



Tom Slefinger  
Market Strategist

# Weekly Relative Value

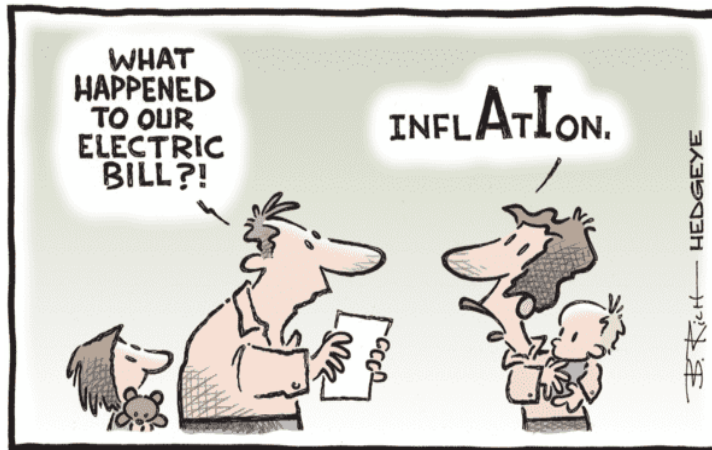
WEEK OF JUNE 15, 2026

## A Hawk at the Crossroads

*“Starting on day one, we will end inflation and make America affordable again, to bring down the prices of all goods.” — President Donald Trump*

The May Consumer Price Index (CPI) report landed right on cue: Headline prices rose 0.5% month over month, pushing the year-over-year rate up to 4.2% from 3.8%, exactly as expected. It was the first 4%-plus reading since April 2023 and leaves consumer prices up 5.16% since President Trump took office.

Asked whether he was concerned about the inflation report, President Trump replied, “No, I love it. The numbers were great. You know what I really love? I love the inflation.” You can’t make this up!



Moving on. The better news was under the hood: Core CPI rose just 0.2% month over month, a tenth below consensus and half April’s 0.4% pace. The year-over-year rate still edged up to 2.9% from 2.8%, but there was nothing especially alarming about that.

Strip out airlines and delivery services — both clearly distorted by higher fuel costs — and core CPI would have come in below 0.2%, at 0.17% to be exact.

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### THIS WEEK

- INFLATION FEARS EASE
- BAPTISM OF FIRE COMING UP
- DEEP FREEZE
- THE FLORIDA EXODUS
- “RAINING JOBS”
- HIRING HITS THE BRAKES
- BEIGE BOOK SOUNDS THE ALARM
- BLAST OFF!
- MARKET OUTLOOK AND PORTFOLIO STRATEGY

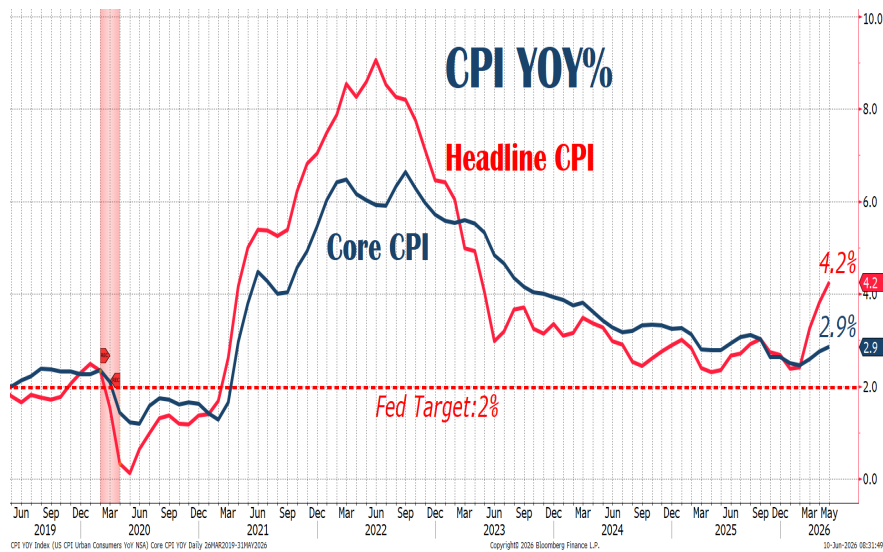


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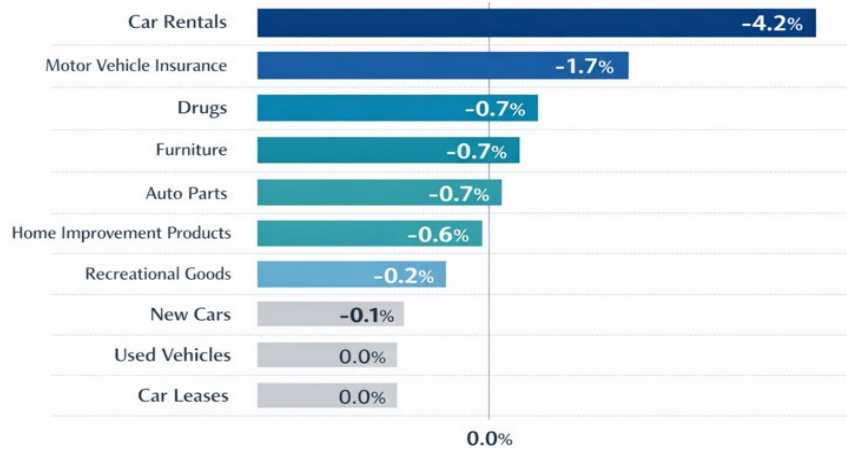
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The following categories helped keep the core inflation number tame:

### Where Core Inflation Cooled in May

Selected CPI components, month-over-month change



What stood out most was core goods CPI — arguably the most cyclical part of the basket — actually deflated in May. That was the first negative print for goods prices in a year.

