

Hopes for a Mideast peace deal boost stocks.



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- Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, edged up 0.3% for the month. U.S. Treasury yields moved modestly higher for all maturities of six months or greater, particularly in the 2-to-5-year segment of the curve. (Bond prices move inversely to yields.)
- At the beginning of the Iran conflict, U.S. inflation already was uncomfortably high, and it hasn't taken long for the energy disruptions to exacerbate the situation.

Economic backdrop

Global equities, as measured by the MSCI ACWI Index, posted gains in May, supported by optimism that the ongoing Middle East war would remain contained, as well as hopes for a resolution to the conflict. A rally in the technology sector, particularly artificial intelligence (AI)-related companies, also contributed to the upturn. Emerging markets significantly outperformed developed markets for the month.

The Far East and Asia were the top performers among emerging markets in May, as both regions benefited from significant market rallies in Korea and Taiwan. Conversely, Latin America lost ground and was the most notable market laggard due to downturns in Brazil and Chile. The Gulf Cooperation Council (GCC) countries also finished the month in negative territory due to weakness in Kuwait, the United Arab Emirates, and Saudi Arabia. North America was the strongest-performing developed market in May, bolstered by strength in the U.S. Additionally, both the Far East and Pacific regions benefited from strength in Japan and Singapore. The Pacific ex Japan market posted a modest gain for the month but underperformed due to declines in Australia and Hong Kong.¹

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index edged up 0.3% (in U.S. dollars) in May. Investment-grade corporate bonds led the U.S. fixed-income market, followed by high-yield bonds, mortgage-backed securities (MBS), and U.S. Treasury securities. Treasury yields moved modestly higher for all maturities of six months or greater, particularly in the 2-to-5-year segment of the curve. (Bond prices move inversely to yields.) Yields on 2-, 3-, 5-, and 10-year Treasury notes rose 0.10%, 0.15%, 0.11%, and 0.05% in May, ending the month at 3.98%, 4.06%, 4.13%, and 4.45%, respectively. The 10-year to 3-month yield curve widened by 4 basis points (0.04%) to +0.76% as of the end of the month.²

Global commodity prices, as represented by the Bloomberg Commodity Index, declined 3.6% in May. Oil prices fell sharply on hopes for a resolution of the blockade of the Strait of Hormuz, a major shipping channel between the Persian Gulf and the Gulf of Oman in the Middle East, with West Texas Intermediate (WTI) and Brent crude tumbling 18.3% and 17.5%, respectively, during the month. The gold price dipped 0.8% in May amid rising U.S. Treasury yields and a strengthening U.S. dollar. (The gold price tends to move inversely to the dollar.) The New York Mercantile Exchange (NYMEX) natural gas price surged 18.9% during the month as warmer weather forecasts bolstered expectations for stronger summer cooling demand. The wheat price decreased 4.1% in May amid anticipation that improving weather in the U.S. could lead to increases in crop yields and overall supply.

The U.S.-Israel-Iran war dominated the geopolitical news again in May. The ceasefire appeared to be in jeopardy numerous times during the month, with both the U.S. and Iran accusing the other of violating the truce. Iran launched missile and drone attacks on U.S. warships and other targets in the Gulf region, triggering U.S. strikes on Iranian military sites. The United Arab Emirates intercepted several Iranian missiles and drones as Iran sought to retaliate against neighbouring countries allying with the U.S. and Israel. Nonetheless, U.S. officials signaled that a peace deal was possible even amid continued military strikes launched by both sides. Late in the month, U.S. Secretary of State Marco Rubio said that there had been “a little bit of movement” in negotiations for a deal to end the war. However, Rubio cautioned that there were disagreements over Iran’s uranium-enrichment program and its plan to implement tolls on shipping in the Strait of Hormuz.

Toward the end of May, U.S. Treasury Secretary Scott Bessent said that the U.S. and Iran had “the makings of a deal” to end the conflict, but President Donald Trump had not signed off on the plan yet. “Everything depends on what the president wants to do, and President Trump is not going to make a bad deal,” he commented. Under the proposal, Iran would allow non-military vessels to travel through the Strait of Hormuz “unrestricted,” and the U.S. would lift its naval blockade of Iranian ports. Diplomatic talks were also set to continue as part of the agreement, with a focus on the future of Iran’s nuclear program.

Trump and President Xi Jinping of China met in Beijing in mid-May to discuss, among other topics, Xi’s intentions regarding possible military action against Taiwan to force unification with China, and the war in the Middle East. Xi cautioned Trump that mismanagement of the Taiwan situation could result in an “extremely dangerous situation.” Trump and Xi found some common ground regarding the Mideast conflict, agreeing that the Strait of Hormuz should be reopened and that Iran should not be allowed to produce a nuclear weapon.

