# Multi-Asset Investment Solutions
# Weekly Market Review

**Author**
Nick Warmisham
Investment Analyst

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## **Market recap** – US stocks rise, while UK and Chinese shares lag

The performance of global stock markets was mixed last week, with **US markets extending gains** while the **UK and China lagged**, highlighting ongoing regional differences. The **US S&P 500 rose 2.3%** and the **Nasdaq 100 gained 1.7%**, supported by continued strength in large technology companies and artificial intelligence (AI) related stocks, although investors began to take some of their profits later in the week. European shares edged up, with the **MSCI Europe (excluding the UK) index rising 0.3%**, helped by improving investor sentiment towards Germany, despite energy price pressures. **UK stocks underperformed**, with the **FTSE 100 down 0.2%**, weighed down by political uncertainty and rising government borrowing costs. In Asia, **Japan outperformed**, with the **TOPIX up 1.7%**, while **China lagged**, with the **MSCI China index falling 2.4%**, as investors remained cautious following limited concrete outcomes from the US-China talks when Donald Trump visited Beijing last week.

## **Geopolitics** – energy prices and inflation remain in focus

Geopolitical developments continued to influence stock markets, mainly through their impact on energy prices and inflation expectations. The prolonged disruption to shipping through the **Strait of Hormuz** kept oil prices elevated, reinforcing concerns around rising costs for businesses and the impact on global inflation. Elsewhere, the **US-China summit** was constructive in tone but short on substance, limiting any lasting positive impact on investor sentiment. For stock markets, attention remains firmly focused on the economic impact of geopolitics rather than the political details.

## **Central banks** – persistent inflation complicates interest rate decisions

Central banks faced a more challenging backdrop as **inflation data came in higher than expected**, particularly in the US. Stronger consumer and producer price figures pushed the interest rates on **bonds higher** and further reduced expectations of near-term cuts to broader interest rates. In the UK, rising **government borrowing costs** reflected a mix of global inflation pressures and domestic political uncertainty. The European Central Bank continued to balance tentative signs of economic stabilisation against renewed energy-driven inflation risks. Meanwhile, in Japan inflation pressures strengthened expectations of the further ‘normalisation’ of interest rates (increasing them from today’s relatively low levels). China’s authorities appeared comfortable relying on targeted support measures as domestic economic activity held up.

## **News** – AI-related companies continue to drive market performance

The dominant market story remained the **continued strength of AI-related stocks**, with earnings and guidance from large technology and semiconductor firms reinforcing confidence in their plans for sustained further investment. This supported further gains in US stocks earlier in the week, despite rising interest rates on bonds. However, stock market performance continues to be dominated by a limited number of AI-related companies, and profit-taking later in the week highlighted growing investor sensitivity to valuations and macro risks. While AI continues to underpin market performance, reliance on a small group of stocks leaves broader markets more exposed to shifts in investor sentiment.

## **Economic data** – inflation persistent but demand remains resilient

US economic data reinforced the theme of **resilient demand alongside persistent inflation pressure**. Consumer and producer prices rose more strongly than expected, pointing to broadening cost pressures, while **retail sales remained steady**, suggesting consumers are continuing to spend. In Europe, economic activity data was mixed, though **German business sentiment indicators improved** from low levels. UK retail data weakened, highlighting ongoing pressure on households. In China, stronger-than-expected services and trade data supported the view that the **domestic economy is stabilising** despite external headwinds.

## **Commodities**

**Oil prices rose sharply during the week, reaching around $105–$110 per barrel**. This was due to continuing supply disruption linked to the Middle East conflict and the continued closure of the Strait of Hormuz. **Gold fell back to around $4,530 per ounce**, declining for the week as **higher-than-expected US inflation figures pushed up the income available from bonds**, increasing their appeal for investors.

## **Week ahead** – what to watch

**US:** Publication of the minutes of the Federal Reserve's interest rate-setting committee (Wed); new housing starts data for April (Thu).

**UK:** Unemployment figures for March (Tue); inflation data for April (Wed); retail sales for April (Fri).

**Europe:** Preliminary German manufacturing purchasing managers' index (PMI) data (a measure of business activity) for May (Thu); German consumer confidence survey (Fri); German business climate index figures (Fri).

**Asia:** Chinese industrial production figures for April (Mon); Chinese retail sales data for April (Mon); preliminary Japanese economic growth (gross domestic product or GDP) figures for the first quarter (Tue); Japanese inflation figures for April (Fri).

**Canada:** Inflation data for April (Tue).

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




Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

**Intermediary Support.** 0808 145 2502

**Email.** salessupport@marlboroughgroup.com

**Website.** marlboroughgroup.com


Marlborough