

Weekly Market Wrap

Week Ending 22nd May 2026



Office@giagcc.com

Executive Summary

The week ending 22 May 2026 was driven by two competing forces pulling markets in opposite directions. NVIDIA's record Q1 results and AI earnings momentum pushed equities higher, with the S&P 500 extending its winning streak to eight consecutive weeks, its longest since 2023. Simultaneously, the April Fed minutes revealed that the majority of members open to rate hikes if inflation remains above 2%. On the geopolitical front, Trump cancelled a planned military strike on Iran on Monday after Gulf allies intervened, driving a sharp equity rally and a decline in WTI oil. The dominant cross-asset tension this week: equities are trading on AI earnings; bonds are trading on inflation and fiscal risk. The VIX closed at 16.70, down from 18.40 the previous week.

Key Themes:

- AI earnings anchor the equity rally, but breadth is narrow.** NVIDIA reported Q1 FY2027 revenue of \$81.6bn (+85% YoY), with data centre revenue up 92%. Arm Holdings surged nearly 50% WoW on agentic AI CPU demand. The Mag 7 posted Q1 EPS growth of 63% vs 17% for the other 493 S&P 500 companies. Despite the strength, NASDAQ underperformed the Dow, and NVIDIA's stock fell ~6% post-earnings, a recurring pattern suggesting the cycle is already well priced.
- Bond markets repricing from cuts to hikes.** April Fed minutes (8-4 vote to hold) showed the most divided FOMC since 1992, with a majority willing to hike if inflation stays above 2%. Market pricing has shifted from approximately 8bps of cuts priced through year-end to near-zero, with hike probability at roughly 39% by Q1 2027. The 10-year Treasury ended the week at 4.56%, masking a mid-week peak of 4.69%.
- Iran: strike called off Monday, "final stages" Wednesday.** Trump announced the cancellation of a planned military strike on Iran on Monday 18 May, following direct appeals from the Qatari Emir, Saudi Crown Prince MBS, and the UAE President. This was the week's single largest market-moving event on Monday. Mid-week, Trump said talks are in "final stages," driving the week's sharpest oil decline ((8.4%) WoW). Key sticking points remain: Iran's enriched uranium stockpile and Hormuz toll demands.
- SpaceX filed its S-1 on 20 May,** targeting a \$75bn capital raise at a \$1.75tn valuation on Nasdaq under ticker SPCX. If completed, this would be the largest IPO in history by more than 2x. The filing revealed Starlink's 63% EBITDA margin as the cash engine, and xAI's \$6.35bn operating loss in 2025 as the primary drag.

