



TELOMERE | Capital

Market Update

Without them, the picture would have been different

June 2026



Editorial

On the surface, markets looked fine: indices near record highs, earnings strong, the kind of numbers that make it tempting to stop asking questions. But the more you look at what drove those returns, the less straightforward the picture becomes.

A single theme has done most of the work. Strip away AI, and global equities have gone nowhere since the Iran War began. This is not a broad bull market rewarding diversified investors – it is a highly concentrated one rewarding a specific bet, made early, and held with conviction.

Beneath the surface, the environment has quietly become more difficult. Crude oil was the most volatile asset in the room in May, and the UAE's departure from OPEC removes one of the market's traditional stabilizers at precisely the wrong moment. Many had declared inflation defeated, but it is finding new engines in energy prices and the relentless capital spending demands of the AI buildout. These forces are enough to put rate hikes back on the table and rate cuts firmly off it. And yet, emerging markets quietly delivered the strongest equity returns of the month. This was driven not only by the same AI factor, but also by underlying fundamentals that have been developing for some time.

This update tries to make sense of all of it. We wish you a pleasant and insightful read.



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Global Markets

Global	Last	YTD	MTD
MSCI World	4,864.6	10.7%	4.6%
MSCI ACWI	1,130.8	12.4%	5.2%
MSCI Emerging Markets	1,752.2	25.7%	9.7%

United States

Dow Jones Industrial	51,032.5	6.9%	2.9%
S&P 500	7,580.1	11.2%	5.3%
NASDAQ 100	30,333.2	20.5%	10.6%
Russell 2000	2,919.3	18.3%	4.4%

Europe

Euro STOXX 600	626.0	8.1%	3.2%
Euro STOXX 50	6,050.5	6.7%	3.9%
DAX	25,104.7	2.5%	3.3%
CAC 40	8,183.3	2.7%	2.4%
FTSE 100	10,409.3	6.6%	0.7%
Swiss Market Index (SMI)	13,542.7	5.1%	3.4%

Sectors (US)

Communication Services	5.8%	-0.3%
Consumer Discretionary	5.1%	2.9%
Consumer Staples	7.6%	-3.2%
Energy	25.5%	-5.3%
Financials	-6.1%	-1.0%
Health Care	-3.2%	2.6%
Industrials	16.4%	-0.1%
Materials	12.9%	-0.3%
Real Estate	10.2%	-1.8%
Technology	23.9%	16.4%
Utilities	4.8%	-5.2%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	4,540.3	5.1%	-1.7%
Silver (XAG)	75.3	5.1%	2.1%
Copper	638.9	12.4%	7.8%

Currencies (USD)

EUR	1.17	-0.7%	-0.6%
CHF	0.78	1.5%	0.1%
JPY	159.3	-1.6%	-1.7%
BTC	73,582	-16.0%	-3.8%

Fixed Income

US Treasury	2,435	0.0%	0.1%
EUR Treasury	249	0.8%	1.2%
Global Aggregate	504	0.5%	0.3%
US Corporate	3,569	0.7%	0.8%
Global EM USD	1,407	1.5%	0.7%
Global High Yield	1,898	1.9%	0.7%

Interest Rates (US)

		Last month	End 2025
3 Months	3.67%	3.66%	3.63%
12 Months	3.77%	3.71%	3.47%
5 Year	4.14%	4.01%	3.73%
10 Year	4.44%	4.37%	4.17%

Price / Earnings Ratios

		End 2025	End 2024
S&P 500	27.85	27.37	26.49
Euro STOXX 50	17.30	17.47	14.78
Swiss Market Index (SMI)	19.81	19.92	18.98

