

Keen monthly insights on both the economy and the markets

## THE ECONOMY

May was another month of better-than-expected data on the economy, with the news on jobs particularly robust.

The good news was not just limited to jobs however, and it pushed both the Bloomberg and Citi Economic Surprise Indices to their highest levels in nearly 3 years.

As we have said before, while this is not a guarantee of future economic activity, it does show that the market is much better at forecasting US economic output than professional economists.

## THE MARKETS

One of the biggest impacts of the strong economic data above, has been on interest rates. Specifically, the yield on the 10-year US Treasury has really mirrored the CESI.

Should rates also push to a new cycle high, it would represent a meaningful breakout technically and suggest even higher rates were most likely ahead.

It can be argued higher rates are finally starting to impact stocks. As noted last month, stocks are on increasingly weak footing technically. They (finally) now look to be starting a pullback.

Should stocks weaken from here, the S&P 500 has strong support in the 7,000 area. Should that key area fail, it would suggest the very real potential for a change in the market's long-term trend. Until then, the bulls are clearly in charge.

**Mike Hurley, CMT**  
**Chief Investment Officer**

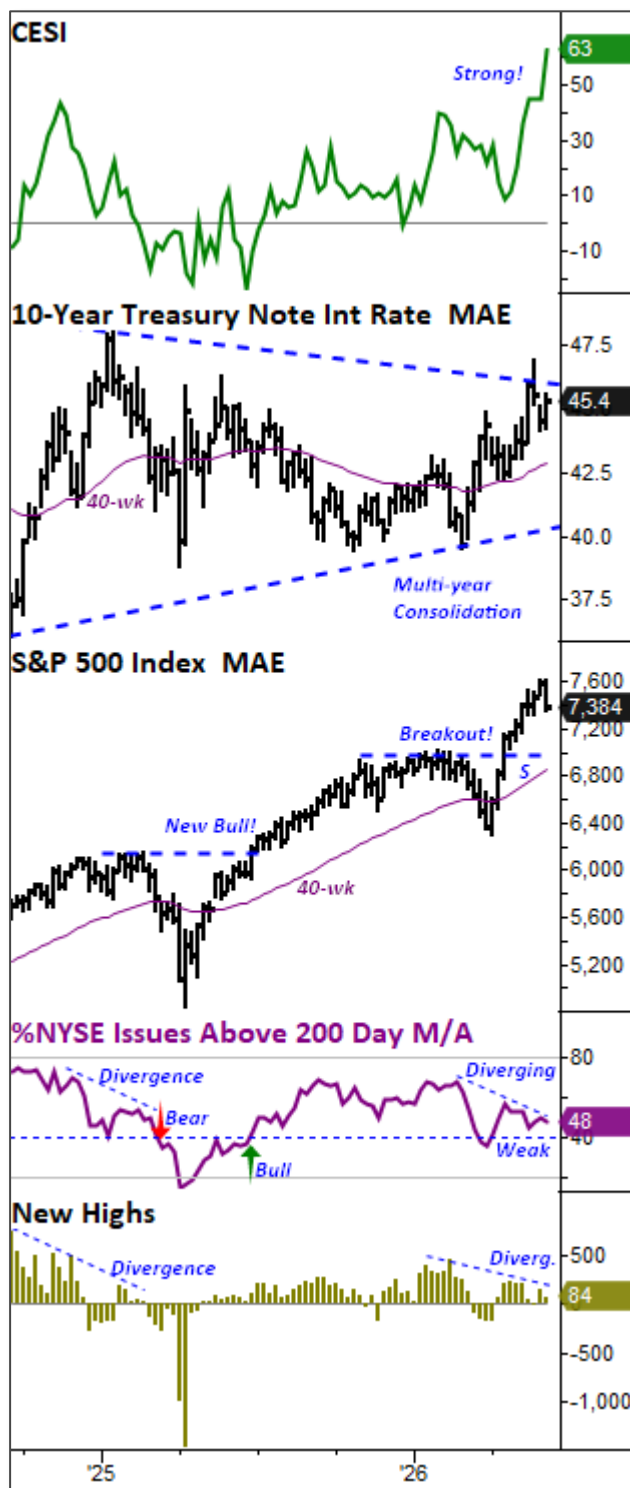


Chart courtesy of TradeStation – as of June 5, 2026

## TRADITIONAL STRATEGIES

We start our process with traditional, modern portfolio theory models, then adjust them based on our outlook. Specifically, we seek to:

- 1) Maintain higher cash levels when we're expecting a cyclical downturn, or 'bear' market
- 2) Add gold to portfolios during periods of inflation
- 3) Tilt fixed income positions based on credit conditions and the trends in interest rates

We offer Conservative, Moderate and Aggressive models, which use stock/bond ratios of 40/60, 60/40 & 80/20, as their starting points, respectively.

## ADAPTIVE STRATEGY

Our 'adaptive' model breaks from modern portfolio theory, based on the observation that markets typically become highly correlated when under stress.

This strategy applies momentum and risk parity to a universe of 10 ETFs, selecting a portfolio of 5. The portfolio is rebalanced monthly using the 60-day volatility to weight the top 5 ETFs. The goal being, to provide stock like returns with lower volatility.

## ABOUT NEXADVISORS

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The S&P 500 is a market-capitalization-weighted index that tracks the market performance of the 500 largest U.S. publicly traded companies. The Bloomberg Economic Surprise Index shows the degree to which economic analysts under- or over-estimate the trends in the business cycle. The surprise element is defined as the percentage (or percentage point) difference between analyst forecasts and the published value of economic data releases.

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