

May 2026 Monthly Commentary

June 1, 2026

Stock Market & Portfolio Performance

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May 2026: U.S. stock prices rose sharply for the second consecutive month, led by AI-related technology stocks. The gains were driven in part by optimism around hopes for a truce in the Iranian conflict. International stocks also performed well. Bond prices increased modestly.

	May '26	YTD 2026	Description:
Without Dividends:			
S&P 500	5.2%	10.7%	500 Largest Public U.S. Companies
Russell 2000	4.3%	17.6%	2000 of the smallest U.S. stocks
MSCI EAFE	2.6%	7.8%	international stock index
U.S. Aggr Bond	0.3%	0.5%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	2.6%	7.1%	non-very conservative MAM portfolios
MAM Consv	2.0%	5.6%	portfolios with 45%+ bond allocation

The returns showed above are unaudited. Past performance is not indicative of future results. Returns for McCarthy Asset Management Portfolios ("MAM Portfolios") are net of management fees and transaction costs, and reflect the reinvestment of dividends. Results represent a composite of clients using a similar investment strategy, individual results will vary.

Returns for the indices are provided solely as a general indication of current market conditions. MAM Portfolios are not invested in a style substantially similar to any index. Indices do not reflect the deduction of management fees or transaction costs or the reinvestment of dividends. Performance for the indices would be lower if these costs were reflected.

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Strong Corporate Profit Growth and Rising Oil Prices and Interest Rates

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What do corporate profits, oil prices and interest rates have in common? Each plays a major role in shaping the performance of the U.S. economy and stock market. Recently, all three have drawn significant attention.



Corporate Profits for the First Quarter of 2026

Corporate earnings have been a key factor supporting the stock market during the first five months of 2026. The first quarter of 2026 marks the sixth consecutive quarter in which S&P 500 companies have posted double-digit growth. Compared with the first quarter of 2025, earnings are estimated to have grown 28%, representing the strongest quarterly earnings growth since the fourth quarter of 2021.

The technology sector has been the primary driver of this growth, fueled by strong demand for artificial intelligence-related spending and cloud computing services.

Inflation and Interest Rates Rising

Consumer prices rose 3.8% in April compared with a year earlier, accelerating from March's 3.3% increase. Much of the increase was driven by higher energy costs following the outbreak of war with Iran. Energy prices climbed 18% year-over-year, including a 28% increase in gasoline prices and a 54% rise in aviation fuel oil prices. Economists expect inflation for May could exceed 4%.

At the same time, interest rates have continued to move higher. Recently the 30-year Treasury yield climbed to 5.2%, its highest level in 19 years, while the benchmark 10-year Treasury yield rose to 4.7%, its highest level in more than a year. Because the 10-year Treasury heavily influences mortgage rates and borrowing costs, rising yields could place additional pressure on consumers and businesses.

If the conflict with Iran isn't resolved soon, energy prices may remain elevated for an extended period. As a result, expectations for Federal Reserve policy have shifted dramatically. Earlier this year, investors anticipated interest rate cuts. Now, markets are beginning to price in the possibility of rate increases if inflation remains stubbornly high.

