

Monthly Market Snapshot

May 2026

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

Market commentary

In May, global investment markets were shaped by a tension between an energy driven inflation shock stemming from the Middle East conflict and the continued resilience of growth and earnings.

Disruptions to energy infrastructure and shipping through the Strait of Hormuz kept oil markets elevated, which lifted concerns about inflation. However, market sentiment improved later in the month, alongside intermittent hopes for a diplomatic breakthrough.

Global equities produced a strong monthly gain, despite inflation risk concerns and rising bond yields, with leadership again concentrated in growth and technology exposed segments of the market. US equities rebounded to new highs, with AI related stocks leading the advance. Japan was a standout performer in the month, and European equities also produced strong returns, albeit a little more moderate, while UK equities lagged.

Australian equities only rose modestly in the month. The broad market was restrained by higher bond yields, tighter domestic monetary policy and sentiment that surrounded the federal budget. CSL experienced another sharp fall in its share price, after announcing a major earnings downgrade. However, resources materially outperformed, supported by the jump in oil prices and growth in commodity-linked earnings.

Emerging markets were among the strongest performer for the month, but that strength masked a stark divergence with Chinese equities moving lower. Emerging market equities benefited from stocks leveraged to AI supply chains and commodity exports, while there remains caution on China's domestic growth outlook and its still-fragile property sector. Policy support may be slowing the pace of decline, but property investment and sales remain weak, and Chinese consumer confidence is subdued.

Bond markets had a volatile month as yields rose sharply, producing negative returns globally. The common driver was a reassessment of inflation risk. Elevated energy prices have lifted near-term inflation forecasts and maintained the possibility of future rate hikes.

Following April meetings by the Federal Reserve, European Central Bank, Bank of Japan and Bank of England, where rates were left unchanged, communications by officials varied as central banks navigated the inflation impact of the Middle East conflict and the likely persistence of the price shock, against the downside risks to growth.

The Reserve Bank of Australia raised the cash rate again in early May, citing the inflation pressures and the pass through from higher fuel and commodity prices. The Reserve Bank of New Zealand left rates unchanged but is expected to lift rates in coming meetings.

The new US Fed Chair, Kevin Warsh, took office during May and will oversee his first committee meeting interest rate decision in mid-June.

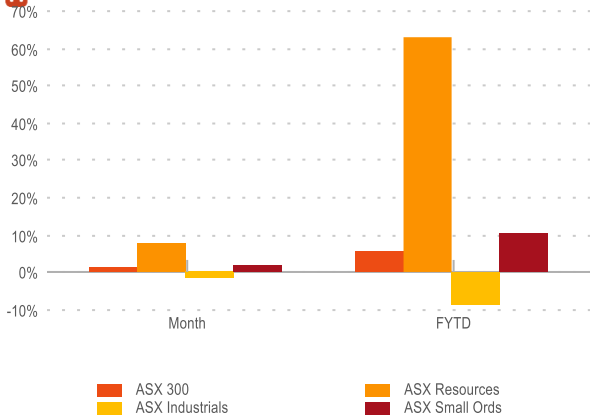
The Australian dollar strengthened against the major currencies over the month. The move was consistent with both higher commodity prices and domestic monetary policy, with the RBA increasing rates. In addition, the US dollar gave back part of its previous safe haven rise as markets become seemingly less pessimistic on the impacts from the Middle East conflict.

Global property and infrastructure benchmarks fell during the month, driven by the move higher in bond yields, although Australian listed property and infrastructure managed to produce moderate positive returns, after being weaker in previous periods.

