



TELOMERE | Capital

# Market Update

Priced for Peace

May 2026



# Editorial

April was a reminder that war rarely moves markets the way textbooks predict.

The closure of the Strait of Hormuz should, by any traditional reading, have spelled trouble for risk assets. It did, briefly. What happened next is more surprising, and more instructive, than the initial shock.

Equity markets have since staged a recovery that has surprised many, driven by forces that have little to do with geopolitics. Corporate earnings are running well ahead of expectations. The AI investment cycle has reasserted itself with a force that is hard to ignore. And markets, having lived through Ukraine and last year's tariff episode, have developed a thicker skin for uncertainty.

None of this means the risks have gone away. Inflation is climbing again, and the Fed finds itself in a position it would rather not be in. Jerome Powell's final meeting as Chair produced a result that says a great deal about where monetary policy stands and where it can and cannot go from here.

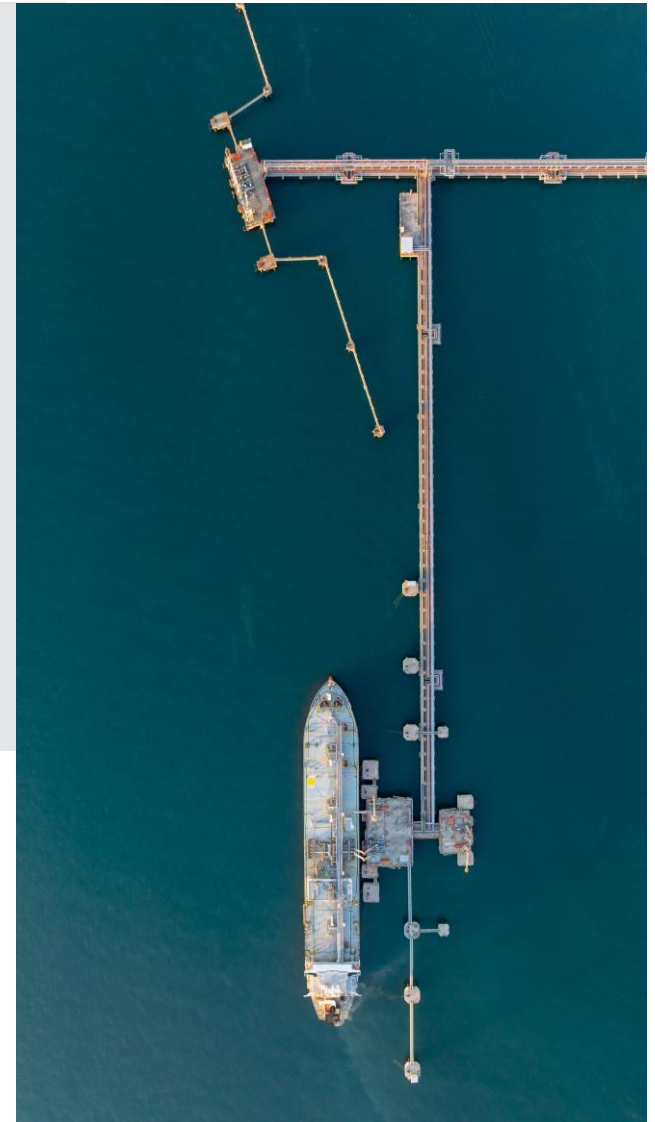
The yield curve is telling a story worth reading carefully. This update tries to make sense of all of it. We wish you a pleasant and insightful read.



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Investment Specialist



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# Global Markets

Global	Last	YTD	MTD
MSCI World	4,660.7	5.8%	9.6%
MSCI ACWI	1,077.1	6.8%	10.2%
MSCI Emerging Markets	1,600.2	14.6%	14.7%

## United States

Dow Jones Industrial	49,652.1	3.8%	7.2%
S&P 500	7,209.0	5.7%	10.5%
NASDAQ 100	27,452.1	8.9%	15.7%
Russell 2000	2,799.9	13.3%	12.3%

## Europe

Euro STOXX 600	611.3	4.7%	5.6%
Euro STOXX 50	5,881.5	2.7%	6.4%
DAX	24,292.4	-0.8%	7.1%
CAC 40	8,114.8	0.3%	4.4%
FTSE 100	10,378.8	5.8%	2.3%
Swiss Market Index (SMI)	13,136.3	1.6%	4.2%