Core services excluding energy rose just 0.3%, down from 0.5% in April, and that still includes the jump in airlines and delivery services, which was really just an energy story wearing a services label.

Meanwhile, the Powell “supercore” measure — core services excluding shelter — also came in below 0.3% month over month, down from 0.5% in April. That speaks to a softer labor-market undercurrent that the headline payroll number conveniently managed to miss.

The broader point is that we are not in the early stages of some broad inflation spiral. Deflation is spreading across more parts of the CPI than many bond traders — or Fed officials — seem prepared to acknowledge.

Core Goods Turn Negative	Services Ease, Too
Core Goods CPI:	Core Services ex-energy:
April: <b>0.0%</b> MoM	April: <b>+0.5%</b> MoM
May: <b>-0.1%</b> MoM	May: <b>+0.3%</b> MoM
	"Super Core" (ex-shelter):
	April: <b>+0.5%</b> MoM
	May: <b>&lt;+0.3%</b> MoM

Just as important, there is still no wage spillover to speak of. Real average hourly earnings fell 0.1% in May and have now declined for three straight months, the first such stretch in nearly five years.

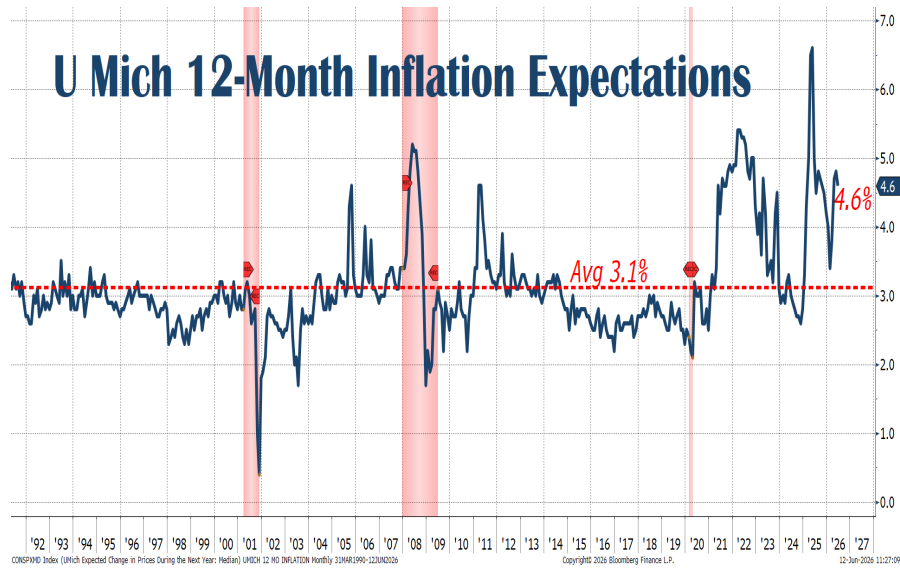
As I have argued before, this energy-price shock is hitting a softer labor market, squeezing real take-home pay and feeding directly into weaker real consumer spending, which was already losing momentum.



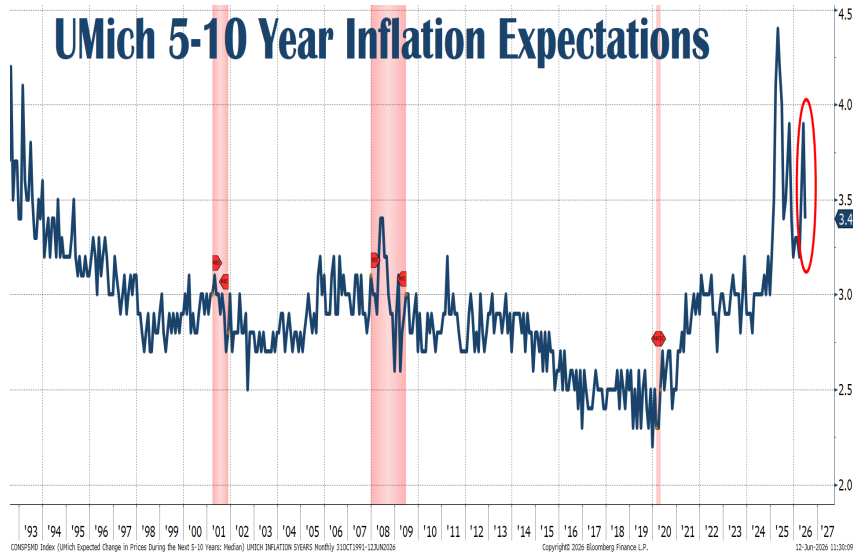
**Bottom line:** There are no immediate signs of inflation running away. While no one wants to see a 4% handle on the CPI, the underlying details were more reassuring, with softer core readings, outright deflation in key goods categories, easing services inflation, and no clear wage spillover. That said, the high headline inflation reading reduces the urgency of the Fed to cut rates.

**INFLATION FEARS EASE**

With the Federal Reserve meeting this week, June 16-17, markets were focused on the inflation components of the University of Michigan Consumer Sentiment Survey. Consumers now expect prices to rise by +4.6% over the next year. This is still quite high, but it is down from +4.8% in May and was below the expected +4.9%.



