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World markets review – May 2026

Equities

Global equities advanced, supported by hopes of an extension to the fragile U.S.–Iran ceasefire and the reopening of the Strait of Hormuz. The U.S. led developed markets higher, further buoyed by strength in artificial intelligence (AI) stocks, strong corporate earnings and domestic economic resilience. European stocks lagged as rising headline eurozone inflation and declining private-sector activity weighed. Chinese equities slid amid domestic growth worries. Crude oil prices sank on rising Middle East peace hopes. May CBOE Volatility Index (VIX) futures fell 9.7% month on month to 17.6 (readings below 20 are generally viewed as indicative of market stability).

MSCI All Country World Index (ACWI) sector returns were mixed, with information technology leading by a wide margin, followed by consumer discretionary and materials. In contrast, energy, utilities and consumer staples lagged the most, delivering negative returns.

Equity index returns (%)	May 2026		YTD 2026	
	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	5.3	5.3	11.3	11.3
MSCI ACWI	5.2	5.3	12.1	12.2
MSCI ACWI ex USA	5.0	5.5	14.4	14.6
MSCI World	4.6	4.7	10.5	10.4
MSCI Emerging Markets	9.7	9.7	25.6	26.8
MSCI EAFE	3.1	3.7	9.4	9.1
MSCI Europe	2.6	3.1	6.8	6.9
MSCI Pacific	3.8	4.9	14.2	13.7

Source: RIMES.

Fixed income

Global bonds closed modestly higher, although government yields were mixed. U.S. 10-year Treasury yields crept up 7 basis points (bps) to 4.44% and Japanese 10-year yields climbed 14 bps to 2.66%. Conversely, German 10-year government bond yields eased by 10 bps to 2.94%, while U.K. gilt yields fell 20 bps to 4.81%. Global corporate bonds outpaced government debt amid spread tightening and resilient investor demand.

In foreign exchange markets, the U.S. Dollar Index gained 0.9%. The euro, British pound and Japanese yen fell 0.5%, 0.8% and 1.6% against the dollar, respectively. Emerging market currencies were mixed versus the dollar.

Fixed income index returns (%)	May 2026	YTD 2026
Bloomberg U.S. Aggregate	0.3	0.4
Bloomberg Global Aggregate	0.3	0.5
Bloomberg U.S. Corp IG	0.8	0.7
Bloomberg U.S. Corp HY	0.5	1.7
JPM EMBI Global Diversified	1.0	2.6
JPM GBI-EM Global Diversified	0.9	1.3

Exchange rates (% change vs. USD)	May 2026	YTD 2026
Euro	-0.5	-0.6
Japanese yen	-1.6	-1.5
British pound	-0.8	0.2
Canadian dollar	-1.2	-0.5
Australian dollar	0.1	7.9
Swiss franc	0.1	1.4

Source: RIMES. Returns are in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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North America

U.S. equities rallied, reaching fresh all-time highs, supported by AI-related enthusiasm, rising Middle East peace hopes, continued U.S. economic resilience and strong corporate earnings. Survey data showed that private-sector activity continued to grow in May, while April's non-farm payrolls beat analysts' estimates for a second consecutive month. Nevertheless, U.S. consumer sentiment weakened further in May amid elevated energy costs. Cyclical sectors outpaced defensive areas by a wide margin, and growth stocks were significantly ahead of their value counterparts. The S&P 500 and Nasdaq returned 5.3% and 8.4%, respectively.

In terms of S&P 500 sectors, information technology was by far the strongest, followed by consumer discretionary and healthcare, the only other sectors to finish the month in positive territory. Shares of **Micron Technology** surged on analyst upgrades and further signs of strong demand for high-bandwidth memory chips alongside persistent supply constraints driven by rapid AI infrastructure buildout.

