as the yield curve steepened modestly. The 10-year Treasury yield ended the month little changed from May, while the front end rose more, flattening part of the curve as markets repriced toward a more hawkish Fed path. Credit conditions stayed orderly.

Currencies: The dollar strengthened notably in June, breaking above 100 on the DXY for the first time in over a year. The move was driven by the hawkish Fed repricing and elevated inflation data, which more than offset the European Central Bank's first rate hike since 2023. The euro and yen both weakened against the dollar, underscoring how much the rate-differential story has shifted back in the dollar's favor.

Commodities: Commodities reversed sharply in June. Oil fell hard as a U.S.-Iran ceasefire eased fears of a prolonged Strait of Hormuz disruption, giving back most of the wartime spike from earlier in the spring. Precious metals moved in the same direction as the stronger dollar and hawkish Fed repricing took hold, with gold and silver both posting steep monthly declines after a strong first half of the year.

CIO SNAPSHOT

We maintain a constructive stance in our asset allocation, though we recently trimmed concentrated active positions to bring tracking error back in line after a strong run. This was not a defensive move. Beta exposure stayed similar, and we shifted a portion of concentrated idiosyncratic risk into broader equity exposure. The "Bits to Atoms" thesis remains intact, but with semiconductors and AI Leaders running sharply ahead of the broader market, our active tilts had grown well past their target sizing.

We continue to hold meaningful exposure to AI and power infrastructure, alongside added breadth through broad US equity and international value exposures. In fixed income, we remain slightly long duration and emphasize slightly higher-quality opportunities.

With market breadth expanding, real yields pressing higher, and the range of Fed outcomes widening as the new leadership settled in, smaller tilts preserve flexibility to add when conviction strengthens.

▲ Overweight
Neutral
▼ Underweight

	Asset Class	***CIO View***
	Equities	
Regions	US Large Cap	▼
Regions	US Mid Cap	▲
Regions	US Small Cap	
Regions	Developed International Equities	▼
Regions	EM Equities	
Factors	Growth	▲
Factors	Quality	▲
Factors	Value	▼
Secotrs	Industrials	▲
Secotrs	Technology	▲
Secotrs	Financials	
	Fixed Income	
Factors	Credit	▲
Factors	Duration	▲

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 07/13/2026

US Related

ETF	Description	June 2026	2026
SPY	S&P 500	-1.28%	9.51%
DIA	Dow Jones Ind	2.27%	8.70%
QQQ	Nasdaq 100	-0.26%	19.87%
IJH	S&P Midcap 400	3.36%	16.83%
RSP	S&P 500 Eq Weight	1.89%	11.07%
QQQE	Nasdaq 100 Eq Weight	2.28%	19.26%
IWB	Russell 1000	-0.83%	9.66%
IWM	Russell 2000	3.45%	22.05%
IWV	Russell 3000	-0.57%	10.22%

Factors

ETF	Description	June 2026	2026
IVW	S&P 500 Growth	-2.02%	11.58%
IVE	S&P 500 Value	-0.38%	7.07%
IJK	Midcap 400 Growth	3.01%	21.28%
IJJ	Midcap 400 Value	3.87%	12.27%
IJT	Smallcap 600 Growth	9.34%	26.52%
IJS	Smallcap 600 Value	4.58%	20.19%
DVY	DJ Dividend	0.86%	10.74%
MTUM	Momentum	8.56%	36.96%
USMV	Low Volatility	-0.14%	2.44%
SIZE	Size	1.35%	10.34%
QUAL	Quality	1.83%	10.48%

Global

ETF	Description	June 2026	2026
EWA	Australia	-3.73%	7.52%
EWZ	Brazil	-3.93%	8.59%
EWC	Canada	-1.99%	6.88%
MCHI	China	-7.40%	-15.06%
EWQ	France	-1.17%	0.98%
EWG	Germany	-4.74%	-2.66%
EWH	Hong Kong	-9.48%	-1.55%
INDA	India	1.71%	-8.62%
EWI	Italy	-0.22%	9.04%
EWJ	Japan	0.33%	15.52%
EWW	Mexico	-4.03%	8.57%
EIDO	Indonesia	-11.08%	-39.52%
EWP	Spain	2.56%	10.17%
EIS	Israel	-12.33%	9.71%
EWU	UK	-1.68%	4.91%
EFA	EAFE	-0.88%	8.17%
EEM	Emerging Mkts	-0.28%	25.04%
IOO	Global 100	-4.51%	7.84%
VT	All World	-0.74%	11.26%
CWI	All World ex US	-0.39%	13.22%