There was also some evidence that longer-term consumer inflation expectations are pulling back, with the 5-10-year inflation outlook falling to +3.4% from +3.9%. This is still above the range that had been observed prior to the war in Iran, but longer-term inflation expectations might just be headed in the right direction.



**Bottom line:** Consumer inflation expectations remain elevated, but both the one-year and longer-term readings moved lower, offering tentative evidence that inflation fears may be easing at the margin.

These readings might not signal an "all clear" regarding inflation, but they should cool the jets for those leaning hard into rate hike scenarios. They also won't fully sideline the hawks on the Federal Open Market Committee (FOMC), as inflation expectations are still too high in the context of inflation having been elevated for a long time.

## BAPTISM OF FIRE COMING UP

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*“(Raising the benchmark rate) is the wrong thing to do... We should actually lower interest rates.”*  
— President Donald Trump

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Warsh’s first real test as Fed chair may have less to do with inflation, growth or the bond market than with the man who gave him the job.

The May CPI report landed just in time for Kevin Warsh’s first FOMC meeting on June 17, and President Trump has already made his preference abundantly clear: Cut rates, and without the nuisance of economic conditions getting in the way.

Winning the chair was the easy part. Now comes the harder assignment—making policy that is not only credible, but independent.

Warsh himself once wrote in “An Ode to Independence” that central bankers should seek popularity only “in the history books.” We will soon see how this plays out when the president expects his demands to be met.

What makes Trump’s choice especially odd is that Warsh’s record points in almost the opposite direction. He has spent years arguing that the Fed’s first duty is to keep inflation under control. By rhetoric, and by prior writing, he looks far more like a hawk than a man eager to serve as a slave to the president.

The same goes for the balance sheet. Warsh has long been critical of quantitative easing, not only because it distorts price discovery and leaves the Fed exposed to losses, but because it conveniently facilitates government borrowing. He has called for a more clearly defined quantitative easing framework and, over time, a smaller balance sheet. That is not exactly the platform of lower rates.

He has also been openly skeptical of the Fed’s obsession with hyper-transparency dot plots, forward guidance and all the rest that now passes for policy communication. Markets may soon have to adjust to a Fed chair who says less, signals less and leaves traders guessing more than ever. This may be healthy for policy, though somewhat less helpful for the cottage industry built around parsing every adjective in the post-meeting statement.

To be fair, some of Warsh’s more recent remarks — especially on tariffs, inflation and AI-driven productivity — were clearly designed to calm nerves in Trumpworld. But they also have merits. Tariffs and energy shocks become lasting inflation problems only if the Fed lets them infect long-term expectations. That is precisely why hawks do not lurch toward tighter policy every time a supply shock shows up. And if deregulation or artificial intelligence (AI) lifts productivity, that is a supply-side offset, not an inflation accelerant.

That said, if tariff uncertainty starts pushing inflation expectations higher in a sustained way, a hawk will not hesitate to lean against it. Nor would he cut rates simply because someone in Washington has discovered the phrase “productivity miracle.” A serious central banker waits for evidence. Hope, as a policy tool, has a poor track record.

**Bottom line:** In a nutshell, Warsh wants fewer dot plots (if any), a smaller balance sheet and a higher emphasis on inflation. None of that is the Fed Trump wants. This sets up an early clash between Fed independence, White House pressure and a market increasingly braced for tighter policy.

I see little reason for the Fed to consider rate hikes. The market is priced for the Fed to leave the fed funds target rate range unchanged at 3.50% to 3.75%.

Looking at year-end, the market has shifted from pricing cuts to leaning toward hikes. After last week’s jobs report, futures priced a 72% chance of at least one 25 basis point hike by December and a 27% chance of at least two, up from 12% before the data. The first move is now viewed as a toss-up as early as the October FOMC meeting. At present, one hike is priced in before the end of 2026.

**DEEP FREEZE**

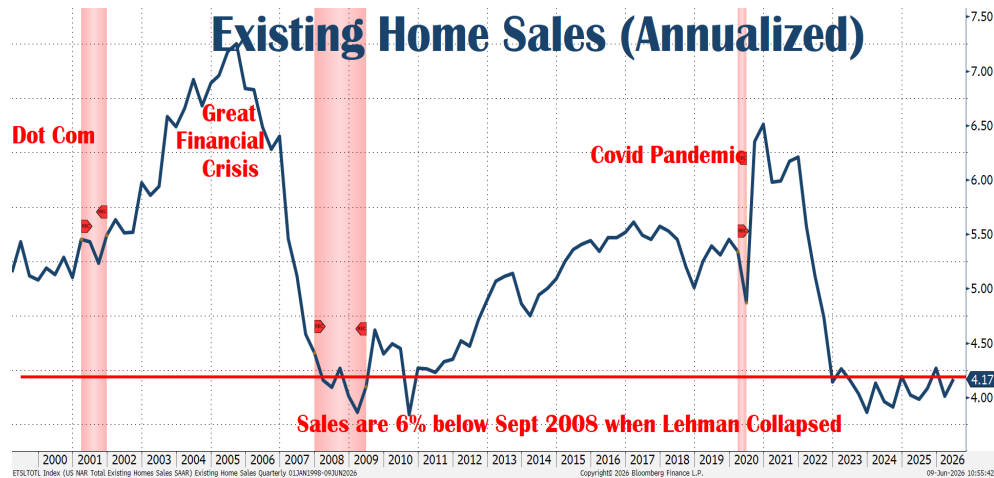
*“More Americans are on the move, with home sales rising to the highest level since December...This is great news for the housing market and the economy.”*

