

**▶ Monthly Market Review****Review of markets over May 2026**

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**In Asia, first quarter 2026 earnings growth was exceptional at around 40% and was one of the strongest quarters in recent years, though heavily concentrated in AI-related names.**

After April's euphoria, markets remained constructive in May as investors continued to price in geopolitical de-escalation. Towards the end of the month, a credible attempt for an agreement between the US and Iran emerged. Negotiations were still ongoing as of month-end, but the chances of bringing the conflict to a close appeared reasonably high.

Oil prices fell sharply, dropping below \$100 per barrel, having remained above \$110 per barrel for much of the month. How quickly energy markets can return to more "normal" conditions will depend on the time needed to fully restore operations in the Strait of Hormuz.

The prospect of relief from the most acute phase of the energy crisis helped drive fixed income yields lower, following the sharp rise earlier in the month. The Bloomberg Global Aggregate index ended the month with a small gain of 0.3%.

Against this backdrop, central banks may be forced to reassess their next steps and will likely maintain a cautious approach due to the potential for sustained higher oil prices. Even if the conflict were to end rapidly, oil prices are likely to remain above pre-crisis levels for some time, as supply would take months to fully recover and logistical bottlenecks could linger longer.

Macro data pointed to some resilience in the global economy and, so far, the energy shock appears to have inflicted limited damage. The corporate reporting season highlighted strong earnings growth in the US and Asia, alongside positive results in Europe.

Positive fundamentals supported equity markets, which continued to register low volatility, despite the uncertain geopolitical context. Bond market volatility, however, was higher, as rates reacted quickly to shifts in the geopolitical narrative and related inflation expectations.

Equities recorded another positive month. Growth equity returns (+7.0%) continued to beat Value returns (+2.3%). While developed markets continued a positive trend and closed the month higher (+4.6%), emerging markets outperformed other asset classes (+9.7%), led by extraordinary returns for Korea and Taiwan. These equity markets continued to benefit from their positioning in the AI supply chain and hyperscaler-led investment demand.

Commodities ended the month lower (-3.6%), dragged down mainly by energy and precious metals, while the US dollar index rose modestly (+0.3%).

## Exhibit 1: Asset class and style returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	May '26
MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 26.2%	MSCI EM 34.4%	MSCI EM 25.7%	MSCI EM 9.7%
Growth 28.5%	Global REITs -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 19.2%	Value 21.6%	Cmdty 25.0%	Growth 7.0%
Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.3%	Small cap 16.3%	Value 12.3%	DM Equities 21.6%	Small cap 15.0%	DM Equities 4.6%
DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.4%	DM Equities -17.7%	Value 12.4%	Small cap 8.6%	Growth 21.3%	Value 11.2%	Small cap 3.8%
Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITs 10.9%	MSCI EM 8.1%	Small cap 20.4%	DM Equities 10.7%	Value 2.3%
Global REITs 8.0%	Cmdty -11.3%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Cmdty 5.4%	Cmdty 15.8%	Growth 10.1%	Global Agg 0.3%
Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 5.7%	Global REITs 2.8%	Global REITs 8.4%	Global REITs 10.0%	Global REITs -0.1%
Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global Agg -1.7%	Global Agg 8.2%	Global Agg 0.5%	Cmdty -3.6%

Source: Bloomberg, FTSE, LSEG Datastream, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Bloomberg Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 May 2026.

## Equities

The first-quarter earnings season ended in May with clearly positive results.

In the US, earnings grew 30% year-on-year (yoy), driven mainly by the technology sector. Even excluding tech, earnings growth was broad based at around 20%. The S&P 500 rose +5.3% over the month, with technology topping the sector rankings (+15.6%). However, investors have become more selective within the “Magnificent Seven.” Nvidia again stood out, continuing to benefit from strong demand for high-performance semiconductors. By contrast, sentiment toward other names, such as Meta, Google and Microsoft, has been more muted, reflecting uncertainty around the outlook for their AI businesses and questions over returns on very large investment programmes.

In Asia, first-quarter 2026 earnings growth was exceptional at around 40% and was one of the strongest quarters in recent years, though heavily concentrated in technology and semiconductors. Some investors view Asian tech companies as a way to increase exposure to the AI theme at more attractive valuations than US technology leaders. Emerging markets continued their strong momentum (+9.7%) led by Korea (33%) and Taiwan (14%) that both registered yet another exceptional month.

