

May 30, 2026

CJ's Weekly Market Memo

The Economy

There is an old Wall Street chestnut, "Sell in May and go away." A few letters back I offered a different instruction for this cycle: "buy in May and plan to stay." So far, the second version has been the better theme. The S&P 500 closed at a fresh record to end the week, and rather than fading into summer the market spent May adding to gains.

I am going to lean on technicals this week, and there is a reason for that. The fundamentals are already well established. First quarter earnings season is essentially behind us, and the results were not just good, they were record-setting. Of the S&P 500 companies reporting, better than four in five beat expectations, and the strength was concentrated where it matters most: the technology sector, which remains the market's most important engine. When the biggest sector is breaking records and clearing the bar by wide margins, the fundamental case largely makes itself.

What impressed me more than the headline beats was the forward guidance, which came in even stronger than the trailing numbers. Analysts have responded the way they tend to in these stretches, by raising price targets across the group. Inside tech the underlying plumbing is sound. Bookings are solid, remaining performance obligations (the RPOs that tell you what business is already contracted and waiting to be recognized) are very strong, and company cash flow is robust enough to fund the enormous capital spending without leaning on the balance sheet. Dell's quarter was a tidy illustration: AI server revenue now exceeds its PC business, the full year forecast for that segment was raised twenty percent, and management's chief complaint was that it cannot get enough supply, not that it cannot find demand.

The one caveat worth keeping in view is the consumer, who continues to behave in two distinct ways. Higher-end shoppers keep spending, while the value-focused customer is stretching every dollar, a split visible in the retail results from Dick's and Best Buy at the top end to Dollar Tree and Kohl's at the value end. Firmer energy prices tied to the Iran situation are part of that pinch. It is a real burden on household budgets, but it is a known quantity, and so far it has not derailed the broader expansion.

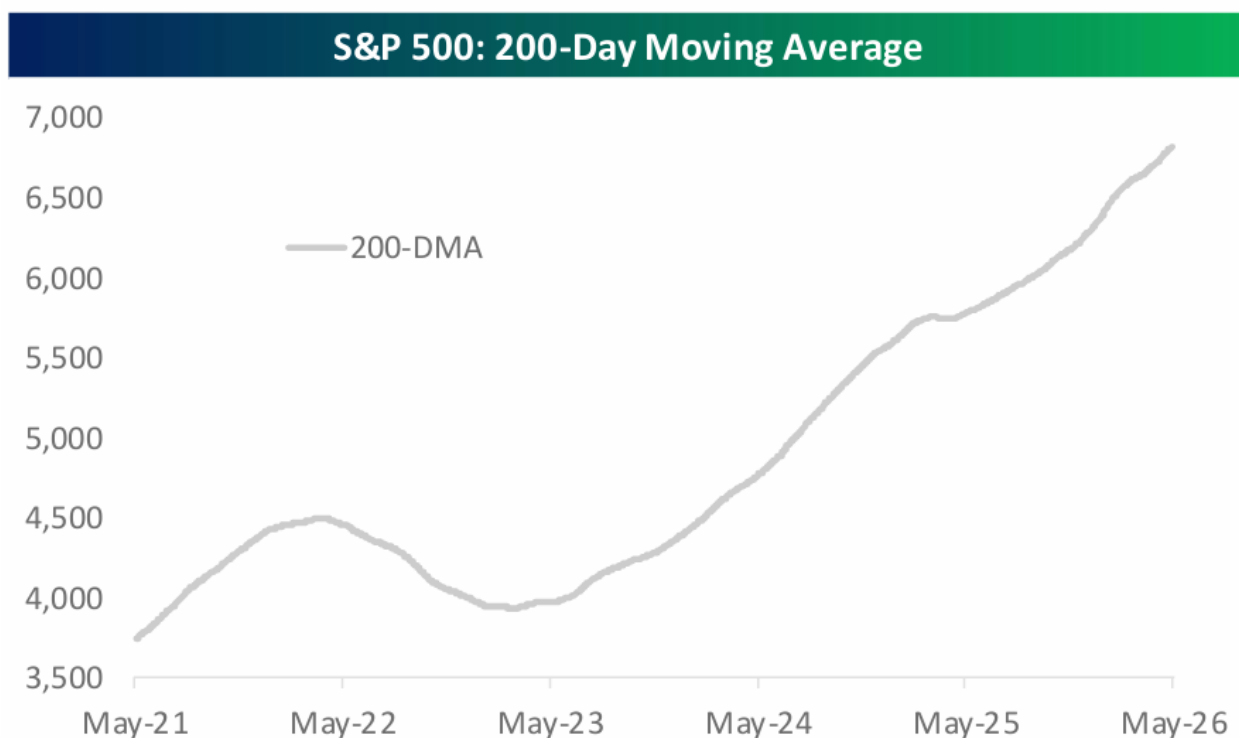
Current Market Technical Conditions

The technical picture is where this week gets interesting, because it sends two messages at once, and both are worth respecting. Start with the unambiguous good news. The technology sector just posted back-to-back monthly gains of better than ten percent, up roughly seventeen percent in April and another sixteen percent in May, for a two-month gain north of thirty-six percent. There are only a handful of episodes like that on record, and the company it keeps (the late 1990s, the early 2000s, and the months off the 2009 low) tells you this is the kind of move that shows up in powerful markets.

Tech is also following the old playbook. The semiconductors, which I think of as the new rails of this economy, the way the railroads were the rails of an earlier one, continue to lead, with the Philadelphia semiconductor index now running about sixty-five percent above its 200-day moving average. That is stretched, no argument, but leadership from the rails is a classic feature of a healthy bull market, not a sick one.

