AGC | Arabian Gulf Capital

MARKET INSIGHTS

WEEKLY REVIEW

FOR THE WEEK ENDED ON 15 May 2026

WEEKLY MARKET INSIGHT

18 May 2026

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OVERVIEW

Markets weakened last week as a bond selloff halted the equity rally, with inflation concerns rising alongside elevated oil prices tied to the Iran conflict. The S&P 500 +0.1%, while Treasury yields climbed above 4.5% and crude oil settled near $105/bbl, highlighting growing pressure on valuations and broader risk sentiment.

MARKETS

US stocks were mixed last week, with the S&P 500 rising 0.1% WoW, while the Nasdaq 100 slipped 0.4% as a bond selloff pressured technology shares. Sentiment remained supported by resilient U.S. retail sales and strong AI-driven momentum, with expectations for ~27% YoY earnings growth helping offset concerns around higher oil prices, inflation risks, and unresolved geopolitical tensions.

In Asia: equities weakened, led by technology-heavy markets as concerns over stalled Iran peace talks, softer global sentiment, and foreign outflows pressured risk appetite. The Nikkei 225 fell 2.1% WoW, the Hang Seng declined 1.6%, Shanghai slipped 1.1%, and the KOSPI edged down 0.1%, with Korean equities experiencing sharp volatility as heavy selling in Samsung Electronics and SK Hynix highlighted the market's dependence on semiconductor leaders.

In Europe: equities declined as rising oil prices, higher bond yields, and political uncertainty pressured sentiment. The Euro Stoxx 50 fell 1.4% WoW while the FTSE 100 slipped 0.4%, with defensive sectors outperforming as retail, autos, and construction lagged. Persistent stagflation concerns and tighter rate expectations continue to weigh on broader market momentum.

In Bahrain: The All-Share Index -0.0% WoW, dragged by BNH -8.01%, KHALEEJI -6.49%, APMTB -4.17%, While SEEF +3.52%, ESTERAD +2.44%, BISB +1.33% provided support.

Fixed Income: Yields rose: US 2Y up to 4.02% +11bps, 10Y up to 4.48% +9bps, with 10Y breakeven on 2.51% +5bps. UK 10Y up to 5.17% +26bps, German 10Y +16bps at 3.17%, while EM 5Y spreads up to 159.690 +4bps.

News: Microsoft is exploring acquisitions of AI startups, including Inception, as it accelerates efforts to build its own next-generation foundation models beyond OpenAI. The push highlights intensifying competition in AI, with firms racing toward systems with up to 10 trillion parameters and positioning for the next phase of AI infrastructure and innovation.

