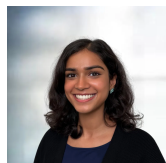


First to Market

June 12, 2026

THE MARKET HAS SELECTIVE HEARING NOW FOR TACOS



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"I'm not satisfied with anything I do." — Jalen Brunson

Chart of the Day

INFLATION: Core PPI Cooler than expected

Top 30 Contributors to Core PPI %MoM by Commodity type
Sorted by May '26 Contribution

	% M/M		Contribution to Core PPI %M/M			Contribution to Core PPI %M/M		
	Core Weight	Mar '26	Apr '26	May '26	Mar '26	Apr '26	May '26	
Final demand less foods and energy	100%	0.3%	0.7%	0.4%	0.26%	0.69%	0.42%	
Half of PPI increase due to stock market rise								
Top 30 Contributors							+0.21%	
1 Portfolio management	2.4%	1.0%	-2.3%	4.8%	0.03%	-0.06%	0.12%	
2 Securities brokerage, dealing, and investment advice	1.3%	-2.7%	0.3%	7.0%	-0.03%	0.00%	0.09%	
3 Food wholesaling	1.4%	-4.8%	-1.0%	3.4%	-0.07%	-0.01%	0.05%	
4 Airline passenger services	1.3%	2.0%	0.7%	2.5%	0.03%	0.01%	0.03%	
5 Guestroom or unit rental	1.3%	-1.2%	0.2%	2.5%	-0.02%	0.00%	0.03%	
6 Thermoplastic resins and plastics materials	0.2%	1.5%	6.3%	14.9%	0.00%	0.01%	0.03%	
7 Hospital inpatient care	5.3%	0.0%	0.0%	0.5%	0.00%	0.00%	0.02%	
8 Legal services	2.1%	-0.3%	0.8%	1.1%	-0.01%	0.02%	0.02%	
9 Food retailing	2.0%	1.8%	-0.9%	1.0%	0.04%	-0.02%	0.02%	
10 Health and beauty care retailing, including optical goods	1.8%	-2.3%	1.3%	1.0%	-0.04%	0.02%	0.02%	
11 Securities brokerage and dealing related services (partial)	0.3%	0.0%	0.1%	1.0%	0.00%	-0.00%	0.01%	
20 Nursing home care	1.4%	0.5%	0.3%	0.5%	0.01%	0.00%	0.01%	
21 Sporting goods, including boats, retailing	0.2%	-6.9%	-0.8%	3.9%	-0.01%	-0.00%	0.01%	
22 Hospital outpatient care	4.9%	0.5%	0.1%	0.1%	0.02%	0.01%	0.01%	
23 Gaming receipts (partial)	0.4%	0.4%	-1.6%	1.8%	0.00%	-0.01%	0.01%	
24 Aluminum base scrap	0.0%	-4.7%	-7.4%	17.3%	-0.00%	-0.00%	0.01%	
25 Engineering services	1.2%	0.1%	0.7%	0.4%	0.00%	0.01%	0.01%	
26 Desktop and portable device application software publishing	0.3%	1.3%	-3.0%	1.6%	0.00%	-0.01%	0.00%	
27 System software publishing	1.0%	0.5%	-0.6%	0.4%	0.00%	-0.01%	0.00%	
28 Hardware and building materials and supplies retailing	0.2%	0.2%	-4.2%	1.9%	0.00%	-0.01%	0.00%	
29 Civilian aircraft	1.0%	0.3%	0.4%	0.4%	0.00%	0.00%	0.00%	
30 Health and medical insurance	0.9%	0.3%	0.3%	0.4%	0.00%	0.00%	0.00%	

Source: Fundstrat, BLS

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Good morning!

After over a year of TACOs, one would assume that investors would grow complacent with the back-and-forth, but that hasn't exactly been the case.

While the stock market still very much rallies when the president backs away, it no longer declines when extreme actions are announced. Instead, markets shrug off that part. Call it a tostada in that case.

