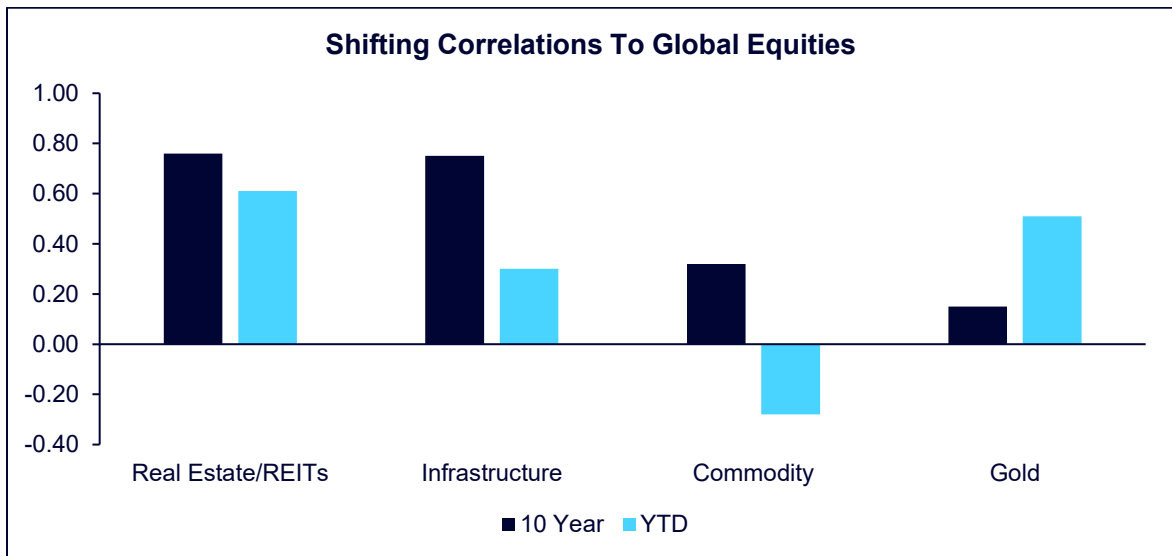


COMMENTARY

June 18, 2026

Mind on the Market

Chart of the Week



Source: FactSet, MSCI, Bloomberg, FTSE, data as of 6/12/2026. Correlations for 10 years and YTD are based on daily returns in USD vs MSCI ACWI. Real Estate/REITs refer to FTSE EPRA/NAREIT Global Index Total Return; Infrastructure refers to MSCI AC World Infrastructure Total Return; Commodity refers to Bloomberg Commodity Index Spot Price Return; Gold refers to Gold New York Spot (\$/oz) Total Return.

June 7th marked 100 days since the US-Iran conflict began, and by the following week, a ceasefire had been declared. A formal Memorandum of Understanding has been released, providing a framework for the agreement — though how the agreement will unfold in practice, including the timeline for normalizing oil supplies through the Strait, remain uncertain at the time of writing. Meanwhile, US equities have posted negative returns month-to-date (FactSet, S&P 500 total return in USD, 5/29-6/16), underscoring the unease that persists even as headlines shift from war to diplomacy. In this environment, it is critical that investors understand how each lever in their portfolio behaves — not only through negative shocks, but through the uncertain recoveries that follow. Diversification must be resilient in both directions.

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Weekly Highlights

YTD Correlation of
Commodities to Global
Equities

-0.28

Source: FactSet, as of 6/12/26.
Based on daily returns in USD of
Bloomberg Commodity Index vs
MSCI ACWI.

Spread between 10yr
and 2yr US Treasury
Yields

38.04 bps

Source: FactSet, as of 6/16/26.

Rolling 36-Month Beta of
Infrastructure to Global
Equities

0.5

Source: FactSet, using monthly total
return data in USD as of 5/29/26.
Measuring 36-month rolling beta of MSCI
AC World Infrastructure to MSCI ACWI.

