



THE MONTH'S BIG THEMES

ECONOMY:

- **Global economic activity showed signs of resilience**, with the energy shock proving less disruptive than initially feared as spillovers outside energy and transportation remains contained. At the same time, **corporate earnings remained supportive**, underpinned by strong growth in the US and Asia and encouraging results from European companies.
- **US – Higher headline inflation but limited spillovers:** Annual inflation accelerated to 3.8% in April, its highest level in several years. Energy costs were the primary driver, although core inflation remained resilient. The FED minutes from the April meeting confirmed a more hawkish tone from policymakers given elevated inflation pressures. The labor market remained firm, with an unemployment rate at 4.3%. K. Warsh has taken over the Fed following J. Powell's departure, although Powell remains a voting member.
- **Eurozone – A weakening economy:** Economic data remained soft, with the composite PMI falling to its lowest level since late 2023, pointing to weaker growth prospects. Consumer confidence improved modestly in May but remained below its long-run average, suggesting little momentum in consumer spending. Inflation came at 3% in April. The ECB appears committed to further tightening, reinforcing downside risks to the growth outlook.
- **UK – Cooling inflation and business activity:** Political uncertainty increased following the regional election outcomes and a decline in Labor Party support, prompting greater debate over the sustainability of fiscal policy and public finances. On the economic front, inflation surprised to the downside, while labor market data pointed to a continued loss of momentum. Business activity declined, driven by a fall in services activity. UK inflation softened in April, with CPI easing to 2.8%, though the decline may prove temporary amid still-sticky price pressures.
- **China – Fading growth momentum:** Price pressures strengthened modestly in April, with inflation rising to 1.2% YoY as higher energy and consumer goods prices outweighed declines in food costs. Economic momentum, however, remained fragile, after a strong Q1, reflected in weaker retail sales and a significant contraction in industrial output. Combined with a narrower base of export strength, these developments have revived expectations of further policy support to bolster growth prospects for Q2.
- **Japan – An economy in decent shape:** Q1 GDP growth exceeded forecasts at 2.1% QoQ, largely reflecting resilient consumer demand. Exports and government investment also performed strongly, benefiting from supportive fiscal policies introduced by the new administration. Meanwhile, headline inflation fell to 1.4% YoY in April, helped by fuel subsidies, that limited energy inflation

GEOPOLITICAL TENSION:

- **Signs of diplomatic progress between the US and Iran**, including news of a memorandum of understanding, a potential reopening of the Strait of Hormuz, and a 60-day extension of the ceasefire. However, reports remained mixed on whether a longer-term peace deal could be reached
- **No respite in the Russian-Ukrainian conflict**, with bombings now reaching Kyiv.

EARNINGS EXPECTATIONS:

- **May earnings season remained supportive**, with Q1 results showing solid broad-based growth and helping underpin risk sentiment..

CHARTS OF THE MONTH

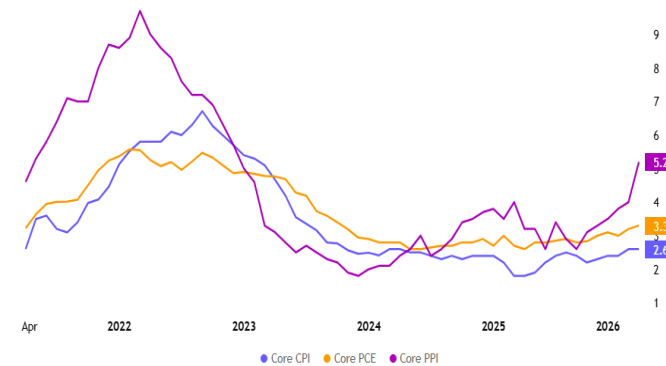
Global inflation heatmap, YoY

	Jul 25	Aug 25	Sep 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26
USA	2.7%	2.9%	3%	2.7%	2.7%	2.4%	2.4%	3.3%	3.8%
Mainland China	0%	-0.4%	-0.3%	0.7%	0.8%	0.2%	1.3%	1%	1.2%
Germany	2%	2.2%	2.4%	2.3%	1.8%	2.1%	1.9%	2.7%	2.9%
Japan	3.1%	2.7%	2.9%	2.9%	2.1%	1.5%	1.3%	1.5%	1.4%
India	1.81%	2.07%	1.44%	0.71%	1.33%	2.74%	3.21%	3.4%	3.48%
UK	3.8%	3.8%	3.8%	3.2%	3.4%	3%	3%	3.3%	2.8%
France	1%	0.9%	1.2%	0.9%	0.8%	0.3%	0.9%	1.7%	2.2%
Italy	1.7%	1.6%	1.6%	1.1%	1.2%	1%	1.5%	1.7%	2.7%
Canada	1.7%	1.9%	2.4%	2.2%	2.4%	2.3%	1.8%	2.4%	2.8%
Brazil	5.23%	5.13%	5.17%	4.46%	4.26%	4.44%	3.81%	4.14%	4.39%