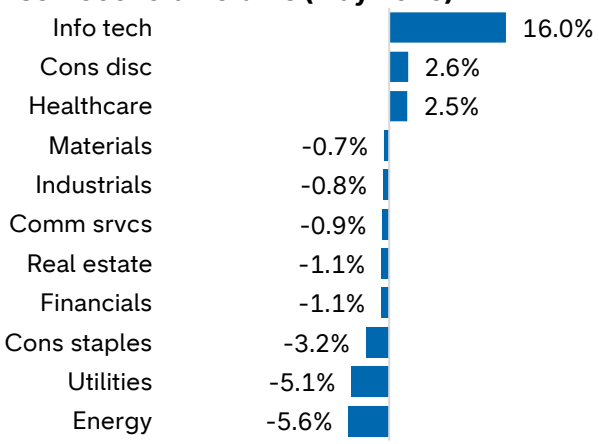
Energy, utilities and consumer staples were the weakest sectors. Shares of **Walmart** fell after fiscal second-quarter earnings guidance missed analysts' estimates, with operating margins pressured by higher fuel costs.

The U.S. Federal Reserve (Fed) minutes were more hawkish than anticipated. Many Fed officials called for the central bank to drop the easing bias from its post-meeting April statement amid rising concerns over the inflation impact of the Iran war. In addition, most Federal Open Market Committee members voiced support for policy tightening should inflation continue to overshoot the 2% target. U.S. headline inflation jumped to 3.8% in April from 3.3% in March, driven by surging energy costs, marking the highest reading since May 2023. The core PCE price index, the Fed's preferred inflation gauge, accelerated to 3.3% from 3.2%. Meanwhile, Kevin Warsh was sworn in as Fed chair, taking the reins from Jerome Powell.

The U.S. private sector continued to grow. The S&P Global U.S. Composite PMI chalked a preliminary 51.7 in May, unchanged from the prior month, as improvement in manufacturing momentum helped offset softer growth in services. Non-farm payrolls similarly underscored the U.S. economy's resilience, with the 115,000 jobs added in April significantly beating economists' estimates. Nonetheless, the University of Michigan's Consumer Sentiment Index slumped to an all-time low of 44.8 in May, from 49.8 in April, as Americans continued to come under pressure from elevated gasoline prices.

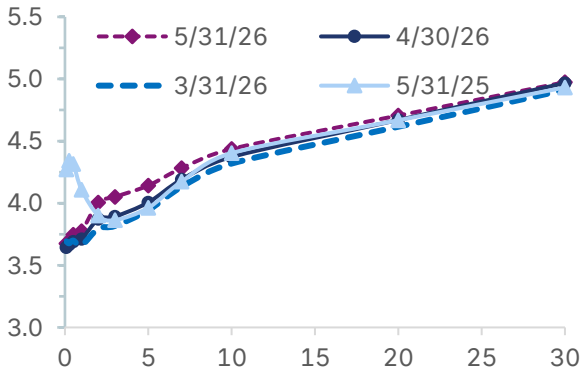
U.S. bonds rose, with the Bloomberg U.S. Aggregate Index returning 0.31%. Despite experiencing some volatility, Treasuries delivered marginally positive returns, with the yield curve flattening modestly. 5-year and 30-year yields rose 14 bps to 4.14% and 1 bp to 4.97%, respectively. 10-year yields edged up 7 bps to 4.44%. U.S. corporate bonds generated positive returns, led by investment-grade (rated BBB/Baa and above). Spreads to Treasuries narrowed by 6 bps and 11 bps for investment-grade and high yield, respectively.

S&P 500 total returns (May 2026)



Source: RIMES. Data labels reflect rounded figures.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

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Europe

European stocks rose but trailed the global average. This was despite some support from hopes of an imminent extension of the U.S.–Iran truce and the reopening of the Strait of Hormuz. Business survey data pointed to a second consecutive monthly contraction in eurozone private-sector activity in May as the Middle East conflict and elevated energy costs weighed. Headline eurozone inflation accelerated in April as the Iran war pushed up fuel costs, although core inflation moderated. Investors widely anticipated the European Central Bank (ECB) would raise interest rates at its June meeting to stem inflationary pressure. In terms of sectors, information technology, consumer discretionary and materials were the strongest. Conversely, energy, utilities and real estate lagged.

Eurozone inflation accelerated to 3.0% in April from 2.6% in March as the Iran war continued to push up fuel costs. In contrast, core inflation, which excludes certain volatile items such as energy, dipped to 2.2% from 2.3%. Minutes from the ECB's April meeting suggested that eurozone rate-setters were becoming increasingly worried about second-round inflation effects from the energy-price shock. Separately, the ECB warned that the Middle East conflict could bring serious challenges for both the global economy and financial stability. Investors largely anticipated the ECB would hike interest rates by 25 bps at its June policy meeting.