## Sectors (US)

Communication Services	6.2%	17.0%
Consumer Discretionary	2.1%	11.9%
Consumer Staples	11.1%	3.1%
Energy	32.6%	-3.5%
Financials	-5.1%	5.6%
Health Care	-5.6%	-0.6%
Industrials	16.5%	9.4%
Materials	13.2%	2.9%
Real Estate	12.2%	9.0%
Technology	6.5%	17.6%
Utilities	10.5%	2.1%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	4,617.9	6.9%	-1.1%
Silver (XAG)	73.7	2.9%	-1.9%
Copper	592.6	4.3%	5.6%

## Currencies (USD)

EUR	1.17	-0.1%	1.5%
CHF	0.78	1.4%	2.3%
JPY	156.6	0.1%	1.4%
BTC	76,466	-12.8%	12.1%

## Fixed Income

US Treasury	2,432	-0.1%	-0.1%
EUR Treasury	247	-0.3%	0.3%
Global Aggregate	502	0.2%	1.2%
US Corporate	3,542	-0.1%	0.5%
Global EM USD	1,397	0.7%	2.1%
Global High Yield	1,885	1.2%	2.6%

## Interest Rates (US)

		Last month	End 2024
3 Months	3.66%	3.67%	3.63%
12 Months	3.71%	3.65%	3.47%
5 Year	4.01%	3.94%	3.73%
10 Year	4.37%	4.32%	4.17%

## Price / Earnings Ratios

		End 2024	End 2023
S&P 500	28.22	26.48	22.75
Euro STOXX 50	17.15	14.78	13.14
Swiss Market Index (SMI)	19.82	18.98	17.91

Data at close of 30/04/2026

# Macroeconomic Indicators

Central Banks Targets Rates	Last	Q1 2026	Q4 2025	Q3 2025	Inflation (CPI - YoY)	Last	Q1 2026	Q4 2025	Q3 2025
United States	3.75%	3.75%	3.75%	4.25%	United States	3.30%	3.30%	2.70%	3.00%
Eurozone	2.15%	2.15%	2.15%	2.15%	Eurozone	3.00%	2.60%	2.00%	2.20%
Switzerland	0.00%	0.00%	0.00%	0.00%	Switzerland	0.30%	0.30%	0.10%	0.20%
United Kingdom	3.75%	3.75%	3.75%	4.00%	United Kingdom	3.30%	3.30%	3.40%	3.80%
Canada	2.25%	2.25%	2.25%	2.50%	Canada	2.40%	2.40%	2.40%	2.40%
Japan	0.75%	0.75%	0.75%	0.50%	Japan	1.50%	1.50%	2.10%	2.90%
China (3M SHIBOR)	1.42%	1.51%	1.60%	1.58%	China	1.00%	1.00%	0.80%	-0.30%
Unemployment	Last	Q1 2026	Q4 2025	Q3 2025	Gross Domestic Product (YoY)	Last	Q1 2026	Q4 2025	Q3 2025
United States	4.30%	4.30%	4.40%	4.40%	United States	2.70%	2.70%	2.00%	2.30%
Eurozone	6.20%	6.20%	6.30%	6.30%	Eurozone	1.60%	N/A	1.60%	1.60%
Switzerland	3.00%	3.00%	3.00%	3.00%	Switzerland	0.70%	N/A	0.70%	0.60%
Canada	6.70%	6.70%	6.80%	7.10%	Canada	1.00%	N/A	1.00%	1.50%
Japan	2.70%	2.70%	2.60%	2.60%	Japan	3.90%	N/A	3.90%	4.10%
China	5.40%	5.40%	5.10%	5.20%	China	5.00%	5.00%	4.50%	4.80%
					India (Real GDP)	7.80%	N/A	7.80%	8.40%
Producer Price Index (PPI - YoY)	Last	Q1 2026	Q4 2025	Q3 2025	Purchasing Managers' Index	Last	Q1 2026	Q4 2025	Q3 2025
United States	4.00%	4.00%	3.20%	3.00%	United States	52.7	52.7	47.9	48.9
European Union	0.30%	N/A	0.30%	0.90%	Eurozone	48.6	50.7	51.5	51.2
Switzerland	-2.70%	-2.70%	-1.80%	-1.80%	Switzerland	54.5	53.3	46.4	46.1
Canada	7.84%	7.84%	4.13%	4.78%	Canada	53.3	50	48.6	47.7
Japan	2.60%	2.60%	2.40%	2.80%	Japan	55.1	51.6	50	48.5
China	0.50%	0.50%	-1.90%	-2.30%	China	50.3	50.4	50.1	49.8
India	3.88%	3.88%	0.96%	0.19%	India	54.7	53.9	55	57.7
Core Inflation (Core CPI - YoY)	Last	Q1 2026	Q4 2025	Q3 2025	Consumer Spending (PCE - YoY)	Last	Q1 2026	Q4 2025	Q3 2025
United States	2.60%	2.60%	2.60%	3.00%	United States	3.20%	3.20%	2.97%	2.83%
Eurozone	2.20%	2.30%	2.30%	2.40%					
Switzerland	0.40%	0.40%	0.50%	0.60%					
Canada	1.90%	1.90%	2.50%	2.40%					
Japan	1.40%	1.40%	1.50%	1.30%					