*— Lawrence Yun, Chief Economist, National Association of Realtors*

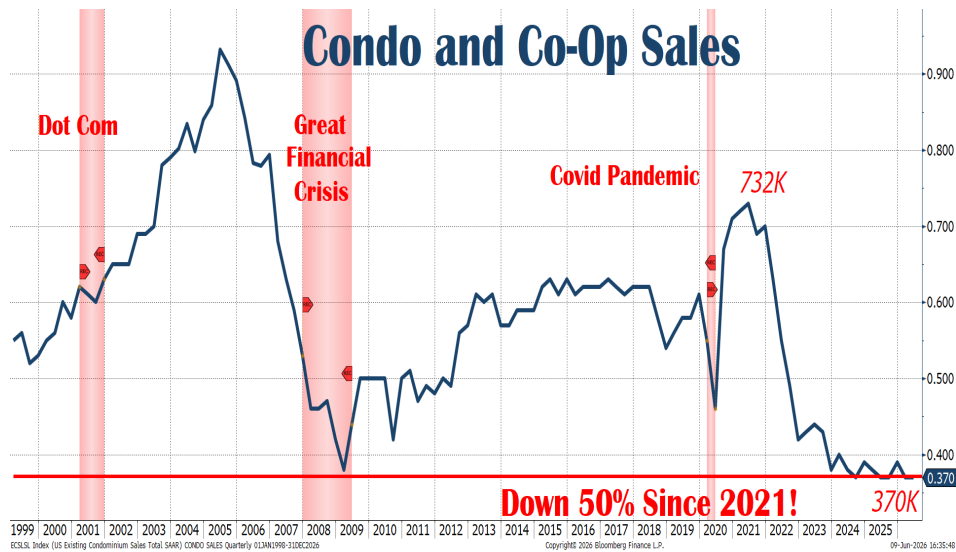
The housing market got a bit of good news in May, as existing home sales rose 3.2% month over month to an annualized rate of 4.17 million units, topping expectations. The increase was broad across regions, with the West being the only exception.

Still, a note of caution is warranted: These figures are backward-looking, reflecting contracts signed one to three months earlier — before the recent backup in mortgage rates driven by the bond market. In other words, the data capture closings, not current demand.

Moreover, before anyone gets too excited, look at the graph below. Existing home sales have been essentially flat for nearly four years. That is striking: Sales are only modestly above pandemic-recession lows, roughly where they stood at the start of the Great Recession in late 2007, and well below the weakest levels of the 2001 downturn. That puts the recent uptick in perspective.



Sales of condos and co-ops held steady at a seasonally adjusted annual rate of 370,000 for the fourth straight month, hovering near the bottom of the data series, which dates back to late 2011.



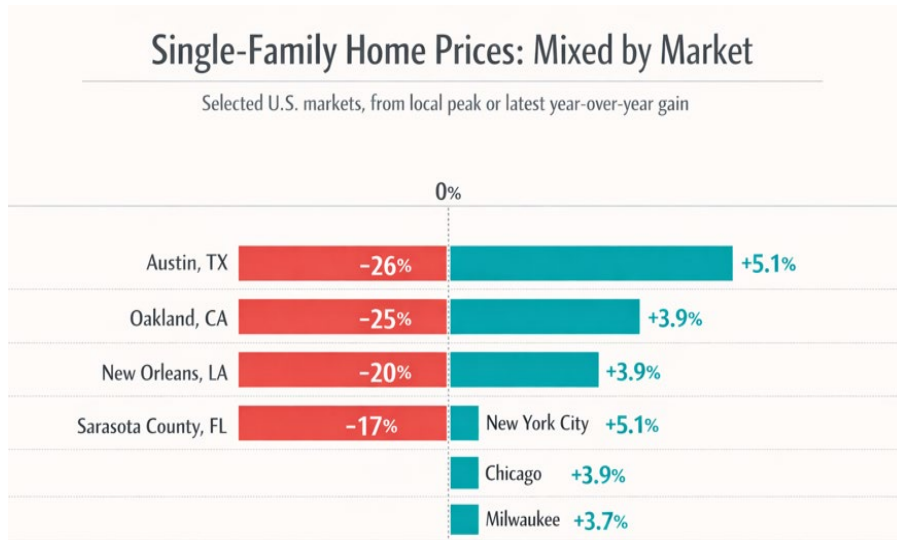
The inventory of single-family homes rose or held steady for the fifth straight month, reaching a 4.5-month supply at the current sales pace. That matches May 2020 and leaves inventory near its highest level in well over a decade.



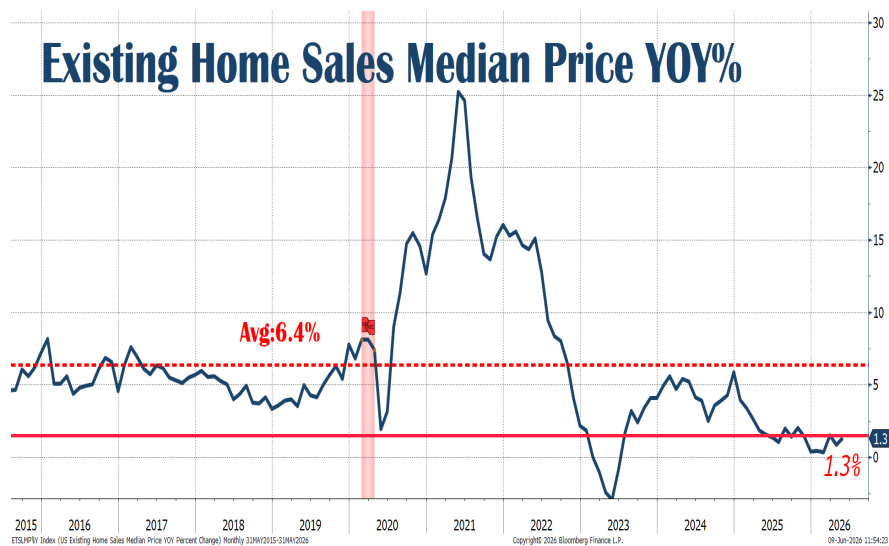
In May, the median price of an existing home rose 1.3% from a year earlier to \$429,300.

