



Tom Slefinger
Market Strategist

Weekly Relative Value

WEEK OF JUNE 22, 2026

Sure, This All Seems Totally Rational

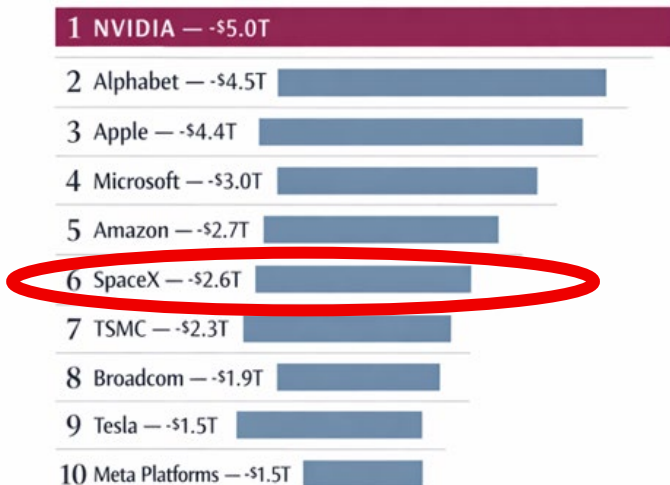
“How much irrational exuberance is being unleashed in the furor over SpaceX and the prospective I.P.O.s from Anthropic and OpenAI can’t be known until the new stocks are seasoned and have been trading on the market for a while. But the signs of an incipient bubble are there.” — Jeff Sommer, “Mega I.P.O. Frenzy Could Be a Harbinger of a Stock Bubble,” The New York Times

You can dislike Elon Musk — or his politics — but it is hard to deny his impact. Tesla pushed electric vehicles into the mainstream. Starlink brought internet access to rural and remote areas. SpaceX ended NASA’s reliance on Russia for International Space Station transport. And now there is even talk of an artificial intelligence (AI) colony on Mars. Many consider Musk as the modern day’s Leonardo da Vinci.

Meanwhile, after its flawless initial public offering (IPO) and a week of trading, SpaceX is now the sixth largest company in the U.S. The trading gods could not have scripted this any better.

Top 10 Largest Companies by Market Cap

AI now sits at the top of the market-cap food chain.



This is a company that sends stuff into space. It is a great company, but it’s a space IPO at all-time highs. The assumptions behind the target valuation of SpaceX at \$1.75 trillion (now

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THIS WEEK

- THE K-SHAPED ECONOMY ROLLS ON
- WAGE PRESSURE IS FADING FAST
- GAS RELIEF, FOOD PAIN
- MAY FLOWERS
- HOUSING STARTS CRASH 15%
- PENDING SALES, PENDING TROUBLE
- A BREATH OF FRESH AIR
- MARKET OUTLOOK AND PORTFOLIO STRATEGY



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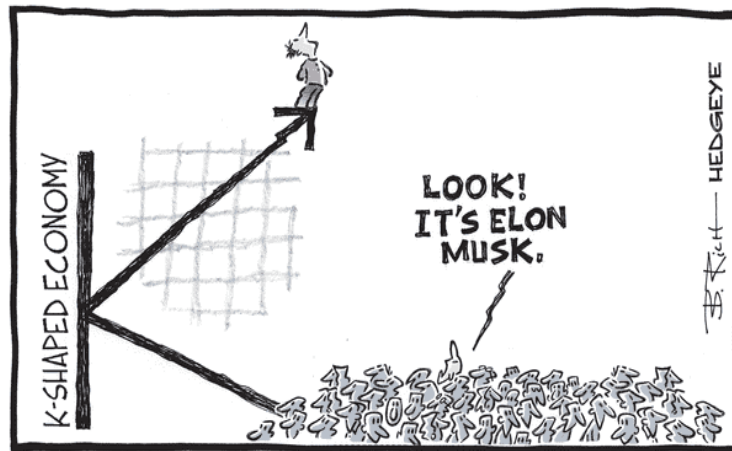
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valued at around \$2.3 trillion, leaping ahead of Broadcom and Tesla to now be ranked as the sixth-most highly valued U.S. public company) are completely over the top. The prospectus claimed the Total Addressable Market to be \$28.5 trillion — nearly the size of today’s entire U.S. economy — and the underwriters estimated a 100-fold surge in its AI revenues to \$322 billion by 2030, and total revenues to \$3.4 trillion by 2040 (from \$18.7 billion last year). Seriously?

Morningstar, meanwhile, pegs the underlying value at closer to \$800 billion.

But here’s the thing. Valuations don’t ever matter in a momentum-driven market. We have a situation where the SpaceX IPO was 4x oversubscribed, even though the valuations embed a 92x price-to-sales ratio.

The wealth gap, meanwhile, has widened into something almost cartoonish. After SpaceX surged following its IPO, Musk’s 42% stake gained roughly \$900 billion. Add his \$280 billion Tesla stake, and his net worth climbs to nearly \$1.2 trillion — up about \$1 trillion over the past five years alone.



Musk’s fortune now exceeds the combined wealth of the next five richest people. Even more absurd, he could lose \$1 trillion and still be the wealthiest American. Let that marinate.

Top 10 Wealthiest Americans



Bottom line: Elon Musk’s impact is hard to dismiss. Tesla mainstreamed electric vehicles, Starlink expanded internet access and SpaceX reshaped space transport. After SpaceX’s IPO, the company became the sixth largest in the world,

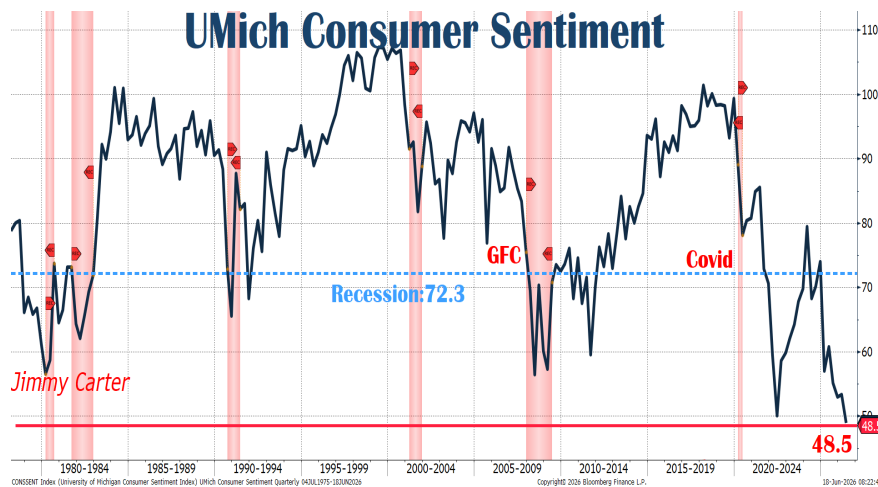
dramatically boosting Musk’s wealth. His SpaceX and Tesla stakes reportedly lifted his net worth near \$1.2 trillion — larger than the gross domestic product (GDP) of most countries and greater than the combined wealth of the next five richest people.

