

# MARKET COMMENTARY

May 2026

## SNAPSHOT

- Geopolitical volatility defined April as the US-Iran conflict triggered a global energy supply shock.
- Major central banks maintained steady rates while grappling with surging inflation and economic uncertainty.
- Equity indices reached record highs despite growing scepticism about AI spending.

All percentages below are monthly returns for April 2026

## EQUITIES



## BOND MARKETS

### BONDS

Yields hit multi-year highs on inflation concerns

	UK GILTS	-0.5%
	US TREASURIES	-0.1%
	GLOBAL CORPORATE BONDS	-1.4%
	GLOBAL HIGH YIELD BONDS	-0.2%



\*Values represent bond index returns

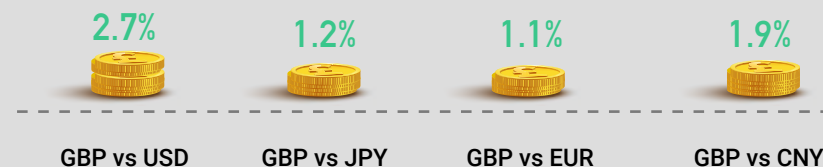
## CURRENCIES

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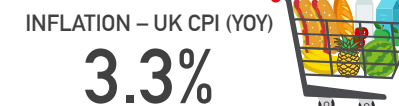
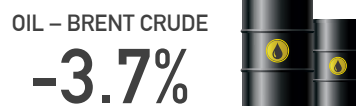
Sterling supported by robust services activity



### Pound vs Other Currencies



## KEY INDICATORS



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# GLOBAL MARKETS

Global sentiment swung between relief over ceasefires and fear of prolonged blockades in the Strait of Hormuz, driving extreme volatility in energy commodities and adding further pressure to global inflation.



## US MARKETS

Hit record highs on strong corporate results

US indices hit fresh records as robust labour data and a strong start to the earnings season overshadowed geopolitical risks. However, the Federal Reserve turned more hawkish, with several policymakers withdrawing support for further easing as March CPI rose to 3.3% year-on-year, from 2.4% in February. Investors scrutinised the 'Magnificent Seven' results, rewarding Alphabet while punishing Meta and Microsoft for surging AI capital expenditure. Although consumer sentiment weakened sharply, retail sales grew 1.7%, pointing to a resilient but increasingly cautious domestic consumer.

10.4%

US 500



## UK MARKETS

Moved higher on unexpected economic resilience

UK equities underperformed relative to other major markets but still delivered positive returns. The structural bias towards energy, financials, and defensive sectors detracted from relative performance as investor appetite favoured growth and technology. Energy and banking stocks were volatile amid sharp moves in oil prices and shifting ceasefire prospects. UK CPI rose to 3.3%, increasing expectations of further tightening by the Bank of England, with markets pricing in around 50 basis points of additional tightening by year-end. Retail conditions weakened sharply, with sales volumes at multi-decade lows, while policymakers signalled that further rate rises may be necessary if inflationary pressures prove more persistent than expected.

2.4%

UK All Share



## EUROPEAN MARKETS

Delivered strong gains despite US-Iran ceasefire uncertainty

European equity markets posted strong gains despite early optimism around a potential ceasefire fading as diplomatic progress stalled. Forward-looking indicators weakened, with the eurozone PMI signalling the fastest contraction in private sector activity since November 2024, driven in part by ongoing energy supply disruptions. Germany's economy expanded a modest 0.3%, but consumer confidence fell to a three-year low following a sharp rise in energy prices. The European Central Bank held rates steady, citing heightened geopolitical uncertainty, while corporate earnings delivered a mixed picture across sectors.

5.3%

Euro 600 Index ex UK



## JAPAN MARKETS

Moved ahead despite mixed economic signals

Japanese business sentiment deteriorated as the Reuters Tankan index for manufacturers recorded its steepest decline since early 2023. The Bank of Japan maintained rates at 0.75% while signalling heightened inflation risks for FY2026 amid escalating crude oil prices. Despite weakness in industrial production and services activity, machine tool orders reached record highs, driven by robust foreign demand. The Nikkei 225 pulled back from recent highs as Governor Kazuo Ueda provided little clarity on the pace of future rate rises, while a weaker yen continued to strain corporate margins and household purchasing power.

