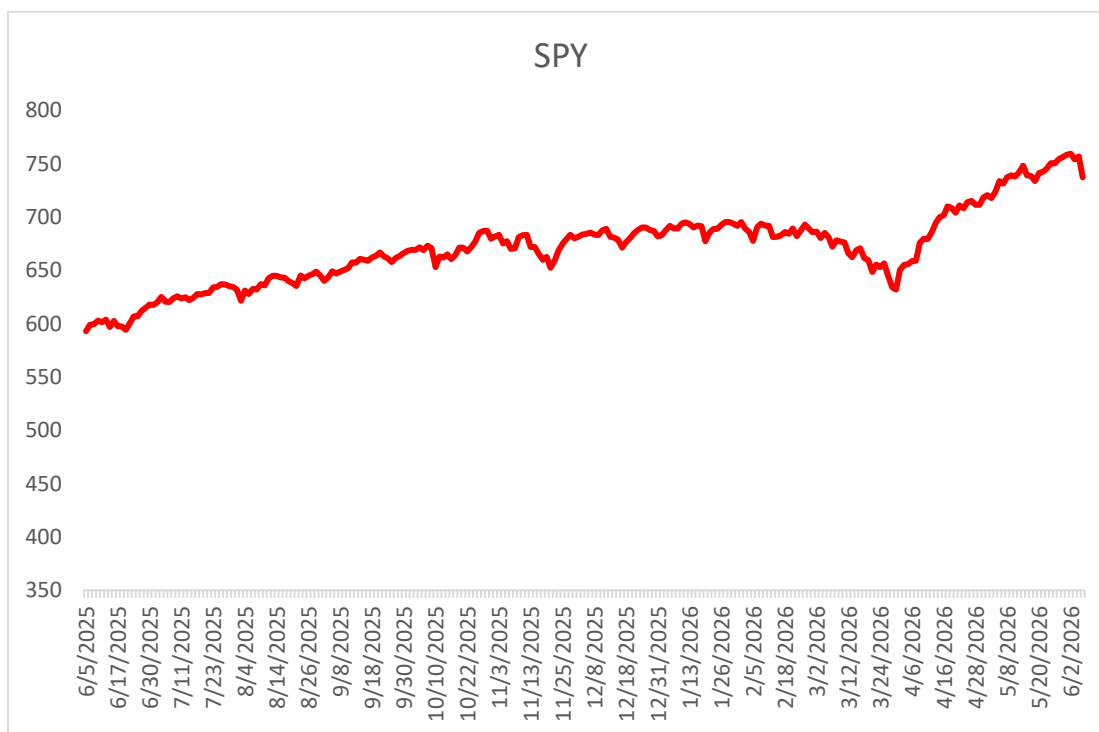


### Market Review for Week Ending 6/5/2026



This week the SPY declined 2.45%.

The mini-bull market that started two months ago increased in value 20% and advanced nine weeks in a row. That winning streak ended on Friday when a stronger than expected jobs report came out. The strong jobs report squashed any hope of interest rate cuts and stock prices adjusted to reflect this change in economic ingredient.

There is a difference between a great company and a great stock and that difference is price. Unfortunately, at all times in the market, the greatest companies making the greatest profits, are traded constantly by momentum traders. Once a stock gets momentum it is amazing how far it can detach from its long-term price reality. Let the following sink in. Once a market leading growth momentum stock hits its peak there is an 80% chance the stock will decline by at least 50%, and a 50% chance it will decline by 80%.

Momentum traders are a large presence in the market and because they are willing to sell as quickly as they buy, they do not care about fundamentals. How much they are paying for a company in relationship to its earnings is not considered. Momentum stocks often trade at 100 to 300 times their current earnings. Once momentum ends for a stock, all momentum traders sell and move on to the next hot thing, and then the price collapses until it can attract a fundamental investor looking to pay perhaps 25 times current earnings.

One example of this phenomenon is bitcoin. Bitcoin had all sorts of momentum, for reasons nobody can ever explain, and has now declined 50% in value from its peak. It is going to be interesting to see what happens with bitcoin in the coming months if momentum traders all bail out. I am not sure fundamental investors see any use for the asset other than pure speculation.

Momentum traders have crowded into AI stocks, and they fell the most on Friday. The daily average true range in many of these hot stocks is 10% per day. So don't be surprised if momentum stocks get taken to the woodshed. What I will be watching for is rotation. Froth coming out of momentum stocks is not automatically the beginning of a bear market. What matters is where that money is going. As of last week, it was not leaving stocks, it was rotating into more reasonably priced stocks. Last week the tech-heavy NASDAQ index declined 4.5%, the S&P 500 index declined 2.50%, and the S&P 500 equal-weighted index only declined .48%.

We certainly ended the week on a sour note, which often does not bode well for the week to follow, but we shall see. SpaceX is launching its historic and highly anticipated initial public offering on Friday and that should have the spirits of Wall Street riding high.