Liniam Capital — Market Update | June 2026

A Lot Happening — And More to Come

The past few months have been very eventful with the Iran related market drawdown through March followed by the nearly unprecedented surge in April and May, driven by AI related enthusiasm. Equity market moves of the magnitude experienced over the past 10 weeks are almost exclusive to the initial rebound from a bear market low. The multitude of cross currents today include extreme valuation and concentration, momentum and enthusiasm for a new technology, unprecedented potential equity supply from 3 mega scale IPOs beginning this week, war and a potential energy crisis, foreign central bank intervention (Japan) and policy tightening, and inflation re-accelerating. This is a potentially combustible mix that is likely to produce market volatility, and opportunities on a cross-asset class basis, in the months ahead.

Inflation: Over 4% is usually unfriendly for markets

The CPI report for May will be released on Wednesday of this week. Consensus expectations are for a monthly increase of 0.5% which would lift the year-over-year change to 4.2% in May. Excluding food and energy, the increase is expected to be less dramatic but with pressures in the energy market likely to remain for some time overall inflation measures are poised to remain elevated. Historically a move above 4% for inflation has been meaningful for markets. As the table below shows, equity markets have usually experienced some downward price pressure in the months following the initial move in the CPI above 4 percent.

Table 2: Once CPI >4%, on avg SPX -4% next 3m, -7% next 6m
SPX price action after CPI month with 4%+ reading

First 4%+ CPI	SPX 3M %Chg	SPX 6M %Chg
Feb'34	-9%	-13%
Apr'37	2%	-28%
Jun'41	2%	-15%
Jul'46	-21%	-15%
Dec'50	5%	3%
Feb'68	10%	11%
Mar'73	-7%	-2%
Jan'84	-2%	-7%
Aug'87	-27%	-20%
Sep'05	2%	6%
Apr'21	6%	9%
Average	**-3.5%**	**-6.6%**

Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

The implications for monetary policy are significant. For the Fed, a return to rate cuts looks increasingly unlikely in this environment. Markets have now priced in the likelihood that the Fed will raise rates by a quarter percent by the end of this year. The adjustment is expected to be quicker abroad. The European

Central Bank meets this week and is expected to raise its policy rate by a quarter percent and next week the Bank of Japan is also expected to raise rates by a quarter point as well. The Fed meets on June 17th featuring Kevin Warsh's first meeting as Fed chair. While no rate move is expected, hawkishness on inflation is usually necessary for new Fed leadership to establish credibility in pursuing low inflation goals.

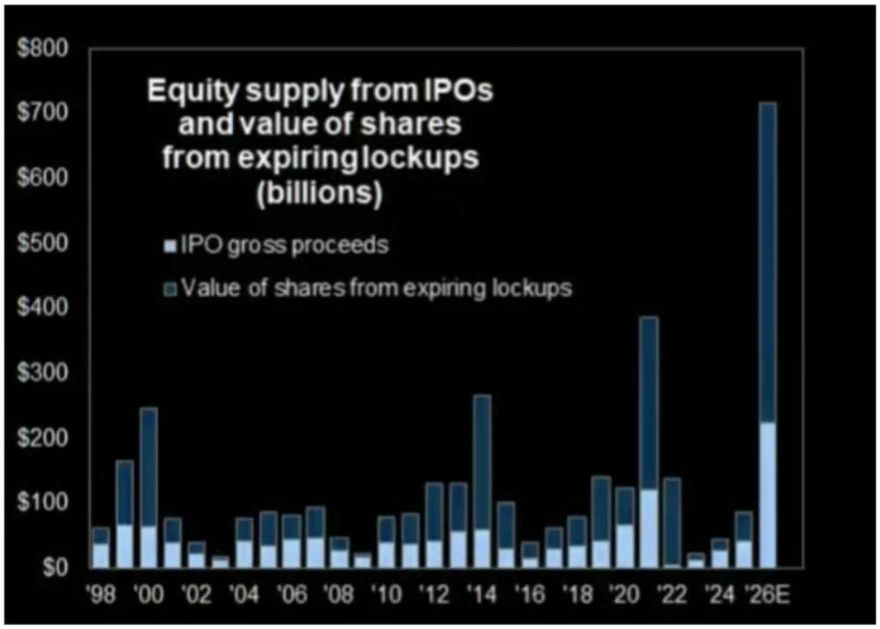
For equity markets that had been priced for a soft landing and an accommodative Fed, a 4%-plus inflation reading is an unwelcome development. For fixed income, it reinforces the case for careful duration management and a preference for income-generating instruments. We anticipate that upward pressure on longer term interest rates will persist for now, but an opportunity to lock in the highest yields in decades is likely in the coming months, particularly if there are further disruptions to global energy supplies.

Equity Valuations: A Market That Has Rarely Been Here Before

By virtually every broad measure — cyclically adjusted price-to-earnings ratios, price-to-sales, market capitalization relative to GDP, and others — the US equity market is trading at levels that have only been seen at a small number of historical moments[i].

