

# Discovery Market Review

31 May 2026

## Market background

Financial markets were broadly positive in May. Global equities advanced, led by technology stocks as AI enthusiasm remained a key driver of performance. Bond markets were more volatile, with a sharp mid-month sell-off driven by inflation concerns and uncertainty surrounding the US-Iran conflict. However, sentiment improved later in the month as hopes of a US-Iran deal increased, helping oil prices to fall sharply and supporting both sovereign bonds and credit markets. Commodities were mixed overall, with industrial metals advancing while Brent crude recorded its largest monthly decline since the pandemic.

## United States

US equities advanced strongly in May, as investors looked through geopolitical uncertainty and returned to risk assets. Renewed hopes of an end to the US-Iran conflict helped lower both oil prices and bond yields later in the month, supporting a broader equity rally beyond the narrow group of stocks that have previously driven market gains. That said, the tech-heavy Nasdaq Composite led the major indices, supported by continued enthusiasm for AI-related earnings and infrastructure spending. Strong results and positive guidance from companies exposed to cloud, software, semiconductors and AI infrastructure suggested that demand remained robust. Continued investor interest in potential listings from AI heavyweights such as Anthropic and OpenAI, alongside the SpaceX IPO, added to the AI excitement. Separately, the S&P 500 advanced strongly, while the Dow Jones Industrial Average stabilised above the key 50,000 level. Small-cap equities joined in too, with the Russell 2000 reaching a fresh all-time high late in the month. The equal-weighted S&P 500 also hit a new high, suggesting that the rally was broadening beyond its previously narrow focus.

Policy remains closely watched. New Fed Chair Kevin Warsh took over from Jerome Powell at a time when inflation remains above target following the US-Iran conflict, and the White House is pushing for lower interest rates. The Fed's next meeting, the first that Warsh will chair, is scheduled for June 16-17.

## South Africa

May was a challenging month for South African markets, with the FTSE/JSE All Share Index closing in negative territory amid a combination of domestic and global headwinds. Consumer-facing sectors came under pressure from higher fuel costs, tighter monetary policy and weaker disposable income, while financials proved more resilient amid expectations of wider net interest margins. Resources remained volatile, as broader mining sentiment continued to be weighed down by global growth concerns.

Inflation rose to 4.0% year-on-year in April, from 3.1% in March, while producer-price inflation rose to 4.8%, driven mainly by petroleum-related products and food/beverages. The South African Reserve Bank (SARB) responded by raising the repo rate by 25 basis points (bps) to 7.0%, citing elevated inflation risks and higher oil price assumptions. The SARB's Quarterly Projection Model and accompanying policy guidance suggested that rates are likely to remain restrictive for the remainder of the year, with the possibility of further tightening should inflation risks persist.



Fixed income was a key bright spot. South Africa's 10-year bond yield fell over the month, supported by improved global risk sentiment and hopes of a US–Iran agreement, tighter SARB policy aimed at containing inflation, and Moody's revising South Africa's outlook to positive from stable while affirming its Ba2 sovereign credit rating. This marked the first positive outlook revision since 2007. The rand also strengthened towards month-end, supported by the improved sovereign credit outlook and attractive real yields.

## Europe and the United Kingdom

The UK equity market had a positive month, though the benchmark FTSE 100 posted more modest gains than global standards given its weighting towards oil companies, which came under pressure over the month. The FTSE 250, however, posted robust gains more in keeping with the broader rally, helped by positive inflation and GDP releases. It wasn't all plain sailing, however. On the political front, there was some significant unrest following poor local election results earlier in May, which triggered speculation around the Prime Minister's position and, by extension, the direction any future administration could take, which weighed on sentiment.

European markets performed well during May, with the weakening oil price helping to ease concerns around inflation – a key driver of sentiment given Europe's exposure to the energy crisis. France's inflation rate, for example, rose to 2.4% year-on-year, its highest level in more than two years, driven by higher energy prices, which were 17% higher than a year earlier. A Bloomberg survey conducted in early May reflected these inflationary concerns, showing economists now expect two quarter-point rate hikes by the European Central Bank (ECB) in 2026 – in June and September – up from one hike in the previous poll. Looking at individual sectors, tech broadly benefited from positive AI sentiment spilling over from strong US tech earnings. Healthcare was also a bright spot, while energy was a notable laggard.

## China

Chinese equities were slightly weaker in May, with the MSCI China All Shares Index returning -0.9% in US dollar terms. Mainland A-shares were more resilient than their offshore peers, supported by domestic liquidity conditions and selective positioning in policy-aligned areas such as advanced manufacturing, industrial equipment, electrification and parts of the local technology supply chain. Periodic optimism around China's semiconductor ambitions also provided support, as investors focused on developments in domestic technology capabilities, including Huawei's advances in AI chips.

Offshore equities continued to experience greater volatility. A meaningful rally in Hong Kong-listed technology and platform names earlier in the month was driven by renewed optimism following a diplomatic thaw in US-China relations, including the Trump-Xi summit in mid-May. However, the rally struggled to sustain itself amid ongoing scrutiny of earnings delivery.

