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MM Wealth Market Update - May 2026

What Happens Next? And Does It Matter?

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Market Update – May 2026

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What happens next? And does it matter?

Source: Image – ChatGPT.

Q1 2026 Outlook - Review

Three key forces we see shaping the rest of 2026		
AI implementation phase	Fiscal expansion vs bond constraints	Broadening market leadership

What could break the "bullish rotation"?			
Labour market deterioration (forcing policy shift)	Bond yield shock	AI expectations reset	Dollar instability

What we are watching closely			
Employment trends	Capex vs earnings gap	Market breadth indicators	Yield curve behaviour

Markets are no longer driven by a single story. Success will come from balancing multiple factors.

2026 – Year to Date Market Drivers

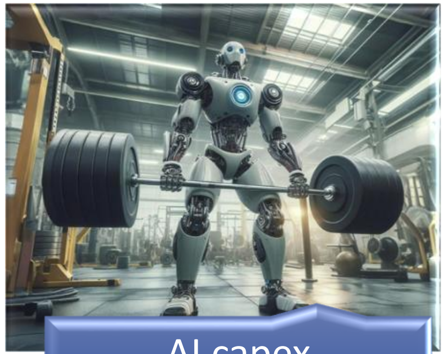
Trump / Tariffs / Election Positioning

Iran / Israel / Strait of Hormuz Risk

Ukraine conflict persists

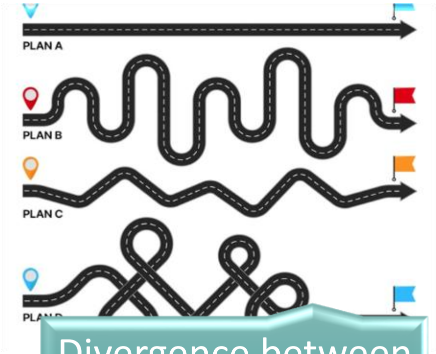
Sticky inflation concerns

Rising long-term bond yields



AI capex acceleration

Fiscal concerns / debt issuance



Divergence between economies

UK political and fiscal uncertainty

Source: Images – Shutterstock, Adobe Stock, ChatGPT.

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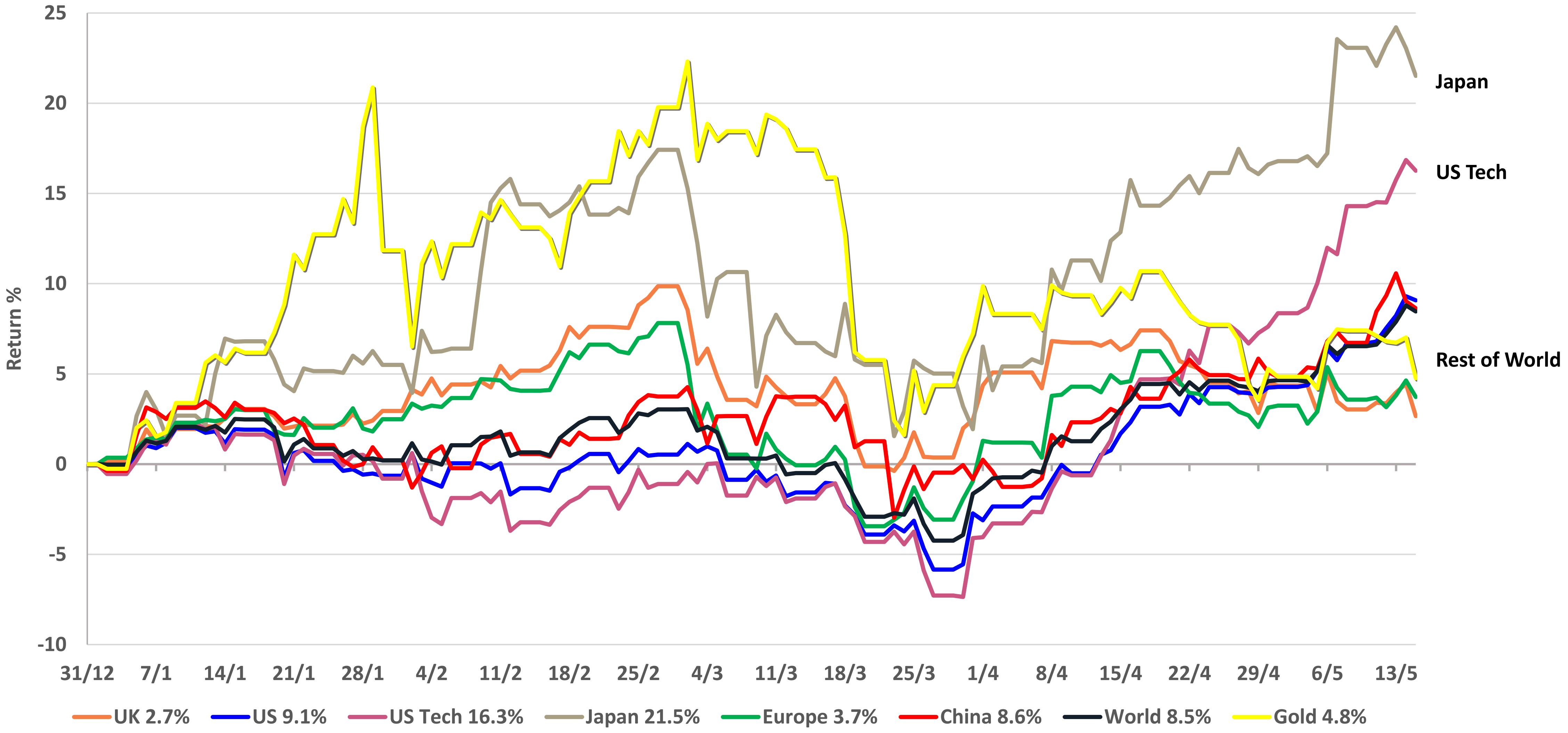
Year to Date Market Performance in GBP



Source: Morningstar. Indices: UK = FTSE 100, US = S&P 500, Tech = Nasdaq 100, Japan = Nikkei 225, Europe = STOXX Europe 600, China = CSI 300, World = MSCI World, Gold = LBMA Gold Price. Data is Price (index) Return for period 31/12/25 to 15/05/26, in GBP.

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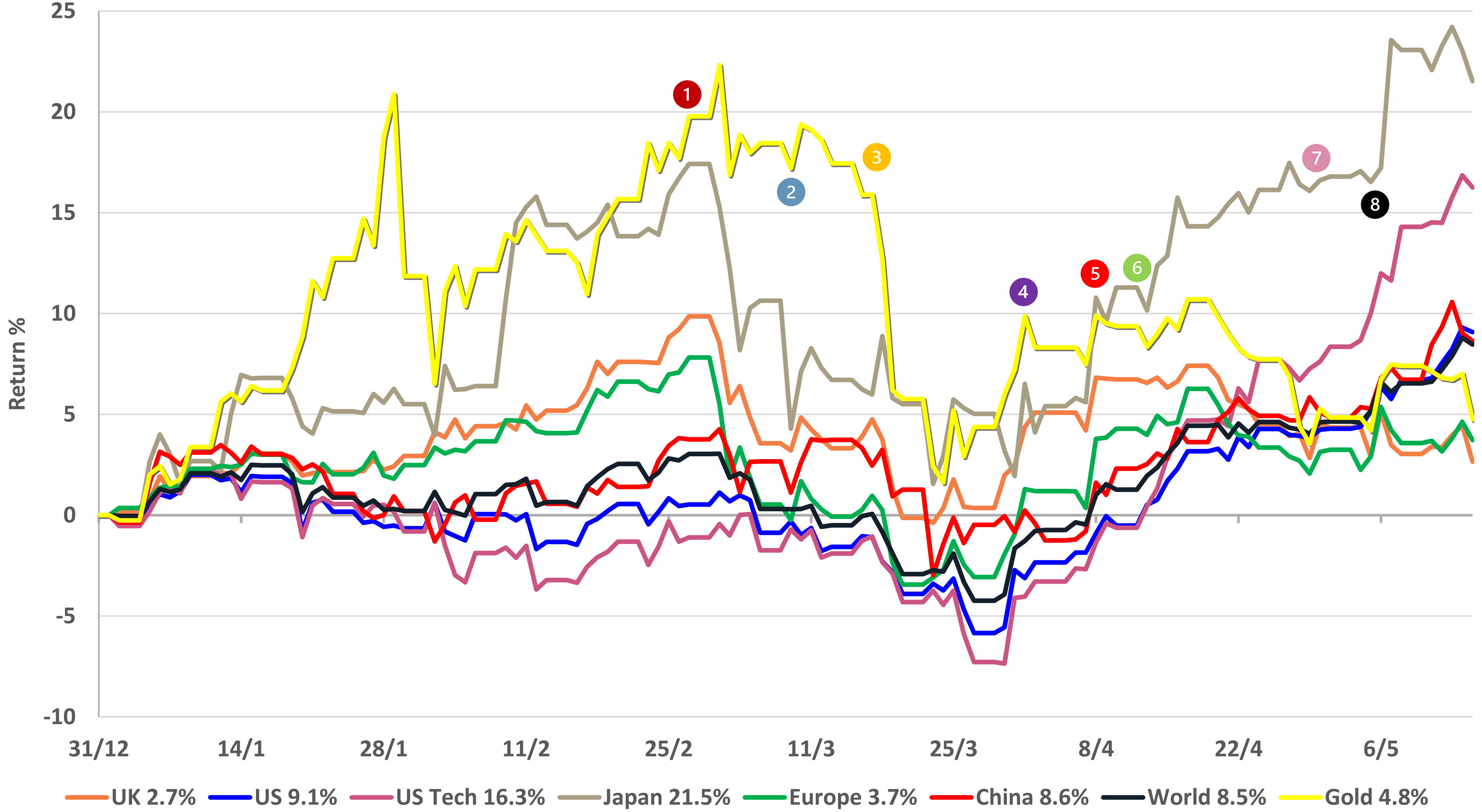
Reacting to the noise can be futile



1 28/2 - Israel/US airstrikes on Iran begin

2 9/3 - Trump: "The war is very complete, pretty much"

3 15/3 - Trump asks NATO/China for help reopening Strait of Hormuz

4 2/4 - Trump threatens to bomb Iran "back to the Stone Age"

5 8/4 - Temporary two-week ceasefire announced

6 12/4 - Iran talks fail, Trump "no longer cares" about negotiations

7 30/4 - Trump says he "has not ruled out resuming attacks"

8 5/5 – Trump announces "Operation concluded"… followed by renewed bombing threats

Source: Morningstar. Indices: UK = FTSE 100, US = S&P 500, Tech = Nasdaq 100, Japan = Nikkei 225, Europe = STOXX Europe 600, China = CSI 300, World = MSCI World, Gold = LBMA Gold Price. Data is Price (index) Return for period 31/12/24 to 15/05/26, in GBP.

