

Key Takeaways:

- Investors tune out on and off again peace deal.
- Artificial intelligence euphoria takes over.
- Inflation is highest in three years.
- Nasdaq and growth lead U.S. equities.
- Oil prices plummet on hopes for resolution to war.

May Recap: Equities Rally on Earnings and AI while Economy Uncertain

Equity investors largely tuned out the changing headlines around U.S. and Iran ceasefire talks in May. They also disregarded mixed economic data and the shift in interest rate expectations as inflation has proven problematic. Instead, investors focused on earnings and AI stocks. The MSCI AC World Index rallied with many indices making new record highs for the month (e.g., S&P 500, Nasdaq, Nikkei 225, Topix and Kospi). In this weekly insights we review the month of May from an economic and asset class perspective.

- **Consumer fatigued:** Rising costs and stagnant wage growth is weighing on consumers. Confidence made a new record low, real disposable income has declined for three consecutive months and the personal savings rate is at the lowest since 2022.
- **Fed leader changes; tone hawkish:** Kevin Warsh replaced Jerome Powell as the Fed Chairman in May. Despite hopes for rate cuts, ongoing inflation pushed the futures market to price in potential hikes in 2H26.

- **Labor market stable:** The U.S. economy added 300K jobs in the two months ending in April. In addition, the unemployment rate held steady at 4.3%.
- **Inflation problematic:** Core PCE YoY rose at the fastest pace in three years. In addition, manufacturing and service prices are historically high while software, tech and electronic prices are surging.

Global equities: Volatility continued to decline in May as measured by the VIX Index due to optimism about an end to the war and tech euphoria.

- **U.S. tech leads:** In the U.S., growth and tech stocks led the gains with the Nasdaq making 11 record highs in the month.
- **Global tech benefits:** Asian emerging markets rallied the most as Korea and Taiwan benefitted from the AI trade.
- **European equities lag:** European equities lagged the rest of the world due to their lack of AI exposure and heavy reliance on imported oil.

Global Fixed Income: Bond yields were whipsawed on news out of the Middle East and its impact on oil prices and inflation expectations. By month end yields had declined on hopes of a resolution.

- **Credit continues to tighten:** Despite the uncertainty around inflation and economic growth, credit continued to rally. Investment grade, high yield and emerging market bonds led the rally in fixed income.
- **Long term bonds outperform:** Long term bonds (30YR) outperformed short term bonds (2YR) as inflation expectations dropped sharply.

Commodities: The Bloomberg Commodity Index fell the most in 13 months as optimism about the end of the Middle East conflict sent oil prices into correction territory (a drop of 10% or more).

- **Industrial metals** were the sole major sector of the commodity index to rally led by Copper. Supply disruptions and AI demand have boosted metals.

Weekly Economic Recap –

Consumer confidence weak as inflation climbs

Home prices as measured by the S&P Cotality Index declined for the second consecutive month in March. Of the 20 cities that are included in the Index, 16 out of the 20 saw home prices drop for the month. The largest declines were seen in Seattle, Tampa and Los Angeles. The only four cities to see prices rise were Chicago, Boston, Miami and New York.

Consumer confidence as measured by the Conference Board declined in May. The weakness was concentrated on sentiment on the current economic situation as expectations for the future modestly increased.

New home sales declined in April by the most in three months. Three of the four major regions that are monitored declined (i.e., northeast, midwest and south) while the west saw an increase. The median price rose 8%, the biggest jump since April 2019.

The second reading on 1Q26 GDP showed the economy grew less than originally reported (1.6% vs 2.0% QoQ). The downward revision was led by consumer spending and slightly weaker non residential fixed investment.

Core PCE, the Fed's preferred inflation indicator rose at the fastest pace since 2023 (3.3% YoY). Gas prices drove the headline reading higher (3.8% YoY), but core price increases were driven by software, technology, healthcare and financial services.

Personal spending outpaced income in April which drove the savings rate to the lowest since 2022. When looking at real disposable income, it has declined for three consecutive months. The last time we had three consecutive months of declining real disposable income was at the end of 2021/early 2022.

Key Takeaways:

- Consumer confidence falls further.
- 1Q26 GDP weaker than originally reported.
- Inflation rising at fastest pace since 2023.
- Optimism about the end of the war and AI boost equities.
- Yields fall as energy prices decline.
- Oil prices plummet on progress with Iran.

