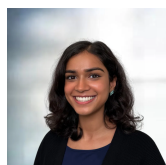


First to Market

June 5, 2026

BEHIND BROADCOM'S SELLOFF



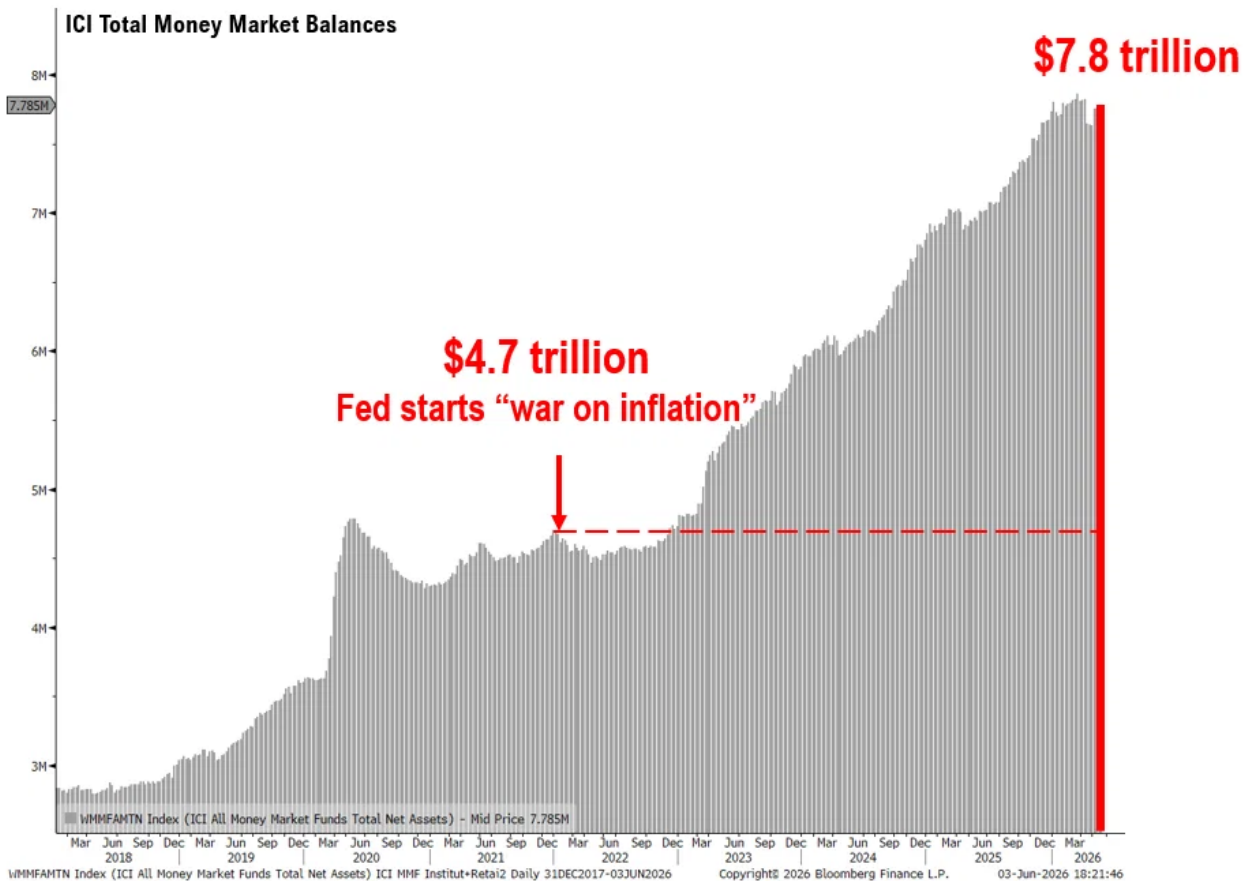
Hardika Singh

ECONOMIC STRATEGIST, MARKET INTELLIGENCE

"Everything good, everything magical happens between the months of June and August." — Jenny Han

Chart of the Day

CASH ON SIDELINES: Continues to grow = firepower



Source: Fundstrat, Bloomberg

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Good morning!

Broadcom’s earnings beat but guidance flopped, sending shares barreling down 13% on Thursday, its worst day since January 2025.

