MARKET WATCH As of 2026/05/31

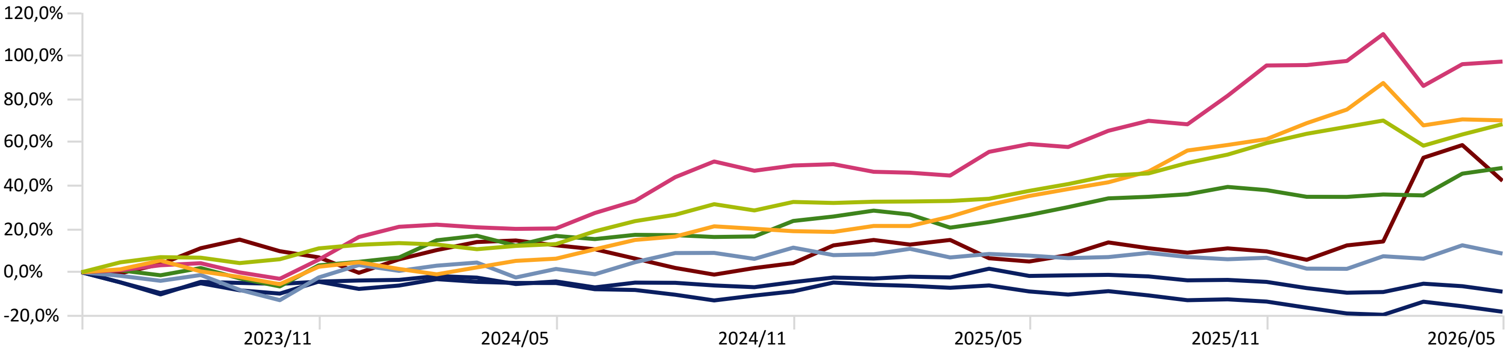
Renaissance Wealth Management

SA OVERVIEW | SA EQUITY | ASISA CATEGORIES | SA COMMENTARY | O/S OVERVIEW | O/S EQUITY | CATEGORY AVERAGES | DM COMMENTARY | DISCLAIMER

ASSET CLASS RETURNS in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
SA Bonds	2,9	-1,0	2,7	22,4	19,0
SA Equity	-0,3	-9,2	0,8	25,8	19,4
SA Property	0,6	-6,0	0,8	24,0	25,5
Global Bonds	-2,7	0,2	-1,8	-7,4	-3,1
Global Equity	1,8	9,0	9,9	17,2	14,0
Global Property	-3,4	1,1	6,9	0,9	2,8
Commodities	-10,4	24,6	34,5	35,5	12,5
USD	-3,0	1,7	-2,3	-10,3	-6,5

3 YEAR CUMULATIVE RETURNS in ZAR



SA Bonds	68,5%	SA Equity	70,2%	SA Property	97,5%
Global Equity	48,2%	Global Property	8,6%	Global Bonds	-9,0%
Commodities	42,3%	USD	-18,3%		

CALENDAR YEAR RETURNS in ZAR

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Best	SA Bonds 15,4	SA Equity 21,0	USD 16,2	Glb Equity 22,8	Glb Equity 22,2	Commodities 52,5	Commodities 34,3	Glb Equity 30,5	SA Property 29,0	SA Equity 42,4	Commodities 34,5
	SA Property 10,2	SA Property 17,2	Glb Bonds 14,8	Glb Property 20,6	Glb Bonds 14,7	Glb Property 41,3	USD 6,6	Glb Property 19,3	Glb Equity 20,0	SA Property 30,6	Glb Equity 9,9
	SA Equity 2,6	Glb Equity 12,3	Glb Property 10,7	Commodities 14,3	SA Bonds 8,7	SA Property 36,9	SA Bonds 4,3	Glb Bonds 13,6	SA Bonds 17,2	SA Bonds 24,2	Glb Property 7,4
	Commodities -1,7	SA Bonds 10,2	SA Bonds 7,7	SA Equity 12,0	SA Equity 7,0	SA Equity 29,2	SA Equity 3,6	SA Property 10,1	SA Equity 13,4	Glb Equity 7,2	SA Bonds 2,7
	Glb Equity -4,3	Glb Property -1,0	Glb Equity 4,4	SA Bonds 10,3	USD 5,0	Glb Equity 28,4	SA Property 0,5	SA Bonds 9,7	Commodities 12,7	Glb Property -4,6	SA Property 0,8
	Glb Property -6,7	Glb Bonds -2,8	Commodities 0,1	Glb Bonds 3,9	Glb Property -3,3	USD 8,7	Glb Bonds -10,7	SA Equity 9,3	Glb Property 5,7	Glb Bonds -5,0	SA Equity 0,8
	Glb Bonds -9,9	Commodities -4,2	SA Equity -8,5	SA Property 1,9	Commodities -19,9	SA Bonds 8,4	Glb Equity -13,0	USD 7,5	USD 3,2	Commodities -5,9	Glb Bonds -1,8
Worst	USD -11,7	USD -9,5	SA Property -25,3	USD -2,8	SA Property -34,5	Glb Bonds 3,5	Glb Property -20,9	Commodities 2,9	Glb Bonds 1,4	USD -12,2	USD -2,3

CURRENCIES VS. ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-3,5	0,6	-2,9	-7,8	-3,6
USD	-3,0	1,7	-2,3	-10,3	-6,5
GBP	-3,8	2,0	-2,1	-10,4	-3,9
JPY	-4,5	-0,2	-3,8	-18,7	-10,5

Currency performance in ZAR - a positive number represents ZAR weakness, while a negative number represents ZAR strength