Data as of 04/05/2026  
N/A: Not yet reported or Public Holiday

# April Macro News



- April 2026 was defined by the ongoing US-Iran conflict and its cascading effects across all asset classes. The Strait of Hormuz remained closed throughout the month, causing severe disruptions to global energy flows.
- The energy shock fed directly into headline inflation: US CPI jumped to 3.3% YoY in March (up from 2.4% in February), while Eurozone inflation moved back above the ECB's 2% target. The IMF revised global growth down to 3.1% for 2026 under the scenario of a limited conflict, while flagging a "renewed inflationary impulse" as the key risk.
- The Fed held rates unchanged at 3.50 - 3.75% at Jerome Powell's final FOMC meeting as Chair, but faced four dissenting votes; the most since 1992. Rate cut expectations for 2026 have been fully priced out of the market and futures now price no cuts this year.

# Markets are pricing a resolution. Both Washington and Tehran have **clear reasons to deliver one.**

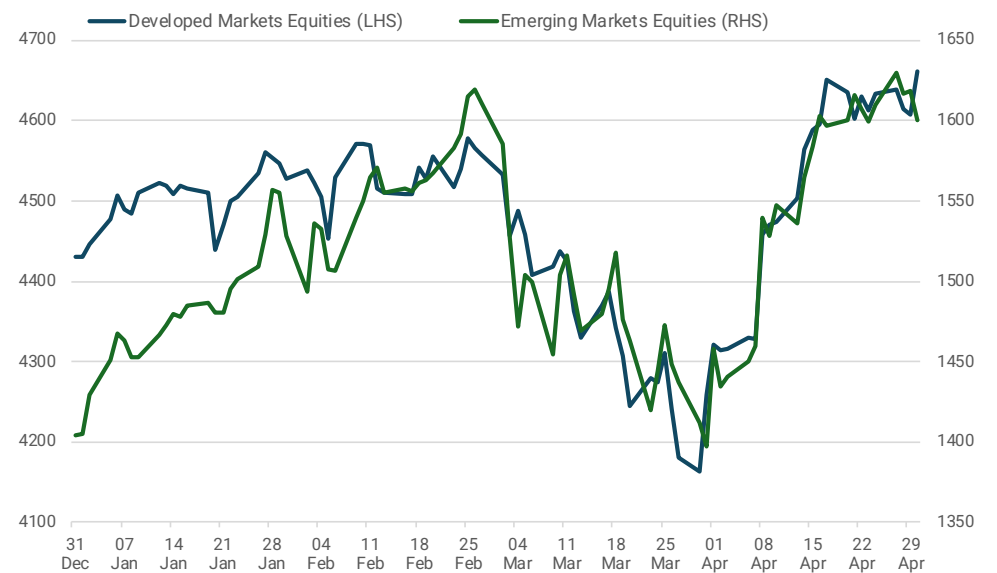
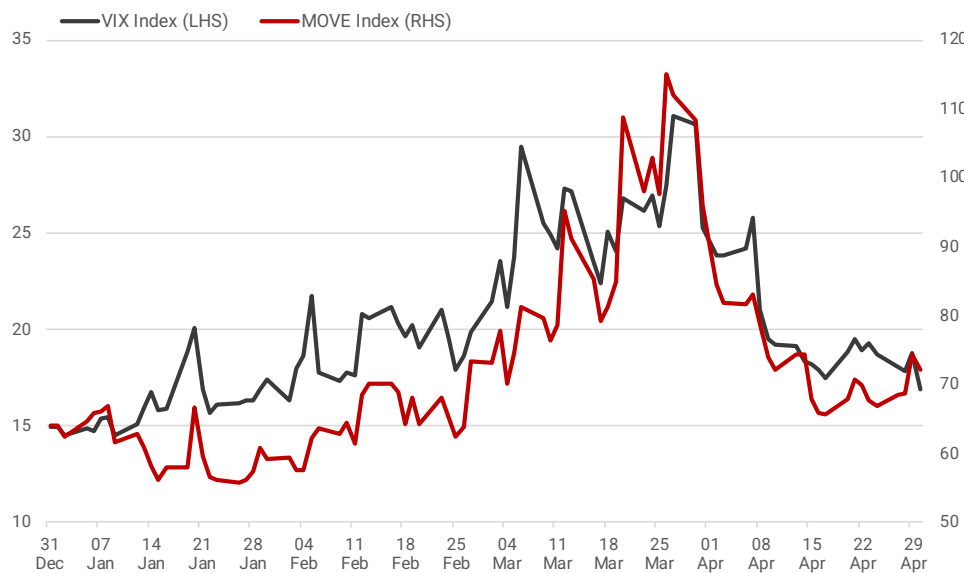
The US strike on Iran triggered the immediate closure of the Strait of Hormuz, cutting off around 20% of the world's oil supply and pushing up the price of Brent crude. However, after an initial sell-off, equity markets have since rallied sharply in anticipation of the war's likely end.