A Shifting Macro Backdrop

Although a ceasefire has been declared, the macroeconomic realities it leaves behind do not dissipate overnight. Even as oil prices have retreated sharply, with Crude Oil falling roughly 5% on Monday 6/15 and nearly 6% on Tuesday 6/16 (FactSet, as of 6/17), the effects of a prolonged supply disruption continue to weigh on growth prospects and raise questions about second-order effects on inflation. The June 10 CPI print reinforced these concerns: both headline and core CPI rose month-over-month, evidencing the economy's inflationary impulse. Against this backdrop, the path to rate relief has narrowed considerably: our base case has removed the two rate cuts originally forecasted for 2026 and now sees no cuts this year.

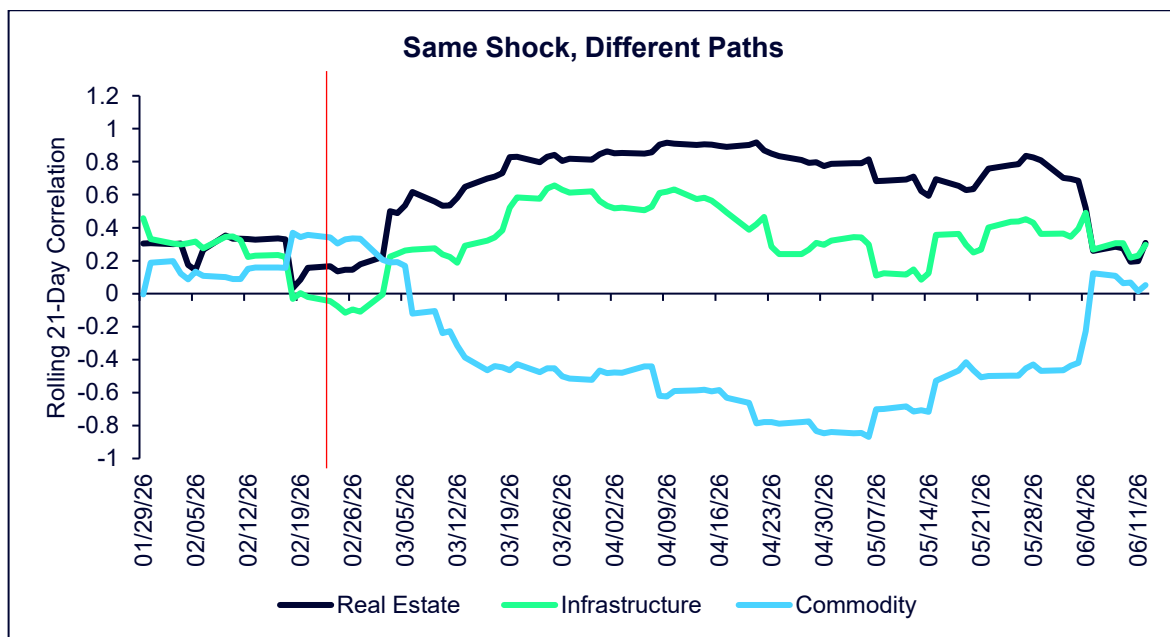
The 2s10s curve is already reflecting this shift. Over the past three months, the spread has narrowed from 56.52 bps at the onset of the conflict to 38.04 bps currently (FactSet, 3/2–6/16/26). Notably, this move has been driven primarily by the short end, consistent with a bear-flattener scenario in which investors price in higher-for-longer rates under a more hawkish Fed. In a bear flattener, the short end of the curve reprices more aggressively than the long end, narrowing the term spread and reducing the incremental compensation investors receive for holding duration. For fixed-income allocators, this raises the question of where duration risk is best compensated.

This backdrop, coupled with the [new world order](#) in which supply shocks are structurally more frequent, presents a long-term challenge for traditional portfolio construction – and it exposes a vulnerability that is

often underappreciated in balanced portfolios. Inflationary pressures tend to push equity-bond correlations higher, as rising inflation leads to tighter monetary policy, which in turn pressures bond yields and erodes the diversification benefit that fixed income has historically provided to equity-heavy allocations. In such an environment, the traditional 60/40 framework may offer less protection than investors expect. Real assets, given their sensitivity to inflation, can help fill that gap — making diversification not just important, but essential.