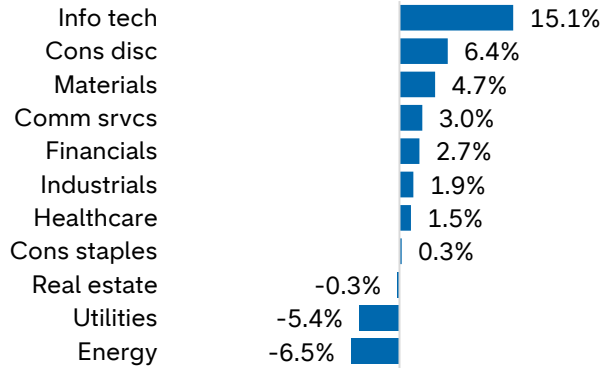
Eurozone private-sector activity contracted for a second consecutive month, with the S&P Global Eurozone Composite PMI sliding to a preliminary 47.5 in May from 48.8 in April. Services activity dropped at the sharpest pace in over five years, while manufacturing remained inside expansion territory despite some deterioration versus the prior month. New business levels declined sharply while input costs rose substantially. Separately, the European Commission cut its 2026 eurozone growth forecast to 0.9% from its prior estimate of 1.2%, citing knock-on effects from the Iran conflict and higher eurozone inflation.

Germany's ZEW Indicator of Economic Sentiment strengthened by 7.0 points to -10.2 in May, rebounding from a three-year low set in the previous month. However, rising optimism about a recovery in growth during the second half of the year was partly contingent on a near-term resolution to the Middle East conflict. Survey respondents' assessment of the current economic situation worsened slightly amid weak industrial production and elevated energy prices.

U.K. equities fell slightly in U.S. dollar terms. The U.K. private sector contracted for the first time in over a year in May, with the S&P Global U.K. Composite PMI falling to a preliminary 48.5 from 52.6 in April. Inflation dropped to 2.8% in April from 3.3% in March, largely reflecting the impact of the energy regulator's price cap. Prime Minister Keir Starmer faced a Labour leadership challenge following weak results for the party in local elections.

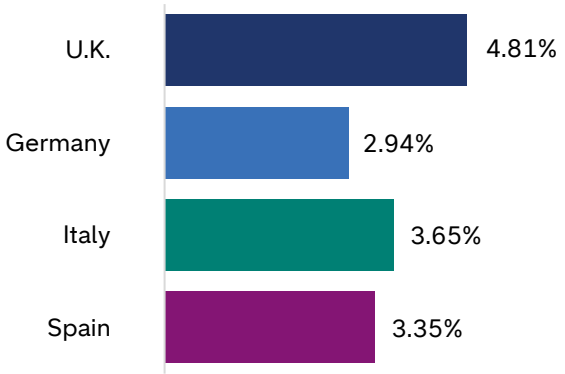
European bonds rose. German and French 10-year government yields fell by 10 bps to 2.94% and 14 bps to 3.55%, respectively. Spanish and Italian 10-year yields slid by 14 bps to 3.35% and 21 bps to 3.65%, respectively. U.K. 10-year gilt yields were down 20 bps to 4.81%.

MSCI Europe total returns (May 2026)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures

10-year government bond yields



Source: Bloomberg. As of May 31, 2026.

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Asia-Pacific

Japanese equities advanced. Prime Minister Sanae Takaichi asked government officials to draw up a supplementary budget to fund additional energy subsidies. It came as survey data showed the country's private sector continued to come under strain from elevated energy costs. Although inflation dipped in April due to the impact of existing fuel subsidies, investors largely anticipated the Bank of Japan (BoJ) would raise interest rates at its June meeting. In terms of MSCI Japan Index sectors, information technology, communication services and consumer discretionary led May returns. Conversely, real estate, energy and utilities trailed the index. The yen fell 1.6% against the dollar.

Inflation slowed, with Japan's headline gauge falling to 1.4% in April from 1.5% in March as price growth eased in areas such as food, transport and housing. Government fuel subsidies helped push the core consumer price index, which excludes fresh food but includes energy, down to 1.4% from 1.8%, further below the BoJ's 2% target. However, despite government intervention to lower the cost of living, investors anticipated the BoJ would hike rates at its June meeting as central bank officials continued to fret over upside inflation risks.