* *Annualised*

SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
JSE ALSI TR	-0,3	-9,2	0,8	25,8	19,4
Basic Materials	-1,0	-18,6	4,0	77,0	25,6
Consumer Goods	-0,4	-2,7	-0,4	-1,0	12,6
Consumer Services	1,2	-7,6	-8,9	-12,8	2,9
Financials	0,9	-4,9	5,0	26,8	27,7
Health Care	0,5	2,6	16,0	19,9	2,6
Industrials	1,4	-2,9	2,9	-0,9	5,8
Technology	-5,0	-4,5	-23,1	-16,7	12,2
Telecommunication	4,4	3,8	24,7	58,3	23,6

ALSI Contributors YTD (Approximate)

	Weight	Return	Contribution
MTN Group Ltd	3,9	31,1	1,1
Anglogold Ashanti PLC	6,4	14,4	0,9
Sasol, Ltd.	1,1	89,6	0,7
Anglo American PLC	2,5	27,1	0,6
Standard Bank Group Ltd	4,6	11,2	0,5
Glencore PLC	1,3	38,3	0,4
BHP Group Ltd	1,0	47,2	0,4
Capitec Bank Holdings Ltd	4,3	8,7	0,4
Discovery Ltd	1,5	22,9	0,3
Anheuser-Busch InBev SA/NV	1,3	23,9	0,3

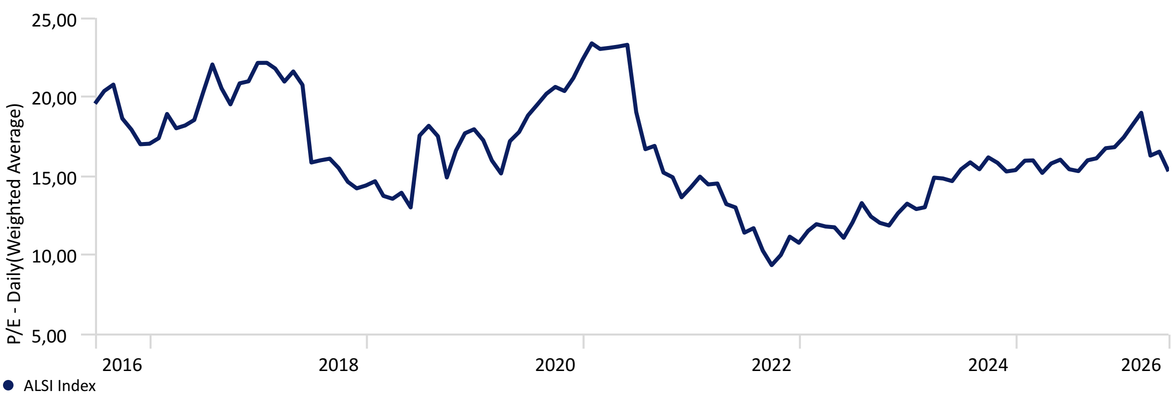
ALSI Detractors YTD (Approximate)

	Weight	Return	Contribution
Naspers Ltd Class N	8,2	-22,8	-2,2
Prosus NV Ordinary Shares - Class N	2,3	-28,3	-0,8
Gold Fields Ltd	8,0	-9,1	-0,7
Sibanye Stillwater Ltd Ordinary Shares	1,9	-17,3	-0,3
Clicks Group Ltd	0,8	-29,0	-0,3
Impala Platinum Holdings Ltd	2,5	-10,0	-0,2
Harmony Gold Mining Co Ltd	2,0	-10,5	-0,2
Pepkor Holdings Ltd	1,0	-16,4	-0,2
Sanlam Ltd	1,9	-8,2	-0,2
Spar Group Ltd	0,2	-49,0	-0,1

Current ALSI Metrics

P/E	11,3
P/B	1,6
P/EBITDA	7,0
P/Cash Flow	7,2
P/S	1,9
Debt/Capital	30,0

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
Small Caps	0,4	-4,6	1,5	23,6	23,9
Mid Caps	-3,6	-14,1	-3,8	16,7	18,9
Top 40	-0,2	-9,6	0,7	27,5	19,1

STYLE BASED RETURNS

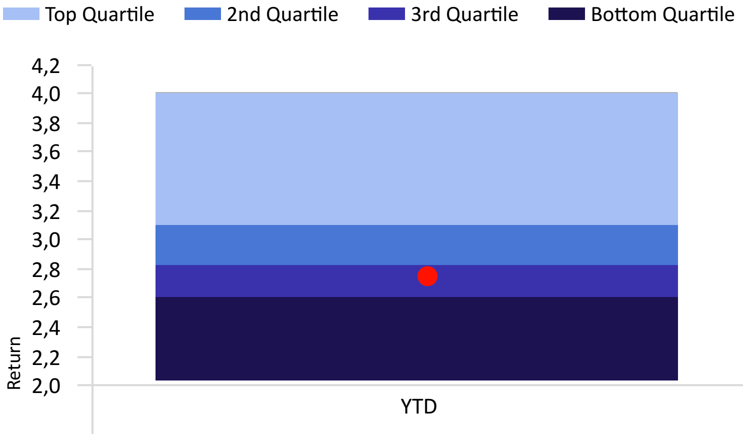
	1 Month	3 Months	YTD	1 Year	*3 Years
JSE Growth	-0,2	-8,6	-3,1	18,5	18,8
JSE Value	-0,3	-9,8	4,8	34,0	19,5