European earnings growth was more moderate (around 5%), but more than 60% of companies beat estimates, which is above the historical average. Euro area macroeconomic data was particularly weak: the composite PMI fell to its lowest level since late 2023, consistent with slower growth. Consumer confidence improved slightly in May but remained below historical averages, suggesting flat consumption. European equity performance reflected Middle East-related risks but rebounded to end the month higher (+4.1%) ahead of an expected agreement to end the conflict.

Japan’s first-quarter GDP growth beat expectations (+2.1% quarter-over-quarter), led mainly by consumption. Exports and public investment were also strong (+5.7%), supported by expansionary policies under the new prime minister. The positive economic data supported Japanese equities, which posted another month of gains (6.2%).

In China, inflation increased in April (+1.2% yoy), driven largely by higher oil prices and other consumer goods, despite falling food prices. However, key cyclical indicators remained disappointing: retail sales continued to weaken, and industrial production posted its sharpest monthly decline in three years. External trade strength appears narrower and more concentrated, and domestic weakness has revived debate about further fiscal support to reduce downside risk to the second-quarter 2026 GDP trend. Against this backdrop the CSI 300 index rose (+3.0%), particularly A-shares, while the MSCI China declined (-2.8%).

## Exhibit 2: World stock market returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	May '26
MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 34.4%	MSCI Asia ex-Japan 27.9%	MSCI Asia ex-Japan 11.3%
MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 33.0%	MSCI EM 25.7%	MSCI EM 9.7%
Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	Japan TOPIX 25.5%	Japan TOPIX 17.3%	Japan TOPIX 6.2%
US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	UK FTSE All-Share 24.0%	US S&P 500 11.3%	US S&P 500 5.3%
MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	MSCI Europe ex-UK 20.1%	MSCI Europe ex-UK 7.5%	MSCI Europe ex-UK 4.1%
UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 17.9%	UK FTSE All-Share 6.5%	UK FTSE All-Share 1.2%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 May 2026.

## Fixed income

Fixed income experienced sharp volatility, reflecting uncertainty over the growth and inflation impact of the Middle East conflict.

CPI data confirmed rising inflationary pressures in the global economy. In the US, April CPI rose 3.8% yoy, beating expectations and marking the fastest annual pace since early 2023. Core CPI rose 2.8% yoy, boosted by a rebound in housing-related components.

In Europe, inflation picked up to 3.0% yoy, driven by energy, particularly motor fuels. Core inflation eased to 2.2% yoy, partly owing to weaker services inflation influenced by the holiday calendar (Easter fell earlier in 2026), which shifted some travel-related inflation from April into March.

In the UK, the outcome of regional elections and a weakening Labour Party increased speculation of political change and fuelled uncertainty around fiscal policy and public debt, adding to volatility. However, Gilts outperformed the global government bond market as UK inflation came in lower than expected and a deteriorating labour market drove yields lower at the end of the month.

Despite the recent improvement in US-Iran negotiations, central banks may remain cautious while awaiting more information on the timing of the Strait of Hormuz reopening and clearer evidence that the decline in oil prices is durable. In this context, the Federal Reserve is expected to stay on hold until the outlook becomes clearer, with the next cut potentially arriving towards the end of 2026 or in 2027.

A European Central Bank (ECB) rate hike in June is now still likely to anchor inflation expectations.

### Exhibit 3: Fixed income government bond returns

2019	2020	2021	2022	2023	2024	2025	YTD	May '26
Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy 5.3%	Global 7.0%	Spain 0.9%	UK 2.0%
Spain 8.4%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain 3.4%	US 6.3%	Germany 0.7%	Italy 1.5%
UK 7.2%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Germany 1.2%	UK 5.0%	Italy 0.5%	Spain 1.1%
US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.4%	US 0.6%	Italy 3.2%	Global 0.4%	Germany 0.8%
Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	Global -3.1%	Spain 1.6%	US -0.0%	Global 0.3%
Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	Japan -3.2%	Germany -0.9%	UK -0.7%	US 0.1%
Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -4.0%	Japan -6.2%	Japan -2.9%	Japan -0.6%

Source: Bloomberg, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg benchmark government indices. Total returns are shown in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 May 2026.

