



ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

May 2026

Published: 11/06/2026



Monthly returns and summary

Index	Portfolio Benchmark Risk Level	31/05/2026	Returns				
			1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	226.15	+0.5%	+0.1%	+7.9%	+18.0%	+12.3%
ARC Balanced	Medium Risk	296.47	+1.6%	-0.0%	+12.6%	+26.6%	+21.2%
ARC Steady Growth	Medium High Risk	367.04	+2.6%	+0.8%	+15.1%	+31.3%	+26.7%
ARC Equity Risk	High Risk	440.96	+3.5%	+1.6%	+17.0%	+35.2%	+30.0%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/05/2026	Returns				
			1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	10409.28	0.3%	-4.6%	18.7%	39.8%	48.2%
UK All Share	UK	5604.03	0.7%	-4.2%	17.7%	37.8%	39.5%
Dow Jones Ind Avg	US	51032.46	2.8%	4.2%	20.7%	55.1%	47.8%
S&P 500 Index	US	7580.06	5.1%	10.2%	28.2%	81.3%	80.3%
Nikkei 225	Japan	66329.50	11.9%	12.7%	74.7%	114.7%	129.8%
MSCI Europe Ex UK	Europe	247.24	3.4%	-0.7%	13.4%	37.3%	38.9%
MSCI Asia Ex Japan	Asia	1161.25	11.0%	11.1%	54.1%	88.1%	30.0%
MSCI Emg Mkts (£)	Emg Mkts	1067.04	10.6%	9.1%	54.4%	80.2%	51.7%
MSCI World Index (£)	Global	4864.59	4.4%	6.8%	25.9%	73.7%	63.5%
UK Conventional	Gilts	3161.24	1.8%	-2.7%	3.4%	8.1%	-19.2%
UK Index-linked	Gilts	3786.84	1.3%	-3.4%	5.6%	0.2%	-32.6%
UK Real Estate Investment Trusts	Property	1886.62	2.4%	-9.8%	-4.1%	-4.8%	-30.4%
WTI Crude (\$/Barrel)	Oil	87.36	-16.9%	30.3%	43.7%	28.3%	31.7%
Gold Spot \$/Oz	Commodities	4540.26	-1.7%	-14.0%	38.0%	131.3%	138.1%
£1 = US\$	Currencies	1.3456	-1.1%	-0.2%	0.0%	8.2%	-5.3%
£1 = €	Currencies	1.1539	-0.5%	1.1%	-2.7%	-0.9%	-0.7%
£1 = Yen	Currencies	214.29	0.6%	1.8%	10.5%	23.6%	37.6%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	31/05/2026	Returns				
			1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	15,424.39	5.7%	5.6%	24.1%	37.1%	15.2%
Latest Weighted Average Discount			-11.3%				
12 Month Weighted Average Discount			-12.8%				

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

General Comments

Equities around the world performed well in May and the oil price fell sharply as optimism surrounding a potential calming of tensions in the US/Iran war spread across markets.

No doubt this contributed to the significant gains in Asian markets, with many up double-digit percentages. Asia receives the majority of the oil exports from the Strait of Hormuz, so any signs of relief there are positive for the region. Meanwhile, AI spending continues to also provide tailwinds for the region, which boasts many of the world's leading businesses in the semiconductor and adjacent industries.

As mentioned below, sterling struggled in the wake of UK political noise, while UK government bonds (gilts) had a volatile month where they initially sold off sharply before recovering somewhat and finishing the month in positive territory.

UK Commentary

UK markets lagged peers over the month as a volatile political climate weighed on investors' minds. Despite this, there were some good economic data releases which were supportive.

The local elections saw the Labour Party suffer historic losses, particularly in Wales, while Reform UK emerged as a dominant force. Consequently, Prime Minister Sir Keir Starmer faces significant leadership challenges and internal resignations, creating a perceived risk to the value of sterling and UK government debt. Partly as a result of these political moves, and as the Hormuz energy crisis fuels fears of entrenched inflation, long-term borrowing costs briefly touched levels not seen since 1998, with 30-year gilt yields reaching 5.85% before falling back to 5.52% by the month end.

Meanwhile, first quarter GDP growth came in at a reasonable 0.6% and inflation figures also offered a positive surprise as headline CPI fell to 2.8% from 3.3% previously. While political clouds and general sentiment have put downward pressure on UK assets, there are green shoots to be found. Unfortunately, at the moment, it seems not many investors are seeing them.

The government has also moved toward even greater state intervention, announcing the nationalisation of Great Western Railway and British Steel, while also leaking plans for supermarket price caps (which were, reportedly, quickly abandoned). Continued policy uncertainty and media leaks remain a headwind for UK assets and are regrettable from markets' point of view.