The semiconductor and software maker makes money by designing custom AI accelerator chips for companies like Google and OpenAI, but its Chief Executive Hock Tan said he expects Google to diversify away.

Broadcom reported adjusted earnings of \$2.44 a share in the first quarter, coming in higher than expectations of \$2.40. The outlook for 2027 was left steady, and for the current third quarter, semiconductor revenue is projected to be \$16 billion, slightly missing expectations for \$17.2 billion. It didn’t matter as much that Broadcom raised

its guidance for the overall revenue guidance to \$29.4 billion over a forecast of \$28.25 billion.

Of course, the disappointment weighed on other highflying names, too. Micron shares fell 7.7%, while Advanced Micro Devices lost 3.6%. Their shares are nevertheless up 216% and 134% this year.

However, I'd argue that the magnitude of the selloff reflects that investors are overreacting to any hint of bad news, which partly stems from their expectations being so high. Before yesterday, Broadcom's stock was up 38% for the year. And that's also the reason why I'm viewing this as a short-term breather because there's nothing in Broadcom's earnings report that suggests the longer-term, secular AI bull run is over.

There is another reason why I'm not too worried.

At the end of May, I pointed to research that said when stocks fall for unknown reasons, the culprit can often be what's going on with the illiquid private asset market. When things sour there, it makes sense for investors to pull money out of the more liquid and typically better-performing stock market and pour it into private markets.

Broadcom's earnings announcement coincided with reports that certain corners of private markets are blowing up again.

On Thursday, Blackstone restricted withdrawals from its flagship private credit fund for the first time. Partners Group, too, has capped redemptions in one of its European vehicles and warned it could extend the same move to other funds, especially because it's noticing the private-credit rout spilling over into the private-equity space. A Cliffwater private-credit fund earlier this week said it faced a 17% redemption request.

It's impossible to prove a direct correlation between the Broadcom sell-off and private markets, but there's a chance it's true. Until all the private-market bugs are exterminated, there's likely going to be a ceiling on how high the AI-driven stock market can fly.

In other news, we have five new summer interns. In addition to the typical intern task of going on coffee runs for the firm (kidding, sort of!), they will assist us in analyzing economic data. Here's the latest in the series:

Economic data summary: Fresh data showed that non-farm labor productivity — measured by dividing output by the number of hours worked — increased at a 0.3% annualized rate in the first quarter, coming in lower than expectations of a 0.6% increase. Additionally, output increased by 1% and hours worked by 0.7%.

From the same quarter in 2025, productivity increased by 2.8%, output increased by 3.2% and hours worked increased by 0.4%. Unit labor costs, a key measure of wages, in this quarter increased by 1.8%.

The labor share, the percentage of output that workers receive in compensation, was 53.7%, the lowest recorded value since the series began in 1947. This drop can be explained by the implementation of AI and automation as firms shift their focus towards developing their capital rather than towards labor. — *Mason Yuh*

Share your thoughts

What are your thoughts on Broadcom? [Click here](#) to send us your response.

 **Here's what a reader commented** 

Q: What do you make of the private market troubles?

A: Private markets have no soul.

Catch up with Fundstrat

As we close out the first week of June, the S&P 500 is basically flat for the week, and up 11% YTD. We continue to view the rally since the end of March as healthy and

fueled by stronger earnings and improving fundamental visibility. For the month of June, we are focused on 3 things.

Technical

Thursday's broad snapback makes a near-term defensive stance doubtful, as equal-weighted SPX and the DJIA both pushed back to record highs and downtrodden groups like Healthcare and Financials posted strong gains, exactly the participation outside Technology the market had been lacking.

Crypto

The crypto slide continued overnight, with BTC trading as low as ~\$61k, ETH briefly falling toward ~\$1,700, and SOL reaching the mid-\$60s. Importantly, some of the relative outperformers that had largely resisted prior weakness, including HYPE, finally began to participate in the drawdown.

News We're Following

Breaking News

- Hiring Beat Expectations in May, With 172,000 New Jobs WSJ

Markets and economy

- Small Stocks Are Trouncing Market Giants—and That's Not a Good Sign WSJ
- Elon Musk's SpaceX lines up retail investors for record IPO allocation FT
- In 'wild' twist, SpaceX won't be allowed early entry to the S&P 500 after all MW

Business

- Apple's Plan for AI Dominance Rests on Fixing Its Much-Maligned Chatbot WSJ
- The Steady Hand at SpaceX Is Not Elon Musk NYT
- Alphabet is seeking fresh capital as stock's 4-week losing streak tests investor appetite CNBC

- OpenAI says it will comply with Trump's order requiring AI model reviews before release CNBC

Politics/U.S.