Meanwhile, the valuation looks ridiculous: SpaceX trades around \$2.3 trillion despite Morningstar pegging fair value closer to \$800 billion.

THE K-SHAPED ECONOMY ROLLS ON

While Elon Musk and Wall Street keep climbing, Main Street is still struggling.

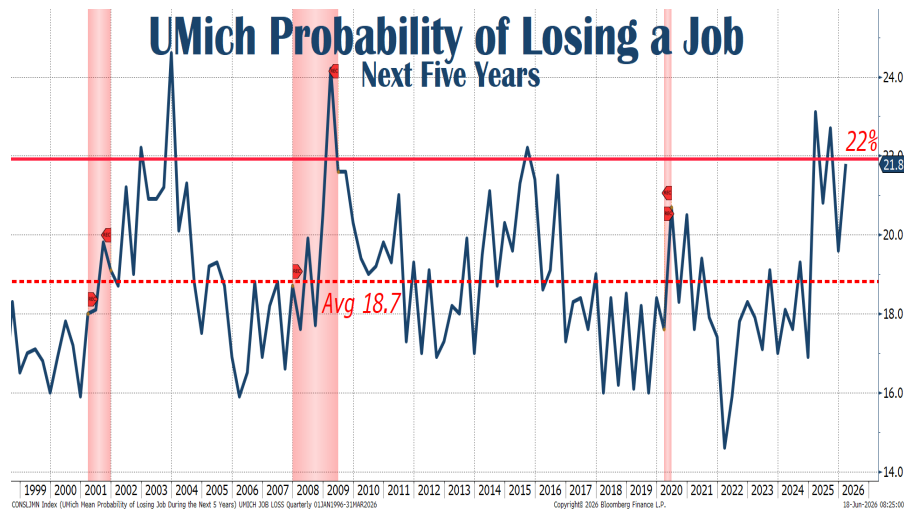
The University of Michigan Consumer Sentiment Index rose to 48.5 in June from 44.8 in May, snapping a three-month decline. Even so, it was 49.8 in April, 52.9 in December and 60.7 a year ago — making June’s reading the second lowest on record dating back to 1952.



The bigger driver was stronger equity sentiment: The survey’s one-year stock market outlook rebounded to 58% bullish, up from 52% a year ago and roughly back to prewar levels.

Those without stocks saw confidence fall to a record low, as did households in the bottom third of the wealth distribution. For more on that divide, see [“Wages Are Falling. Wealth Is Surging. No Wonder Americans Are Unhappy”](#) from *The New York Times*.

Another example is [“The Hidden Workers Most Threatened by A.I.”](#) It helps explain why 22% of Americans now fear losing their jobs over the next five years. The most exposed roles are back-office jobs such as billing clerks, payroll staff and customer service representatives — occupations that far outnumber computer and data scientists.

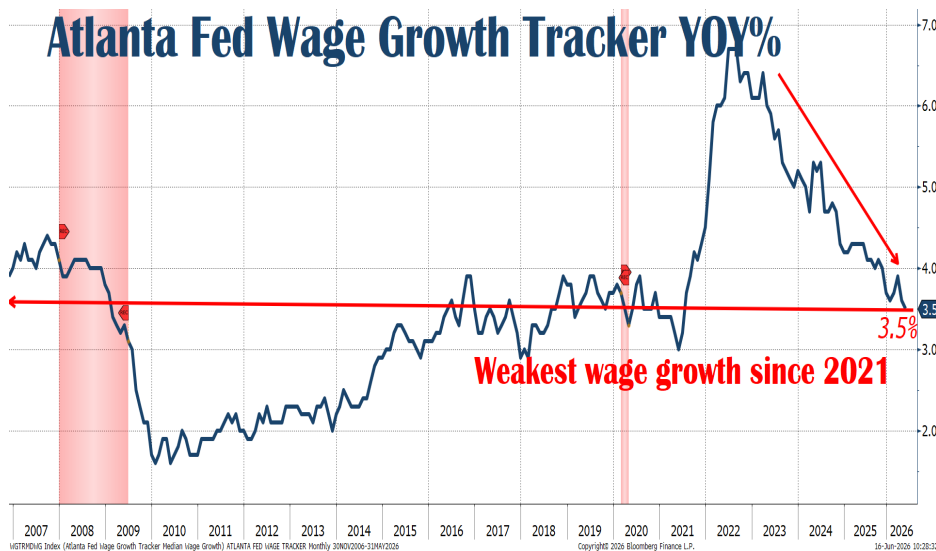


And as a final sign of these cautious, budget-conscious times, consider [“Can’t Afford Summer Camp? These Playground Workers Can Help”](#) from *The New York Times*. New York City is deploying 70 seasonal playground associates to run free activities for children — a reminder that consumers may be shifting spending in ways that look more disinflationary, if not outright deflationary.