Sectors

ETF	Description	June 2026	2026
XLY	Cons Disc	-2.97%	-1.78%
XLP	Cons Stap	0.19%	6.94%
XLE	Energy	-5.65%	18.79%
XLF	Financials	3.94%	-2.12%
XLV	Health Care	6.15%	2.49%
XLI	Industrials	6.99%	19.41%
XLB	Materials	-0.63%	12.08%
XLRE	Real Estate	0.09%	9.12%
XLK	Technology	-0.26%	32.33%
XLC	Comm Services	-7.40%	-9.00%
XLU	Utilities	2.07%	6.21%
SMH	Semis	9.51%	82.13%

Currencies

ETF	Description	June 2026	2026
FXB	British Pound	-1.47%	-1.62%
FXE	Euro	-2.10%	-2.78%
FXY	Yen	-2.05%	-3.80%
DXY	Dollar	2.27%	2.95%

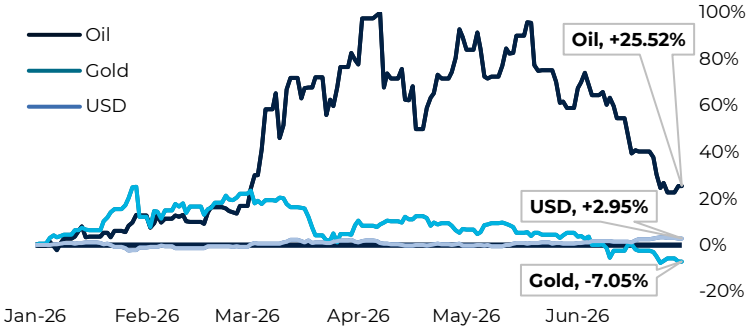
Fixed Income

ETF	Description	June 2026	2026
SHY	1-3 Yr Treasuries	-0.23%	-0.86%
IEI	3-7 Yr Treasuries	-0.25%	-1.59%
IEF	7-10 Yr Treasuries	-0.08%	-1.65%
TLH	10-20 Yr Treasuries	0.44%	-1.30%
TLT	20+ Yr Treasuries	0.77%	-0.85%
AGG	Aggregate Bond	-0.08%	-0.90%
TIP	T.I.P.S.	-1.60%	-0.44%
JNK	High Yield	-0.41%	-0.86%
MBB	Mortgage-Backed	-0.28%	-0.74%
LQD	IG Corporate	-0.27%	-1.02%

Commodities

ETF	Description	June 2026	2026
DBC	Commodities	-9.57%	19.23%
DBA	Agric Commod.	-2.13%	4.51%
USO	Oil	-17.55%	53.90%
UNG	Nat. Gas	-1.76%	-4.40%
GLD	Gold	-11.68%	-7.05%
SLV	Silver	-21.75%	-17.00%