Macroeconomic signals continued to point to stabilisation rather than acceleration. Manufacturing activity remained close to the expansionary threshold in the official PMI survey, while export data provided modest support. However, consumer confidence and domestic demand remained subdued, with retail sales softening, partly reflecting weaker momentum in autos and other categories previously supported by trade-in subsidy programmes. The property sector, despite intermittent signs of stabilisation, continued to weigh on the broader economic outlook and investor perceptions of cyclically exposed segments of the market.

## Global equities

Global equities advanced in May, with the MSCI All Country World Index posting a gain of just over 5% (in USD). Reports that the US and Iran were close to an agreement raised hopes of an end to the war and eased concerns around energy supply disruption. This led to Brent crude oil recording its largest monthly decline since March 2020, reducing stagflation fears and subsequently supporting risk assets. Against this improving macro backdrop,



enthusiasm around AI remained a key driver of market performance, with technology stocks leading gains while energy and utilities lagged amid falling oil prices and improving risk sentiment.

Markets most exposed to the AI theme outperformed. US equity performance was strong as investors returned to large-cap technology stocks, while South Korea and Taiwan were again among the standout performers globally, reflecting their significant exposure to the semiconductor supply chain. Japanese equities also advanced, continuing their recent run of strength. By contrast, Chinese equities remained disconnected from the wider global rally, due to concerns around domestic demand and property market weakness.

Indices	May 2026 net return (USD)
S&P 500	5.2%
Nasdaq Composite	8.4%
MSCI ACWI	5.2%
Nikkei 225	11.9%
EuroStoxx 600	2.4%
FTSE 100	0.7%
Hang Seng Index	-1.8%
SSE Composite	-1.1%

Indices	May 2026 net return (ZAR)
FTSE JSE All Share Index	-0.3%
FTSE/JSE Financials Index	0.7%
FTSE/JSE Industrials Index	1.3%
FTSE/JSE Resources Index	-1.3%
FTSE/JSE ALBI	2.9%
STEFI	0.5%

Source: Bloomberg, as at 31 May 2026.

## Global fixed income

### US

May proved a volatile month for US Treasuries, with headlines around the US-Iran conflict continuing to dominate investor sentiment. Peace negotiations made limited progress and the Strait of Hormuz remained closed, keeping oil prices elevated. Concerns around a reacceleration in inflation were compounded by CPI rising to a three-year high (3.8%), fuelling expectations of rate hikes and prompting Federal Reserve (Fed) members such as Waller to shift hawkishly. This drove a sharp sell-off across the Treasury market mid-month, with the 30-year yield reaching its highest level since 2007. However, towards month-end, widespread reports of a 60-day ceasefire extension triggered a market rally, with oil prices falling sharply and inflation fears receding. Softer-than-expected Personal Consumption Expenditures (PCE) data, the Fed's preferred inflation measure, also helped reduce investor expectations of further rate hikes. While Treasury yields fell from their mid-month peak, they still ended the month higher across the curve, and underperformed European government bond markets.



## Europe

European sovereign bond yields ended the month lower, rallying sharply as oil prices declined towards the end of May on growing optimism around a deal to end the US-Iran conflict. However, the path was volatile. Amid a global bond sell-off mid-month, yields spiked to multi-year highs as markets responded to concerns about a prolonged inflationary environment and an increased likelihood of tighter monetary policy. The inflation backdrop proved challenging, with Eurozone CPI rising to 3% in April, above the European Central Bank's (ECB) 2% target. Meanwhile, ECB board member Schnabel struck a notably hawkish tone, arguing the central bank should hike in June regardless of how the conflict evolves, given the 'size and persistence' of the inflationary shock. Market pricing reflects a high likelihood of a rate hike in June, although renewed hopes of an end to the conflict meant that by month end only two hikes were forecast for the rest of this year.

## UK

UK gilts remained volatile in May, with 10-year yields touching post-global financial crisis highs before reversing sharply to end the month lower across the curve. The initial sell-off was driven by domestic political turmoil. Prime Minister Keir Starmer came under mounting pressure after disappointing local election outcomes raised questions over political stability, with leadership challenges emerging across the Labour party, including from Andy Burnham, a candidate that investors took as less fiscally prudent. Sentiment improved later in the month as Burnham reaffirmed his commitment to the fiscal framework, helping to ease concerns around fiscal policy. Improved sentiment was reinforced by a softer-than-expected inflation print and a broader improvement in global risk sentiment, as progress towards a US-Iran deal began to ease stagflation fears. These developments supported a meaningful rally in gilt prices, and yields fell back across the curve.

## Japan

Japanese government bond yields continued to rise in May, extending the sell-off in longer-dated maturities that has characterised recent months. While front-end yields remained broadly flat, the 30-year yield rose sharply, producing a bear steepening of the curve. At its peak amid global bond market turbulence, the 30-year yield reached its highest level since its introduction in 1999, while the 10-year yield rose to its highest level since 1997. The move reflected a combination of domestic and global factors. Political headlines created unease, with comments from Prime Minister Takaichi fuelling speculation over a supplementary budget that would increase the government's financing requirements. Inflation expectations continued to drift higher, keeping pressure on the Bank of Japan (BoJ) to tighten policy further. Q1 GDP growth data also came in well ahead of expectations, reinforcing the case for additional rate hikes. By the end of the month, the market was pricing in between one and two 25bps hikes by December.