Source: Trading View

US core inflation, YoY

Analyze various inflation components with core CPI, PCE, and PPI.



Source: Trading View

MARKET'S REACTION

EQUITY

- **May delivered decent returns and a renewed appetite for risk.**
- **Global markets set new record highs**, with investors continuing to price in geopolitical de-escalation. While diplomatic negotiations were still in progress at month-end, a potential US-Iran accord, combined with expectations of a reopening of the Strait of Hormuz, marks some improvement to the geopolitical background.
- **Emerging Markets continued their strong momentum**, outperforming again Developed Markets, led largely by strong gains in South Korea (+33%) and Taiwan (+14%), linked to the AI semiconductor supply chain. The MSCI Worl edged up by 4,9% and the MSCI Emerging markets posted a return of 8,6%.
- **US Q1 2026 earnings increased by 30% YoY**, led primarily by technology. Even without the tech sector, profit growth remained broad-based at roughly 20%. **Major indices posted decent gains in May**, with the Nasdaq enjoying a double digit return at +10,5%. The S&P 500 gained 5,1% followed by +4,3% for the Small caps index. Energy was the weakest sector. Investors rotated away from defensive sectors, favoring higher growth sectors. Single-stock volatility remained high, while the VIX stood near its lowest level since January, a historically unusual and fragile combination.
- **European indices lagged their US peers.** With the Middle East related-risks weighing harder on the European economies, the Stoxx 600 returned +2,4%. Some disparities among the countries, with the German DAX (+3,3%) outperforming its French peer (+0,8%). The UK Footsie was again the laggard, with a return of only 0,3%, the index being by nature more defensive and less growth and tech stocks oriented. **European earnings growth was more subdued, at around 5%**, but more than 60% of companies still beat estimates, a rate above the long-term average
- **Asian indices posted another month of gains in May**, with the Japanese Nikkei increasing by a stellar 11,9% and mainland China by 1,8%. The **Asian earnings season was particularly strong**, with profits rising by around 40% YoY, led by the technology and semiconductor industries.

FIXED INCOME

- **Fixed income experienced significant volatility in May.** Core sovereign yields rose sharply earlier in May, reaching levels not seen in some time. However, the prospect of a deal toward the end of the month, that would mitigate the impact of the energy crisis, pushed yields lower across the board.
- **Solid corporate fundamentals drove credit spreads tighter.** European credits outperformed their US peers and emerging debt outperformed globally, on the back of resilient emerging market economic activity and elevated tech exposure. Quality bonds outperformed high beta.

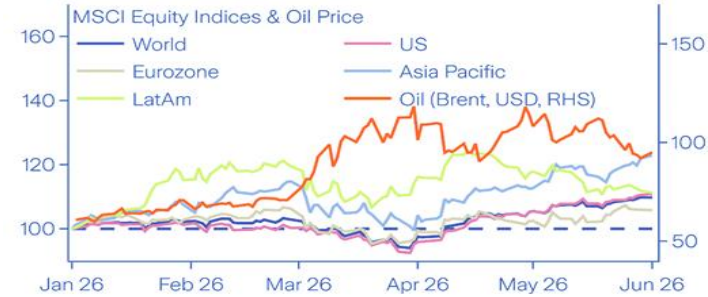
COMMODITIES

- **Oil prices fell sharply**, with the WTI and the Brent closing respectively 16,9% and 19,3% lower.
- **Precious metals ended the month mixed**, with Gold lower by 1,2% and Silver up by 2,8%.

