



## **MARKET COMMENTARY**

07 May 2026

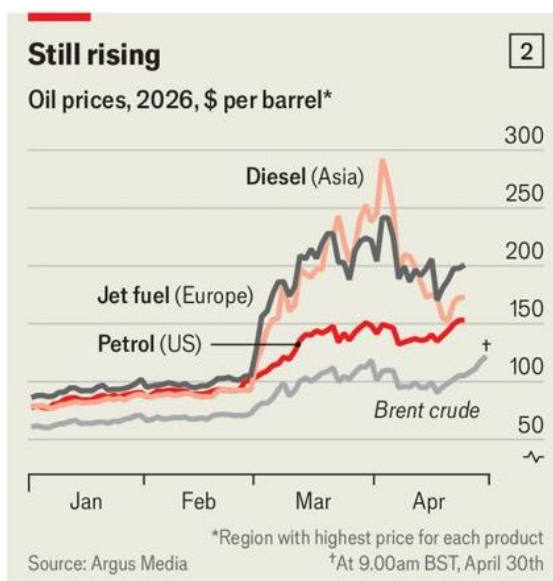
## MARKETS DIGEST HIGHER-FOR-LONGER RATES AND ENERGY SHOCK

Equity markets mostly rose throughout April, supported by robust corporate profits and AI-driven semiconductor strength. The S&P 500 continued to climb despite geopolitical tensions and higher energy prices, as investors weighed fluctuating odds of a settlement in the Middle East conflict.

Bond markets had a tougher month. The US 10-year Treasury yield rose towards 4.30%-4.40% in late April, largely on the back of higher inflation expectations linked to surging energy prices rather than stronger growth data. The 2-year yield fluctuated in a relatively narrow 3.7%-3.9% range as traders pushed back

the expected timing of rate cuts. The Federal Reserve kept the funds rate unchanged at 3.50%-3.75% at its 29 April meeting, but the 8-4 vote marked the highest level of dissent since 1992. Shortly after the decision, futures markets assigned a modest probability to an additional hike later this year, but most of the adjustment came through reduced expectations for near-term cuts. In parallel, expectations for additional tightening in the UK and euro area rose, pushing global bond yields to multi-year highs and reinforcing a 'higher for longer' narrative.

**THERE HAS BEEN  
A NOTABLE  
ROTATION INTO  
HARD ASSETS,  
WITH STRONG  
INFLOWS INTO  
MINING AND  
METALS**



## **ASIAN MARKETS WERE DRIVEN EITHER BY CHIP DEMAND OR BY SENSITIVITY TO HIGHER OIL PRICES**

Commodities were at the centre of the action. Brent crude surged to a four-year high of around \$125–\$126 a barrel by the end of April as disruptions in the Strait of Hormuz intensified and exports from key Gulf producers were curtailed. The supply shock from Tehran-related tensions and the effective closure of the strait for parts of Q1 has been felt across supply chains for oil, fertilisers, petrochemicals and aluminium.

Clearly, it was supply disruption rather than demand strength driving commodity prices, feeding directly into inflation expectations and contributing to the sell-off in bonds. More broadly, there has been a notable rotation into hard assets, with strong inflows into mining and metals on expectations of a new commodity upcycle driven by infrastructure, defence spending and AI-related power and materials demand.

Headline growth data was unexpectedly reassuring. US business activity improved in April, with the manufacturing Purchasing Managers' Index (PMI) returning to expansion territory and new orders strengthening as firms stockpiled ahead of anticipated shortages. However, the improvement masked underlying strain. Companies were buying forward out of anxiety rather than confidence, manufacturing employment softened, and services remained a drag. Overall, the economy appears to be growing only slightly above 1% annually, a pace that has so far allowed equities to absorb higher rates and input costs but leaves little room for policy error.

