

# This Month in the Markets

May 2026



## Equity Commentary: AI Overpowers Energy Fears

May saw stocks hit records as investors looked past the conflict in the Middle East and returned their attention to the prospects for artificial intelligence. News of the ceasefire Memorandum of Understanding (“MOU”) allowed the market to shrug off volatile news flows and calm spikes in energy prices.

The MSCI ACWI Index returned 4.9% for the month, with the MSCI Emerging Markets Index jumping 9.6%. In the U.S., the S&P 500 rose past the 7,500 level to hit multiple highs for the month, erasing all losses brought on by the war.

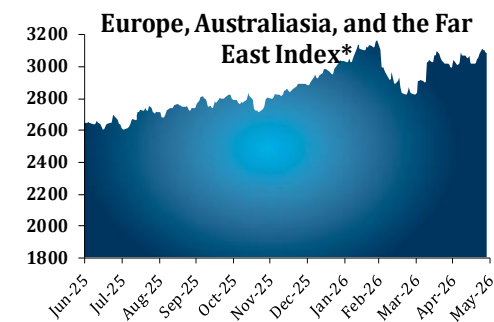
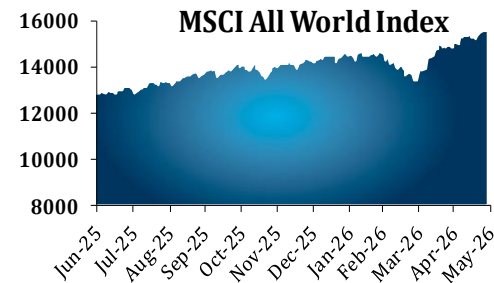
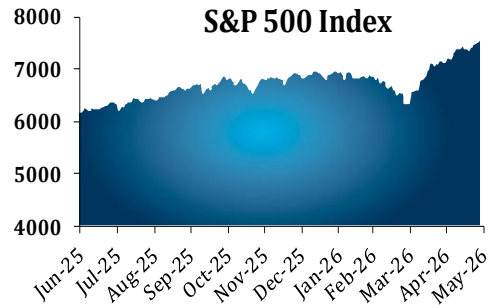
The MSCI ACWI Information Technology sector was the top performer with a gain of 16.5%, led by the surge in semiconductor and memory company stocks. Despite elevated energy prices, the MSCI Energy sector fell 5.1% for the month, which was the worst performing sector. The selloff was driven by hopes that the MOU between the U.S. and Iran would lead to an opening of the Strait of Hormuz which has been effectively closed since early March. As a result, 12+ million barrels per day of crude oil production has been idled. While the news flow has been somewhat promising getting a deal across the finish line is proving to be more difficult than Trump had bargained for. We feel that the market may be too sanguine regarding the risk posed by the loss of upwards of 1.5 billion barrels of inventories and the reality that it will take several months for transport to be normalized once a deal is finally agreed to.

The IPO market is heating up. Elon Musk has officially filed for SpaceX with the SEC and is set to IPO on June 12th. It is set to be a record-setting IPO as investors continue to try to find a piece of the action. Currently valued at \$1.8 trillion from previous reports of \$2 trillion after the explosion of the Blue Origin rocket last week. In addition, Anthropic has also filed a draft S-1 with the SEC for a late-2026 public listing with Wall Street expecting its debut as early as October 2026. Anthropic’s IPO is now valued at \$965 billion on the back of a massive \$65 billion Series H round. This additional funding is supported by its \$47 billion annualized revenue run rate from enterprise Claude adoption and now has passed OpenAI as the world’s most valuable AI startup.

The worst performing position in May was Intuit Inc. (“INTU”), which declined 16.9%. While affluent tax filers and professional segments drove overall growth on the back of pricing, pressure on shares was driven by the sudden downshift in lower income (<50k) self-prepared digital filings. The street continues to assess the competitive threats from the IRS Direct File System and digital alternatives that have taken share in low-income, pay-nothing users.

The best performer was Eli Lilly & Co (“LLY”) which increased 14.9% as its newest weight loss drug Retatrutide (“Reta”) is likely to be approved by the FDA later this year and launch early next year. Reta is a triple hormone receptor agonist that has shown to trigger more weight loss and burn more fat compared with muscle because of its ability to target the glucagon receptor.

During the month, the sharp rally in cyber security stocks resulted in us exiting our Palo Alto Networks (“PANW”) position as it hit our target price. We decided to purchase shares in Experian (“EXP LN”) at multi-year multiple lows, as we believe the current valuation offers a compelling entry point into a best-in-class asset that is effectively the digital toll booth of the modern credit economy.