For buyers and sellers, though, the national median price has limited value. What matters is what is happening locally, and price trends vary widely from one market to another.

As shown below, prices for single-family homes are down 10% to 26% in 15 large markets, while in several other major cities they continue to rise year over year to new highs.



The ups in some markets and the downs in other markets have been nearly balancing each other out on a national scale, to where the national median price has been inching higher at a rate between 0% year over year (January 2026) and 1.5% year over year (March 2026).



The national median price of condos and co-ops rose year over year by 1.7% in May. The year-over-year readings have ranged in recent months from -0.8% (September) to +4.0% (January). On a local basis, condo prices have plunged by 15% to 33% in 24 markets from their highs, with several markets dropping below their highs in 2006.

Home and condo prices are not part of CPI or the Personal Consumption Expenditures deflator, but they do point to mild deflation in the residential real estate market. That is not something to dismiss lightly. Housing deflation has had serious consequences before, both in Japan and, more recently, in China.

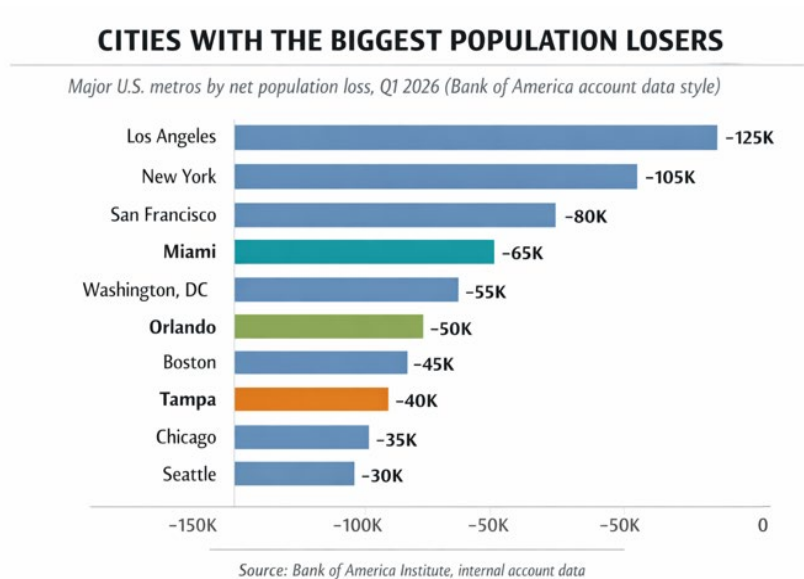


**Bottom line:** Sales have gone essentially nowhere even as mortgage rates fell from 7.62% to 6.05%, and rates have since moved back up. The message is straightforward: Home prices are still too high, mortgage rates are still too high or both. Yet Yun insists “affordability is improving.” Go figure.

## THE FLORIDA EXODUS

Bank of America’s internal account data suggest Florida’s population outflows are worsening. In Q1 2026, Miami posted the fourth-largest population loss among U.S. metros, Orlando ranked sixth and Tampa lost more residents than Chicago.

Florida was built on immigration, yet its three largest metro areas are now losing residents. Unless prices fall enough to restore affordability, the housing correction likely still has further to run.



The slowdown in migration appears to reflect two forces:

First, fewer people want to move to Florida. The market remains expensive, and the pandemic-era surge in remote-work migration has faded, leaving a much smaller pool of would-be newcomers.

Second, more Floridians want to leave, not because they dislike the state, but because they can no longer afford it. Property taxes, insurance and rents surged during the pandemic, pushing many residents toward cheaper alternatives such as Georgia, Tennessee and Alabama.

That migration slowdown is now showing up in home prices. Florida prices fell 3.1% in 2025 and are down another 3.2% so far in 2026, roughly a 6% decline over the past two years.

That is welcome relief for buyers and for those considering a move to the state. But it likely is not enough to make this feel like an attractive buying opportunity or to materially improve household finances, which helps explain why the outflows continue.