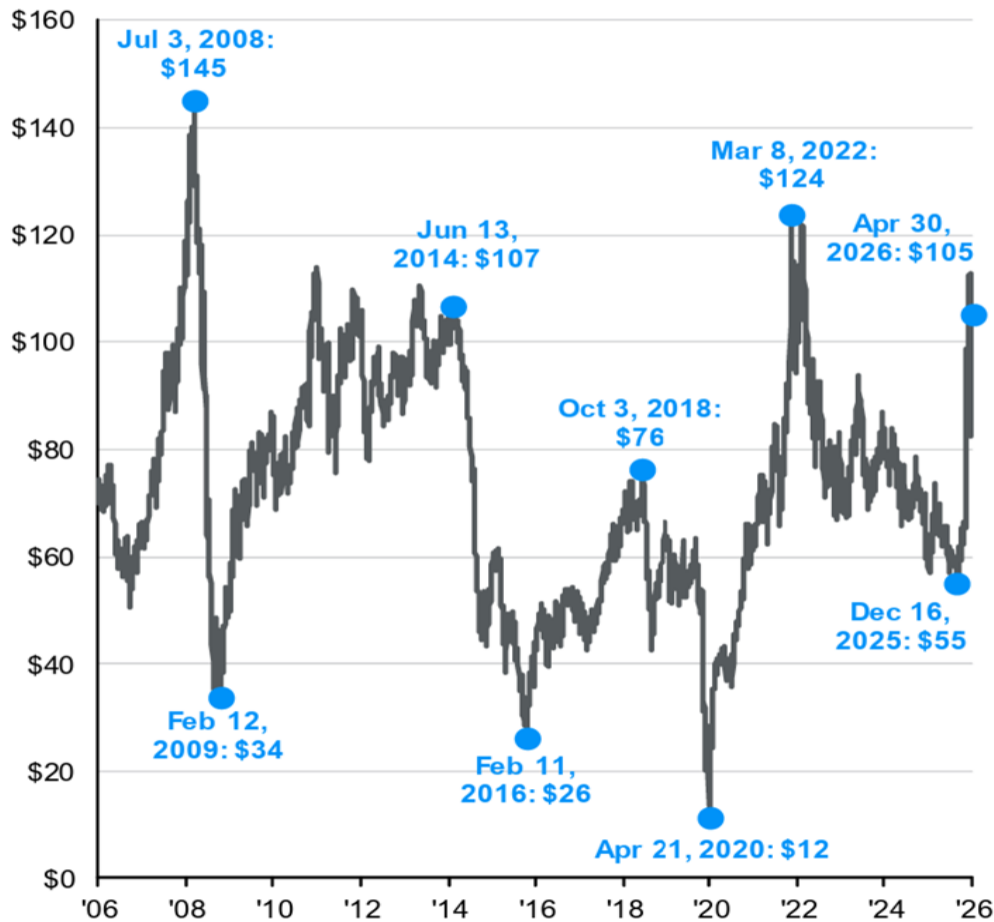
Oil Prices and the Global Energy Shock

The war with Iran has triggered one of the largest supply disruptions in modern history. Approximately 2 billion barrels—roughly 5% of annual global supply—have already been lost due to the closure of the Strait of Hormuz. Each day the strait remains closed adds another 14 million barrels to the global supply deficit.

Despite the magnitude of the disruption, oil markets have remained relatively calm. Brent crude oil spiked to \$105 per barrel at the end of April. Since then, prices fell back below \$90 amid optimism that a deal may be reached with Iran.

Price of oil

WTI crude, nominal prices, USD/barrel



Source: FactSet, J.P. Morgan Asset Management; (Top and bottom left) EIA.
*Forecasts are from the April 2026 EIA Short-Term Energy Outlook and start in 2025. Liquid fuels include crude oil, natural gas, biodiesel and fuel ethanol. WTI crude prices are continuous contract NYM prices in USD.
Guide to the Markets – U.S. Data are as of April 30, 2026.

J.P.Morgan
ASSET MANAGEMENT

The conflict has nevertheless created a significant global energy shock, pushing oil and natural gas prices to their highest levels in four years, as shown in the J.P. Morgan chart above. Higher energy costs are now beginning to spread throughout the economy, contributing to rising food prices and airfares.

Why have oil prices not moved even higher? Before the war began, the world held unusually large crude oil inventories in storage facilities and aboard tankers at sea. Those inventories have helped cushion the global economy during the closure of the Persian Gulf over the past three months. However, inventories are being drawn down at a record pace, and stockpile reductions are only a temporary solution. Oil executives and analysts warn that if the Strait of Hormuz remains closed, the current calm in energy markets may not last much longer.

MAM View: While the recent increases in oil prices and interest rates are concerning, at this point the U.S. economy should be able to weather these pressures without triggering a recession. We will continue to monitor developments closely to determine whether portfolio adjustments may be warranted.

Potential Property Tax Savings for Homeowners Age 65+

By Ryan McCarthy



Many California homeowners are surprised to learn there may be opportunities to lower certain property-tax-related charges after age 65. While California does not offer a blanket property tax exemption for seniors, some local tax assessments may qualify for exemptions or relief programs.

One of the most common opportunities involves **school parcel tax exemptions**. Many California school districts allow homeowners aged 65 and over to apply for exemptions from certain parcel taxes on their primary residence. These exemptions are local, district-specific, and typically require an application.

However, there is an important distinction homeowners should understand:

- Parcel taxes may qualify for senior exemptions.
- School bond taxes generally do not.

This can be confusing, as both charges often appear together on a property tax bill under school-related assessments.

Homeowners should carefully review their property tax bill for items such as:

- Parcel taxes
- School district assessments
- Direct levies
- Special assessments

If you are age 65 or older, it may be worthwhile to contact the applicable school district directly and ask whether a “Senior Parcel Tax Exemption” or “65+ Exemption” is available.

It is also important to pay attention to deadlines. Many districts require exemption applications to be submitted by June 30 in order to apply for the upcoming tax year.

MAM Comments: While the savings from these exemptions may not be dramatic, they can still add up meaningfully over time. Even reducing annual property taxes by a few hundred dollars is worthwhile — especially when the application process is relatively simple and there is little downside to exploring the opportunity. Many homeowners are already paying these assessments without realizing they may qualify for an exemption. Taking a few minutes to review your property tax bill and contacting the appropriate district could potentially create ongoing annual savings for years to come. In an environment where many household expenses continue to rise, every opportunity to reduce recurring costs can make a difference.

Sincerely,

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Our Services

McCarthy Asset Management, Inc. (MAM) is an independent, privately owned Registered Investment Advisor firm. We provide clients with the peace of mind that comes from knowing professionals are managing their financial affairs. The services we offer include:

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.
- Social Security Planning is an analysis of the best strategy for when and how to start claiming Social Security benefits.

Tax Services: Clients are able to utilize the income tax services provided through either the firm Stephen P. McCarthy, CPA or from the CPA firm of Lauren Be. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning– Allen Hamm of Superior LTC Planning Services, Inc.
- Medicare Advisory Program (MAP) - Eileen Hamm

Reminders/Updates

- Estimated Tax Payments: Second quarter of 2026 estimated payments are due on June 15th.
- MAM Portal: Please let us know if you have any questions regarding your MAM portal, such as accessing Schwab documents or reviewing your account(s).



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