** Annualised*

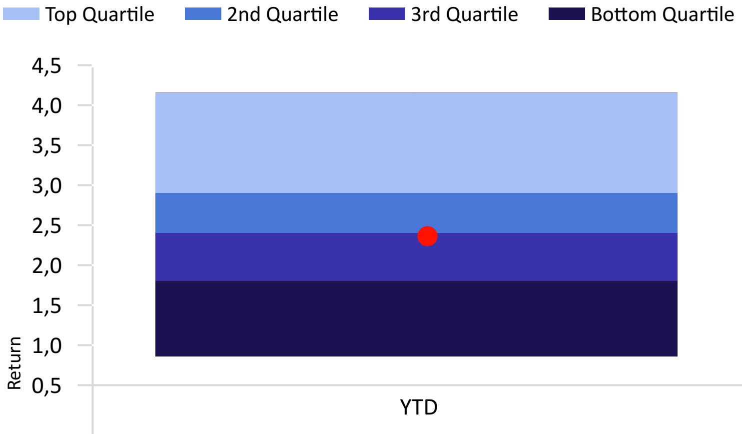
CATEGORY AVERAGES in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) SA MA Inc	1,0	0,9	2,8	10,8	10,5
(ASISA) SA MA Low EQ	0,8	-0,8	2,4	13,6	12,2
(ASISA) SA MA Med EQ	0,7	-1,5	2,5	15,3	12,8
(ASISA) SA MA High EQ	0,5	-2,0	2,5	15,8	13,5
(ASISA) SA EQ General	-0,1	-5,9	1,7	21,4	16,7
(ASISA) SA RE General	1,0	-5,5	1,0	22,8	23,1
(ASISA) Glb MA Low EQ	-1,9	0,6	-0,2	-1,9	1,3
(ASISA) Glb MA Flex	-0,1	3,8	3,2	6,0	5,7
(ASISA) Glb MA High EQ	0,0	4,1	2,9	6,9	6,6
(ASISA) Glb EQ General	0,9	5,7	4,4	9,5	9,7

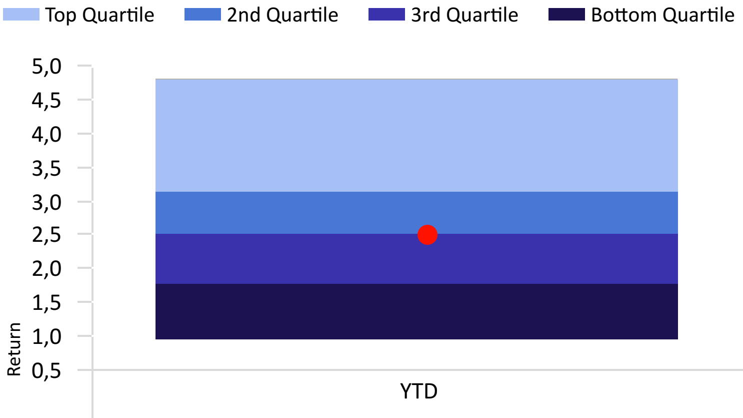
SA MA INCOME



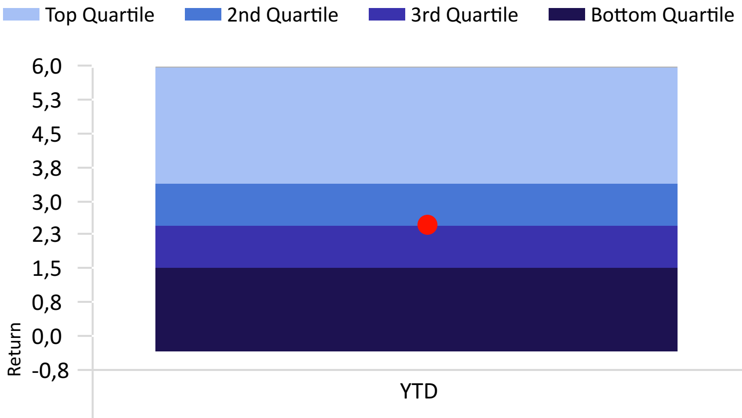
SA MA LOW EQUITY



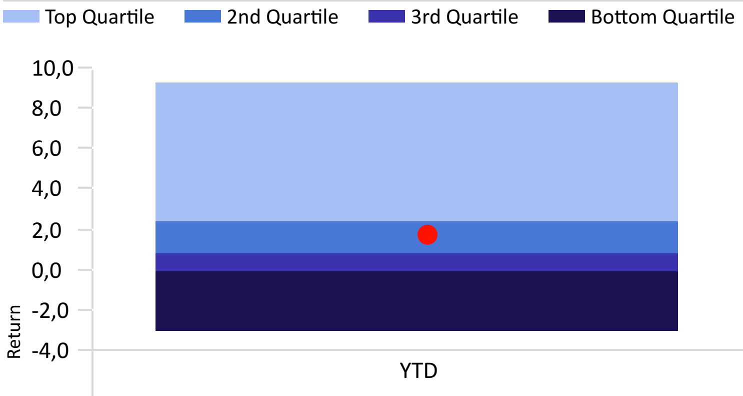
SA MA MED EQUITY



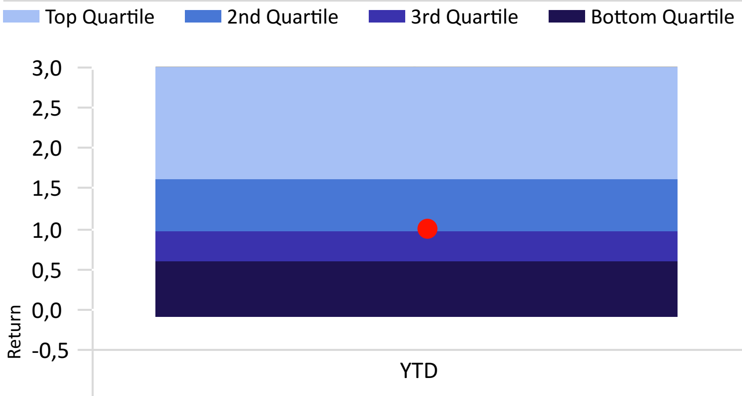
SA MA HIGH EQUITY



SA EQUITY GENERAL



SA RE GENERAL



** Annualised*

LOCAL COMMENTARY

The key theme shaping markets in May was the re-emergence of global energy risk and its implications for inflation, monetary policy, and growth. Developments in the Middle East, alongside ongoing structural constraints in oil supply, have reinforced the likelihood that energy prices will remain elevated for longer. This has important consequences for South Africa, both through inflation dynamics and the broader macroeconomic outlook.