Week Ending	S&P 500	NASDAQ	Dow Jones	Sensex	Nikkei	S&P BDC	Gold	Silver	Oil	Nat Gas	Crypto Index
2-Jan	(1.0%)	(1.7%)	(0.7%)	0.8%	(0.8%)	0.1%	(4.4%)	(8.1%)	1.0%	(17.1%)	5.1%
9-Jan	1.6%	2.2%	2.3%	(2.5%)	3.2%	0.0%	4.1%	9.7%	3.1%	(12.4%)	0.9%
16-Jan	(0.4%)	(0.9%)	(0.3%)	(0.0%)	3.8%	1.1%	1.9%	12.9%	0.5%	(2.1%)	4.9%
23-Jan	(0.4%)	0.3%	(0.5%)	(2.4%)	(0.2%)	(0.9%)	8.5%	14.5%	2.7%	70.0%	(8.7%)
30-Jan	0.3%	(0.2%)	(0.4%)	(1.0%)	(1.0%)	(2.3%)	(1.9%)	(17.4%)	6.8%	(17.5%)	(7.9%)
6-Feb	(0.1%)	(1.9%)	2.5%	3.5%	1.7%	(4.6%)	1.4%	(8.6%)	(2.5%)	(21.4%)	(19.4%)
13-Feb	(1.4%)	(1.4%)	(1.2%)	(1.1%)	5.0%	(0.0%)	1.6%	(0.5%)	(1.0%)	(5.2%)	(1.5%)
20-Feb	1.1%	1.1%	0.3%	0.2%	(0.2%)	(2.8%)	1.3%	9.3%	5.6%	(6.0%)	(1.6%)
27-Feb	(0.4%)	(0.2%)	(1.3%)	(1.8%)	3.6%	(4.0%)	3.4%	10.8%	0.9%	(6.2%)	(3.4%)
6-Mar	(2.0%)	(1.3%)	(3.0%)	(2.9%)	(5.5%)	1.3%	(2.0%)	(9.9%)	35.6%	11.4%	2.6%
13-Mar	(1.6%)	(1.1%)	(2.0%)	(5.5%)	(3.2%)	(3.1%)	(2.9%)	(4.7%)	8.6%	(1.7%)	4.9%
20-Mar	(1.9%)	(2.0%)	(2.1%)	(0.0%)	2.6%	1.0%	(10.5%)	(15.7%)	(0.4%)	(1.1%)	0.3%
27-Mar	(2.1%)	(3.2%)	(0.9%)	(1.3%)	(3.4%)	(2.2%)	0.0%	2.7%	1.3%	-	(6.3%)
3-Apr	3.4%	3.9%	3.0%	(0.4%)	(1.7%)	2.3%	4.1%	4.7%	11.9%	(9.5%)	1.1%
10-Apr	3.6%	4.5%	3.0%	5.8%	8.5%	0.0%	1.6%	3.9%	(13.4%)	(5.4%)	8.0%
17-Apr	4.5%	6.2%	3.2%	1.2%	2.7%	6.9%	1.7%	6.6%	(13.2%)	1.0%	6.9%
24-Apr	0.5%	2.4%	(0.4%)	(2.3%)	2.1%	(4.0%)	(2.5%)	(6.4%)	12.6%	(5.6%)	(2.4%)
1-May	0.9%	1.5%	0.5%	0.3%	(0.3%)	4.9%	(2.0%)	(0.5%)	8.0%	10.2%	(0.8%)
8-May	2.3%	5.5%	0.2%	0.5%	5.4%	(3.7%)	2.2%	6.6%	(6.4%)	(0.8%)	2.4%
15-May	0.1%	(0.4%)	(0.2%)	(2.7%)	(2.1%)	(2.1%)	(3.7%)	(5.4%)	10.5%	7.4%	(2.2%)
22-May	0.9%	1.2%	2.1%	0.2%	3.1%	(2.2%)	(0.7%)	(0.6%)	(8.4%)	(1.8%)	(5.9%)
YTD Return	9.0%	17.0%	4.5%	(12.1%)	25.8%	(14.1%)	4.1%	3.7%	68.5%	(19.7%)	(27.7%)

Asset Class Performance

Equity Market

Week ending >>>					
	15-May-26	22-May-26	YTD Returns	Growth for the month	Growth for the week
Equity Indices					
S&P 500 (USD)	7,408.5	7,473.5	9.0%	4.9%	0.9%
NASDAQ (USD)	29,125.2	29,481.6	17.0%	10.5%	1.2%
Dow Jones (USD)	49,526.2	50,579.7	4.5%	2.3%	2.1%
SENSEX (INR)	75,238.0	75,415.4	(12.1%)	(3.9%)	0.2%
Stoxx 600 (EUR)	606.9	625.1	4.9%	(0.2%)	3.0%
Nikkei (JPY)	61,409.3	63,339.1	25.8%	8.3%	3.1%
Hang Seng (HKD)	25,962.7	25,606.0	(2.8%)	(2.1%)	(1.4%)

- **US Equities:**

- The S&P 500 rose 0.9% WoW, its eighth consecutive weekly gain and longest streak since 2023. The prior seven weeks delivered approximately 17% in cumulative gains.
- NVIDIA's Q1 FY2027 results were the week's anchor event. Revenue of \$81.6bn (+85% YoY, +20% QoQ) beat consensus of \$78.9bn. CEO Jensen Huang declared "Agentic AI has arrived," framing the next demand cycle as AI systems autonomously completing complex tasks. Q2 guidance of approximately \$91bn implies another step-up. NVIDIA also announced an \$80bn stock buyback. Despite these results, the stock declined ~6.0% post-earnings, the third consecutive quarter of a post-results decline on beats, consistent with a market that has already priced the cycle at a high multiple.
- On the Mag 7 Q1 EPS context, the seven companies averaged 63% EPS growth vs 17% for the remaining 493 S&P 500 companies, the highest Mag 7 growth rate in nearly six years. This concentration of earnings support is both the rally's strength and its structural vulnerability.
- The DJIA rose 2.1% WoW to 50,579.7, setting a new all-time high. NASDAQ gained 1.2%. The Dow's outperformance of NASDAQ in a week of record AI earnings is analytically unusual and reflects the value/cyclical rotation trade rather than an AI-led advance.
- May Flash PMI data (released Thursday) showed a composite of 51.7, with manufacturing at 55.3 (four-year high) but services slipping to 50.9 (two-month low). The inflation components were the concern: input costs rose at the fastest pace since late 2022, and selling price inflation was the highest since August 2022. Employment fell overall. This is a stagflationary PMI configuration: activity expanding, but cost pressures accelerating and hiring softening simultaneously.