The best example of that came yesterday when major U.S. stock indexes reversed declines after the president said he canceled the scheduled strikes and bombings against Iran. The S&P 500 finished 1.8% higher after opening up a mere 0.3%. The last time the broad-based index raged that hard from open to close was March 31.

Tech stocks, which have been hit heavily in recent days, were the biggest beneficiaries of the switch-up. Sandisk shares rose 15%, Micron jumped 12%, and KLA climbed 13%.

Even prices for Brent crude, the international oil benchmark, fell 2.9% to \$90.38 a barrel, and the 10-year Treasury yield fell to 4.463% from 4.559%.

That positive sentiment carried into this morning, thanks to reports that a peace deal would include the reopening of the Strait of Hormuz.

But when the president vowed retaliation for the downing of a U.S. helicopter on Tuesday, markets had little-to-no reaction. Sure, tech stocks fell that day, but that was because of concerns about AI, and if you don't believe me, look at Brent crude's decline on the same day as a signal that investors didn't take the threats seriously.

The tostada-driven gains can be perceived in at least two ways. The first interpretation is a worrisome one. It's a signal that the only tool available at investors' disposal—selling stocks—to stop the president from making radical decisions no longer exists, which means it's going to be even harder to keep him in check.

That's a U-turn from earlier in the war. A few weeks into the fighting, it seemed like investors just suddenly stopped caring about the escalation, and oil prices came off their 2026 highs of almost \$120. Their attention instead turned to AI companies' stellar earnings and the huge backlog in memory chips, but now that the earnings season is over, there is less news to distract investors.

Another way to make sense of the selective hearing is that investors are focused a little less on the president's every word and more on long-term market fundamentals. His back-and-forth on everything from tariffs to interest-rate decision-making at the Federal Reserve threw the markets into a tailspin last year. The president has been responsible for the S&P 500's five best and also five worst days over the span of his second term, which hasn't happened during another president's term in almost half a century.

While investors may have learned to tune out the bad parts since then, selective hearing can still be a risky strategy because you might miss the warning siren.

Economic Data Summary: May's producer-price index reaffirmed that inflation is running hot, but there are signs beneath the surface that it may not be worrisome yet. Final demand prices rose 1.1% from last month and 6.5% over the past year, the biggest jump since November 2022.

The biggest contributor to the headline number came from final demand goods, which rose 2.8% from a month ago, the largest increase on record. That was driven higher mostly by energy prices. Prices jumped 10.7% in a single month, with gasoline alone up 23.4% and accounting for more than half of the goods increase.

Given the negative supply shock for oil from the ongoing conflict with Iran, my read is that economists can strip out this volatility to see the underlying trend beneath.

Excluding food, energy and trade services, prices only rose 0.8% from a month ago, meaning that the hot PPI reflects the economy digesting a shortage in energy.

Because PPI records prices at the producer level, it could lead to even higher consumer inflation down the road. The big question now becomes how long. – *Kieran McBride*

Share your thoughts

What did you make of Thursday's rebound? Click [here](#) to send us your response.

 **Here's what a reader commented** 

Q: Have you noted wage gains yourself?

A: Truflation is a better gauge in my opinion. CPI is a lagging indicator. Truflation has been sub-2% for a while.

Catch up with Fundstrat

The SpaceX IPO priced on Thursday June 11, 2026. As we noted recently, there could be some wobbling of equities in front of the SPCX IPO (due to funds raising cash), but we expected equities to trade well post-IPO. This is a contrarian take (to stay constructive), as many pundits turned cautious recently, citing the excess liquidity of SPCX as a reason to become cautious.

Technical

Thursday's sharp about-face in Equities combined with WTI Crude, US Dollar, and TNX starting to breakdown helps to add credibility that a ceasefire finally could be reached.

Crypto

Another Tough Day for Risk Assets: It was another difficult session for both crypto and broader risk assets. Unlike some of the recent crypto-specific weaknesses, today's move occurred alongside a broader selloff across equities.

