

## GLOBAL MARKETS

## WEEKLY MARKET BRIEF

**Highlights.**

Major U.S. equity indexes ended the week in positive territory. The Dow Jones Industrial Average reached a record high, while the S&P 500 extended its rally for an eighth straight week—the longest streak since 2023. Smaller companies and value-oriented stocks continued to outperform larger growth-focused shares, and the equal-weighted S&P 500 surpassed the traditional market-cap-weighted index. After a shaky start to the week, investor sentiment improved as optimism surrounding artificial intelligence stocks strengthened, helped by better-than-expected earnings from chipmaker NVIDIA. This enthusiasm largely offset lingering uncertainty over tensions in the Middle East. Although news regarding potential negotiations between the U.S. and Iran remained inconsistent, markets generally appeared to favour the prospect of diplomacy over further military escalation. Fresh economic data from S&P Global showed modest overall growth in May. However, the inflation-related components of the survey drew particular attention. Input costs rose at their fastest pace since late 2022, and selling price inflation climbed to its highest level since August 2022, reinforcing concerns that inflation pressures remain persistent. The report also showed an overall decline in employment as companies cited higher costs and weaker demand. Further, the University of Michigan's consumer sentiment index fell for a third consecutive month in May, dropping to a record low of 44.8. Similarly, housing-related data painted a subdued picture as higher borrowing costs continued to weigh on demand. Across the Atlantic Pond, European markets advanced broadly as hopes for easing tensions in the Middle East boosted sentiment. The pan-European STOXX 600 was up almost 3%. The European Commission lowered its economic growth forecast for the eurozone, warning that rising energy costs and geopolitical instability could weigh heavily on the region. Inflation projections for 2026 were also revised upward. Meanwhile, the UK labour market weakened further, with unemployment unexpectedly rising and job vacancies falling to a five-year low. However, inflation slowed more than expected, helped by energy price caps. Over in Asia, Japanese stocks rebounded strongly, led by technology and AI-related shares as global enthusiasm for the sector intensified following strong semiconductor earnings. The Nikkei 225 was up an impressive 3.14% for the week while the TOPIX added a modest 0.74%. The yen weakened after softer inflation data showed core consumer prices rising below expectations and remaining under the Bank of Japan's target for a third consecutive month. Lower inflation reduced immediate pressure for tighter monetary policy, contributing to bearish sentiment toward the currency. Japan's economy also exceeded expectations in the first quarter, supported by solid consumer spending and export growth, although analysts cautioned that the data may not yet fully reflect the impact of rising energy prices. In contrast, Chinese equities declined after weak April economic data renewed concerns about slowing growth. Industrial production, retail sales, and fixed asset investment all came in below expectations, reinforcing speculation that further policy support may be needed. The People's Bank of China kept benchmark lending rates unchanged for a twelfth straight month, signalling a preference for targeted fiscal and sector-specific measures rather than broad monetary stimulus. On the geopolitical front, Russian President Vladimir Putin visited Beijing, where China and Russia signed numerous agreements covering trade, energy, and technology cooperation.

**Data highlights:** Canada's inflation rate eased to 2.8% YoY in April, falling short of the 3.1% forecast but remaining above the previous 2.4%. Across the Eurozone, inflation accelerated to 3.0%, matching expectations and rising from the previous 2.6%. The U.K. unemployment rate climbed to 5.0%, slightly above both the 4.9% forecast and the prior reading, pointing to a gradual softening in labour market conditions. China's unemployment rate edged lower to 5.2%, improving from the previous 5.4% and coming in below the 5.3% forecast. Japan's economy expanded by 2.1% YoY in Q1, surpassing both the 1.7% forecast and the previous 0.8% growth. However, Japan's inflation rate slowed to 1.4%, missing expectations of 1.8% and easing from the prior 1.5% reading. In Australia, the unemployment rate rose to 4.5%, exceeding both the 4.3% forecast and the previous level, suggesting some weakening in labour market conditions.

**Week ahead:** Australia Inflation Rate YoY (Apr), New Zealand Interest Rate Decision, - Wednesday | US GDP Growth QoQ (Q1), US PCE Price Index YoY (Apr) - Thursday | Japan Unemployment Rate, Japan Retail Sales YoY, Canada GDP Growth Rate QoQ (Q1)- Friday

## Global Markets Overview

**Treasury yields:** The US 10-year Treasury yield edged down to 4.56% – its weekly low – as fleeting optimism over a potential US-Iran agreement and the prospect of a reopened Strait of Hormuz briefly cooled inflation fears, though the relief remains fragile given that oil prices still sit roughly 50% above pre-conflict levels. FOMC minutes reinforced the cautious tone, with most policymakers leaving the door open to further tightening should inflation stay stubbornly above the 2% target – a scenario markets are increasingly taking seriously, now fully pricing in a 25bps hike before year-end. Across the Atlantic, Germany's 10-year Bund yield retreated to 3.04%, pulling back from Tuesday's 15-year peak of 3.20%, as Secretary Rubio's acknowledgment of "some good signs" in negotiations lifted sentiment. Traders now fully price in two ECB rate hikes this year with a 60% probability of a third.

