

CIO OFFICE DAILY OUTLOOK

25 May 2026

Markets had a strong week as US-Iran negotiations moved closer to a possible deal, oil eased from recent highs, and AI kept supporting risk appetite. The main driver was Hormuz. Markets reacted positively as reports suggested the US and Iran were moving closer to a framework that could extend the ceasefire and reopen the strait, although the deal is still not final and key issues remain unresolved. That was enough to lift global equities, with MSCI ACWI up 1.3%, developed markets up 1.3% and emerging markets up 1.1%. The rally was helped by lower volatility, stronger technology leadership and hopes that cheaper oil could reduce pressure on inflation and central banks. Still, this was not a risk-free week. Oil remains around \$100, inflation expectations are still elevated, and markets are now pricing the Fed as much closer to a two-way decision between a hike and a cut.

In the US, the S&P 500 gained 0.9% and posted its eighth straight weekly gain, the longest winning streak since 2023, while the Dow rose 2.1% and closed at a record high. The interesting part was that the rally continued even though Nvidia did not give markets the clean post-earnings surge they were hoping for. Nvidia's guidance was above consensus and the company announced an \$80 billion buyback, but the stock still fell because expectations were already extremely high. The broader AI trade still held up well. Dell and Qualcomm gained strongly, IBM rallied after the US government agreed to award \$1 billion toward a quantum chip foundry, and quantum names were supported by a broader \$2 billion US funding package. The bigger message is that AI remains the main market leadership theme, but the bar is now higher and markets are becoming more selective around which companies can keep justifying the valuation. The Fed and consumer side were less supportive. US consumer sentiment fell to a record low as households remained under pressure from higher living costs and expensive oil. Retail earnings were mixed as well, with some companies still delivering solid numbers, but Walmart's weaker guidance showed how fuel costs are starting to pressure margins. Fed Governor Christopher Waller also made the policy story more difficult by saying the next move is just as likely to be a hike as a cut. Kevin Warsh was sworn in as Fed chair, and while Trump said he wants him to act independently, he takes over at a difficult moment where inflation expectations are rising and markets are waiting for this week's PCE report. The Fed's preferred inflation gauge is expected to move toward 3.8% year on year, which would keep the market focused on inflation risk rather than rate cuts.

Elsewhere, the MSCI Europe rose 3.3% as the region benefits from lower oil prices and is more exposed to imported energy, but the rally still has limits. Oil remains high, the Stoxx 600 is still struggling to break above resistance, and May PMIs pointed to weaker euro-area activity. In Asia, Japan gained 0.8%, with the Nikkei reaching a fresh record as SoftBank, Arm optimism and physical AI themes supported the market. The MSCI China was down 2.3% as Beijing is now trying to cool speculative AI trading and tighten oversight around cross-border brokerage activity. Regulators asked companies and funds to justify AI-linked rallies, while the crackdown on Futu and UP Fintech hit US-listed Chinese stocks and raised concerns that mainland retail demand through offshore brokers could weaken.

Within commodities, Brent rose 0.9% on Friday to \$103.5 per barrel, although oil was lower over the week as peace hopes improved. Gold fell 0.7% to \$4,509 an ounce, the dollar rose 0.1%, and the US 10-year Treasury yield slipped one basis point to 4.56%.

Markets this morning

This morning, markets are starting with a stronger risk-on tone. Global stocks are near record highs, Asian shares gained 1.2%, and S&P 500 futures rose around 0.8% to a record. Japan is leading again, with the Nikkei up more than 3% to a record, while Euro Stoxx 50 futures are also higher. The biggest move is in oil, with Brent falling more than 4% to around \$99.3 and WTI down more than 5% to about \$91.6 after US officials said Washington and Tehran were nearing a deal to reopen Hormuz.

Upcoming key events/data

Looking ahead, Monday is quiet with the US, UK, Hong Kong and South Korea closed for holidays, so focus stays on US-Iran headlines and the move in oil. Tuesday brings US consumer confidence, Japan machine tool orders and Singapore industrial production. Wednesday brings China industrial profits, France consumer confidence, New Zealand's rate decision and Salesforce earnings. Thursday is the main data day, with US PCE, personal income and spending, GDP, durable goods, new home sales and jobless claims, plus Dell earnings and the South Korea rate decision. Friday brings the major euro-zone inflation prints, US trade data and the Shangri-La Dialogue in Singapore.

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