War and Correlations

The outbreak of war underscored the importance of looking beyond traditional equity-bond diversification. We have previously noted how equity-bond correlations have been [structurally rising](#) and this conflict proved no different, reinforcing the case for real assets as a diversifier. That said, not all exposures within the real assets complex respond to shocks in the same way. Our Chart of the Week makes this point at a high level, comparing YTD correlations to global equities across the main real asset sub-sectors – listed real estate, infrastructure, and commodities – against their trailing 10-year averages. In most cases, correlations have declined this year, with commodities showing the largest shift. Gold stands out as the exception, with its correlation rising this year, a dynamic we explore later in this piece. Looking deeper at the path of these correlations YTD reveals an even more nuanced story.



Source: FactSet, MSCI, FTSE, Bloomberg data as of 6/12/2026. Based on daily total returns in USD. Correlations (FTSE EPRA/NAREIT Global Index, MSCI AC World Infrastructure Index, Bloomberg Commodity Index) measured on a rolling 21-day basis vs. MSCI ACWI. Vertical line denotes onset of US-Iran conflict (~3/3/2026).

Prior to the conflict, all three sub-exposures exhibited modest and relatively similar correlations to global equities, generally ranging between 0.1 and 0.4. The onset of the war — marked by the vertical line — triggered an immediate and sharp divergence. Commodities provided the most distinct diversification profile, with rolling correlations plunging into deeply negative territory, reaching approximately -0.8 by late April as the supply shock drove commodity returns in the opposite direction of equities. Listed real estate, by contrast, moved sharply in the other direction, with correlations surging above 0.8 by mid-April — reinforcing its pro-cyclical, equity-like behavior during periods of macro stress. Infrastructure occupied a middle ground, rising modestly but remaining well below real estate levels, consistent with its more defensive characteristics.

What is particularly instructive, however, is the more recent period. As the acute phase of the conflict has given way to ceasefire discussions, correlations have begun to converge. Commodity correlations have moved up from their lows, trending back toward zero in recent weeks. Real estate and infrastructure correlations have moderated, declining from their post-shock peaks. This convergence suggests that the most extreme divergence may have been tied to the acute geopolitical shock itself, though correlations have not returned to pre-war levels.

These patterns are not coincidental — they reflect the underlying nature of each asset class. Listed real estate and infrastructure are equities: their valuations are influenced by earnings growth, discount rates, and risk appetite, which is why their correlations to global equities tend to be structurally higher, particularly during periods of broad market stress when risk appetite contracts and growth-sensitive assets decline together. Commodities, by contrast, are driven by fundamentally different factors — supply-demand dynamics, physical inventories, and geopolitical disruptions — rather than corporate earnings or multiples. This distinction is what allowed commodities to diverge so sharply during the conflict: the supply shock that weighed on equities simultaneously drove commodity prices higher, producing the deeply negative correlation visible in the chart. As the acute shock has faded and ceasefire discussions have taken hold, that divergence has begun to normalize, consistent with the pattern that commodity decorrelation tends to be most pronounced when the source of stress is a supply-side disruption rather than a broad demand drawdown.

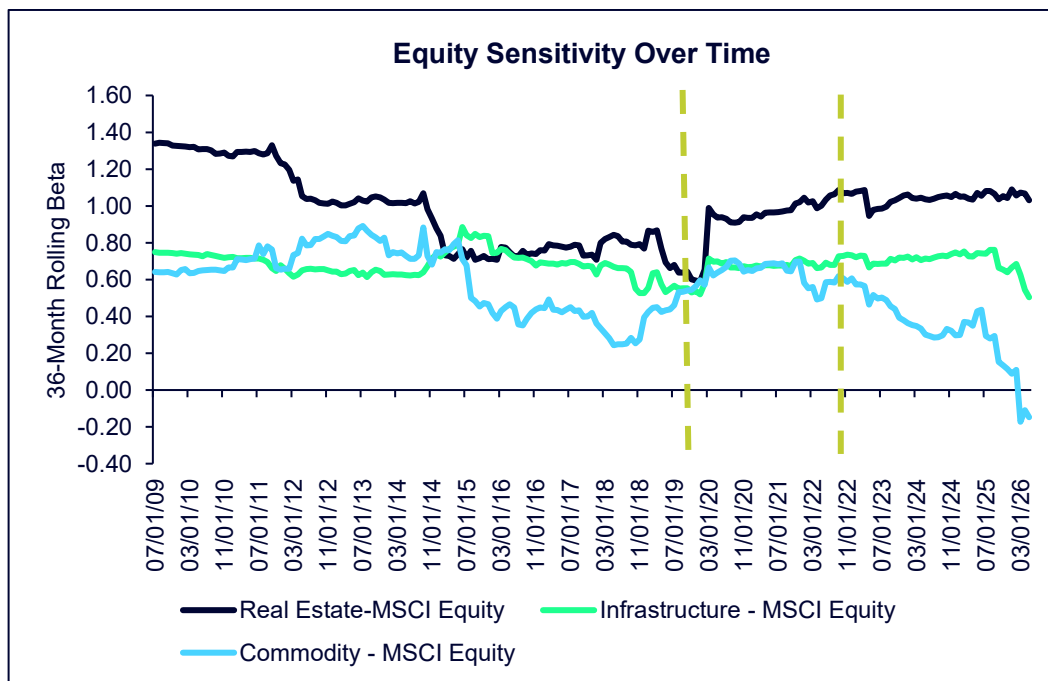
The takeaway for allocators is twofold. First, real-asset diversification is not static: it evolves in real time as the macro environment shifts, and the magnitude of diversification benefit depends heavily on which sub-exposure is deployed. Second, the path of correlations matters as much as the level — understanding how quickly diversification properties can appear and fade is critical to portfolio construction.