- **Sensex:**

- The SENSEX rose 0.2% WoW to 75,415.4, a marginal gain that masks a structurally weak backdrop. YTD, the index is down (12.1%), the worst performer among all major indices tracked. The fractional weekly recovery was not driven by any improvement in macro fundamentals but by a specific combination of DII support and the partial oil pullback.
- The FII exodus from Indian equities has reached a structural inflection point. YTD FII outflows stand at approximately \$22.9bn, already surpassing the entirety of 2025's \$18.9bn outflow in under five months. For the week, FII selling on Friday was approximately \$46mn, absorbed by DII buying of approximately \$63mn. YTD, DIIs have absorbed approximately \$17.8bn, covering nearly 90% of FII selling. For the first time in nearly two decades, FII ownership of Indian equities has fallen below domestic institutional ownership, to approximately 14%, against DII ownership of approximately 18.9%.
- The RBI has been running the largest sustained liquidity injection cycle outside the Covid period, deployed through three tools simultaneously. First, Open Market Operations: the RBI has conducted successive rounds of government securities purchases since December 2025, totalling approximately \$42bn in bond purchases across December through March, aimed at replenishing domestic liquidity drained by its own dollar sales in the forex market. Second, USD/INR buy-sell swap auctions: \$10bn in January, \$10bn in February, and \$5bn in March, each for a three-year tenor, injecting durable rupee liquidity back into the banking system. A further \$5bn swap was announced for 26 May, a direct

response to the rupee piercing 96.96/USD on 20 May. Third, CRR: cut by 100bps, unlocking an estimated \$26bn in systemic liquidity. Cumulatively, the RBI has injected approximately \$99bn into the banking system since late 2025, the largest peacetime liquidity programme in its history.

- **Stoxx 600:**

- The Stoxx 600 rose 3.0% WoW to 625.1. The driver was almost entirely the Monday Iran de-escalation trade. Trump's called-off military strike announcement sent European equities sharply higher on Monday morning. Oil's subsequent weekly decline reduces Europe's energy import bill directly, with the Eurozone having the highest terms-of-trade sensitivity among developed market regions.
- UK April CPI slowed to 2.8% (vs 3.3% in March, vs 3.0% consensus), a positive surprise. UK unemployment rose to 5.0% from 4.9%, providing the Bank of England some forward flexibility. UK gilts remain elevated at approximately 4.90%, among the highest of any major developed market sovereign.
- The European Commission downgraded its 2026 Eurozone GDP forecast to 0.9% (from 1.2% prior estimate, vs 1.4% actual in 2025) and raised its inflation forecast to 3.0% (from 1.9%).

- **Nikkei:**

- The Nikkei rose 3.1% WoW to 63,339.1. Three factors drove the move: SoftBank's surge on Arm's near-50% weekly rally, the oil pullback easing Japan's near-total energy import dependence, and yen weakness supporting export earnings.
- April core CPI slowed to 1.4% YoY, below the BoJ's 2% target and the lowest in four years, partly reflecting government energy subsidies. The soft print reduces near-term BoJ tightening pressure, which is JPY-negative and equity-positive. BoJ board member Koeda nonetheless signalled a June hike is possible, creating a structural tension: soft inflation argues for patience; fiscal concerns and global yield convergence argue for normalization. Intervention risk rises meaningfully above 160/USD.
- JGB 10-year yield rose to 2.76%, near three-decade highs, driven less by BoJ policy than by global yield contagion (US 30Y at 5.07%, UK gilts at 4.90%) and Japan's fiscal risk premium at approximately 270% debt-to-GDP. Q1 GDP beat at 2.1% annualized provides cover for normalization, but analysts caution the data does not yet capture the full energy cost impact on corporate margins.

