MONTHLY REVIEW

MACRO

The US-Iran conflict, which broke out in late February, remains the defining event of the semester. The closure of the Strait of Hormuz — through which approximately one-fifth of the world's oil transits — has deprived the market of around 13 million barrels per day of global production since February. This reignited inflation just as central banks were preparing to normalise their policy. At month-end, Trump's announcement of a "broadly negotiated" framework agreement with Tehran offered a tentative easing of tensions, though uncertainty remains.

In the United States, the economy is holding up: Q1 GDP growth came in at 2% year-on-year, with AI investment contributing 1.5 points according to the BEA (Bureau of Economic Analysis), inflation at 3.3% in March, unemployment steady at 4.3%, and April payrolls better than expected. The Fed held its policy rate at 3.50–3.75% for the third consecutive meeting, but with an unprecedented level of internal dissent not seen since 1992 (four dissenting votes within the committee). The minutes released on May 20 show that a majority of members now consider a rate hike if inflation remains elevated — a notable shift from the easing cycle anticipated at the start of the year. Jerome Powell's term as Fed Chair ended on May 15; he is succeeded by Kevin Warsh, seen as more hawkish.

In the euro area, the picture is stagflationary: inflation at 3.0% in April (highest since September 2023), activity contracting. Leading indicators (May composite PMI at 47.5) point to the sharpest contraction in activity since late 2023, and inflation could climb back towards 4% in coming months under the energy shock effect. The slowdown will be felt more acutely in Q2. Germany has halved its 2026 growth forecast, now expected to not exceed 0.5%. The ECB kept its deposit rate at 2%, but board member Isabel Schnabel publicly called for a hike in June, even in the event of a peace agreement. The market is now pricing a 90% probability of a June hike and around 60 basis points of cumulative tightening by year-end — an unthinkable scenario six months ago. Notably, the European Union's energy balance reflects a 38% dependence on oil.

In Switzerland, inflation remains very low (0.3% in March) and the SNB keeps its policy rate at 0%, preferring FX intervention to contain franc appreciation.

On the OPEC+ front, a notable development: the United Arab Emirates left the organisation on May 1st, mechanically reducing global spare capacity and further straining the balance of the oil market.

OUTLOOK

May confirmed the vigour of the rally that began in April: the S&P 500 crossed the 7,500-point threshold for the first time in its history, driven by corporate earnings that continue to surprise to the upside. S&P 500 Q1 2026 earnings growth came in at 27% year-on-year, the strongest since Q4 2021. Nvidia remains the symbol of this cycle: according to Goldman Sachs, together with Micron, are expected to generate alone one-third of the index's EPS growth this year. Our portfolio has benefited from this favourable backdrop, and the momentum remains intact heading into June.

The principal risk does not stem from fundamentals, but from geopolitics. Inflationary fears fuelled by the Middle East war have sent bond yields sharply higher and are now weighing on rate expectations. A deal between Washington and Tehran remains possible, but fragile — and any setback on the Iranian front would immediately push oil higher, complicating the Fed's task for the remainder of the year.

A major market event is approaching: several landmark IPOs are in the pipeline, with SpaceX set to list on June 12 likely followed by OpenAI and Anthropic. SpaceX plans to raise at least $80 billion (the previous record was Aramco with $26 billion at its IPO). This single issuance would exceed the combined total of all US listings over the past two years. The key question is whether markets can absorb such volumes. To date, none of SpaceX, OpenAI, or Anthropic has been required to publish financial accounts. They will need to do so for their listing, and there could be disappointments.

On bond markets, a notable development warrants attention. Oil, after peaking above $126 per barrel in April, has undergone a significant correction this spring. If this pullback consolidates in June, it opens a scenario in which inflation recedes and the Fed regains room to manoeuvre. However, until oil convincingly stabilises below $100, extending duration remains premature. We maintain our positioning in short-to-intermediate maturities, while closely monitoring June inflation data.

EQUITY MARKETS

Global stock market capitalisation has increased by nearly $6 trillion since the start of the conflict, driven primarily by semiconductors and AI players. The bulk of gains are concentrated in tech: Alphabet, Nvidia, Amazon, Broadcom, Apple, Intel, SK Hynix... Losses are far more broadly distributed, notably across autos, pharma, consumer goods, luxury, airlines, mining, and defence.

In the United States, the S&P 500 and Nasdaq set new all-time highs on May 26, driven by structural AI demand; conversely, consumer discretionary and commercial real estate lag, held back by a higher-for-longer rate outlook. Q1 earnings grew 27%, with the top 7 companies contributing 63% versus 17% for the remaining 493.

In Europe, the month was choppier — torn between solid fundamentals and concerns over oil and rates, gains only materialised in the final week on hopes of a ceasefire; Q1 earnings growth came in at 7%, the gap with the US reflecting Europe's marked absence from AI and semiconductors, which are driving global performance.