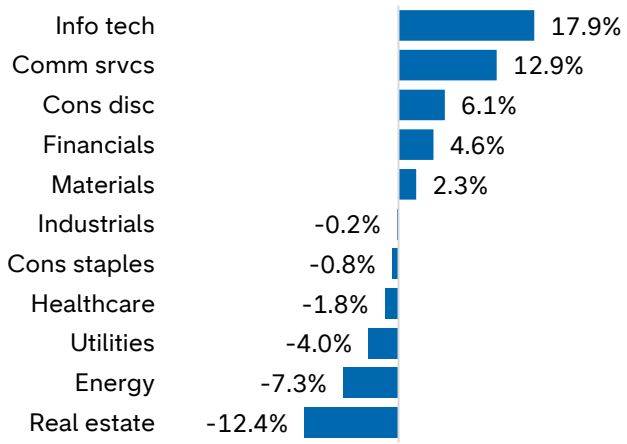
Japanese private sector activity eased in May. Japan's S&P Global Composite PMI slid to a preliminary 51.1 from 52.2 in April, marking the weakest growth since December as the services sector stagnated. Meanwhile, despite continued stockpiling amid uncertainty surrounding the Iran conflict, manufacturing momentum softened from the prior month as new orders fell. Input costs climbed at the fastest clip since 2022, spurred by higher energy and raw material costs. Business sentiment nonetheless rose to a three-month high on growing hopes of an imminent agreement to extend the fragile U.S.–Iran ceasefire and reopen the Strait of Hormuz.

Hong Kong stocks fell, pressured by largely weak Chinese economic data. Nevertheless, Hong Kong's GDP grew 2.9% in the first quarter, accelerating from 1.1% in previous quarter to mark the strongest expansion since the first quarter of 2021.

Singapore equities rose. The city-state's private-sector activity strengthened in April, with the S&P Global Singapore PMI rising to 57.9 from 56.7 in March, as output and new orders accelerated.

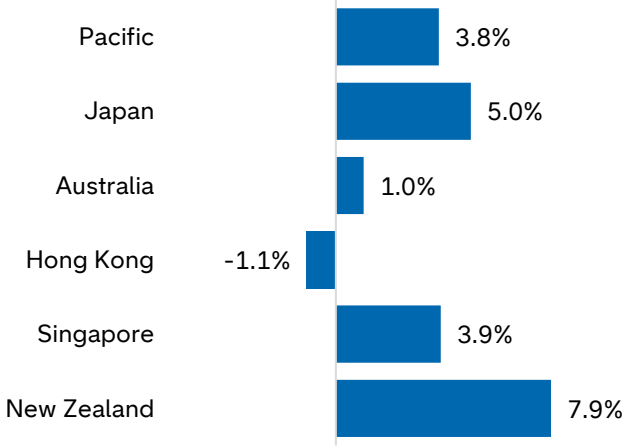
Australian stocks closed higher. In line with market forecasts, the Reserve Bank of Australia (RBA) hiked its cash rate by 25 bps to 4.35% following its May meeting, marking the third successive increase. Inflation fell to 4.2% in April from 4.6% in March, remaining well above the RBA's 2–3% target range.

MSCI Japan total returns (May 2026)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

MSCI Pacific total returns (May 2026)



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Emerging markets

Emerging market (EM) equities delivered strong gains overall despite widely varying returns at the country level. Within the MSCI Emerging Markets Index, Taiwan and South Korea generated by far the strongest returns as they benefited from a rally in AI stocks. In contrast, Chinese equities slid on domestic growth worries. Elsewhere, Brazilian stocks fell sharply after reports linked presidential candidate Flavio Bolsonaro to individuals at the center of a fraud probe. Indian equities declined more modestly, with elevated energy costs continuing to weigh on the country's economic prospects.