Data at close of 29/05/2026

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	3.80%	3.30%	2.70%	3.00%
Eurozone	2.15%	2.15%	2.15%	2.15%	Eurozone	3.20%	2.60%	2.00%	2.20%
Switzerland	0.00%	0.00%	0.00%	0.00%	Switzerland	0.60%	0.30%	0.10%	0.20%
United Kingdom	3.75%	3.75%	3.75%	4.00%	United Kingdom	2.80%	3.30%	3.40%	3.80%
Canada	2.25%	2.25%	2.25%	2.50%	Canada	2.80%	2.40%	2.40%	2.40%
Japan	0.75%	0.75%	0.75%	0.50%	Japan	1.40%	1.50%	2.10%	2.90%
China (3M SHIBOR)	1.40%	1.51%	1.60%	1.58%	China	1.20%	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	2.60%	2.60%	2.00%	2.30%
Eurozone	6.30%	6.30%	6.30%	6.30%	Eurozone	1.60%	N/A	1.60%	1.60%
Switzerland	3.00%	3.00%	3.00%	3.00%	Switzerland	0.50%	0.50%	1.00%	0.70%
Canada	6.90%	6.70%	6.80%	7.10%	Canada	0.40%	0.40%	1.00%	1.50%
Japan	2.50%	2.70%	2.60%	2.60%	Japan	4.00%	4.00%	3.70%	4.00%
China	5.20%	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	6.00%	4.30%	3.10%	3.00%	United States	54	52.7	47.9	48.9
European Union	3.70%	3.70%	0.30%	0.90%	Eurozone	47.5	50.7	51.5	51.2
Switzerland	-2.00%	-2.70%	-1.80%	-1.80%	Switzerland	57.3	53.3	46.4	46.1
Canada	11.43%	8.37%	4.13%	4.78%	Canada	52.9	50	48.6	47.7
Japan	4.90%	2.90%	2.40%	2.80%	Japan	54.5	51.6	50	48.5
China	2.80%	0.50%	-1.90%	-2.30%	China	50	50.4	50.1	49.8
India	8.30%	3.88%	0.96%	0.19%	India	55	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	2.80%	2.60%	2.60%	3.00%	United States	3.29%	3.24%	2.97%	2.83%
Eurozone	2.50%	2.30%	2.30%	2.40%					
Switzerland	0.30%	0.40%	0.50%	0.60%					
Canada	1.50%	1.90%	2.50%	2.40%					
Japan	1.10%	1.40%	1.50%	1.30%					

Data as of 02/06/2026
N/A: Not yet reported or Public Holiday

May Macro News



- The Iran situation remained unresolved, but less acute. By late May, optimism over a potential US-Iran agreement returned, supporting a risk-on tone in equities and a rally in European bonds. The strait remains closed, but the diplomatic temperature has come down from its April peak.
- US growth held up for now. Q1 GDP came in at 1.6% (revised second estimate), supported by domestic investment, exports, consumer spending, and a positive contribution from government spending following the October 2025 federal shutdown. The labor market remained stable with better-than-expected job creation. The resilience is real, but inflation is beginning to show up in the data – and the window for the Fed to stay patient is narrowing.
- The Fed got a new chair. Kevin Warsh was confirmed by the Senate on May 13 and sworn in on May 22 as the 17th Chair of the Federal Reserve, succeeding Jerome Powell in what was the most divisive Fed confirmation vote in history.

The rally was entirely AI-driven: **without it, markets were down**

The market is up, but only if you know where to look. Strip out AI, and global equities have gone nowhere since the Iran War began.

