

May 2026

Global Markets Review

For Financial Advisers Only

May at a glance

- Markets continued their advance in May despite ongoing geopolitical uncertainty, as resilient economic data, strong corporate earnings and renewed enthusiasm around artificial intelligence outweighed concerns surrounding the US-Iran conflict. Global equities reached fresh highs, led by technology and emerging markets, while falling oil prices eased inflation fears and supported investor sentiment.

Macro

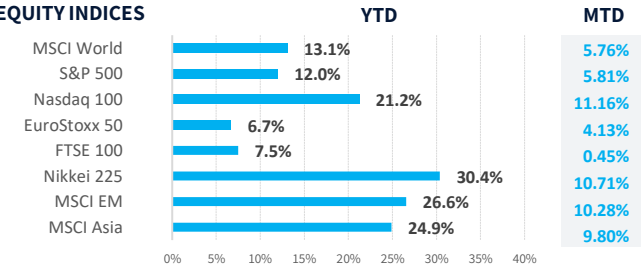
- The US-Iran conflict remained the dominant macro driver throughout May, as draft ceasefire proposals helped calm market sentiment.
- The Federal Reserve entered a new era as Jerome Powell stepped down as Chair and Kevin Warsh took the helm. Despite expectations that Warsh may favour lower rates, resilient growth and persistent inflation pressures led markets to begin pricing a Fed rate increase by year-end.
- US economic data remained resilient despite some signs of slowing momentum. Payrolls exceeded expectations, unemployment remained stable at 4.3%, while consumer spending and business surveys continued to point towards expansion across the economy.
- In Europe, inflation accelerated further as higher energy costs continued to feed through the economy. ECB officials adopted a more hawkish tone, with several policymakers signalling that a June rate increase was becoming increasingly likely.

Markets

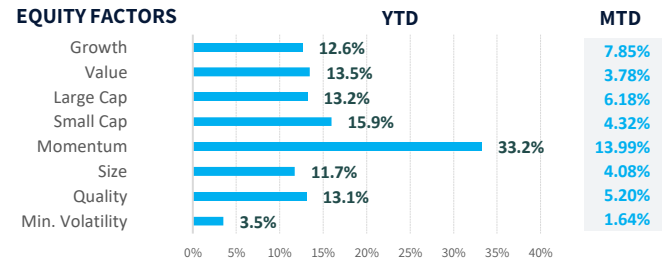
- Global equities continued their advance, with MSCI ACWI rising 5.3% (5.8% in €), supported by positive AI headlines and Q1 earnings beating forecasts.
- Sovereign bond markets delivered mixed returns. US Treasury yields moved higher as investors repriced the outlook for policy rates, while euro area government bonds benefited from weaker growth expectations and easing energy prices.
- The US dollar strengthened modestly against most major currencies, rising 0.5% against the euro as investors increasingly priced a more hawkish Federal Reserve policy path.
- Market leadership remained concentrated in growth-oriented sectors, particularly technology, semiconductors and AI beneficiaries, although broader participation improved as cyclical sectors also generated positive returns.
- Gold declined modestly during the month as easing geopolitical concerns and lower oil prices reduced demand for traditional safe-haven assets.

Data

EQUITY INDICES



EQUITY FACTORS



BONDS

	2Y	10Y
US	4.01	4.44
Germany	2.53	2.94
France	2.67	3.55
Italy	2.68	3.65
UK	4.21	4.81
Japan	1.36	2.66

ALTS

Asset	USD/oz	USD/barrel	EUR/USD
Gold	4,560		
Crude Oil		92.05	
EUR-USD			1.17
Change	-1.2%	-19.3%	0.5%

Sources: FE, Bloomberg, Amundi, data between May 29 - 1 June 2026.

Bond yield trends represent 1-wk changes.

Equities

- US equities led global gains, with MSCI USA rising 5.3% in local terms (5.8% in €), driven by large-cap growth and AI-related names against a backdrop of solid earnings — with Q1 US results running approximately 6% ahead of forecasts — and contained macro worries. Full-year earnings estimates were revised higher as AI capex investment near \$500bn annually continued to underpin the mega-cap technology sector.
- Emerging markets outperformed strongly, with MSCI EM gaining 9.7% (10.3% in €); Korea and Taiwan rose 37.5% (35.6% in €) and 15.2% (16.9% in €) respectively, driven by AI and semiconductor-linked names, with both markets attracting significant foreign inflows as the AI investment cycle extended.
- European and UK equities navigated the ECB pivot with relative resilience, with MSCI Europe ex-UK up 4.1% (4.3% in €); the prospect of higher borrowing costs, weaker growth and a structural underweight in technology all capped upside relative to the US and emerging markets.
- Japanese equities advanced in May, with the Nikkei surging over 11% in local terms as global risk appetite improved and AI-related semiconductor names led the advance.
- Equity market leadership rotated toward broader participation in the second half, with cyclicals, industrials and consumer sectors joining AI stocks in advancing, offering early signs the rally is widening beyond technology.