Chinese stocks slid, pressured by domestic growth worries. Weak domestic demand and higher input costs weighed on manufacturing activity in May, with the country's NBS Manufacturing PMI gauge dipping to 50.0 from 50.3 in the prior month. Separately, retail sales slowed significantly in April, growing by just 0.2% versus 1.7% in March, marking the softest expansion since December 2022. Meanwhile, Chinese new home prices across 70 cities continued their downward trend, falling 3.5% year on year in April versus a 3.4% decline in March. Nonetheless, China's exports rose 14.1% year over year in April, accelerating from 2.5% growth in March and surpassing economists' forecasts. Headline inflation rose to 1.2% in April from 1.0% in March as non-food price growth accelerated.

Indian equities fell modestly. The HSBC India Composite PMI eased to a preliminary 58.1 in May from 58.2 in April, as momentum in the manufacturing sector slowed and the country continued to come under pressure from elevated energy costs. Inflation edged up to 3.5% in April from 3.4% in March.

Latin American stocks slid. Brazilian equities sold off sharply as rising political uncertainty ahead of October's presidential election drove substantial foreign investor outflows. Reports linked right-wing presidential contender Flavio Bolsonaro to individuals involved in a major fraud investigation. Brazil's economy grew 1.1% in the first quarter, accelerating from the 0.3% expansion of the previous quarter, supported by higher household consumption, government spending and fixed investment.

Emerging market debt (EMD) advanced, with local currency EMD (returns in U.S. dollars) outpacing hard currency EMD. South African local currency bonds stood out, rallying as crude oil prices declined. As widely anticipated, the South African Reserve Bank raised its key repo rate by 25 bps to 7.0%. In contrast, Turkish local currency debt fell as the lira weakened, while April's inflation exceeded market estimates, accelerating to 32.4% from 30.1% in March. Brazilian local currency debt was also down, pressured by political worries and reports linking presidential candidate Flavio Bolsonaro to individuals at the center of a fraud probe. Brazilian inflation rose to 4.4% in April from 4.1% in March.

May 2026 total returns (%)

Equity indexes	(USD)
MSCI Emerging Markets	9.7
MSCI Korea	35.3
MSCI Taiwan	16.5
MSCI Thailand	5.2
MSCI Mexico	3.5
MSCI South Africa	2.4
MSCI India	-0.6
MSCI Saudi Arabia	-0.9
MSCI China	-3.0
MSCI Brazil	-9.1

Fixed income/currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	1.0	–	–	–
JPM GBI-EM Global Div	–	0.9	0.8	–
Brazil	0.1	-1.0	0.5	-1.5
China	0.2	1.4	0.4	1.0
Indonesia	0.4	-3.1	0.1	-3.1
Malaysia	0.8	0.3	0.2	0.2
Mexico	0.1	2.1	1.1	1.0
Poland	0.1	1.3	1.1	0.2
South Africa	2.9	6.1	2.9	3.1
Turkey	0.8	-1.7	-0.2	-1.5

Source: RIMES.

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Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

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U.S. Dollar Index is a market index benchmark used to measure the value of the U.S. dollar relative to other widely traded international currencies.

The CBOE Volatility Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time mid-quote prices of S&P 500 Index call and put options.

The Michigan Consumer Sentiment Index is a monthly survey designed to measure consumer confidence in the United States.

The Core Personal Consumption Expenditures (PCE) Price Index is a measure of prices paid for U.S. goods and services, excluding food and energy.

Japan's Core Consumer Price Index is a measure of prices that households pay for goods and services, excluding fresh food.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global U.S. Composite PMI, S&P Global U.K. Composite PMI, S&P Global Singapore PMI** provide similar information for the United States, United Kingdom and Singapore, respectively. The **S&P Global Japan Composite PMI** provides similar information about Japan. The **S&P Global Eurozone Composite PMI** measures private sector economic activity in the euro area, based on a survey of companies in the euro area manufacturing and service sectors.

The **HSBC India Composite PMI** measures private sector activity in India based on a survey of manufacturers and service providers. The **National Bureau of Statistics Manufacturing Purchasing Manager Index** measures the performance of China's manufacturing sector and is derived from a survey of state-owned companies.

The ZEW Indicator of Economic Sentiment measures the level of optimism that analysts have about the expected economic developments in Germany over the next six months.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds.
J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free float-adjusted, market capitalization-weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free float-adjusted market capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed market country indexes, including the United States. **MSCI Japan Index** is designed to measure equity market performance in Japan.

Nasdaq Composite Index is a broad-based market capitalization-weighted index that measures all domestic and international-based common- type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

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