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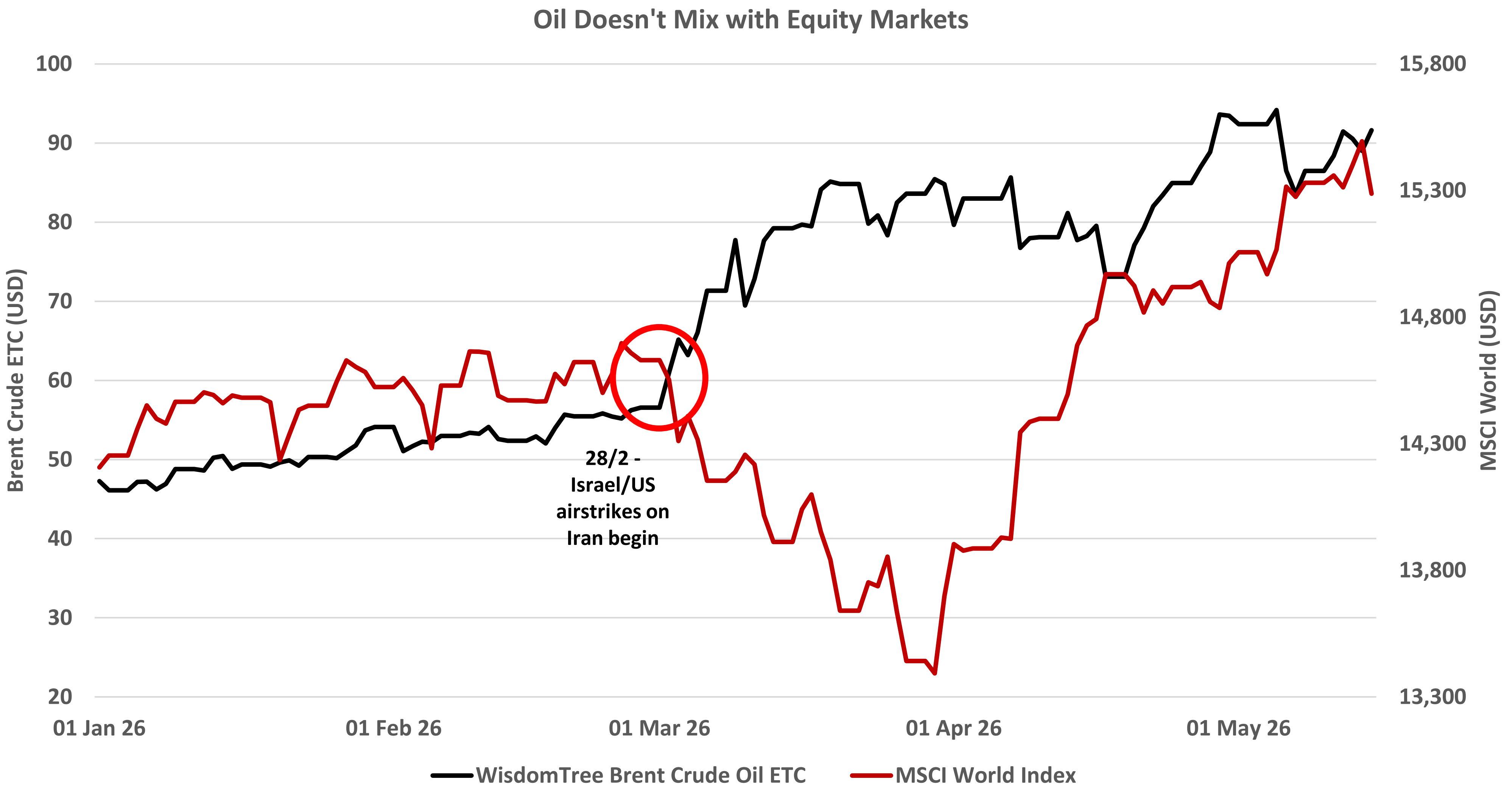
War, oil and equity – a bad mix



Source: Morningstar. WisdomTree Brent Crude Oil ETC and MSCI World Index. Data is Price (index) Return for period 31/12/25 to 15/05/26, in USD.

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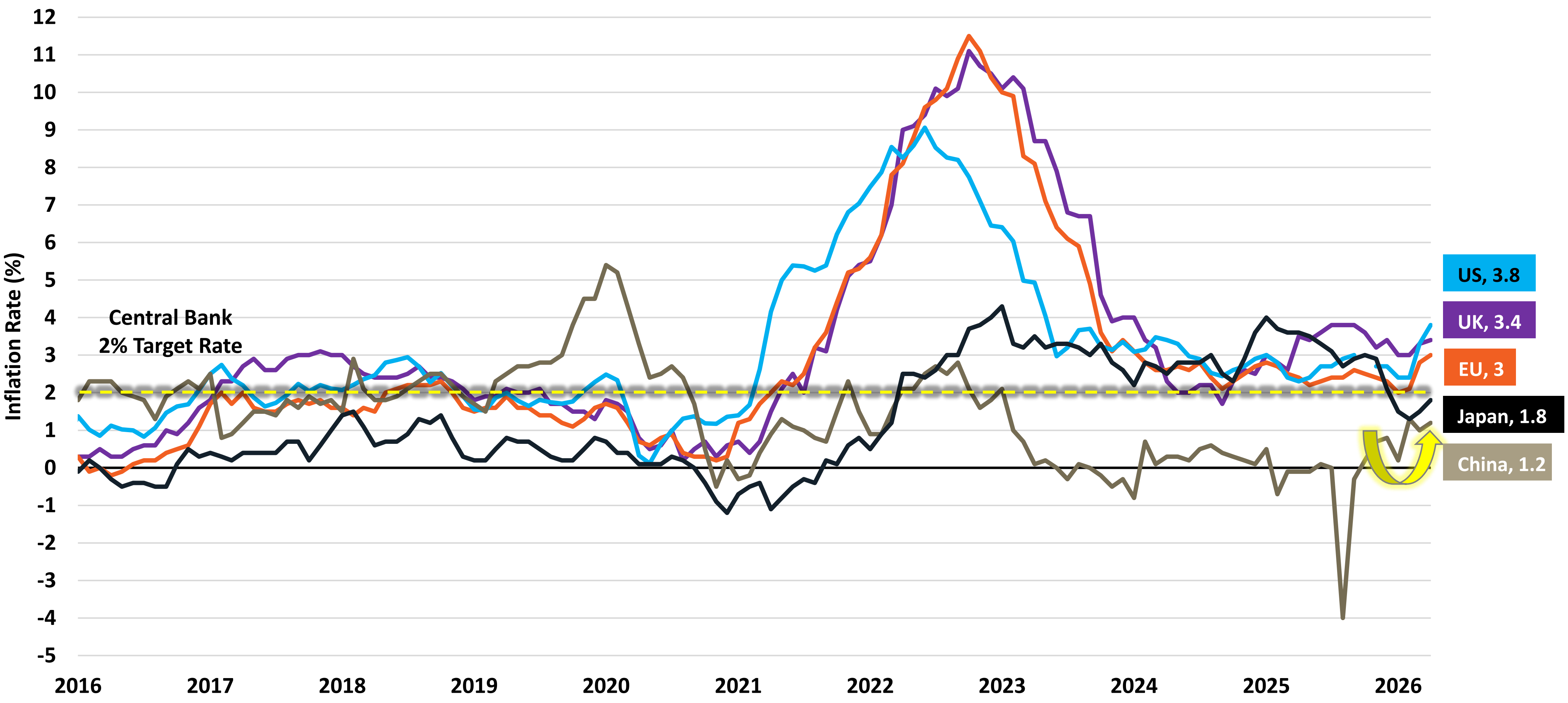
Inflation rising again



Source: UK Office for National Statistics, US Bureau of Labor Statistics, Eurostat, China National Bureau of Statistics. Data to April 2026. Data for UK, Europe and Japan based on current forecasts for April 2026.

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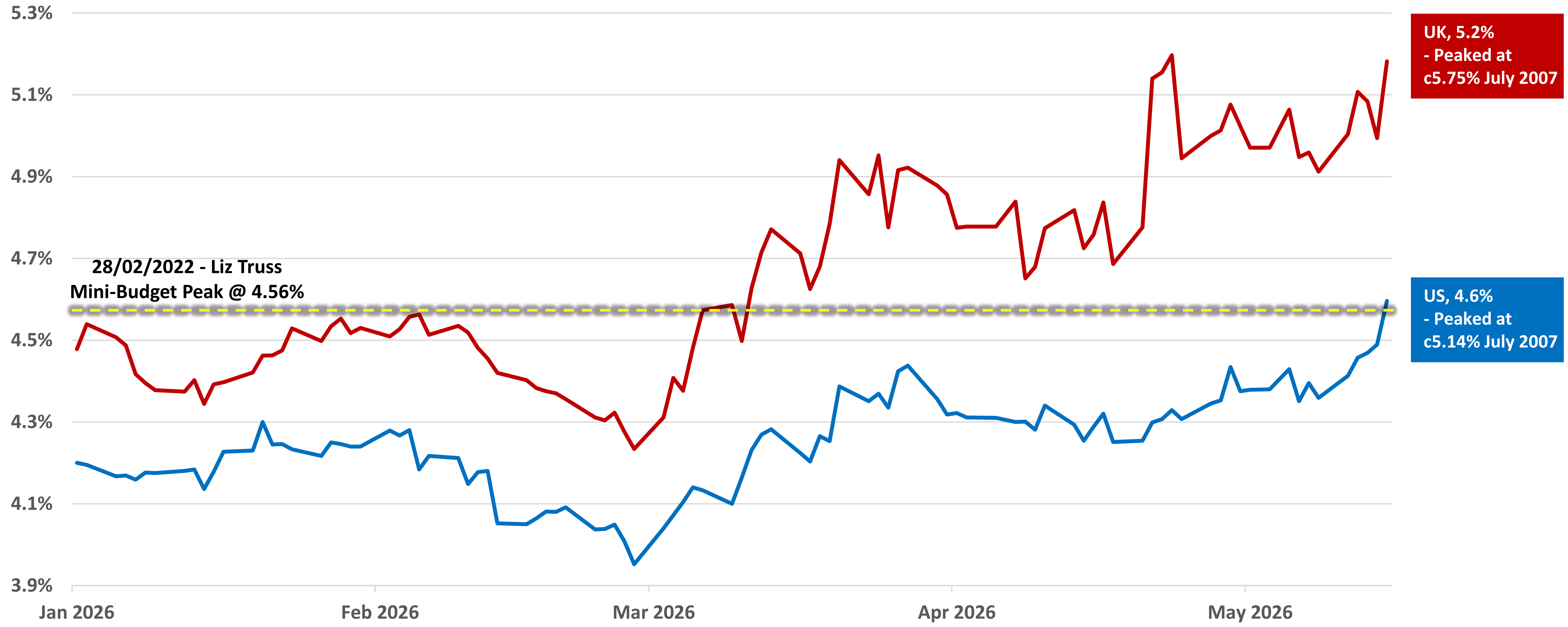
Bond yields sending a message

10 Year Government Bond Yields at Highest Since Global Financial Crisis in 2007



Source: MM Wealth Investment Team. Data from 31/12/25 to 15/05/26, in GBP.

