What to watch in the week ahead

Weekly Global

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- Government bond yields have remained volatile into the start of the week, after hitting multi-year highs last week, as investors evaluate mixed news on US-Iran talks. US and Israeli attacks on Iranian vessels have impacted confidence, despite positive signs that negotiations were making progress. Investors will be hoping for signs this week that a lasting deal will ease concerns over energy prices, inflation, and thus central bank tightening.
- US and global equity markets have begun the week close to all-time highs, despite higher yields and geopolitical uncertainty. A sustainable peace deal, however, would remove a lingering anxiety for investors and allow the focus to shift fully to resilient earnings fundamentals.
- AI-linked earnings continued to support equities last week, and NVIDIA's results reinforced strong AI infrastructure demand for the sector. But the solid performance of the leading US tech stocks has added to concentration risk for many investors and adds to the case for a diversified and active AI exposure across the value chain and geographies.

Will government bond markets recover their poise?
While equity markets have recently seemed relatively relaxed about the potential economic harm from the US-Iran conflict, the same cannot be said of the government bond market. Government bond yields hit multi-decade highs early last week, as investors fretted that a sustained period of high energy prices could force central banks to tighten monetary policy to see off inflation. The 30-year US Treasury yield hit its highest level since 2007, while long-dated bonds in Germany, the UK, and Japan rose to multi-year highs. As of late last week, market pricing of the probability of a Federal Reserve hike by December had risen to 82%, its highest level so far this year. While that looks unlikely to us, risks of more hawkish policy have increased. We have therefore raised our year-end forecasts for 10-year yields in the US, Germany, UK, and Japan.

But yields did retreat from recent peaks later last week and investors will be hoping for further signs that the worst is over. Much will depend on whether there is clearer progress toward peace in the Middle East. Signals have remained mixed, with further US-Israeli strikes on Iranian vessels coming alongside optimistic messages from both sides that talks have made progress. After various setbacks, investors will be eager for an agreement that will ease concerns about energy prices, inflation, and central bank tightening. With inflation concerns on the rise, markets will also be looking to April's US Personal Consumption Expenditures price index, the Fed's favorite gauge, for guidance on whether underlying inflation pressures

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The tech sector and earnings
- To find out more about investing in transformational innovation, see here.

are broadening beyond energy and goods. Comments from top officials at the Fed, the European Central Bank, and the Bank of England will also help shape the debate over how central banks might respond to the stagflationary risks.

In our view, higher energy prices are likely to contribute to tighter central bank policies, delaying a Fed cut until the end of the year and encouraging the ECB to raise rates twice this year. We also continue to see longer-duration bonds as vulnerable to both fiscal and inflation risks. However, we think markets have gone too far in pricing renewed rate-hiking cycles. We still see a high bar for a Fed hike, with wage growth moderating and inflation expectations broadly anchored. Our base case remains for the Fed to cut in December and again in March. Against this backdrop, we believe the recent sell-off offers an opportunity to lock in attractive yields in quality short- and medium-duration bonds.

Can a US-Iran deal remove the cloud over markets?
Oil prices remained volatile last week as investors reacted to shifting headlines on US-Iran negotiations. The deeper concern is not just day-to-day price volatility. Investors are also focused on the drawdown in oil reserves, which are being depleted as the conflict enters its 13th week. Crude oil and product inventories have been shrinking at a concerning pace.

This week, investors will be hoping for signs that diplomacy can translate into a durable improvement in energy flows. The key issue is whether any US-Iran agreement can address the future status of the Strait of Hormuz. Oil prices will remain the clearest market signal of whether investors see progress as credible. Economic data will also matter. The longer the disruption lasts, the more likely it will affect confidence, business activity, and inflation expectations.

Our base case is that energy prices remain contained enough to avoid a broader global growth shock. We forecast Brent crude at USD 105/bbl by end-September and USD 95/bbl by year-end. We also view global equities as Attractive, supported by strong earnings and resilient fundamentals. Recent market gains offer an opportunity to rebalance portfolios from a position of strength, diversify concentrated equity exposure, and maintain broad commodities as a geopolitical hedge. Risks have nonetheless increased. Buffers are finite, and Brent crude could rise further if disruption persists, fighting resumes, or energy infrastructure is damaged.