Gold warrants a separate mention. As the Chart of the Week shows, its YTD correlation to global equities has risen to 0.51, compared to just 0.15 over the trailing decade (FactSet, as of 6/12/26), moving in the opposite direction of commodities, infrastructure, and real estate/REITs. This likely reflects

the inflationary nature of the supply shock: as both gold and equities repriced around inflation expectations, their return profiles converged rather than diverged. For a more detailed look at the outlook for gold as a strategic diversifier, please see [Gold 2026 Midyear Outlook: A tug-of-war between tactical and structural momentum](#).

Evolving Profiles

These correlation dynamics are not a short-term anomaly. Over a longer time horizon, the three sub-exposures have exhibited meaningfully different levels of alignment with global equities.



Source: FactSet, MSCI, Bloomberg, FTSE, using monthly data 7/31/09-5/29/26. Displaying 36-month rolling beta of FTSE EPRA/NAREIT Global Index, MSCI AC World Infrastructure, and Bloomberg Commodity Index to MSCI ACWI based on total return data in USD. Green dotted lines indicate pre-2020 regime and post-2022 environment where correlations dispersed.

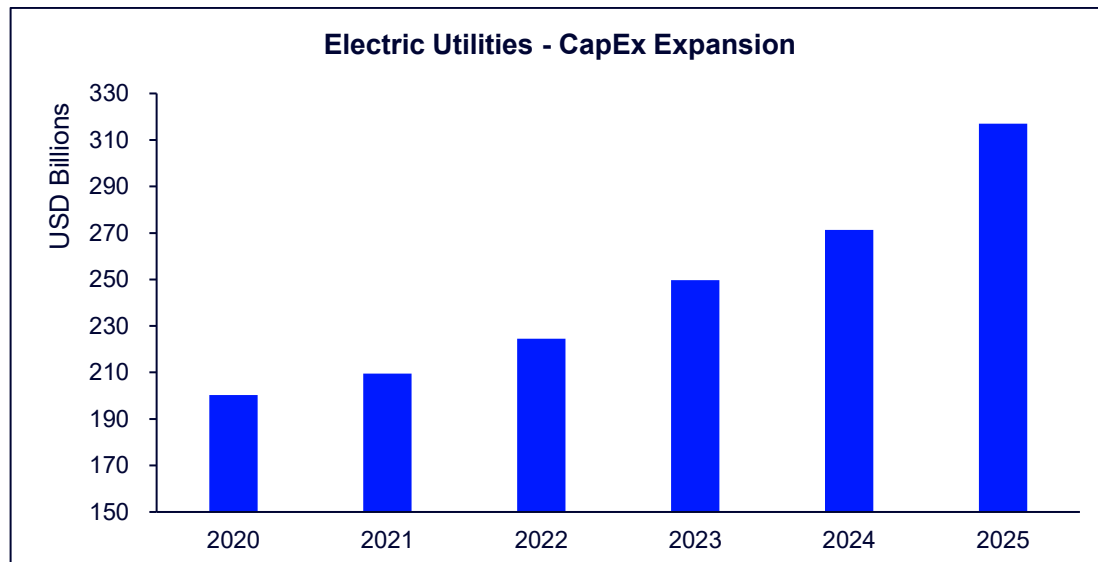
Listed real estate has consistently exhibited the highest beta to global equities, with sensitivity rising back toward equity-like levels since 2020 — reinforcing its role as a pro-cyclical, growth-linked allocation. Infrastructure has maintained a more moderate and stable beta profile across regimes, offering a steadier risk contribution. Commodities show the greatest variability, with equity sensitivity declining materially over the past decade and approaching negligible levels in the most recent period.

