

# Daily Market View

Investment Strategy | May 18, 2026

## Equities break momentum as yields spike, dollar extends rally, and oil reprices Hormuz risks

### Macro headlines

China and the US signaled a modest thaw in trade relations, agreeing to expand agricultural trade through tariff reductions and to address non tariff barriers. But the geopolitical backdrop overshadowed the economic diplomacy. President Trump, returning from Beijing, said President Xi agreed that Tehran must reopen the Strait of Hormuz – though China itself offered no such commitment. The comments came as drone attacks hit a nuclear facility in the GCC region, underscoring the rising risk of escalation. Trump warned Iran to act “fast,” suggesting the diplomatic window is narrowing. Political risks rose in the UK as former health minister Streeter and Mayor Burnham challenged Prime Minister Starmer. WHO declared an Ebola outbreak in the DRC and Uganda a “public health emergency of international concern”. Meanwhile, the Federal Reserve Board named Powell chair pro tempore after his term formally expired, a procedural bridge until Warsh is sworn in. The move drew dissent from Governor Miran and an abstention from Vice Chair Bowman – an unusually public split at a sensitive moment for the central bank. US industrial production rose 0.7% m/m in April, the strongest gain in over a year, driven by motor vehicles and parts. The Empire State Manufacturing Survey surged to 19.6, its highest in more than four years, with firms reporting rising orders, longer delivery times, and accelerating input and selling prices. The data points to early stage momentum in manufacturing despite higher input costs from the Iran war and tariffs. Europe and Asia showed similar inflationary strain. German wholesale prices rose 6.3% y/y, the fastest since early 2023. Japan’s corporate goods prices surged 2.3% m/m – the biggest jump in 12 years – reinforcing expectations of a BOJ rate hike. India and the UAE signed agreements on energy security and defense, while India’s wholesale inflation spiked to 8.3% y/y, the fastest in three and a half years. China’s April data disappointed sharply: industrial output grew just 4.1% y/y and retail sales slowed to 0.2% y/y, and fixed asset investments posted a decline of 1.6% y/y reflecting the drag from higher energy costs and weak domestic demand.

### Market performances

Global equities sold off sharply on Friday as inflation concerns resurfaced and the AI driven rally finally met resistance. The S&P 500 fell 1.24% to 7,408.50, the Nasdaq dropped 1.54% to 26,225.15, and the Dow declined 1.07%. Despite the pullback, the S&P 500 still posted a seventh straight weekly gain – its longest streak since 2023 – while the Nasdaq snapped a six week run. Global equity benchmark fell 1.54%, the STOXX 600 dropped 1.48%, and Asia Pacific equities slid 2.5%. South Korea’s KOSPI fell more than 6% after a steep multi month rally, though it remains up nearly 78% year to date. Bond markets saw a decisive repricing. The US 10 year yield jumped to 4.597%, the 30 year rose to 5.122%, and the 2 year climbed to 4.079%. Traders now assign nearly a 39% probability of a Fed rate hike by year end – up from 14% a week ago – reflecting the inflation shock from oil, import prices, and wholesale data. In FX, the dollar strengthened for a fifth straight day, with the dollar index rising to 99.28. The euro fell to USD1.1625, the yen weakened to 158.74, and sterling slid to USD1.3326 amid deepening UK political turmoil. UK gilt yields rose sharply as Labour’s leadership crisis intensified. Oil rallied on renewed supply fears, with WTI settling at USD105.42/bbl (+4.2%) and Brent at USD109.26/bbl (+3.35%). Silver prices fell sharply as rising yields and a stronger dollar weighed on precious metals.

### What’s next

This week’s focus turns to flash PMIs across the US, eurozone, Japan, UK, India, and Australia for early signals on growth and inflation, alongside industrial production releases in several major economies. The US April FOMC minutes will offer insight into the final meeting under Powell, with guidance and inflation risks in focus. UK April CPI and RPI are expected to moderate as utility bills, rail fares, and water charges fell, offsetting higher energy prices. US equity markets will watch earnings from Nvidia and major retailers including Walmart for signals on AI momentum and consumer resilience. Monday’s releases include the US NAHB housing index, Italy’s March trade balance, the UK S&P Global Consumer Sentiment Index, and Thailand’s Q1 GDP. Bank of England MPC members Mann and Greene deliver speeches.

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## Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.56	0.00	-7.00	-9.00
UAE Eibor 3m	3.86	14.49	5.22	24.08
UAE Eibor 12m	4.04	2.41	3.53	35.93
US 3m Bills	3.66	-1.06	-1.89	-1.65
US 10yr Treasury	4.59	11.18	30.01	49.53
German 10yr Bund	3.17	12.40	7.50	38.80
UK 10yr Gilt	5.17	17.80	30.30	72.00
Fixed Income		1D (%)	1M (%)	3M (%)
Global Agg. Index	497	-0.78	-0.79	-2.48
Global Treasuries	206	-0.83	-0.87	-3.00
Global Corporate	302	-0.70	-0.76	-2.20
EM USD Sovereign	459	-0.72	-0.50	-1.24
EM LCY Sovereign	164	-0.65	-0.64	-1.17
Global High Yield	1,880	-0.46	0.15	-0.38
Currencies				
Dollar Index	99.28	0.47	0.93	2.43
EUR USD	1.1625	-0.44	-0.85	-2.02
GBP USD	1.3326	-0.87	-1.10	-2.15
USD JPY	158.74	0.36	-0.50	3.85
Equities				
S&P 500	7,409	-1.24	7.58	8.43
Dow Jones	49,526	-1.07	2.71	0.15
NASDAQ	26,225	-1.54	13.12	16.06
STOXX 600	607	-1.48	-1.13	-1.88
DAX	23,951	-2.07	0.88	-3.63
Nikkei 225	61,409	-1.99	8.68	6.54
FTSE 100	10,195	-1.71	-3.66	-1.99
SENSEX	75,238	-0.21	-2.09	-10.08
Hang Seng	25,963	-1.62	1.18	-3.96
MSCI World	4,742	-1.35	5.28	5.00
MSCI EM	1,668	-2.83	8.60	6.22
Regional Equities				
ADX	9,678	-0.28	-1.10	-9.46
DFM	5,709	-0.46	0.71	-14.98
Tadawul*	10,968	-0.25	-1.28	0.69
DSM*	10,484	-0.09	-1.67	-0.02
MSM30*	7,939	-0.26	-2.70	2.57
BHSE*	1,933	-0.15	0.01	-0.78
KWSE*	8,699	-0.75	-2.03	1.04
Commodities				
BBG Commodity Index	140.9	-0.40	5.36	20.36
Brent USD/bbl	109.26	3.35	9.96	61.82
WTI USD/bbl	105.42	4.20	6.40	67.76
Gold USD/t oz	4,540.1	-2.96	-4.08	-8.12
Silver USD/t oz	76.0	-9.02	0.51	0.94
Platinum USD/t oz	1,982.4	-3.89	-4.43	-1.14
Aluminum	3,626.1	-3.02	-1.65	18.17
Copper USD/MT	13,553.5	-3.09	5.72	2.90
Digital Assets				
Bitcoin	79,081.2	-2.84	8.03	20.22
Ether	2,218.8	-3.43	-1.53	15.43
Solana	89.2	-3.76	6.29	15.46
XRP	1.4	-4.87	6.43	6.14
Volatility				
VIX	18.43	6.78	-3.61	-11.48
MOVE	79.87	14.71	7.32	16.48

Source: Bloomberg, and ADCB Asset Management \*Notes: Data as at 8AM UAE time – May 18, 2025. Performance in local currency terms.

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