

CIO-OFFICE DAILY OUTLOOK

11 May 2026

The first week of May delivered positive returns for all asset classes, expressed in US dollars with a bit of help from its -0.3% weekly weakening. Oil prices sharply fell, from \$108 to \$101 for the Brent crude. Stocks rallied almost +7% in emerging markets and close to 2% in developed regions. US Treasury yields were broadly unchanged across the curve, but spreads marginally tightened. Gold gained +2% to \$4,700. Out three profiles are at their year-high, gaining between +4% and +9%.

Yet, the conflict in the Middle-East, now entering its 11th week, is at best in a state of unstable equilibrium with a fragile ceasefire and no clear breakthrough. However, in the meantime, the combination of spectacular Q1 corporate earnings with reassuring macro-economic data are fundamental positives. Market participants, of which a number may have been excessively defensively positioned, seem to consider that the fact that belligerent parties continue to talk is “good enough” for the time being.

Starting with Q1 corporate earnings, over 80% of US companies exceeded expectations at the EPS level, and the magnitude of the beat was massive at over 15%. The same measure for the rest of the world, i.e. MSCI ACWI ex USA, is less impressive at respectively 55% and 9%, but remains solid in the geopolitical context. In terms of macro data, leading indicators show only a modest deceleration. The US ISM Services came out at 53.6 despite high gasoline prices and a still pedestrian consumer sentiment from the university of Michigan. Finally, but importantly, the April NFP job report surprised to the upside with 115k job creations, way above the median forecast of 65k, while March was revised slightly higher. As a result Fed fund futures are not pricing any rate cut anymore for the next 18 months.

Finally, the geopolitical situation remains the main source of risk. Sporadic exchange of fires were reported again last week, both in the vicinity of the Strait of Hormuz and against the UAE. The recent exchange of peace proposals between the US and Iran didn't show any progress. Last night, President Trump posted on social media that the latest response from Iran's “so called representatives” was “TOTALLY UNACCEPTABLE” (in capitals). All eyes will now turn to the meeting between the Presidents of China and the US in Beijing starting Thursday for potential developments.

Markets this morning

Anxiety is visible yet limited in Asia as we write this morning. The price of Brent crude oil is sharply up to \$105, and the dollar strengthens, as US Treasury yields add 3 to 4 basis points across the curve. However, stocks are up in Japan and Korea, the latter reaching another all time high. (China is not yet open as we write early today).

Upcoming key events/data

The week ahead is all about geopolitics, especially from the Trump-Xi summit. We will also get interesting data especially on inflation and retail sales in the US, as well as more color on Q1 growth in various regions. Have a great week.

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