MAY 2026 OUTLOOK

ECONOMIC RESILIENCE AMID SHIFTING MARKET EXPECTATIONS

Market overview as of the 29th of May 2026

Equities	**MTD**	**YTD**
MSCI WORLD	4.37%	9.80%
US S&P500	5.15%	10.73%
NASDAQ 100	8.36%	16.05%
RUSSELL 2000	4.27%	17.62%
EUROPE EURO STOXX 50	2.87%	4.47%
JAPAN TOPIX	6.17%	16.08%
MSCI EMERGING	9.50%	24.76%
CHINA CSI 300	1.76%	5.66%
Fixed Income		
U.S.Corporate	0.76%	0.67%
U.S.Corporate HY	0.49%	1.68%
Pan-Euro Aggregate	1.16%	0.89%
Pan-Euro Aggregate HY	0.93%	1.32%
EM USD Aggregate	0.71%	1.46%
EM Local Currency Govt	0.80%	1.96%
Commodities		
GOLD ($4540.26)	-1.68%	5.11%
OIL WTI ($87.36)	-16.86%	52.14%
Currencies		
EUR/USD (1.1659)	-0.61%	-0.74%
EUR/CHF (0.91047)	-0.66%	-2.18%
USD/JPY (159.27)	1.71%	1.63%
GBP/USD (1.3456)	-1.09%	-0.14%

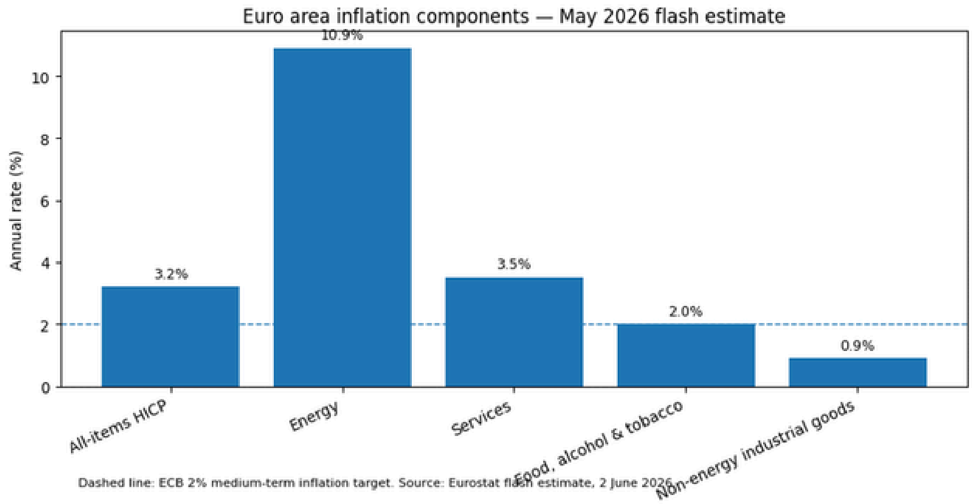
Executive Summary

The global macro environment has become more complex in May, with growth still positive but increasingly uneven, while the renewed energy shock has interrupted the disinflation trend that had supported markets earlier in the year. (See Table). For investors, the central message is not one of recession, but of reduced visibility: inflation volatility is back, rate-cut expectations have been pushed further out, and dispersion between regions, sectors and asset classes is likely to remain elevated. Our investment stance remains balanced, with a preference for quality income, disciplined duration exposure, resilient equity franchises, and diversified real-asset or inflation-sensitive exposures where appropriate.

Macro Environment

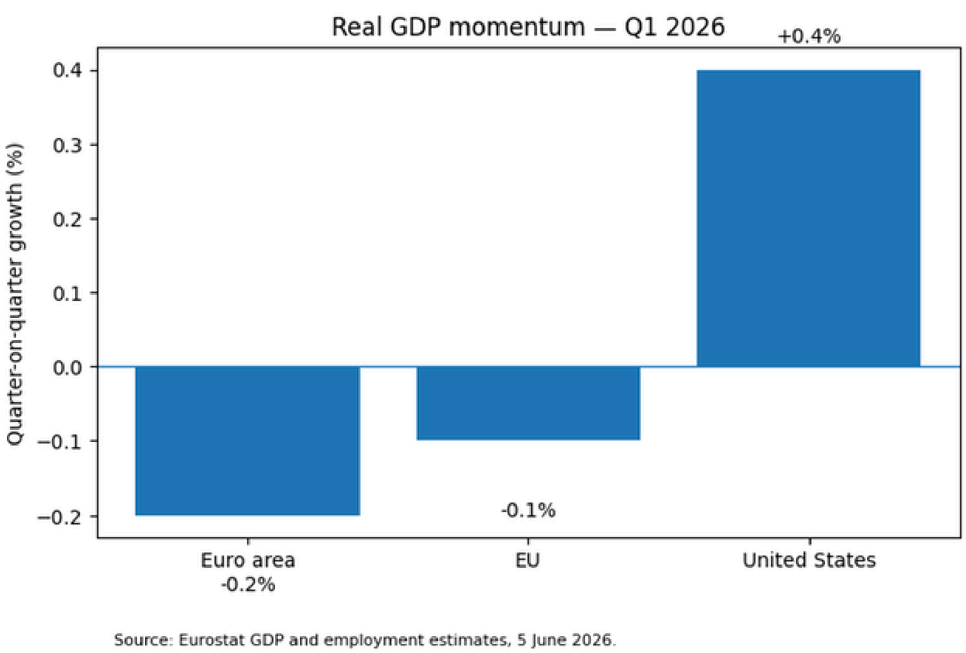
Global growth remained resilient, but the composition of that growth has deteriorated. The IMF's April outlook placed global growth at around 3.1% for 2026, below the pre-conflict trajectory and still below the pace that characterised the stronger parts of the previous cycle. The main macro change since the start of Q2 has been the renewed rise in energy prices, which is functioning as a negative supply shock: it raises headline inflation (Fig.1) , compresses real disposable income, and complicates the reaction function of central banks