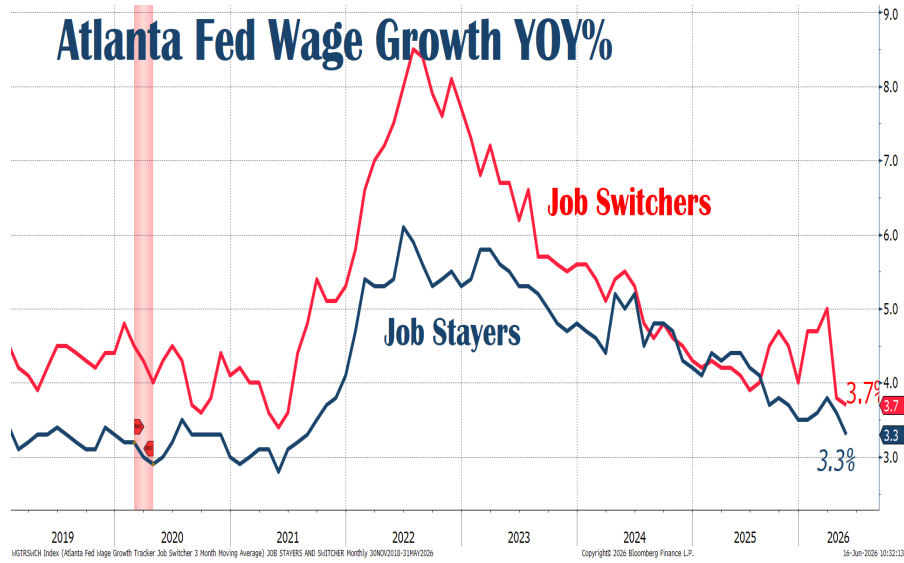
Bottom line: This is what a K-shaped economy looks like. Fortunes compounding at the top while anxiety spreads everywhere else.

WAGE PRESSURE IS FADING FAST

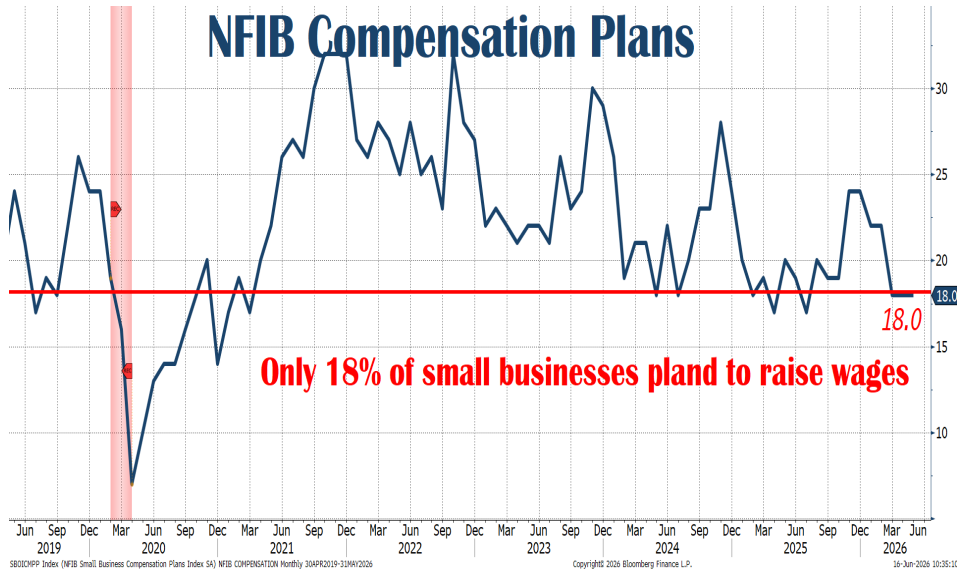
The Atlanta Fed wage tracker slowed to +3.5% year-over-year in May — the weakest pulse in five years and now below the pre-pandemic norm. That is down from +4.3% a year ago and +5.2% two years ago.



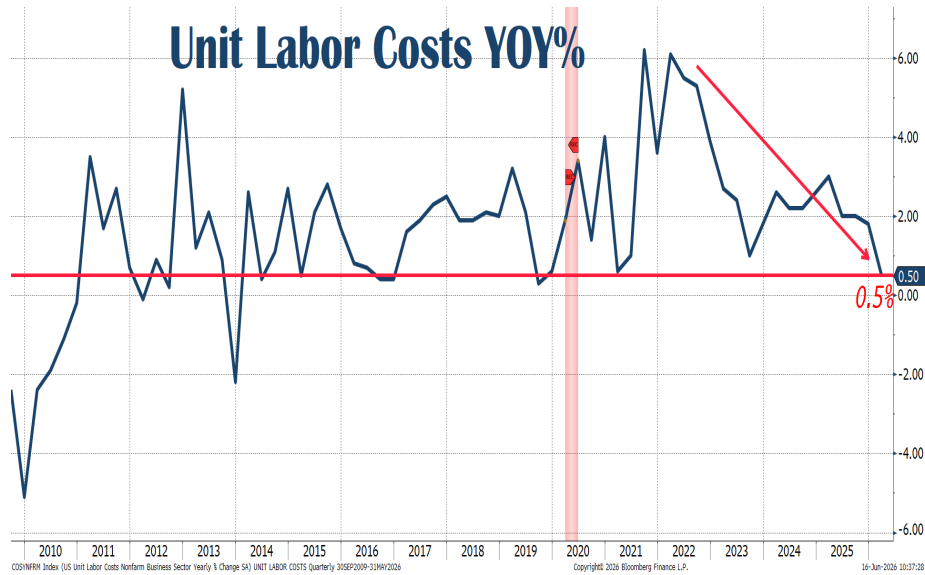
The slowdown is showing up for both job stayers and job switchers — especially the latter, which tells you just how much bargaining power has drained out of the labor market. Back in the supposedly “non-transitory” inflation cycle of 2021-2022, job-hopper wage growth was running at +8.5%. Today it is +3.7%.