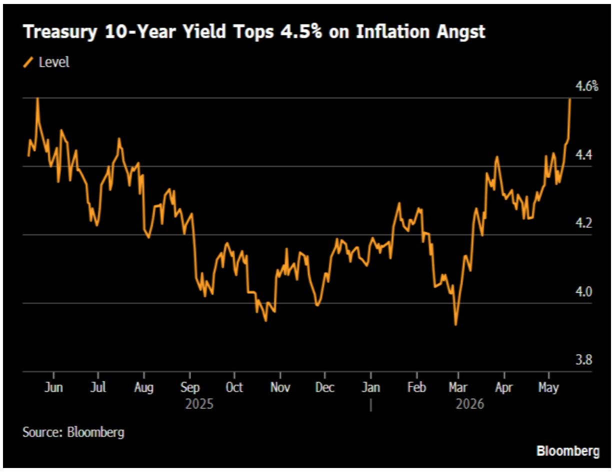
MARKET INDICES

G10			WoW		YtD
SPX	7,408.50	▲	+ 0.1%	▲	+ 8.2%
Nasdaq 100	29,125.20	▼	- 0.4%	▲	+ 15.3%
Euro Stoxx 50	5,827.76	▼	- 1.4%	▲	+ 0.6%
Nikkei 225	61,409.29	▼	- 2.1%	▲	+ 22.0%
FTSE 100	10,195.37	▼	- 0.4%	▲	+ 2.7%
GCC					
KSA	10,976.93	▼	- 1.2%	▲	+ 4.6%
ADX	9,677.72	▼	- 1.6%	▼	- 3.2%
DFM	5,708.78	▼	- 3.3%	▼	- 5.6%
BHR	1,933.09	▼	- 0.0%	▼	- 6.5%
MSX 30	7,938.66	▼	- 4.7%	▲	+ 35.3%
ASIA					
KOSPI	7,493.18	▼	- 0.1%	▲	+ 77.8%
Shanghai	4,135.39	▼	- 1.1%	▲	+ 4.2%
Hang Seng	25,962.73	▼	- 1.6%	▲	+ 1.3%
LATAM					
BOVESPA	177,283.83	▼	- 3.7%	▲	+ 10.0%
MERVAL	2,707,869.00	▼	- 2.2%	▼	- 11.3%

Rates

Ticker			WoW		YtD
GT2	4.02%	▲	+ 11 bps	▲	+ 55 bps
GT10	4.48%	▲	+ 9 bps	▲	+ 31 bps
USGGBE10	2.51%	▲	+ 5 bps	▲	+ 26 bps
GUKG10	5.17%	▲	+ 26 bps	▲	+ 69 bps
GDBR10	3.17%	▲	+ 16 bps	▲	+ 32 bps
EM (5Y SPRD)	159.690	▲	+ 4 bps	▲	+ 35 bps

Chart: ***The U.S. 10-year Treasury yield climbed above 4.5% as persistent inflation concerns***, elevated oil prices, and rising expectations for further Fed tightening triggered a broad bond selloff. The move highlights growing market concern that higher rates and energy-driven inflation could pressure equity valuations and broader risk sentiment.



WEEKLY MARKET INSIGHT

18 May 2026

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Commodities were mixed, with sharp gains in energy and selective strength in industrial metals offset by weakness across precious metals, as rising bond yields pressured gold prices, alongside softer agricultural commodities.

Industrial Metals: Copper was flat, aluminum rose 1.8%, and zinc gained 2.8%, while nickel fell 2.2% and lithium edged up 0.2%, as supply disruptions and rising sulfuric acid costs linked to Hormuz disruptions supported the market. Tight global supply conditions and stronger bullish positioning continue to reinforce concerns around resource security and strategic mineral access. **Energy:** Crude rose 10.5%, Brent gained 7.9%, and natural gas advanced 7.4%, as stalled U.S.–Iran negotiations and continued disruptions in the Strait of Hormuz kept supply fears elevated. The UAE's plans to double export capacity outside Hormuz by 2027 highlight Gulf producers' push to reduce dependence on the chokepoint, though attacks on regional infrastructure continue to underscore the fragility of global energy flows. **Precious Metals:** Gold fell 3.7%, silver declined 5.4%, platinum dropped 3.7%, and palladium lost 5.1%, as rising real yields and a stronger dollar pressured bullion prices. India's sharp increase in gold import tariffs and growing expectations for further Fed tightening also weighed on sentiment despite ongoing geopolitical uncertainty. **Agriculture:** Wheat rose 4.7%, while corn slipped 0.1% and soybeans declined 1.4%, as weather disruptions in Russia and surging fertilizer costs linked to the Middle East conflict supported grain prices. Markets also focused on potential increases in Chinese purchases of U.S. agricultural products following the Trump–Xi summit.

FX market was mixed: The DXY up +1.4% WoW to 99.28. EUR/USD down -1.4% to 1.16, USD/CNY down -0.2%, and USD/JPY down -1.3% to 158.74.

Cryptocurrencies: Bitcoin fell 2.6% WoW to $78,536, while Ether declined 5.1% to $2,219, as treasuries rising due to inflation concerns from increasing energy prices.

Crypto News: CME Group and ICE are pushing regulators to crack down on Hyperliquid, warning that the fast-growing crypto platform's oil-linked perpetual futures — which exceeded $700 million in daily volume during the Iran war — could distort benchmark energy prices and bypass oversight. Meanwhile, Bitcoin surged above $80,000 after the Senate Banking Committee advanced the Clarity Act, a landmark bill that would expand the CFTC's role over crypto markets, boosting optimism around regulatory clarity and supporting gains in crypto-linked equities such as Coinbase and Strategy.