South African markets navigated a relatively supportive external environment during May, although performance across asset classes remained uneven. The JSE continued to find support from the resource sector, with elevated commodity prices, particularly gold and PGMs driving gains. This reflects the global demand for hard assets in an environment of geopolitical uncertainty and persistent inflation risk.

In contrast, domestically exposed sectors lagged. Industrials and consumer-facing companies remain under pressure, reflecting weak underlying demand, constrained household finances, and the cumulative impact of higher interest rates. This divergence between global earners and local businesses remains a defining feature of the market.

The bond market remains anchored by relatively high real yields, which continue to attract foreign interest. However, yields still reflect a degree of caution, particularly at the longer end of the curve, where investors are pricing in fiscal risks and the potential for inflation to surprise to the upside.

The rand has been broadly stable, supported by strong terms of trade and continued demand for South African assets. However, its resilience remains conditional on global risk appetite and commodity price dynamics.

The global backdrop in May was dominated by renewed focus on energy markets. While geopolitical tensions have not escalated into a worst-case scenario, they have reinforced an already tight supply environment. Importantly, the constraints are not only cyclical but also structural.

Years of underinvestment in refining capacity, combined with logistical bottlenecks and supply chain disruptions, mean that the oil market is less responsive to changes in demand than in previous cycles. As a result, even if crude prices soften, the pass-through to end-user fuel prices may be delayed.

This has shifted the global inflation narrative. Rather than a steady disinflation path, markets are increasingly pricing in the risk of renewed inflationary pressure, driven by energy costs. This divergence is evident in the contrast between equity markets, which continue to price in a relatively benign outlook, and bond markets, which remain more cautious.

South Africa's economy continues to benefit from supportive commodity prices, particularly through the mining sector. Export revenues remain strong, and this has helped stabilise the currency and support fiscal metrics in the near term.

However, this external support masks growing domestic pressures. The rise in fuel prices is beginning to filter through the economy, increasing costs for businesses and eroding household purchasing power. Given the central role of fuel in transportation and production, these effects are broad-based and likely to intensify in the coming months.

Business confidence indicators, including those from the BER, point to a fragile operating environment. While certain sectors remain resilient, particularly those linked to exports, the domestic economy continues to face structural constraints. Energy supply challenges, infrastructure inefficiencies, and policy uncertainty remain key impediments to stronger growth.

Growth expectations for 2026 remain modest, at around 1.3%, reflecting a constrained environment where external tailwinds are offset by domestic weaknesses.

A central question is how the energy shock will translate into inflation. The current expectation is that higher fuel prices will result in a step increase in the price level, rather than a sustained acceleration in inflation.

However, the risk lies in persistence. Structural issues in global energy markets suggest that prices may remain elevated for longer, increasing the likelihood of second-round effects. These include higher transport costs, rising input prices, and wage pressures, all of which could keep inflation above target for an extended period.

The temporary fuel levy relief has helped cushion the immediate impact on consumers, but it is not a permanent solution. As this support is withdrawn, and as under-recoveries are addressed, the full impact of higher oil prices will become more evident.

In this context, the South African Reserve Bank faces a challenging policy environment. While inflation has not yet fully reflected the recent rise in fuel prices, the forward-looking risks are clearly to the upside.

As a result, expectations for interest rate cuts have diminished significantly. The policy stance has effectively shifted to a "higher for longer" scenario, with the possibility of further tightening should inflation pressures intensify.

This reflects the SARB's focus on anchoring inflation expectations, even at the cost of weaker growth. Real interest rates remain firmly in restrictive territory, reinforcing the headwinds facing consumers and businesses.

In addition to economic pressures, political uncertainty is beginning to feature more prominently. The approach to the 2026 local government elections is contributing to a more contested political landscape, with potential implications for policy direction and reform momentum.

While markets have remained relatively composed, these dynamics contribute to an underlying risk premium. Investors remain sensitive to any signs of fiscal slippage or policy inconsistency.

At a structural level, the same constraints continue to apply: energy insecurity, logistics bottlenecks, and limited reform progress. These factors limit the economy's ability to respond to external shocks and reinforce its reliance on favourable global conditions.

May highlighted the extent to which global energy dynamics are once again shaping the economic and market outlook. For South Africa, the implications are twofold: stronger commodity prices provide near-term support, but higher fuel costs introduce meaningful risks to inflation and growth.

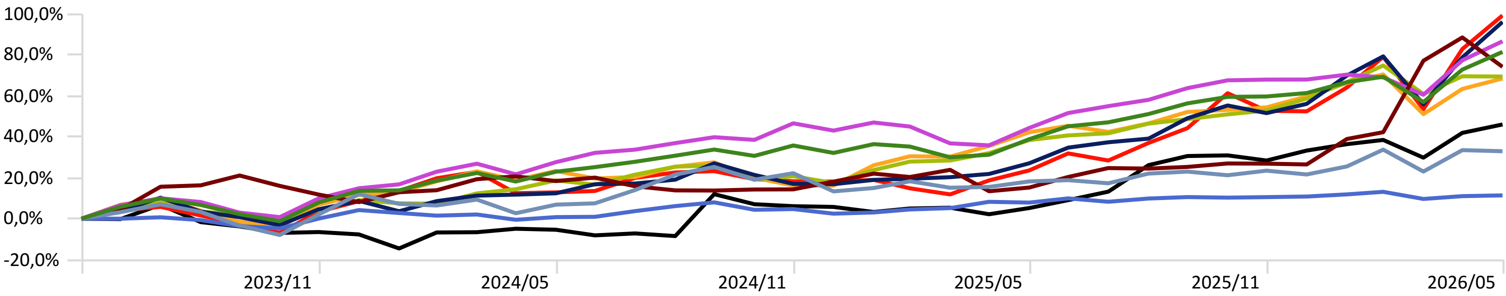
The result is a more complex environment. Markets are likely to remain supported by global factors, particularly in the resource sector, but domestic conditions are becoming increasingly strained.