- 'Like Two Cats Circling': Kamala Harris and Gavin Newsom Weigh a 2028 Showdown WSJ
- Senate Passes \$70 Billion G.O.P. Immigration Bill NYT
- Donald Trump's pledge to unleash a 'golden age' of US manufacturing sputters FT

Overseas

- Chile's rightwing government seeks reset after lost honeymoon FT

Of Interest

- How Trump's Proposed Arch Could Complicate D.C.'s Congested Airspace NYT
- Karl-Anthony Towns' inspiration in huge Game 1 of the NBA Finals? His late mother NYT

Overnight

S&P Futures	-36 ▼ point(s) (-0.48% ▼)
overnight range:	-54 ▼ to -10 ▼ point(s)

APAC

Nikkei	-1.31% ▼
Topix	-0.07% ▼
China SHCOMP	-0.74% ▼
Hang Seng	-1.15% ▼
Korea	-5.54% ▼
Singapore	-0.35% ▼
Australia	-0.70% ▼
India	-0.26% ▼
Taiwan	-1.33% ▼

Europe

Stoxx	50	-0.16% ▼
Stoxx	600	+0.13% ▲
FTSE	100	+0.34% ▲
DAX		+0.07% ▲
CAC	40	+0.35% ▲
Italy		+0.03% ▲
IBEX		+0.80% ▲

FX

Dollar Index (DXY)		-0.19% ▼ to 99.221
EUR/USD		+0.23% ▲ to 1.1638
GBP/USD		+0.28% ▲ to 1.3462
USD/JPY		+0.04% ▲ to 159.95
USD/CNY		+0.10% ▲ to 6.7678
USD/CNH		+0.13% ▲ to 6.7678
USD/CHF		+0.22% ▲ to 0.7879
USD/CAD		+0.22% ▲ to 1.3877
AUD/USD		+0.04% ▲ to 0.7137

UST Term Structure

2Y-3M Spread narrowed		-0.8bps ▼ to 32.4bps
10Y-2Y Spread widened		0.2bps to 42.8bps
30Y-10Y Spread widened		0.7bps to 50.5bps

USD HY Oas

All Sectors	-0.6bps ▼ to 308bps
All Sectors ex-Energy	+0.3bps ▲ 295bps
Cons Disc	+0.2bps ▲ to 477bps
Indu	+0.3bps ▲ to 245bps
Tech	+0.5bps ▲ to 217bps
Comm Svcs	+0.4bps ▲ to 292bps
Materials	+1.1bps ▲ to 252bps
Energy	+2.8bps ▲ to 287bps
Fin Snr	+0.4bps ▲ to 206bps
Fin Sub	-0.7bps ▼ to 299bps
Cons Staples	+0.9bps ▲ to 432bps
Healthcare	+0.4bps ▲ to 316bps
Utes	+0.1bps ▲ to 207bps *

DATE

TIME DESCRIPTION ESTIMATE LAST

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
6/5	8:30 AM	May AHE m/m	0.3	0.2
6/5	8:30 AM	May Unemployment Rate	4.3	4.3
6/5	8:30 AM	May Non-farm Payrolls	88	115
6/8	11:00 AM	May NYFed 1yr Inf Exp	n/a	3.64
6/9	6:00 AM	May Small Biz Optimisum	96	95.9
6/9	8:30 AM	Apr Trade Balance	-55.5	-60.307
6/9	10:00 AM	May Existing Home Sales	4.08	4.02
6/9	10:00 AM	May Existing Home Sales m/m	0.85	0.25
6/10	8:30 AM	May CPI m/m	0.5	0.6
6/10	8:30 AM	May Core CPI m/m	0.3	0.4
6/10	8:30 AM	May CPI y/y	4.2	3.8
6/10	8:30 AM	May Core CPI y/y	2.9	2.8
6/11	8:30 AM	May PPI m/m	0.7	1.4
6/11	8:30 AM	May Core PPI m/m	0.5	1

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