Credit Market

Week ending >>>					
	15-May-26	22-May-26	YTD Change (bps)	Change for the Month (bps)	Change for the Week (bps)
Credit					
US Bond Yield (%)	4.59	4.56	36.71	30.98	(3.56)
JGB yield (%)	2.63	2.75	68.20	33.90	12.00
Week ending >>>					
	15-May-26	22-May-26	YTD Returns	Growth for the month	Growth for the week
Credit					
S&P BDC Index	48.5	47.5	(14.1%)	(7.1%)	(2.2%)

- **US Bond Yield (%):**

- The US 10-year yield ended at ~4.56%, statistically flat WoW, masking the most volatile intraweek move since the conflict began. The yield peaked at 4.69% on Tuesday before retreating after Trump's Iran comments. The 30-year hit 5.18% on Tuesday, its highest since 2007. YTD, the 10-year is up 36.71 bps.
- The April FOMC minutes were the week's most consequential fixed income event. The 8-4 vote to hold was the most dissents since 1992, with a majority indicating rate hikes could be appropriate if inflation remains above 2%. The committee has moved from debating the timing of cuts to debating the conditions for hikes, a structural shift in the policy narrative.
- The 2-year Treasury ended at 4.12%, now trading above the Fed funds rate upper bound of 3.75%. This is analytically significant: the 2-year typically anchors around expected policy rates over the next two years. When it trades above the FFR, the market is signalling it does not expect cuts and is beginning to price in the possibility of hikes. Combined with hike probability at approximately 39% by Q1 2027 per fed funds futures and rate cut expectations fully priced out for

2026, the front end of the curve is no longer a policy easing trade. The 2-10 spread at 44bps (vs 68bps at year-end) and the 30-year at 5.07% reflect simultaneous term premium expansion at the long end, as investors demand more compensation for fiscal risk and duration.

- Kevin Warsh was sworn in as Fed Chair on Friday 22 May. He inherits a divided committee, headline CPI at 3.8%, PPI at 6.0%, and a 2-year yield that has already moved ahead of his stated policy inclinations. The political framing of the White House swearing-in ceremony will remain a source of scrutiny on institutional independence, though the more immediate market question is whether Warsh's first communications as Chair validate or push back against the front-end's nascent hike pricing.

- **JGB Yield (%):**

- The JGB 10-year yield rose to 2.76% WoW (+5 bps), up 68.20 bps YTD. This is a multi-decade high (approximately 30-year), the largest YTD move among the yield instruments tracked, and is being driven by global yield contagion and Japan's own fiscal risk premium rather than BoJ policy action.
- Japan's Q1 GDP beat (2.1% annualized) provides cover for BoJ normalization, and board member Koeda's comments signal a June meeting is live. However, April core CPI at 1.4% (below the 2% target) complicates the timing case for an immediate hike.
- The structural shift worth noting: JGB yields are now trading more on fiscal risk premium than on BoJ policy signals. Japan's 30-year bond has reached near-record levels, and the 10-year yield differential with the US (4.56% vs 2.76%) continues to sustain yen carry trades, further weakening the JPY and creating the self-reinforcing dynamic of weak yen, imported inflation, and BoJ pressure to act.

- **S&P BDC Index:**

- The S&P BDC Index fell (2.2%) WoW to 47.5, (14.1%) YTD and (7.1%) for the month. BDC capital formation is down 40% YoY in Q1 2026, the sharpest contraction in the sector's history.
- Redemption gates are up across major managers. Blue Owl's two non-traded BDCs faced redemption requests of 41% and 22% of NAV in Q1, both hitting the 5% quarterly cap. BlackRock, Morgan Stanley, and Cliffwater have separately restricted redemptions. PIK loans have surged from 5% to 11% of the private credit market since 2022, masking deteriorating credit quality in reported income figures.
- NAV declines are accelerating. BlackRock TCP Capital's NAV fell 50% over one year, with non-accrual loans at 4% of portfolio. Golub Capital cut dividends 15%, with analysts forecasting a further 10-20% reduction. The private credit default rate hit a record 9.2% by end-2025, with Morgan Stanley projecting 8% across the broader market in 2026.
- Regulatory and legal scrutiny is escalating. The SEC is examining mark-to-model BDC valuations for hidden losses. The FSB published a dedicated private credit vulnerabilities report on 6 May. Multiple class action lawsuits were filed in Q1 2026 alleging overstated NAVs.
- The maturity wall compounds the pressure. The sector faces \$12.7bn in debt maturities in 2026, up 73% from 2025, at a time when capital formation has collapsed and redemption gates are limiting fresh inflows.

