

GLOBAL MARKETS

WEEKLY MARKET BRIEF

**Highlights.**

U.S. equities finished a turbulent week in positive territory as easing concerns over Middle East tensions, falling oil prices, and continued investor interest in sectors beyond large-cap technology helped support markets. The Dow Jones Industrial Average, S&P 500, and Nasdaq Composite posted gains of 0.68%, 0.65% and 2.34% respectively. Value stocks continued to outperform growth stocks for a second consecutive week. Geopolitical developments remained a key market driver. Investors initially looked beyond missile exchanges between Iran and Israel, but concerns resurfaced after reports of renewed U.S.-Iran hostilities. Sentiment improved later in the week as optimism grew around a potential diplomatic agreement between the two countries, further supported by President Donald Trump's decision to cancel planned military strikes. Another major focus was the highly anticipated IPO of aerospace company SpaceX, which completed what became the largest public offering ever recorded. SpaceX debuted on the Nasdaq at \$150 per share, above its \$135 IPO price, and surged more than 20% intraday before closing 19% higher at \$160.95. The strong performance fuelled broader market enthusiasm, with investors rotating into growth and technology names viewed as relatively undervalued. On the macro front, consumer inflation accelerated in May to 4.2% year over year, the highest level since April 2023, largely due to surging energy prices. However, monthly inflation slowed to 0.5% from 0.6% in April, marking a second consecutive month of easing price growth. Core inflation, which excludes food and energy, also cooled to 0.2% from 0.4% the previous month. Producer prices showed a similar trend. The Producer Price Index increased 6.5% from a year earlier, up from 5.7% in April and reaching its highest level since late 2022. Across the Atlantic, European equities ended the week higher, with the pan European Euro STOXX 600 Index rising 2.10%. Markets were initially cautious ahead of the European Central Bank's policy decision and ongoing geopolitical tensions, but sentiment improved as hopes for a peace agreement in the Middle East strengthened. Meanwhile, the ECB raised three key interest rates, marking its first rate hike since September 2023. Policymakers acknowledged heightened uncertainty, balancing stronger inflation risks against weaker growth prospects. The central bank now expects eurozone inflation to average 3.0% in 2026, 2.3% in 2027, and 2.0% in 2028. At the same time, it lowered GDP growth forecasts to 0.8% for 2026 and 1.2% for 2027. In the UK, GDP contracted 0.1% in April following growth in March. Weakness in services weighed on activity, increasing expectations that the Bank of England may leave rates unchanged at its upcoming meeting. Moving along to Asia, Japanese stocks experienced a volatile week, with the Nikkei 225 falling 0.85% and the TOPIX declining 1.70%. However, losses were partly reversed at week's end after hopes for a U.S.-Iran peace agreement improved investor sentiment and reduced concerns about disruptions to shipping through the Strait of Hormuz. Attention centered on the Bank of Japan's June policy meeting, where markets widely expect a 25-basis-point rate increase to 1.0%, the first hike since December 2025. Separately, Chinese markets delivered mixed results. The CSI 300 fell 0.82%, while the Shanghai Composite edged slightly higher. Hong Kong's Hang Seng Index declined nearly 1% as geopolitical concerns and weaker offshore sentiment weighed on trading.

Data highlights: USD Inflation Rate YoY (May) rose +40bps, from 3.8% to 4.2%, in line with consensus. USD Core Inflation Rate YoY (May) rose +10bps, from 2.8% to 2.9%, in line with consensus. USD PPI YoY (May) rose +80bps, from 5.7% to 6.5%, +10bps from the softer expected increase to 6.4%. USD Core PPI YoY (May) stayed the same at 4.9%, against a wrongly over-assumed +50bps rise toward 5.4%. CAD BoC Interest Rate Decision stayed the same at 2.25%. GBPGDP YoY (Apr) stayed the same at 1.2%, consensus wrongly expected a +10bps increase toward 1.3%. EUR ECB Interest Rate Decision rose +25bps, from 2.15% to 2.4%, in line with consensus. EUR Inflation Rate YoY (May) rose +110bps, from 0.8% to 1.9%, 10bps above the expected increase to 1.8%. JPY GDP Growth Annualized (Q1) rose +30bps, from 0.2% to 0.5%, 20bps above the expected increase to 0.3%. JPY PPI YoY (May) rose +100bps, from 5.3% to 6.3%, against an expected increase to 5.5%. CNY PPI YoY (May) rose +110bps, from 2.8% to 3.9%, in line with consensus. CNY Inflation Rate YoY (May) stayed the same at 1.2%, against a wrongly forecasted rise to 1.3%.