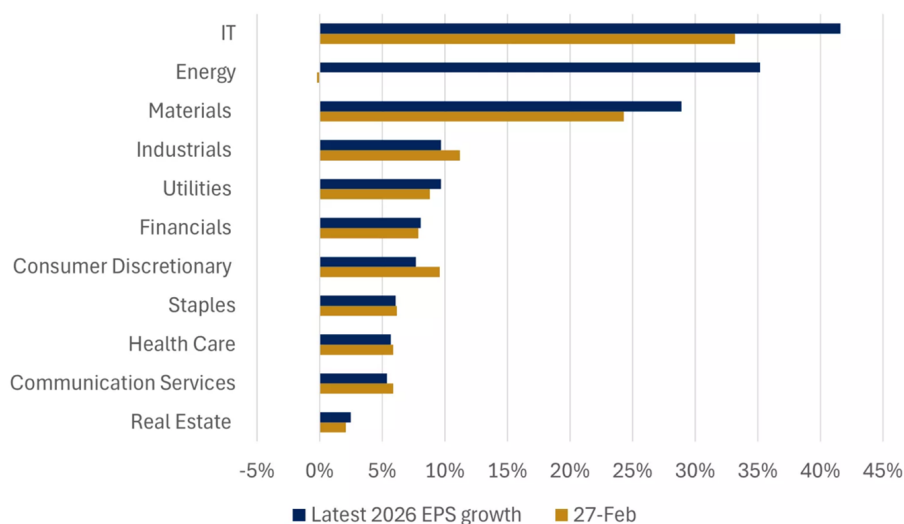
Regional divergence was pronounced. European equities lagged as elevated energy costs pressured margins in transport and industrials, while Asian markets were driven either by chip demand or by sensitivity to higher oil prices, depending on whether countries were net beneficiaries of AI-related semiconductor demand or net oil importers. This environment has increased the importance of active regional and sector allocation.

Digital assets held their ground. Bitcoin traded in a relatively tight 75,000–78,000 range, underpinned by steady institutional inflows, while Ethereum was softer (around the low-2,000s) as ETF-related demand proved mixed. Institutional flows remained the primary driver rather than retail enthusiasm, and broader crypto participation stayed subdued

## MEGA-CAP TECH REPORTS STRONG AI GROWTH AND RISING CAPITAL INTENSITY

**INVESTORS  
AGAIN FOCUSED  
ON THE SCALE OF  
CAPITAL  
EXPENDITURE  
REQUIRED TO  
SUSTAIN AI  
LEADERSHIP**

Consensus S&P earnings estimates continue to factor in strong growth across most sectors for 2026, despite higher oil prices



The April earnings season reinforced the central role of mega-cap technology in driving global equity markets. In the final week of the month, five of the so-called Magnificent Seven reported within a 48-hour window, and the group now accounts for more than 30% of S&P 500 market capitalisation.

Results broadly validated the AI-driven growth narrative. Microsoft, Alphabet and Amazon all reported strong double-digit growth in their cloud businesses, with Alphabet's Google Cloud delivering 63% year-on-year revenue growth to about \$20 billion in Q1 2026, and Microsoft Azure growing around 40% while AWS posted its fastest growth in more than three years. AI is no longer a purely speculative theme. It is translating into measurable cloud and infrastructure revenue across the group.

**MORE THAN  
92,000 TECH  
EMPLOYEES HAVE  
BEEN LAID OFF  
GLOBALLY SO FAR  
THIS YEAR**

The season also highlighted the tension at the heart of the tech rally as investors again focused on the scale of capital expenditure required to sustain AI leadership. The major AI platforms have collectively signalled plans to invest several hundred billion dollars in AI-related capex over the next few years, with some estimates putting combined 2026 AI infrastructure spending across the largest US tech firms in the high

hundreds of billions. Investors are increasingly focused not only on headline earnings, but on whether this spending can be converted into durable margins and sustained revenue growth. Alphabet was rewarded for strong cloud and AI results, while Meta sold off after raising its 2026 capex guidance, showing how sensitive valuations are to AI investment plans.

At the same time, the human side of the AI transition became clearer. More than 92,000 tech employees have been laid off globally so far this year, with cuts concentrated at firms such as Meta, Amazon, Dell, Oracle and others that are simultaneously ramping up AI infrastructure investment. Management teams have explicitly or implicitly linked headcount reductions to automation and AI adoption, contributing to wider performance dispersion within the sector. Market leadership is increasingly dependent on whether individual companies can demonstrate that heavy AI spending is generating returns.

Despite this variability, the Magnificent Seven remain the dominant force in US equities and are expected to deliver earnings growth close to 20% year on year, still well ahead of the broader S&P 500. However, leadership is narrower, and investors are becoming more discriminating in rewarding AI stories that come with clear, near-term cash-flow visibility.

## NUCLEAR POWER IS BEING REPOSITIONED AS A CORE COMPONENT OF FUTURE POWER SYSTEMS

## URANIUM TRANSITIONING TO ENERGY SECURITY CORE

### Uranium Equities Have Outperformed During Uranium Bull Markets

Given the demand-supply dynamics for physical uranium, investors may want to consider uranium miners as a way to gain exposure to the sector.



Source: Bloomberg and TradeTech LLC. Data from 1/30/2004 to 12/31/2025 reflecting longest available data. World Uranium Equities measured by URAX Index, which tracks the performance of stocks globally that conduct business with uranium. URAX and Uranium Spot denominated in U.S. dollars. You cannot invest directly in an index. Past performance is no guarantee of future results.

