

## Monthly news and views covering May 2026

Managed Portfolio Service investment team

### IN BRIEF

- Good company results from Nvidia helped lift markets in both the US and Emerging Markets
- The summit between President Xi and President Trump avoided negative diplomatic surprise
- Rising bond yields spurred by inflationary threats failed to derail stock market gains

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*For further information on the risks of investment and glossary terms please refer to the end of the document.*

### The month of May

On the face of it, May continued in a similar vein to April. Stock markets continued their strong ascent continuing to reach new highs as the fragile Iranian ceasefire vied with ongoing enthusiasm for semiconductor and memory chip manufacturers (companies that make computer chips used in technology and AI), to keep markets buoyant. As we commented last month, despite the cautious outlook warranted by the unstable geopolitical backdrop, stock markets have continued to be buoyed by the breadth and sheer scale of positive company reporting that has been released.

To that end, Nvidia, the leading example for the Artificial Intelligence (AI) theme that has gripped markets in the last couple of years, has continued to report strong revenue growth while continuing to raise its forecasts (estimates of future business performance) above market expectations. Aided by strong revenue generation, the company announced a capital allocation plan outlining how the company plans to use its financial resources to reward investors with increased dividends and a financial commitment to fund the repurchase for some of their own shares.

The persistent excitement for this emerging technology has not just been a dominant driver for the technology heavy US indices but has also spurred the advance of Asian and Emerging Market stock markets too. This has seen the Korea Composite Stock Price Index advance strongly (+20.98%) for the month, aided by leading semiconductor and memory chip companies such as Samsung and SK Hynix. Such has been the advance over May that Asian and Emerging Market indices have outperformed the outperformed the US stock market over the month, which has become increasingly concentrated in technology names.

On the geopolitical front, the avoidance of a re-escalation of military strikes in the Middle East, alongside an expectation of a deal for the reopening of the Strait of Hormuz (a key global oil shipping route), has led to a double digit fall in the price of oil. Markets reacted well, as this could help reduce inflationary pressures of the conflict.

Although these trends were significant, we also need to recognise other supporting factors providing comfort to markets. An additional geopolitical event occurred mid-month with the China and US summit, postponed from April. With President Trump being accompanied by a delegation of business leaders, this more constructive diplomacy, along with the respectful hospitality and warm words of respect helped foster a positive tone from the meeting. With the avoidance of any missteps from both sides, this helped maintain positive reporting between the two super-powers.

During the month, the space technology company SpaceX announced plans to list in the US market with an initial public offering (IPO), which is when a company first sells shares to the public. This launch is set to boldly go where no other IPO has gone before, namely the largest ever IPO listing with a total valuation north of \$1.5 trillion. Such strong blockbuster launches is set to continue, with an expectation that AI darlings Anthropic and OpenAI are also set to IPO later this year. This is likely to maintain enthusiasm for this technology theme a little while yet, although more sceptical investors would hope these launches will signal the peak of frenzy in this technology cycle.

With a somewhat protracted process, Kevin Warsh was finally declared as the incoming Governor to the body setting US interest rates – the Federal Reserve Monetary Policy Committee (FED). He is expected to favour lower interest rates, indicating both employment and growth remain of greater concern than the inflationary risks caused by Middle East geopolitics that are outside the control of the FED.

On that front, jobs data has continued to surprise with its resilience. US payrolls (showing how many jobs were added or lost in the US economy in a given month) have continued to firm, so while other economic data points have become more variable, employment figures have yet to cause any great concerns for stock markets. This can make conditions tougher for bond markets, as it lowers the likelihood of interest rate cuts that investors had expected at the start of the year. To this end, we finally saw the May inflation figures start to evidence the impact from the closure of the Straits of Hormuz, a vital shipping corridor that has been controlled by Iranian threats and a US blockade. This was evidenced by the US Core Consumer Price Index, a key measure of inflation, which rose to 3.8%, alongside the Producer Price Index, a measure of how prices are changing for businesses before those changes reach consumers, which increased by 6%.

Over the month this resulted in bond yields rising (their prices falling), as rate expectations for the US, UK and Europe remained elevated. This saw the 30yr US Treasury yield (US Government Bonds) rise to their highest level since 2007. Meanwhile, UK government bonds (UK gilts) also moved sharply higher as the UK election results, at the beginning of the month, increased pressure on the incumbent government with the market being concerned that a greater left-leaning government would increase borrowing.

The inflation figures were foreshadowed by Consumer Sentiment surveys falling on both sides of the Atlantic, with the University of Michigan Survey reaching a record low. Although this contrasts with buoyant retail sales, it should be remembered that the latter are not adjusted down for inflation, so like the strong Purchasing Manager Indices seen in April, they are more of a warning that an inflationary threat may persist. The sentiment surveys also indicate that consumers concerns stem from cost of living fears, rather than a weakening labour market at this stage, a persistent concern since the Global Financial Crisis of 2009 and Covid pandemic of 2020.