Week ahead: CNY Unemployment Rate (May), JPY BoJ Interest Rate Decision, AUD RBA Interest Rate Decision - Tuesday | GBP Inflation Rate YoY (May), GBP Core Inflation Rate YoY (May), EUR Inflation Rate YoY (May), EUR Core Inflation Rate YoY (May), USD Fed Interest Rate Decision - Wednesday | NZD GDP Growth Rate YoY (Q1), CHF SNB Interest Rate Decision, GBP BoE Interest Rate Decision, CAD PPI YoY (May) - Thursday | JPY Inflation Rate YoY (May), JPY Core Inflation Rate YoY (May) - Friday

Global Markets Overview

Treasury yields: The yield on the 10-year US Treasury note fell to 4.48% for the week, despite renewed uncertainty surrounding a potential Iran deal. As a result, oil and fuel prices pared some of their recent declines, limiting the disinflationary impact on markets. Earlier in the week, stronger-than-expected consumer and producer inflation data, both reaching multi-year highs in May, reinforced expectations that the Federal Reserve may still raise interest rates this year. However, the latest University of Michigan survey showed inflation expectations eased from their mid-June peaks as energy prices retreated from recent highs. In the UK, the 10-year gilt yield dropped to 4.84%, its lowest level since mid-April, after President Trump suggested a US-Iran agreement could be reached as early as this weekend, although Tehran has yet to confirm any breakthrough. Meanwhile, the European Central Bank raised interest rates for the first time in nearly three years and signalled that policy could remain restrictive through 2027.

Equities: US equities finished the week on a stronger footing as SpaceX's highly anticipated market debut boosted risk appetite and optimism grew around a potential US-Iran peace agreement. The S&P 500 gained 0.65%, the Dow Jones added 0.68%, and the Nasdaq outperformed with a 2.34% advance. SpaceX debuted on the Nasdaq at \$150 per share, while AMD climbed 9.69%, extending gains across the semiconductor sector. Although markets briefly wavered after President Trump warned Iran to "get their act together," sentiment recovered as reports pointed to progress in negotiations. European equities also rallied, supported by falling oil prices and improving confidence surrounding a possible resolution to tensions in the Middle East. The Euro STOXX 50 rose 2.07%, while the STOXX Europe 600 gained 2.10% for the week. Investor sentiment improved after Iran's foreign ministry signalled that a deal with the US may be close, raising expectations for a gradual return of energy exports from the Persian Gulf. Technology shares led gains, with ASML surging 13.51% as investors continued to embrace the AI infrastructure theme following SpaceX's successful IPO.

Currencies: The US dollar index closed at 99.75, retaining most of its weekly losses as easing geopolitical tensions reduced demand for traditional safe-haven assets. Sentiment improved after President Trump indicated that a peace agreement with Iran could be signed as soon as this weekend in Europe, triggering a sharp decline in oil prices and alleviating concerns over persistent inflation and further interest rate hikes. However, inflationary pressures remain evident in economic data, with US producer prices rising 6.5% year-on-year in May—the highest reading since November 2022 and slightly above expectations of 6.4%. The Japanese yen strengthened modestly to 160.24 per dollar, although it gave back part of its midweek gains as investors turned their attention to next week's Bank of Japan policy meeting. Markets widely expect the BOJ to raise interest rates by 25 basis points to 1%, which would mark the highest policy rate since 1995 and the first increase since December.

Commodities: WTI crude oil slid 6.25% to \$84.88 per barrel as growing expectations of a US-Iran agreement raised the prospect of the Strait of Hormuz reopening, although officials stressed that a deal is not yet assured. Despite the weekly pullback, oil remains more than 20% above levels seen before the US and Israel launched strikes on Iran on February 28. According to a Trump administration official, there is an 80% chance of an agreement being finalized soon, potentially involving the reopening of Hormuz, the removal of the naval blockade, the dismantling of Iran's nuclear program, and economic incentives for Tehran. Silver ended the week at \$68.02 per ounce, narrowly breaking a four-week losing streak as investors weighed improving prospects for peace in the Middle East against the growing likelihood of higher interest rates. Since the outbreak of the Iran conflict, silver has faced headwinds from concerns that elevated energy prices could reignite inflation and encourage central banks to maintain restrictive monetary policies.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.48	-1.13	7.49
Bund 10Y	3.00	-1.42	4.90
Gilt 10Y	4.84	-1.37	7.97
Japan 10Y	2.63	-1.72	27.11

Indices	Close	% W/W	% YTD
S&P 500	7431	0.65	8.56
EU Stoxx 600	662	2.10	8.17
FTSE 100	10472	1.00	5.44
Nikkei 225	66020	-0.85	31.15

Currencies	Close	% W/W	% YTD
EURUSD	1.1568	0.40	-1.52
GBPUSD	1.3406	0.48	-0.51
USDJPY	160.24	-0.03	2.25
USD Index	99.75	-0.32	1.45

Commodities	Close	% W/W	% YTD
Gold	4219	-2.52	-2.32
Copper	644.50	2.55	13.43
WTI Crude	84.88	-6.25	47.82
Wheat	595.75	0.51	9.16

Performance of Major Global Financial Assets

% Change.

W/W	2.1	3.4	1.9	0.2	1.6	4.1	-2.6	-4.5	0.2	-1.4	-0.4	0.4	-0.9	1.1	-1.2	-0.8	0.6	0.3	2.1	3.6	-4.7	-1.6	-7.2	-5.0
MTD	2.1	3.4	1.9	0.2	1.6	4.1	-2.6	-4.5	0.2	-1.4	-0.4	0.4	-0.9	1.1	-1.2	-0.8	0.6	0.3	2.1	3.6	-4.7	-1.6	-7.2	-5.0
YTD	8.7	6.4	9.5	29.3	3.5	7.0	7.9	14.7	4.7	1.1	4.4	32.3	-2.6	1.8	-1.9	-1.0	2.3	-2.9	0.0	57.7	0.2	10.6	-24.4	9.2
	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, Trading Economics, T. Rowe Price, Standard Investment Bank

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