6.6%

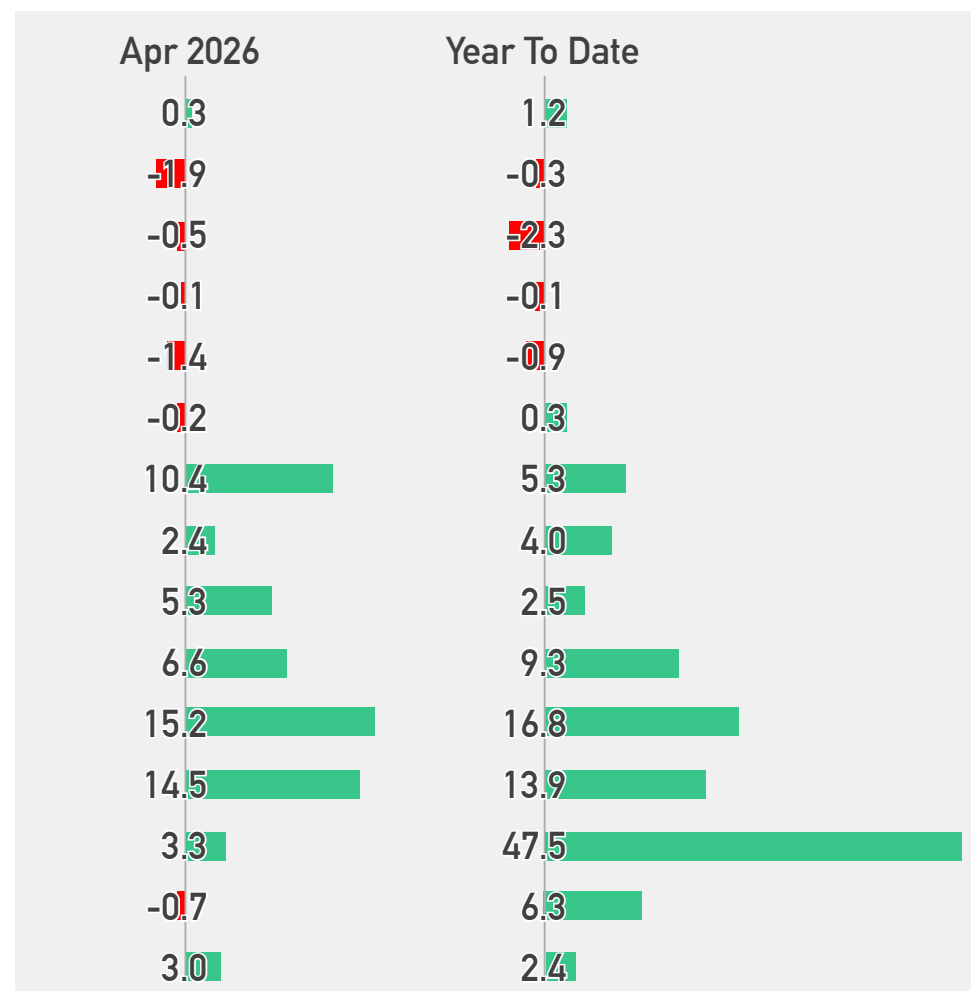
Japan Index



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# THE WORLD AT A GLANCE

	2021	2022	2023	2024	2025
UK CASH	0.0	1.4	4.7	5.2	4.3
US DOLLAR INDEX	6.4	8.2	-2.1	7.1	-9.4
UK GILTS	-5.2	-23.8	3.7	-3.3	5.0
US TREASURIES	-2.3	-12.5	4.1	0.6	6.3
GLOBAL CORPORATE BONDS	-1.9	-6.8	4.0	2.8	2.6
GLOBAL HIGH YIELD BONDS	2.0	-2.3	8.2	11.0	4.3
US 500	26.9	-19.4	24.2	23.3	16.4
UK ALL SHARE INDEX	14.5	-3.2	3.8	5.6	19.8
EURO 600 INDEX EX UK	22.5	-15.0	14.9	4.5	17.4
JAPAN INDEX	10.4	-5.1	25.1	17.7	22.4
ASIA EX JAPAN	-3.1	-15.4	6.4	16.2	31.6
EMERGING MARKETS	-4.6	-22.4	7.0	5.1	30.6
COMMODITIES	41.6	41.9	-9.7	11.2	-0.3
GOLD	-4.3	-0.7	12.8	26.6	62.5
HEDGE FUNDS	3.7	-4.4	3.1	5.3	7.1