**Bottom line:** Florida’s housing correction is material enough to weigh on national home price indices, but it is still being offset by resilience in other large metropolitan markets. In other words, Florida is an important source of downside pressure, not yet the decisive driver of the national trend

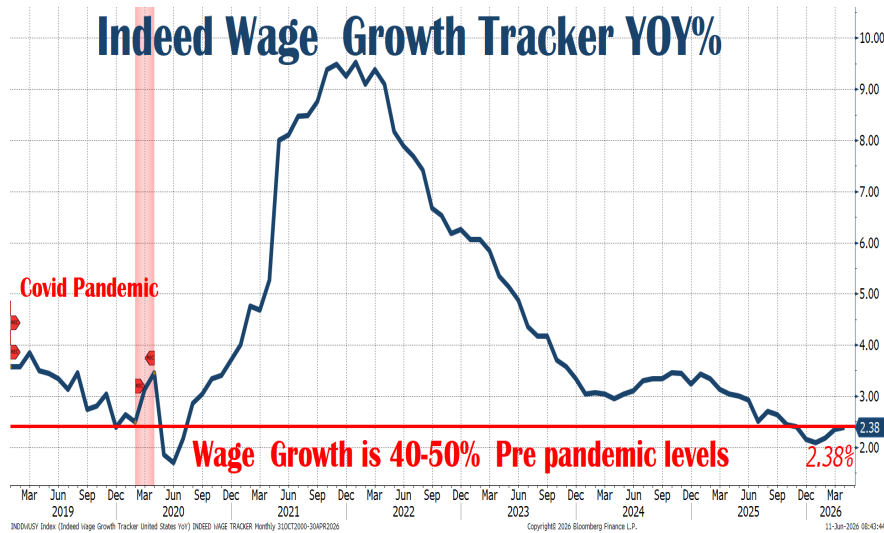
## “RAINING JOBS”

*“Despite the best efforts of the America Hating Dumocrat Party, which did its very best to DESTROY the U.S.A. during the four long years of the Autopen Administration, over **172,000 AMERICANS** found Jobs in the month of May alone!..They always say ‘April showers bring May flowers.’ Well, here in the **‘HOTTEST’ Country in the World, in both April AND May, IT’S RAINING JOBS!**” — President Donald Trump*

I have said repeatedly that the labor market is weaker than it looks. The non-farm payroll headline, as usual, did not tell the full story. As I noted in last week’s *WRV*, the payroll survey was likely distorted by World Cup-related hiring. Meanwhile, the economy lost 79,000 full-time jobs in May while adding 266,000 part-time positions. If you treat a part-time job as roughly half a job, the headline gain was little better than 50,000. So no, POTUS, it is not “raining jobs” in America.



And let’s face it, if labor demand was robust, would wage growth be nearly 50% lower than prepandemic days?



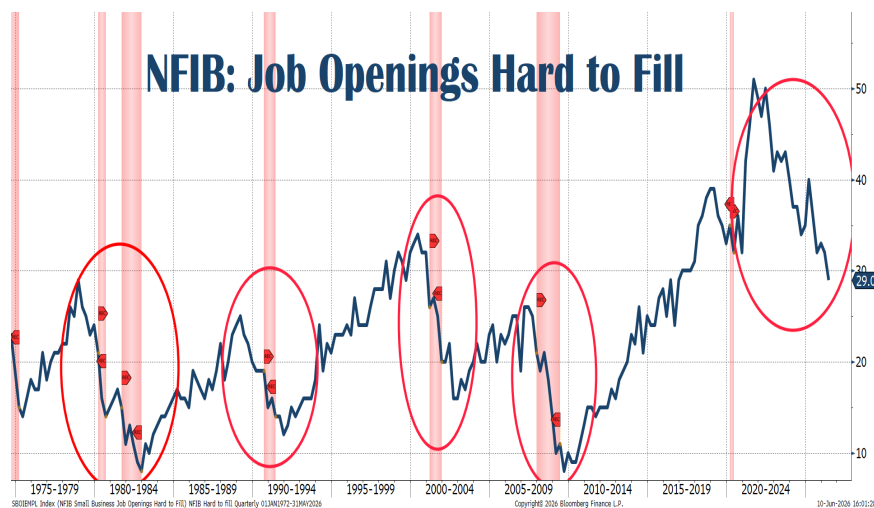
**Bottom line:** The jobs headline overstates labor-market strength, with part-time hiring masking a loss of full-time work and wage growth pointing to softer underlying demand.

### HIRING HITS THE BRAKES

Small businesses account for roughly half of private-sector employment and, more often than not, punch above their weight in job creation. Over long stretches they have generated 50% to 65% of net new jobs, including 55% from 2013 to 2023. In other words, when small business hiring rolls over, it is not a sideshow. It is the main event.

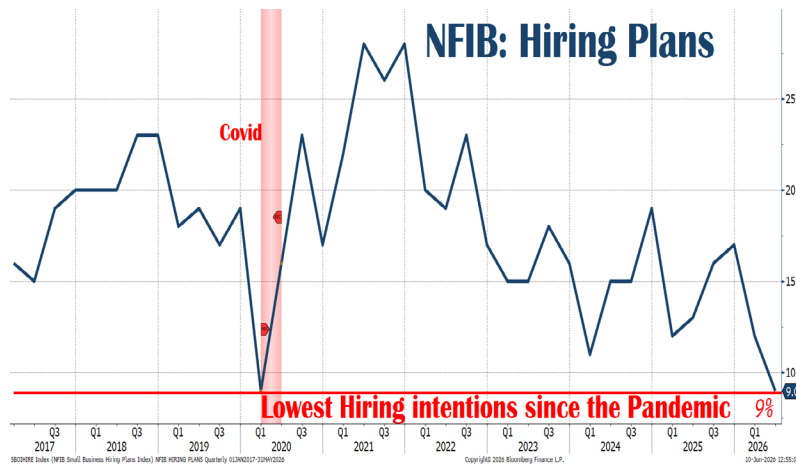
And in May, the signal turned uglier. The share of small firms planning to hire or struggling to fill openings fell 5 points to 29%, a six-year low.

The graph below makes the point plain enough: Labor demand has weakened materially. Historically, when it rolls over to this degree, recession is usually not far behind.



