



# INVESTMENT UPDATE

May 2026

ROCKHOLD ASSET MANAGEMENT

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# INVESTMENT UPDATE

Index	Level 31 March	Level 30 April	Change*
<b>S&amp;P 500</b>	6528	7209	+10.4%
<b>FTSE 100</b>	10213	10363	+1.5%
<b>Euro Stoxx 600</b>	584	611	+4.6%
<b>Nikkei 225</b>	51063	59513	+16.5%
<b>Shanghai</b>	3891	4112	+5.7%
<b>US 10 Yr Treasury Yield</b>	4.31%	4.39%	+0.08
<b>UK 10 Yr Gilt Yield</b>	4.91%	5.03%	+0.12
<b>Bund 10 Yr</b>	3.01 %	3.02 %	+0.01

\*all returns in local currency terms. Past performance is not a guide to future returns.

## Overview

Despite the lack of any signs of a long-term resolution to the war in Iran, markets rebounded strongly in April, reversing many of the losses experienced in March on optimism that the economic impact of higher energy prices would be short-lived. Indeed, in the case of the US and other markets, they ended the month higher than their level immediately before the conflict. In the US, at least, this was driven partly by the fact that the economy is less exposed to the effects of being a net exporter of oil. The US market was also supported by some strong earnings growth, which in turn led to a rapid resumption of the AI trade. Elsewhere, you might expect that the level of an individual country's reliance on the Strait of Hormuz for

the supply of its oil and other commodities would have dictated the level of its stock market's recovery. However, this was not necessarily the case as Korea and Taiwan surged, primarily due to their markets' high exposure to AI-related stocks. Japan also generated some impressive returns as its currency continued to depreciate, which is good for the exporters that make up a large proportion of the Nikkei. These economies are among the most reliant on supplies from the Gulf, so it's somewhat of a paradox that their performance was so strong. On the surface, it seems investors believe that the longer-term positives of other factors, such as AI, will outweigh the negatives of higher commodity prices in the short term.

Government bond yields stabilised following their spike up in March, with the exception of the UK, where we saw 10-year gilt yields finish above 5%. This was due to continued worries over the government's borrowing requirements and the likelihood of interest rate increases later this year due to the impact of higher energy prices on inflation. Japan, too, experienced higher bond yields, for similar reasons, plus expectations that rates would have to rise to support the weakening yen. However, our approach of diversifying our bond exposure, both geographically and by issuer type, meant the impact of these yields rising was limited.

Consequently, all portfolios were up over the month and are now up firmly since the start of the year.

## US

Anyone familiar with 1960's films may recognise the title Return of the Magnificent 7, and this is certainly an appropriate metaphor for the behaviour of the same-titled stocks in the S&P 500, as following a subdued few months, they contributed to half the return from the index in April. Supported by some strong earnings numbers, the resumption of interest in the AI trade, and a perception that these types of stocks are not so vulnerable to higher energy prices were all factors that helped to drive share prices for the sector. Indeed, technology-related stocks in the index were up nearly 20% over the month as a group. In the US, company profits overall have grown by close to 25% compared to 2025; the last time we saw figures like that was during the bounce back from COVID. And although big tech is doing a lot of the heavy lifting, only around a tenth of US companies have failed to beat estimates, so one can perhaps understand the optimism driving the market.

In terms of economic news flow, the Federal Reserve perhaps unsurprisingly kept interest rates on hold, albeit with some difference of opinion given the committee's eight to four split in opinion. The messaging appeared to be that there was a risk of higher inflation and thus the possibility of higher interest rates for longer, although there remains some speculation around how much the likely incoming Federal Reserve chairman, Kevin Walsh, will allow himself to be influenced by President Trump, who harangued his predecessor over not lowering rates. However, this wasn't sufficient to knock the market off its upward trajectory. Positive GDP and unemployment numbers also lent support to the rally.