With inflation risks tilted to the upside and monetary policy set to remain restrictive, the outlook points to continued divergence within markets and a challenging environment for the broader economy. Careful navigation of these dynamics will be key in the months ahead.

ASSET CLASS RETURNS in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
Global Equity	5,0	7,2	12,4	30,7	22,0
Global Property	-0,4	-0,6	9,3	12,5	10,0
Global Bonds	0,3	-1,5	0,5	3,3	3,7
Commodities	-7,6	22,4	37,7	51,1	20,3
S&P 500	5,2	10,4	11,1	29,3	23,1
FTSE 100	-0,1	-3,1	6,8	22,4	19,2
EURO STOXX 50	3,1	-1,2	5,5	18,5	19,0
Nikkei 225	9,0	11,3	30,7	61,2	25,8
CSI 300	2,9	5,5	9,6	38,8	13,4
MSCI EM	9,7	9,4	25,6	54,3	25,2

3 YEAR CUMULATIVE RETURNS in USD



Global Equity	81,4%	Global Property	32,9%	Global Bonds	11,4%
Commodities	74,1%	S&P 500	86,6%	FTSE 100	69,4%
EURO STOXX 50	68,4%	Nikkei 225	99,2%	CSI 300	46,0%
MSCI EM	96,0%				

CALENDAR YEAR RETURNS IN USD

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Best	S&P 500 11,2	MSCI EM 37,3	NASDAQ 100 0,0	NASDAQ 100 39,5	NASDAQ 100 48,9	Glb Property 30,0	FTSE 100 -7,0	NASDAQ 100 55,1	NASDAQ 100 25,9	EU STOXX 40,9	Nikkei 225 30,7
	MSCI EM 11,2	NASDAQ 100 33,0	Glb Bonds -1,2	CSI 300 36,9	CSI 300 38,1	S&P 500 28,2	Glb Bonds -16,2	S&P 500 25,7	S&P 500 24,5	DAX 39,5	MSCI EM 25,6
	NASDAQ 100 7,3	CSI 300 32,3	Glb Property -4,7	S&P 500 30,7	Nikkei 225 24,5	NASDAQ 100 27,5	EU STOXX -17,7	DAX 24,5	CSI 300 14,5	FTSE 100 35,1	NASDAQ 100 20,5
	Glb Property 5,8	EU STOXX 28,1	S&P 500 -4,9	Glb Property 24,1	MSCI EM 18,3	FTSE 100 17,3	DAX -17,7	EU STOXX 22,7	DAX 11,4	MSCI EM 33,6	S&P 500 11,1
	Nikkei 225 5,6	DAX 28,1	Nikkei 225 -7,9	EU STOXX 23,8	S&P 500 17,8	EU STOXX 14,0	S&P 500 -18,5	Nikkei 225 22,6	Nikkei 225 8,8	Nikkei 225 29,0	Glb Property 9,9
	DAX 3,8	Nikkei 225 25,6	FTSE 100 -14,1	DAX 23,2	DAX 12,9	DAX 7,6	Nikkei 225 -19,1	FTSE 100 14,3	FTSE 100 7,7	CSI 300 26,0	CSI 300 9,6
	Glb Bonds 2,1	FTSE 100 22,5	MSCI EM -14,6	FTSE 100 22,0	EU STOXX 9,3	CSI 300 -1,2	MSCI EM -20,1	Glb Property 11,0	MSCI EM 7,5	NASDAQ 100 21,0	EU STOXX 7,1
	EU STOXX 1,1	S&P 500 21,1	EU STOXX -16,9	Nikkei 225 21,9	Glb Bonds 9,2	MSCI EM -2,5	Glb Property -25,8	MSCI EM 9,8	EU STOXX 2,4	S&P 500 17,4	FTSE 100 6,8
	FTSE 100 -0,2	Glb Property 9,4	DAX -22,2	MSCI EM 18,4	Glb Property -7,9	Nikkei 225 -4,4	CSI 300 -26,7	Glb Bonds 5,7	Glb Property 2,4	Glb Property 8,6	DAX 1,9
Worst	CSI 300 -15,4	Glb Bonds 7,4	CSI 300 -27,7	Glb Bonds 6,8	FTSE 100 -8,8	Glb Bonds -4,7	NASDAQ 100 -32,4	CSI 300 -11,2	Glb Bonds -1,7	Glb Bonds 8,2	Glb Bonds 0,5

CURRENCIES vs. USD

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	-0,5	-1,2	-0,6	2,8	3,1
GBP	-0,8	0,3	0,2	0,0	2,8
JPY	-1,6	-1,9	-1,5	-9,4	-4,3
CNY	1,0	1,3	3,2	6,3	1,6

Currency performance in USD - a positive number represents USD weakness, while a negative number represents USD strength

** Annualised*

GLOBAL SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI/Financials	0,3	0,4	0,5	14,4	23,9
MSCI ACWI/Health Care	1,7	-6,8	-3,0	11,7	6,1
MSCI ACWI/Materials	2,6	-5,4	14,1	38,5	16,6
MSCI ACWI/Technology	17,9	31,7	31,5	67,0	36,7
MSCI ACWI/Industrials	0,2	-1,8	12,8	24,8	22,9
MSCI ACWI/Cons Staples	-2,2	-8,0	4,1	1,6	6,3
MSCI ACWI/Cons Discretionary	2,8	2,6	0,1	10,4	14,9
MSCI ACWI/Energy	-6,0	2,6	24,1	41,0	18,0

MSCI ACWI Contributors YTD (Approximate)

	Weight	Return	Contribution
Micron Technology Inc	0,6	240,4	1,0
NVIDIA Corp	5,7	13,2	0,8
Apple Inc	4,9	15,0	0,8
Advanced Micro Devices Inc	0,5	141,0	0,6
Broadcom Inc	2,0	29,3	0,6
Alphabet Inc Class A	2,4	21,6	0,5
Amazon.com Inc	2,8	17,3	0,5
Intel Corp	0,3	210,8	0,4
Alphabet Inc Class C	2,0	20,0	0,4
ASML Holding NV	0,7	49,9	0,3