Geopolitical conflict continues to reshape energy markets and uranium has emerged as a clear beneficiary. In the near term, tensions stemming from the Russia-Ukraine war and renewed instability around key energy corridors have reinforced uranium's role as a strategic commodity for energy-importing countries.

Unlike oil and gas, where sustained price spikes can trigger demand destruction, uranium demand is relatively inelastic because nuclear plants provide baseload power and are costly to shut down. Security-of-supply concerns have therefore translated more directly into higher prices and stronger investor interest.

Uranium prices are being supported by the tightening of primary supply and increased long-term contracting by utilities. The market is driven more by multi-year contracts than spot trading, and utilities have moved to secure supply at higher prices as they seek to reduce reliance on Russian and Kazakhstan-linked sources. This marks a structural shift, with geopolitical risk accelerating procurement cycles.

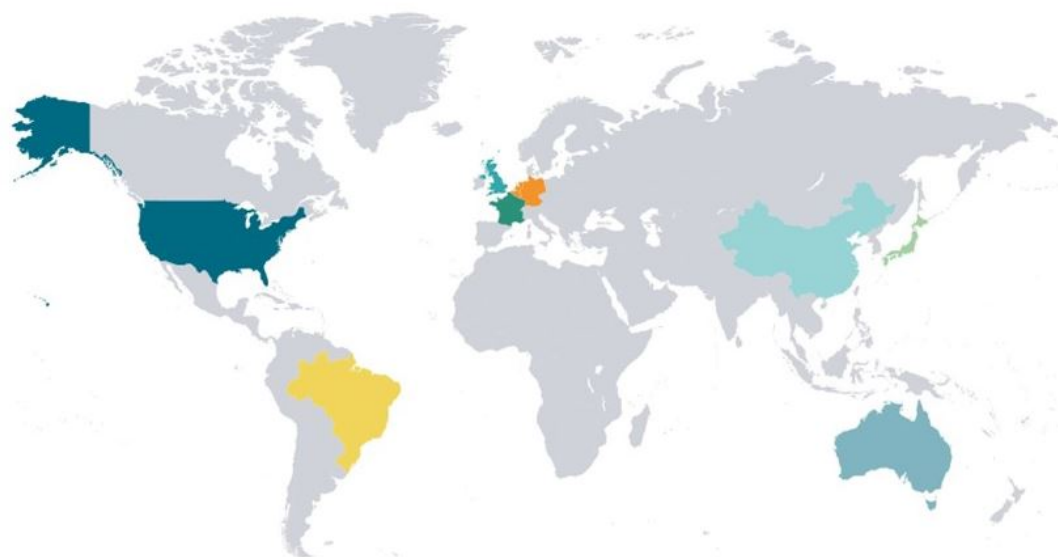
Equity markets have amplified these dynamics. Uranium miners and nuclear-related stocks have generally outperformed the underlying commodity as investors price in a multi-year supply-demand imbalance and a potential reset in long-term contract prices.

**URANIUM IS  
BECOMING A  
PROXY FOR  
ENERGY  
SECURITY AND  
DECARBONISATION**

Uranium is increasingly viewed not just as a commodity trade, but as a proxy for energy security and decarbonisation, underpinned by the fact that global mine production still lags reactor requirements and new projects face long development lead times.

At the policy level, governments are reassessing energy strategies with a renewed focus on reliability, independence and low-carbon generation. Nuclear power is being repositioned as a core component of future power systems. At the same time, the rapid growth of electricity-intensive sectors, particularly data centres and AI infrastructure, is reinforcing the case for stable, round-the-clock power, further strengthening the long-term strategic case for uranium despite the market's inherent volatility.

## GLOBAL MARKET RETURNS - APRIL 2026



|         |         |        |         |          |        |        |        |
|---------|---------|--------|---------|----------|--------|--------|--------|
| ▲       | ▲       | ▲      | ▲       | ▼        | ▲      | ▲      | ▲      |
| S&P500  | FTSE100 | CAC40  | NIKKEI  | IBOVESPA | DAX    | ASX200 | SSE    |
| +10.47% | +2.28%  | +4.61% | +16.11% | -0.08%   | +7.12% | +2.18% | +5.66% |

|        |      |
|--------|------|
| ▲      | OIL  |
| 15.14% |      |
| ▲      | GOLD |
| 1.58%  |      |

Source: Morningstar Direct Figures quoted are in local market currency on a total return basis.



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