Economic data (unless otherwise noted, data sourced to Bloomberg)

According to Statistics Canada, consumer prices (as measured by the change in the Consumer Price Index (CPI)) increased 0.4% in April. Year-over-year consumer prices were up 2.8% as energy prices have spiked higher due to the Middle East war. Producer prices continued to reaccelerate in April, as the Industrial Product Price Index (IPPI) rose 2.0%, while the Raw Materials Price Index (RMPI) gained 2.6%. Year-over-year prices increased 11.4% and 31.6%, respectively, for the IPPI and RMPI. Input prices for petroleum products have driven much of the recent price increases, and while prices for metals have eased recently, they remain well above year-ago levels. The Canadian labour market showed signs of life as employment increased by 88,000 jobs and the unemployment rate was down 0.3% to 6.6%.

Higher energy prices due to the blockade of the Strait of Hormuz led to a sharp upturn in inflation in the U.S. in April. According to the Department of Labor, the consumer-price index (CPI) increased 0.6% during the month, in line with expectations but below the 0.9% rise in March. Prices for fuel oil and gasoline posted corresponding gains of 5.8% and 5.4% for the month, while utility gas service costs edged down 0.1%. The CPI advanced 3.8% year-over-year in April, up from the 3.3% increase in March and exceeding expectations. Fuel oil and gasoline prices surged 54.3% and 28.4%, respectively, over the previous 12-month period. Core inflation, as measured by the CPI for all items less food and energy, rose 2.8% year-over-year in April, an uptick from the 2.6% increase in March and slightly above expectations. Costs for transportation services and apparel rose 4.3% and 4.2%, respectively, over the previous 12-month period. Conversely, prices for used cars and trucks declined 2.7% year-over-year. According to the advance estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annual rate of 2.0% for the first quarter of 2026—up sharply from the 0.7% rise in the fourth quarter of 2025, but below expectations. The increase in GDP for the quarter was attributable primarily to upturns in nonresidential fixed investment (purchases of equipment and software, and nonresidential structures), exports, and federal government spending. Conversely, residential fixed investment (purchases of private residential structures and residential equipment that property owners use for rentals) declined during the quarter.

According to the Office for National Statistics (ONS), inflation in the U.K., as measured by the CPI, rose 0.7% in April, matching the increase in March. Costs for communication and hotels and restaurants were up 4.7% and 1.0%, respectively, for the month. In contrast, prices for furniture and household goods, and housing and household services decreased by corresponding margins of 0.8% and 0.4%. The CPI advanced at an annual rate of 2.8% in April, down from the 3.3% year-over-year rise in March. Education, communication, and transportation posted the largest price gains for the period.³ The ONS also announced that U.K. GDP increased 0.6% for the first quarter of 2026, up from the 0.2% growth rate for the fourth quarter of 2025. Output in the services, construction, and production sectors rose 0.8%, 0.4%, and 0.2%, respectively, for the quarter.⁴

Eurostat pegged inflation for the eurozone at 3.0% for the 12-month period ending in April, up from the 2.6% annual increase in March. Energy prices surged 10.8% year-over-year in April due to the ongoing blockade in the Strait of Hormuz, affecting a significant amount of global oil capacity, and costs for unprocessed food rose 4.6% compared to the same period in 2025.⁵ According to Eurostat’s second estimate, eurozone GDP edged up 0.1% in the first quarter of 2026—down marginally from the 0.2% growth rate for the fourth quarter of last year. The economies of Finland, Hungary, Estonia, and Spain were the strongest performers for the first quarter, expanding 0.9%, 0.8%, 0.6%, and 0.6%, respectively. In contrast, GDP for Ireland and Lithuania contracted by corresponding margins of 2.0% and 0.4% during the quarter.⁶

Index data (May 2026)

- The S&P/TSX Composite Index gained 2.52%.
- The FTSE Canada Universe Bond Index rose 1.36%.
- The S&P 500 Index, which measures the performance of U.S. equities, climbed 6.54%.
- The MSCI ACWI (Net) Index, used to gauge global equity performance, gained 6.43%.
- The ICE BofA U.S. High Yield Constrained Index, representing U.S. high-yield bond markets, returned 0.37% (currency hedged) and 1.7% (unhedged).
- The Chicago Board Options Exchange Volatility Index (VIX)—which tracks implied volatility in the S&P 500 Index and is often referred to as the “fear index”—ended May at 15.32 as volatility decreased modestly.
- The WTI Cushing crude oil price—a key indicator of movements in the oil market—decreased from US\$105.07 to US\$87.36 a barrel during May.

Glossary and index definitions

For financial term and index definitions, please see: <https://www.seic.com/ent/imu-communications-financial-glossary>

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¹ All equity market performance statements are based on the MSCI ACWI Index.

² According to the U.S. Department of the Treasury. As of May 31, 2026.

³ According to the ONS. May 14, 2026.

⁴ According to the ONS. May 20, 2026.

⁵ According to Eurostat. May 20, 2026.

⁶ According to Eurostat. April 30, 2026.