The Bloomberg Global Aggregate bond index closed the month marginally up (0.3%) but following significant intra-month volatility. European bonds posted positive returns thanks to a strong move lower in rates on expectations of an imminent deal in Middle East.

Credit markets were supported by solid corporate fundamentals, which pushed energy-crisis risks into the background. Euro high yield bonds were the pick of the bunch, up 1.0% over the course of the month. Emerging market bond performance was also solid, delivering 0.8% in May.

## Exhibit 4: Fixed income sector returns

2019	2020	2021	2022	2023	2024	2025	YTD	May '26
EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 8.6%	EM Debt 13.5%	EM Debt 2.2%	Euro Gov. 1.2%
US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 8.2%	Global IG 10.3%	Global IL 1.8%	Euro HY 1.0%
Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt 5.7%	Global IL 9.1%	US HY 1.6%	EM Debt 0.8%
Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Euro Gov. 1.9%	US HY 8.5%	Euro HY 1.2%	Global IG 0.6%
Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Global IG 1.1%	US Treas. 6.3%	Euro Gov. 0.8%	US HY 0.5%
US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	US Treas. 0.6%	Euro HY 5.3%	Global IG 0.6%	Global IL 0.3%
Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -3.7%	Euro Gov. 0.6%	US Treas. -0.0%	US Treas. 0.1%

Source: Bloomberg, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Global IL: Bloomberg Global Inflation-Linked; Euro Gov.: Bloomberg Euro Aggregate - Government; US Treas.: Bloomberg US Aggregate Government - Treasury; Global IG: Bloomberg Global Aggregate - Corporate; US HY: BofA/Merrill Lynch US HY Constrained; Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained; EM Debt: J.P. Morgan EMBIG. All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 May 2026.

## Conclusion

The prospect of an agreement between the US and Iran, together with expectations of the reopening of the Strait of Hormuz, marks an improvement to the geopolitical backdrop. Attention could now shift to the pace of the peace process. The faster normal transit through the Strait returns, the more contained the economic damage from the energy shock is likely to be.

Normalisation is supportive for both equities and bonds. However, equities have remained notably optimistic throughout the Middle East crisis, underpinned by strong corporate fundamentals, and may have already partially priced in a favourable outcome. Bonds, by contrast, could benefit more meaningfully from easing inflation expectations.

As conditions normalise, some of the themes that dominated at the beginning of the year may come back into focus, including the need for diversification toward markets outside the US (notably Europe and emerging markets) and the view that the US dollar may have exhausted its safe-haven role.

In an environment that remains uncertain, well-diversified portfolios across geographies and asset classes continue to represent the most robust strategy for navigating potential further bouts of volatility.

## Exhibit 5: Index returns for May 2026

Index	GBP	USD	JPY	EUR	LOC
<b>Equities (MSCI)</b>					
MSCI World Index	5.5	4.6	6.3	5.1	4.8
MSCI USA	6.1	5.3	6.9	5.8	5.3
MSCI Europe ex-UK	4.5	3.7	5.4	4.2	4.1
MSCI United Kingdom	0.5	-0.3	1.3	0.2	0.5
MSCI Japan	5.8	5.0	6.6	5.5	6.6
MSCI AC Asia ex-JP	12.2	11.3	13.0	11.8	11.3
MSCI EM Latin America	-3.4	-4.2	-2.6	-3.7	-3.7
MSCI EM (Emerging Markets)	10.6	9.7	11.4	10.3	9.7
<b>Bonds</b>					
Bloomberg Global Aggregate	1.1	0.3	1.9	0.9	
Bloomberg US Aggregate	1.1	0.3	1.9	0.8	0.3
Bloomberg Japan Aggregate	-1.2	-2.0	-0.4	-1.5	-0.4
Bloomberg UK Aggregate	1.8	1.0	2.6	1.5	1.8
Bloomberg Euro Aggregate	1.3	0.5	2.1	1.1	1.1
<b>Currencies</b>					
Sterling		-0.8	0.6	-0.4	
US dollar	0.8		1.6	0.5	
Yen	-0.6	-1.6		-1.0	
Euro	0.5	-0.5	1.1		

Source: Bloomberg, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 31 May 2026.

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