## Fixed Income Commentary: Rates May(be) Higher for Longer

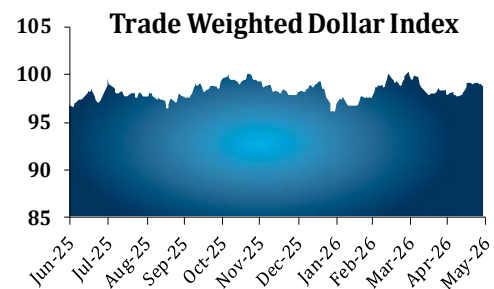
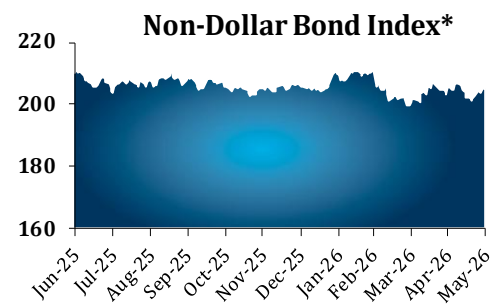
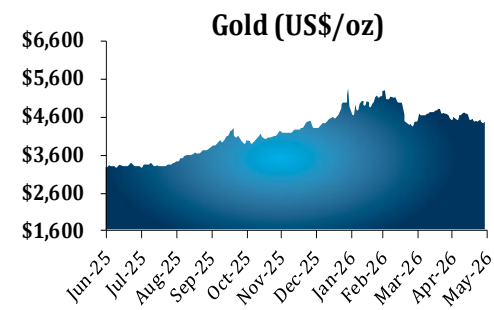
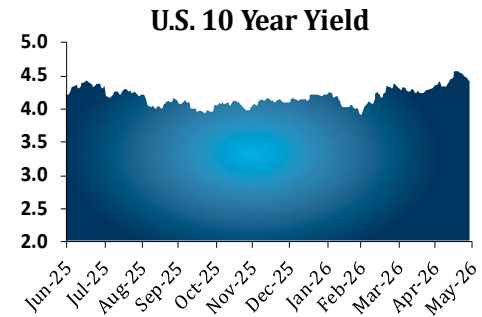
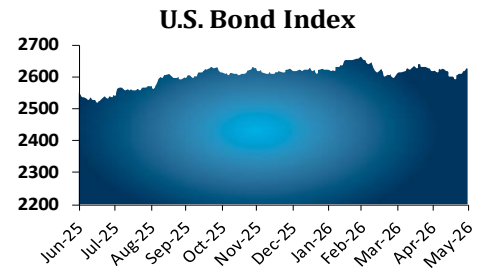
Markets remained highly sensitive to geopolitical headlines throughout the month, particularly developments involving Iran and the U.S., with interest rates and currencies moving quickly as investors reassessed the inflation and growth implications of a prolonged conflict.

The dollar strengthened in May, as measured by the 0.57% rise in the Bloomberg Dollar Spot Index. The move was supported by generally resilient economic data despite higher energy prices, which in turn pushed Treasury yields higher. The 2-year Treasury yield rose 0.13% to 4.00%, driven primarily by the market pricing in the possibility of a Federal Reserve rate hike by June of next year. The shift in expectations over the last three months — from Fed rate cuts to a potential rate hike — has been reinforced by stronger inflation data across PPI, PCE, and CPI since the start of the Iran conflict.

Meanwhile, on the labor market front, the latest payrolls report surprised to the upside, while the unemployment rate remained subdued at 4.3%. Interestingly, the low unemployment rate has been aided by a declining participation rate, particularly among workers over the age of 55. If the labor force participation had remained at the same level as January 2025, the unemployment rate would be nearing 5.6% — materially higher than the current 4.3%. Inflation pressures were also evident outside the U.S., with both Norges Bank and the Reserve Bank of Australia raising benchmark policy rates in May. All eyes will now turn to new Fed Chair Kevin Warsh's first Federal Open Market Committee press conference on June 17 for clues on how the Committee is thinking about the path of interest rates from here.

The 10-year Treasury yield increased 0.07% to 4.44%. Intra-month, however, long-end rates were notably more volatile. The 10-year Treasury yield briefly broke above the upper end of the 4.0%–4.5% range it had broadly traded within for much of the year, reaching a high of 4.67% before retracing into month-end. Much of that move was driven by Iran-related headlines, with rates rising on signs the conflict could persist longer — and with-it inflation risks — before easing later in the month on hopes of a potential U.S.–Iran peace agreement.

Against this backdrop, we took advantage of higher long-term yields and added a 10-year Meta Platforms bond. Meta is rated AA- by both S&P and Moody's, though its bonds trade closer to BBB levels from a spread perspective. Like other hyper-scalers, Meta is entering a period of elevated AI-related capital expenditure and has already tapped the bond market for \$30 billion this year, including a large April issuance. Free cash flow is expected to decline in the near term as spending accelerates before rebounding meaningfully once the current capex cycle moderates. We remain comfortable owning the credit over a 10-year horizon. Meta benefits from a very strong balance sheet, a dominant competitive position, and substantial long-term cash generation. The spread premium relative to similarly rated issuers presented an attractive opportunity to extend duration while maintaining overall portfolio quality.



\*Merrill Lynch Global Broad Market, Ex US Dollar Index

## Disclaimer

Disclaimer: This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. Past performance is no guarantee of future results. The opinions expressed may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by the authors to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecasts made will be correct. Reliance upon information in this material is at the sole discretion of the reader. Investment involves risks. Readers should consult their financial advisors prior to any investment decision. Index performance is shown for illustrative purposes only. You cannot invest directly in an index. Sources may include MSCI, Bloomberg, and S&P Global. Information contained within this report is private and confidential and for the sole use of clients of Anchor Investment Management Ltd. ("AIM"). AIM respects the intellectual property rights of others. If you see a copyright or trademark of yours which is being infringed, you may notify AIM at [info@anchor.bm](mailto:info@anchor.bm). We will contact you to obtain details of your claim.