

# Multi-Asset Investment Solutions

# Weekly Market Review

## Author

Nick Warmisham

Investment Analyst

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## Market recap – UK and European stock markets lead the way

Global stock markets were broadly positive last week, with the **UK and Europe standing out as clear leaders**. The **FTSE 100 rose 2.8%**, helped by easing oil prices and the index's exposure to energy and financial services companies. The **MSCI Europe (excluding the UK) index added 2.2%**, as improving sentiment lifted markets across the continent. US gains were more modest. The **S&P 500 edged up 0.2%** and the **Nasdaq 100 gained 0.6%** (both in sterling terms), as strong artificial intelligence (AI) earnings were partly offset by rising borrowing costs. Japanese stocks **slipped, with the TOPIX down 0.2%**, while **China was the notable laggard, with the MSCI China index falling 2.3%**, weighed down in part by disappointing economic data.

## Geopolitics – Strait of Hormuz talks edge forward but uncertainty lingers

US-Iran negotiations remained the dominant influence on markets. **Tentative progress towards a ceasefire extension raised hopes of a gradual reopening of the Strait of Hormuz**, the closure of which has caused the worst global energy disruption in decades. Oil prices fell sharply mid-week before recovering as talks stalled over uranium enrichment and proposed shipping tolls. **Energy prices and inflation expectations** remain the key areas for investors to watch and a resolution to the Iran conflict would ease pressure on borrowing costs and support markets broadly.

## Central banks – persistent inflation keeps rate hikes on the agenda

Rising energy-driven inflation has put central banks in a difficult position. In the US, Federal Reserve minutes confirmed policymakers are alert to inflation risks, and **investors are now considering whether the next move could be an interest rate rise** rather than a cut. The European Central Bank faces a similar challenge, with inflation higher than expected and growth forecasts cut. In the UK, **inflation in April came in at 2.8%, below the 3.0% expected**. This reduced pressure on the Bank of England to act. Japan's central bank signalled further rate rises remain possible, while Chinese policymakers kept rates on hold, preferring targeted government support measures over across-the-board cuts.

## News – Nvidia's results underpin AI investment confidence, despite muted share price reaction

**US chipmaker Nvidia reported year-on-year sales growth of 85%**, reinforcing confidence in the durability of AI-related investment. Despite the strong numbers, the share price reaction was muted, a sign of how high expectations have risen. Separately, Japanese technology investment group **SoftBank rose nearly 30% over two days** after reports that two of its companies, OpenAI and SB Energy, are moving towards stock market listings in the US. Together, these stories underscored the AI theme as the key driver of stock market performance last week.

## Economic data – US business activity holds steady, but consumer confidence falls

US business activity is holding up. The composite purchasing managers' index (PMI), **a measure of activity across manufacturing and services, held steady at 51.7** in May (a figure above 50 signals growth). However, underlying cost pressures rose at their fastest pace since 2022. **US consumer confidence fell, with the University of Michigan's sentiment index slipping to a record low of 44.8** for May and households expecting inflation of 4.8% in the year ahead. In the UK, although April's inflation figures were better than expected, the unemployment rate crept up to 5.0% and job vacancies hit a five-year low. In the eurozone, exports to the US fell nearly 39% year on year in March following last year's tariff rises, sharply narrowing the trade surplus. China disappointed, with **retail sales growing just 0.2%** year on year in April, the weakest since late 2022.

## Commodities

Oil remained around **\$103–\$106 per barrel**, easing during the week as hopes of a US–Iran ceasefire extension grew, though prices rebounded as talks stalled. The key question is whether prices stay elevated. If they do, **inflation pressures are likely to intensify**. However, a diplomatic resolution and gradual reopening of the Strait of Hormuz may help limit the longer-term impact.

Gold held above **\$4,500 per ounce**, finishing the week broadly flat as **conflicting signals on the US-Iran negotiations helped to maintain safe-haven demand**, while higher income from bonds and a firmer dollar capped further gains.

## Week ahead – what to watch

**US:** April Personal Consumption Expenditure inflation, durable goods orders and revised first-quarter economic growth (Thur).

**Europe:** May inflation readings for France, Italy and Germany (Fri).

**Asia:** Japan consumer confidence (Fri), China manufacturing PMI (Sun).

**Canada:** First-quarter economic growth (Fri).

**UK:** No major data releases scheduled.

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

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

Intermediary Support. 0808 145 2502

Email. [salesupport@marlboroughgroup.com](mailto:salesupport@marlboroughgroup.com)

Website. [marlboroughgroup.com](http://marlboroughgroup.com)

