

## Inflation pressures intensify as Hormuz risks and policy uncertainty drive market volatility

### Macro headlines

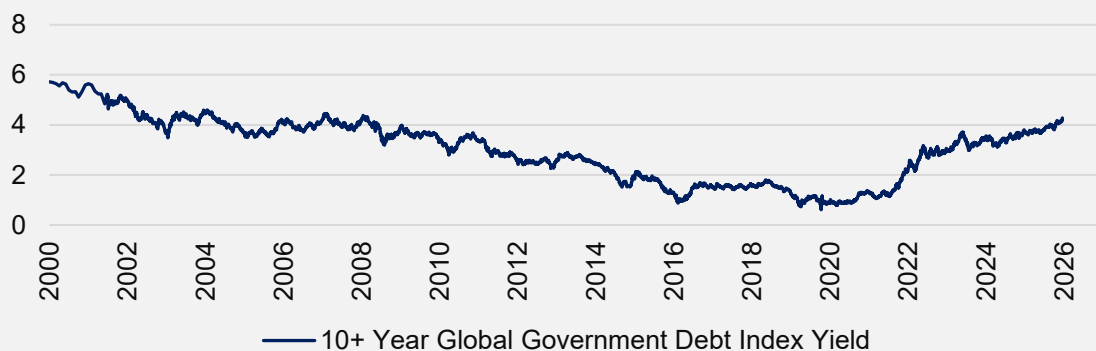
Global macro conditions remained dominated by the prolonged Iran conflict, elevated energy prices, and intensifying inflation pressures. Diplomatic efforts showed limited progress despite the Trump-Xi summit in Beijing, as ceasefire negotiations with Tehran stalled and the Strait of Hormuz remained effectively constrained. President Trump repeatedly warned Iran to move quickly toward a deal, while Tehran continued demanding sovereignty recognition over Hormuz, sanctions relief, and compensation. Markets increasingly focused on the risk of a prolonged supply disruption, particularly after attacks near GCC nuclear facilities and continued shipping incidents around the Gulf. The geopolitical backdrop also broadened, with the UAE's exit from OPEC+, rising US-China strategic competition over AI and semiconductors and mounting political instability in the UK weighing on sentiment. Inflation accelerated further across major economies as the energy shock passed through supply chains. In the US, CPI rose to 3.8% y/y in April, while PPI surged 6.0% y/y and import prices posted their strongest monthly increase since 2022 due to petroleum costs. Treasury yields climbed sharply, with 30-year yields moving above 5% for the first time since 2007, reflecting persistent inflation concerns and rising fiscal-risk premiums. The Federal Reserve kept rates unchanged, though internal divisions widened ahead of Kevin Warsh's transition to Fed Chair. Europe faced similar inflationary pressures, with Germany's fuel-driven inflation accelerating and wholesale prices rising at their fastest pace in over a year. Japan's inflation dynamics strengthened further, reinforcing expectations of a Bank of Japan rate hike as early as June. China's economy showed growing signs of weakness, with softer industrial output, retail sales, and credit demand reflecting the drag from higher energy prices and fragile domestic confidence, although AI-related sectors remained resilient. India also experienced broadening inflation pressures, particularly through wholesale prices and energy-linked sectors.

### Market performances

Global markets were mixed as strong earnings and resilient US growth data offset rising bond yields, inflation fears, and geopolitical uncertainty. US equities were broadly stable, with the S&P 500 rising 0.1%, while the Nasdaq slipped 0.1% and the Dow Jones declined 0.2%. European equities weakened, with the STOXX 600 down 0.9% and the DAX falling 1.6%, while Asian markets were mixed as the Nikkei 225 declined 2.1%, the Sensex dropped 2.7%, and the Hang Seng fell 1.6%. Regional GCC equities remained under pressure, led by declines in DFM (-3.3%), MSM30 (-4.7%), and ADX (-1.7%), while Tadawul was relatively resilient (-0.3%). Fixed income markets weakened sharply amid rising inflation expectations and higher global yields. The Global Aggregate Bond Index fell 1.5%, while Global Treasuries declined 1.7% and Global Corporate Bonds lost 1.3%. Sovereign yields moved significantly higher, with the US 10-year Treasury yield rising 23.9bp, the German Bund increasing 16.2bp, and the UK 10-year Gilt surging 26bp. The US dollar strengthened 1.4%, weighing on both the euro and sterling, while the yen weakened despite intervention efforts by Japanese authorities. Commodities remained the strongest-performing asset class as geopolitical risk premiums persisted. The Bloomberg Commodity Index rose 1.8%, while Brent crude advanced 7.9% and WTI climbed 10.5% amid continued disruptions around the Strait of Hormuz. Precious metals weakened as rising real yields pressured safe-haven demand, with gold down 3.7% and silver declining 5.4%, although industrial metals such as aluminum and copper posted gains. Digital assets were mixed, with Bitcoin falling 1.3%, while XRP gained 1.6%. Volatility indicators rose, with the VIX increasing 7.2% and the MOVE Index jumping 18.8%, reflecting heightened uncertainty across both equity and fixed income markets.