Washington is facing mounting domestic pressure as consumer energy costs rise and the midterm elections approach. This makes a prolonged conflict politically costly for the Trump administration. Meanwhile, Tehran is suffering a reverse blockade: the US Navy is restricting Iranian tanker movements, causing Iranian oil storage to reach capacity limits and forcing production cuts that risk permanent reservoir damage – an economic threat that Iran cannot sustain indefinitely.

On the ground, the energy system has shown remarkable adaptability. Thanks to the rerouting of oil exports via the Red Sea and the Gulf of Oman, the effective oil market deficit is closer to 5% than the 10% initially feared. Crucially, both Brent

crude and oil product prices remain below their 2022 crisis peaks. This is a supply disruption, not a supply crisis.

The result is an uneasy but self-correcting equilibrium. Neither side can afford to maintain the status quo indefinitely, and this has been internalized by the markets. Equity volatility (VIX Index) and bond market volatility (MOVE Index) have both returned to pre-conflict levels, even though the price of Brent remains high. The key message here is that markets are not ignoring the risk. Rather, they are making a probabilistic bet on rational diplomacy. Although the tail risk remains real, the base case is an orderly, incentive-driven resolution.



# After an initial inverse relationship, US equities **decoupled from oil and rallied**

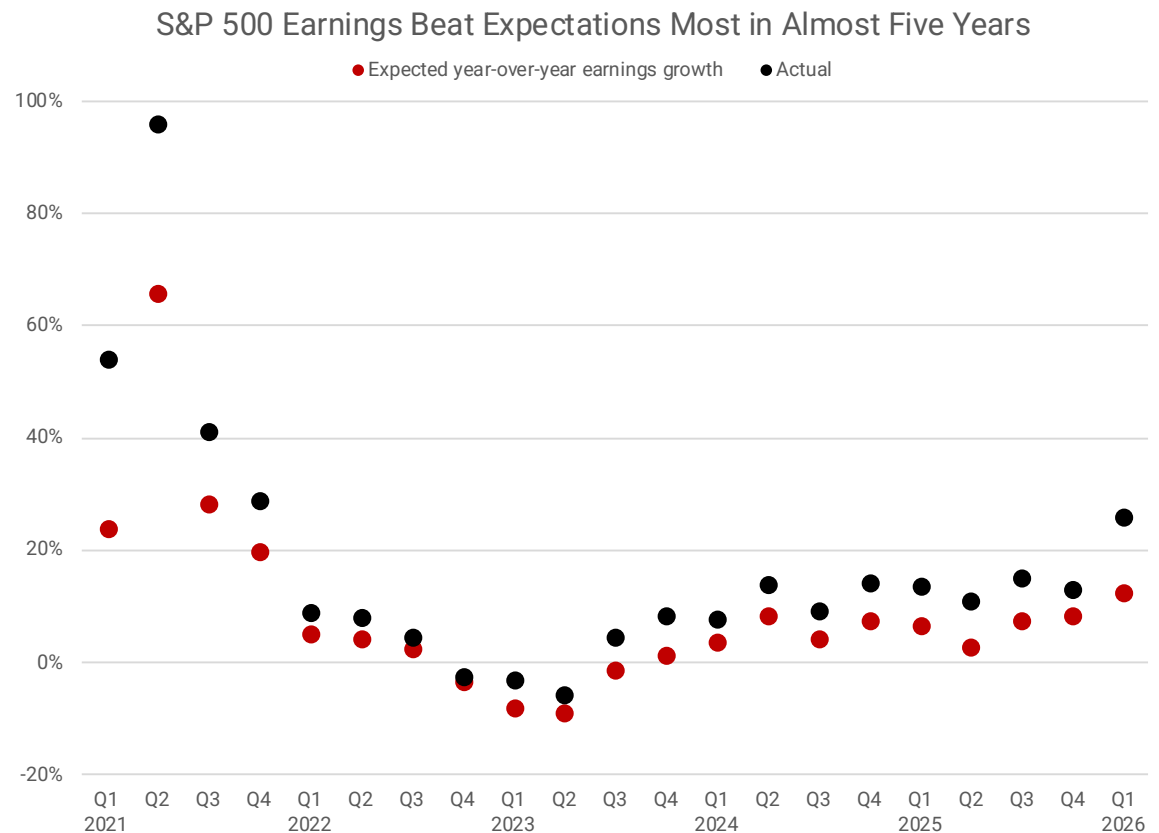
Throughout March, the S&P 500 and Brent crude moved in perfect opposition. But then something shifted. Since Brent reached its previous peak on 30 March, the S&P 500 has rallied by 13%, even though oil has surpassed that same high, closing above USD 120 at the end of April.