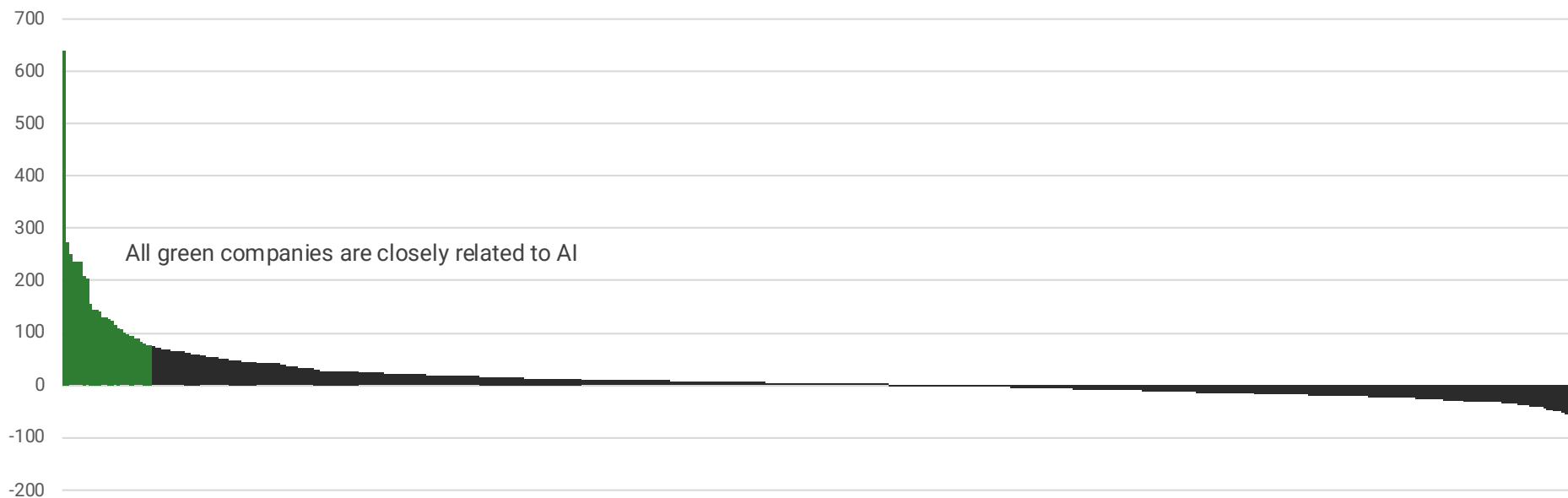
Global benchmarks are at or near records, and the S&P 500 has ground higher through war, rising oil, and slowing growth. But those headlines are carrying a lot of weight. Strip out AI-linked stocks and the rally essentially disappears – the ex-AI S&P 500 has gone nowhere since February. The same is true globally: in Asia, surging tech names have been masking broader weakness, offsetting the economic drag from the Iran conflict rather than reflecting any genuine improvement underneath.

AI-linked stocks now account for roughly 45% of S&P 500 market cap, and the top

ten names represent more than a third of the index. This is not a broad bull market. It is a very powerful, very narrow one. The AI Winners Index (the direct beneficiaries across semiconductors, hyperscalers, and infrastructure) is up nearly 50% since the conflict began. Everything else, in aggregate, is flat to down.

A portfolio that did well in May probably did well because of one specific, concentrated trade. That is worth understanding before deciding what to do next.

YTD Performance of S&P 500 companies



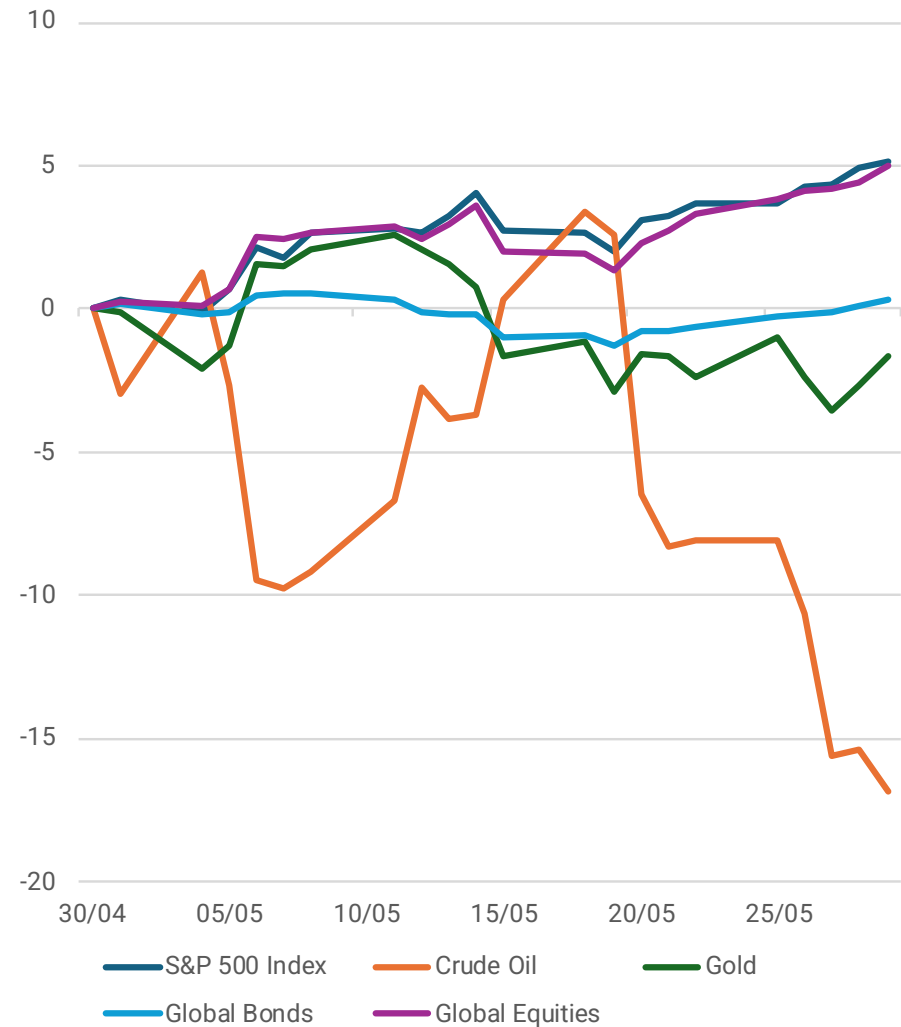
Crude oil was the **single most volatile asset**