Now the cautionary side. Breadth is a near-term negative. The market's cumulative advance/decline line has not confirmed the new high in price, which historically signals hesitation rather than a peak, but hesitation all the same. A second flag is how far prices have run ahead of trend: the S&P is sitting better than ten percent above its 200-day average, roughly double the normal spread of recent years, the sort of stretch that tends to invite a pause. I would set against that one genuinely encouraging breadth signal. The equal-weight S&P, which the RSP exchange-traded fund tracks, just made a new all-time high of its own. That is the broadening I have wanted to see, and it is a longer-term positive that argues this rally is not resting on a handful of names alone.

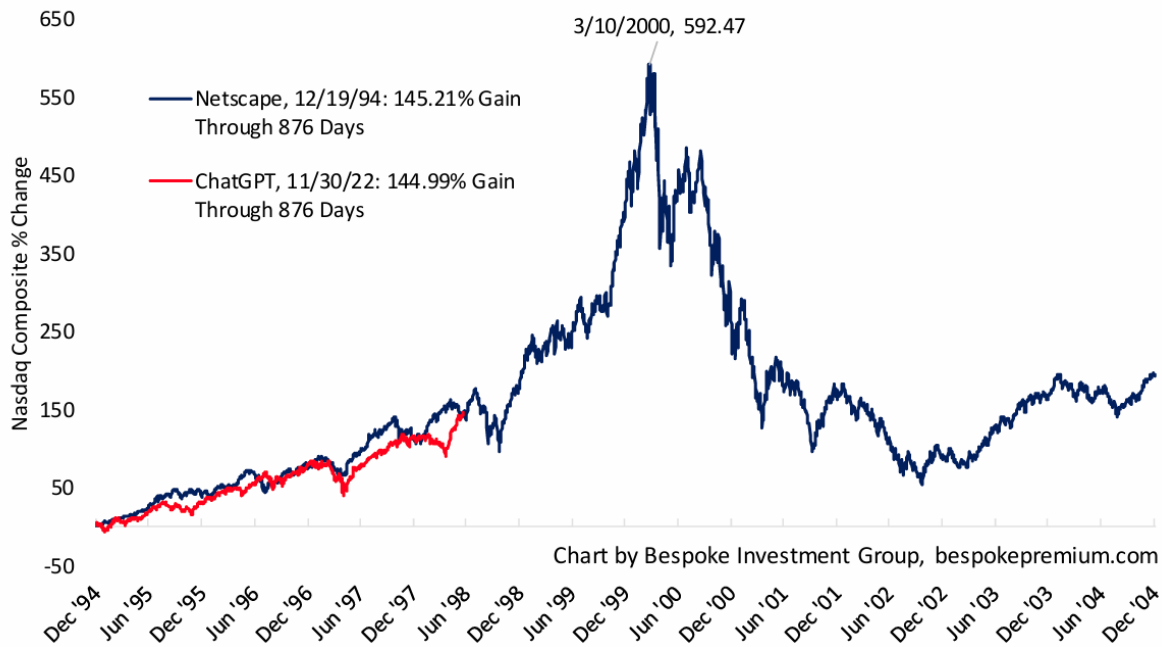
When the short-term signals conflict, I come back to the simplest and most dependable trend tool I know: the 200-day moving average itself. Forget the day-to-day chop and ask one question. Is the smoothed line rising? It is, cleanly and steadily. As long as that holds, the primary trend is up, and the rest is noise around the signal.



Source: Bespoke Investment Group

Two longer arcs frame all of this for me. First, this bull market just became the eighth longest on record, passing the 1962 to 1966 advance in length. That earlier bull belonged to the space race, and I cannot help but see the rhyme: today it is AI powering the rally, with the hope for quantum computing keeping the momentum crowd fully engaged (witness the violent swings in the quantum names this month). Second, the pattern looks a great deal like the 1990s, when Netscape opened a new frontier for the internet. The release of ChatGPT is tracing a remarkably similar path. By that analogue we would be somewhere around mid-1998, which is to say well inside the boom and well before any eventual peak.

Nasdaq Composite % Change in the 10 Years After Netscape Release vs. ChatGPT Release



Source: Bespoke Investment Group

A Prognostication for 2026

Putting it together, I would not be the least bit surprised to see the market take a breather over the next month or two. Price is overbought, breadth needs to catch up to price, and the spread above the 200-day moving average is asking for some mean reversion. If you are looking to put fresh money to work, there is no harm in letting that spread come in a bit before committing the full amount. That is prudence, not pessimism.

Because the longer view is decidedly optimistic. The trend is up and rising. The leadership is real and now broadening. The earnings behind this advance are not a story, they are reported results, with guidance and contracted backlogs that point higher, funded by cash the companies are actually generating. If the 1990s analogue holds, the honest lesson is that booms built on a genuine new technology tend to run far longer than the skeptics expect. I have no interest in a 1999-style blow-off, and frankly I would rather not see one. A slow, steady climb that lets fundamentals grow into prices would be the healthier outcome and the one I would wish for. But make no mistake about the direction of the secondary trend: it remains higher.

So, I will stick with the instruction I gave a few weeks ago. We bought in May, and we plan to stay. We simply do so with eyes open, a little patience on new commitments, and a great deal of respect for the rails that are pulling this train.

As always, thank you for reading, and for the trust you continue to place in me. It remains a privilege to think these things through alongside you.

CJ Brott

Chairman Emeritus, Capital Ideas

Disclaimer

The material presented is for informational purposes only and is believed to be accurate. Sources include but are not limited to publications by FactSet, Dow Jones, Yardeni Research, and Bespoke Investment Group. All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change. The author may hold securities mentioned in this commentary.