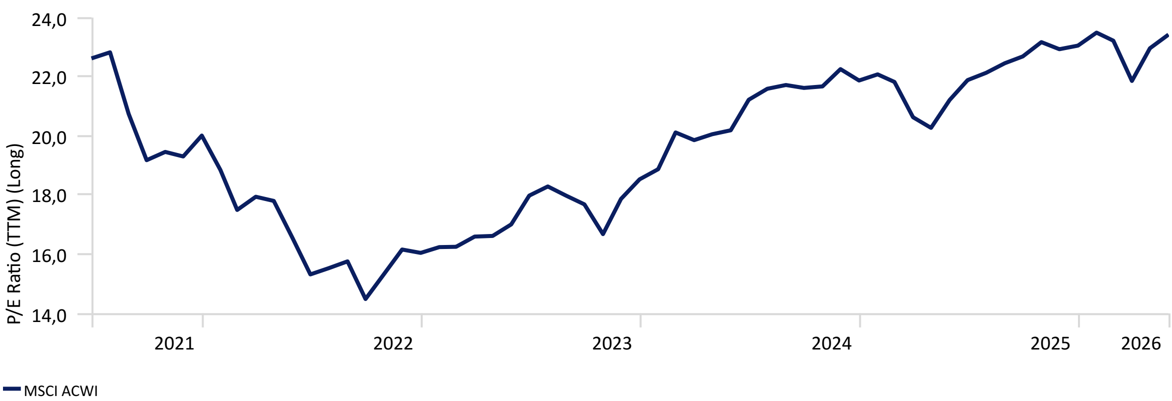
MSCWI ACWI Detractors YTD (Approximate)

	Weight	Return	Contribution
Microsoft Corp	3,7	-6,5	-0,3
Intuit Inc	0,2	-49,7	-0,1
Salesforce Inc	0,2	-27,7	-0,1
Boston Scientific Corp	0,1	-49,3	-0,1
Abbott Laboratories	0,2	-30,9	-0,1
Mastercard Inc Class A	0,6	-13,2	-0,1
SAP SE	0,3	-24,7	-0,1
Meta Platforms Inc Class A	1,8	-4,1	-0,1
JPMorgan Chase & Co	1,1	-6,2	-0,1
Shopify Inc Registered Shs -A- Subord Vtg	0,2	-26,3	-0,1

Current MSCI AC Metrics

P/E	17,8
P/B	3,0
P/EBITDA	22,0
P/Cash Flow	11,1
P/S	2,8
Debt/Capital	38,7

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Small Cap	3,7	4,4	15,0	33,8	19,3
MSCI ACWI Mid Cap	2,9	3,0	11,6	24,0	18,2
MSCI ACWI Large Cap	5,6	8,4	12,2	31,4	23,1

STYLE BASED RETURNS

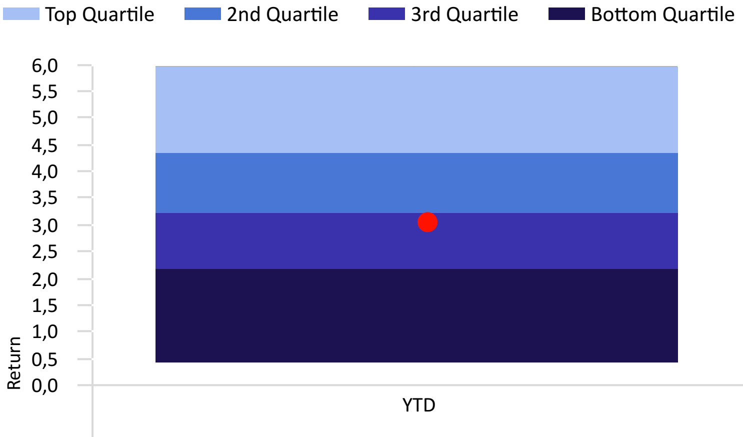
	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Value	3,2	3,5	12,4	28,4	19,9
MSCI ACWI Growth	7,3	12,0	11,8	31,7	24,5

** Annualised*

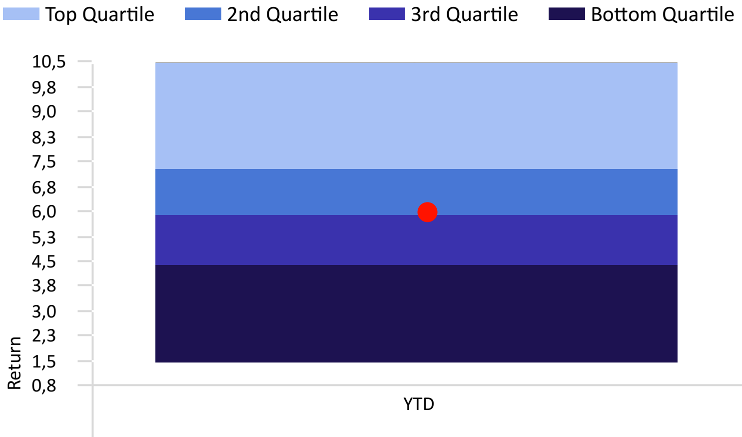
CATEGORY AVERAGES in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) Glb MA Low EQ	1,1	-1,1	2,1	9,3	8,3
(ASISA) Glb MA Flex	3,0	2,0	5,6	18,2	13,0
(ASISA) Glb MA High EQ	3,2	2,3	5,3	19,2	14,0
(ASISA) Glb EQ General	4,0	3,8	6,9	22,1	17,3
EAA Fund USD Cautious	1,6	0,6	3,1	9,4	7,5
EAA Fund USD Moderate	2,8	2,4	6,0	15,6	11,1
EAA Fund USD Flexible	2,8	2,6	6,1	16,4	11,0
EAA Fund USD Bond - ST	0,2	0,1	0,9	3,9	4,6
EAA Fund USD Aggressive	3,6	3,5	7,3	19,5	13,7
EAA Fund USD HY Bond	0,5	0,7	1,2	6,6	7,9