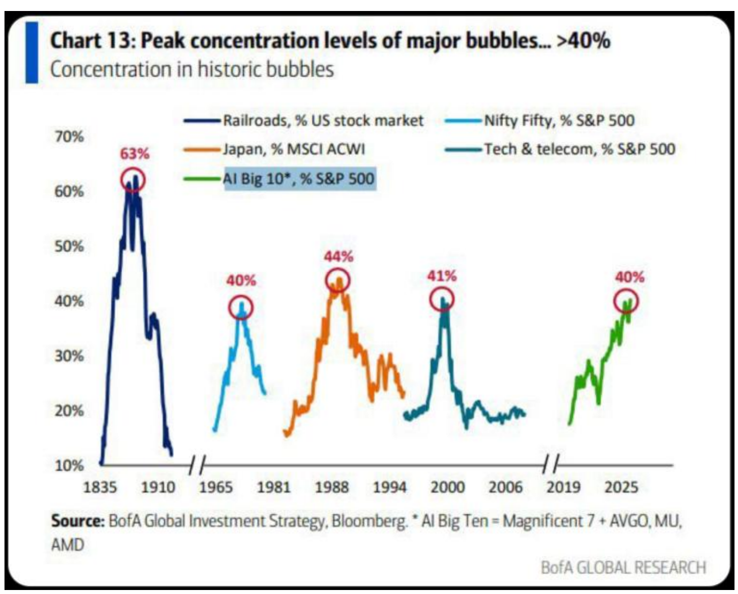
The most direct comparison is to the technology bubble of 1999–2000. At that peak, valuations were driven by excitement about a genuinely transformative technology wave — the commercialization of the internet — and the belief that traditional valuation frameworks no longer applied. The subsequent drawdown in the Nasdaq exceeded 75%, and the broader S&P 500 took more than seven years to recover its highs. The parallels to the current period — a transformative technology in artificial intelligence, surging capital expenditure by the largest technology companies, and retail and institutional participation driven as much by momentum as by fundamental analysis — are difficult to ignore.

SpaceX, Anthropic, and OpenAI represent some of the most anticipated public offerings in a generation, and their arrival in public markets will draw enormous capital inflows, media attention, and retail participation. While each of these businesses has genuine long-term merit, these large IPOs are unprecedented in their scale of equity supply coming to market, and a recent secondary offering announced by Google for $85 billion will only add to the coming supply. Meta is also rumored to be considering a large-scale equity offering.



Source: Goldman

Today, index concentration adds another dimension of risk that is underappreciated by many investors. A small number of mega-cap technology companies now represent an extraordinary share of the S&P 500's total weight. This means that investors who believe they own a diversified index fund are, in practice, making a concentrated bet on a handful of names. When those names are also among the most richly valued in the market, the index carries more risk than its diversified label implies.

