




# MONTHLY MARKET REPORT SUMMARY: MAY 2026



May 2026 saw global share markets continue their upward run, supported by strong earnings, AI-driven investment and confidence that Middle East tensions would have a limited economic impact. Energy prices eased into month-end as ceasefire talks progressed, helping calm inflation concerns and stabilise bond markets.

Technology and semiconductor stocks remained the key drivers, fuelled by demand for AI infrastructure and data centres. Australian shares lagged global peers due to tighter monetary policy, softer growth and limited large-cap tech exposure. Emerging markets outperformed again, led by Korea and Taiwan on AI-linked semiconductor demand. Bond yields were volatile but eased late in the month, while the AUD was supported by the RBA rate hike, firm commodities and improved risk sentiment.



# KEY SECTOR TAKEAWAYS

## GLOBAL DEVELOPED SHARES



Unhedged global shares rose 4.5% in AUD terms in May, bringing 12-month returns to 14.2%, while hedged global shares rose 4.9% in May and returned 27.2% over the past 12 months. Markets were driven by strong earnings growth, particularly in the US, and continued AI-related investment momentum. Technology shares led gains, rising 16.0% for the month (USD), while growth stocks outperformed value stocks.

## AUSTRALIAN SHARES



Australian shares rose 1.2% in May, bringing 12-month returns to 6.9%. The underperformance to global markets reflects tighter RBA policy, a weaker domestic growth backdrop and limited exposure to AI-driven sectors. Materials benefited from commodity strength, while financials were subdued and healthcare declined significantly over the past year.



# KEY SECTOR TAKEAWAYS

## EMERGING MARKETS



Emerging market equities rose 9.6% in AUD terms in May, bringing 12-month returns to 38.0%. Gains were driven by semiconductor stocks, particularly in Korea and Taiwan, which continued to benefit from strong AI-related demand. Performance outside these markets was more mixed.

## PROPERTY AND INFRASTRUCTURE



Hedged global listed property fell 0.6% in May, bringing 12-month returns to 12.7%. Hedged global listed infrastructure fell 2.0%, bringing 12-month returns to 14.4%. Australian listed property rose 3.0%, bringing 12-month returns to -2.2%. These real asset sectors lagged as investors rotated towards growth exposures and as bond yields rose during the month.

## GLOBAL FIXED INTEREST



Hedged global bonds returned 0.7% over May and 3.4% for the past 12 months. Global bond yields rose through much of May, with the US 10-year yield reaching 4.45% before easing. Credit markets performed well, with high yield spreads tightening and global high yield returning 8.8% over the year, compared to 5.2% for investment grade.

# KEY SECTOR TAKEAWAYS

## AUSTRALIAN FIXED INTEREST



Australian bonds returned 1.6% over May and 1.3% for the past 12 months. Australian 10-year bond yields fell approximately 20 basis points over the month to around 4.9%. The bond market strengthened on softer economic data, easing oil prices and reduced expectations for further rate hikes despite the RBA increasing the cash rate to 4.35% in early May.

## COMMODITIES



Brent crude fell sharply to US\$91.9/bbl after earlier trading near US\$120, as supply disruption fears eased. Gold declined 1.8% to US\$4,539/oz, but remains elevated amid mixed macro drivers. Iron ore held relatively firm at around US\$109/t.

## CURRENCIES

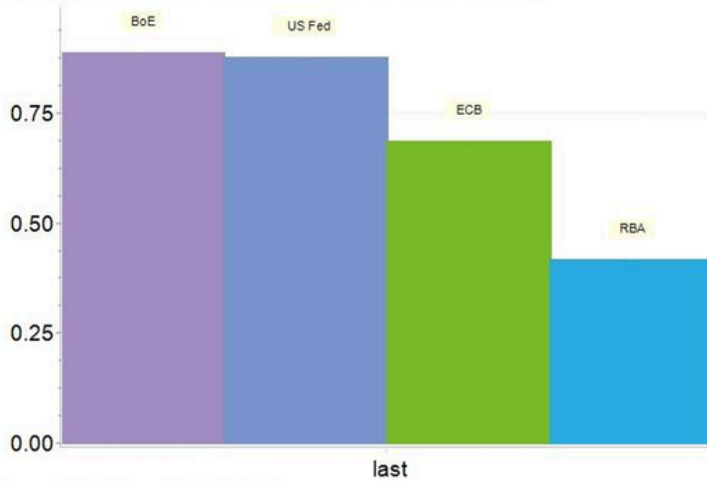


The AUD strengthened during May, supported by the RBA rate hike, firm commodity prices and improved risk sentiment. Gains were partially offset by softer domestic growth and China concerns. The USD remained supported by higher yields but weakened late in the month.