**Equities:** US equities marched higher for an eighth consecutive week – the longest winning streak since December 2023 – as cautious optimism over US-Iran peace progress and a robust earnings season kept bulls in control. The S&P 500 added 0.88%, the Nasdaq secured its seventh gain in eight weeks with a 1.22% rise, while the Dow notched its third positive week in four. The diplomatic backdrop remained delicate but Senator Rubio's remarks about positive progress in talks with Iran were enough to lift sentiment alongside a tech-driven surge in US computer makers. Meanwhile, Frankfurt's DAX 40 mirrored the upbeat mood, climbing 3.92% to 24,889 – its highest in over two weeks – powered by tech momentum and peace talk optimism, with Infineon Technologies leading gains and Deutsche Post surging after Deutsche Bank upgraded the stock to a "buy". German consumer and business sentiment also edged higher heading into June, defying expectations of further deterioration despite remaining near multi-year lows.

**Currencies:** The dollar index barely budged, closing the week virtually flat at 99.24 – down just 0.05% – as mixed Middle East signals left traders in a holding pattern; while cautious optimism over a potential US-Iran deal simmered and oil prices still sitting ~50% above pre-conflict levels kept inflation fears alive. FOMC minutes confirmed that most policymakers remain open to further hikes should inflation hold above 2%, and markets are now pricing in a 25bps move before year-end. Sterling climbed slightly to its strongest level since May 13 – as a confluence of peace optimism and softening rate expectations lifted the currency. A wave of downbeat UK data – April retail sales contracting 1.3%, softer inflation, an unexpectedly cooling labour market, and May PMIs signalling the first private sector contraction in a year – accelerated the repricing of Bank of England tightening bets, with investors now looking to upcoming BoE policymaker speeches for clearer monetary policy signals.

**Commodities:** Gold slipped to \$4,509 per ounce, marking a second straight weekly decline, as the familiar cocktail of elevated oil prices, stubborn inflation, and rising rate hike expectations eroded the metal's appeal – with markets now pricing in roughly a 55% probability of at least one 25bps Fed hike by October, a view lent fresh credibility by Fed Governor Christopher Waller, who explicitly called for the central bank to abandon its easing bias. Silver mirrored gold's retreat, sliding to \$75.54 per ounce under the same confluence of pressures – persistent energy-driven inflation and a Fed increasingly cornered into tightening – underscoring a broader shift in precious metals sentiment as the prolonged conflict continues to rewrite the interest rate outlook. The diplomatic backdrop offered little relief; while Iranian media reported that Iran's foreign minister met Pakistan's interior minister to discuss peace proposals, Secretary Rubio's candid admission of only "slight progress" and his warning that Washington and Tehran were "not there yet" kept crude pinned near four-year highs and inflation fears well anchored.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.56	-0.78	9.38
Bund 10Y	3.04	-4.07	6.41
Gilt 10Y	4.90	-5.32	9.33
Japan 10Y	2.76	1.69	33.74

Indices	Close	% W/W	% YTD
S&P 500	7473	0.88	9.17
EU Stoxx 600	646	2.95	5.52
FTSE 100	10466	2.66	5.39
Nikkei 225	63339	3.14	25.82

Currencies	Close	% W/W	% YTD
EURUSD	1.1603	-0.19	-1.22
GBPUSD	1.3433	0.80	-0.31
USDJPY	159.18	0.28	1.58
USD Index	99.24	-0.05	0.93

Commodities	Close	% W/W	% YTD
Gold	4509	-0.68	4.40
Copper	634.20	1.45	11.62
WTI Crude	96.60	-8.37	68.23
Wheat	646.25	1.65	21.65v

## Performance of Major Global Financial Assets

% Change.

W/W	-0.8	-4.1	-5.3	1.7	-3.0	-4.5	0.9	1.2	3.3	3.9	2.7	3.1	-1.4	0.0	-0.2	0.8	0.3	-0.2	-1.4	-8.4	-0.7	1.4	2.0	1.7
MTD	4.3	0.0	-2.3	9.4	-2.8	-2.3	3.7	7.4	2.3	2.5	0.8	6.8	-0.7	1.2	-1.1	-1.3	1.7	-0.5	-1.2	-8.1	-2.3	7.0	-4.6	1.5
YTD	9.4	6.4	9.3	33.7	3.8	6.1	9.2	16.8	3.9	1.6	5.4	25.8	-0.1	0.9	-1.2	-0.3	1.6	-2.7	-0.6	68.2	4.4	11.6	-16.5	21.6
	US 10Y	BUND 10Y	GILT 10Y	JAPAN 10Y	AUSSIE 10Y	ITALY 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EURUSD	GBPUSD	USDJPY	USDCNY	USDZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES						CURRENCIES					COMMODITIES						

KEY: -100%



+100%

Data Sources: Bloomberg, Investing.com, TradingEconomics, T.RowePrice, Standard Investment Bank

# Disclosure and Disclaimer

**Analyst Certification Disclosure:** The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

**Global Disclaimer:** Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication.



Regulated by the Capital Markets Authority

## Headquarters

JKUAT Towers (Formerly ICEA Building),  
16th Floor , Kenyatta Avenue, Nairobi, Kenya.

Telephone: +254 20 227 7000, +254 20 227 7100

Email: [clientservices@sib.co.ke](mailto:clientservices@sib.co.ke)