There are three forces that explain the decoupling. First and foremost, earnings. With almost two-thirds of the S&P 500 having reported, earnings per share growth is tracking at 24% and more than 80% of companies have beaten consensus estimates, which is well above the historical average of 73%. Corporate fundamentals have simply been too strong to ignore.

Secondly, the AI investment cycle has reasserted itself as the dominant market narrative. Hyperscaler capital expenditure guidance remains robust, and the Philadelphia Semiconductor Index has surged by almost 40% over the past month.

Thirdly, memories of previous shocks, such as the war in Ukraine and last year's tariff episode, have led investors to remain committed to their investments despite geopolitical uncertainty, reinforcing a tendency to buy when prices fall.

The risk, of course, is that this confidence proves premature. Inflation is accelerating again, rate cuts have been ruled out entirely, and oil prices above USD 100 are placing a persistent burden on consumers and margins. Equities may be right to look beyond the war, but there is less room for error.



# Jerome Powell chaired his final FOMC meeting

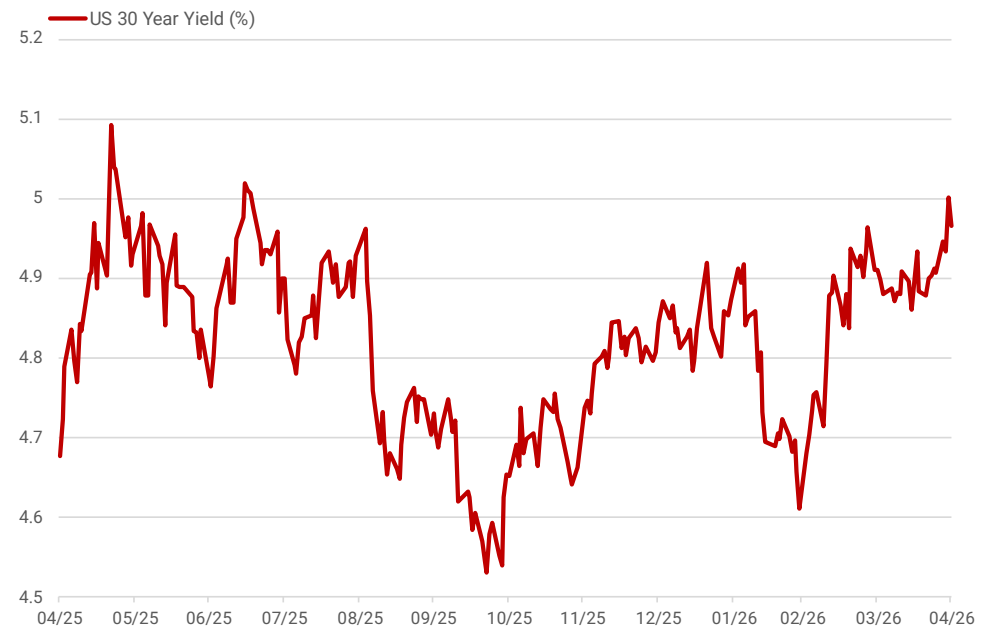
The traditional playbook of cutting rates to cushion a slowdown is no longer straightforwardly available. In an inflationary shock driven by an energy supply disruption, monetary easing risks making the problem worse.

