



Volatility Isn't a Bug. It's a Feature.

By Peter Madlem, CFA | Chief Investment Officer

The bottom line. Recent volatility reflects changing expectations around interest rates and geopolitical risks. Those developments deserve attention, but not overreaction. The long-term drivers of market returns, earnings growth, innovation, productivity and economic expansion, remain intact. History suggests those forces matter far more than any single day's headlines.

The stock market reminded investors last week that even bull markets have bad days.

The Nasdaq suffered its largest one-day decline in over a year, falling more than 4% after what was, ironically, a strong employment report. That's one of those market moments that seems backwards until you remember how markets work. **Good economic news can sometimes be bad news for stocks when it increases the likelihood that the Federal Reserve keeps interest rates higher for longer.**

Add a renewed flare-up in Middle East tensions, and investors suddenly had a reason to take profits after one of the strongest quarters in recent memory.

The important point is that this wasn't a breakdown. It was a repricing.

Markets have enjoyed an extraordinary run higher this year. Much of that strength has been driven by resilient corporate earnings, easing fears around geopolitical events, and growing enthusiasm surrounding artificial intelligence and a new wave of public offerings. **At some point, markets pause to reassess. That's normal.**

In fact, the recent pullback highlights an important distinction between the stock market and the bond market.

While equities have raced to new highs, bonds have been sending a more cautious message for months. Long-term interest rates have continued to drift higher, reflecting concerns that inflation may prove more persistent than investors hoped. The 10-year Treasury yield remains elevated, and the futures market is now pricing one 25bps FFR increase over the next six months and two over the next 12 months. Bets that the Fed will turn hawkish have been building for weeks and accelerated after Friday's payrolls report. Nevertheless, the consensus still believes the hikes are a 2027 problem. We think the FOMC will be forced to raise the FFR sooner, perhaps as soon as July.

The 2-year Treasury yield at 4.17%, versus the 3.62% effective funds rate, supports our forecast.

In many ways, the stock market is finally catching up to a conversation the bond market has been having all year.

Technology stocks sit at the center of this discussion.

The reason is simple: growth companies derive much of their value from profits expected years into the future. **When interest rates rise, those future profits become less valuable in today's dollars.** It's why technology stocks can sometimes behave like a very long-duration bond. Small changes in interest rates can create outsized swings in valuation.

Market and Economic Chartbook | June 8, 2026

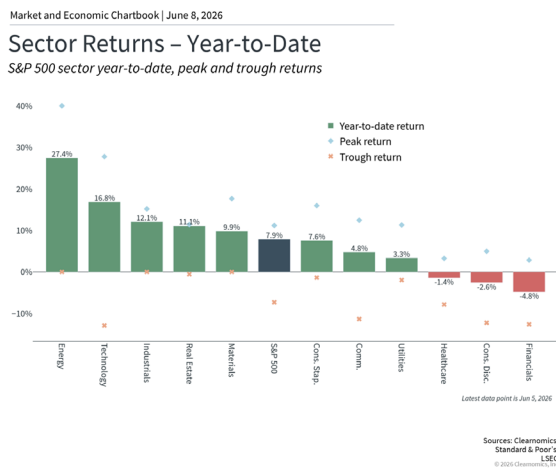
Stock Market Cycles

NASDAQ Composite since 1995



Sources: Clearmatics, Nasdaq © 2026 Clearmatics, Inc.

Investors witnessed this firsthand in 2022 when the Magnificent Seven lost roughly half their value as inflation surged and rates climbed. Then, as rates stabilized and earnings recovered, those same companies led the market back to new highs.



That's the nature of growth investing.

The good news is that higher rates do not automatically mean lower stock prices.

History shows that markets often perform well during rate-hiking cycles when those hikes occur because the economy is strong. Strong economic growth supports earnings. Strong earnings support stock prices. The relationship is rarely as simple as "rates up, stocks down."

Markets have successfully navigated countless rate environments over time.

The real risk for investors isn't volatility.

It's forgetting that volatility is part of the journey.

Just as architects design buildings to withstand storms, successful portfolios are designed to withstand uncertainty. **Diversification isn't something you appreciate when everything is going up. It's something you appreciate when markets remind you they won't.**

Copyright (c) 2026. All rights reserved. The information contained herein has been obtained from sources believed to be reliable but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports posted on or via www.clearnomics.com or any affiliated websites, applications, or services are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments. The text, images, and other materials contained or displayed in this report are proprietary to Clearnomics, Inc. and constitute valuable intellectual property. All unauthorized reproduction or other use of material from Clearnomics, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Clearnomics, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Clearnomics, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.

Disclaimer: Advisory services are offered through Avalan, LLC, a Registered Investment Adviser.