Taken together, the dispersion across real assets highlights that diversification outcomes are highly dependent on implementation. While some exposures have become increasingly equity-like, others continue to provide more distinct return drivers — particularly in the more volatile, post-2022 macro environment. For a more detailed look at each sub-sector and their respective outlooks, please see the [Q1 Real Assets Commentary](#).

Not Just Defense – A Growth Story Too

Real assets are often framed as a purely defensive allocation — a hedge against drawdowns, a source of diversification when traditional asset classes move in lockstep. That role remains critical, particularly in a post-2022 world where equity-bond correlations have stayed stubbornly elevated. But framing real assets solely through a defensive lens undersells their potential.

Taking a closer look at the infrastructure sector, our Chart of the Week illustrates that its YTD correlation to global equities has dropped sharply relative to its 10-year average — from approximately 0.75 to 0.30 — suggesting it has provided meaningful diversification during this year's volatility. Yet infrastructure is also a direct beneficiary of the growth themes driving equity markets higher. The AI buildout is a case in point: global data center capital expenditure is projected to surpass \$1 trillion in 2026¹ driving unprecedented demand for power generation, grid upgrades, and utility infrastructure.



¹ [AI Infrastructure Buildouts and Memory Cost Inflation Drove Data Center Capex Higher in 1Q 2026, According to Dell'Oro Group - Dell'Oro Group](#)

Source: FactSet as of June 15, 2026. Displaying calendarized total capital expenditures (USD Billions) for 378 companies categorized as Electric Utilities per GICS in FactSet universal screening.

Utilities — the largest sub-sector in many infrastructure benchmarks — are experiencing accelerating earnings growth, underpinned by multi-year capital spending cycles tied to electrification and AI compute. The Utilities sector within the MSCI World Infrastructure Index posted 7% EPS growth in Q1 2026, a positive surprise relative to earlier estimates of 4.5%, and is expected to deliver 7.2% of earnings growth this year as of current estimates (FactSet, as of 6/17).

This creates a compelling "both/and" proposition for allocators: if equities continue to rally on AI-driven growth, infrastructure participates through capex and demand tailwinds. If equities draw down on geopolitical or macro risk, infrastructure provides diversification for structurally different reasons.

Maintaining Resiliency Through Uncertainty

With the forward outlook still containing uncertainty — from the pace of oil normalization to the Fed's evolving posture — we believe it is important that investors understand the levers available to maintain portfolio resiliency. As the rolling correlation data illustrates, diversification properties within real assets are not static; they evolve with the macro regime, and the recent convergence in correlations as the conflict de-escalates underscores how dynamic these relationships can be.

While we continue to remain constructive on the outlook for equities this year, the duration of the conflict has underscored the importance of a diversified approach — one that maintains defensiveness in the portfolio while also positioning for capital appreciation on the back of structural growth tailwinds. For institutional investors, whose objectives center on delivering stable income, inflation resilience, and downside protection, a diversification *within* a real asset allocation enhances the consistency of outcomes across macro regimes, reinforcing its role as a core building block in multi-asset portfolios.

Thank you to Keith Snell who contributed to this piece. Sources: MSCI, FTSE, Bloomberg, FactSet, Dell'Oro Group. Data as of 6/16/2026 unless otherwise stated. Returns data are provided in USD. The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk, including the risk of loss of principal.

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* This figure is presented as of March 31, 2026 and includes ETF AUM of \$1,940.32 billion USD of which approximately \$184.18 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.