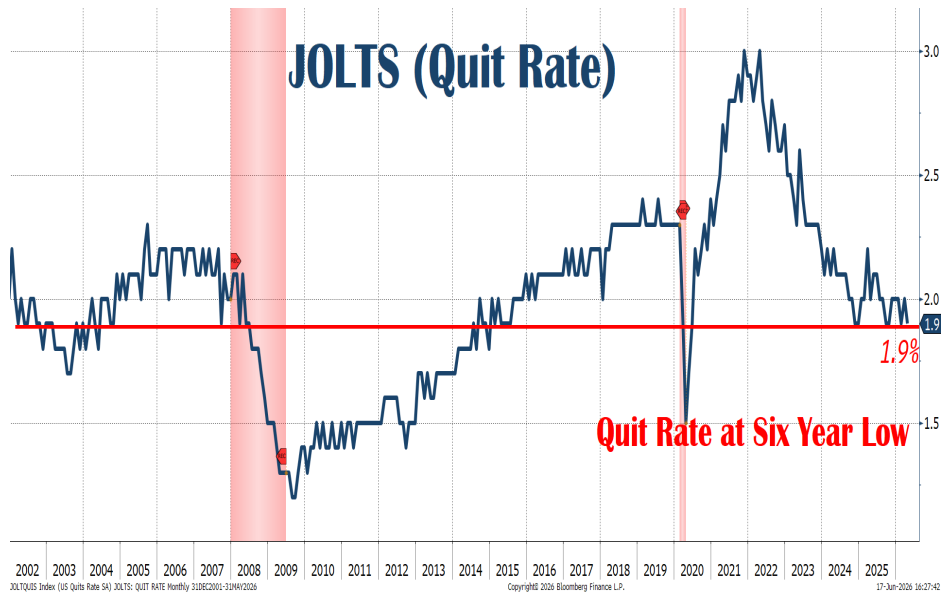
The latest National Federation of Independent Business (NFIB) survey tells the same story. Only 18% of small businesses plan to raise wages over the next three months, down from 20% a year ago and below the 24% share seen before the pandemic.



That is not what a strong labor market looks like. Adjusted for productivity, unit labor costs are running at just +0.5% year over year, versus +3.0% at this time in 2025. During the 2021-2022 inflation burst, the trend peaked just above +6%. In the unionized, cost-of-living adjustment (COLA)-clause world of the 1970s, it was running north of +10% for long stretches.



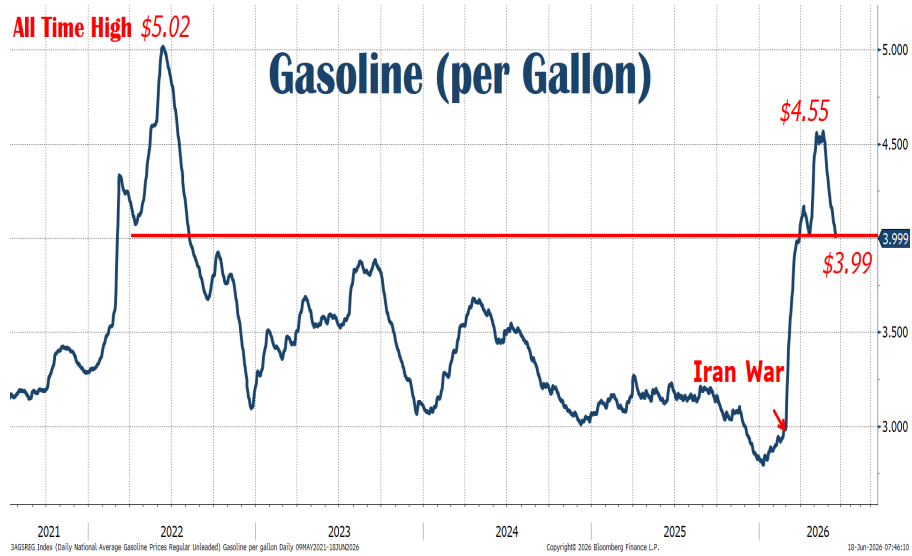
The job-hopping quits rate, at 1.9%, is tied for a six-year low and is weaker than it was before the pandemic, when the Fed was holding the funds rate below 2%. ADP shows median pay for job switchers has fallen for five straight months on a seasonally adjusted basis, and for two straight months for job stayers.



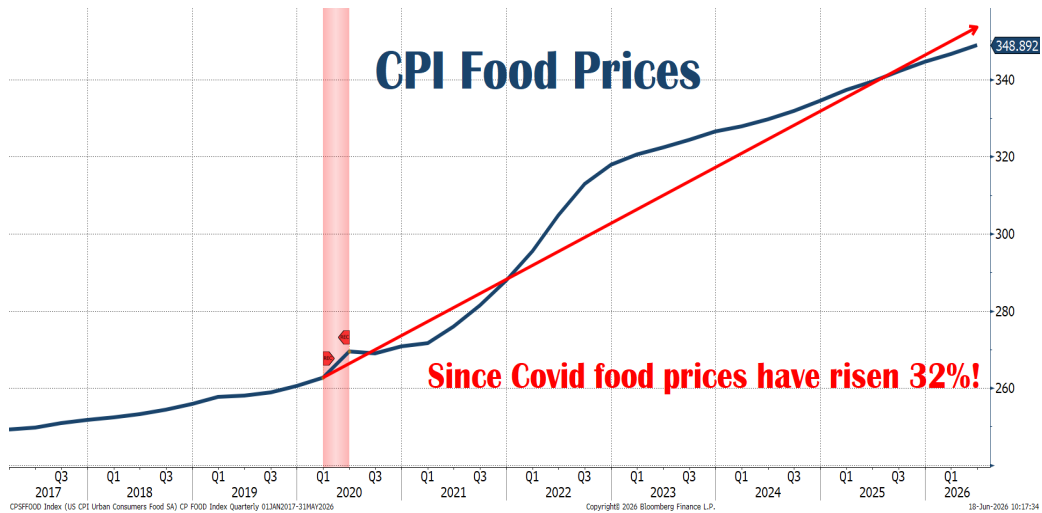
Bottom line: Inflation concerns are way overdone because there is no sustainable inflation without the labor market playing ball.