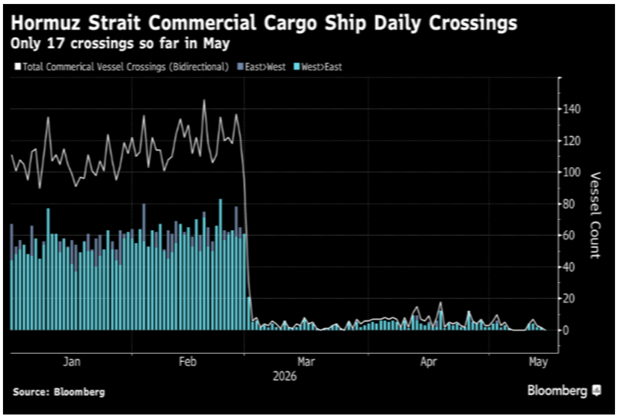
Commodities

Precious Metals			WoW		YtD
Gold	4,540.08	▼	- 3.7%	▲	+ 5.1%
Silver	75.99	▼	- 5.4%	▲	+ 6.0%
Platinum	1,982.36	▼	- 3.7%	▼	- 3.8%
Palladium	1,415.22	▼	- 5.1%	▼	- 12.6%
Industrial Metals					
Copper	625.15	▲	+ 0.0%	▲	+ 8.9%
Aluminum	3,626.09	▲	+ 1.8%	▲	+ 21.7%
Nickel	18,306.93	▼	- 2.2%	▲	+ 10.6%
Zinc	3,517.46	▲	+ 2.8%	▲	+ 13.7%
Lithium	22,360.00	▲	+ 0.2%	▲	+ 99.3%
Energy					
Crude Oil	105.42	▲	+ 10.5%	▲	+ 84.9%
Brent	109.26	▲	+ 7.9%	▲	+ 81.4%
Natural Gas	2.96	▲	+ 7.4%	▼	- 13.7%
Agriculture					
Wheat	635.75	▲	+ 4.7%	▲	+ 19.7%
Corn	455.75	▼	- 0.1%	▲	+ 0.3%
Soybeans	1,177.00	▼	- 1.4%	▲	+ 9.6%

FX & Crypto

FX & Crypto			WoW		YtD
DXY	99.28	▲	+ 1.4%	▲	+ 1.0%
EUR/USD	1.16	▼	- 1.4%	▼	- 1.0%
USD/CNY	6.81	▼	- 0.2%	▼	- 2.5%
USD/JPY	158.74	▼	- 1.3%	▲	+ 8.1%
BTC	78,536.18	▼	- 2.6%	▼	- 10.4%
ETH	2,219.91	▼	- 5.1%	▼	- 25.3%

Chart: ***Commercial cargo traffic through the Strait of Hormuz remains severely disrupted, with only 17 daily crossings recorded so far in May***, underscoring the continued impact of the Iran conflict on global energy and trade flows. The sharp decline highlights the strategic vulnerability of one of the world's most critical shipping chokepoints and the persistent risks to global supply chains



ECONOMIC CALENDAR

18 May 2026

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Key Events Ahead. The week ahead will be driven by growth momentum, PMI activity surveys, inflation trends, and labor market signals across the major economies. In the U.S., investors will focus on the Philadelphia Fed Manufacturing Index, S&P Global PMIs, initial jobless claims, pending home sales, and TIC capital flow data for clues on economic resilience and the outlook for Fed policy. In Europe, attention will center on Eurozone CPI and Core CPI, German GDP and PMI data, UK CPI, retail sales, unemployment, and business activity indicators, all of which will shape expectations for ECB and BoE policy paths. In Asia, China's industrial production and loan prime rate decisions, alongside Japan's GDP, trade balance, exports, CPI, and PMI releases, will provide important insight into regional growth conditions and external demand. Overall, with a broad mix of inflation, activity, and labor market releases across the U.S., Europe, and Asia, markets are likely to remain highly sensitive to signals on global growth durability and the timing of future central bank easing.