And the message gets worse. Only 9% of owners plan to add jobs over the next three months, down 4 points from April. Both measures now sit at their lowest level since May 2020. When small businesses tap the brakes on hiring, overall job

creation feels it immediately. Large firms do not come close to offsetting what happens when the small-business engine starts to sputter.



**Bottom line:** Small businesses are usually the first to feel the squeeze from weaker demand, tighter credit, rising costs and uncertainty. That is why they tend to cut hiring before larger firms do — and why this survey often acts as an early warning sign for the broader economy.

Declining hiring plans alongside falling optimism often precedes broader slowdowns in employment, rising unemployment, or weaker gross domestic product growth.

## BEIGE BOOK SOUNDS THE ALARM

The Fed's Beige Book is a collection of anecdotes from businesses, banks and regional contacts across all 12 Fed districts. That matters because it offers a real-time, boots-on-the-ground read on the economy before much of the hard data catches up. In other words, it often spots turning points before the headline reports do — and gives both the Fed and the market a fuller sense of what is actually happening beneath the surface.

Here were the summary highlights from the most recent Fed Beige Book:

- The Beige Book revealed an economy under extreme pressure outside of AI and defense spending.
- Low-income and middle-class consumers are struggling.
- Employment growth is flat across most regions, and wage growth is declining.
- Pricing power is weak, helping keep inflation contained and compressing margins.
- The housing market is soft, and credit quality is eroding.

And after reading the latest Beige Book more than once, the impression is hard to escape: This economy is hanging on by its fingernails. It is being held up mainly by the high-end consumer, data-center construction and defense spending. Beneath that, the story is far less comforting. The broader consumer is under pressure, housing is a mess and credit conditions are getting worse. The labor market is flat at best, wage growth is cooling and many companies are absorbing cost increases rather than passing them on — hardly a picture of healthy demand. Inflation, meanwhile, was mixed at best.

**Bottom line:** The Beige Book points to an economy that is still being propped up by AI and defense, while consumer demand, housing, labor market momentum and credit quality continue to soften beneath the surface.

**BLAST OFF!**

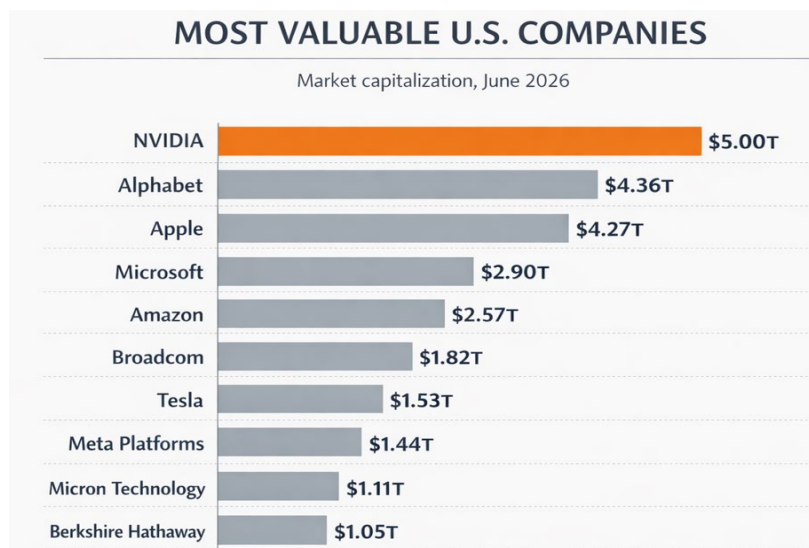
Unless you were living under a rock, the week’s big story was the SpaceX initial public offering (IPO). The offering priced at \$135 valued the company at more than \$1.75 trillion on just \$18.7 billion in revenue and may have made CEO Elon Musk the world’s first trillionaire.

Amazingly, SpaceX’s valuation nearly matches the combined debut value of every major U.S. IPO over the past 26 years. One company. One IPO.

The top 13 deals alone add up to more than \$800 billion. Add the rest of the major IPOs from the past 26 years — Snowflake, DoorDash, Coinbase, Roblox, Airbnb, Palantir, Zoom, Moderna, Snap, Pinterest, Lyft and others — and the total comes to roughly \$1.5 trillion to \$1.8 trillion.



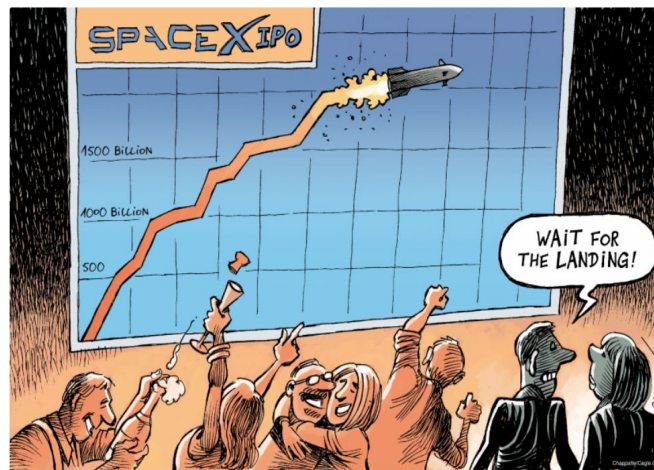
Shares began trading at \$150, 11% above. They ended up at \$160. The rocket maker is now **the sixth most valuable U.S.-listed company**, with a market cap of \$2.1 trillion.



