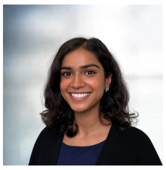
First to Market

July 7, 2026

WHY THE DOW JONES INDUSTRIAL AVERAGE BEAT THE S&P 500 AND THE NASDAQ COMPOSITE IN JUNE



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“Life is what happens to us while we are making other plans.”— Allen Saunders

Chart of the Day

Employment: Payrolls Cooler than Anticipated

Non-Farm Payrolls By Industry
June 2026

Industry	Monthly Chg ('000) Apr '26	May '26	Jun '26	Delta of Monthly Chg ('000) May '26	Jun '26
Payroll Employment (Thousands)	+148	+129	+57	-19	-72
Private	**+150**	**+97**	**+49**	-53	-48
Goods-producing Sector	**+6**	**+7**	**+10**	**+1**	**+3**
Mining and Logging	+4	+3	-4	-1	-7
Construction	+3	+6	+11	+3	+5
Manufacturing	-1	-2	+3	-1	+5
Durable Goods	+1	+9	+6	+8	-3
Nondurable Goods	-2	-11	-3	-9	+8
Private Service-Providing	**+144**	**+90**	**+39**	-54	-51
Trade, Transportation, and Utilities	+65	+17	-4	-48	-21
Wholesale Trade	+1	+4	+2	+3	-1
Retail Trade	+24	+8	-8	-15	-16
Transportation and Warehousing	+39	+4	+2	-35	-2
Utilities	+1	+1	-1	-0	-2
Information	-6	-4	-9	+2	-5
Financial Activities	-6	-22	-	-16	+22
Finance and Insurance	-3	-19	+1	-16	+20
Real estate and rental and leasing	-2	-3	-1	-1	+2
Professional And Business Services	+20	+11	+36	-9	+25
Professional and technical services	+13	+3	+18	-11	+16
Management of Companies and Enterprises	-3	+2	-1	+5	-3
Administrative and Waste Management Services	+9	+7	+19	-2	+12
Education and Health Services	+67	+45	+69	-22	+24
Educational services	+9	-1	+22	-10	+23
Health Care and Social Assistance	+57	+46	+47	-11	+1
Leisure and Hospitality	-7	+40	-61	+47	-101
Arts, entertainment, and recreation	+1	+9	-7	+9	-16
Accommodation and Food Services	-7	+31	-55	+38	-86
Other Services	+11	+3	+8	-8	+5
Repair and Maintenance	-2	-1	-3	+1	-2
Personal and laundry services	+10	+3	+9	-7	+6
Membership associations and organizations	+3	+1	+2	-2	+2

Retail down sharply

Hotel & food down sharply

Source: Fundstrat, BLS

fundstrat

Good morning!

The Dow Jones Industrial Average's propensity to exclude hot tech stocks paid off in June, allowing the stodgy, old index to surge past its peers by a margin rarely seen in recent years.

The DJIA rallied 2.5% in June, while the Nasdaq composite fell 2.8% and the S&P 500 tumbled 1.1%. Not since February 2022 has the gap been this wide while the Dow was up for the month and the Nasdaq or the S&P 500 was down.

Behind the rare outperformance for the Dow? The expansion of market breadth, with investors rotating out of tech in recent weeks. As the Dow is a price-weighted index, when shares of construction equipment manufacturers, banks, insurance companies, and beverage makers rally, they still can influence the direction of the overall index.

That's not the case in market-cap weighted indexes like the S&P 500 and the Nasdaq. A diversified rally is, of course, always a good sign in those indexes, too, but it's not a requisite for the index to advance. Critics argue that those two indexes have become too reliant on a handful of tech names, which means that any hiccups in highflying stocks could leave the broader market vulnerable to unraveling.

Critics in the Dow's case, meanwhile, argue that it's not tech heavy enough. It has largely missed out on the epic gains of the past five years. When a hot tech stock does get added to the Dow, it has often marked the end of the mania, at least in the near term. That happened when Nvidia was added to the index in late 2024. Just last week, Google-parent Alphabet joined the index.

For the Dow, that's a feature, not a bug.

Its diversified index and price-weighted methodology means that when tech stumbles, investors regret not looking at the Dow. For example, when the dot-com bubble burst, the Nasdaq tanked 78%, but the Dow "only" lost 38% – hey, everything's relative.

Tech light, however, doesn't mean the Dow hasn't benefited from the AI boom. Shares of manufacturing giant Caterpillar are the top performer this year, up 71%. A surge in data-center construction activity has lifted demand for its power generators and construction equipment recently.

So maybe we should all take it easy on the Dow for not including Micron.

Economic data summary: The S&P Global US Services PMI rose to 51.2 in June from 50.7 in May. While this is marginally lower than the estimate of 51.3, at 51.2 the PMI has signaled the fastest expansion in the US services sector since February—before the Middle East fighting started.