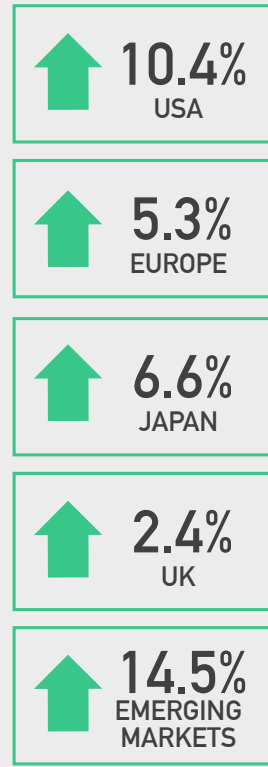
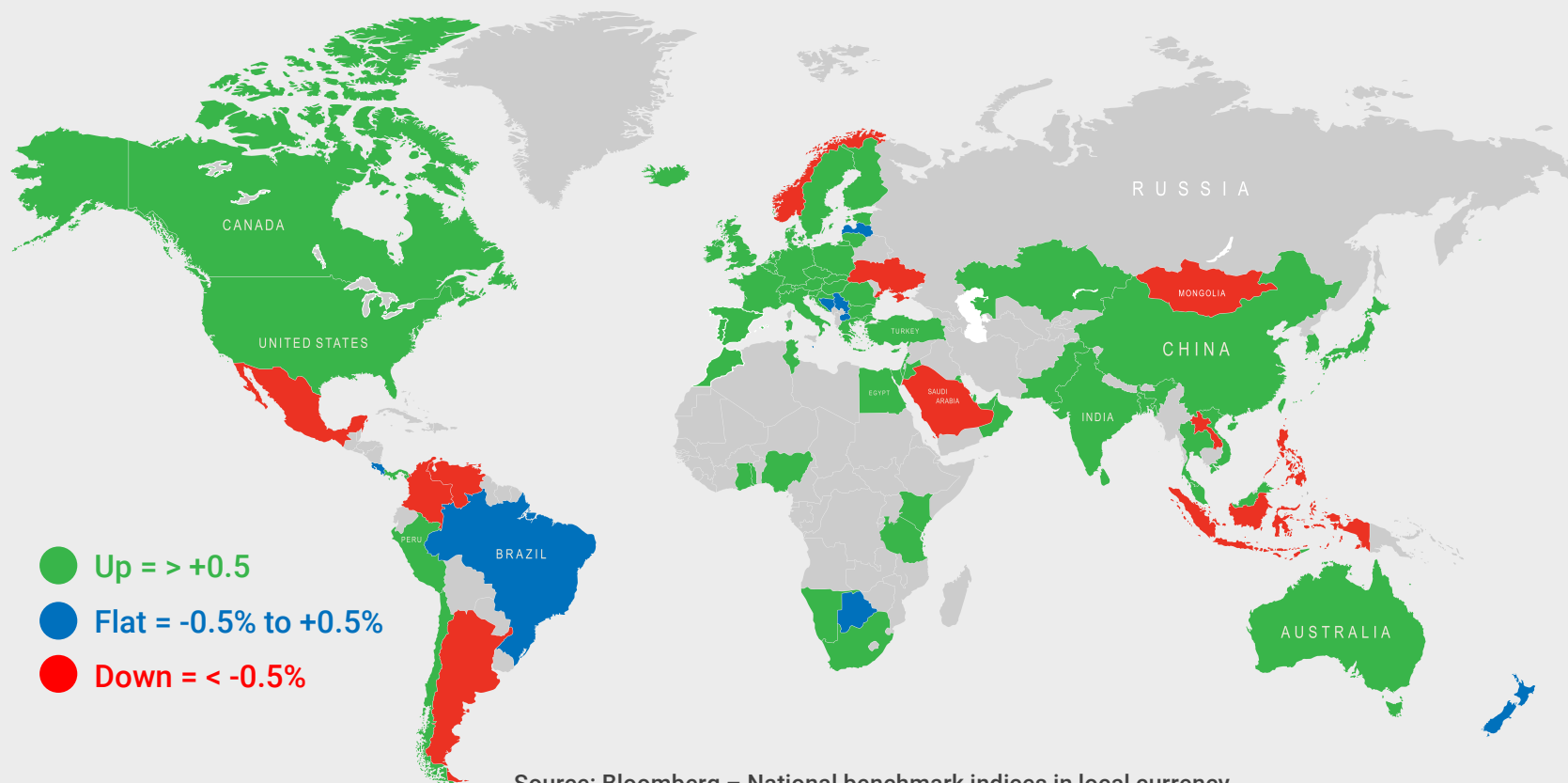