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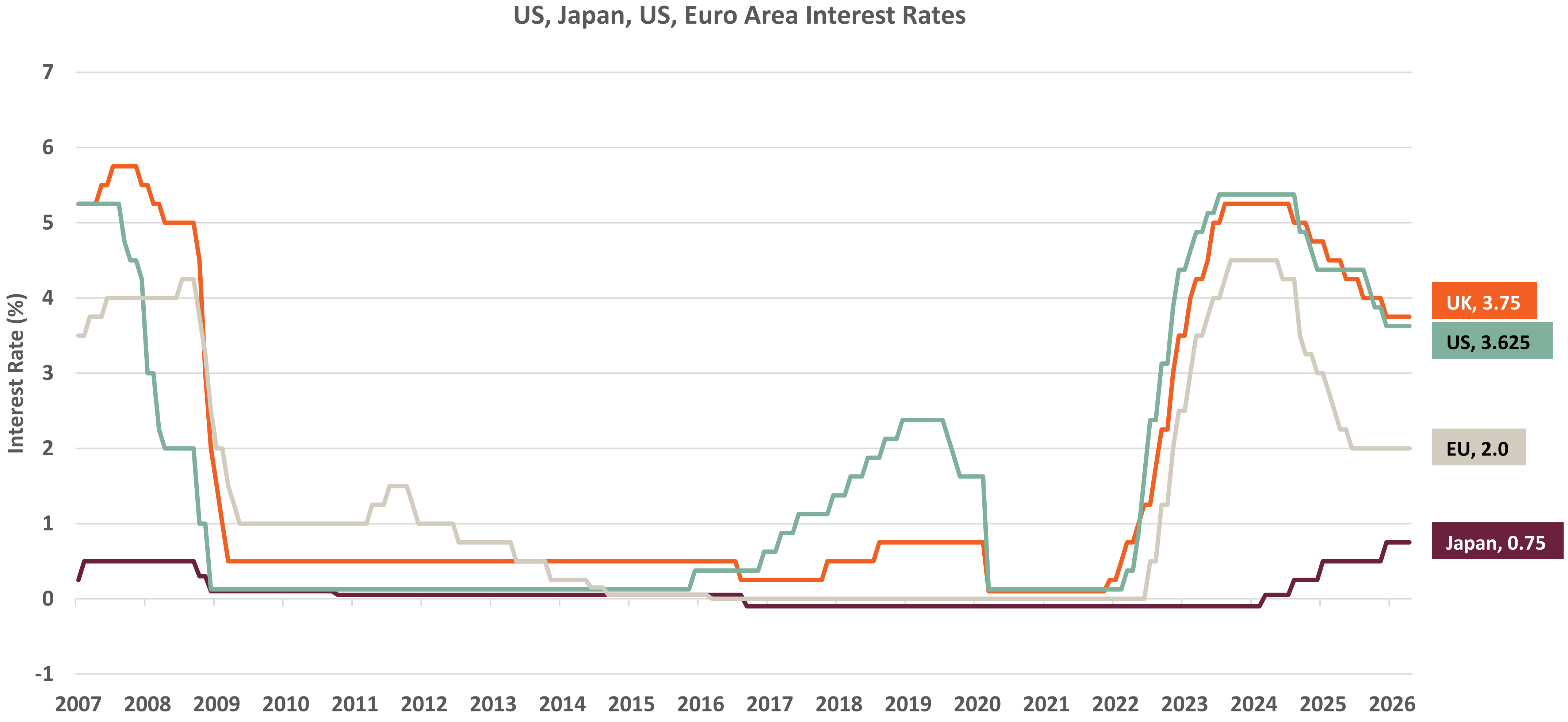
Interest rates on hold as the uncertainty builds



Source: ONS, European Central Bank, US Federal Reserve, World Bank Group, Bank of Japan. Data for period January 2007 to April 2026.

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Diversification matters most when markets disagree

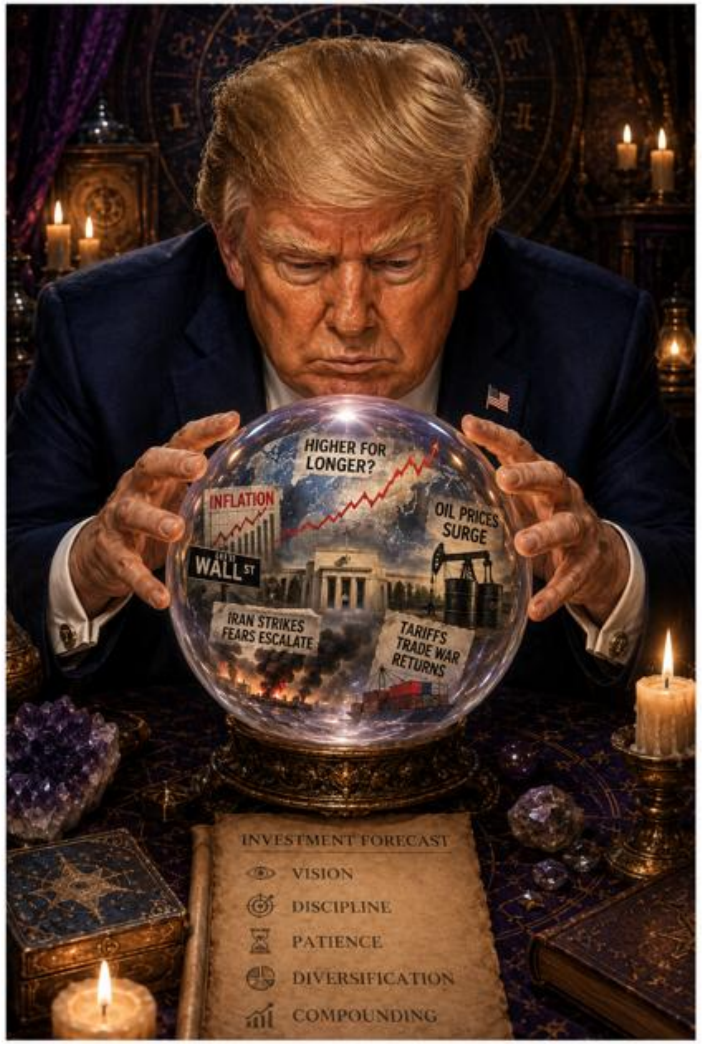
"Diversification is the only free lunch in investing."

– Harry Markowitz.

 Source: Image - ChatGPT.

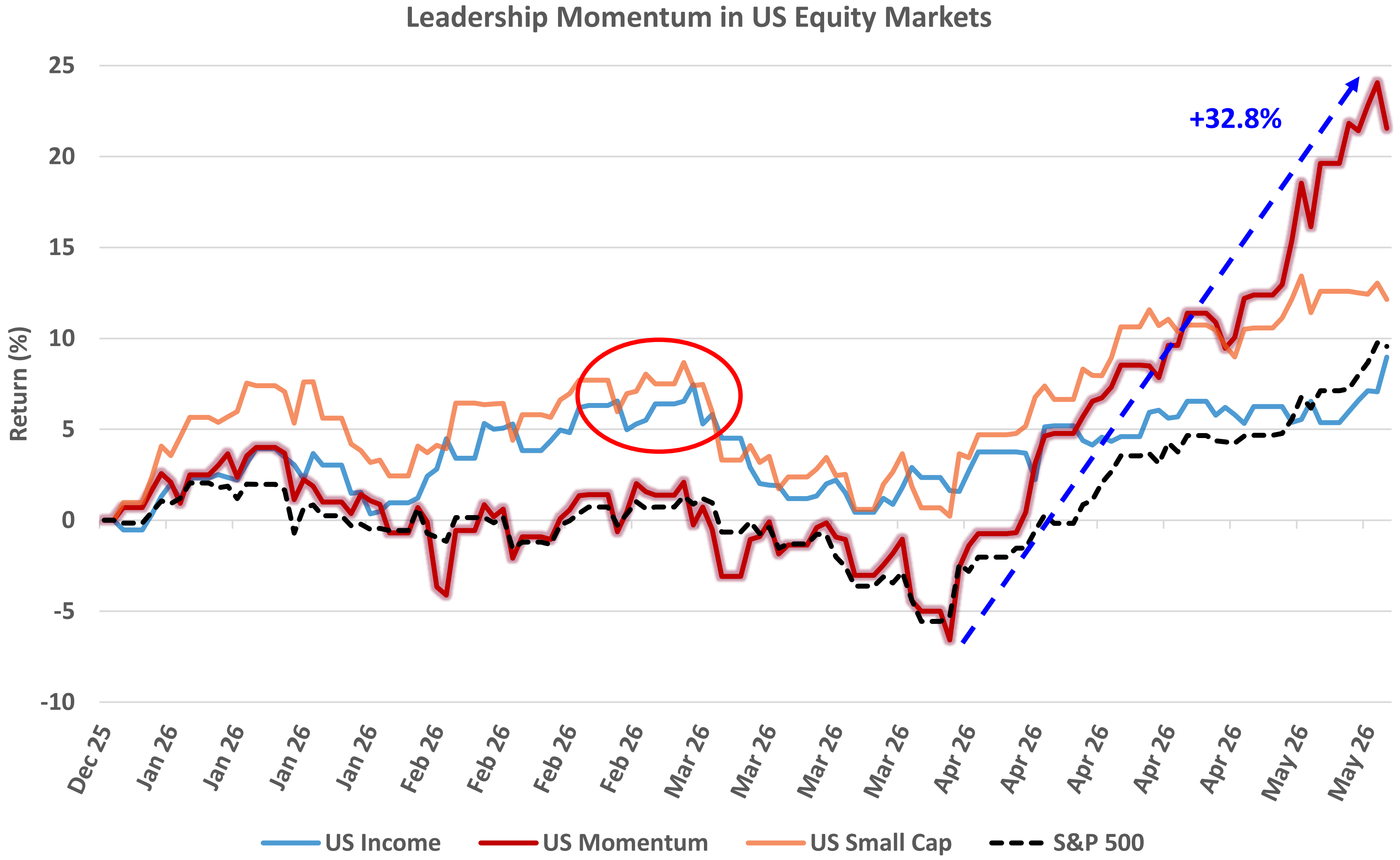
What happens next?

Scenario	Expected Fund Behaviour
AI driven growth	Momentum and cyclical assets likely supported
Slowing growth	Defensive and sovereign bond exposures likely more resilient
Falling inflation	Bonds and growth equities likely to recover
Sticky inflation	Commodities and infrastructure may benefit
Geopolitical tensions escalate	Gold, commodities and diversified strategies may help cushion volatility



 Source: Image - ChatGPT.

iShares USA Momentum – participate in persistent leadership



Expensive? Yes. But are we anti-US? No.