Compared to months prior to the war, pace remains slow. Service activity was 52.5 in December, 52.7 in January, and 51.7 in February, so June's PMI points towards a broader recovery from the war hurting business conditions, rather than a true expansion. Additionally, S&P Global said that part of the pickup was due to the start of the FIFA World Cup, suggesting that the increase in Services PMI could just be temporary. While this is a bullish sign for the economy, it should be seen as a fragile recovery. — *Micah Kim*

Share your thoughts

What do you make of the Dow’s rally? Click here to send us your response.

✍Here's what a reader commented ✍

Q: What do you make of the small-cap outperformance?

A: US small cap outperformance can last for years. Lots of room for this style box to run.

Catch up with Fundstrat

We discuss how the recent softer jobs number for June and coupled with the weaker oil prices point to a softer inflation picture than priced by bonds. This could lead to a dovish pivot by the bond market later this year.

Technical

Financials, Industrials, and Healthcare all finished last week at new weekly all-time high closes and remain even stronger than Technology in the short run, while $RSP's outperformance of $SPX in cap-weighted form since mid-May very well might continue over the next couple of months.

Crypto

The biggest news today was Strategy's latest 8-K, which confirmed the company sold roughly $216M of BTC last week to fund STRC dividends.

News We're Following

Breaking News

- Trump Accounts are now live. Here's what you need to know CNN

Markets and economy

- Will Someone Finally Blink in the AI Spending War? WSJ
- SpaceX's two lead underwriters have a $1 trillion chasm in their valuation as quiet period ends MW
- U.S. Trade Deficit Widens in May NYT

Business

- JPMorgan, Bank of America and Other Banks Explore a Deal to Shake Up Payments World WSJ
- Rivian stock falls 10% as company sells 75 million shares to raise capital CNBC
- Samsung posts 1,800% jump in profit, but AI spending concerns spook investors CNBC

Politics/U.S.

- Trump Administration Live Updates: President Meets Turkey's Leader Before NATO Summit NYT
- McConnell Has Been Hospitalized for 3 Weeks, and Aides Won't Say Why NYT

Overseas

- Europe Races to Plug Security Holes After U.S. NATO Pullback WSJ
- Iran's Revolutionary Guard Fires Missiles at Ships Near Hormuz WSJ
- Ukrainian drones hit Russia's largest oil refinery as Zelenskyy says Siberia now 'within reach' CNBC

Of Interest

- All Eyes Were on the U.S. Soccer Team. Then It Collapsed Spectacularly. WSJ

Overnight

Overnight

S&P Futures	-10 ▼ point(s) (-0.13% ▼)
overnight range:	-28 ▼ to +10 ▲ point(s)

APAC

Nikkei	-2.12% ▼
Topix	-0.97% ▼
China SHCOMP	-1.26% ▼
Hang Seng	-0.51% ▼
Korea	-4.91% ▼
Singapore	+1.57% ▲
Australia	-0.31% ▼
India	-0.13% ▼
Taiwan	-2.31% ▼

Europe

Stoxx	50 -0.59% ▼
Stoxx	600 -0.14% ▼
FTSE	100 +0.40% ▲
DAX	-0.67% ▼
CAC	40 +0.05% ▲
Italy	-0.07% ▼
IBEX	+0.09% ▲

FX

Dollar Index (DXY)	+0.06% ▲ to 100.92

EUR/USD	-0.06% ▼ to 1.1434
GBP/USD	-0.03% ▼ to 1.3388
USD/JPY	+0.14% ▲ to 161.86
USD/CNY	+0.02% ▲ to 6.7933
USD/CNH	-0.04% ▼ to 6.7971
USD/CHF	-0.12% ▼ to 0.8061
USD/CAD	-0.09% ▼ to 1.4218
AUD/USD	-0.10% ▼ to 0.6948

UST Term Structure

2Y-3M Spread widened	0.1bps to 33.6bps
10Y-2Y Spread widened	0.3bps to 35.8bps
30Y-10Y Spread narrowed	-0.3bps ▼ to 51.1bps

USD HY OaS

All Sectors	-2.1bps ▼ to 293bps
All Sectors ex-Energy	-3.6bps ▼ 288bps
Cons Disc	-19.1bps ▼ to 415bps
Indu	-1.0bps ▼ to 226bps
Tech	-2.5bps ▼ to 228bps
Comm Srvcs	-1.1bps ▼ to 287bps
Materials	-1.1bps ▼ to 263bps
Energy	-2.2bps ▼ to 269bps
Fin Snr	-2.7bps ▼ to 195bps
Fin Sub	-1.9bps ▼ to 303bps
[illegible]	[illegible]

Cons Staples	-1.0bps ▾ to 455bps
Healthcare	-4.8bps ▾ to 300bps
Utes	-2.2bps ▾ to 205bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
7/7	8:30 AM	May Trade Balance	-78.4	-55.881
7/7	11:00 AM	Jun NYFed 1yr Inf Exp	n/a	3.46
7/8	2:00 PM	Jun 17 FOMC Minutes	n/a	0
7/9	10:00 AM	Jun Existing Home Sales	4.2	4.17
7/9	10:00 AM	Jun Existing Home Sales m/m	1	3.22
7/14	6:00 AM	Jun Small Biz Optimisum	95.5	95.3

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