GAS RELIEF, FOOD PAIN

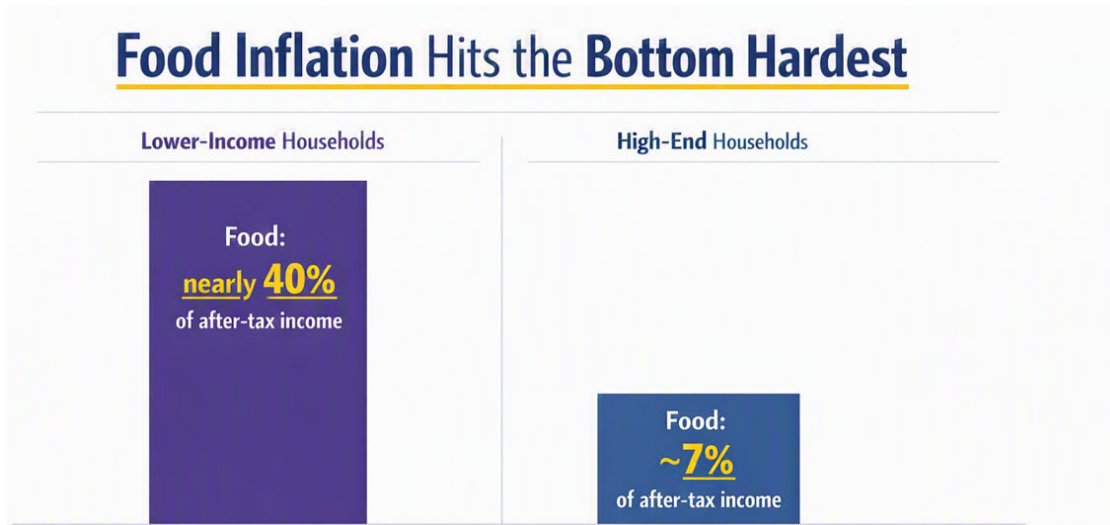
Even as consumers now begin to see some relief at the gas pumps, the next source of stress that is not going away any time soon has been the war's damage to food supply and security. Not just the war, either, but El Niño weather conditions in the Pacific that could well add to existing strains on global food supply coming out of the prolonged closure of Hormuz.



The next wave of inflation pressure and cost squeeze on the consumer sector is likely to come from food, not energy — the chart of food prices doesn't lie.



The bottom tranches of the income spectrum spend nearly 40% of their after-tax income on food (versus around 10% for the energy budget) — that compares to a 7% share for the high-end household, so the K-shaped economy is going to become even more acute.



The thing is, the affordability squeeze is not going away just because drivers are finally catching a break at the pump. Housing, healthcare and education costs are still chewing through household budgets, which helps explain why more Americans are raiding their retirement accounts despite the taxes and penalties.

Vanguard's annual How America Saves report shows a record 6% of nearly five million 401(k) participants took hardship withdrawals in 2025, up from 5% a year earlier. Roughly two-thirds went toward avoiding foreclosure or eviction (36%) or covering medical bills (31%).

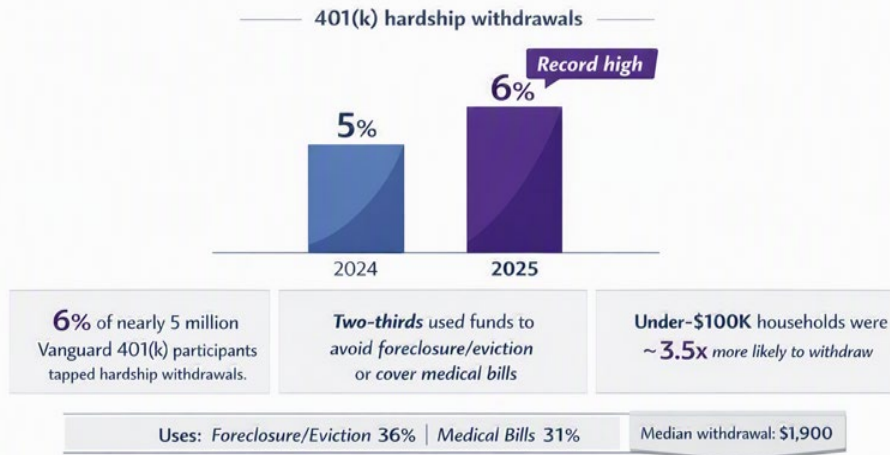
The strain was persistent: About half tapped their accounts more than once, and 21% made three or more withdrawals — usually triggering a 10% penalty plus ordinary income taxes for savers under 59½.

The data predates this year's Iran-related inflation flare-up, but household stress was already visible: New York Fed data showed first-quarter consumer loan delinquencies at their highest level since 2017.

Households earning under \$100,000 were about 3.5 times more likely to take hardship withdrawals. The median pull was \$1,900. That's a car repair or a medical bill, and now the retirement account is smaller and the problem compounds.

Hardship Withdrawals Hit a Record in 2025

Falling gas prices help, but food, housing, healthcare, and education are still chewing through budgets.



Bottom line: Falling gas prices may ease one pressure point, but the real squeeze is shifting to food and core living costs — and that is where the damage to lower-income households is likely to intensify.

MAY FLOWERS

The May retail sales number showed an upside surprise as the last vestiges of the income tax refunds got spent, together with the early effects of the World Cup event and all the tourist spending around it. The headline sales figure came in +0.9% month over month, and that was a solid beat against the consensus forecast of +0.6%. All the underlying numbers were solid: excluding autos was +0.8% (consensus was +0.6%); excluding autos and gas came in at +0.5% (consensus was +0.3%); and the key “control” datapoint rang in higher by +0.7% (and the consensus here was +0.4% — this is the metric that feeds directly into the consumer spending segment of the GDP data).

Over half of the headline sales advance in May came from “inflation” as the real, or volume, number rose by a smaller +0.4% month over month, and that followed a -0.2% dip in April. All that said, real or inflation-adjusted retail sales are on track for a +3.0% annualized growth rate for Q2, which is an acceleration from +1.5% in Q1, and we likely will start to see some upward revisions to current quarter GDP estimates.

Retail Sales: Inflation Did the Heavy Lifting

Headline sales looked strong, but real volume growth told a more modest story.