North America Commentary

In North America, the economic narrative is dominated by the persistent challenge of inflation and the massive capital requirements of the AI revolution. US headline inflation jumped to 3.8% in April, the highest in three years, driven primarily by soaring fuel costs linked to the ongoing conflict with Iran. This seems to have led to a "higher-for-longer" monetary stance which newly appointed Federal Reserve Chair Kevin Warsh will need to navigate as he takes office amid a hawkish shift in market expectations.

Despite these headwinds, the labour market remains resilient, adding 115,000 jobs in April, far exceeding forecasts. The dominant narrative around a negative outlook for jobs in the wake of AI dominance has seemingly not played out thus far.

That said, "Big Tech" is still very much undergoing a structural transformation, with "hyperscalers" like Amazon, Microsoft, and Alphabet investing a record \$725 billion in AI infrastructure. This spending spree has pushed free cash flows to decade-lows, prompting Alphabet to secure \$17 billion through its first non-USD bond sales. Speculation is also mounting around massive upcoming IPOs, with SpaceX targeting a \$1.75 trillion valuation and OpenAI preparing for a potential \$1 trillion public listing.

In the energy sector, NextEra Energy's \$67 billion acquisition of Dominion Energy underscores the desperate need for utility scale to meet AI-driven power demand.

Meanwhile, Canada has edged into a technical recession, as US trade tariffs and weak business spending contributed to a second consecutive quarterly contraction. The Canadian economy has now contracted in three of the last four quarters, standing in stark contrast to their southern neighbours.

Europe Commentary

The Eurozone's inflation accelerated to 3.0% in April, complicating the European Central Bank's roadmap and making a June rate hike increasingly likely and now firmly expected. Economic activity indicators are showing signs of stress, as the Eurozone Composite PMI fell to 47.5, a 31-month low, while the French economy unexpectedly shrank by 0.1% in the first quarter.

Regionally, central bank policies are diverging as Norway's Norges Bank delivered a surprise rate hike to 4.25% due to persistent domestic inflation, while Sweden's Riksbank maintained a "wait-and-see" posture at 1.75%

Despite the macro weakness, there are signs of stabilisation in transatlantic trade as the EU and US implemented a deal to eliminate industrial customs duties, averting Trump's threatened tariffs.

On a corporate level, Swiss luxury group Richemont provided a bright spot, posting a 13% sales increase driven by robust demand in the US and Asia, which helped offset a slump in the Middle East.

Asia Pacific Commentary

Asia is currently at the epicentre of the global AI chip boom, though it faces intense energy-related stresses. Samsung and SK Hynix both reached historic \$1 trillion market valuations as shares surged on record profits from AI processors. This tech-led rally has pushed the South Korean Kospi to double its value this year-to-date, triggering market circuit breakers. This has also attracted increasing speculation as reports emerged of increased interest from US-based investors and a rise in domestic investors trading stocks using leverage.

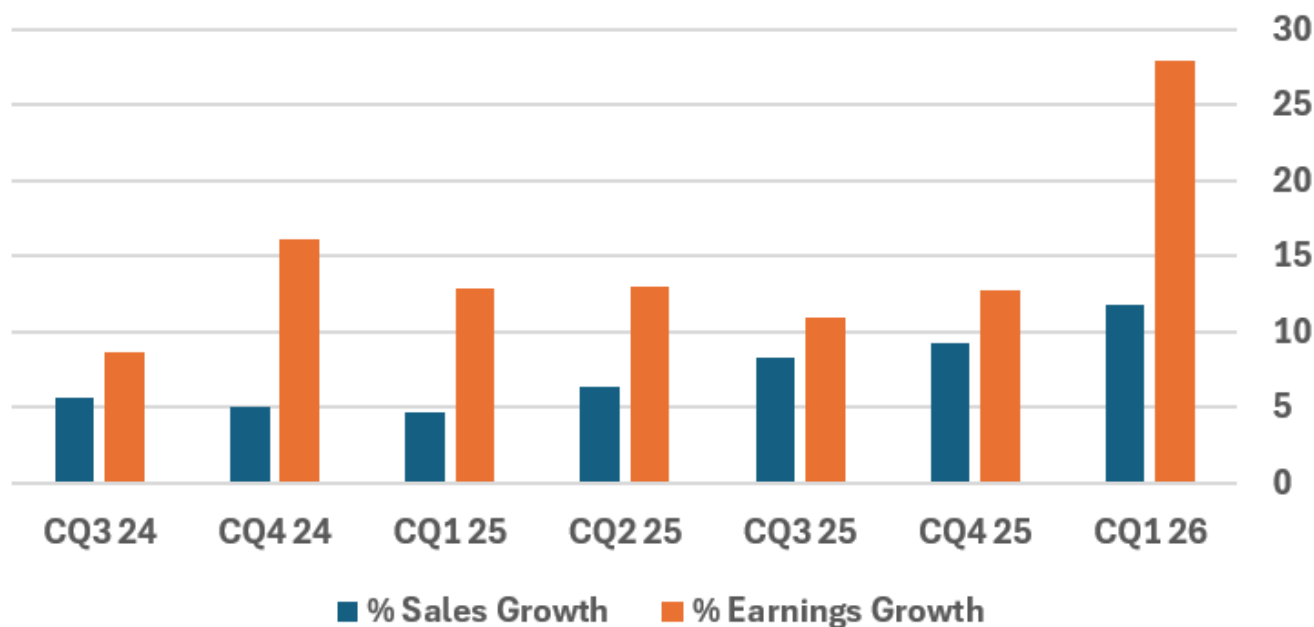
Japan is grappling with significant currency and commodity volatility. Authorities executed a massive \$34.5 billion intervention to defend the yen after it breached the 160 level against the dollar. Domestically, "inflation" caused by disrupted oil flows has forced major snack manufacturers like Calbee to switch to black-and-white packaging to save on petroleum-based colorants.