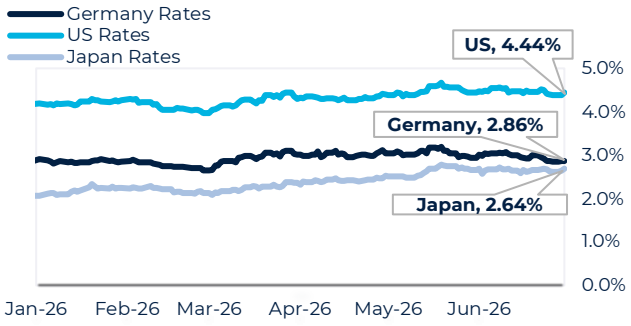
Commodity & Dollar Performance



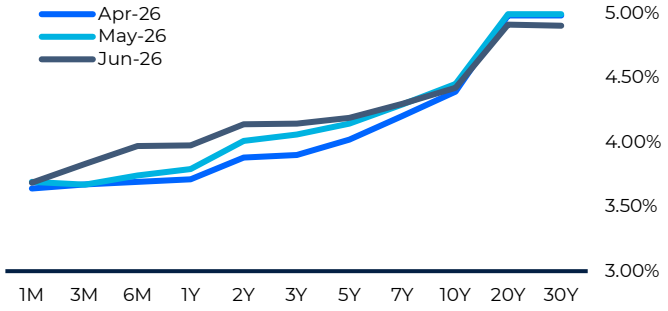
Markets Navigate the AI Trade

Markets were mixed in June as the US-Iran ceasefire helped ease geopolitical concerns, while growing scrutiny of AI-related spending fueled a rotation within the market. The S&P 500 declined over -1% and the Nasdaq 100 fell -0.26%, yet market breadth improved notably, with the Russell 2000 jumping nearly +3.5%. Value stocks outperformed, supported by strong returns in Industrials (+6.9%), Health Care (+6.2%), and Utilities (+2.0%). The shift in leadership highlighted a broader move toward cyclical and defensive sectors as investors reassessed the market's AI trade.

10-Year Bond Yields



US Yield Curve



Economic Data	Prior Release Date	Prior Estimate	Prior Actual	Next Release Date	Upcoming Forecast Estimate
Effective Federal Funds Rate	6/17/2026	350bps–375bps	350bps–375bps	7/29/2026	No change expected
US Total Nonfarm Payrolls	7/2/2026	113K	57K	8/7/2026	--
US Unemployment Rate	7/2/2026	4.3%	4.2%	8/7/2026	--
Core PCE Index YoY%	6/25/2026	3.4%	3.4%	7/30/2026	--
US CPI YoY%	6/10/2026	4.2%	4.2%	7/14/2026	3.9%
US Real GDP QoQ%	6/25/2026	1.6%	2.1%	7/30/2026	1.1%

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 07/13/2026

Tactical Asset Allocation Guide

OpenArc CORPORATE ADVISORY

Legend

Very Underweight | Underweight | Slight Underweight | Neutral | Slight Overweight | Overweight | Very Overweight