Indices	May 2026 total return in local currency
Bloomberg US Treasury Index	0.1%
Bloomberg Global-Aggregate Total Return	0.3%
Bloomberg EuroAgg Index	1.1%

Source: Bloomberg, as at 31 May 2026.

## Commodity markets

The price of Brent crude fell 19% in May to US\$92 per barrel, its biggest one-month decline since global pandemic lockdowns began, as an end to the US-Iran conflict and restrictions on shipping through the Strait of Hormuz appeared more likely. The United Arab Emirates left Opec at the start of the month, raising questions about the sustainability of the cartel of oil-producing nations and its ability to influence the global oil price.

Gold traded in a fairly narrow range, declining 2% overall in May to end the month at US\$4,540 per Troy ounce. That still left the precious metal 50% higher than 12 months ago. The equities of gold producers marginally outperformed

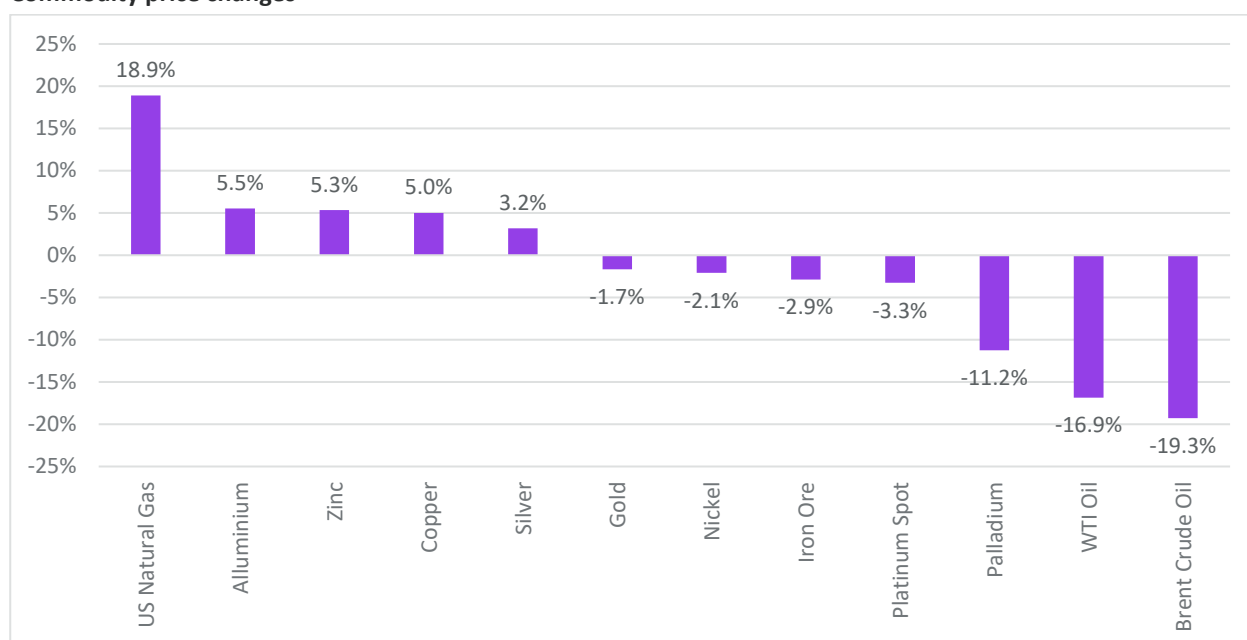


gold, with the NYSE Arca Gold Miners Index gaining 1%. Total known holdings of gold by exchange-traded funds, often seen as a proxy for desire to hold the precious metal, were little changed. Among other precious metals, silver gained 3%, supported by industrial demand, while platinum declined 3%.

Copper remained strong, gaining about 5% to US\$13,636 per tonne. The industrial metal was supported by signs of strengthening Chinese demand and continuing concern over global production. However, some market participants warned the market may be reflecting longer-term demand expectations and overlooking a softer nearer-term business cycle. Aluminium posted a similar gain, with the market for the metal now in deficit as the US-Iran conflict has severely disrupted Middle Eastern shipments and production facilities.

In agriculture, the US Department of Agriculture forecast a sharp decline in US wheat stocks and the lowest wheat production for half a century, due to a lower planted area of winter wheat and widespread drought conditions. The US agency also forecast lower wheat production in the European Union and other major producing regions beyond the US, but crops were still expected to be large relative to history. During the month, the US and China agreed to cut agriculture tariffs in a move that may see Chinese imports of US agricultural products revert to previous highs, but uncertainty remained around how the deal would be implemented in practice.

### Commodity price changes



Source: Bloomberg, as at 31 May 2026.