Source: Bloomberg

Total Return – Local Currency

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# WORLD EQUITY MARKETS

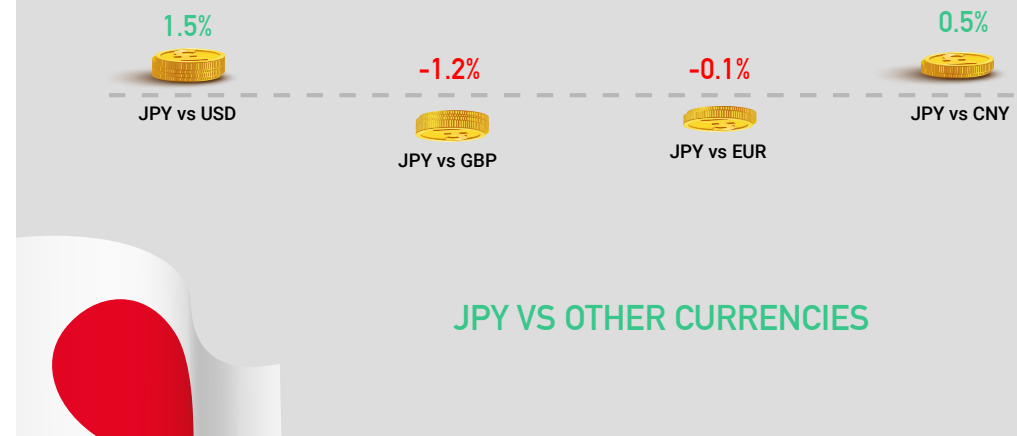
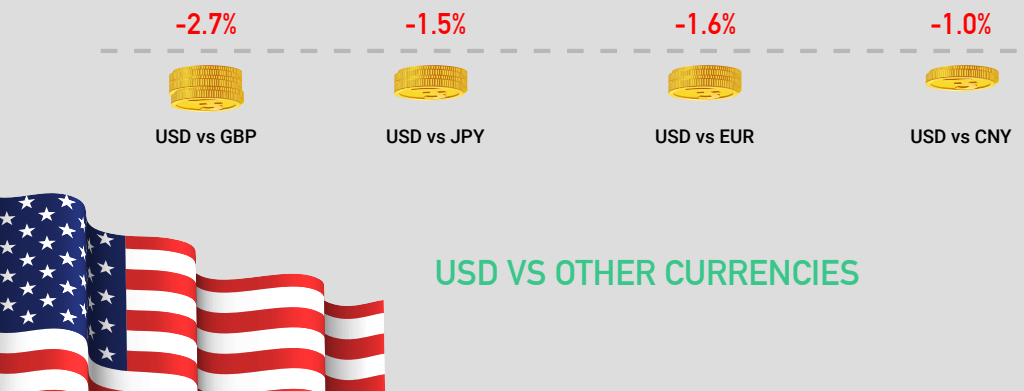
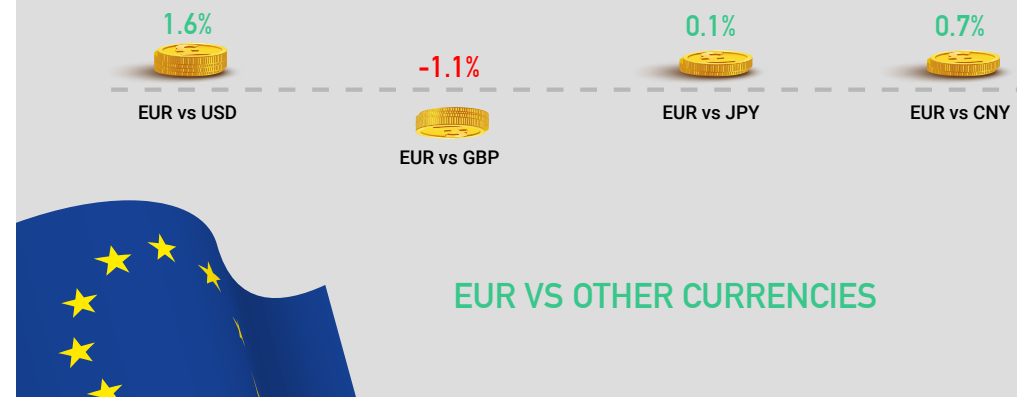
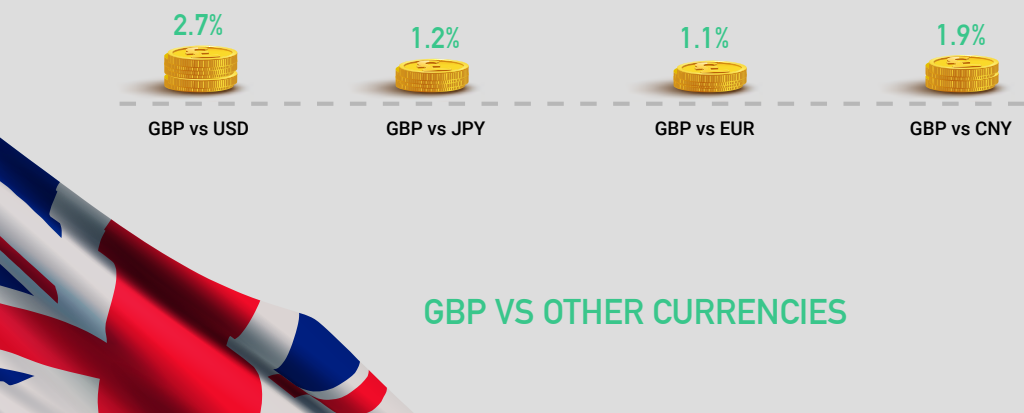