Exposure to market leadership

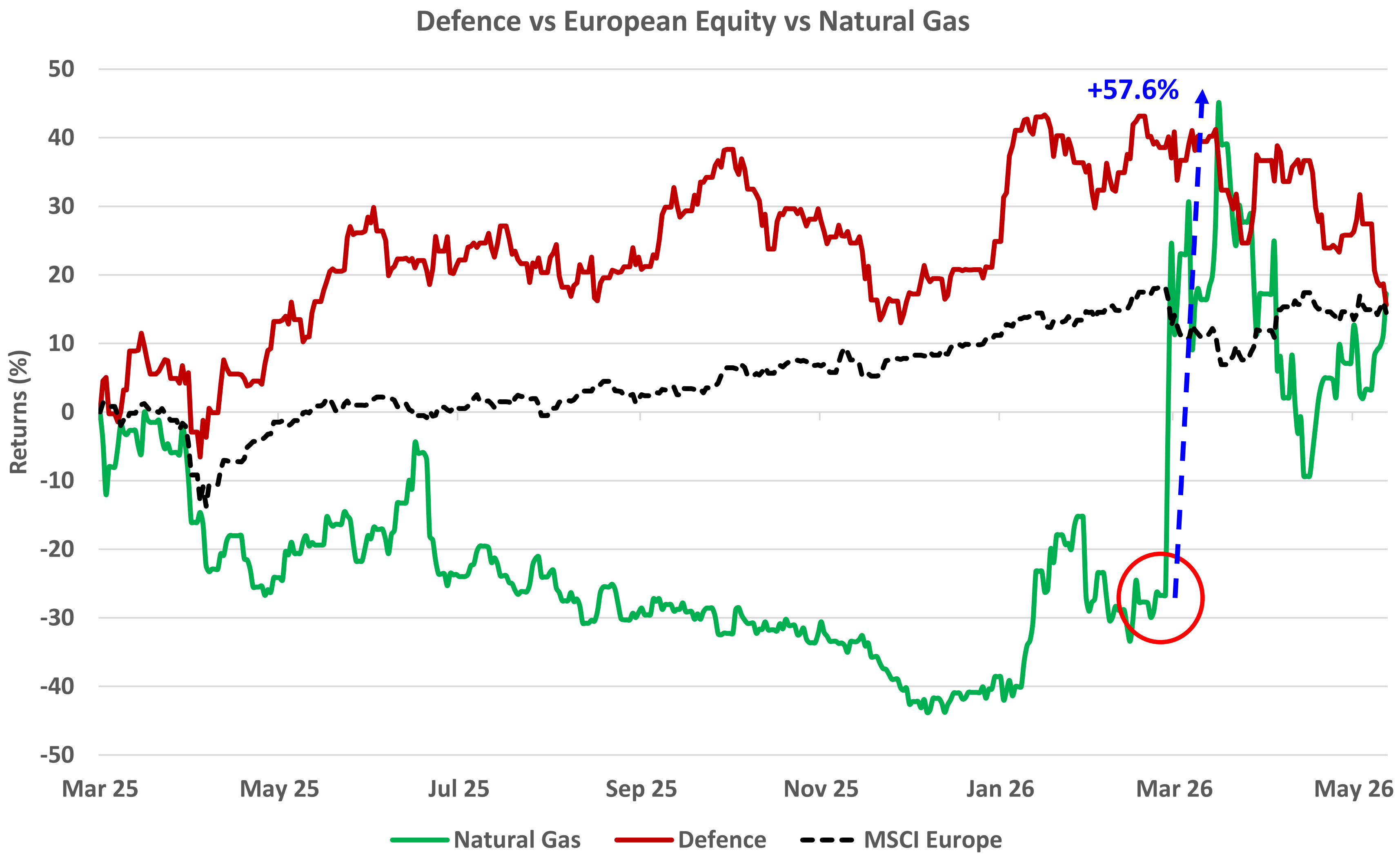
Momentum adapts to evolving leadership

Reflects:

- *Benefits if AI leadership persists*
- *Risks of sudden change in leadership*

Source: Morningstar. BNY Mellon US Equity Income, iShares Edge USA Momentum ETF, JP Morgan BetaBuilders US Small Cap ETF, S&P 500 index. Data for period 31/12/25 to 11/05/26, in GBP.

WisdomTree Europe Defence ETF – structural theme



Structural defence spending

European fiscal expansion

De-globalisation themes

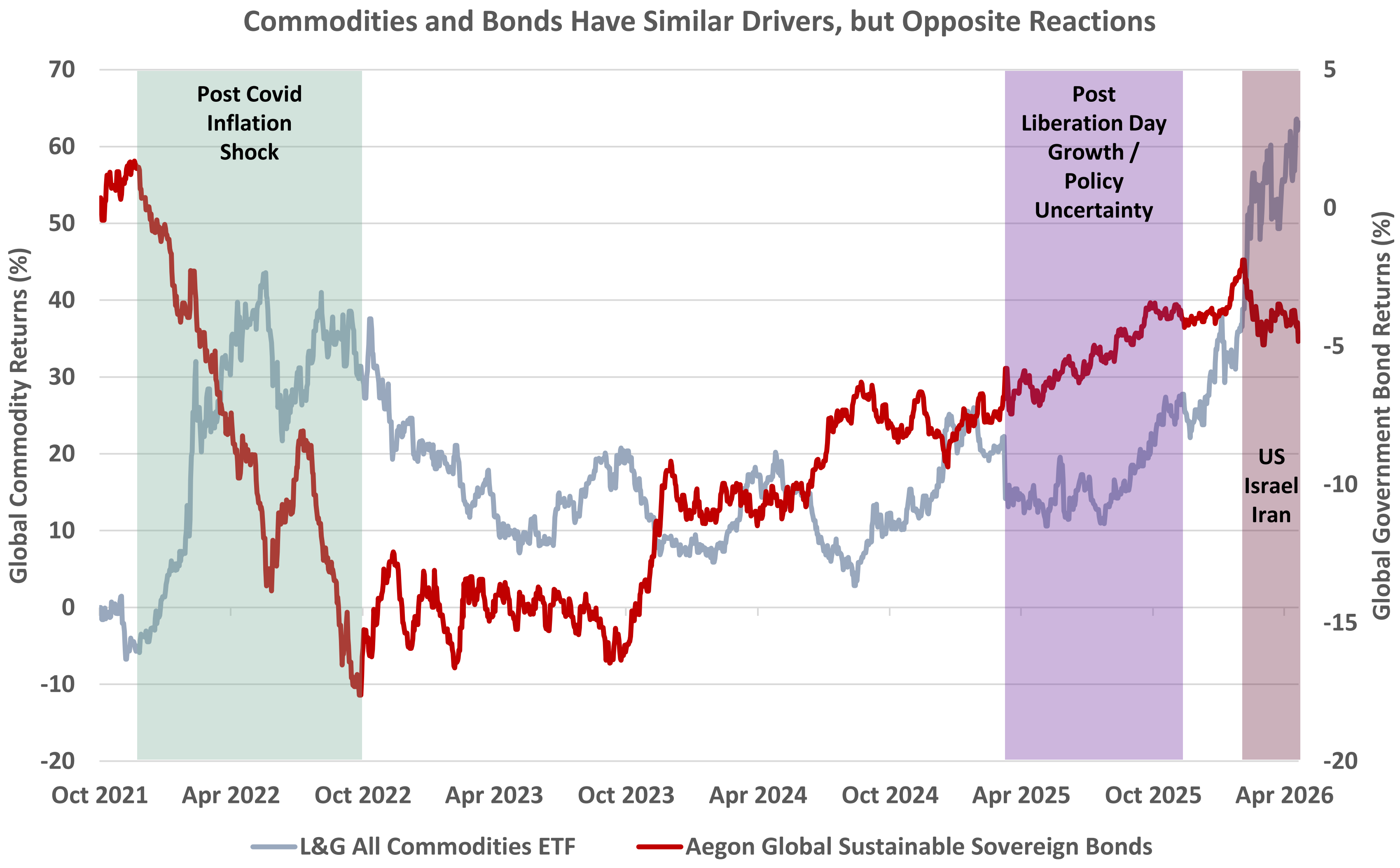
Non-AI growth driver

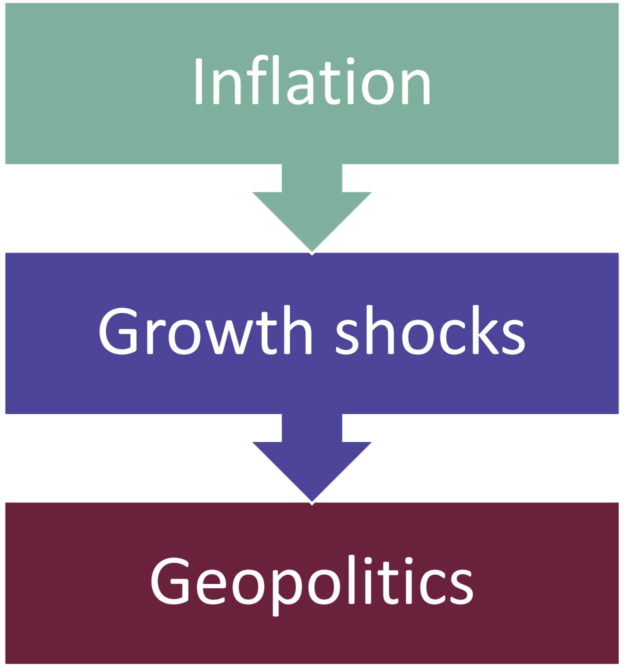
Interesting because:

- *Can perform even if broader equities struggle*
- *Benefits from geopolitical uncertainty*

Source: Morningstar. WisdomTree European Natural Gas ETP, WisdomTree Europe Defence ETF and MSCI Europe index. Data for period 04/03/25 to 15/05/26, in Euros.

L&G All Commodities – inflation / geopolitical hedge





Source: Morningstar. L&G All Commodities ETF, Aegon Global Sustainable Sovereign Bonds Fund. Data for period 26/10/21 to 15/05/26, in GBP.

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Trium Alternative Growth – uncorrelated returns

Low correlation

Flexible toolkit

Designed to diversify equity/bond risk

Useful during:

- *Market reversals*
- *Volatile policy conditions*

Source: Morningstar. Trium Alternative Growth Fund, MSCI World index. Data for period 31/12/24 to 31/12/25, in GBP.