Rates were held unchanged, but four of the 12 committee members dissented, the most since 1992. The message from the committee was clear: any discussion of cutting rates in 2026 is effectively off the table. Powell simultaneously announced that he would remain on the committee as a governor under the incoming chair, Kevin Warsh. He explicitly framed his decision as a defense of institutional independence.

The bond market tells a sobering story. The 10-year Treasury yield has been rising steadily throughout April, reflecting a market that is simultaneously pricing inflation risk upwards and growth expectations downwards.

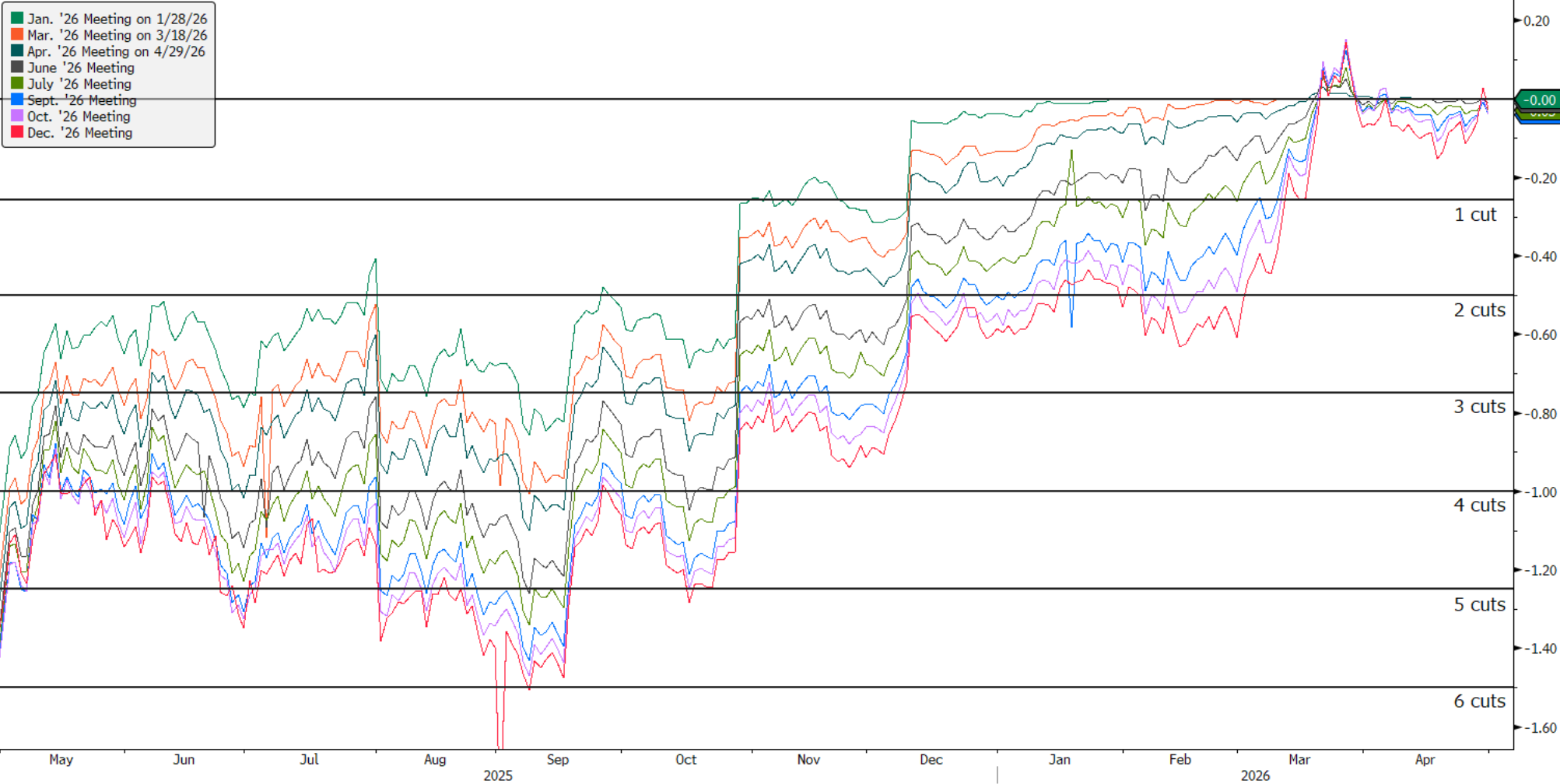
This creates the delicate trap that defines the current environment: if the Fed were to cut rates prematurely in response to growth concerns, it would risk un-anchoring short-term inflation expectations and pushing long-term yields even higher. This would tighten financial conditions precisely when the Fed is trying to loosen them.