## UK

Whilst the FTSE 100 rallied in April, it was to a lesser extent than elsewhere in the world, as the index is less exposed to the technology theme that has driven the US and other markets. The FTSE's weighting to oil stocks, which have benefitted from the higher oil price, was insufficient to offset the negative impact on consumer discretionary and housebuilder stocks, which were affected by the prospect of higher interest rates globally. The Bank of England, as elsewhere in the world, kept interest rates on hold despite a higher March inflation figure of 3.3%, resulting from higher energy prices. However, the bank warned that the war in the Middle East could lead to significantly higher inflation, generating speculation over the future

direction of interest rates. Gilt yields rose in response to this, as well as the uncertain political backdrop weighing on investors' minds.

## Europe

Despite higher energy prices, which much of the continent is susceptible to, and an escalating spat with Trump over tariffs, European markets rallied from their March lows. Although the moves were across the board, as with elsewhere, the technology sector led the way, exhibiting double-digit returns. Dutch-based ASML, which makes the machinery that makes silicon chips that drive the AI boom, was up 9% alone. Geographically, performance was mixed, with Germany leading the way, despite Chancellor Merz's negative comments about America's role in the Iran war, which prompted Trump to order the immediate withdrawal of 5000 US troops from Germany and threaten to increase tariffs on EU autos from 15 to 25%. Whether the latter holds true or not, given the tariff experience thus far, the industrial sector performed well. Spain also performed well, as the market has high exposure to banks, such as Santander, that are seen to benefit from higher interest rates (should that prove to be the case) and less susceptible to the economic cycle. On the tariff front, the EU has still to sign off on the trade agreement with the US, and recent provocations emerging from Washington have created some difference of opinion over whether it should be approved.

On the economic front, consumer sentiment fell to the lowest level since the COVID era of 2020, but it should be noted that sentiment can change on a sixpence, as it did post-COVID. The ECB, as with other central banks, adopted a wait and see attitude about the region's recent hike in inflation, keeping rates on hold. With economic growth of near zero, stagflation remains the risk, so one can understand their reticence in acting too hastily in reaction to what may be a short-term phenomenon.

## Japan

As mentioned earlier, the Japanese stock market rallied strongly in April, reflecting the same optimism as elsewhere in the world over AI as semi-conductor and tech stocks rallied, but also benefitted from a weakening yen. The Nikkei contains a high proportion of exporter stocks, which benefit from a declining currency, as it makes their products cheaper for foreign buyers. But it causes a headache for the Bank of Japan, which now has an even greater inflationary driver in that the country is heavily reliant on energy imports from the Gulf (made worse by oil in Asia trading at around a \$10 premium to Brent crude). However, economic growth is only around 0.5%, so the bank has a dilemma as putting rates up could further reduce growth. Therefore, at their April meeting, the bank kept rates on hold, which put further downward pressure on the yen.

## Asia and Emerging Markets

Most of Asia, with the exception of China, is equally as susceptible to disruption in energy supplies from the Gulf as Japan. However, the renewed enthusiasm over AI adoption spread to the region and arguably to an even greater extent, as the likes of Korea's Samsung and Taiwan's TSMC rose around 16%, assisted by some strong earnings numbers and the positive outlook for the sector. China's market was more subdued, but still impressive on the upside. The country is more insulated against short-term oil price moves due to its high levels of strategic reserves, but the country is motivated to see a resolution to the Iran war, as one of the country's main customers for oil. Latin America, as a commodity producer, was less affected by the outbreak of hostilities, so it's of little surprise that the region didn't benefit from the rebound seen elsewhere, having not felt the negative impact in the first place.

## Summary & Outlook

We shouldn't be tempted to try to predict when there may be an end to hostilities in the Middle East, and with that, the resumption of crucial chemical as well as energy supplies through the Strait of Hormuz. As we commented at the outset of this conflict, the length of it will largely determine the impact on the real economy, as supplies of key commodities dwindle. Additionally, the inflationary effects of higher prices are likely to become more entrenched, thus exacerbating central banks' dilemma over interest rate policy. That said, there does seem to be a desire for a swift resolution, at least from the American side. Although energy markets are currently whipsawed by daily tweets or media reports over the prospects of a resolution, equity markets at least have reduced their correlation with oil price movements. Given this, our policy of remaining invested while ensuring portfolios benefit from wide diversification is certainly proving its worth.

**Rockhold Asset Management, with contributions from 7IM, May 2026**



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