

Kisher Capital — May-26 Market Update

June 5th, 2026

Executive Summary

- Government bond yields hit their highest levels since 2007 in May, raising borrowing costs across the economy.
- A top Federal Reserve official warned that tariff-driven price increases are proving harder to shake than expected, making rate cuts less likely in the near term.
- With a new Fed Chair taking over and inflation still elevated, the path forward for interest rates is more uncertain than it has been in years

Market Snapshot – What Happened

Asset	Ticker	May Return	YTD Return*
S&P 500	SPY	5.26%	11.24%
Nasdaq	QQQ	10.57%	20.34%
Russell 2000	IWM	4.48%	18.19%
Core U.S. Bonds	AGG	0.29%	0.49%
Bitcoin	IBIT	-3.90%	-16.15%

Two Key Stories

1. Bonds in the Danger Zone — Yields at a 17-Year High

The Story:

In May, interest rates on long-term U.S. government bonds jumped to their highest levels since 2007. The 30-year rate crossed 5%, and the 10-year rate approached 4.7%. The move was global, bond markets in Europe and Japan sold off as well.

Two things are driving it. Inflation is still running well above the Fed's 2% target. Prices rose 3.8% over the past year through April. On top of that, investors are increasingly worried about the size of the federal deficit, and they're demanding higher interest payments to lend the government money for longer periods.

Why It Matters:

When government bond rates go up, borrowing gets more expensive everywhere — mortgages, car loans, and business loans all follow. It also puts downward pressure on stocks, since future company earnings become less valuable when interest rates are high. You may not see it directly, but higher rates act like a slow brake on the economy.

Investor Takeaway:

If you hold bonds, the ones most affected are longer-term ones. Watch the May jobs report on June 5 and inflation data on June 10. Those two numbers will shape what happens at the Fed's June 16 meeting, and whether rates stay where they are or head higher.

2. The Fed's Dilemma — Tariffs Are Making It Hard to Cut Rates

The Story:

On May 22, Federal Reserve Governor Christopher Waller gave an important speech warning that the Fed is in an unusually tough spot. Here's the basic problem: tariffs pushed prices up over the past year, and before that increase fully faded, energy prices rose too because of the Iran conflict. Each price shock on its own might be manageable. But two in a row keeps inflation elevated for longer, and that makes it much harder for the Fed to lower interest rates.

Waller also flagged a troubling sign in the job market: hiring has been nearly flat over the past year, well below historical norms. Rising prices and a slowing job market at the same time are difficult combinations for any policymaker to navigate. Meanwhile, May also brought a significant change: Kevin Warsh was confirmed as the new Fed Chair on May 13, taking over from Jerome Powell. His first major decision comes at the June 16/17 meeting.

Why It Matters:

Many investors had been expecting the Fed to start cutting interest rates later this year. Waller's remarks, combined with still-elevated inflation, make that less certain. A Fed that stays on hold longer means borrowing costs stay higher for longer and that affects everything from what you pay on a home loan to how companies plan their budgets.

Investor Takeaway:

Rate cuts may come later and more slowly than markets had hoped. The June 16/17 FOMC meeting is worth watching closely. Until there's more clarity, it's a good time to avoid making big bets based on the assumption that rates are about to fall.

What This Means for Investors

- Higher interest rates on government bonds are already raising borrowing costs for homeowners, businesses, and the government itself — even without the Fed doing anything new.
- The Fed is caught between two problems: inflation is still too high to cut rates, but the job market is softening. There's no easy move.
- This is a good time to stay patient, avoid overreaching for yield, and make sure your portfolio isn't overly exposed to rising rates.

What to Watch

- **06/01/2026:** PANW Earnings Announcement
- **06/10/2026:** ADBE Earnings Announcement
- **06/17/2026:** FOMC Rate Decision — Chair Warsh's First Meeting (includes Summary of Economic Projections and Dot Plot)

Disclosures

Advisory services offered through Kisher Capital, LLC, an investment adviser registered with the state of Illinois, Colorado, and California. Advisory services are only offered to clients or prospective clients where Kisher Capital, LLC and its representatives are properly registered or exempt from registration. The information in this document is not intended as tax, accounting, or legal advice, nor is it an offer or solicitation to buy or sell, or as an endorsement of any company, security, fund, or other offering. The information provided should not be solely relied upon for decision making. Please consult your legal, tax, or accounting professional regarding your specific situation. Investments involve risk and have the potential for complete loss. It should not be assumed that any recommendations made will necessarily be profitable. The information in this document is provided “AS IS” and without warranties either express or implied and the information may not be free from error. Your use of the information provided is at your sole risk. Performance data comes from Yahoo Finance. This report was prepared by Kisher Capital and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change without notice.

*YTD returns are closing prices of 12/31/2025 and 05/29/2026