Currencies

Week ending >>>					
Currency	15-May-26	22-May-26	YTD Returns	Growth for the month	Growth for the week
EUR/USD	1.1625	1.1603	(1.0%)	(1.4%)	(0.2%)
GBP/USD	1.3326	1.3433	(0.2%)	(0.6%)	0.8%
USD/INR	95.9688	95.7050	6.1%	3.0%	(0.3%)
CHF/USD	1.2709	1.2741	1.0%	(0.4%)	0.3%
USD/JPY	158.7400	159.1800	1.5%	0.3%	0.3%

- **Currencies:**

- The dollar's dominant narrative this week was the hawkish Fed repricing, with the DXY broadly supported by the shift from cuts to potential hikes. EUR/USD fell (0.2%) WoW to 1.1603, caught between modest oil-pullback relief and a stagflationary Eurozone backdrop (0.9% GDP growth, 3.0% inflation) with an ECB hike expected next month.

- GBP was the week's standout, rising 0.8% to 1.3433 on the UK's better-than-expected April CPI print (2.8% vs 3.0% consensus), with gilts at 4.90% providing a yield floor for sterling. USD/INR ended at 95.7050, marginally stronger WoW as the oil pullback eased import pressure, though the 6.1% YTD depreciation and \$22.9bn in cumulative FII outflows remain the structural overhang; the gold import duty hike from 6% to 15% is a direct signal of FX reserve stress.
- USD/JPY rose 0.3% to 159.18 as soft Japanese core CPI (1.4%) reduced BoJ tightening urgency and sustained the carry trade, with MoF intervention risk rising materially above 160/USD. CHF gained 0.3% WoW despite the week's partial de-escalation, a counterintuitive move that likely reflects residual risk-off position unwinding rather than fresh safe-haven demand.

Commodities

	Week ending >>>				
	15-May-26	22-May-26	YTD Returns	Growth for the month	Growth for the week
Commodities					
Gold (USD per troy ounce)	4,540.1	4,509.4	4.1%	(6.6%)	(0.7%)
Silver (USD per troy ounce)	76.0	75.5	3.7%	(6.6%)	(0.6%)
Oil (USD per barrel)	105.4	96.6	68.5%	15.2%	(8.4%)
Natural Gas (Henry Hub)	3.0	2.9	(19.7%)	8.7%	(1.8%)
Copper (US cents per pound)	625.2	634.2	11.4%	3.7%	1.4%
Aluminium (USD per metric tonne)	3,626.1	3,692.4	23.1%	2.8%	1.8%
Wheat (US cents per bushel)	635.8	646.3	27.6%	9.3%	1.7%
Sugar (US cents per pound)	14.8	14.7	0.7%	10.4%	(0.7%)

• Gold (USD per troy oz):

- Gold fell (0.7%) WoW to \$4,509.4, extending a (6.6%) monthly decline. YTD gain has narrowed to 4.1%, from a January ATH of approximately \$5,600/oz.
- This is the week's most analytically compelling counterintuitive move. Active geopolitical conflict, a record-low consumer sentiment reading, and the highest CPI in three years are the exact conditions under which gold should appreciate. Instead, gold continues to decline. The explanation is mechanical: rising nominal yields (US 30Y at 5.07%) and a strengthening USD raise the opportunity cost of holding non-yielding gold. In this regime, real yield dynamics dominate geopolitical safe-haven demand. This framework has held consistently since the conflict began.
- India's gold import duty hike (6% to 15%) removes a significant incremental demand driver from the world's largest retail gold consumer, adding a structural headwind.