While Japan's Q1 GDP grew by a better-than-expected 2.1%, the manufacturing sector is under pressure from rising import costs, and 30-year JGB yields have surged to multi-decade highs. While Japan is highly indebted and the costs of this debt are rising, the nation is perhaps in a better net position than one may first assume given the central bank's large asset base (such as its ETF holdings) and the profits government agencies have made on their foreign currency interventions.

Emerging Market Commentary

Diplomatic efforts continue as President Trump recently visited Beijing for a summit with President Xi, focusing on regulatory issues and AI chip export restrictions rather than broad trade deals.

Elsewhere, Turkey executed a massive \$6 billion state intervention to support the lira following a controversial court decision to remove opposition leadership, highlighting an escalating political risk premium. Similarly, Indonesia delivered a surprise rate hike to 6.25% to stem currency weakness linked to the Iran conflict.

*Chart of the month –***S&P 500 Quarterly Results**

The first quarter of 2026 results released by S&P 500 companies were remarkable. As shown above, they reported double digit sales growth and 28% earnings growth, making it one of the best quarters on record, and representing a sharp acceleration from recent quarters, which have also seen reasonably strong results.

Commentators such as Deutsche Bank also pointed out that this was one of the best earnings seasons for two decades as the proportion of companies beating market estimates of their earnings was the second highest it has been in the period. In fact, excluding recessions (which depressed earnings and brought down analyst estimates), it could be argued that it was the best earnings season in over twenty years by that measure.

As regular readers will be perhaps unsurprised to learn, this was driven by technology stocks and the general AI theme which has supported markets in recent times. Technology companies reported sales growth of 32.1% and earnings growth of 59.2%, the latter of which was 25% ahead of market expectations.

It was also interesting to note the substantial growth of earnings in the Basic Materials sector, where metals and mining companies more than doubled their profits and grew earnings at a faster rate than the Technology sector. The substantial build out of infrastructure for AI is a contributing factor, but worries around geopolitics are a key factor here as defence spending has accelerated. Furthermore, government infrastructure spending and the energy transition story have continued, while commodity supply chain disruption has raised prices.

This exceptional earnings season is yet another good reminder that there are often many ways to capture growth in asset values. Technology and Basic Materials are very different sectors which often have different investors. It is interesting to see both “old” and “new” economy stocks performing so well at the start of the year.

Investment Team's thoughts

The remarkable US earnings season and the strong recent performance of Asian markets have left many investors in a particularly euphoric mood. We are pleased to participate in the upside of these markets, but we remain focused on balancing risk and reward, as we believe we always must.

With current levels of exuberance, sharp price moves, and historically high profit growth, there is a risk that markets and valuations could get ahead of themselves. What pleases us particularly is the strong performance of the US Basic Materials sector alongside the strong results from Consumer Discretionary companies. This is a useful reminder that the tech/AI trade is not the only opportunity in the market as diversified investors can capture growth from more reasonably valued pockets as well.

We continue to uphold the age-old principles that valuations matter and that diversification is important. Owning growing companies across a wide range of sectors, and earning attractive returns from many asset classes, remains central to our approach. From this perspective, we are pleased with progress so far this year and we hope this pattern continues into the future.