Fixed Income

- Bond yields diverged in May, as US yields ended modestly higher while European yields fell back, as sticky inflation, resilient US growth and escalating ECB hawkishness reinforced a higher-for-longer policy narrative.
- Sovereign yields oscillated during the month, rising on ECB rate-hike expectations before retreating as oil fell; the US 10-year Treasury ended May at 4.44%, up 5bps, while the German 10-year Bund fell 7bps to 2.96% as multiple ECB members urged a measured pace of tightening and the euro area 5+ Year government index delivered a strong 1.5% return.
- Credit markets generated positive returns alongside equities; European investment-grade corporate bonds delivered gains of 0.9%, as yields fell 12bps to 3.55% and borrowing spreads tightened by 3bps to end the month at 77bps.

Alternatives

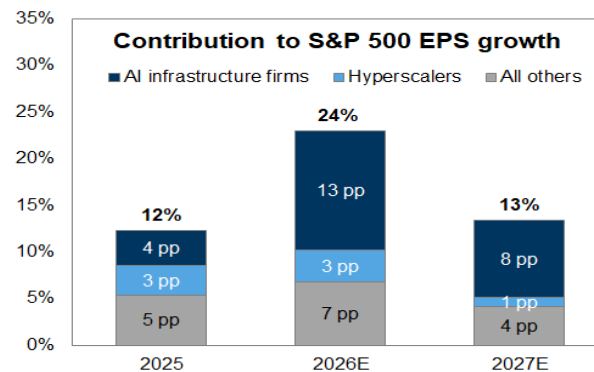
- Commodity markets fell sharply in May, a stark reversal from March and April’s energy-driven gains; the S&P GSCI Index declined 7.6% (7.1% in €), as ceasefire talks advanced, demand concerns mounted and alternative supply routes provided some relief to energy markets.
- Brent crude fell 19.3% over the month, spiking to \$114 per barrel early in May before selling off to close near \$92, as optimism around a Hormuz reopening eased the conflict premium.
- Gold declined 1.2% in May, consolidating after a strong first-half rally as ceasefire optimism reduced haven demand, the drop in oil eased inflation concerns and real bond yields partially recovered.

Fund Performance

- For the latest fund performance, click on the below image 



Figure 1: Composition of S&P 5000 EPS growth forecasts



Source: FactSet, Goldman Sachs GIR, May 26th, 2026.



Investment Manager Insights






In our latest briefing, Amundi's Ronan Burke, Senior Manager - Distribution, shared insights from the firm's latest Capital Markets Assumptions report, '*Rethinking Global Diversification*'. The paper examines the forces reshaping global markets and why the coming decade may look very different from the one investors have experienced since the Global Financial Crisis.

Amundi believes investors are entering a new market regime where **geopolitics, fiscal policy and economic resilience will play a greater role in driving returns** than they have over the past decade. While US markets remain attractive, the firm argues that concentration risks have increased significantly, with the US representing over 60% of global equity market capitalisation despite accounting for a much smaller share of global economic output.

The firm argues that **future diversification should extend beyond traditional market-cap weighted approaches**. Instead, investors should consider broader exposure across regions, currencies, sectors and structural themes that are linked to the real economy. Europe and Emerging Markets may benefit from trends such as industrial reshoring, energy security, defence spending and infrastructure investment, while **improving growth prospects and attractive valuations could support returns outside the US**.

Amundi's long-term outlook favours maintaining exposure to US assets while **gradually reducing concentration risk through increased allocations to Europe, Asia and Emerging Markets**. The firm also sees opportunities in themes such as AI infrastructure, critical minerals, strategic autonomy and selected fixed income markets, where diversification benefits may become increasingly valuable in a more fragmented global economy.

Structural themes and the future of diversification

CMA macro theme	Main narrative	Investment implications	Impact on global diversification
 Opportunities amid rupture	Greater domestic focus, supply chain reshaping, rise of the middle power.	Benefits domestic companies and rising EM powers (China, India).	<p>Decrease US exposure relative to the rest of the world</p> <hr/> <p>Increase EM allocation (both equities and bonds)</p> <hr/> <p>Enhance global diversification with a greater focus on the real economy – GDP Weighted (both equities and bonds)</p> <hr/> <p>Add thematic exposure to capture long-term themes (i.e. strategic autonomy, critical minerals)</p>
 AI could delay demographics' effect on growth	AI will unevenly support growth in the next decade. Over the long-term, ageing population will weigh on growth.	Benefits AI and tech beyond the US (first wave winner) – China and Asia as tech leaders, Europe industrial robotics.	
 A delayed path towards Net Zero	Lower transition costs, but higher long-term physical risks will lead countries that are not energy independent to accelerate into clean tech.	Benefits commodity markets, critical minerals, clean tech, infrastructure and green bonds.	
 Strategic autonomy may enhance resilience	Higher spending on defence, AI and energy as strategic priorities.	Benefits domestic companies, mainly in Europe.	
 Debt and financial repression	More fiscal pressure means more debt, in a moment when the US interest burden is becoming extreme. The dollar's role is likely to erode gradually.	Weaker USD to support EM bonds. Euro bonds and Japanese bonds will be more appealing for domestic investors.	

Key takeaways

- 1**
Rebalance US exposure to reduce concentration risk
- 2**
Diversify by economic exposure, not only by market cap
- 3**
Use regions, sectors, FX, bonds and themes to diversify

A Better Decision

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Warning: These funds may be affected by changes in currency exchange rates.

Warning: If you invest in these funds you may lose some or all of the money you invest.

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