Crude swung more than any other major asset class in May; the UAE's exit from OPEC means the market's traditional shock absorber is gone.

Of all the assets that moved in May, crude oil moved the most. Since the Iran conflict began in late February, implied volatility on crude has averaged 78%. Brent pulled back sharply on ceasefire speculation, then rebounded again on renewed Hormuz uncertainty. Within 24 hours of the UAE's OPEC exit announcement alone, prices dipped on supply fears and then recovered above USD 112 Brent on Iran risk premiums. No other major asset class has seen anything like that kind of range.

The UAE's departure is the bigger structural story. It is the most significant split in OPEC since the organization was founded in 1960. The UAE has been a member since 1967 and is today its second-largest producer by liquids capacity. The immediate trigger is years of frustration with Saudi-led quota decisions that capped UAE output even as the country invested heavily to expand capacity. The UAE watched Iraq and Russia routinely exceed their quotas without consequence, while its own growth was constrained. Leaving now, while the Strait of Hormuz is closed and everyone is cut equally, minimizes the short-term market impact, but the signal is unmistakable.

Energy exposure has been a strong performer since the conflict began, and that remains true while Hormuz stays closed. But the longer-term picture is more complicated: when the strait reopens, the UAE is expected to produce as much as it can, potentially adding close to a million barrels a day to global markets. The range of outcomes for oil prices over the next 12 to 18 months is wider than at any point in recent memory.



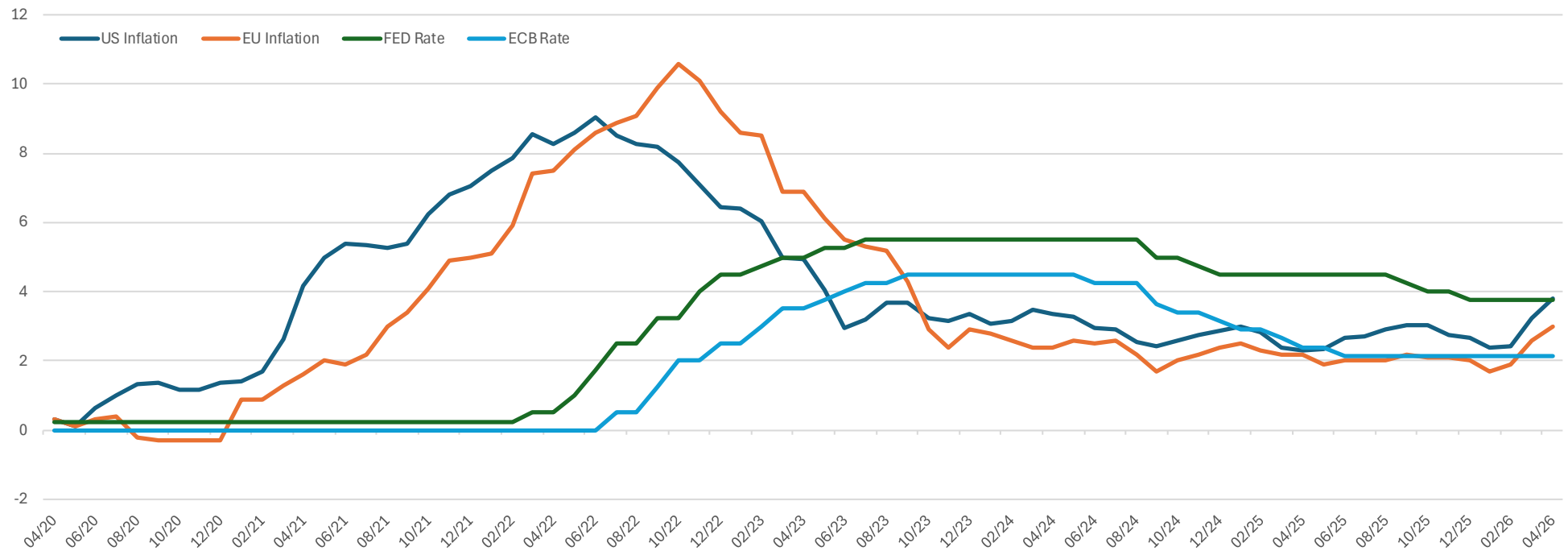
Inflation returns as a key threat, **this time with two engines**

