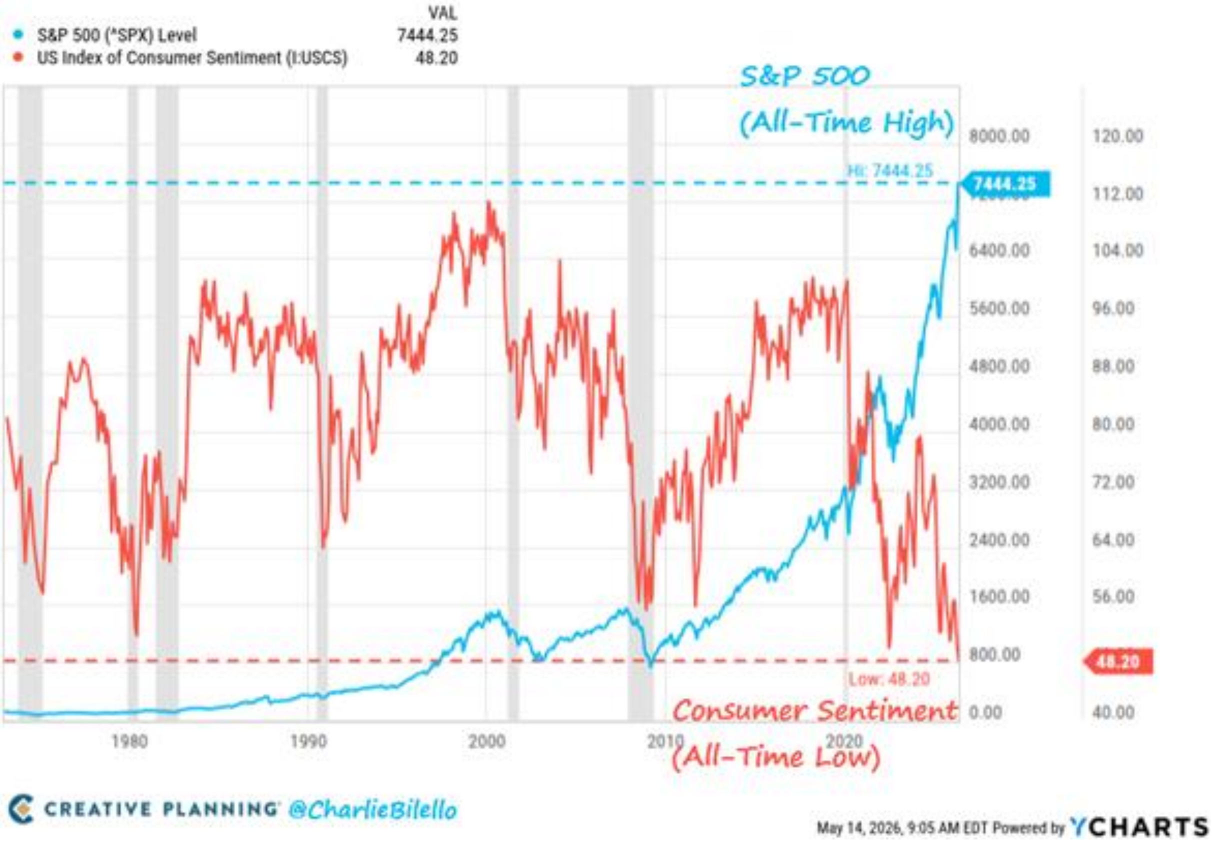
Equity Weekly

Syz Equity Research – week from 8 to 15 May 2026

The Chart of the Week

S&P 500 made a new all time high on 14 May, while US onsumer sentiment remain poor



What happened last week?

Global markets

Global equity markets retreated from Friday 8 to Friday 15 May 2026, breaking a six-week winning streak. A hotter-than-expected US inflation print rekindled fears of prolonged monetary tightening, while geopolitical optimism stalled, weighing on risk sentiment. The MSCI All Country World Index ended the week down 0.5%, with a pronounced divergence between resilient US large caps and broad-based weakness elsewhere. Developed markets ex-US and emerging markets bore the brunt of the selling: MSCI AC World ex USA fell 1.8%, while MSCI Emerging Markets declined 2.4%. Energy cost pressures and rising yields amplified headwinds across rate-sensitive and commodity-importing economies.

The pivotal macro catalyst arrived on Tuesday 12 May: US headline CPI for April printed at 3.8% year-on-year, above the 3.7% consensus and the highest reading since May 2023. Core CPI held at 2.8%, but the data was sufficient for markets to fully price out any Fed rate cuts in 2026, pushing the 30-year Treasury yield to a multi-year high and placing rate-sensitive equity segments under pressure.

Concurrently, the US–China summit concluded on 15 May with constructive rhetoric. Presidents Trump and Xi agreed that the Strait of Hormuz "must remain open". China agreed to buy 200 Boeing jets, while the US cleared ten Chinese firms for Nvidia H200 chip exports. Yet equity markets still sold off into the Friday close as bond markets continued to reprice the Fed policy path. The US Senate confirmed Kevin Warsh as Federal Reserve Chair on 13 May, inheriting an economy running at a GDPNow estimate of 4.0% with inflation materially above target.

