



Falling Yields Reinforce Equity Market Resilience

6/1/2026

The market continues to demonstrate remarkable resilience. Lower oil prices, easing Treasury yields, and the relentless buildout of artificial intelligence infrastructure are still providing a favorable backdrop for risk assets.

WTI crude has retreated toward \$87 per barrel, gasoline futures have fallen roughly 20 cents from their highs, and the 10-year Treasury yield has moved down to about 4.44% after briefly threatening 4.75%. I believe energy prices are likely to remain structurally elevated for an extended period with ongoing geopolitical disruptions, but the recent decline removes an important near-term headwind for both consumers and financial markets.

Economic data this week largely matched expectations. First-quarter GDP was revised down to 1.6%, a disappointment from the initial estimate, but there is still no meaningful evidence of an approaching recession. Second-quarter growth estimates continue to range between roughly 2% and 3%, and a narrower trade deficit reported for April could add several tenths to GDP forecasts as additional data arrive. Jobless claims remain contained, ISM surveys have held up well, and labor market expectations remain consistent with continued expansion rather than contraction.

One area in which expectations moved ahead of reality is productivity. Following last year's surge, many expected AI investments to begin showing up immediately in the productivity statistics. Yet the last two quarters have been relatively subdued. The anecdotal evidence surrounding AI adoption is overwhelming, but the measurable gains have not yet fully emerged in the aggregate economic data. I remain highly optimistic that AI will eventually drive a significant productivity renaissance similar to past technological revolutions. The spending boom in data centers and computing infrastructure is clearly occurring today, while the productivity payoff likely lies further ahead.

Perhaps the most important underappreciated development remains money supply growth. M2 has now posted three consecutive months of above-average expansion, and deposit growth confirms that liquidity conditions are expanding meaningfully compared with the prior two years. This is nowhere near the excessive monetary surge that fueled the post-pandemic inflation spike, but it does indicate that credit creation has resumed and financial conditions are becoming more supportive. Historically, sustained improvements in liquidity have been constructive for both economic activity and equity valuations.

I also want to address an important misconception in an article that appeared in *The Wall Street Journal* this week: a claim that the equity risk premium has disappeared because stock earnings yields and Treasury yields are both near 4.5%. This comparison fundamentally confuses real and nominal returns. A stock purchased at a 20 multiple offers roughly a 5% real earnings yield that can grow with inflation over time. A 5% Treasury bond delivers a nominal return. The proper comparison is against Treasury Inflation-Protected Securities, where real yields remain around 2%. By that measure, equities still offer roughly a 2.5 to 3% premium, close to their long-term historical average. Investors who compare stock earnings yields directly against nominal bond yields are making one of the most common valuation errors in finance.

On the Federal Reserve, what matters most in the coming weeks is not speculation about Fed governance but the signals coming from policymakers ahead of the next meeting. In particular, any public comments from Kevin Warsh could become highly influential as investors attempt to assess the future direction of monetary policy.

For investors, the broader message remains constructive. Economic growth continues, liquidity is abundant, yields are retreating from recent highs, and the AI investment cycle remains extraordinarily powerful. A still-attractive equity risk premium continues to support the long-term case for stocks.

Please see the [WisdomTree Glossary](#) for definitions of terms and indexes.

Past performance is not indicative of future results. You cannot invest in an index.

Professor Jeremy Siegel is Senior Economist to WisdomTree. This material contains the current research and opinions of Professor Siegel, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.