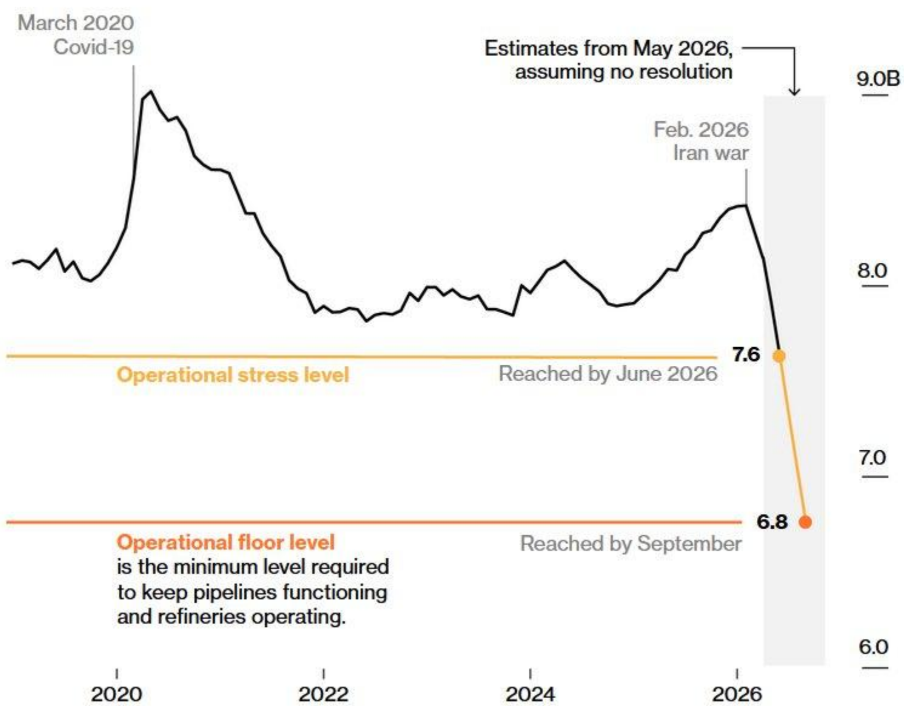


Geopolitics, and Foreign Exchange Pressures

Energy markets remain a source of both risk and opportunity. Oil prices have been buffeted by competing forces — softening demand expectations from a slowing global economy on one side, and geopolitical supply risks on the other. The negotiations around Iran's nuclear program and the prospect of sanctions relief have introduced the possibility of supply re-entering the market, which has weighed on prices at various points. We are skeptical that a durable deal will emerge in the near future and we are more focused on the rapid depletion of reserves. Even with an agreement around Hormuz traffic, shipping logistics and the need for reserve rebuilding suggest that prices will remain elevated for a period of time, while sharply higher prices would follow from an intensification of the supply disruption. The asymmetry and potential for a sharp increase in prices has led us to add exposure.

World Oil Inventories Are Falling at a Record Pace

Total visible oil inventories, in billions of barrels



Note: Total visible inventories are drawn from primary storage, and secondary storage such as distributors and wholesalers. Estimated inventories assume no resolution in June, and demand reduction at 5.6 million barrels per day

Sources: JPMorgan Commodities Research using data from Kpler, IEA, EIA, OilChem, PAJ, Singapore, JODI

The currency dynamics in Asia deserve attention that they are not always receiving in US-focused market commentary. Both Japan and Korea have experienced notable currency weakness in recent months, even as their equity markets have attracted significant enthusiasm from global investors. Japan has intervened to support the yen, but so far that intervention has been successful only in slowing the rate of yen depreciation. The Bank of Japan is expected to raise rates next week with further hikes a possibility to support the yen.

This notable role Japan has played as a funding currency for global carry trades, this is another source of potential global market instability.

The US Economy: Steady Overall, A Very Mixed Picture in Detail

US GDP growth has continued at a moderate pace through Q1, but the composition of that growth is worth examining. A disproportionate share of economic activity has been driven by investment in technology infrastructure — data centers, semiconductor facilities, and AI-related capital expenditure. This is real economic activity, but it is a potential future vulnerability. While there is little indication of any slowing in the pace of investment, it is dependent on continued confidence in the return on that investment will ultimately pay and funding through debt and equity markets. If AI monetization timelines prove longer than expected, the growth contribution from this segment could slow meaningfully.

The household sector shows considerably less enthusiasm for the current economic environment. Consumer Sentiment in the University of Michigan index sits at a historic low, consumer facing companies warn of weaker conditions, particularly for lower and middle income consumers, and the President's economic approval ratings are low.

The labor market has delivered stronger-than-expected headline numbers, which has been cited as evidence of economic resilience. That resilience is real, but the underlying composition of job growth tells a more nuanced story. The bulk of employment gains has been concentrated in healthcare and social services, government, and the leisure and hospitality sectors. These are sectors with different productivity profiles and, in some cases, significant dependence on government spending or demographic-driven demand. Private sector hiring in high-productivity industries has been more subdued. A labor market that is growing primarily in lower-productivity, government-adjacent, and cyclically sensitive sectors is not the same as one growing broadly across the economy, and it carries different implications for wage growth, productivity, and the sustainability of consumer spending.

There are 2 primary risks we see to the economy in the coming months. First, a meaningful upward movement in energy prices, inflation and interest rates from today's level that leads to a retrenchment amongst consumers. Secondly, slower adoption or monetization in AI segments of the economy that leads the robust pace of investment spending occurring today to meaningfully slow, with knock on negative wealth effects as valuations in this segment of the market normalizes.

Positioning and Outlook

In today's environment, we remain focused on generating income, managing drawdown risk, and maintaining the flexibility to respond as conditions evolve while retaining the discipline to avoid chasing overvalued assets. The risk to this position is that valuations continue to extend further, especially in the event of a more timely and durable resolution to the Iranian situation than we currently anticipate. In this case, non-energy and non-tech segments of the market should be the primary beneficiaries.

Dynamic allocation, disciplined risk management, and a multi-asset framework are the tools we rely on when markets are priced for perfection and the margin for error is thin.

As always, we welcome the opportunity to discuss how your specific portfolio is positioned relative to these themes.

[1] From Schwab

Valuation	
Metric	**Current percentile ranking (relative to history)**
S&P 500 forward P/E	Expensive
S&P 500 trailing P/E	Very expensive
S&P 500 5-year normalized P/E	Very expensive
S&P 500 price/book value ratio	Very expensive
S&P 500 price/cash flow	Very expensive
S&P 500 dividend yield	Very expensive
Shiller's CAPE (cyclically adjusted P/E)	Very expensive
Rule of 20	Expensive
Equity risk premium (10-year Treasury yield)	Expensive
Equity risk premium (Baa corporate bond yield)	Expensive
Fed Model	Expensive
Tobin's Q	Very expensive
Market cap/GDP	Very expensive

LINIAM Capital is a boutique asset management firm that provides investment solutions to institutional and private clients. Portfolios are actively managed with a full suite of investment tools to achieve stable and long-term wealth creation.

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