

# Week In Review

OLLI-GMU Investment Forum

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Today: Risk on!

Ceasefire in US-Iran war - maybe

And more about SpaceX IPO

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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

# Economic commentary

We have a strong economy and stock market, but a miserable consumer

- US – Iran ceasefire agreement may emerge soon
- New Fed Chief Warsh sworn in last Friday
- US-China summit revealed very little
- Leading Economic Indicators inched up 0.1% in April
- Price of gas rose to \$4.55 nationally
- ISM April Manufacturing PMI: 52.7; Services PMI 53.6
- Inflation rose to 3.8% in April
- Unemployment rate steady at 4.3%
- U Michigan consumer survey hit a record low in May: 44.8
- Residential home buys and sells have come back into balance
  - High mortgage rates and sour mood turning off buyers (Yahoo)
  - Affordability concerns are diminishing (WSJ)
- US oil rig count increased from 410 to 422 MoM.
  - Biggest increase since 2022
- Junk bond spreads dropped from 3.5% to 2.8%; lowest since March, 2026; very bullish sign
- Jason Zweig (WSJ): “the market for all things AI-related is heating up, but not yet overheated.”

# Market commentary

Sum of all fears seems to be subsiding

- Primarily focused on Iran War; inflation; government debt;
- AI and private credit concerns diminishing
- Pope Leo weighs in on AI dangers
- Stock markets are at all-time highs
  - Major banks are revising S&P500 end of year mark: now 8000
- Bond market slide continues
  - 30-year Treasury bond hit 5.18%; 10 year @ 4.67%
  - Near 20-year highs
- Q1 earnings season is done; Earnings were 26% higher YoY
- SpaceX filed for IPO on May 20. Debut expected ~June 12 (SPCX)
  - Valuation \$1.75T to \$2T.
- CNN fear gauge: 60/ 100 - greedy
- VIX: 17 – neutral
- Put/Call ratio: 0.64 – extreme greed
- AAI Investor survey: 32% bullish; 44% bearish
- Given the recent rapid rise in stock markets, are we nearing bubble territory?
  - Is margin debt high? High but not ridiculous
  - Do many companies have extremely high PEs? - not yet
  - Market pricing is supported by strong earnings

# Now what?

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- Possible Fed interest rate increases in 2026 due to rising inflation
- US economy is strong but....with significant geo-political and inflation uncertainty
- Stock market is on a roll, BUT expensive: Forward PE = 27 vs long term average 16
- Bond market slide continues

GLTA

*"Investing should be like watching paint dry. If you want excitement, take \$8000 and go to Las Vegas."*

— Paul Samuelson, Nobel Laureate

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