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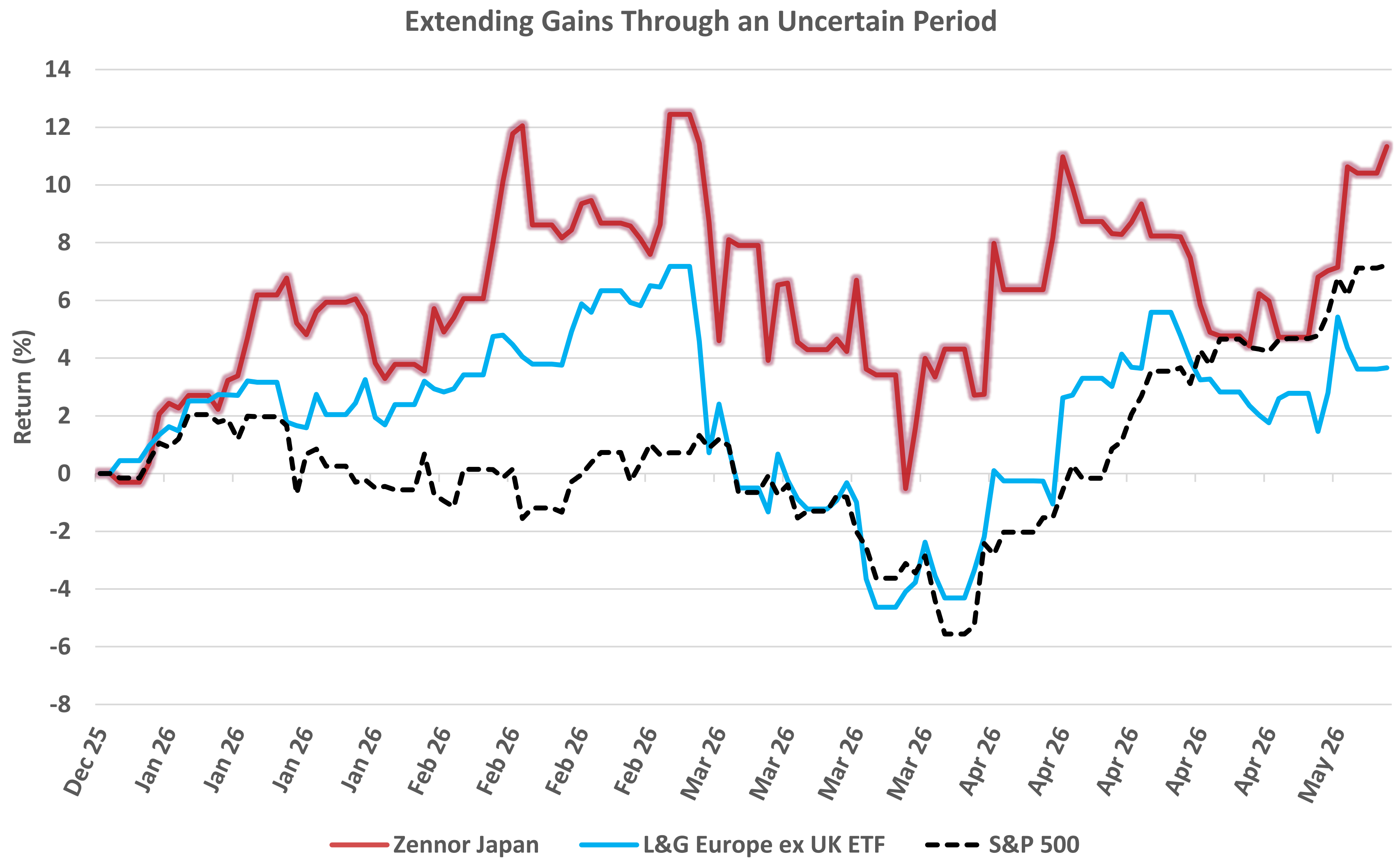
Zennor Japan – regional diversification



Corporate reform

Valuation support

Domestic change

Different economic cycle

Interesting because:

- *Not reliant on AI alone*
- *Not highly correlated to other core markets*

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Source: Morningstar. Zennor Japan Fund, L&G Europe ex-UK ETF, S&P 500 index. Data for period 31/12/25 to 11/05/26, in GBP.

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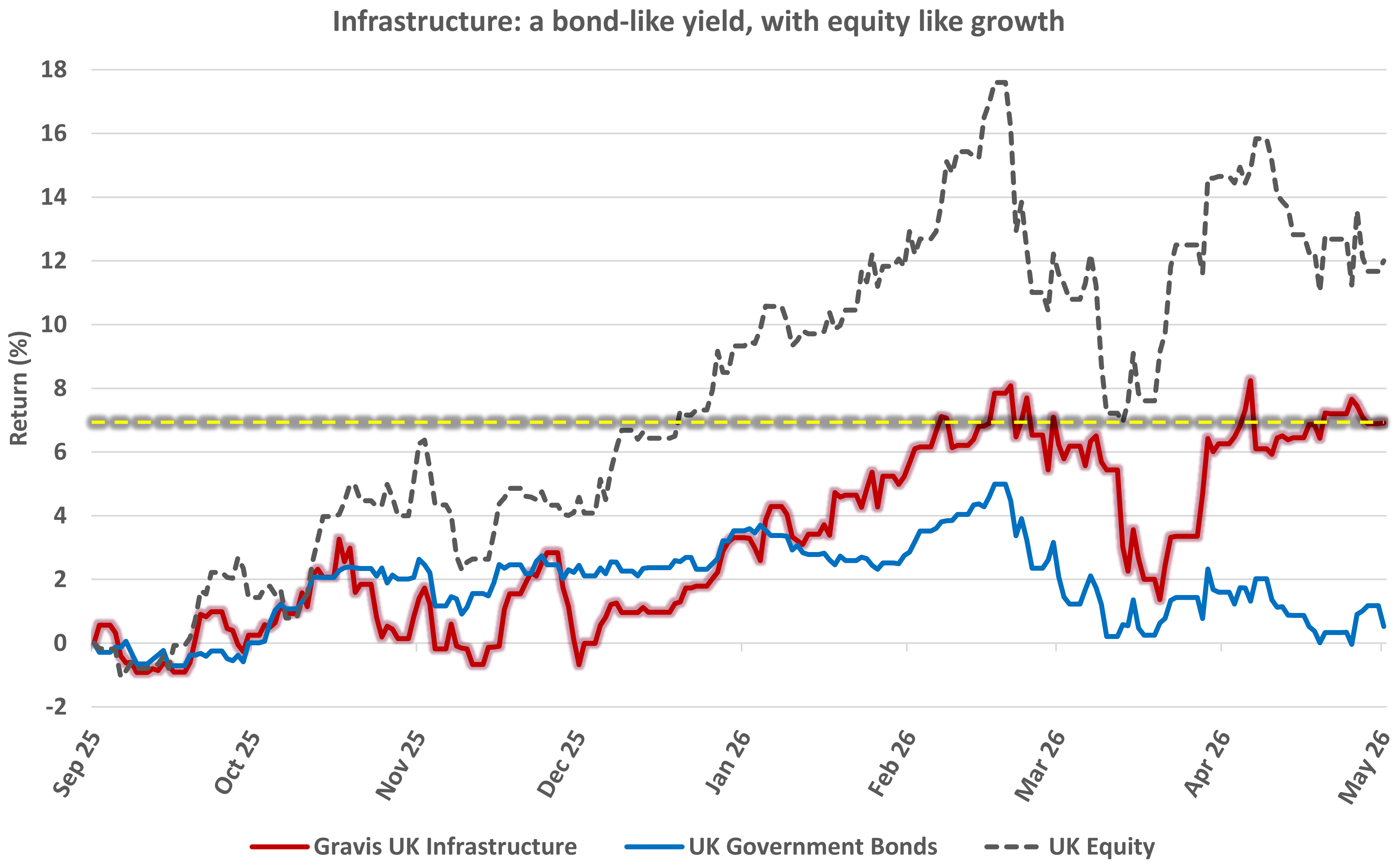
Gravis UK Infrastructure – real assets / inflation linkage



Sticky inflation

Revenue transparency

Energy transition and security

Low correlation to equity

Reflects:

- *Lower volatility to equity*
- *Benefits of income*

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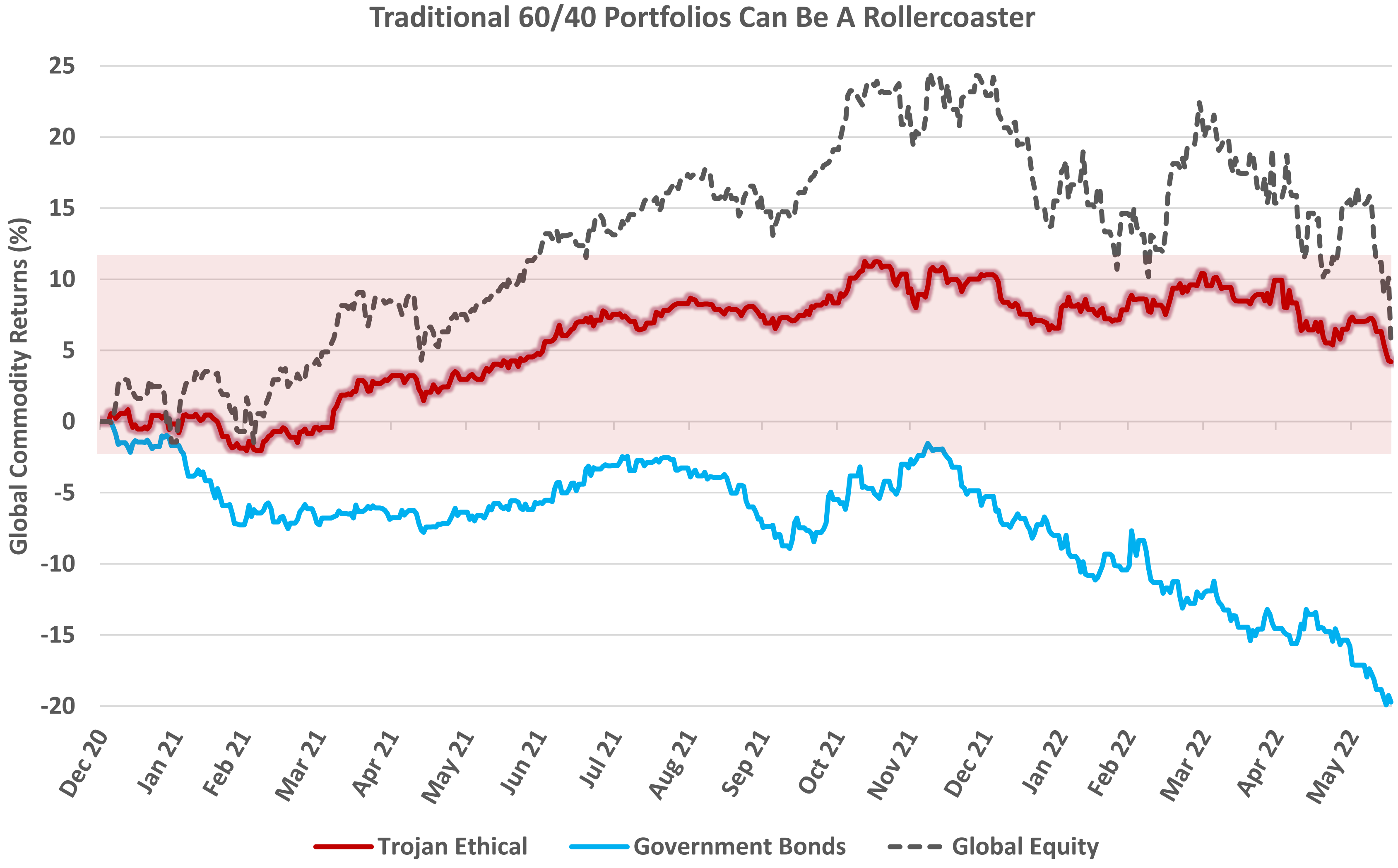
Source: Morningstar. Gravis UK Infrstructure Fund, Amundi Core UK Government Bond ETF, FTSE All Share index. Data for period 12/09/25 to 11/05/26, in GBP.

Trojan Ethical – Defensive multi-asset



Flexibility

Defensive positioning

Alternatives and hedging

Risk management mindset

Reflects:

- *Lower volatility to equity and bonds*
- *Benefits of active management*

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Source: Morningstar. Trojan Ethical Fund, Amundi Global Government Bond ETF, MSCI World index. Data for period 31/12/20 to 16/06/22, in GBP.

