

Daily Market View

Investment Strategy | May 12, 2026

Ceasefire on 'Life Support': oil reprices risk as diplomacy shifts to Beijing

Macro headlines

President Trump declared the Iran ceasefire "on life support," reinforcing the view that the 10-week conflict remains far from resolution. Tehran's response to Washington's proposal – demanding compensation, sovereignty recognition over the Strait of Hormuz, an end to the naval blockade, and the lifting of sanctions – was dismissed outright by the White House, leaving the diplomatic track stalled. With the Strait still effectively closed, the geopolitical premium in energy markets remains elevated, and the conflict is set to dominate the Trump-Xi summit later this week. In Washington, lawmakers proposed suspending federal taxes on petrol and diesel after Trump endorsed the idea amid soaring fuel costs driven by the war. The move underscores the domestic political sensitivity of energy inflation as the conflict drags on. In Japan, the Bank of Japan's April meeting minutes revealed a more hawkish split on the board, with some policymakers arguing for a near-term rate hike and one explicitly flagging June as a possibility. The oil shock from the Iran war has intensified inflation concerns, and the BOJ's stance is shifting accordingly. Separately, Japan and the US reaffirmed close cooperation on FX stability and intervention, signaling continued alignment after recent yen support operations. UK politics remain unsettled. Prime Minister Starmer faced escalating pressure as four ministerial aides resigned, and more than 70 Labour lawmakers publicly called for him to step down. His appeal for another chance appears to have gained little traction, raising the risk of deeper instability within the governing party. Elsewhere, South Korea floated the idea of an "AI dividend" funded by taxes on AI-related profits, reflecting growing pressure to redistribute gains from the sector's rapid expansion. In the US, existing home sales fell 3.6% m/m in March to an annualized 3.98m units, with declines across all regions. Despite weaker volumes, the median price hit a record high for March, underscoring persistent supply tightness. Norway's core inflation rose to 3.2% y/y, supporting expectations of further rate hikes from the Norges bank. China's CPI remained stable, but PPI surged to 2.8% y/y on rapid oil passthrough and AI-related demand, with early signs of cost transmission into midstream sectors. Saudi Aramco warned that global gasoline and jet fuel stocks could reach "critically low levels" if Hormuz remains closed. In corporate news, Alphabet is planning its first yen-denominated bond sale.

Market performances

Markets traded cautiously but constructively on Monday as investors balanced geopolitical risk with anticipation of the Trump-Xi meeting. The S&P 500 rose 0.19% to 7,412.84 and the Nasdaq gained 0.10% to 26,274.13 – both record closes – while the Dow added 0.19%. Global equity benchmark rose 0.22%, and the STOXX 600 closed slightly higher. Oil prices rallied sharply after Trump's comments reignited supply fears. Brent rose 2.88% to USD104.21/bbl and WTI climbed 2.78% to USD98.07/bbl. With the Strait of Hormuz still effectively closed and no diplomatic progress in sight, traders priced in a prolonged disruption. Gulf equity markets reflected this uncertainty, with most bourses ending lower on Monday. In FX, the dollar retreated from session highs. The dollar index slipped to 97.96, the euro held near USD1.1777, and the yen weakened to 157.23 per dollar. Sterling softened to USD 1.361 as UK political instability deepened. Rates markets reflected inflation anxiety. The US 10 year yield rose to 4.41%, the 30 year to 4.9835%, and the 2 year to 3.952% – consistent with oil driven inflation expectations. Japan's 10 year government bond yield has already touched a 29 year high ahead of today's auction, adding further focus to the BOJ's hawkish shift. Gold rose 0.45% to USD4,735/oz as investors balanced geopolitical risk with anticipation of US inflation data later this week. Overall, markets remain in a holding pattern: equities grinding higher on earnings momentum, oil repricing geopolitical risk, and FX trading narrow ranges ahead of the Trump-Xi summit.