• Oil (USD per barrel):

- WTI fell (8.4%) WoW from \$105.4 to \$96.6, the largest single-week percentage decline across all tracked asset classes. Brent closed at approximately \$103.5, also down substantially WoW. The catalyst sequence was specific: Trump's called-off strike announcement on Monday triggered the initial decline, Iran's review of the US peace proposal on Thursday extended it, and Trump's "final stages" comment drove the sharpest intraweek move.
- The key analytical point is what remains unresolved. Iran's enriched uranium stockpile and Hormuz transit toll demands are the two critical sticking points in negotiations. Without resolution of the Hormuz issue specifically, even a ceasefire does not restore normal oil flows through the world's most important maritime chokepoint (through which approximately 20% of global oil flows). Wood Mackenzie's scenario analysis estimates Brent at approximately \$80/bbl in a full peace scenario by year-end, implying approximately 23% further downside from current levels if a deal is reached, and a persistent risk premium if it is not.
- At \$96.6/bbl, WTI remains approximately 68% above year-start levels. The cumulative inflationary damage is already embedded across the global economy.

Cryptocurrency

Week ending >>>					
	15-May-26	22-May-26	YTD Returns	Growth for the month	Growth for the week
Crypto					
Bloomberg Crypto Index	2,066.1	1,943.8	(27.7%)	(8.7%)	(5.9%)
Bitcoin (USD)	79,081.2	75,905.4	(16.7%)	(1.9%)	(4.0%)
Ripple	1.4	1.3	(36.0%)	(9.5%)	(6.5%)
Solana	89.2	85.0	(36.5%)	(4.6%)	(4.8%)

- **Cryptocurrency:**

- The Bloomberg Crypto Index fell (5.9%) WoW to 1,943.8, the largest single-week decline across all tracked asset classes. Bitcoin fell (4.0%) to \$75,905.4; Ripple fell (6.5%) and Solana (4.8%), consistent with altcoins' higher beta profile. YTD, the Bloomberg Crypto Index is down (27.7%).
- The week's most analytically significant observation in crypto: in a week where the S&P 500 rose 0.9%, the Dow hit an all-time high, and Nikkei gained 3.1%, crypto declined across the board. In weeks of genuine risk-on sentiment, crypto typically participates.
- The CLARITY Act (passed earlier in May) improved the regulatory outlook structurally, but near-term ETF outflows and leveraged long liquidations have continued to weigh on prices. Regulatory clarity helps the medium-term case; it does not offset macro rate headwinds in the near term.

Updates in AI sector over the week

- NVIDIA reported Q1 FY2027 revenue of \$81.6bn (+85% YoY), data centre revenue of \$75.2bn (+92% YoY), and Q2 guidance of ~\$91bn, implying continued sequential growth against a trillion-dollar order book through 2027. Despite the beat, the stock declined modestly post-earnings, the third consecutive quarter of this pattern, suggesting the cycle is priced in. An \$80bn buyback was announced alongside results.
- Arm and Qualcomm were the week's standout equity moves. Arm surged ~50% WoW (+102% YTD) on the thesis that the shift from GPU-heavy training to CPU-efficient inference directly benefits its royalty model. Qualcomm gained 12% Friday on AI edge device demand. Both moves signal the market is beginning to broaden the AI hardware trade beyond NVIDIA.
- SpaceX filed its S-1 on 20 May, targeting a \$75bn raise at a \$1.75tn valuation on Nasdaq (SPCX). Roadshow expected ~5 June, trading ~12 June. The filing reveals Starlink's 63% EBITDA margin (\$11.4bn revenue, +50% YoY) as the cash engine, offset by xAI's \$6.35bn operating loss. Dual-class structure means public investors carry economic risk with no governance rights. At ~90x recast revenue, the valuation is a bet on Starship and orbital AI infrastructure, not current financials. Back-to-back mega-IPOs (SpaceX in June, OpenAI potentially later in 2026) at these valuations is a late-cycle capital markets signal worth monitoring.
- AI governance took a structural step forward. Microsoft, Google, and xAI agreed to provide the US government pre-release model access via NIST. The White House is formalising a frontier model review process, a departure from its prior light-touch approach driven by national security concerns.

