

Market wrap

May 2026

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Key takeaways:

- The Middle East conflict has pushed oil prices higher, impacting global inflation and growth outlooks. Central banks have become more cautious, holding interest rates at current levels, but closely monitoring the shock.
- Despite the uncertain environment, the US stock market performed strongly during April, supported by solid company earnings and investor inflows.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

- We'll be watching how the earning season unfolds and keeping track of key data releases, including inflation, growth and employment. Geopolitical developments, including the conflict in the Middle East, as well as the planned summit between US President Donald Trump and Chinese President Xi Jinping, will also remain in focus.



Uncertainty around inflation keeps central banks cautious

From late February to the end of April, oil (brent crude) prices climbed around 56%,¹ as disruption in the Strait of Hormuz has significantly reduced the flow of oil at a global level. Higher fuel prices increase the cost of transporting goods and running businesses, which can gradually push prices higher across the economy, leading to inflationary pressures.

This is where central banks come in. Institutions like the US Federal Reserve (Fed), European Central Bank (ECB), and Bank of England (BoE) kept interest rates – their main tool to manage inflation – unchanged at their April meetings. However, their messaging suggested they're ready to act if price pressures persist. This would mean potentially higher interest rates, which can weigh on economic growth, and impact the outlook for stocks and bonds, among other assets.



US stocks were supported by strong earnings and AI momentum

Against this uncertain backdrop, US stocks are showing notable strength. Since the April ceasefire announcement, investor sentiment has improved – according to our most recent client polling² – and flows into exchange-traded-products tracking the US stock market in April reached their highest level since mid-2025.³

The main driver has been earnings – or company profits – which play a key role in shaping stock prices over time. This earnings season has been particularly strong: around 83% of S&P 500 companies have beaten consensus analyst expectations by an average of 11%.⁴ Notably, analysts are upgrading company growth forecasts for both 2025 and 2026, in contrast to prior years when they've typically trimmed earnings expectations in the first quarter.

Markets have responded quickly. The S&P 500 rose 10% in April, its strongest monthly gain since November 2020.⁵ At the same time, \$121.2B flowed into US stocks, with investors focusing on large companies, many of which are leading developments in artificial intelligence (AI).⁶ In simple terms, strong profits and AI momentum have kept US stocks well supported, in contrast to European stocks, which have lagged as the region is more exposed to energy shocks.



Events on our radar in May

Firstly, we're watching how the Middle East situation evolves – upcoming data releases such as inflation and employment will be key to tracking the economic impact of the conflict. We will also monitor developments from the Trump-Xi meeting.

Secondly, the upcoming earnings season – with some major players in the AI space yet to report – will also offer relevant insights to assess the market environment and the outlook for company earnings.

1, 4, 5 Source: Bloomberg, as of 30 April 2026. **2** Source: BlackRock as of 24 April 2026. Results based on EMEA survey submissions between 10 December 2025 and 22 April 2026. **3, 6** Source: BlackRock and Markit, as of 30 April 2026.

Performance of financial markets, 2021-2026 YTD

	2021	2022	2023	2024	2025	2026 YTD
Oil (ICE Brent Crude)	50.15%	10.45%	-10.32%	-3.12%	-18.48%	76.40%
US stocks (S&P 500 Index)	28.71%	-18.11%	26.29%	25.02%	17.88%	8.73%
European stocks (Euro STOXX 50 Index)	23.34%	-9.49%	22.23%	11.01%	21.20%	2.22%

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: Bloomberg, as of 30 April 2026.

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