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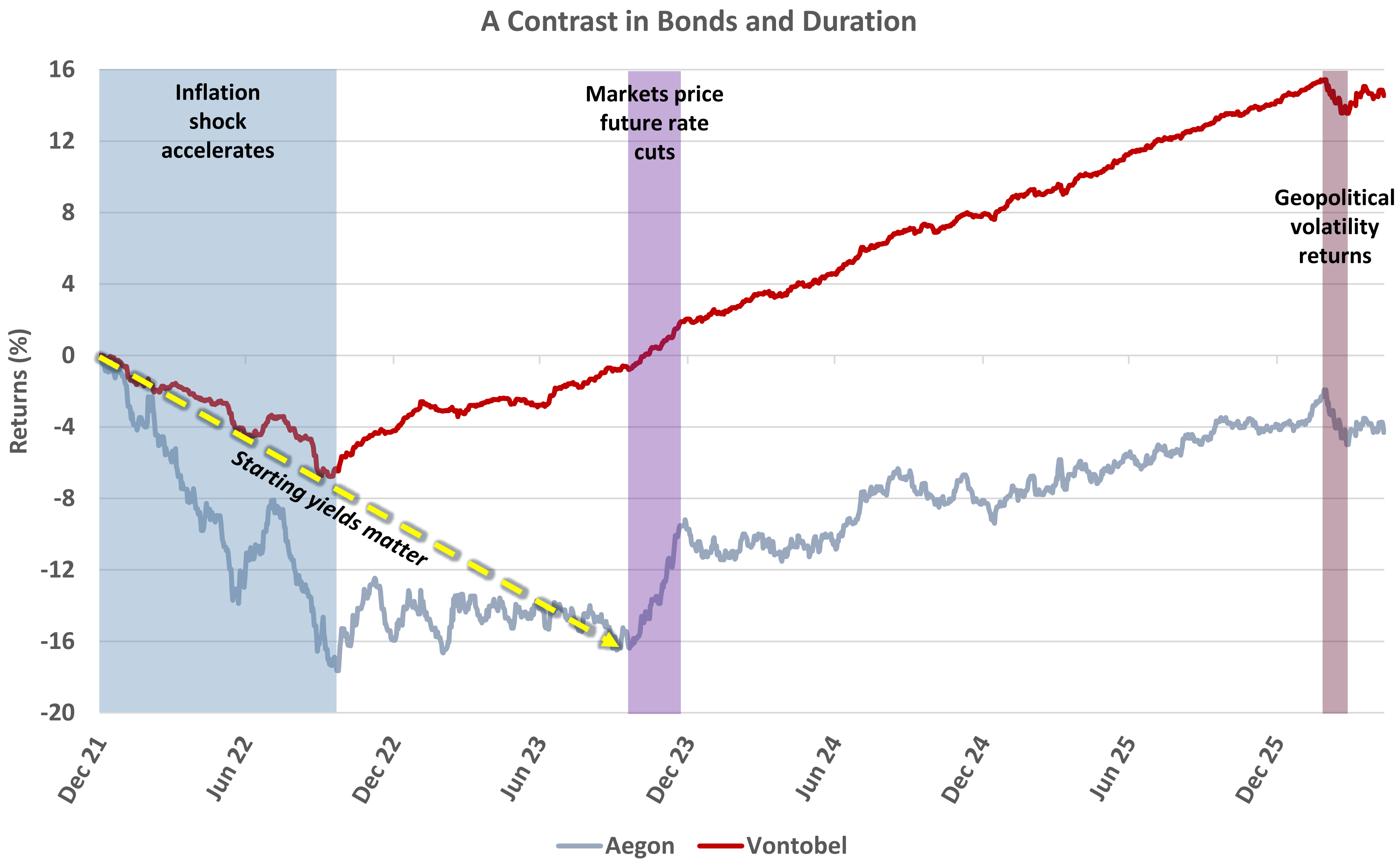
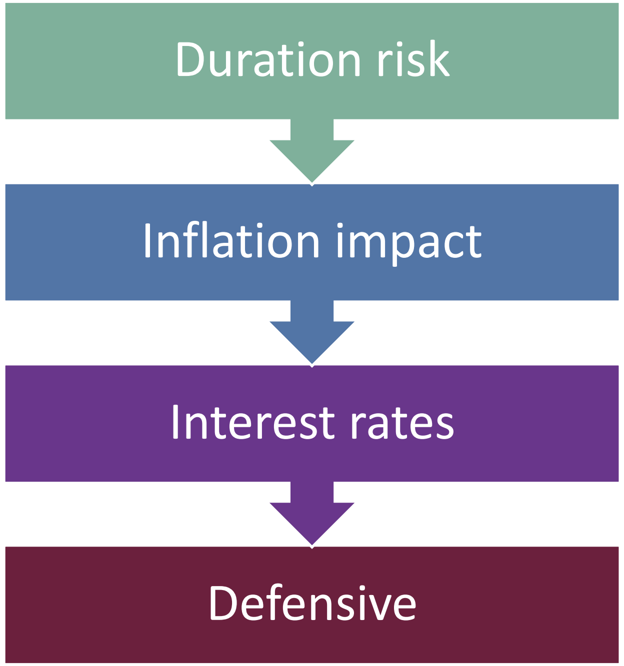
Aegon Sovereign Bond vs Vontobel Short Term Bond





Yields matter!

- *2021/2022: bonds had low yields, little income cushion, vulnerable to rising rates*
- *Late 2023 onwards: yields much higher, future return prospects improved*

Source: Morningstar. Aegon Global Sustainable Sovereign Bond Fund, Vontobel TwentyFour Sustainable Short Term Bond. Data for period 31/12/21 to 12/05/26, in GBP.

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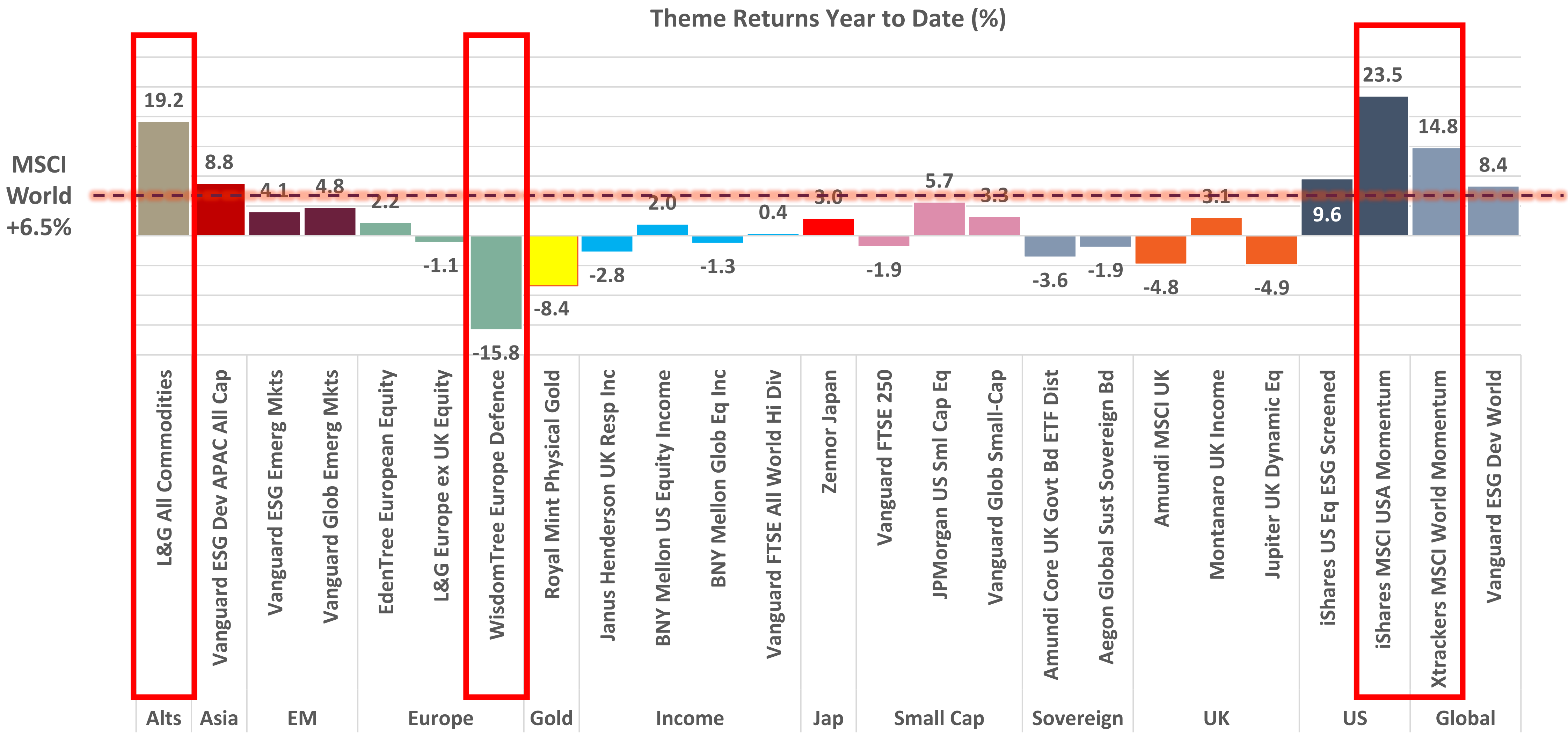
Theme Performance (%) – Since Previous Webinar 25/02/26



Source: Morningstar, MM Wealth Investment Team. Data for period 25/02/26 to 14/05/26, in GBP.

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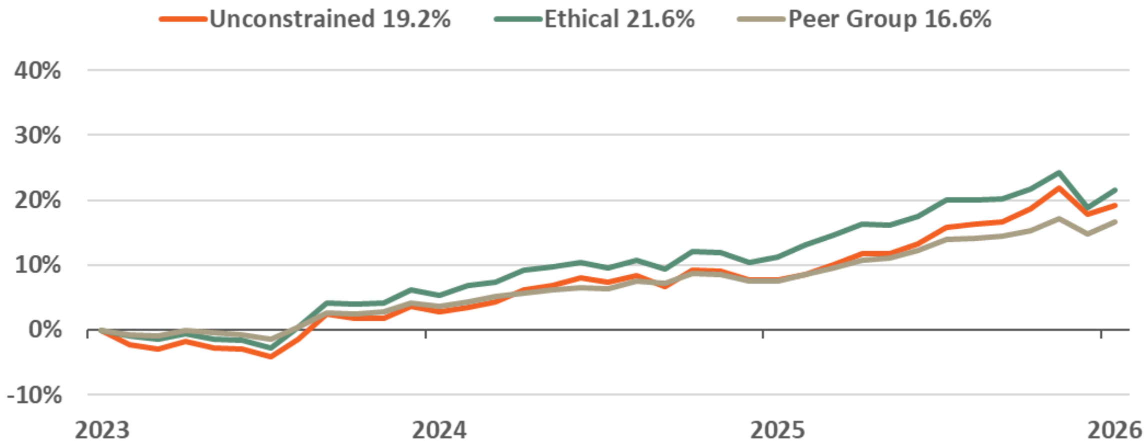
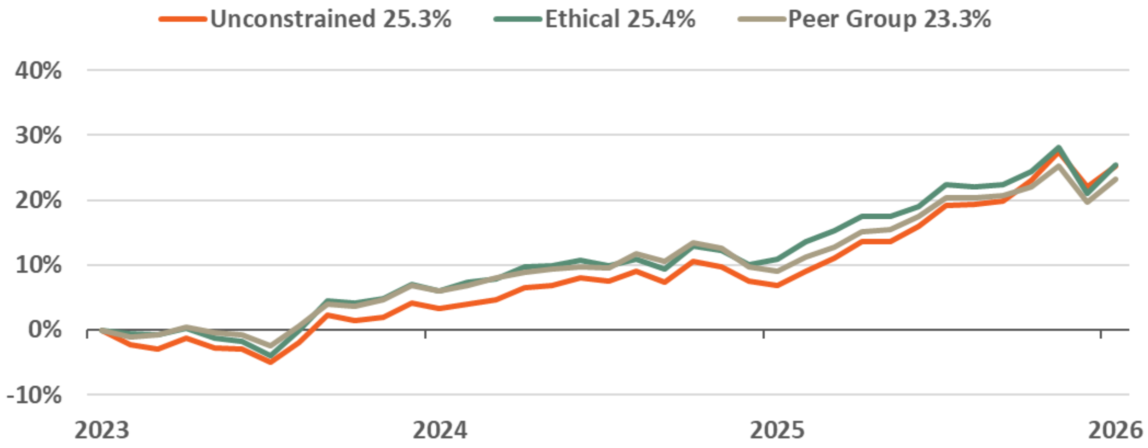
MM Wealth strategies – 3-year performance vs peer group comparison