Geopolitical News & Outlook for the upcoming week

- **Iran:** Trump cancelled a planned military strike on Monday 18 May after direct appeals from the Qatari Emir, Saudi Crown Prince MBS, and UAE President MBZ, driving the week's equity rally. Mid-week, Trump described talks as in "final stages," triggering oil's (8.4%) weekly decline. Two sticking points remain unresolved: Iran's enriched uranium stockpile and its demand for Hormuz toll collection rights. Each positive diplomatic signal is moving oil 5%+, reflecting how much conflict risk premium remains embedded. A ceasefire alone is not sufficient; Hormuz transit normalisation is the necessary condition for structural oil price relief.
- **Russia-China:** Putin visited Beijing on 19-20 May, producing 40+ bilateral agreements. Discussions on the Power of Siberia 2 pipeline did not conclude but signal China's deliberate strategy of building long-term energy supply through non-Hormuz routes. This structurally reduces China's incentive to push for a swift Iran settlement, a dynamic with direct implications for how long the oil risk premium persists.
- **Indonesia:** Bank Indonesia delivered a surprise 50bps hike to 5.25% on 20 May, its first since 2024, after the rupiah hit a record low. The currency continued to weaken post-announcement. This is the Iran oil shock transmitting directly into EM central bank tightening cycles, not just inflation prints.

Global Institutional Advisors

1202-B, Tower Plaza Hotel, Near Emirates Tower Metro Station, Sheikh Zayed Road, Dubai



- **Turkey:** A court ruling of "absolute nullity" over the opposition CHP's 2023 congress triggered equity circuit breakers, bond yield spikes, and lira reserve intervention. Though outside GIA's tracked universe, the event is a template for how political-legal shocks can instantaneously destabilise EM asset markets in ways standard macro frameworks do not capture.
- **APEC Suzhou (22-24 May):** Trade Ministers convened with China as 2026 host. Early signals show the two sides remain far apart: China pushing for lower tariffs, the US pushing for reciprocity. The goodwill from the Xi-Trump summit has not translated into structural tariff movement. The Shenzhen leaders' summit in November is the next meaningful checkpoint.

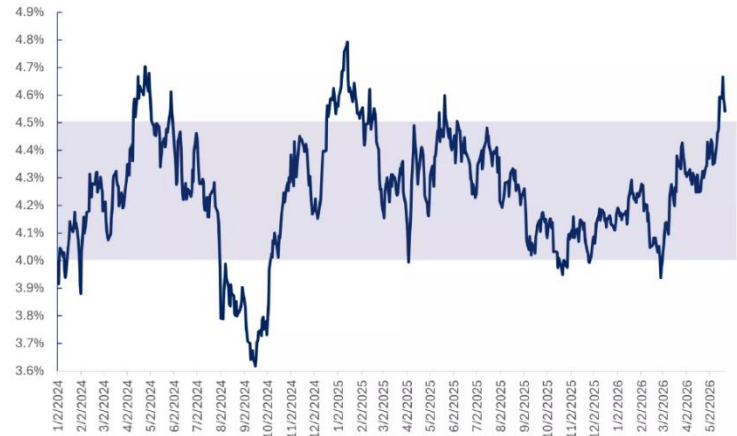
Insights from the Street

Fed policy is better positioned than in 2022



Source: Bloomberg, Edward Jones.

Treasury yields are testing the top of their recent range
10-year Treasury yield



Source: Bloomberg, Edward Jones.

The Fed's Inflation Tightrope: Policy Rates vs. Market Pricing

- The two charts together tell a single story. The left chart shows that unlike 2022, when the Fed was running a deeply negative real rate while inflation surged to 9%, today's policy rate at 3.75% is broadly tracking CPI at 3.8%, meaning the Fed is not behind the curve in the same structural sense. This is the argument against aggressive hikes.
- The right chart complicates that comfort: the 10-year Treasury has broken above the top of its two-year 4.0%-4.5% trading range, briefly touching 4.69% intraweek, a level that has historically either triggered equity volatility or reversed on softer data.
- The tension between the two charts is the market's central question right now: is the Fed genuinely better positioned than 2022, or is CPI's re-acceleration in early 2026 the beginning of a sequence that makes the left chart look less reassuring with each passing month? The answer depends almost entirely on whether the Iran conflict resolution removes the energy component from inflation, or whether core price pressures prove sufficiently sticky to force Warsh's hand.

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