As financial returns have demonstrated this year, the strength in corporate reporting has outweighed some softening of the economic outlook. Robust corporate reporting has resisted the assumption that stock markets would remain more sensitive to unfolding geopolitical events. However, although the ceasefire in the Middle East has largely remained, the blockade of the Straits of Hormuz still poses a major threat to global supply chains.

## Key positioning for the portfolios

The last change to portfolios occurred on 20th May:

- We rebalanced our equity exposure back to our target level, helping us maintain a steady allocation to equities and benefit from continued company earnings growth.
- We also adjusted regional allocations back to target, keeping a higher allocation to Emerging Markets, a lower allocation to the US and Japan, and a neutral position in the UK.
- As rising inflation pushed bond yields higher, we increased exposure to longer-dated government bonds, allowing us to take advantage of more attractive yields and a potentially weaker growth environment.
- To fund this change, we took profits from shorter-dated corporate bonds, as interest rate cuts now look less likely in the near term.
- We have maintained a mix of high-quality corporate bonds alongside longer-dated government bonds to support income and diversification.

**Managed Portfolio Service investment team**

## Glossary

### **Bonds (or fixed income)**

Types of investments that allow investors to loan money to governments and companies, usually in return for a regular fixed level of interest until the bond's maturity date, plus the return of the original value of the bond at the maturity date. The price of bonds will vary, and the investment terms of bonds will also vary.

### **Bond Yield**

This is calculated by taking the level of interest paid by the bond, divided by the price of the bond, expressed as a percentage. As the price rises, the yield falls and vice versa.

### **Corporate Bonds**

Issued by companies and similar to a loan in nature, usually paying a fixed rate of interest.

### **Emerging market debt**

Bonds issued by less developed countries' governments and companies within those countries.

### **Emerging Markets**

Countries with less developed financial markets and which are generally considered riskier than investing in developed markets.

### **Equities**

Another name for shares (or stock) in a company.

### **Government bonds**

A type of bond, issued by a government. They pay out a regular fixed amount of interest until the bond's maturity date, when the issue value of the bond should also be repaid. In the UK they are called gilts and in the US they are referred to as treasuries.

### **Index**

An index is a method of tracking the performance of a group of shares, bonds, other assets or factors. For example, the FTSE 100 Index is made up of the 100 largest companies on the London Stock Exchange.

### **Yield**

The dividend per share divided by the stock's or fund's price per share and expressed as a percentage. The historic yield is the dividend income distributed during the past year and expressed as a percentage of the share price on a particular day.

## Risks

Typically, there is less risk of losing money over the long-term (which we define as over 5 years) from an investment that is considered low risk, although potential returns may also be lower. Investments considered higher risk typically offer greater opportunities for better long-term returns, though the risk of losing money is also likely to be higher.

The performance information presented in this document relates to the past. Past performance is not a reliable indicator of future returns.

Forecasts are not reliable indicators of future returns.

Some of the main specific risks that apply to the funds that these portfolios invest in are summarised here. If the funds that are held in the portfolios change, the types of investment risk that the portfolios are exposed to will also change.

Fixed income investments, such as bonds, can be higher risk or lower risk depending on the financial strength of the issuer of the bond, where the bond ranks in the issuer's structure or the length of time until the bond matures. It is possible that the income due or the repayment value will not be met. They can be particularly affected by changes in central bank interest rates and by inflation.

Equities (company shares) can experience high levels of price fluctuation. Smaller company shares can be riskier than the largest companies, companies in less developed countries (emerging markets) can be riskier than those in developed countries and funds focused on a particular country or region can be riskier than

funds that are more geographically diverse. These risks can result in bigger movements in the value of the fund. Equities can be affected by changes in central bank interest rates and by inflation.

Derivatives may be used within funds for different reasons, usually to reduce risk, which can be called "hedging". This can limit gains in certain circumstances as well. Derivatives can also be used to generate income or to increase the risk being taken, which can have positive or negative outcomes. The derivatives used can be options or futures which are types of contracts that are dealt on an exchange or negotiated with a third party. More complex derivatives may also be used. Derivatives can also introduce leverage to a fund, which is similar to borrowing money to invest.

Funds may have holdings in investments such as commodities (raw materials), infrastructure and property as well as other areas such as specialist lending and renewable energy. These investments will be indirect, which means accessing these assets by investing in companies, other funds or similar investment vehicles. These investments can also increase risk and experience sharp price movements. Funds focused on specific sectors or industries, such as property or infrastructure, may carry a higher level of risk and can experience bigger movements in value. Certain investments can be impacted by decisions made by third parties, such as governments or regulators.

There are many other factors that can influence the value of a fund. These include currency movements, changes in the law, regulations or tax, operational systems or third-party failures, or financial market conditions that make it difficult to buy or sell investments for the fund.

\*Funds that are managed to maintain a specific risk profile, or that invest in other funds that themselves are managed to maintain a specific risk profile, may have their potential growth or income constrained as a result.

\*Applicable for the Premier Miton Blend Portfolios only.

## Important Information

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All data is sourced to Premier Miton unless otherwise stated.

Source for performance data: FE Analytics.

All performance figures have been given in £ sterling.

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