Q2 2026

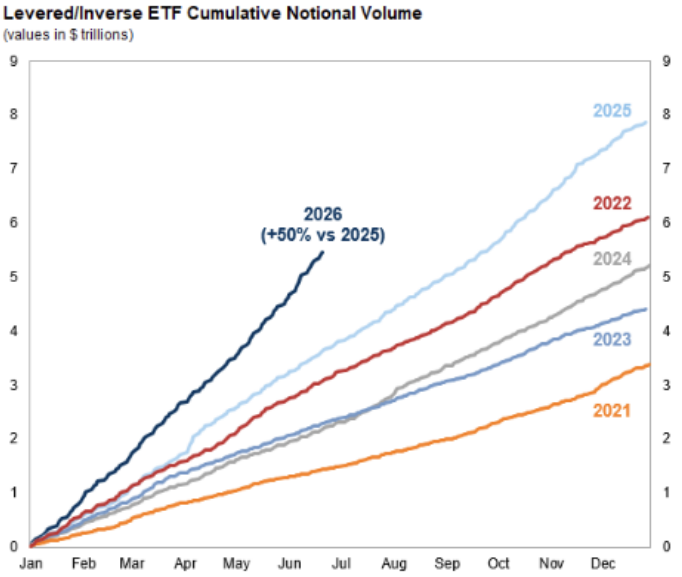
	Asset Class	View	Commentary
Equities	US Large Cap		As the AI investment cycle shifts from software to physical infrastructure, we continue to favor areas of the market positioned to benefit from the shift to physical infrastructure and the real economy, expressed through thematic allocations. While many large caps have AI exposure, the ROI on the spend from the Mag 7 remains an outstanding question mark for the broader market, and we're leaning away from these mega-cap names.
	US Mid Cap		We remain slightly overweight on our midcap allocation to offset our reduced large-cap positioning. Midcaps offer a compelling middle ground, with greater domestic revenue exposure, less mega-cap concentration risk, and more direct exposure to the infrastructure and industrial themes driving this cycle.
	US Small Cap		Small caps navigated around a challenging macroeconomic and geopolitical backdrop, as names tied to the physical economy and the AI infrastructure buildout continued to benefit. Through select active strategies, managers have captured targeted exposure to these specific themes that remain supported by strong demand.
	Developed International		We remain underweight international developed, though less so than prior quarters. European defense spending, ECB flexibility, and attractive valuations are positives, but the Iran Conflict's oil shock shows how energy shocks can hit these energy-importing economies. We continue to tilt to value within the developed international space.
	Emerging Markets		Our neutral stance on emerging markets reflects a mixed outlook: while the oil shock benefits commodity exporters, it pressures energy importers, and China's domestic consumption pivot, though structural, faces headwinds from trade frictions and slowing global demand. Taiwan and South Korea are notable bright spots, rewarded for their role in the AI supply chain.
Factors	Growth		We maintain a small overweight, reflecting continued conviction in AI infrastructure beneficiaries.The "Bits to Atoms" theme has punished software and rewarded hardware, further supporting our decision to use active management in Growth.
	Value		We remain slightly underweight Value in the US, while holding an overweight to Value in developed international markets. We believe that Growth will outpace Value, as we remain in the earlier innings of this AI supercycle.
	Quality		Core factor exposure is expressed via a more dynamic, signal-driven approach. In an environment where factor leadership is shifting rapidly and stock dispersion remains elevated, we believe blending quality with more nimble quantitative strategies is better positioned to capture rotations in real time.
Sectors	Technology		AI remains a dominant theme within our portfolios and the broader market. We remain exposed via our active Technology allocation and believe we are in the middle of a larger, meaningful supercycle.
	Financials		We remain neutral on financials as credit conditions tighten and private credit stress raise questions about broader spillover. Easing regulation and capital markets activity remain positives, especially from the IPO boom and increased trading revenues, but the risk-reward has shifted given the uncertain macro backdrop and rising loan loss provisions.
	Industrials		Industrials are our largest sector overweight and the clearest expression of our investment thesis. Aerospace and defense spending is accelerating globally, with 100% of NATO members now meeting the 2% GDP spending threshold. Simultaneously, AI-driven power demand and grid modernization create a multi-year capex cycle. The combination of defense and power infrastructure makes this sector a structural overweight.
Fixed Income	Duration		We remain slightly extended in duration, though remaining defensive in our broader fixed income posture. We favor broader Agg exposures over credit-sensitive exposures.
	Credit		We prefer higher-quality fixed income and select structured credit, positioning for a backdrop where tight spreads leave little room for error. Historical data shows that starting from bottom-decile spreads has typically meant negative forward returns for HY and EM credit over 6-12 month horizons.

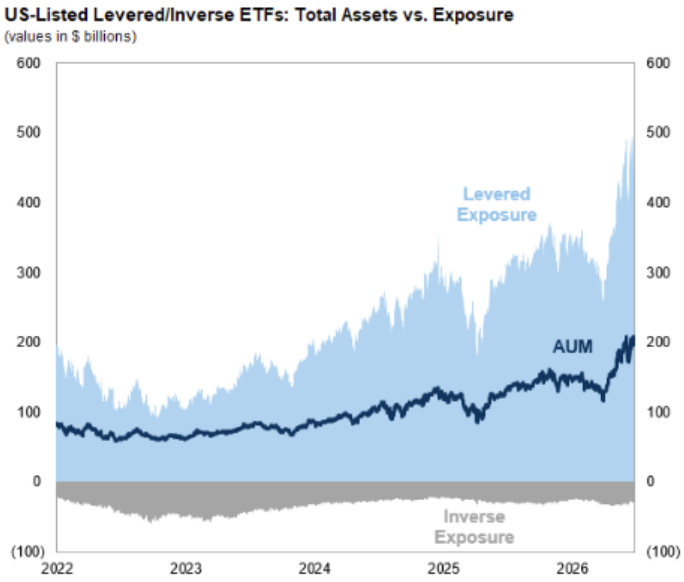
Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 07/13/2026