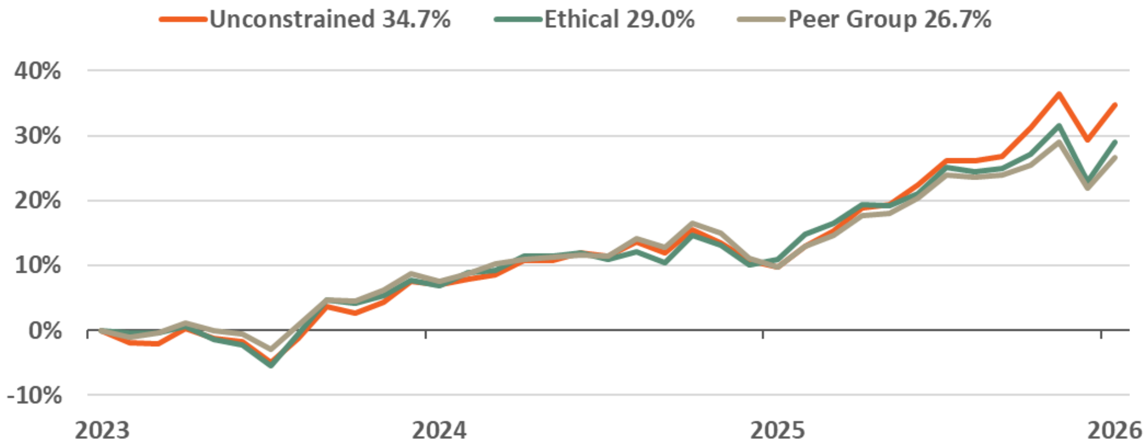
CAUTIOUS



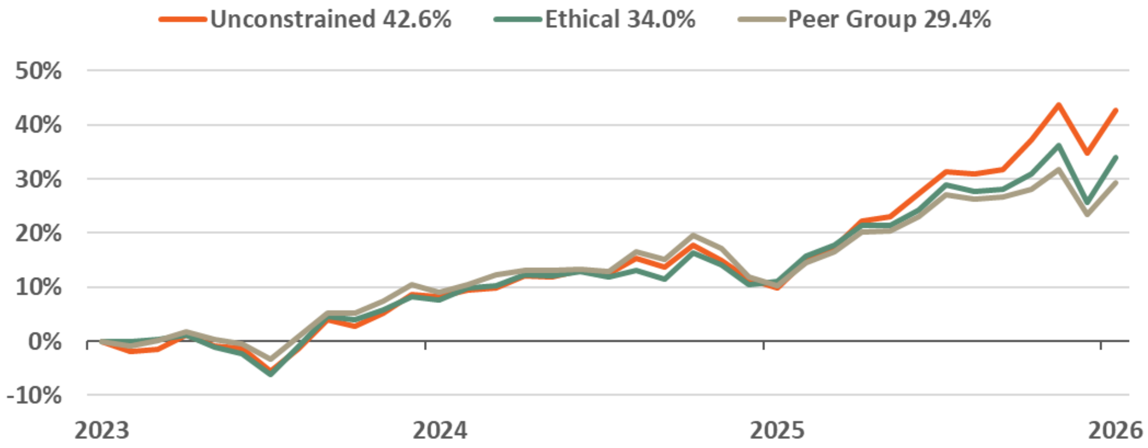
BALANCED



GROWTH



ADVENTUROUS



Source: Morningstar, MM Wealth Investment Team. Unconstrained and Ethical investment strategies versus peer group comparison in GBP. Performance data for period 30/04/23 to 30/04/26.

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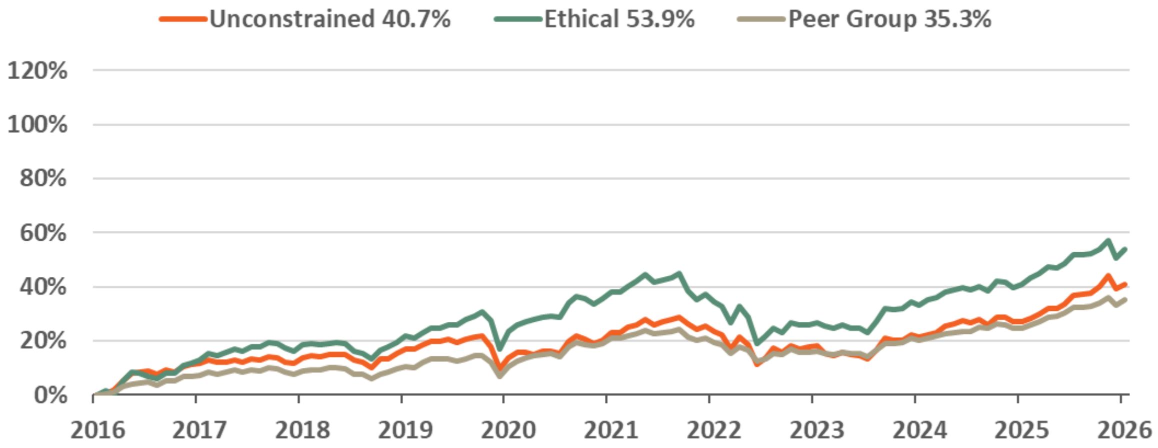
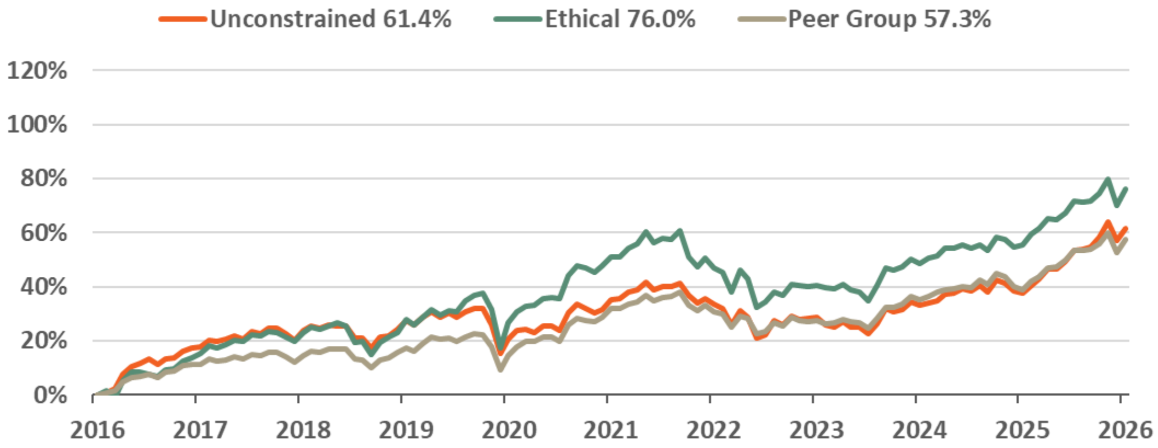
MM Wealth strategies – 10-year performance vs peer group comparison

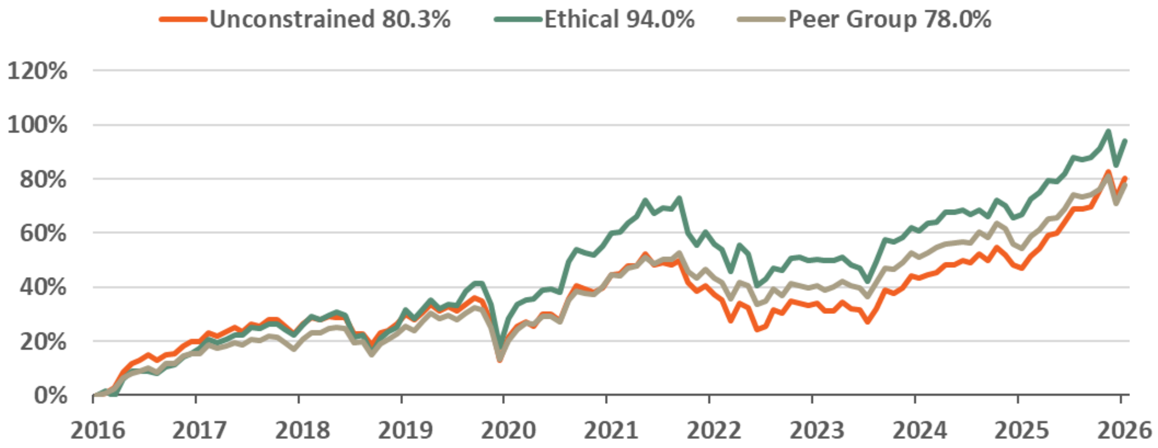
CAUTIOUS



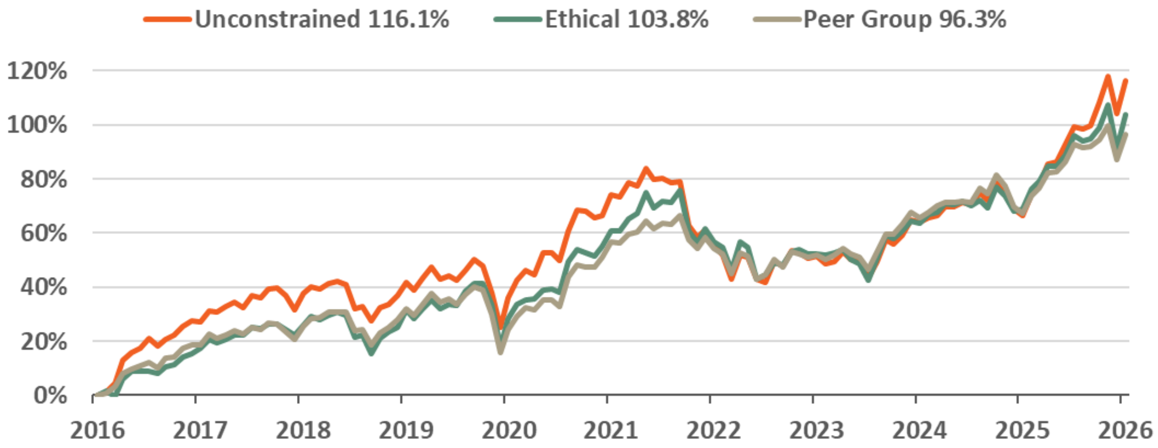
BALANCED



GROWTH



ADVENTUROUS



Source: Morningstar, MM Wealth Investment Team. Unconstrained and Ethical investment strategies versus peer group comparison in GBP. Performance data for period 30/04/16 to 30/04/26.

