

Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – ceasefire hopes propel stock markets to record highs

Global stock markets surged to record highs last week as optimism about the prospects for a US-Iran ceasefire and falling oil prices fuelled positive sentiment among investors. The technology-heavy **US Nasdaq 100 index was up 2.5%** (in sterling terms), lifted by artificial intelligence (AI) enthusiasm and a strong week for tech stocks. The **Nikkei 225 was the global standout, with a rise of 4.3%**, supported by falling energy prices. The **MSCI Emerging Markets index gained 3.6%** and **MSCI Asia Pacific (excluding Japan) was up 3.5%**, led by Korea and Taiwan in a strong week for semiconductor companies that saw the total stock market value of South Korean chipmaker SK Hynix pass the \$1 trillion mark. The **MSCI Europe (excluding the UK) index edged up 0.8%**, while the **FTSE 100 slipped 0.4%**, held back by its exposure to energy companies. **MSCI China fell 1.5%**, weighed down by trade tensions with the European Union and regulatory pressure on offshore brokerages serving mainland investors.

Geopolitics – deal or no deal? Ceasefire optimism lifts markets but risks remain

Reports of a US-Iran memorandum of understanding covering a ceasefire extension and gradual reopening of the Strait of Hormuz were the dominant market driver. The **Brent Crude oil price fell roughly 17% in May**, its steepest monthly decline since 2020, driving a broad relief rally across equities and bonds. However, the situation remained volatile, with fresh US military strikes mid-week briefly sending oil back toward \$98 before it retreated again. US President Donald Trump had not formally signed off the memorandum by the week's end, and Iranian state media said nothing had been finalised. **Investors have seen false dawns before**, and sustained evidence of restored shipping traffic will be needed before oil prices fall closer to pre-conflict levels.

Central banks – rate rises on table as inflation remains stubbornly high

The inflation backdrop remains uncomfortable despite easing oil prices. **US Personal Consumption Expenditure (PCE) inflation rose 3.8% year-on-year in April**, the highest level since May 2023, with core PCE (which excludes volatile food and energy costs) at 3.3%, well above the 2% target of the US Federal Reserve (the Fed). Senior officials at the Fed have signalled they are open to interest rate hikes. The European Central Bank's April minutes revealed similar sentiment, with a **June rate hike now widely expected**. Many central banks are now sending out a similar signal: rate cuts are off the table, and the bar for rate increases is falling.

News – Anthropic and Dell make the headlines

AI enthusiasm continued. **Anthropic is now valued at close to \$1 trillion**, ahead of a rumoured stock market float, while **Dell surged nearly 33%** on strong AI server guidance. Meanwhile, **Microsoft gained 5% and Oracle rose over 10%** in a positive week for software companies. AI-related spending is estimated to have contributed a full percentage point to US economic growth over the past year, the largest such surge since the 1990s IT cycle.

Economic data – growth holds up, but inflation remains the fly in the ointment

US economic growth (as measured by gross domestic product or GDP) for the first quarter was revised down to **1.6% annualised**, though underlying growth, stripping out volatile trade and inventory swings, looked healthier at **2.2%**. Core PCE inflation at **3.3%** means further rate cuts by the Fed are firmly on hold. In Japan, **Tokyo core Consumer Price Index (CPI) inflation slowed to 1.3% in May**, the fourth consecutive month below the Bank of Japan's 2% target, complicating the case for a June rate hike.

Commodities

Brent Crude oil settled around \$91-92 per barrel last week, representing a fall of roughly 17% in May. This is the steepest monthly decline since 2020. Ceasefire optimism drove the move, though with Trump yet to approve the deal and Iran yet to confirm, prices remain sensitive to any shift in the diplomatic backdrop.

Gold rose to around \$4,580 per ounce, recording a modest 0.8% monthly decline. Inflation expectations and geopolitical uncertainty continued to support safe-haven demand, while the higher interest available from bonds helped to limit further rises.

Week ahead – what to watch

US: May manufacturing purchasing managers' index (PMI) data (a key indicator of business activity) (Mon); April JOLTs job openings (Tue); May services PMI (Wed); May non-farm payrolls (number of jobs added) and unemployment rate (Fri).

Europe: Euro area May inflation rate year on year (initial figures) (Tue).

Asia: China manufacturing PMI (Mon); India first-quarter GDP growth rate year on year (Fri).

Canada: May unemployment rate and PMI (Fri).

UK: No major data releases scheduled.

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics

Risk Warnings

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