MILLER TABAK + CO., LLC

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1) This writer would like to offer a fresh perspective on what I have noted every Sunday since February and that is the fact the average drawdown during the mid-term election years in the US has been 18%. My new view of what might be occurring is that instead of getting that correction in the overall market we are witnessing that correction group by group, For example, the correction in the private equity stocks, using APO as an example, was approximately 30% before a rally commence. Another group having had a 18% or greater correction would be the high end retailers as noted by RL which saw a 19% pullback before a rally. Even in the marquee industry group-semiconductors and related equipment, we witnessed a 20% correction in MU, but that happened in two days! The point of the matter is that these rolling group corrections could indeed mask the S+P or any other major index from showing a real 18% correction. The correction in the S+P from year end 2025 to the low in March was 8% and the correction in the NDX for the same period was about 10%. Moreover, this may explain why the VIX has remained stubbornly low all year, despite the pop on Friday for what the VIX measures is the overall market and not industry segmentation. Thus, rather than reducing risk, a portfolio manager might keep the overall risk level the same with stock picking and timing of paramount importance.

2) Given the employment data on Friday, the Miller Tabak Economist, Paul Shea, has made a significant upgrade to his outlook. In his piece entitled "The Best Job Report in Years," (your inbox last Friday USA and early Saturday UK-EU), he notes that the separate household survey, which has been poor all year, finally showed job growth in May of 149,000. Although household growth and the labor force are still below March levels, this is the best and first positive reading since 2025. The second piece of news for his upgrade is the 1q2026 labor productivity number fell from 0.8% to 0.3%. Normally, poor productivity growth is counter-intuitive for his case and would be bad news for both the labor market and inflation. It also shows that AI is yet to have a major impact on productivity. In Shea's opinion, the real culprit is that firms have been reducing payrolls that were inefficiently high following the post-pandemic labor shortages. Weak 1Q productivity growth shows that this process may be at its end, explaining why

firms have again started hiring. Shea has therefore reduced his chances of a recession beginning with the next year to 35% (still historically high) and forecasts unemployment creeping back above 4.5% in 2H2026. He is still NOT expecting a rate hike by the Fed but has moved his cut prediction to the 1Q2027. However, he is NOT changing 2 of his crucial non-consensus views: core inflation readings will remain elevated into the summer but will decline to around 2% by the Fall and, most importantly, given his optimism on inflation, he is still predicting a yield on the 10year of 340 bps by Christmas 2027.

3) As for my most important indicator, HYG, the analysis becomes a touch tricky the first week of the month, as the etf goes ex-dividend the first business day of the month. The standard moving averages on HYG are not adjusted for the ex—dividend; thus the gap caused by the $0.41 cash payment is simply treated as part of the price history that feeds the moving average formula with no separate correction to "undo" the drop. Therefore, there is an artificial down day unrelated to credit spreads or rates. Suffice it to say that the problem is the fact that HYG closed below both its still upward sloping 50 day moving average and the now downward sloping 200 day. Taking out the low tick for the month of May—79.23—would be of significant concern for equities particularly if coupled with a move approaching 4.6% in the 10 year govvie.

4) Physical gold: I suspect the casual observer of the physical gold market would be highly surprised to note that GLD is exactly flat on the year. GLD is clearly a captive of the recent concern about a further rise in the 10 year yield as well as the strength of the US$. The DXY closed over 100 vs a y/e '25 close of 98.28, but still remains below the highs of late March/early April. This performance in GLD is surprising given that a report this week by the ECB shows that bullion now accounts for 27% of all global bank reserve assets at y/e 25 up from 20% a year earlier. US Treasuries fell to 22% from 25% over the same period. This shifting composition of reserve assets reflects an attempt by many countries to seek alternatives to the US$, which were accelerated when Washington used sanctions to freeze Russia's dollar reserves over its invasion of Ukraine in 2022. Central bank gold purchases approximated 850 tons in 2025 vs more than 1,000 tons for each of the previous 3 years. Interestingly, the stablecoin company Tether became the single biggest buyer in 2025, purchasing more than 100 tons.

5) Digital gold: The asset class had its worst week since November, 2022, after crypto's biggest "corporate cheerleader", Michael Saylor, sold 32 BTC, only its second sale since it began buying crypto in 2020. The sale was made to pay coupons to holders of MSTR's preferred stock. (Ironically, the preferreds fell in price as well.) Previous to this sale, MSTR bought 843,738 btc in 110 different transactions. Crypto bears were gleeful with posts on X stating this would be the first of many much larger sales. BTC plummeted to $59,175 testing the February low of $60,000. As of this composition, BTC is trading at $62,684 so technicians might conclude we have had a successful test. The two upside hurdles for

crypto bulls will first be $67,000 which was the price on the eve of Trump's second election, when his promised to make the USA the "crypto capital of the world." The hurdle above that would be the 200 day moving average. The bull case is also that Saylor launched a "trial balloon" by selling only 32 btc to test the market's reaction, which I suspect was a shock to him. The bulls will hope he might be savvy enough to issue a statement that he will find other ways in the future to fund the preferreds.

6) What did it/does it say about the extreme euphoria in the marketplace when the CEO of the biggest bank, along with his top lieutenants, personally got involved in marketing the historic upcoming SpaceX IPO? There was the highly unusual "live interactive discussion" to pitch the IPO directly to the bank's wealthiest clients. While roadshows are common, this was different in that the scope of the event was massive and explicitly targeted at HNW retail investors. The presentation was simulcast live to 90 offices across 26 states. The CEO remarkably stated that he and Musk have "hugged it out" dismissing the fallout from when the bank sued TSLA in 2021 over a stock warrant transaction. What massive dollars in potential fees will do to repair a relationship! The fixed IPO price of $135 completely bypasses the traditional price-discovery normal process. The success of the deal, with trading to officially begin this Friday the 12th, will be the ultimate bellwether for investor appetite for the potentially massive OpenAI and Anthropic deals.

7) Certainly, the sell off Friday weakened the S+P's near-term momentum. However, the market will need to move lower from current levels before true warning flags are raised. This week's low of 7368 (cash) and the mid-May low of 7333 are key figures. A drop below that number will press the bears to test the early May low of 7174. There was clearly more damage to the NDX and bears will be salivating if 28567, mid-May cash low, is eradicated. Small cap investors can take solace in the fact that the Russell has done somewhat better than the large-cap indexes, not breaking below its uptrend line from the late-March lows and remaining comfortably above the mid-May low of 2722.

8) This writer has been commenting for the last several weeks about the implications of the massive sell-off in SHAK. Is this decline indicative that a major pullback has commenced in the spending habits of the GenZers which will be reflected in other retailers in the restaurant and apparel segments, which, to some extent, already has? When the earnings were reported and guidance released, the stock tumbled from $96 to $62 and then steadied for a few sessions. SHAK, however, closed the week at $52, the low for the move and a decline of over 50% from the 2026 high.

Jeff

Have a productive week.

For sports fans, today and tomorrow have exciting events. The Men's final at Roland Garros/ game between the Red Sox and the Yankees, the greatest rivalry in sports/and the Knicks game on Monday evening which has NYC in emotional euphoria

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