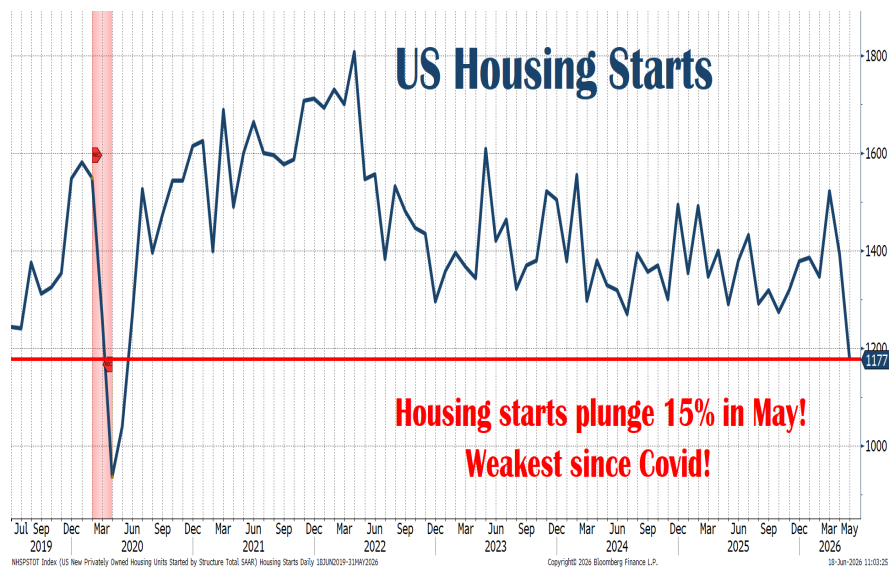
Bottom line: May retail sales look strong on the surface, helped by tax-refund spending and World Cup tourism, and broad headline gains. But the real story was less impressive: Restaurants weakened, inflation did much of the heavy lifting, and real sales rose only modestly. The data may lift near-term GDP estimates, but the second half will be the real test as stimulus fades and wage growth cools.

HOUSING STARTS CRASH 15%!

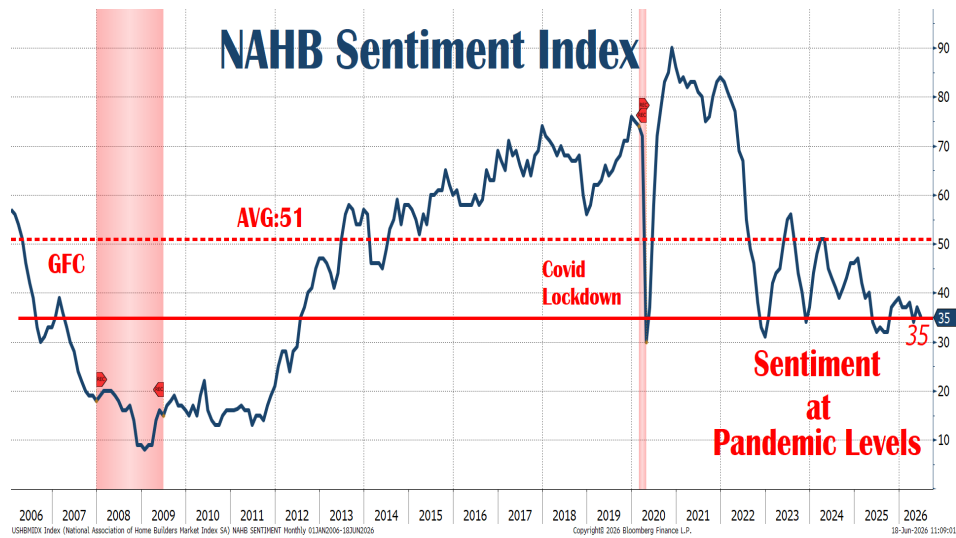
With housing inventories at recent highs, the U.S. housing market suffered another setback as housing starts crashed by 15.4% month over month in May (far worse than 2% drop expected and worse since March 2024), following a revised 8.5% month-over-month drop in April. That pulls the housing starts to its lowest since the pandemic (after reaching the highest since 2024 in April).

Under the hood:

- Single family housing starts dropped from 899,000 (revised lower from 930,000) to 882,000
- Multi-family housing starts dropped from 486,000 (revised lower from 529,000) to 284,000



Given the collapse in housing activity, it is no surprise that homebuilder sentiment has been stuck near record lows after six years of weakness.



A historic inversion has taken place in the U.S. housing market. For the first time in 40 years, home builders now have more than DOUBLE the inventory of existing homeowners. Builder inventory is now above nine months, comparable to 2008 crash levels.

However, existing owners are only at four months of supply (roughly normal). We've never seen this type of divergence take place before in U.S. real estate. Meanwhile, builders don't have that luxury and are forced to transact in today's market at a 7% rate and still low demand.

Homebuilders usually crack first, which is why they are such a useful tell on where housing is headed. Unlike individual sellers, they can slash prices quickly when inventory starts piling up.

That is why the homebuilder recession deserves more attention, along with the discounts coming out of names like Lennar. It is one of the cleanest reads on housing at the margin — and on where prices may be headed as more existing homeowners run into higher mortgage rates.

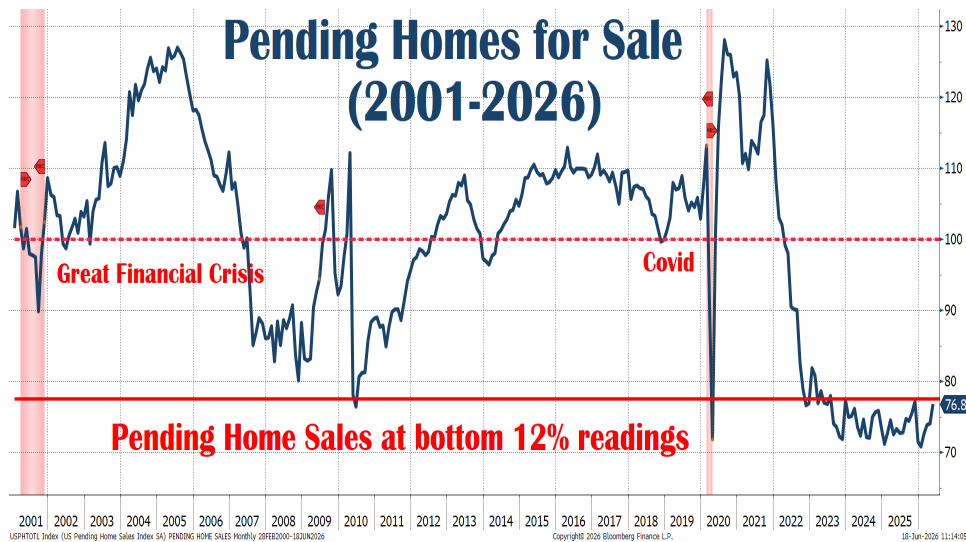
Bottom line: Housing is rolling over, and the homebuilders are flashing the warning sign first. Higher mortgage rates, bloated inventories and soft sales are finally hitting builder confidence.