A bear steepening of the yield curve, in which long-term rates rise faster than short-term rates, signals that investors expect high inflation and elevated rates to persist for years, not months.



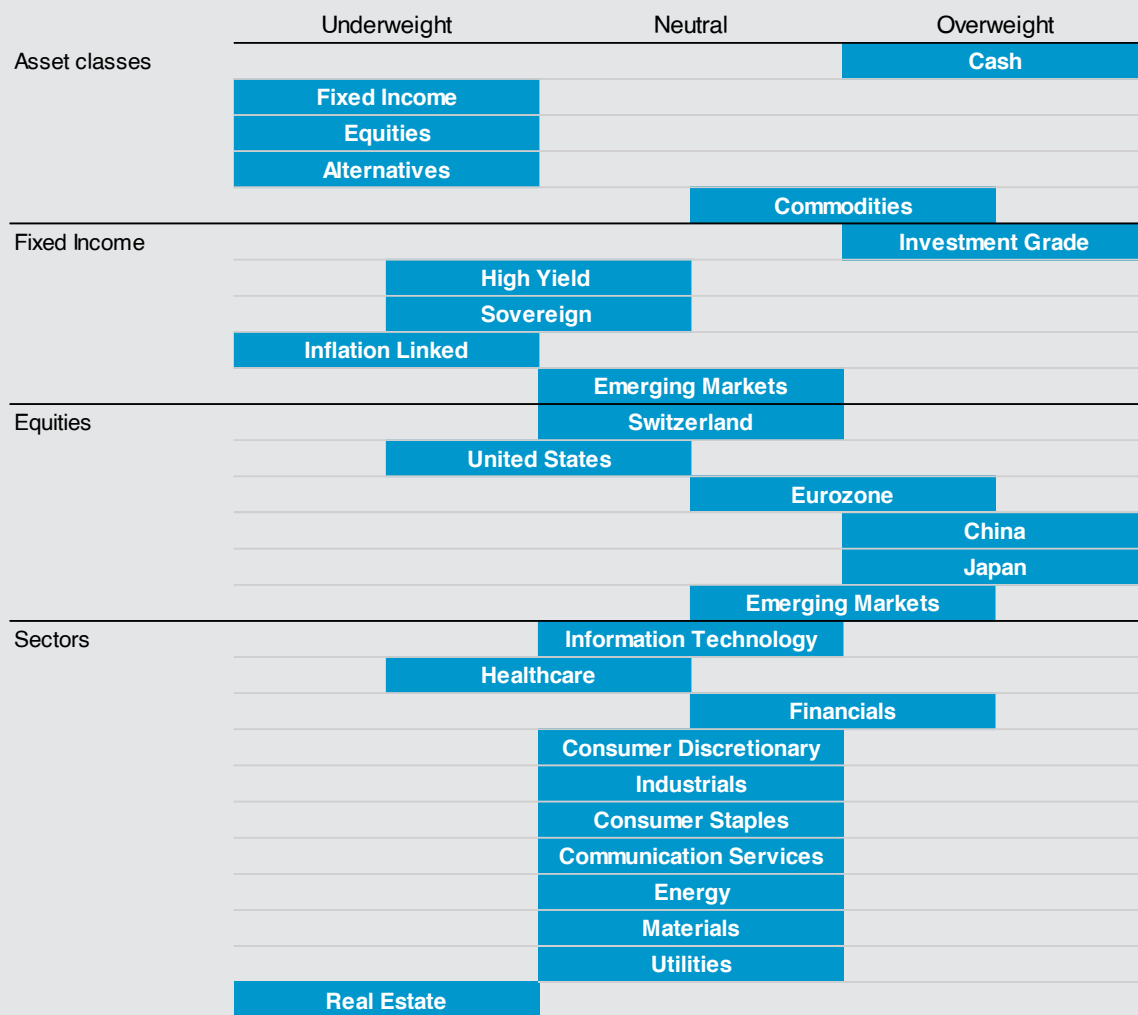
# US Short Term Rates Expectations

With inflation risks on the rise, it's no surprise that market expectations for policy rates have shifted more hawkish. Markets are discounting rate hikes by the ECB and the BoE, and, more importantly, ruling out any Fed rate cuts in 2026.