Oil prices are kept high by supply-side factors, while demand is driven by AI capital expenditure. The path back to 2% inflation is not obvious from here.

For most of 2024 and 2025, inflation was a fading problem. Central banks had done the work, energy prices were manageable, and rate cuts were the main conversation. That script has changed. Brent crude closed May near USD 92 a barrel, roughly 30% above pre-conflict levels, and the Fed's April meeting statement explicitly cited the energy shock as a source of continued inflation risk.

running alongside it. Estimated combined capex for the largest hyperscalers has moved to roughly USD 800 billion in 2026 and is projected to approach USD 1.2 trillion in 2027 (data centers, power infrastructure, semiconductors, and the grid capacity to run all of it). That is a lot of real-economy demand hitting an industrial supply chain that is already stretched.

What makes this cycle different from a standard oil shock is the second engine



Emerging markets equities outpaced developed markets

Emerging market equities returned 9.7% in May, more than double the 4.6% posted by developed markets. The gap was driven by extraordinary performance in Korea and Taiwan, both of which sit squarely in the AI supply chain.

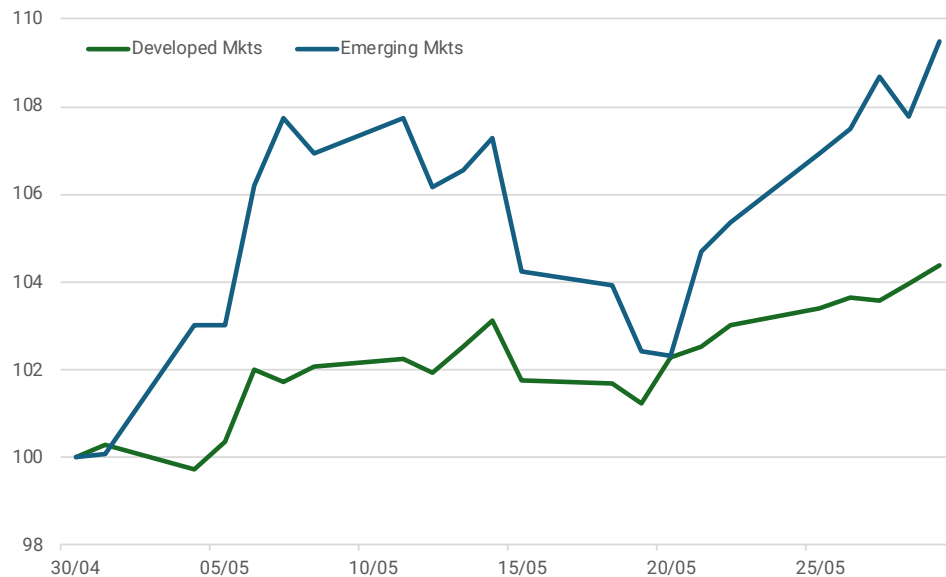
Semiconductors, memory, and the hardware that powers the global data center buildout are largely made in emerging Asia. When hyperscaler capex runs at \$800 billion a year and rising, the factories and foundries that supply it tend to do well, and most of them are not in New York or Frankfurt.