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Outlook

Three key forces we see shaping the rest of 2026

AI implementation phase	Fiscal expansion vs bond constraints	Geopolitics and energy security

What could break the “bullish rotation”?

Labour market deterioration	Bond yield shock	AI expectations reset	Geopolitical escalation

What we are watching closely

Inflation persistence	Capex vs earnings gap	Market breadth indicators	Yield curve behaviour

Markets are increasingly being shaped by competing forces rather than a single dominant narrative.

Upcoming dates for your diary

Next webinar – Wednesday 5th August 2026

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Appendix

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Global Market Returns in GBP

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Best	33.55 US - S&P 500	30.55 Emerging Markets	6.26 US - NDX	34.07 US - NDX	44.28 US - NDX	29.89 US - S&P 500	0.34 UK	46.38 US - NDX	28.14 US - NDX	31.28 Emerging Markets	25.56 Japan
	27.96 US - NDX	25.13 Asia Ex Japan	1.56 US - S&P 500	31.89 China	34.08 China	28.68 US - NDX	-5.42 Global Ex US	21.61 Global	27.26 US - S&P 500	24.02 UK	23.21 Emerging Markets
	27.34 Asia Ex Japan	21.48 US - NDX	-2.16 Japan	26.43 Europe Ex UK	20.63 Japan	23.53 Europe Ex UK	-7.08 Asia Ex Japan	19.16 US - S&P 500	20.21 Global	23.27 Global Ex US	21.57 Asia Ex Japan
	25.96 Japan	21.12 China	-7.69 Global	26.41 US - S&P 500	19.12 Emerging Markets	20.90 Global	-7.79 US - S&P 500	16.36 Europe Ex UK	16.94 China	20.64 Asia Ex Japan	15.36 US - NDX
	24.64 Global Ex US	19.77 Global	-8.57 Asia Ex Japan	26.24 Global	18.66 Asia Ex Japan	18.32 UK	-8.94 Japan	15.65 Japan	13.12 Emerging Markets	20.11 Japan	11.98 Global Ex US
	16.75 UK	16.18 Global Ex US	-8.86 Global Ex US	19.17 UK	14.74 US - S&P 500	8.82 Global Ex US	-12.95 Europe Ex UK	9.85 Emerging Markets	12.12 Asia Ex Japan	19.71 Global	9.90 Global
	9.69 Emerging Markets	14.75 Japan	-9.47 UK	18.06 Emerging Markets	14.21 Global	-0.08 China	-15.54 Emerging Markets	9.10 Global Ex US	10.78 Japan	19.10 Europe Ex UK	8.68 US - S&P 500
	9.04 Global	13.59 Europe Ex UK	-10.08 Emerging Markets	17.17 Japan	7.24 Global Ex US	-0.19 Emerging Markets	-15.98 Global	7.92 UK	9.47 UK	17.67 China	8.35 China
	2.31 Europe Ex UK	13.10 UK	-11.31 Europe Ex UK	16.82 Global Ex US	1.43 Europe Ex UK	-2.00 Asia Ex Japan	-17.25 China	1.31 Asia Ex Japan	7.42 Global Ex US	12.69 US - NDX	4.88 UK
Worst	1.14 China	11.29 US - S&P 500	-23.07 China	14.56 Asia Ex Japan	-9.82 UK	-3.49 Japan	-23.86 US - NDX	-15.96 China	7.21 Europe Ex UK	9.76 US - S&P 500	3.84 Europe Ex UK

Source: Morningstar, MM Wealth Investment Team. Data for period 2016 to 13/05/2026.

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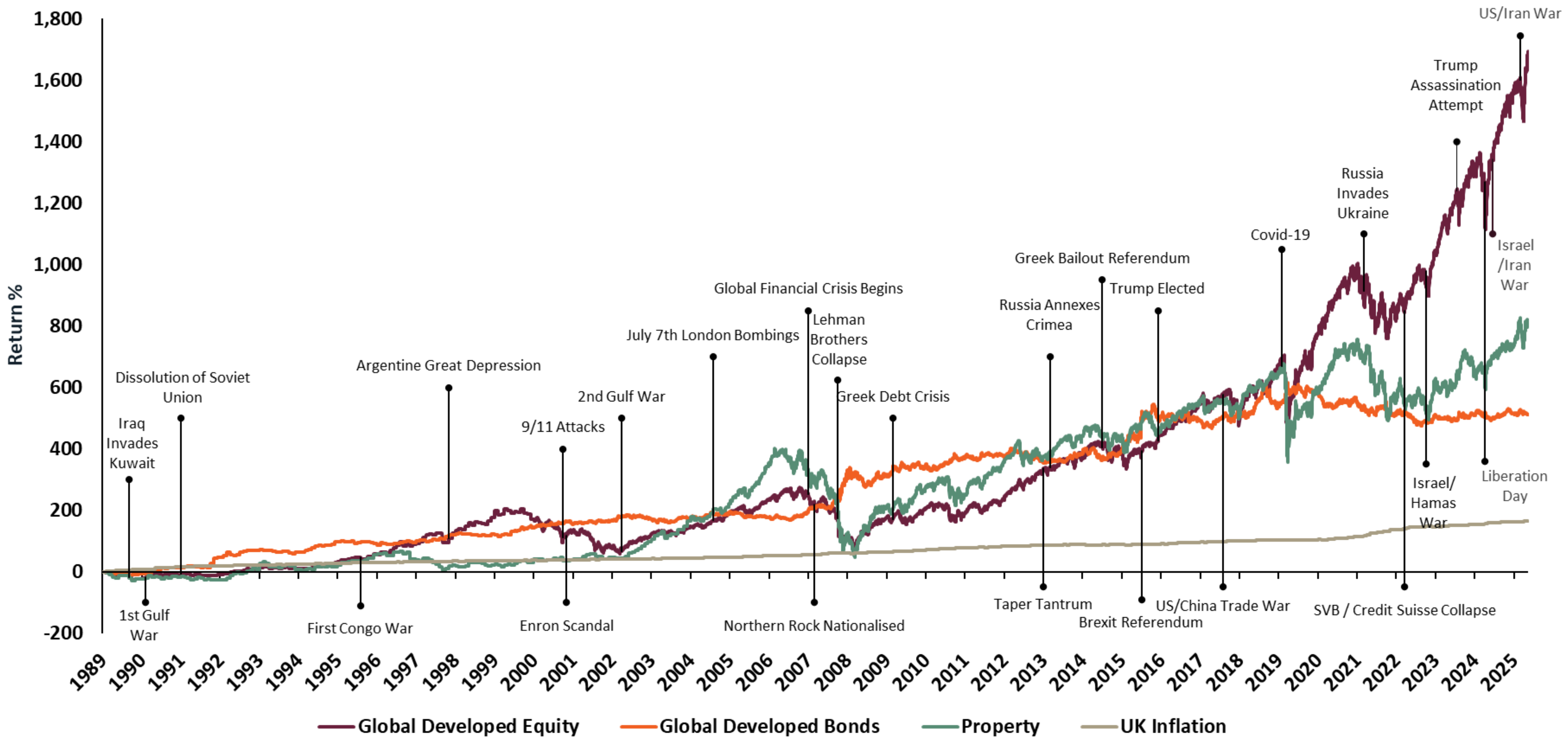
Asset Class Returns in GBP

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Best	33.37 Commodities	25.83 EM Equity	5.82 Govt Bonds	28.07 DM Equity	15.02 EM Equity	28.21 Commodities	30.76 Commodities	23.75 DM Equity	21.57 DM Equity	25.10 EM Equity	31.58 Commodities
	33.12 EM Equity	19.13 DM Equity	2.80 Hedge Funds	18.81 REITs	14.06 DM Equity	24.71 DM Equity	3.08 Hedge Funds	11.92 HY Bonds	9.98 EM Equity	18.94 DM Equity	22.22 EM Equity
	30.77 EM Debt	6.73 HY Bonds	2.43 IG Bonds	14.31 EM Equity	6.96 IG Bonds	24.18 REITs	1.41 Cash	4.65 Cash	8.94 HY Bonds	8.39 HY Bonds	8.95 REITs
	24.79 REITs	5.06 REITs	0.52 Cash	12.32 HY Bonds	6.12 Govt Bonds	2.78 HY Bonds	-6.23 IG Bonds	4.07 Hedge Funds	8.59 Hedge Funds	7.83 Commodities	8.08 Hedge Funds
	24.38 IG Bonds	0.26 Cash	0.32 REITs	10.07 EM Debt	5.10 HY Bonds	0.48 Hedge Funds	-7.08 Govt Bonds	4.05 EM Equity	7.30 EM Debt	5.75 EM Debt	7.80 DM Equity
	21.25 Govt Bonds	-0.15 EM Debt	-0.71 EM Debt	7.21 IG Bonds	2.30 Hedge Funds	-0.04 Cash	-8.17 EM Debt	3.59 REITs	7.22 Commodities	4.46 Cash	1.38 HY Bonds
	20.12 Hedge Funds	-0.35 IG Bonds	-3.61 HY Bonds	4.40 Hedge Funds	1.27 EM Debt	-1.32 EM Equity	-9.62 EM Equity	3.42 IG Bonds	5.32 Cash	3.39 REITs	1.36 Cash
	15.66 HY Bonds	-2.00 Govt Bonds	-5.78 Commodities	3.64 Commodities	0.42 Cash	-2.00 IG Bonds	-12.58 HY Bonds	3.13 EM Debt	3.39 REITs	2.70 IG Bonds	1.30 EM Debt
	9.65 DM Equity	-2.95 Hedge Funds	-6.86 DM Equity	1.51 Govt Bonds	-6.10 Commodities	-2.61 EM Debt	-13.96 REITs	-1.70 Govt Bonds	2.91 IG Bonds	0.76 Hedge Funds	0.12 Govt Bonds
Worst	0.44 Cash	-7.11 Commodities	-8.92 EM Equity	0.78 Cash	-11.97 REITs	-5.74 Govt Bonds	-15.62 DM Equity	-13.09 Commodities	-1.85 Govt Bonds	-0.54 Govt Bonds	-0.52 IG Bonds

Source: Morningstar, MM Wealth Investment Team. Data for period 2016 to 13/05/2026.

Time in the market, not timing the market



Source: Morningstar, MM Wealth Investment Team. Global Developed Equity = MSCI World, Global Developed Bonds = Bloomberg Global Aggregate, Property = S&P Global Property, UK Inflation = UK CPI. Data for period 31/12/1989 to 31/01/2026.

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If you have any questions, please do not hesitate to contact us.

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