What's next

Tuesday's focus is on April US inflation, the monthly budget statement, Brazil's April inflation, Mexico's March industrial production, and the US S&P Global Investment Manager Index. Europe releases Germany's May ZEW sentiment, April inflation, Italy's March industrial production, and Ireland's April services PMI. In APAC, India publishes inflation, Australia releases NAB business confidence and Westpac consumer confidence, and Japan reports March household spending. Central bank speakers include the Bank of England's Woods and the Federal Reserve's Goolsbee. Earnings include Bayer, Franco Nevada, Greggs, Imperial Brands, KBC, Marston's, Panasonic, Petrobras, Sumitomo Electric, Thyssenkrupp, Uniper, and Vodafone.

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Global markets' performance snapshot

Performance snapshot*					
Rates	Latest	1D (bp)	1M (bp)	3M (bp)	
SOFR	3.60	0.00	-2.00	-4.00	
UAE Eibor 3m	3.84	-1.50	2.23	28.00	
UAE Eibor 12m	4.01	-1.24	11.91	35.29	
US 3m Bills	3.68	0.00	-0.46	0.68	
US 10yr Treasury	4.41	5.93	12.03	20.74	
German 10yr Bund	3.04	3.50	-4.40	19.80	
UK 10yr Gilt	5.00	8.60	9.40	48.40	
Fixed Income		1D (%)	1M (%)	3M(%)	
Global Agg. Index	504	-0.21	1.35	-0.21	
Global Treasuries	209	-0.26	1.42	-0.39	
Global Corporate	305	-0.16	1.23	-0.43	
EM USD Sovereign	465	-0.09	2.53	0.68	
EM LCY Sovereign	166	-0.12	1.83	0.83	
Global High Yield	1,895	0.00	2.38	0.76	
Currencies					
Dollar Index	97.96	0.06	-1.91	0.33	
EUR USD	1.1783	-0.03	1.62	-0.27	
GBP USD	1.3610	-0.15	2.40	-0.01	
USD JPY	157.19	0.33	-1.52	-0.02	
Equities					
S&P 500	7,413	0.19	12.03	6.93	
Dow Jones	49,704	0.19	6.70	-0.82	
NASDAQ	26,274	0.10	19.33	14.08	
STOXX 600	613	0.11	3.76	-0.70	
DAX	24,350	0.05	6.23	-1.50	
Nikkei 225	62,418	-0.47	16.82	15.05	
FTSE 100	10,269	0.36	-0.77	-0.97	
SENSEX	76,015	-1.70	1.87	-9.05	
Hang Seng	26,407	0.05	5.14	-0.58	
MSCI World	4,765	0.17	10.11	5.22	
MSCI EM	1,724	0.74	18.11	14.44	
Regional Equities					
ADX	9,788	-0.53	2.00	-7.34	
DFM	5,820	-1.39	7.70	-13.01	
Tadawul*	11,158	0.39	-3.42	3.55	
DSM*	10,631	-0.30	-0.78	-0.64	
MSM30*	8,314	-0.21	-0.28	12.68	
BHSE*	1,929	-0.22	-0.48	-2.72	
KWSE*	8,824	-0.59	-0.89	3.20	
Commodities					
BBG Commodity Index	141.2	2.02	2.44	19.70	
Brent USD/bbl	104.21	2.88	-4.63	53.14	
WTI USD/bbl	98.07	2.78	-13.17	54.32	
Gold USD/t oz	4,736.2	0.44	0.63	-4.60	
Silver USD/t oz	86.1	7.12	17.88	10.56	
Platinum USD/toz	2,135.3	3.72	8.88	1.54	
Aluminum	3,651.2	2.48	3.13	18.95	
Copper USD/MT	13,673.0	1.70	11.60	6.49	
Digital Assets					
Bitcoin	81,804.8	2.10	18.03	16.34	
Ether	2,337.6	1.35	10.52	13.88	
Solana	97.7	6.03	19.20	10.93	
XRP	1.5	4.33	11.78	1.04	
Volatility					
VIX	18.38	6.92	-28.70	3.49	
MOVE	70.74	5.19	-14.92	11.19	

Source: Bloomberg, and ADCB Asset Management | Notes: *Data as at 8AM UAE time – May 12, 2026 unless stated otherwise. Performance in local currency.

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