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Weekly Market Review

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Market recap – peace deal hopes drive relief rally

Global stock markets recovered from the previous week's tech rout, with a powerful Friday rally driven by a fall in oil prices and growing optimism about the prospects for a US-Iran peace deal. US markets led the rebound, with the **Nasdaq 100 climbing 2.1%** (all returns quoted are in sterling terms) and the **S&P 500 up 0.4%**. US smaller companies were the standout performers though, with the **Russell 2000 surging 3.7%** and **MSCI USA Small Cap up 3.8%**. In the UK, the **FTSE 100 rose 1.0%**, supported by banks and mining companies, while **MSCI Europe excluding UK gained 1.9%**. Japan was the clear laggard, with the **TOPIX falling 1.9%** and the **Nikkei 225 down 1.0%**, weighed by a stronger yen and jitters about the valuations of artificial intelligence-related stocks. **MSCI Asia Pacific excluding Japan slipped 0.5%** and **MSCI Emerging Markets was down 0.2%.**

Geopolitics – Hormuz in focus as deal edges closer

Middle East diplomacy dominated sentiment during the week. The US launched strikes on Iran after accusing Tehran of downing a US helicopter. But the tone shifted decisively on Thursday when President Donald Trump cancelled further attacks and signalled a deal was near. Under the agreement, which is expected to be signed on Friday, the **Strait of Hormuz would reopen** after more than 100 days closed. The deal includes a commitment by Iran that its forces will clear mines and that it will not charge tolls for vessels travelling through the strait during a 60-day ceasefire extension. Iran will also reaffirm it will not develop nuclear weapons, and its stockpile of over **9,000kg of enriched uranium** will be diluted under independent supervision.

Central banks – ECB hikes rates for first time since 2023

The **European Central Bank raised rates by 0.25% to 2.25%**, its first hike since September 2023, citing increased inflation risks caused by the Middle East energy shock. It revised forecasts to show **headline inflation averaging 3.0% in 2026** and **2.3% in 2027**, while trimming its economic growth forecast to **0.8% for 2026**. Investors have priced in another rate hike, probably in September. The week ahead will be a busy one for central banks, with the US Federal Reserve (the Fed), Bank of Japan (BoJ), Bank of England (BoE), Reserve Bank of Australia (RBA) and others all holding rate-setting meetings. The **BoJ is widely expected to increase its rate by 0.25% to 1.0%**, its first increase since December 2025.

News – SpaceX makes history

Company news last week was dominated by the stock market flotation of **SpaceX**, the largest on record. The company raised roughly **$75 billion** and was priced at **$135 a share**. This valued SpaceX at nearly **$1.8 trillion** and placing it among the world's ten largest companies from day one. The share price rose around **19% in the first day of trading on Friday.** The company will have to wait a year before being included in the S&P 500 index, but will be admitted sooner to the Russell 1000, MSCI USA and Nasdaq 100 indices. Artificial intelligence giants Anthropic and OpenAI are also expected to float on the stock market this year.

Economic data – US inflation higher and jobless claims up

US headline consumer price index (CPI) inflation rose 4.2% year on year in May, the highest rate since 2023, driven largely by rising energy costs. However, the monthly rate eased to 0.5% and **core CPI** (with volatile food and energy costs stripped out) **moderated to 0.2%** month on month. Initial jobless claims climbed to **229,000**, a third consecutive weekly rise and the highest since early February. Consumer sentiment improved but remained subdued. In the UK, **economic growth** (as measured by gross domestic product or GDP) **contracted 0.1% in April**, the first decline in eight months, with weaker activity in the services sector acting as a drag. China provided brighter news, with **exports jumping 19.4% year on year**, well ahead of forecasts, and with semiconductor exports more than doubling. However, Chinese consumer inflation remained weak at **1.2%.**

Commodities

The Brent Crude oil price fell 3.4% on Friday to around $87 per barrel on hopes of a peace deal between the US and Iran. Over the week, the **S&P GSCI Brent Crude oil index was down -5.9%** (in sterling terms), though it is still up sharply since the conflict began. **The gold price dropped 3.0%** to around $4,200 per ounce, as interest rate-hike expectations and easing energy fears undermined its safe-haven appeal. **The wider commodities index fell 2.6%** and **industrial metal prices were broadly flat**.

Week ahead – what to watch

US: Building permits & housing starts (Tue); retail sales; Fed interest rate decision, & press conference (Wed).

UK: Inflation rate for May (Wed); unemployment rate & BoE interest rate decision (Thu); retail sales (Fri).

Japan: BoJ Interest rate decision (Tue); balance of trade (Wed); inflation rate for May (Fri).

Asia: China industrial production & retail sales (Tue).

Europe: Germany economic sentiment (Tue).

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

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