But do you understand how insane this is? SpaceX went to market at 95 times revenue. How stupid-high is that? Do the people flocking to get a piece really believe SpaceX shares are worth \$135, or do they believe there are other suckers out there willing to buy at that price when they sell?

This is what usually happens in the months after these IPOs.

Day one is a hype-driven pop. Then around the 180-day lockup expiration, insiders and early investors finally get to sell. That creates heavy selling pressure. Many of the IPOs above corrected 30-60% as the market shifted from hype to revenue, margins, competition and execution. Some recovered strongly years later. Some never did.



**Bottom line:** The SpaceX IPO underscores just how speculative this market has become: A company with extraordinary promise came public at a valuation so extreme that it rivals a generation's worth of major U.S. IPOs combined.

Meanwhile, OpenAI has filed for a blockbuster IPO that is expected to value the company at more than \$1 trillion. Anthropic IPOs are already in the pipeline.

## MARKET OUTLOOK & PORTFOLIO STRATEGY

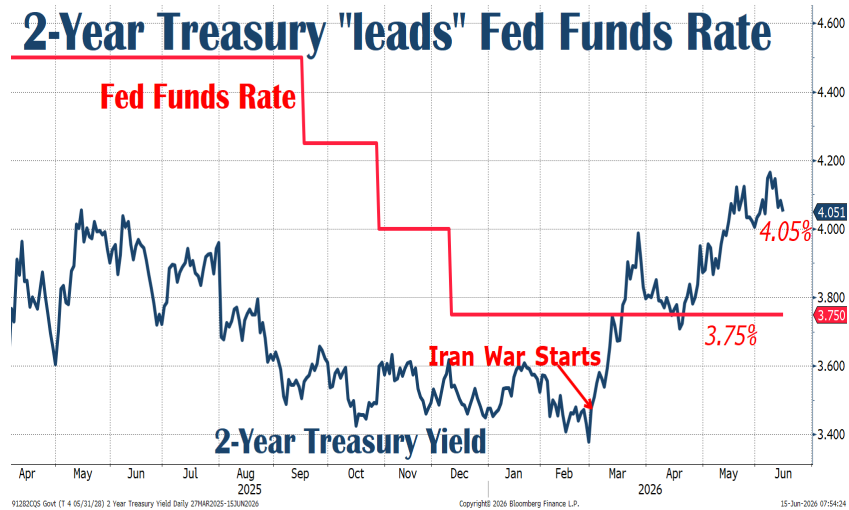
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*"Essentially we're going to get a 12-zero vote to do nothing. Inflation is higher than they want. But I think there's a good chance that this month, May, will actually turn out to be the high-water mark for inflation in this cycle."*

— David Kelly, Chief Global Strategist, JPMorgan Chase & Co.'s Asset Management Unit

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This interim agreement between the U.S. and Iran to end the war (hopefully) and reopen the Strait of Hormuz has unleashed an "everything rally" across the globe, save for the oil price and the U.S. dollar. (Let's see how these coming 60 days of negotiations turn out.) There is no doubt that the president has left the hard part for later, but investors don't seem to mind. The extent of war damage to oil infrastructure is unclear. However, without returning to pre-war price levels, the inflation impulse from oil should fade. This emphasizes the benign underlying inflation position. This should be supportive for the bond market.



The week ahead is loaded with market-moving events, but the main event is clearly the June 16-17 FOMC meeting — the first under new Fed Chair Kevin Warsh, followed by the new chairman’s first press conference.

### US DATA & CENTRAL BANK CALENDAR

*Week Ahead*

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
Empire State Survey	FOMC Day 1 (Fed)	FOMC Decision (Fed)	· Jobless Claims	· PMI Flash
Retail Sales	· Industrial Production	· Fed SEP Outlook	· Housing Starts	· Existing Home Sales
		· Press Conference	· BOE Decision (BOE)	
			· SNB Decision (SNB)	

Historically, new Fed chairs almost always begin with a hike, either because the data demand it or because credibility does. The first move under each of the last six chairs was tightening.

Markets fully expect the Fed to leave rates unchanged at 3.50% to 3.75%. Beyond that, investors will parse Warsh’s every word for clues on whether he signals a more dovish approach than his predecessor.

One question is whether there will be any formal dissents. I doubt it. The Committee will likely rally around Warsh’s debut.

**Markets are leaning toward a year-end hike, but the macro backdrop still argues for keeping an open mind. A cut is not impossible if the data cracks hard enough.**

**Bottom line:** The Fed is widely expected to stay on hold, but the real story is what Warsh signals about policy direction, committee unity and whether his leadership style points to a more hawkish and less talkative central bank.

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For more information about credit union investment strategy, portfolio allocation and security selection, please contact the author at [tom.slefinger@alloyacorp.org](mailto:tom.slefinger@alloyacorp.org) or (630) 276-2753.

As Alloya's Market Strategist, **Tom Slefinger** leverages nearly 40 years of investment strategy expertise to deliver insightful commentary on the economy and market events to optimize balance sheet performance at the credit union level. With thousands of subscribers, Tom's daily and weekly publications are widely read amongst credit union executives.

Prior to becoming the corporate's Market Strategist, Tom served as the Senior Vice President of Institutional Fixed Income Sales at Alloya Investment Services, a division of Alloya Solutions, LLC. In this role, Tom developed and managed operations associated with institutional fixed income sales in addition to developing investment portfolio strategies, identifying appropriate sectors and securities, and optimizing portfolio performance at the credit union level.

Tom holds a B.S. in business administration from the University of Maine. In addition, he holds a Series 7 and 63 through ISI.

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