### Chart of the Week: Long ends pressured

Global 10+ Year government debt index's yield highest since 2008



Mohammed Al Hemeiri

Senior Specialist

Tel: +971 (0)2 812 6450

[mohammed.alhemeiri@adcb.com](mailto:mohammed.alhemeiri@adcb.com)

Kishore Muktinutalapati

Head - Investment Strategy

Tel: +971 (0)2 812 6457

[kishore.muktinutalapati@adcb.com](mailto:kishore.muktinutalapati@adcb.com)

Reed AlSheryani

Senior Analyst

Tel: +971 (0) 281 267 84

[reed.a@adcb.com](mailto:reed.a@adcb.com)

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## Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	3.56	-4.00	-10.00	-31.00
UAE Eibor 3m	3.86	0.74	30.40	38.35
UAE Eibor 12m	4.04	1.72	34.42	42.22
US 3m Bills	3.66	-1.18	-0.72	3.77
US 10yr Treasury	4.63	23.93	54.51	42.64
German 10yr Bund	3.17	16.20	41.20	31.20
UK 10yr Gilt	5.17	26.00	75.60	69.30
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	497	-1.52	-2.50	-0.81
Global Treasuries	206	-1.71	-3.00	-1.34
Global Corporate	302	-1.27	-2.23	-0.74
EM USD Sovereign	459	-1.28	-1.44	0.06
EM LCY Sovereign	164	-1.11	-1.02	0.84
Global High Yield	1,880	-0.80	-0.33	0.96
Currencies				
Dollar Index	99.31	1.41	2.44	0.98
EUR USD	1.1620	-1.37	-2.05	-0.95
GBP USD	1.3316	-2.24	-2.38	-0.94
USD JPY	158.95	1.31	3.96	1.22
Equities				
S&P 500	7,409	0.13	8.37	8.22
Dow Jones	49,526	-0.17	0.05	3.04
NASDAQ	26,225	-0.08	16.31	12.84
STOXX 600	607	-0.85	-1.75	2.49
DAX	23,951	-1.59	-3.87	-2.20
Nikkei 225	60,898	-2.08	7.85	21.99
FTSE 100	10,195	-0.37	-2.40	2.66
SENSEX	74,302	-2.70	-8.94	-11.71
Hang Seng	25,613	-1.63	-2.27	1.30
MSCI World	4,742	-0.33	5.14	7.02
MSCI EM	1,668	-2.52	7.27	18.78
Regional Equities				
ADX	9,678	-1.65	-9.01	-3.15
DFM	5,709	-3.28	-15.18	-5.59
Tadawul*	10,995	-0.33	-2.28	4.81
DSM*	10,493	-2.06	-8.88	-2.50
MSM30*	7,960	-4.68	10.90	35.67
BHSE*	1,936	-0.30	-5.66	-6.32
KWSE*	8,764	-1.57	0.70	-1.61
Commodities				
BBG Commodity Index	142.1	1.82	20.08	28.46
Brent USD/bbl	111.1	7.87	61.27	79.56
WTI USD/bbl	107.5	10.48	67.63	83.59
Gold USD/t oz	4,543.0	-3.71	-9.96	5.05
Silver USD/t oz	75.3	-5.41	-1.84	6.04
Platinum USD/t oz	1,968.2	-3.71	-4.08	-3.79
Aluminum	3,626.1	1.77	19.16	21.73
Copper USD/MT	13,553.5	0.81	6.56	8.39
Digital Assets				
Bitcoin	76,942.4	-1.30	14.84	-9.77
Ether	2,121.7	-3.80	8.08	-25.49
Solana	85.1	-3.12	5.22	-28.21
XRP	1.4	1.57	1.79	-22.02
Volatility				
VIX	18.43	7.21	-10.53	23.28
MOVE	79.87	18.77	13.94	24.87

Source: Bloomberg, and ADCB Asset Management | Notes: \*Data as of May 15 2026 unless stated otherwise; \*\*Data as of May 14 2026.