CIO Spotlight: The Tail That Wags the Tape

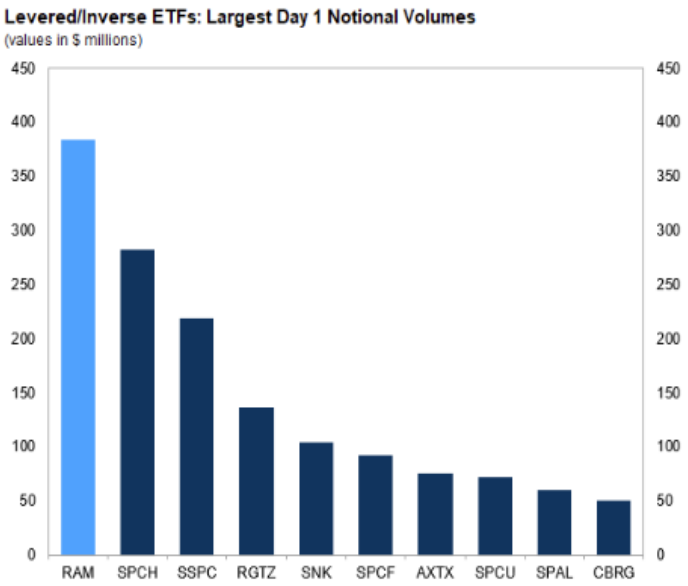
When a theme gets hot enough, it gets a leveraged twin

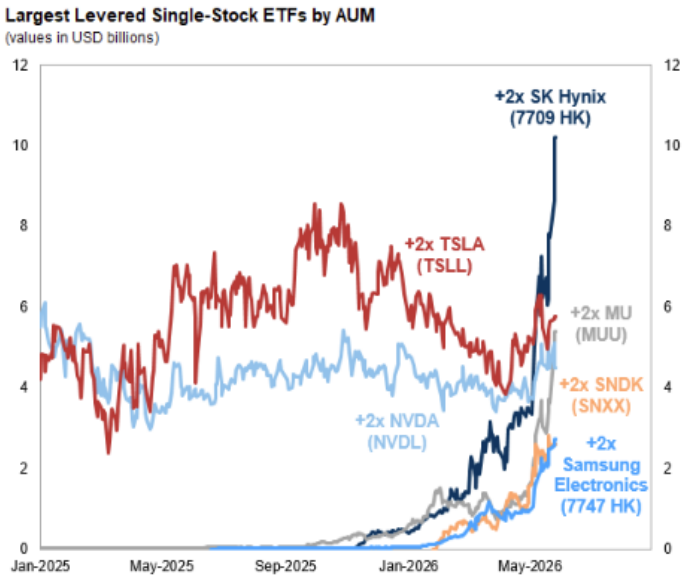
Leveraged and inverse ETFs were built as short-term trading and hedging tools, not buy-and-hold vehicles. That distinction matters less than it used to. U.S.-listed leveraged and inverse ETF assets are hovering around $200 billion, representing roughly $400 billion in net market exposure once the leverage ratio is applied, a figure that has swung by multiple billions of dollars in a single day recently. Trading volumes in the complex are running about 50% ahead of the first half of 2025's already-record pace, averaging roughly $45 billion a day and turning over close to 30% of the complex's assets daily. At that size and turnover, the products are no longer a side note to market structure. They're a meaningful part of it.





The clearest illustration arrived on June 24th, when a 2x leveraged version of the popular memory-chip ETF DRAM launched under the ticker RAM. It traded nearly $400 million in volume on day one, a record for any U.S.-listed leveraged or inverse ETF debut, and had changed hands more than $500 million by midday the next session. The pattern hasn't slowed. At least six additional leveraged products tied to a single memory-chip name, SK Hynix, launched in mid-July, underscoring that this is an accelerating dynamic rather than a one-off in June. As new themes reach scale, they're now almost immediately met with a leveraged counterpart built to amplify the move, and that counterpart can start trading real size within hours of listing.





Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 07/13/2026

Why the mechanics matter, not just the size

Leveraged ETFs reset their exposure daily to maintain their stated multiple. On a day the underlying rises, a 2x fund must buy more of the underlying to keep its exposure at 2x for the next day. On a day it falls, the fund must sell. That rebalancing flow is mechanical and pro-cyclical, reinforcing whatever the market just did, buying into strength and selling into weakness, concentrated in the final hour of trading when funds true up their exposure. At today's size, that flow is large enough to show up in how markets actually behave, not just in theory.

June offered a live example of the underlying divergence this dynamic feeds on. Semiconductors surged nearly 10% for the month even as broader technology finished essentially flat and communication services fell sharply, roughly 7%, on continued software-related weakness. That kind of split, where a handful of chip names were rallying hard while the sector average and adjacent groups go nowhere or fall, is exactly the setup where concentrated leveraged flow can have an outsized effect on the names it's chasing. We think this is showing up in the broader volatility data too. Nearly 70% of Nasdaq rallies in May were accompanied by rising, not falling, one-month implied volatility, the highest frequency of that pattern in twenty years and more than three times the long-run average. Historically, volatility falls as markets rise and investor risk appetite improves. A market where the two increasingly move together looks like one where mechanical, leverage-driven flows are influencing price action alongside fundamentals. Options and flow desks have separately flagged the same dynamic from a different angle in recent weeks, pointing to single-stock implied volatility running unusually rich relative to index-level volatility, and to one-month implied correlation across the S&P 500 sitting near its lowest levels on record. Individual stocks are moving on their own terms more than they're moving together, consistent with leverage and options flow concentrating in specific names rather than the market as a whole.

The exposure is concentrated in the same handful of names

This wouldn't matter as much if leveraged exposure were spread broadly across the market. It isn't. Growth in leveraged ETF assets has been led overwhelmingly by technology and semiconductor exposures, the same names carrying the heaviest weight in the S&P 500 and the heaviest options positioning. The combination of concentrated index weight, concentrated options activity, and concentrated leveraged-ETF exposure means that any air pocket in a small number of mega-cap and semiconductor names now has more channels through which it can transmit and amplify, rather than staying contained to the stock or sector where it starts. One-third of all listed options now expire the very same day they're traded, adding another layer of daily, mechanical rebalancing that funds and dealers must manage into every closing bell.

Capacity is starting to show strain

The clearest sign that this has become a genuine structural issue, rather than just a curiosity, is showing up in funding markets. The combination of concentrated positioning and growing demand for leverage has pushed the cost of financing that leverage higher, with one-month equity financing spreads reaching as much as 138 basis points over SOFR recently. Markets don't typically price meaningfully higher funding costs for leverage unless the capacity to supply it is becoming genuinely constrained. Some derivatives desks have responded by leaning against the rich pricing this has created, selectively selling calls against long positions to harvest what they see as an unusually generous volatility premium, itself a signal that sophisticated participants view current implied volatility levels as disconnected from where fundamentals alone would put them.

Bottom Line

We don't think the leveraged ETF complex is likely to cause a crisis on its own, and we aren't making a call that a correction is imminent. But the size, concentration, and daily rebalancing mechanics of this corner of the market mean it can now meaningfully amplify moves that start elsewhere, particularly in the small handful of mega-cap and semiconductor names where leverage, options activity, and index weight all overlap. Some market participants expect this dynamic to produce a choppier, lower-conviction tape until leveraged AUM in these names normalizes to some degree, a view we think has merit even if we wouldn't go so far as to call it a base case. That has two practical implications for how we're positioning. First, we should expect volatility to spike faster and further than fundamentals alone would suggest, especially late in the trading day and especially in AI-infrastructure-adjacent names, and we shouldn't read every such spike as a change in the underlying earnings or macro picture. Second, concentration risk in portfolios tied to these names is now compounded by a structural amplifier that didn't exist in prior cycles, reinforcing our preference for active management and diversified access points that aren't dependent on the same narrow leadership group absorbing an ever-growing share of leveraged flow.

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 07/13/2026

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