PENDING SALES, PENDING TROUBLE

Pending sales managed a bounce in May, but let's not confuse a pulse with a recovery. Housing is still stuck in the mud. Affordability remains brutal, mortgage rates are still doing their damage and the eventual reset may have to come through lower prices — not another bout of Fed chest-thumping.

Yes, pending home sales rose 3.8% month over month in May to a six-month high, easily beating the 0.9% consensus estimate. But context, as usual, is everything. The broader housing backdrop remains weak, builder sentiment is still ugly and April's gain was revised down to a forgettable 0.3% from 1.4%.

The year-over-year pace slipped to 2.1% from 2.2%, and the index still sits in the bottom 12% of readings since the series began in 2001. So, congratulations on the headline beat. It still looks less like a housing recovery and more like a dead-cat bounce with a mortgage payment attached.



Unless mortgage rates ease, or wage growth suddenly recovers, affordability probably needs home-price disinflation to become outright deflation. That keeps me firmly in the “lowflation” camp and makes another Fed hiking cycle look like a mistake.

Housing may not have AI’s buzz, but it still matters to the economy, the banking system and household balance sheets. Cycles rarely end gracefully when residential real estate starts deflating.

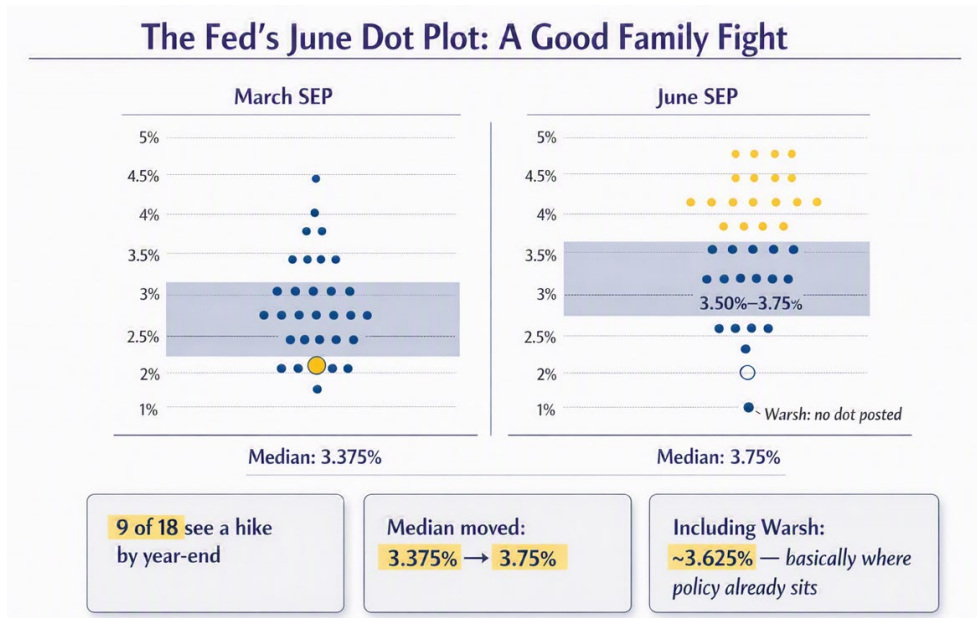
Bottom line: One decent pending-sales print does not magically unstick a housing market pinned down by high rates, lousy affordability, and thin demand.

A BREATH OF FRESH AIR

“Persistently high prices are a burden for the American people, but the recent past need not be prologue...Officials are unambiguous and unanimous. This committee will deliver price stability.” — Kevin Warsh, Federal Reserve Chairman

The Fed dropped its old nod to possible rate cuts and is now officially playing neutral. Nine of 18 Federal Open Market Committee (FOMC) members now see a hike by year-end, while one member — almost certainly Kevin Warsh — did not post a dot. The median dot moved up to 3.75%, the top of the current 3.50%-3.75% fed funds range, from 3.375% in March.

It is also worth noting that if Warsh’s likely unchanged projection had been included, the median dot would have landed at 3.625%, basically where fed funds already sit. Bond investors may want to remember that before fully embracing the market’s latest tightening fantasy. Warsh has only one vote on the FOMC, but it happens to be the only one that really matters.



The vote was unanimous, with no dissent. Asked about the rate debate at this meeting, Warsh said the committee had a “a good family fight.”

More notable was the statement itself — which was short, crisp and stripped of any kind of “forward guidance” — that showed the way. Warsh cut it to 130 words from 341 at Powell’s final meeting.

Forward guidance is one of the official monetary policy tools that the Fed has liberally used to manipulate the bond and repo markets into implementing their monetary policies. And Warsh did away with it. He said that markets are very good at looking at the incoming data and reacting to it, and that they should be doing that instead of trying to figure out what the Fed was telling them it would do.

Here is his crucial rationale as to why forward guidance was dropped:

“I think financial markets [particularly the bond market and the repo market] perform best when they react to incoming data. Financial markets work less efficiently when they ask the question: How will the Federal Reserve react to that incoming information? The more that markets are paying attention to what’s happening in the real economy, deciding what’s good data and what’s less-good data, the more financial markets can price what they believe is the most likely and what are the tail risks.

“Financial market prices are probably the most important source of information to guide central bankers. But when all the financial markets are doing is reflecting back what we’ve said, we’re taking the most important source of information and we’re being blind to it.

“I’d like us to create a system where those blinders come off, where markets are following data that they efficiently think is reliable and they’ll be watching data, and we’ll be watching data. They’ll come with better information through market prices to us. We can make more informed decisions.”

Bottom line: What a breath of fresh air. One meeting in, and Warsh has already made the place sound more like a central bank— no forecast, fewer words and no forward guidance. Warsh wants the Fed to stop explaining everything. For decades, the central bank believed talking openly made its policy work better. Its new chairman believes the opposite. Financial markets will have to look at incoming data and do their jobs reacting to it.