But the EM outperformance story is not purely a proxy AI trade. The MSCI Emerging Markets Index now trades at a nearly 40% discount to developed markets when it comes to forward earnings. That discount has been a persistent feature of EM for years, often justified by weaker corporate governance, dilutive equity issuance, and

unreliable earnings conversion. Some of those structural drags are genuinely fading.

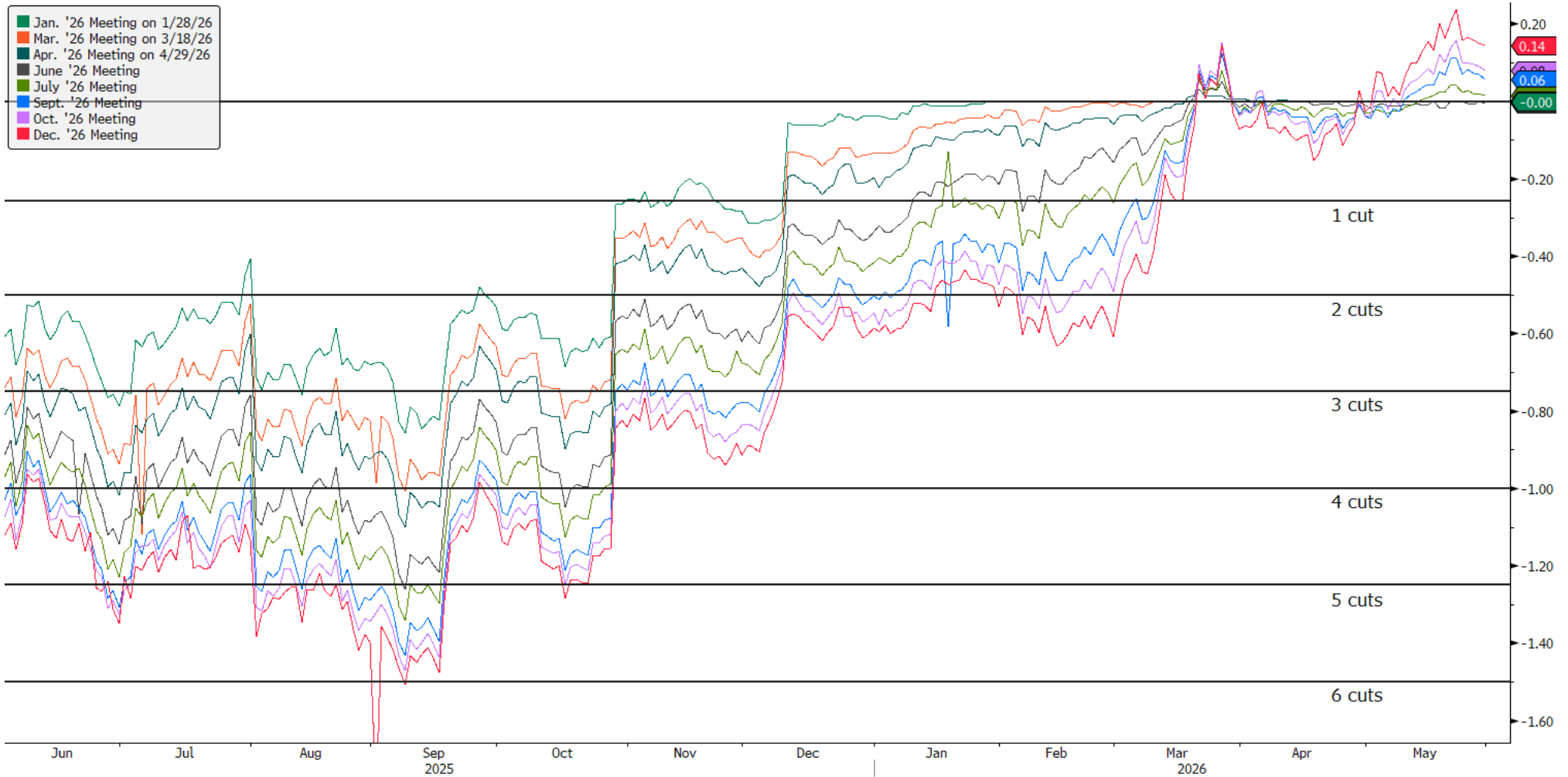
The macro backdrop has also shifted in EM's favor. A weaker dollar (counterintuitive in a period of geopolitical stress) reduces the cost of dollar-denominated debt across developing economies and tends to attract capital flows toward higher-yielding markets.