CURRENCIES & CRYPTO

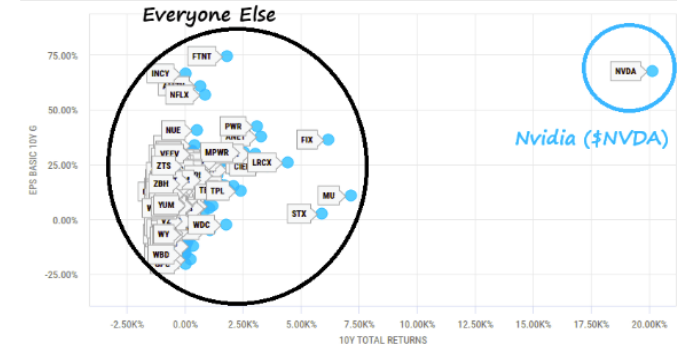
- The **US Dollar was slightly up versus its currency basket (+0,8%)**.
- After a strong momentum at the beginning of the month, **cryptocurrencies ended may in negative territory**, pressure by three consecutive weeks of ETF outflows. Bitcoin fell 3,8%, Ethereum 10,8%, and the Ripple 2,9%.

CHARTS OF THE MONTH



Source: Zurich

S&P 500 Companies: 10-Year Total Return (x-axis) vs. 10-Year Annualized EPS Growth (y-axis)

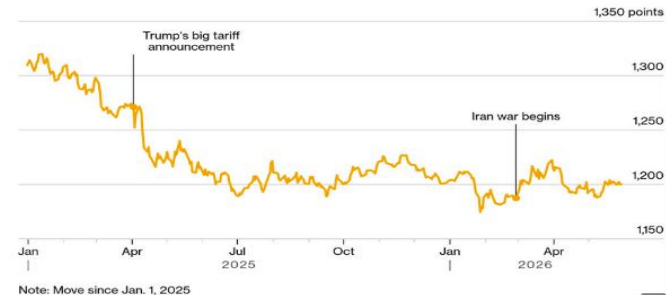


Source: C. Bilello

The Dollar's Downtrend Has Levelled Off

Prospect of tighter monetary policy has boosted greenback

▲ Bloomberg Dollar Spot Index



Note: Move since Jan. 1, 2025

Source: Global Market Investors



MONTHLY MARKET INSIGHTS

May 2026

MONTHLY MARKETS REVIEW (As of May 2026, 29th)

EQUITY MARKETS

	MTD	YTD
MSCI World (USD)	+4.9%	+9.9%
MSCI Emerging (USD)	+8.6%	+25.4%
S&P 500 (USD)	+5.1%	+10.7%
NASDAQ 100 (USD)	+10.5%	+20.1%
RUSSELL 2000 (USD)	+4.3%	+17.6%
STOXX 600 (EUR)	+2.4%	+5.6%
DAX (EUR)	+3.3%	+2.5%
CAC 40 (EUR)	+0.8%	+0.4%
FTSE 100 (GBP)	+0.3%	+4.8%
NIKKEI (JPY)	+11.9%	+31.8%
CSI 300 (CNY)	+1.8%	+5.7%
BOVESPA (BRL)	-7.2%	+7.9%
HANG SENG (HKD)	-2.3%	-1.7%

FIXED INCOME MARKETS

	MTD	YTD
Global Aggregate USD (Hedged)	+0.5%	+0.6%
Global Aggregate EUR (Hedged)	+0.4%	-0.1%
US Investment Grade	+0.9%	+0.8%
US High Yield	+0.4%	+1.6%
EU Investment Grade	+1.1%	+1.0%
EU High Yield	+1.1%	+1.2%
EM Local Ccy. Gov (Unhedged)	+1.2%	+1.2%
EM Hard Ccy. Aggregate (Unhedged)	+1.2%	+1.8%

CRYPTO CURRENCY MARKETS

	MTD	YTD
Bitcoin	-3.8%	-16.2%
Ethereum	-10.8%	-32.2%
Ripple	-2.9%	-27.8%

COMMODITY MARKETS

	MTD	YTD
Gold	-1.2%	+5.4%
WTI Crude	-16.9%	+52.1%
Brent Crude	-19.3%	+51.3%
Silver	+2.8%	+7.8%
Natural Gas	+18.9%	-10.7%
Copper	+7.3%	+13.0%





CURRENCY MARKETS

	MTD	YTD
US Dollar Index (DXY)	+0.8%	+0.6%
EURUSD	-0.3%	-0.8%
GBPUSD	-0.3%	-0.2%
AUDUSD	+0.5%	+7.0%
USDCHF	-0.9%	-1.0%
USDJPY	-0.6%	+1.8%

Source: Yahoofinance.com

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