Crystal Wealth Partners Market Commentary – May 2026

Please find our commentary on investment markets to 31st May 2026.

May built on April's recovery, with equity markets extending their gains across most developed markets as two forces converged. Diplomatic progress on the Iran conflict gradually drove oil prices lower, while a strong corporate earnings season, anchored by results from the world's largest technology companies. Market sentiment remains mixed. The ceasefire framework is an improvement, but a final deal in the Middle East has not been concluded and the risk of renewed disruption remains real. Inflation and growth concerns have not gone away, they have simply moderated from their March and April peaks. This means watching closely to see if broader participation in the market can evolve over the coming months given concerns still about the narrow focus on market leadership.

Japan again led developed markets, with its benchmark index surpassing 65,000 points for the first time in its history. US markets also advanced, with technology stocks the clear standout.

The most significant geopolitical development of the month came in late May, when the United States and Iran developed a framework to extend their ceasefire by 60 days, with a commitment to begin de-mining the Strait of Hormuz and progressively restore commercial shipping. While a final deal remained to be concluded, the direction of travel was clear enough to prompt a reassessment of the energy risk premium. Oil recorded its worst monthly performance since the early stages of the COVID-19 pandemic, as markets priced in an eventual normalisation of supply flows through the Strait. Despite the fall, energy prices remained well above pre-conflict levels, a reminder of how significant the supply disruption from March and April had been.

The fall in oil prices was not uniformly positive. For equity markets it provided meaningful relief, particularly in energy-importing economies such as Japan and the eurozone. For Australian bond markets, the prospect of easing energy-driven inflation contributed to a welcome decline in government bond yields, reversing the relentless rises seen through March and April. The drop in oil did, however, drag on Australian energy stocks, which had been among the ASX's best performers over the preceding two months, resulting in a modest overall gain for the local market.

A landmark event in May's geopolitical calendar was President Trump's two-day state visit to Beijing, his first visit to China since 2017. Trump described the discussions as producing positive trade outcomes, and the two leaders agreed to a new bilateral framework described as constructive strategic stability. President Xi also indicated that China would help facilitate progress on reopening the Strait of Hormuz, adding a further diplomatic dimension to the energy supply story. Most analysts judged the summit as heavier on ceremony than specific binding commitments, but it provided genuine reassurance that the world's two largest economies were committed to managing their relationship constructively.

Inflation remained a central concern even as the energy outlook improved. US inflation data for April, reflecting the full force of the energy shock that began in March, showed headline prices rising at their fastest annual rate since mid-2023, driven almost entirely by energy and fuel costs. Core inflation, which strips out these volatile components, came in less alarming than feared, suggesting the shock had not yet spread broadly into the rest of the economy. Kevin Warsh was confirmed by the Senate as the new Federal Reserve Chair following Jerome Powell's term ending on 15 May. His first meeting as Chair is scheduled for June, where he will face a divided committee navigating its most challenging inflation environment in several years.

In Australia, the RBA delivered its third consecutive rate increase in May, running ahead of other central banks most other developed economies. The Treasurer delivered the Federal Budget, with key measures aimed at addressing cost-of-living pressures from the energy shock alongside structural reforms to property tax settings. There continues to be considerable ongoing debate about the extent to which the Budget will assist these objectives.

US Markets

US equity markets extended their recovery in May, with the S&P 500 gaining 5.15% for the month and now up 10.19% over three months. The Nasdaq 100 rose 8.36% for the month and 18.99% over three months, reflecting sustained strength in technology and artificial intelligence-related earnings. The Dow Jones Industrial Average gained 2.78% for the month and 4.19% over three months. The rally was supported by continued solid earnings from major technology companies, the prospect of lower energy costs as ceasefire negotiations progressed, and relief that core inflation, while rising, remained more contained than feared.

The April CPI data, released in mid-May, showed headline inflation accelerating to 3.8% year-on-year, the highest since May 2023, driven primarily by a 17.9% annual surge in energy costs, with petrol prices up 28.4% year-on-year. Core CPI rose 2.8% year-on-year and 0.4% month-on-month. While the headline number was uncomfortable, investors took some comfort from the core reading, which suggested that energy-driven price pressures had not yet spread broadly into the rest of the economy. Early signs of tariff-induced goods price pressures also appeared to be abating, providing a modest offset. The risk of second-round effects from higher energy costs feeding into services inflation remained a live concern. Markets ended May pricing no rate cuts in 2026, with the funds rate remaining at 3.50%–3.75% and some probability of a further increase.