Combine that with the fact that most EM economies are net beneficiaries of a world reorganizing its supply chains away from concentrated geographies, and the tailwind has more than one source.



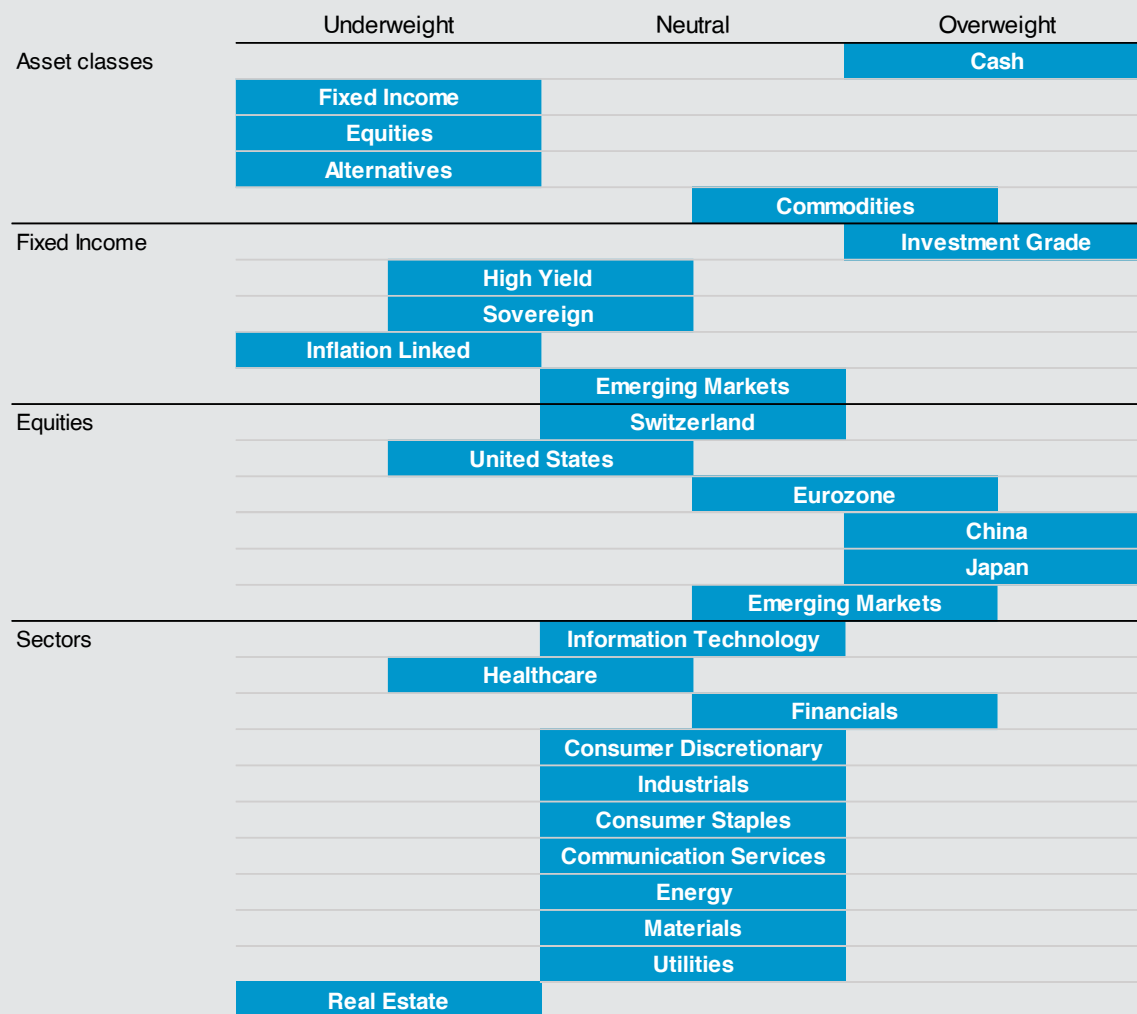
US Short Term Rates Expectations

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, not only ruling out Fed rate cuts in 2026 but beginning to price in the possibility of a rate hike.