Fig.1



In the euro area, the economic picture was particularly delicate. The region entered 2026 with moderate momentum, but Q1 data show that activity was no longer accelerating. Euro area GDP contracted by 0.2% quarter-on-quarter in Q1 2026, while EU GDP fell by 0.1%. This was not, in our view, sufficient evidence of a deep downturn, but it confirms that Europe remained more exposed than the United States to imported energy shocks, fragile industrial confidence and weaker external demand.

Fig.2



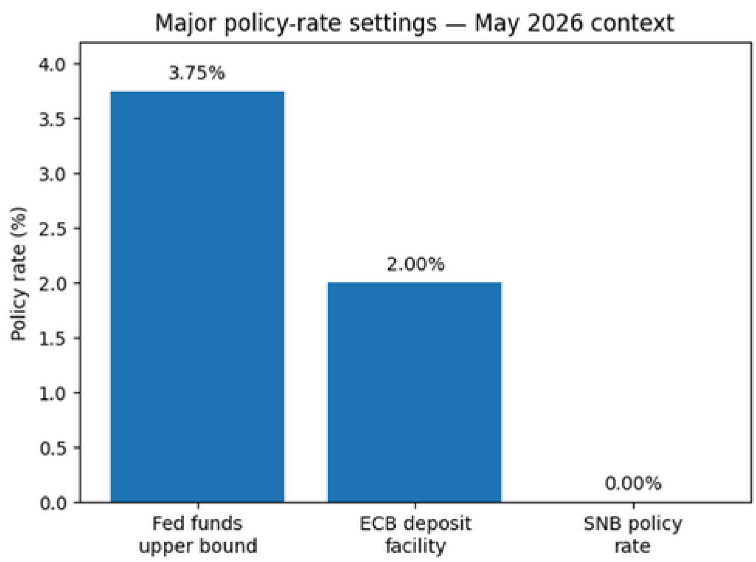
Inflation was again the central variable for European markets. Euro area headline inflation rose to an estimated 3.2% in May, from 3.0% in April. The detail matters: energy inflation was close to 11%, services inflation rose to 3.5%, while non-energy industrial goods remained contained below 1%. This mix is important because it suggests that the first-round energy shock was visible, but broader goods inflation was not yet indicating a full wage-price spiral. Services inflation, however, deserved close monitoring, as it is the component most closely linked to domestic labour costs and inflation persistence.

The European Central Bank's position has therefore become more constrained. At the end of April, the ECB kept its deposit facility rate at 2.00%, while explicitly acknowledging that upside risks to inflation and downside risks to growth had intensified. This is a difficult balance: a premature easing cycle would risk validating higher inflation expectations, but excessive tightening would add pressure to an already soft growth environment.

In the United States, growth has been more resilient. Q1 GDP expanded by 0.4% quarter-on-quarter, materially stronger than the euro area. However, US inflation has also re-accelerated, with May CPI rising 4.2% year-on-year and core CPI at 2.9%. The Federal Reserve kept the federal funds target range at 3.50%-3.75% at its late-April meeting, and the minutes show a central bank increasingly unwilling to pre-commit to easing while inflation remains above target. From a European asset-allocation perspective, this means that US rates are likely to remain a global anchor for discount rates, USD funding conditions and risk appetite.

Switzerland remained a notable exception. Swiss CPI inflation was only 0.6% year-on-year in May. The SNB's challenge is not domestic overheating, but the interaction between safe-haven flows, the Swiss franc and imported inflation. A stronger CHF can help dampen imported price pressure, but excessive appreciation would risk tightening financial conditions too much for Swiss exporters.

Fig. 3



Sources: Federal Reserve, ECB, SNB policy communications. Fed shown as upper bound of 3.50-3.75% target range.

For cross-asset strategy, the implication was that the investment environment is neither a classic recessionary regime nor a clean disinflationary expansion. It is a late-cycle, supply-shock environment with higher macro dispersion. Equities can still perform if earnings remain resilient, but valuation sensitivity is higher when long yields rise. In Europe, valuations remain more reasonable than in parts of the US market, but Europe’s higher energy sensitivity and weaker cyclical momentum justify selectivity.

In fixed income, inflation shocks can create periods where bonds and equities sell off together. Short-to-intermediate maturity high-quality bonds remain attractive for investors seeking income and stability, while longer duration should be added selectively when yields compensate for inflation and term-premium risk.

Alternative and real-asset exposures retain a useful role, particularly in portfolios vulnerable to renewed inflation volatility. Infrastructure, inflation-linked bonds, commodity-sensitive strategies and diversified hedge-fund exposures can improve resilience, provided liquidity terms and valuation assumptions are carefully reviewed.

Closing Remarks
The central investment challenge in May 2026 was not to forecast every geopolitical or policy outcome, but to build portfolios capable of absorbing a wider range of macro scenarios. Our philosophy remains anchored in diversification, valuation discipline and risk-adjusted income generation. In a market where inflation, rates and growth are no longer moving cleanly in the same direction, institutional and high-net-worth investors should focus less on timing the next policy pivot and more on owning assets that can compound through uncertainty.

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