# The Weekly Market View

Investment Strategy | May 18, 2026

## Forthcoming important economic data/events

### United States



Date & Time (GST)	Indicator	Period	Expected	Prior
5/18/2026 16:30	New York Fed Services Business Activity	May	--	-14
5/18/2026 18:00	<b>NAHB Housing Market Index</b>	<b>May</b>	<b>34</b>	<b>34</b>
5/19/2026 16:15	<b>ADP Weekly Employment Change</b>	<b>2-May</b>	--	<b>33.000k</b>
5/19/2026 18:00	<b>Pending Home Sales NSA YoY</b>	<b>Apr</b>	--	<b>1.80%</b>
5/20/2026 15:00	<b>MBA Mortgage Applications</b>	<b>15-May</b>	--	<b>1.70%</b>
5/20/2026 22:00	<b>FOMC Meeting Minutes</b>	<b>29-Apr</b>	--	--
5/21/2026 16:30	<b>Initial Jobless Claims</b>	<b>16-May</b>	--	<b>211k</b>
5/21/2026 16:30	<b>Continuing Claims</b>	<b>9-May</b>	--	<b>1782k</b>
5/21/2026 16:30	Philadelphia Fed Business Outlook	May	15	26.7
5/21/2026 16:30	<b>Housing Starts</b>	<b>Apr</b>	<b>1420k</b>	<b>1502k</b>
5/21/2026 16:30	<b>Building Permits</b>	<b>Apr P</b>	<b>1380k</b>	<b>1363k</b>
5/21/2026 17:45	<b>S&amp;P Global US Manufacturing PMI</b>	<b>May P</b>	<b>53.6</b>	<b>54.5</b>
5/21/2026 17:45	<b>S&amp;P Global US Services PMI</b>	<b>May P</b>	<b>51.3</b>	<b>51</b>
5/21/2026 19:00	Kansas City Fed Manf. Activity	May	--	10
5/22/2026 18:00	U. of Mich. Sentiment	May F	48.2	48.2
5/22/2026 18:00	U. of Mich. Expectations	May F	--	48.5
5/22/2026 18:00	<b>U. of Mich. 1 Yr Inflation</b>	<b>May F</b>	--	<b>4.50%</b>
5/22/2026 18:00	<b>U. of Mich. 5-10 Yr Inflation</b>	<b>May F</b>	--	<b>3.40%</b>
5/22/2026 19:00	Kansas City Fed Services Activity	May	--	3

### Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
5/19/2026 3:50	GDP Annualized SA QoQ	1Q P	1.60%	1.30%
5/19/2026 3:50	GDP SA QoQ	1Q P	0.40%	0.30%
5/19/2026 3:50	GDP Nominal SA QoQ	1Q P	0.80%	0.90%
5/19/2026 8:30	<b>Industrial Production MoM</b>	<b>Mar F</b>	--	<b>-0.50%</b>
5/21/2026 3:50	Core Machine Orders YoY	Mar	0.60%	24.70%
5/21/2026 4:30	<b>S&amp;P Global Japan PMI Mfg</b>	<b>May P</b>	--	<b>55.1</b>
5/21/2026 4:30	<b>S&amp;P Global Japan PMI Services</b>	<b>May P</b>	--	<b>51</b>
5/22/2026 3:30	<b>Natl CPI YoY</b>	<b>Apr</b>	<b>1.60%</b>	<b>1.50%</b>
5/22/2026 3:30	<b>Natl CPI Ex Fresh Food, Energy YoY</b>	<b>Apr</b>	<b>2.20%</b>	<b>2.40%</b>

### Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
5/21/2026 11:15	<b>France S&amp;P Global France Manufacturing PMI</b>	<b>May P</b>	<b>52</b>	<b>52.8</b>
5/21/2026 11:15	<b>France S&amp;P Global France Services PMI</b>	<b>May P</b>	<b>46.9</b>	<b>46.5</b>
5/22/2026 10:45	France Manufacturing Confidence	May	100	100
5/20/2026 13:00	<b>Eurozone CPI YoY</b>	<b>Apr F</b>	<b>3.00%</b>	<b>3.00%</b>
5/20/2026 13:00	<b>Eurozone CPI Core YoY</b>	<b>Apr F</b>	<b>2.20%</b>	<b>2.20%</b>
5/21/2026 12:00	<b>Eurozone S&amp;P Global Eurozone Manufacturing PMI</b>	<b>May P</b>	<b>51.5</b>	<b>52.2</b>
5/21/2026 12:00	<b>Eurozone S&amp;P Global Eurozone Services PMI</b>	<b>May P</b>	<b>48</b>	<b>47.6</b>
5/21/2026 18:00	Eurozone Consumer Confidence	May P	-20	-20.6
5/20/2026 10:00	<b>Germany PPI YoY</b>	<b>Apr</b>	--	<b>-0.20%</b>
5/21/2026 11:30	<b>Germany S&amp;P Global/BME Germany Manufacturing PMI</b>	<b>May P</b>	<b>51.1</b>	<b>51.4</b>
5/21/2026 11:30	<b>Germany S&amp;P Global Germany Services PMI</b>	<b>May P</b>	<b>47.3</b>	<b>46.9</b>
5/22/2026 10:00	Germany GfK Consumer Confidence	Jun	-34	-33.3
5/22/2026 12:00	Germany IFO Business Climate	May	84.6	84.4
5/22/2026 12:00	Germany IFO Current Assessment	May	85.2	85.4
5/22/2026 12:00	Germany IFO Expectations	May	84	83.3

# The Weekly Market View

Investment Strategy | May 18, 2026

## United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
5/18/2026 3:01	Rightmove House Prices YoY	May	--	-0.90%
5/19/2026 10:00	ILO Unemployment Rate 3Mths	Mar	4.90%	4.90%
5/19/2026 10:00	Employment Change 3M/3M	Mar	--	24k
5/19/2026 10:00	Claimant Count Rate	Apr	--	4.40%
5/19/2026 10:00	Jobless Claims Change	Apr	--	26.8k
<b>5/20/2026 10:00</b>	<b>CPI YoY</b>	<b>Apr</b>	<b>3.00%</b>	<b>3.30%</b>
<b>5/20/2026 10:00</b>	<b>CPI Core YoY</b>	<b>Apr</b>	<b>--</b>	<b>3.10%</b>
<b>5/20/2026 10:00</b>	<b>RPI YoY</b>	<b>Apr</b>	<b>--</b>	<b>4.10%</b>
<b>5/21/2026 12:30</b>	<b>S&amp;P Global UK Manufacturing PMI</b>	<b>May P</b>	<b>53.1</b>	<b>53.7</b>
<b>5/21/2026 12:30</b>	<b>S&amp;P Global UK Services PMI</b>	<b>May P</b>	<b>51.8</b>	<b>52.7</b>
<b>5/22/2026 3:01</b>	<b>GfK Consumer Confidence</b>	<b>May</b>	<b>-27</b>	<b>-25</b>
5/22/2026 10:00	Retail Sales Inc Auto Fuel YoY	Apr	1.30%	1.70%
5/22/2026 10:00	Retail Sales Ex Auto Fuel MoM	Apr	--	0.20%

## China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
<b>5/18/2026 6:00</b>	<b>China Retail Sales YoY</b>	<b>Apr</b>	<b>1.90%</b>	<b>1.70%</b>
5/18/2026 6:00	China Industrial Production YoY	Apr	6.00%	5.70%
<b>5/20/2026 5:00</b>	<b>China 1-Year Loan Prime Rate</b>	<b>20-May</b>	<b>3.00%</b>	<b>3.00%</b>
<b>5/20/2026 5:00</b>	<b>China 5-Year Loan Prime Rate</b>	<b>20-May</b>	<b>3.50%</b>	<b>3.50%</b>
<b>5/21/2026 9:00</b>	<b>India HSBC India PMI Mfg</b>	<b>May P</b>	<b>--</b>	<b>54.7</b>
<b>5/21/2026 9:00</b>	<b>India HSBC India PMI Services</b>	<b>May P</b>	<b>--</b>	<b>58.8</b>

## GCC

Date & Time (GST)	Indicator	Period	Expected	Prior
<b>5/14/2026-5/21/2026</b>	<b>United Arab Emirates Dubai CPI YoY</b>	<b>Jan</b>	<b>--</b>	<b>2.99%</b>
<b>5/09/2026-5/23/2026</b>	<b>Qatar CPI YoY</b>	<b>Apr</b>	<b>--</b>	<b>4.17%</b>
<b>5/15/2026-5/25/2026</b>	<b>Kuwait CPI YoY</b>	<b>Apr</b>	<b>--</b>	<b>2.06%</b>
<b>5/23/2026-5/27/2026</b>	<b>Bahrain CPI YoY</b>	<b>Apr</b>	<b>--</b>	<b>1.10%</b>

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