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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

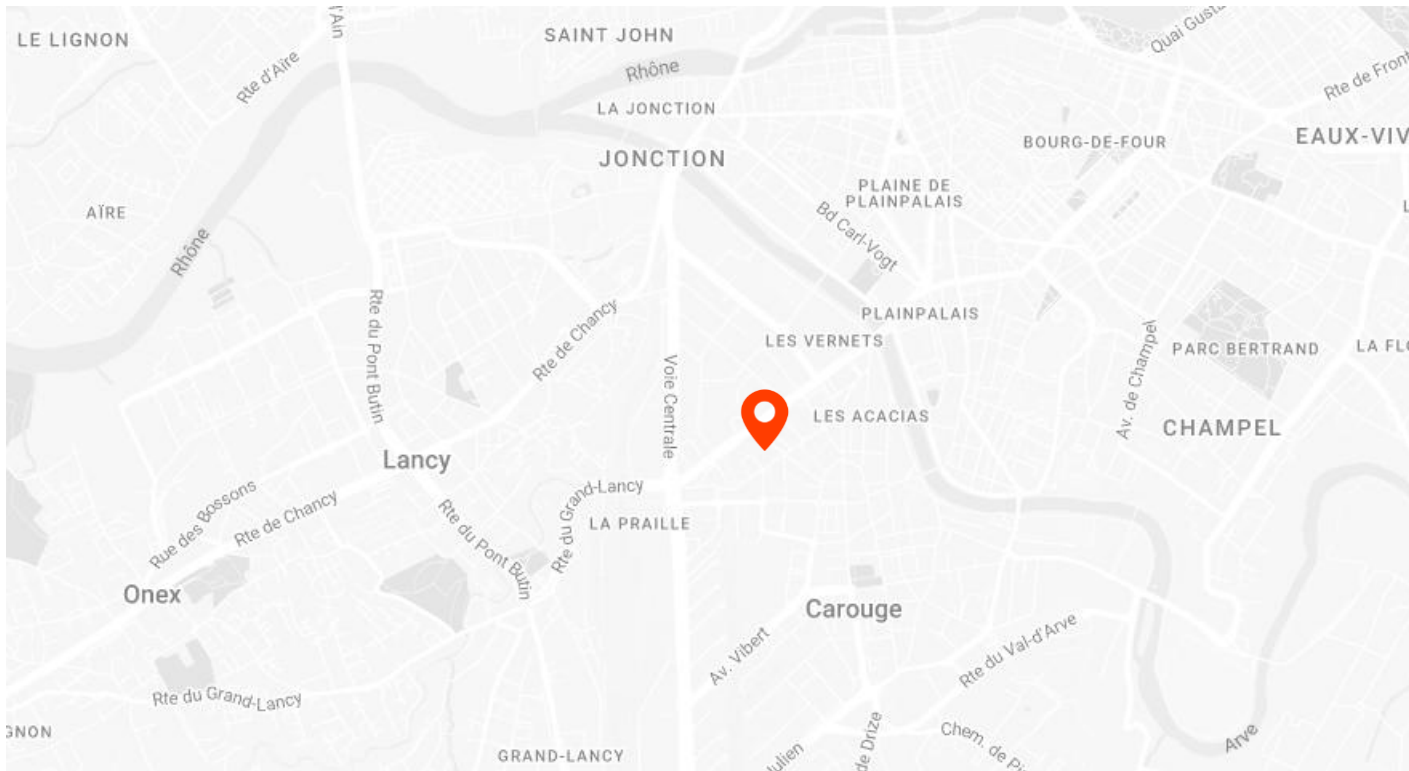
In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments.

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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