In Switzerland, the SMI recovered modestly: with roughly 40% in healthcare and near-zero technology exposure, its defensive structure limits volatility but caps upside potential in tech-driven rallies. The three heavyweights — Nestlé, Roche, Novartis — saw divergent trajectories.

May performance: CAC40 +0.84% (YTD +0.42%), SMI +3.09% (YTD +2.07%), Stoxx600 +2.36% (YTD +5.71%), Nasdaq +9.47% (YTD +20.13%), S&P500 +4.84% (YTD +10.73%), Hang Seng -1.41% (YTD -0.85%), Topix +5.73% (YTD +15.60%).

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

EUR/USD traded at 1.1639 on May 29, down approximately 0.7% on the month and 1.2% since January 1. The dollar has regained ground versus the euro, reflecting a gradual rebalancing in its favour: the Fed maintains rates well above the ECB, appears more restrictive in its stance, the US economy is holding up better, and the inflationary energy pressure is hitting Europe harder than the US. The pair remains, however, in a tight 1.16–1.17 range — no directional breakout.

EUR USD 1Y

EUR/CHF traded around 0.912 on May 29, slightly recovering from the all-time low of 0.9003 hit on March 8 at the peak of geopolitical stress. A classic investor response in times of crisis: the Swiss franc is a safe haven, and every escalation in the Middle East mechanically triggers franc buying. The CHF remains structurally strong: the SNB has confirmed it prefers FX intervention over negative rates to contain appreciation — intervention deemed necessary since an excessively strong franc penalises Swiss exports and imports deflation into an economy where inflation is already contained. Over the month, the pair traded in a tight 0.91–0.92 range.

EUR CHF 1Y

BOND MARKET

May highlighted an increasingly stark divergence between equity and bond markets. The former are focused on profits. The latter are pricing structural risks: persistent inflation, the trajectory and burden of public debt, and regime change at the helm of central banks. Inflation fears are pushing rates higher worldwide, and the gap between short and long rates is widening.

We observed sharp rate tension mid-month, followed by an easing in the final week. But this easing remains fragile, resting on geopolitical dynamics rather than any change in fundamentals.

In the United States, the 10-year Treasury reached 4.62% on May 19, up approximately 30 basis points on the month, under the combined effect of a more restrictive Fed and concerns over the federal debt trajectory. Several Fed members are considering rate hikes, and Kevin Warsh has long advocated for reducing the size of the Fed balance sheet, currently over $6 trillion — shrinking the balance sheet amounts to tightening monetary conditions without touching rates. Market liquidity would be reduced as a result, and long rates would come under pressure.

In the euro area, the 10-year German Bund yield peaked at 3.2% in mid-May — its highest level in 15 years — on expectations of an ECB rate hike at the next meeting, before falling back below 3% on May 26 on hopes of geopolitical de-escalation.

For investors, the message is clear: the bond market has abandoned its synchronised easing scenario. The term premium is rebuilding, and duration is once again a risk, not a hedge.

US 10Y 1Y

DE 10Y 1Y

COMMODITIES

GOLD

Gold is trading around $4,480–4,550/oz at month-end, maintaining a strongly positive year-to-date performance despite a roughly 13% pullback from its February peak. This retreat may seem surprising given that geopolitical fears remain elevated, but it is explained by three converging factors: rising real rates, a dollar rebound that compresses global demand, and expectations of a Fed compelled to remain restrictive in the face of energy inflation. Gold has thus temporarily lost its status as a pure geopolitical hedge, becoming once again primarily sensitive to real rates and the dollar — a return to its classic fundamental logic.

This correction is cyclical, not structural. Emerging market central banks, which temporarily liquidated positions in March to defend their currencies, have not changed their doctrine: China's and Gulf countries' structural demand for diversification away from the dollar remains intact. A de-escalation scenario would represent a powerful and clear catalyst: if the conflict eases and oil falls back, the inflationary pressure currently paralysing central banks dissipates, opening the way for a decline in long-term rates and a relief of dollar pressure — precisely the type of transition in which gold performs best.

Gold 2Y

OIL

The most dramatic move of the month. Brent traded around $91 per barrel on May 29 — a five-week low — after peaking at $138 on April 7. The April monthly average was $117.

The pullback remains fragile, however. Fundamentals remain tight: global inventories fell by 117 million barrels in April, OPEC+ production dropped by 1.74 mb/d over the month, and the UAE's departure from OPEC on May 1 further reduces global spare capacity. Major investment banks maintain a 2026 annual average target of $85–$96, with a year-end landing zone of $75–$89 if the Strait of Hormuz reopens normally.

For the portfolio, the implication is clear: do not read the late-May decline as a signal of lasting calm. The market remains heavily dependent on a binary event — deal or relapse — and volatility will remain elevated for as long as geopolitical uncertainty persists.

Brent 1Y

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