

The Monthly Edit

May 2026

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



Market headlines

Energy prices down, easing inflation fears

Hopes of a US–Iran deal drove Brent crude down ~19% over the month, which was its largest monthly fall since 2020. This move pulled inflation expectations lower and gave central banks more flexibility.

Equities pushed higher despite constantly changing narratives

Global equities advanced, led by the US, as softer inflation expectations, resilient earnings and sustained AI-driven capex offset earlier macroeconomic concerns.

Rates repriced, but conviction remains fragile

Bond markets briefly flirted with the prospect of further Fed tightening by year-end as inflation concerns persisted, only to partially unwind those expectations as oil price declined.

Geopolitics mattered less at the margin

Despite ongoing global tensions, markets reacted less aggressively to geopolitical headlines. This suggests either growing investor fatigue or a higher threshold for risk premia to reprice.



The big topics

Geopolitics drives volatility, then relief

Geopolitics in the Middle East was again a key market driver during the month, particularly through energy prices.

Early concerns around potential supply disruption pushed oil prices higher and reignited inflation worries. Sentiment later shifted as signs of progress in US–Iran negotiations began to emerge, leading to a reversal in oil prices. This easing in energy markets helped stabilise inflation expectations and supported a broader improvement in risk sentiment. However, the situation remains fluid. Markets continue to react quickly to headlines, and confidence will depend on whether any agreement proves both credible and durable.

Inflation persistence keeps policymakers cautious

Inflation remains a central challenge for policymakers.

Recent data continues to suggest that underlying price pressures are proving more persistent. While some headline measures have shown modest signs of easing, core components, particularly services and energy, remain firm. Earlier in the month, stronger producer price data added to concerns that inflation could re-accelerate. More recent releases have been somewhat reassuring, helped by lower energy prices, but not enough to shift the broader narrative. As a result, central banks are likely to remain cautious, with markets pushing back expectations for rate cuts and accepting a “higher for longer” environment.

Bond market repricing tightens financial conditions

Global bond markets experienced a meaningful repricing over the course of the month.

Yields moved higher earlier on, reflecting a combination of resilient economic data and persistent inflation pressures. This contributed to tighter financial conditions and created a more challenging backdrop for risk assets. Towards the end of the month, falling oil prices and softer inflation data provided some relief, allowing bond yields to retrace modestly. Nevertheless, the episode highlights how sensitive markets remain to inflation surprises and reinforces the central role of bond markets in driving broader financial conditions.

Equity resilience masks narrow leadership

Equity markets remained broadly resilient, supported by easing geopolitical concerns and a still-solid macroeconomic backdrop.

However, this strength has been increasingly concentrated in a narrow group of large technology and semiconductor companies. Beneath the surface, market breadth has weakened, with smaller companies and more cyclical sectors lagging behind. This divergence suggests a more cautious underlying tone than headline index levels might imply. While improving sentiment has supported recent gains, reliance on a limited set of leaders leaves the market more vulnerable to changes in the outlook, reinforcing the importance of maintaining diversified portfolio exposure.



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