News We're Following

Breaking News

- SpaceX IPO Today: Investors Await Historic Test of Market WSJ
- Trump Says Iran Deal Is Close but Tehran Says No Decision Has Been Made WSJ

Markets and economy

- For Warsh as Fed chair, silence may be the point CNBC
- How SpaceX Stacks Up to the World's Largest I.P.O.s NYT
- Oil sinks to three-month low after Trump says US close to Iran deal FT

Business

- Missed the rally in optical stocks? Coherent and Lumentum just got more attractive, according to J.P. Morgan. MW

- ChatGPT hits a billion monthly app users despite souring public AI sentiment CNBC
- Waymo launches premier subscription tier for \$29.99 a month, starting in select cities CNBC

Politics/U.S.

- Trump and Allies Are Working on Plan to ‘Expunge’ Impeachments WSJ
- Pirro’s losses in Fed investigation should stay on the books, judge rules CNBC
- U.S. Plan Is Said to Pull a Third of Fighter Jets It Provides NATO for Europe NYT

Overseas

- The Global Economy Is Threatened Again by Trade Imbalances WSJ

Of Interest

- The quantum computing revolution is closer than you think FT

Overnight	
S&P Futures	+48 ▲ point(s) (+0.65% ▲)
overnight range:	-21 ▼ to +55 ▲ point(s)

APAC	
Nikkei	+2.81% ▲
Topix	+1.35% ▲
China SHCOMP	+1.12% ▲
Hang Seng	+1.93% ▲
Korea	+4.63% ▲
Singapore	+0.76% ▲
Australia	+1.98% ▲
India	+2.08% ▲
Taiwan	+2.36% ▲

Europe

Stoxx	50	+2.33% ▲
Stoxx	600	+1.89% ▲
FTSE	100	+1.32% ▲
DAX		+2.03% ▲
CAC	40	+2.38% ▲
Italy		+2.25% ▲
IBEX		+2.61% ▲

FX

Dollar Index (DXY)		-0.21% ▼ to 99.649
EUR/USD		+0.03% ▲ to 1.1582
GBP/USD flat at	1.3417	
USD/JPY		-0.09% ▼ to 160.07
USD/CNY		+0.20% ▲ to 6.7613
USD/CNH		+0.03% ▲ to 6.7614
USD/CHF		-0.09% ▼ to 0.7956
USD/CAD		-0.12% ▼ to 1.3985
AUD/USD		-0.06% ▼ to 0.7045

UST Term Structure

2Y-3M Spread narrowed		-2.2bps ▼ to 32.6bps
10Y-2Y Spread narrowed		-0.3bps ▼ to 39.4bps
30Y-10Y Spread widened		0.5bps to 49.7bps

USD HY OaS

All Sectors	-2.9bps ▼ to 309bps
All Sectors ex-Energy	-1.7bps ▼ 298bps
Cons Disc	-0.5bps ▼ to 473bps
Indu	-4.1bps ▼ to 248bps
Tech	-0.2bps ▼ to 218bps
Comm Srvcs	-3.7bps ▼ to 298bps
Materials	+4.2bps ▲ to 254bps
Energy	-4.2bps ▼ to 287bps
Fin Snr	-2.1bps ▼ to 205bps
Fin Sub	-3.5bps ▼ to 306bps
Cons Staples	-1.9bps ▼ to 443bps
Healthcare	-2.5bps ▼ to 317bps
Utes	-1.8bps ▼ to 211bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
6/12	10:00 AM	Jun P UMich 1yr Inf Exp	4.9	4.8
6/12	10:00 AM	Jun P UMich Sentiment	46	44.8
6/15	10:00 AM	Jun Homebuilder Sentiment	36	37
6/16	8:30 AM	May Import Price m/m	n/a	1.9
6/17	2:00 PM	Jun 17 FOMC Decision	3.75	3.75
6/18	4:00 PM	Apr Net TIC Flows	n/a	150.696

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