	Day	Time	Region	Event	Forecast (cons.)	Previous	Market relevance
18-May-26	Monday	05:00	CN	Chinese Unemployment Rate (Apr)	5.3%	5.4%	Medium
18-May-26	Monday	05:00	CN	Chinese Industrial Production YTD (YoY) (Apr)	-	6.1%	Medium
18-May-26	Monday	05:00	CN	Industrial Production (YoY) (Apr)	6.0%	5.7%	Medium
18-May-26	Monday	23:00	US	TIC Net Long-Term Transactions (Mar)	-	58.6B	Medium
19-May-26	Tuesday	02:50	JP	GDP (YoY) (Q1)	1.7%	1.3%	High
19-May-26	Tuesday	02:50	JP	GDP (QoQ) (Q1)	0.4%	0.3%	High
19-May-26	Tuesday	07:30	JP	Industrial Production (MoM) (Mar)	-0.5%	-0.5%	Medium
19-May-26	Tuesday	09:00	UK	Unemployment Rate (Mar)	4.9%	4.9%	Medium
19-May-26	Tuesday	12:00	EU	Trade Balance (Mar)	6.5B	11.5B	Medium
19-May-26	Tuesday	17:00	US	Pending Home Sales (MoM) (Apr)	1.2%	1.5%	Medium
20-May-26	Wednesday	04:00	CN	China Loan Prime Rate 5Y (May)	3.5%	3.5%	Medium
20-May-26	Wednesday	09:00	UK	CPI (YoY) (Apr)	3.0%	3.3%	Medium
20-May-26	Wednesday	09:00	DE	German PPI (MoM) (Apr)	2.1%	2.5%	Medium
20-May-26	Wednesday	09:00	UK	PPI Input (MoM) (Apr)	1.1%	4.4%	Medium
20-May-26	Wednesday	12:00	EU	CPI (YoY) (Apr)	3.0%	3.0%	Medium
20-May-26	Wednesday	12:00	EU	CPI (MoM) (Apr)	1.0%	1.3%	Medium
20-May-26	Wednesday	12:00	EU	Core CPI (YoY) (Apr)	2.2%	2.2%	Medium
21-May-26	Thursday	02:50	JP	Trade Balance (Apr)	(-29.7B)	643.0B	Medium
21-May-26	Thursday	02:50	JP	Exports (YoY) (Apr)	9.3%	11.5%	Medium
21-May-26	Thursday	03:30	JP	S&P Global Services PMI (May)	-	53.4	Medium
21-May-26	Thursday	10:30	DE	HCOB Germany Manufacturing PMI (May)	51.0	51.4	Medium
21-May-26	Thursday	10:30	DE	HCOB Germany Services PMI (May)	47.1	50.9	Medium
21-May-26	Thursday	11:00	EU	HCOB Eurozone Manufacturing PMI (May)	51.8	52.2	Medium
21-May-26	Thursday	11:00	EU	HCOB Eurozone Services PMI (May)	47.7	50.2	Medium
21-May-26	Thursday	11:30	UK	S&P Global Services PMI (May)	51.7	50.5	Medium
21-May-26	Thursday	11:30	UK	S&P Global Manufacturing PMI (May)	53.0	53.7	Medium
21-May-26	Thursday	15:30	US	Philadelphia Fed Manufacturing Index (May)	17.9	26.7	High
21-May-26	Thursday	15:30	US	Initial Jobless Claims	210K	211K	High
21-May-26	Thursday	16:45	US	S&P Global Manufacturing PMI (May)	53.6	54.5	High
21-May-26	Thursday	16:45	US	S&P Global Services PMI (May)	51.1	51.0	High
22-May-26	Friday	02:30	JP	National Core CPI (YoY) (Apr)	1.7%	1.8%	Medium
22-May-26	Friday	09:00	DE	German GDP (YoY) (Q1)	0.3%	0.3%	High
22-May-26	Friday	09:00	DE	German GDP (QoQ) (Q1)	0.3%	0.3%	High
22-May-26	Friday	09:00	UK	Retail Sales (YoY) (Apr)	-	1.7%	Medium
22-May-26	Friday	09:00	UK	Core Retail Sales (YoY) (Apr)	-	1.7%	Medium

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