# ECONOMIC HIGHLIGHTS

Change in Central bank outlook since February



Source: ASXBloomberg, MacroBondCME

## UNITED STATES: STRONG EARNINGS AND INFLATION RISKS



US earnings growth remained very strong, with Q1 earnings per share (EPS) rising around 25.0%, driven heavily by the Magnificent 7. Over the past three months, forward EPS has been revised up by more than 7.0%, highlighting continued strength in corporate profitability despite mixed macro signals. Inflation rose to 3.8%, increasing the likelihood that the Fed may need to keep policy tighter for longer. Since the end of February, Fed expectations have moved 85 basis points higher, with markets pricing in a small chance of a rate hike.

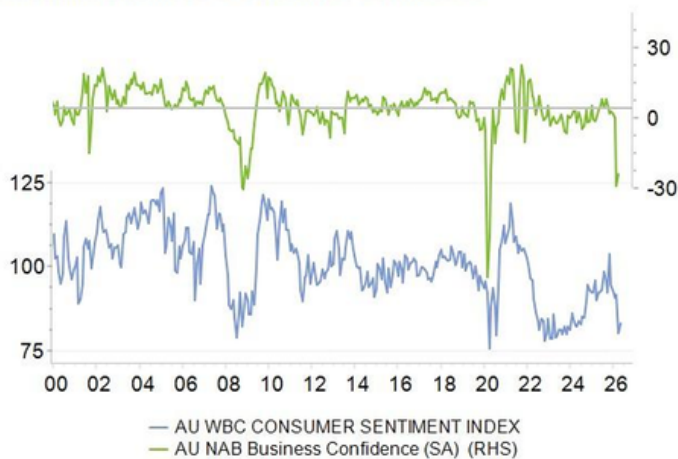
# ECONOMIC HIGHLIGHTS

## AUSTRALIA: TIGHTENING POLICY AND SLOWING GROWTH



The RBA raised the cash rate to 4.35% in early May, citing persistent upside risks to inflation expectations. Headline CPI eased to 4.2%, although core inflation remained elevated at 3.4%. Economic data softened, with employment falling and unemployment rising to 4.5%, while business and consumer confidence declined sharply. Fiscal policy changes, including reforms to negative gearing and CGT, also weighed on sentiment and housing activity.

Australia Business & Consumer confidence



Source: NAB, NAB, WBC

RBA Cash rate expectations & Inflation



Source: ASX, RBA



# ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.3	3.8	4.2	3.0
Australian Bonds	1.6	1.3	3.0	0.3
Global Bonds (Hedged)	0.7	3.4	3.5	0.0
Australian Shares	1.2	6.9	11.0	8.1
Global Shares (Unhedged)	4.5	14.2	17.8	13.7
Global Shares (Hedged)	4.9	27.2	20.9	11.8
Emerging Markets	9.6	38.0	20.8	9.1
Global Infrastructure (Hedged)	-2.0	14.4	11.6	6.9
Australian Listed Property	3.0	-2.2	10.9	6.5
Global Listed Property (Hedged)	-0.6	12.7	9.4	1.8
AUD / USD	0.7	11.3	3.3	-1.5

# GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-2.1	2.1	7.0	4.4
Consumer Discretionary	3.3	11.9	15.6	5.6
Energy	-5.8	43.6	18.6	19.1
Financials	0.5	14.6	25.2	11.8
Health Care	1.9	12.1	6.2	4.4
Industrials	0.1	23.2	23.0	11.6
Information Tech	16.0	54.2	33.6	21.5
Materials	3.3	34.8	17.4	7.2
Telecom	0.0	34.8	30.3	12.0
Utilities	-5.0	16.6	15.7	9.0



# AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-1.6	-1.7	0.4	1.9
Consumer Discretionary	4.6	-11.7	9.2	3.2
Energy	-6.0	35.5	4.8	12.3
Financials	-2.8	4.0	19.7	11.6
Health Care	-8.9	-43.9	-18.0	-10.4
Industrials	2.8	4.9	11.2	10.2
Information Tech	2.0	-34.7	1.4	-0.9
Materials	10.3	58.4	17.6	13.1
Telecom	-4.1	-6.0	6.0	6.5
Utilities	-7.6	10.0	10.1	17.0



# CONCLUSION

- Global share markets advanced further, supported by strong earnings and AI-driven investment themes.
- Technology and semiconductor shares led gains, continuing to dominate market performance.
- Australian shares underperformed due to tighter policy, weaker growth and limited exposure to AI sectors.
- Bond markets were volatile, with yields rising early before falling on softer data and easing oil prices.
- Emerging markets outperformed, driven largely by Korea and Taiwan semiconductor strength.
- The AUD was supported by higher rates and commodities but faced headwinds from weaker domestic conditions.

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