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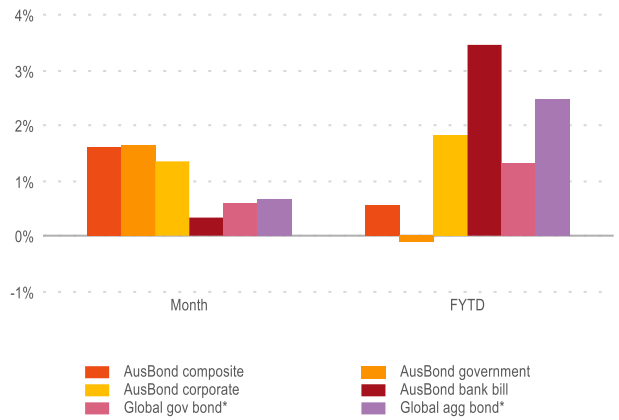
Australian equities



Source: LSEG Datastream



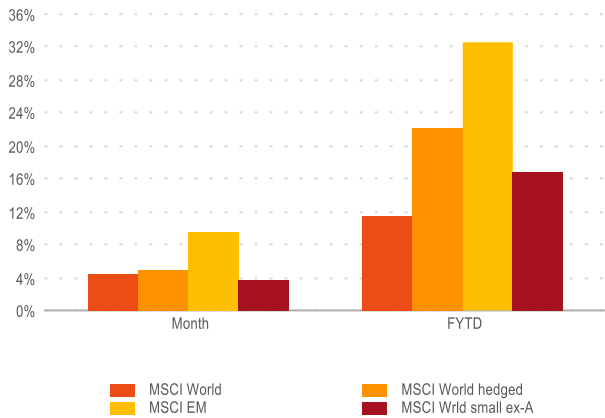
Fixed income



Source: LSEG Datastream



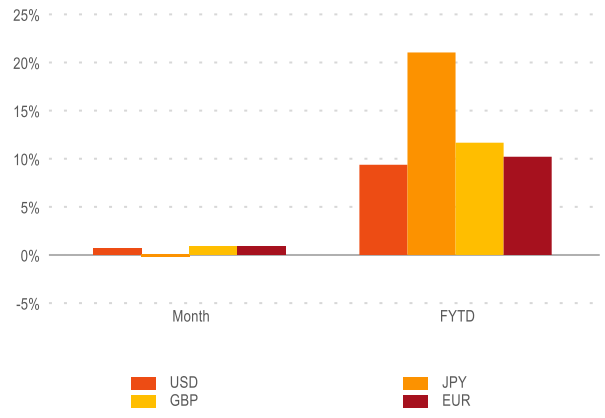
International equities (\$A)



Source: LSEG Datastream



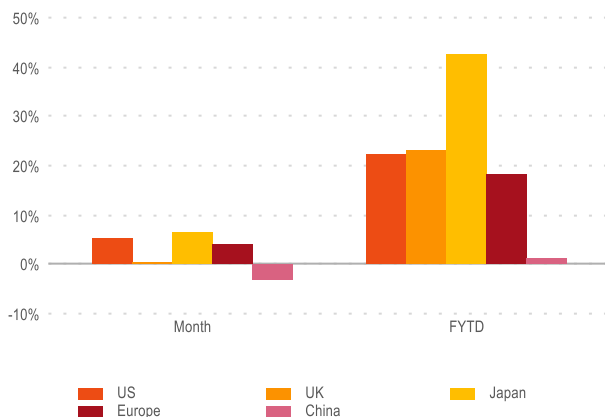
Australian dollar



Source: LSEG Datastream



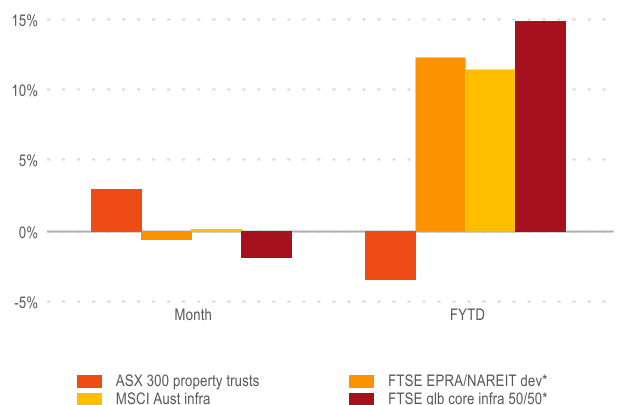
International equities



Source: LSEG Datastream



Real assets



Source: LSEG Datastream *Hedged A\$



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