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# Asset Allocation



## Fixed-income allocation

Our selection focuses on the highest-quality issuers offering attractive risk-adjusted returns.

## Equities

This context leads us to a more prudent approach to equities, where sector and regional diversification is more important than ever. We reduced our allocation to the United States following the ongoing turbulence caused by the new administration.

## Alternative investments

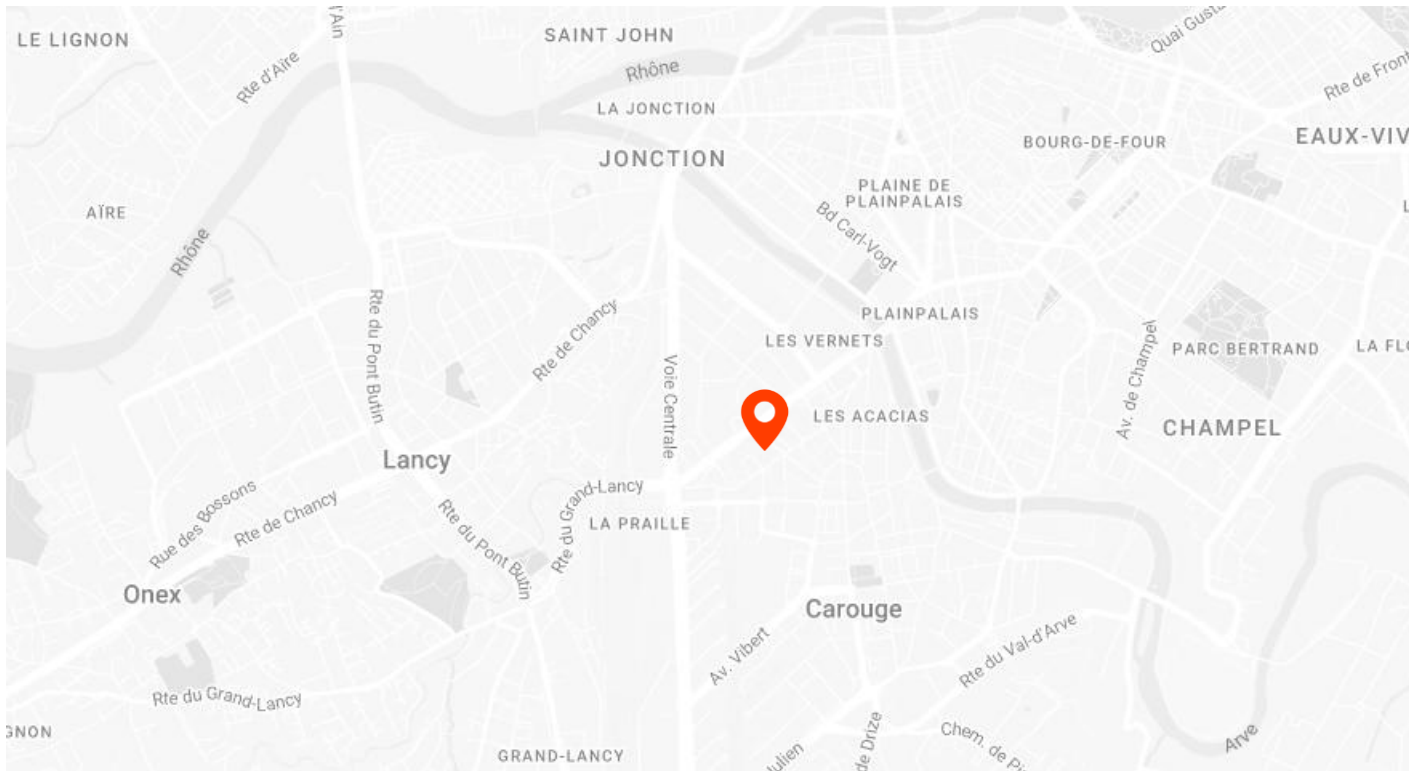
In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments.

## Commodities

In response to heightening geopolitical fragmentation and the escalating risk of currency debasement, we have established a commodities allocation, beginning with precious and strategic metals.

# Contact

## A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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