## Key Points

- Global equities were supported by record-breaking tech earnings, though Meta and Microsoft faced scrutiny over the long-term sustainability and profitability of their massive AI infrastructure investments.
- Chinese markets rallied on stronger-than-expected first-quarter GDP growth of 5.0%, though underlying momentum remained uneven as industrial output moderated and consumer demand stayed soft.
- European luxury and discretionary sectors came under pressure as companies warned that ongoing Middle East tensions and shipping blockades were weighing on consumer spending and disrupting global logistics networks.
- Commodity-linked sectors remained volatile as Brent crude hit four-year highs, benefiting energy majors while simultaneously crushing margins for transportation and manufacturing firms worldwide.

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# CURRENCIES



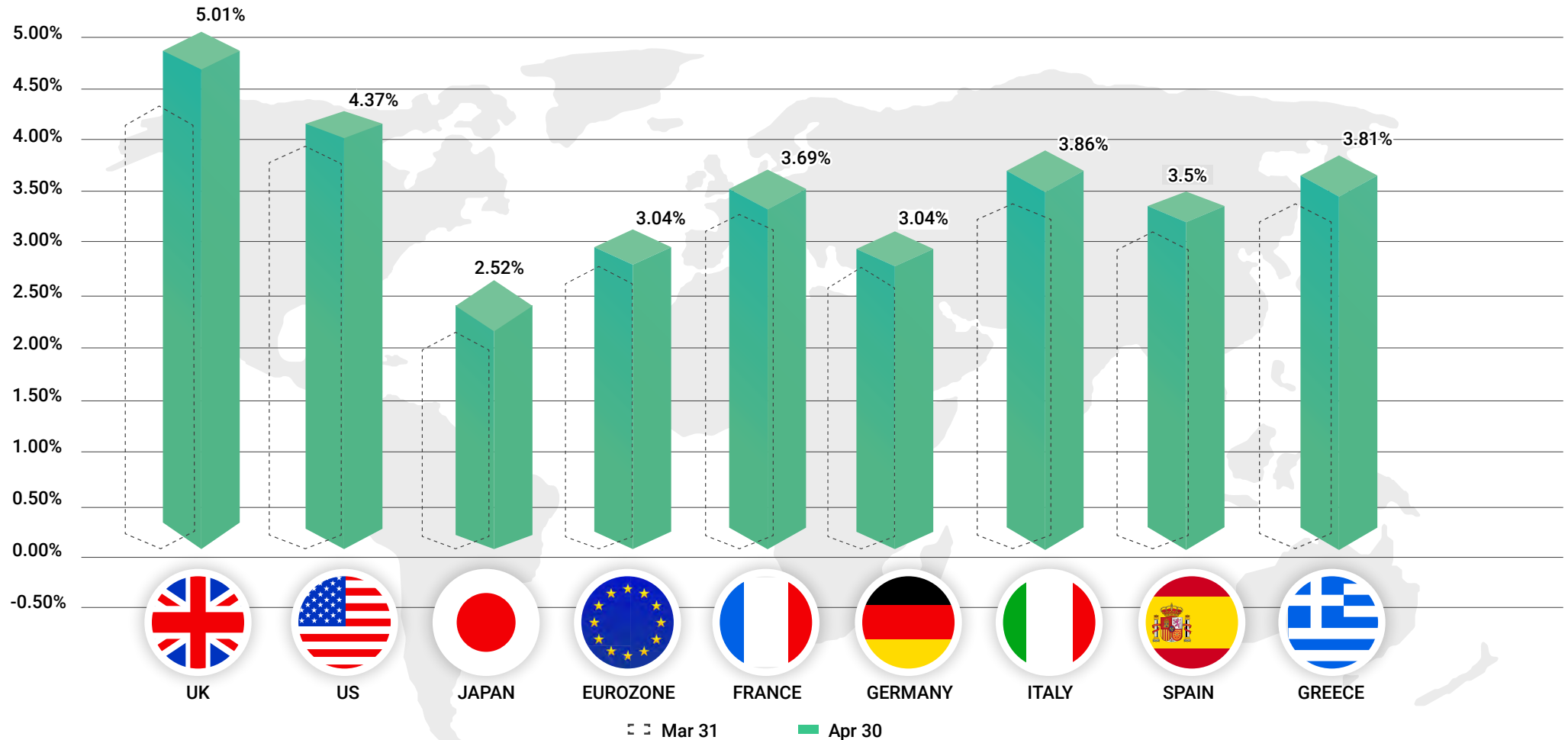
## Key Points

- The US dollar index strengthened late in the month following hawkish signals from the Federal Reserve and safe-haven demand amid escalating disruptions to Middle East shipping lanes, but ended the month approximately 2% lower overall.
- The Japanese yen touched its weakest level against the dollar since March after the Bank of Japan offered no concrete timeline for subsequent interest rate hikes.
- Sterling stabilised above \$1.35 toward the end of April, supported by resilient services activity and growing expectations of Bank of England tightening to combat rising inflation.
- Emerging market currencies remained under pressure as capital outflows intensified, triggering renewed intervention in support of some currencies, for example, the Turkish lira.

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# GENERIC 10-YEAR YIELDS\*

\*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



## Key Points

- US 10-year Treasury yields climbed above 4.4% for the first time in a month as several FOMC (Federal Open Market Committee) members dissented against the central bank's easing bias.
- UK 10-year gilt yields climbed above 5.0%, approaching levels last seen in 2008, as investors repriced for a higher-for-longer inflation outlook following the breakdown of Middle East peace negotiations.
- German Bund yields stayed near 15-year highs of 3.1% after consumer inflation expectations jumped to 4.0% and April inflation reached its highest level since January 2024.
- Global sovereign debt markets saw broad-based selling pressure as the IMF lowered 2026 growth forecasts while warning that higher energy prices could prolong inflation pressures.

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# GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	<b>Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency</b>
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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