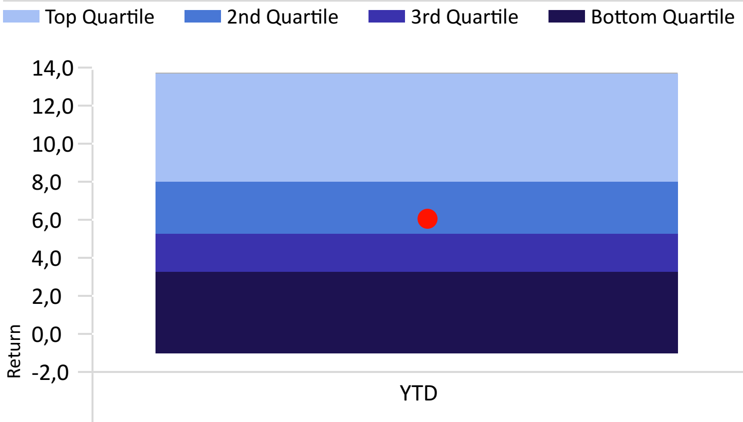
EAA USD CAUTIOUS ALLOCATION



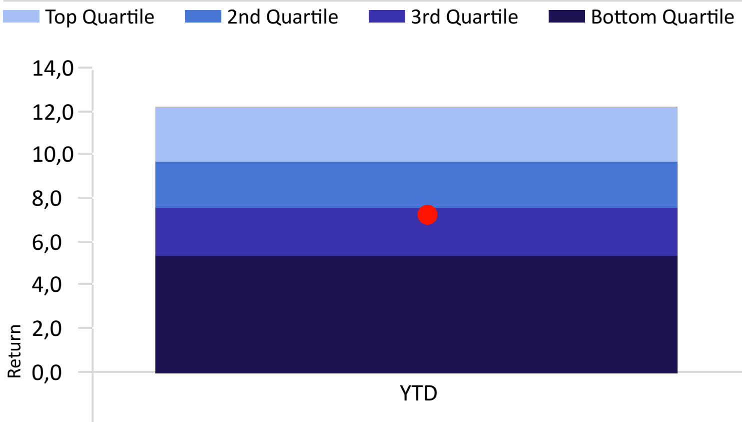
EAA USD MODERATE ALLOCATION



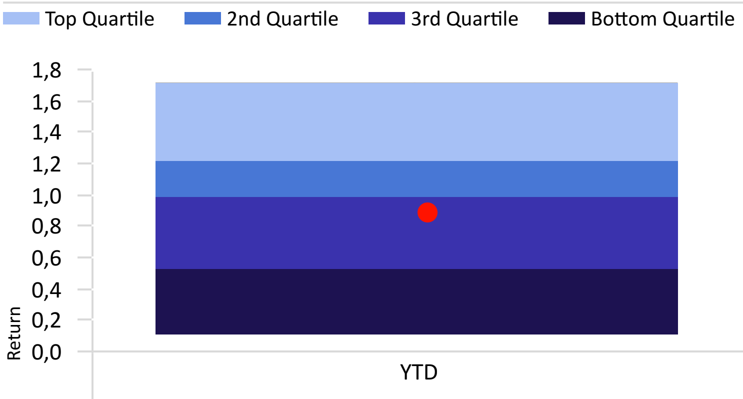
EAA USD FLEXIBLE ALLOCATION



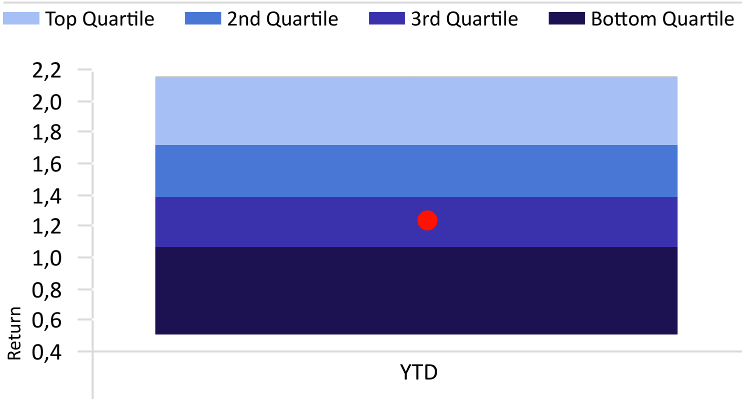
EAA USD AGGRESSIVE ALLOCATION



EAA USD DIVERSIFIED BOND - SHORT TERM



EAA USD HIGH YIELD BOND



** Annualised*

OFFSHORE COMMENTARY

Following April's powerful surge, markets stayed constructive in May as investors increasingly priced in a path toward de-escalation in the Middle East. By late month, negotiations between the United States and Iran appeared more credible, and while talks were still ongoing at month-end, the probability of a resolution looked meaningfully higher than it did earlier in the crisis. That shift in perceived odds helped pull some of the immediate risk premium out of markets, even as the outlook remained highly dependent on how quickly conditions normalize.

Energy was the clearest expression of that change. Oil prices fell sharply and moved back below $100 per barrel after spending much of the prior period above $110. The speed of any further normalization is likely to hinge on how quickly operations and transit flows can be restored in the Strait of Hormuz, and whether logistical constraints linger even after political progress is achieved. Importantly, even in a faster resolution scenario, the path back to pre-crisis pricing may take time given the practical realities of restoring supply chains and transport capacity.

Macro conditions held up better than the headlines suggested. Data continued to point to resilience in global activity, and, so far, the energy shock appears to have inflicted only limited damage to the real economy. Corporate reporting reinforced that message, with strong earnings growth in the United States and Asia and generally better-than-feared outcomes in Europe. Equity volatility remained subdued through much of the month, while bond market volatility was more elevated as rates reacted quickly to changes in oil prices and shifting inflation expectations.