Will developments in AI support the resurgent tech rally?
Strong earnings continued to help equities weather geopolitical uncertainty last week. The S&P 500 was less than 0.5% below its all-time high, capping an eight week of gains. Results from AI chipmaker NVIDIA provided a strong finale to a broadly supportive first-quarter earnings season. From a sector perspective, the results from America's most valuable company reflect solid AI demand.

This week, investors will look for evidence that the AI cycle is broadening enough to keep equities focused on fundamentals. Recent weeks have brought a steady flow of AI developments, innovations, and deals, and that news is likely to remain important for market direction. Investors will also be watching for updates around upcoming stock market listings by leading technology firms. These could help gauge appetite for the next phase of AI-related growth. Beyond the listing pipeline, the key question is whether demand remains strong across the AI value chain, including hyperscalers,

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- Hear about our latest S&P 500 target on this week's Investor's Club.

enterprise customers, AI-native clouds, applications, and infrastructure suppliers.

Our view is that AI remains a key long-term opportunity, though selectivity is key. Our expectation is for S&P 500 earnings per share to grow by 20% this year, and against this robust backdrop, we have raised our year-end S&P 500 target to 7,900 from 7,500, versus 7,473 as of the most recent close. We recommend staying invested, diversifying across the AI value chain and geographies, favoring platform and application beneficiaries, and selecting infrastructure names with strong pricing power and competitive positioning. In our view, investors should also avoid relying too heavily on a narrow group of megacap technology stocks and should complement AI exposure with our other Transformational Investment Opportunities *of Longevity* and *Power and resources*

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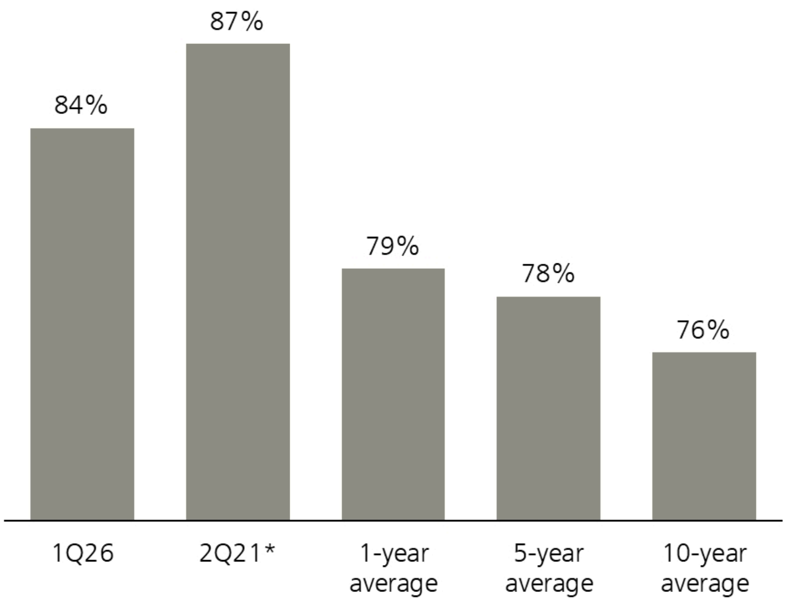
Chart of the week

Strong corporate earnings, particularly from AI and technology leaders, have propelled the S&P 500 toward record highs, even as markets contend with persistent energy-driven inflation and geopolitical uncertainty. First-quarter results have been robust, with broad-based profit growth and standout performances from key sectors helping equities weather volatility in rates and oil prices. As investors look ahead, the focus is on whether AI-driven gains will extend to a wider range of industries, reinforcing the case for diversification as sector leadership evolves.

More companies are beating expectations than normal

% of S&P 500 companies beating EPS estimate



FactSet, UBS, as of 20 May 2026

*Latest highest surprise percentage reported by the index.

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In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

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Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities
Note: For equities, we have a five-tier rating system with two additional preferences
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse “Most Attractive” with “Attractive” and “Least Attractive” with “Unattractive.”

Appendix

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