Weekly Market Recap –

Global equities rally on war optimism

Equities: The MSCI AC World Index rose for the second consecutive week led by the emerging markets and the U.S. Equities rallied as the AI trade continues to gain momentum and on positive signs that a deal between Iran and the U.S. may be close. Last week, the emerging markets were the largest beneficiary of a deal to end the war in the Middle East led by Korea and Taiwan. Within the U.S., the Nasdaq and large cap growth led U.S. equities with the Nasdaq making a fresh new record high.

Fixed Income: The Bloomberg Aggregate Index rallied as oil prices plummeted on hopes for an end to the conflict in the Middle East. Lower oil prices drove yields lower (prices higher). Every sector of fixed income rose but it was led by EM bonds and long term Treasuries.

Commodities/FX: The Bloomberg Commodity Index fell by the most in seven weeks led by energy and grains. Crude oil prices fell 9% for the week on hopes for an end to the Middle East conflict and reopening of the Strait of Hormuz. Grains were under pressure due to a lack of clarity around an agricultural deal between the U.S. and China.

Consumer Depleting Savings as Prices Rise



Footnotes: Data is as of April 2026.

Data Source: Bloomberg Finance LP, Verdenca Capital Advisors.

Global Equities Jump as Hopes for a Peace Deal in the Middle East Increased

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	51,032	0.9%	2.9%	4.6%	22.7%	6.9%	MSCI AC World (USD)	1,131	1.7%	5.2%	7.5%	30.3%	12.1%		
S&P 500	7,580	1.4%	5.3%	10.5%	29.7%	11.2%	MSCI EAFE (USD)	3,118	1.1%	3.1%	-0.6%	22.8%	9.4%		
Russell 1000 Growth	5,145	2.3%	7.2%	13.7%	28.7%	8.2%	MSCI Europe ex UK (USD)	3,425	1.1%	3.5%	-0.3%	19.1%	6.7%		
Russell 1000 Value	2,337	0.7%	2.9%	6.0%	28.5%	13.6%	MSCI Japan (USD)	5,528	1.8%	5.0%	0.3%	31.7%	16.1%		
Russell 2500	5,090	1.8%	4.4%	10.0%	38.0%	18.4%	MSCI UK (USD)	1,669	-0.2%	-0.3%	-3.2%	23.0%	7.0%		
Russell 2000	2,919	1.8%	4.4%	11.3%	43.2%	18.3%	MSCI EM (USD)	1,752	4.0%	9.7%	9.4%	54.3%	25.6%		
Nasdaq	26,973	2.4%	8.4%	19.2%	42.0%	16.3%	MSCI Asia ex Japan (USD)	1,161	4.1%	11.2%	11.6%	56.6%	27.8%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.7%	0.8%	0.3%	-1.3%	5.1%	0.4%	Bloomberg Commodity Index	345	-2.5%	-3.6%	12.1%	40.5%	25.0%		
U.S. Govt/Credit	4.6%	0.8%	0.3%	-1.4%	4.6%	0.2%	Crude Oil (USD/bbl)	\$87.4	-9.3%	-19.5%	20.3%	26.4%	29.9%		
U.S. 10 Year Treasury	4.4%	1.2%	0.0%	-2.7%	4.1%	-0.5%	Gold (\$/oz)	\$4,540.3	0.7%	-0.2%	-14.7%	36.8%	5.1%		
U.S. TIPS (1-10YR)	4.3%	0.8%	0.0%	0.5%	5.0%	1.8%	Copper	\$638.9	2.1%	8.7%	6.4%	36.6%	12.4%		
U.S. High Yield	7.0%	0.6%	0.5%	1.0%	7.6%	1.7%	Wheat	\$610.5	-5.7%	-6.5%	2.0%	-0.4%	14.9%		
EM Bonds (USD)	6.0%	1.1%	0.7%	-0.1%	9.5%	1.5%	U.S. Dollar	99	-0.3%	0.0%	1.4%	-0.3%	0.6%		
Municipal Bonds	3.7%	1.0%	0.4%	-0.8%	6.7%	1.3%	VIX Index	15.3	-8.3%	-9.3%	-22.9%	-17.5%	2.5%		

Footnotes: Data is as of May 29, 2026.

Source: Bloomberg Finance LP, Verdense Capital Advisors.

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