Equities

Equities extended their advance, with growth continuing to lead value. Growth stocks returned about 7.0 percent versus roughly 2.3 percent for value, consistent with ongoing investor preference for companies most directly linked to the AI investment cycle. Developed markets rose about 4.6 percent, while emerging markets again outperformed with gains near 9.7 percent, led by exceptional moves in Korea and Taiwan. Their continued leadership reflected positioning at the center of the semiconductor and AI hardware supply chain and sustained hyperscaler-led investment demand.

The U.S. earnings season ended on a strong note. Earnings grew around 30 percent year-on-year, led by technology, but even excluding tech the expansion remained broad-based at roughly 20 percent. The S&P 500 rose about 5.3 percent for the month, with technology leading sectors at about 15.6 percent. At the same time, investors appeared more discriminating within the largest U.S. platform names. Nvidia remained a clear beneficiary of ongoing demand for high-performance chips, while sentiment toward other mega-cap leaders was more mixed as markets weighed the size of investment programs against the clarity of incremental returns.

Asia's earnings growth was particularly striking, running around 40 percent and among the strongest quarters in recent years, although concentrated in semiconductors and technology. That concentration still mattered, because it reinforced the case that parts of Asia can provide AI exposure with different valuation and policy backdrops than U.S. mega caps. Japan also posted another strong month, supported by better-than-expected GDP growth of about 2.1 percent quarter-on-quarter and strength in exports and public investment, with Japanese equities gaining around 6.2 percent.

Europe's earnings growth was more modest at around 5 percent, but the beat rate was above historical norms. The macro backdrop in the euro area, however, looked soft, with the composite PMI falling to its lowest level since late 2023 and consumer confidence still below long-run averages, suggesting subdued consumption. Even so, European equities ended higher at around 4.1 percent as investors increasingly anticipated a potential easing in Middle East-related risks.

China's picture remained uneven. Inflation rose to about 1.2 percent year-on-year in April, driven largely by higher oil and some consumer goods, even as food prices declined. Meanwhile, cyclical indicators were disappointing, with retail sales weakening and industrial production posting its sharpest monthly decline in three years. In markets, that translated into a split outcome, with the CSI 300 gaining around 3.0 percent while MSCI China declined about 2.8 percent.

Fixed income

Fixed income experienced sharp intra-month volatility, reflecting uncertainty around the growth and inflation implications of the Middle East conflict and the trajectory of oil prices. The Bloomberg Global Aggregate index finished marginally positive at about 0.3 percent, masking meaningful swings as yields initially rose on inflation concerns and later fell as energy prices retreated and the geopolitical outlook improved.

Inflation data highlighted why central banks are likely to remain cautious. In the U.S., April CPI rose about 3.8 percent year-on-year, with core CPI around 2.8 percent, supported by a rebound in housing-related components. In Europe, inflation rose to about 3.0 percent year-on-year, driven by energy, while core inflation eased to around 2.2 percent, influenced partly by calendar effects. In the UK, political developments and a weakening Labour Party increased uncertainty around fiscal policy and public debt, adding to volatility, although gilts outperformed late in the month as inflation surprised lower and a deteriorating labour market pulled yields down.

Even with oil easing, policymakers are likely to wait for greater clarity on the timing and durability of any reopening of the Strait of Hormuz and whether the decline in energy prices can be sustained. In that context, the Federal Reserve is expected to remain on hold for now, with the next cut potentially not arriving until late 2026 or into 2027. In Europe, a June rate hike remains a key reference point for anchoring inflation expectations.

Credit markets

Credit was supported by solid corporate fundamentals and the improvement in risk sentiment, which helped push energy-crisis tail risks into the background. Performance largely reflected differences in starting yields and carry. Euro high yield was a standout, rising about 1.0 percent, and emerging market bonds also delivered solid returns around 0.8 percent.

Commodities

Commodities declined in May, dragged lower mainly by energy and precious metals as the immediate risk premium eased. At the same time, the month reinforced how quickly commodity markets can swing as conflict probabilities change and as investors reassess the timeline for restoring transport routes and supply chains. The U.S. dollar index rose modestly by roughly 0.3 percent, which also acted as a mild headwind for commodity-linked exposures.

Conclusion

May reinforced how quickly markets can lean into a normalization narrative when the probability of de-escalation rises. The initial drop in oil prices and the improved tone around diplomacy encouraged investors to look through the remaining operational challenges and extend the risk-on backdrop. Even so, the path to fully restored transit and supply conditions was always likely to be uneven, and market pricing during the month arguably reflected a fairly optimistic "best case" trajectory.

Recent renewed tensions are a timely reminder that de-escalation is rarely linear. When conflict risk re-accelerates, energy markets tend to reprice first and fastest, and that can quickly feed into inflation expectations, yield volatility, and broader risk appetite. That shift matters because it increases the chance that oil remains volatile rather than steadily mean-reverting, and it makes central banks more cautious about declaring the inflation shock fully contained.

The outlook is therefore genuinely two-sided. A sustained cooling in tensions and durable improvement in transit conditions could still allow energy prices to drift lower, easing pressure on inflation and supporting both equities and bonds, with bonds likely benefiting more directly through lower inflation risk premia. Conversely, a stop-start peace process or renewed disruption to flows risks keeping oil elevated and volatile, entrenching inflation uncertainty and extending the period of restrictive policy, a more challenging mix for rate-sensitive assets and for regions that remain net energy importers.

From a portfolio perspective, the key is not to over-commit to a single scenario. Equities have been quick to price good news, so diversification across regions, styles, and themes remains important, alongside some protection against energy and geopolitical shocks. Bonds can still play a stabilizing role, but in a world where geopolitics can quickly swing inflation expectations, a balanced blend of high-quality duration and diversified carry exposures is typically more resilient than relying on duration alone.