US

US equities staged an intra-week rally to fresh record highs before reversing sharply on Friday, leaving the S&P 500 with a marginal weekly gain of 0.2% and the Nasdaq 100 down 0.3%. The equal-weighted S&P 500 fell 1.3%, highlighting the narrowness of market leadership. Small-cap stocks were notably weak: the Russell 2000 shed 2.3% and the S&P MidCap 400 lost 2.4%, underscoring investor preference for large-cap resilience amid rising cost-of-capital concerns. The S&P 500 briefly crossed 7,500 for the first time on Thursday 14 May before surrendering those gains on Friday, as the Dow Jones retreated 537 points, weighed by declines in Nvidia (-4.4%), Boeing (-3.7%), and Caterpillar (-3.4%).

At the sector level, energy was the standout performer, surging 6.7% as oil prices rebounded on Middle East supply concerns. Healthcare added 1.1%, while technology edged up 0.4% and consumer staples rose 0.5%. The most notable single-stock move was Cisco, which surged following a record quarterly result: revenue increased 12% year-on-year to $15.8bn, and management raised full-year AI order guidance to $9bn, citing hyperscaler demand well ahead of expectations. Conversely, consumer discretionary (-3.1%), real estate (-2.7%), and materials (-2.5%) were the worst-performing sectors, with regional banks also under pressure as the iShares US Regional Banks ETF fell 3.6%. On the macro front, initial jobless claims for the week ending 9 May were 211,000, slightly above estimates, while US retail sales rose 0.5% in line with expectations; however, the CPI overshoot dominated the policy narrative and set the tone for Friday's broad risk-off close.

Europe

European equity markets underperformed, with the MSCI Europe 600 falling 1.8% (in USD terms) - a meaningful de-rating reflecting the convergence of inflationary concerns, domestic political instability, and fading optimism over a quick resolution to the Middle East conflict. The DAX declined 2.8%, the CAC 40 dropped 2.7%, and the FTSE 100 lost 2.1%. MSCI Europe Mid Cap fell 2.4%, underscoring broad-based weakness rather than concentrated large-cap pressure. France's unemployment rate rose to 8.1% in the first quarter (the highest since early 2021) adding to growth concerns, while eurozone industrial production in March grew just 0.2% month-on-month, marginally below forecasts. Germany's ZEW sentiment index recovered modestly to -10.2 in May from -17.2 in April but remained firmly in contraction territory.

A deepening political crisis in the UK was a key source of volatility. Health Secretary Wes Streeting's resignation on Thursday, alongside calls from over 70 Labour MPs for Prime Minister Starmer to outline a timetable for departure, sent sterling sharply lower, with the pound declining approximately 2.3% against the dollar — its worst weekly performance since November 2024. UK gilt yields surged, with the 10-year exceeding 5.1% mid-week, pressuring bank stocks: NatWest, Lloyds, and Barclays each fell around 4% on Tuesday alone. At the sector level, defence names lagged as the WisdomTree Europe Defence Fund dropped 6.8% amid reports of stalled US–Iran peace talks, removing a key tailwind from the prior rally. Construction and materials (-3.8%) and utilities (-3.4%) also declined sharply. On the positive side, energy (+1.6%) and defensive sectors provided partial offsets: consumer staples (+1.3%), healthcare (+1.3%), and telecommunications (+1.7%). Switzerland was relatively resilient, down just 0.3% over the week.

Rest of the world

Emerging markets had a challenging week, with MSCI EM declining 2.4% in USD terms. MSCI Brazil was the worst performer among major indices, falling 7.2%, reflecting commodity price volatility, currency depreciation, and sensitivity to the global risk-off shift driven by US inflation. India also declined 4.0% after wholesale price inflation surged to 8.3% year-on-year in April, versus a 4.4% consensus, the largest overshoot in the current cycle, amplifying domestic inflation concerns. EMQQ, the Emerging Markets Internet ETF, fell 4.7%, extending its relative underperformance as higher global yields weighed on growth-oriented EM technology names.

Asian markets were broadly weaker, although Japan was a relative outperformer. MSCI Japan declined 0.8%, supported by rotation into financials and value-oriented sectors as domestic bond yields rose in anticipation of continued Bank of Japan policy normalisation, partially offsetting profit-taking in semiconductor and AI-related stocks. Taiwan's TAIEX fell 1.5% despite constructive signals from US–China tech discussions, reflecting Friday's broad risk-off selling in semiconductors. MSCI Korea declined 1.0%, pulling back from record highs after the KOSPI briefly crossed 8,000 intra-week. China was more nuanced: MSCI China ended the week down 2.5%, as early optimism linked to the Trump–Xi summit faded amid the broader market sell-off. China's CPI rose 1.2% year-on-year in April, above the 0.9% consensus, while PPI moved sharply higher, driven by commodity-sector pricing gains. Singapore was the lone regional outperformer, gaining 1.2% on the back of financial sector resilience.

Our view on equities

Equity asset class

We have slightly increased our equity exposure but remain neutral overall, as geopolitical risks and volatility are likely to persist. In this context, we have raised Europe to market weight and slightly increased our exposure to Japan and emerging markets.

Earnings

The outlook has become more constructive, with a prolonged conflict now appearing less likely. Crude oil prices have eased, and natural gas - particularly relevant for Europe - has declined back toward its average levels of the past three years. 2026 EPS forecasts have been revised up and point to solid growth: approximately +22% for the S&P 500, +16% for the STOXX Europe 600 and +11% for MSCI Japan.

Valuation

From a valuation perspective (12-month forward P/E), valuations have improved but remain above historical averages for the S&P 500 and the Nikkei, while they appear more attractive for the STOXX Europe 600 and Asia ex-Japan.