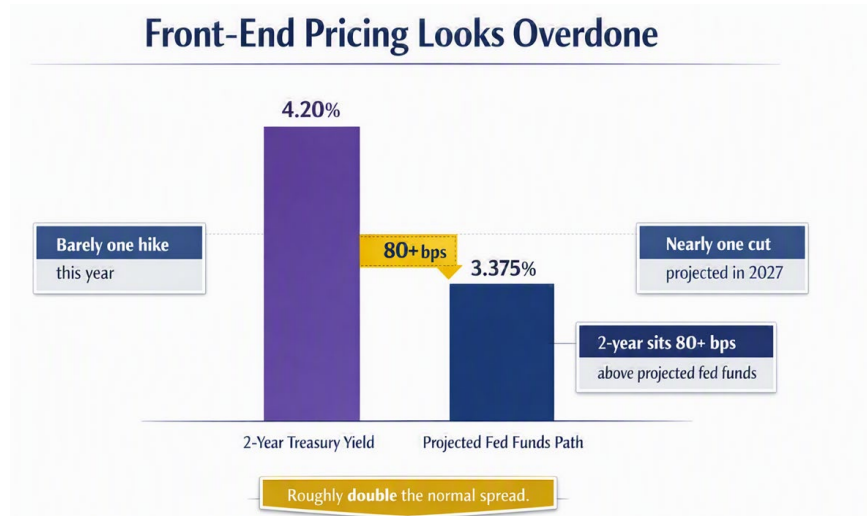
MARKET OUTLOOK AND PORTFOLIO STRATEGY

The 2-year Treasury had a fit last week, with the yield jumping 15 basis points to 4.20%, while the long bond barely moved, slipping just over 1 basis point to 4.93%. The front end reacted to the Fed’s hawkish tone and higher inflation projections, while the back end took more comfort in the new chair’s commitment to price stability.

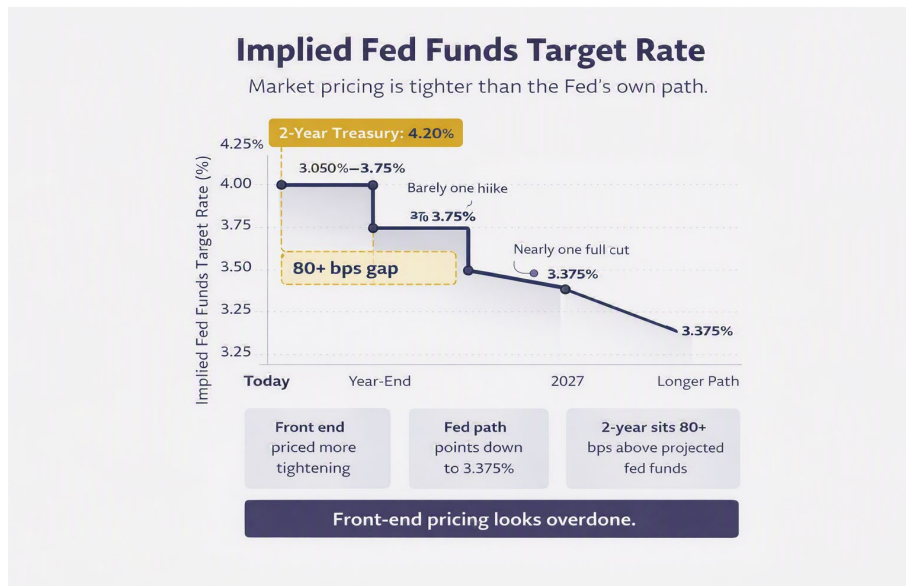


That reaction looks overdone. Nothing in the statement or press conference was meaningfully more hawkish than the Fed’s recent rhetoric. Yet the front end priced in more tightening, even though the median projections point to barely one hike this year, nearly a full cut in 2027, and a funds-rate path down to 3.375% — 25 basis points below today’s level.

With the 2-year at 4.20%, the yield now sits more than 80 basis points above the projected fed funds target, roughly double the normal spread. In other words: a bargain.



Back to the dot plot. If inflation is truly an emergency, is one rate hike — barely visible in the median forecast — supposed to solve it? Then, conveniently, policy drifts easier again in 2027 and 2028. That reads less like a forecast and more like a monetary fairy tale.



History is not kind to this setup: Markets expected tightening in 2002 and were wrong, while the Fed adopted a de facto tightening bias in summer 2008. We all remember how that ended.

Moreover, if the Fed ultimately does nothing, the front end has room to rally. The last time futures priced an indefinite pause was late April, when the 2-year yield was around 3.8% — about 40 basis points below today's level. If the Fed holds its fire, this part of the coupon curve should respond nicely.

One last point: Should the Fed be tightening, period?

Compare today's economy, price trends and inflation pressure points with March 2022, when the last tightening cycle began. The key difference: The funds rate is now roughly 350 basis points higher than it was then.

The table below shows why I am leaning against current market pricing, favoring the front end of the Treasury curve, and siding against the FOMC's growing hawkish chorus.

I remain unabashedly bullish on rates, full stop. Head fakes like last week are buying opportunities.

March 2022 vs Today

Indicator	March 2022	Today	Policy Read
Fed funds target range	0.25%–0.50%	3.50%–3.75%	Policy is already 350 bps tighter .
Headline CPI inflation	~8.5% YoY	~4.2% YoY	Still elevated, but far below the 2022 inflation shock.
Core CPI inflation	~6.5% YoY	~2.9% YoY	Underlying inflation pressure has cooled materially .
Unemployment rate	~3.6%	~4.3%	Labor slack has increased , not decreased.
Wage growth	Near cycle highs	~3.5% YoY, weakest in five years. The wage-price spiral is fading , not accelerating.	
Job-switcher pay growth	~8.5%	~3.7%	Worker bargaining power has drained away .
Quits rate	Near cycle highs	~1.9%, tied for a six-year low. Employees are no longer six-year low .	
Housing starts	Strong post-COVID cycle levels	Lowest since COVID after a 15.4% monthly drop. Housing is cracking .	
Consumer sentiment	Weak, but not at current extremes	48.5, second lowest on record. Main Street is not exactly begging for tighter policy .	
Retail sales breadth	Inflation-boosted nominal demand	Headline solid, but median gain only +0.4%. The consumer looks narrower and more fragile.	
Unit labor costs	Rising sharply during inflation burst	~0.5% YoY, down from ~3.0% last year. Labor costs are no longer validating hawkishness .	

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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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