Corporate earnings provided a positive backdrop throughout. The first-quarter reporting season featured solid results from the largest technology companies, and Nvidia's quarterly earnings in mid-May, which showed revenue growth from AI data centre demand well ahead of expectations, lifted semiconductor stocks in Japan, Europe, and the United States. The AI capital expenditure cycle remained the defining growth narrative for equity markets, with Goldman Sachs estimating that AI-related investment would account for around 40% of S&P 500 earnings growth in 2026. That said, the pace of gains in AI and semiconductor-related stocks warrants some care. Valuations across the sector are elevated and the earnings story, while real, is being priced well into the future. Investors chasing recent momentum in these names are taking on meaningful risk if the narrative shifts or delivery disappoints.

US 10-year Treasury yields rose a further 1.71% in yield terms over the month, with the 10-year closing near 4.50%, reflecting the ongoing challenge the Fed faces with inflation well above target. The US dollar was broadly stable, with the AUD/USD essentially flat at a decline of 0.29% for the month, a notable contrast with the 4.35% gain the Australian dollar made in April.

World Markets

Japan's Nikkei 225 was again the best-performing major equity market globally, rising 11.88% in May and extending its three-month gain to 12.71%. The index closed above 65,000 for the first time in its history. Year-to-date, the Nikkei had delivered approximately 29% by late May, making it the world's best-performing major benchmark by a considerable margin, well ahead of even the AI-driven Nasdaq Composite.

Several drivers converged through May. The AI and semiconductor cycle was central, with Nvidia's results lifting Japanese suppliers and equipment makers including SoftBank Group, Fujikura, Ibiden, Murata Manufacturing, and Tokyo Electron, with SoftBank surging close to 20% in a single session. The ceasefire-driven fall in oil prices was also particularly valuable for Japan given its near-total dependence on imported energy. The Bank of Japan held its policy rate at 0.75% and kept its normalisation path gradual, supporting corporate earnings in the near term. The yen remained weak around 158 to the dollar, benefiting Japan's large exporter-oriented sectors, though the Bank of Japan's tolerance for yen weakness was being watched closely.

Germany's DAX rose 3.34% in May, adding to April's recovery, though the index remains down 0.71% over three months, reflecting how deep March's sell-off was. Lower oil prices provided meaningful relief for Germany's energy-intensive industrial and automotive sectors. Manufacturing PMI remained in expansion territory, and improving business confidence suggested the worst of the energy shock's impact on the industrial outlook was beginning to pass. The European Central Bank held its deposit rate at 2.0% in May, with the governing council acknowledging the tension between still-elevated energy-driven inflation and a growth outlook that remained fragile.

The FTSE 100 gained just 0.29% in May, the weakest of the major developed market indices, and remains down 4.59% over three months. The index faced competing forces: lower oil prices reduced input cost pressure and eased some of the inflation concerns that had made the Bank of England's position particularly difficult, but the FTSE's significant weighting to energy companies meant the sharp fall in oil was also a headwind to performance, with Shell and BP both declining. The Bank of England held the Bank Rate at 3.75% through May, though its communication was notably less hawkish as the oil price decline reduced the most extreme near-term inflation forecasts. UK CPI for April was expected to show a further rise before beginning to moderate if oil prices stabilised.

Chinese equity markets were a notable exception to the global rally in May. The Shanghai Composite fell 1.06% for the month and the Hang Seng declined 2.30%. Both indices remain in negative territory over three months, down 2.27% and 5.44% respectively. The underperformance reflected a cluster of China-specific challenges that offset the benefit of lower global oil prices.

Fresh China-EU trade tensions emerged through the month, with Beijing issuing warnings ahead of talks on potential EU restrictions on Chinese electric vehicle and technology exports, and signalling those European goods, including cosmetics, food products, and luxury items, could face greater scrutiny in response. This friction added to the uncertainty already weighing on Chinese markets from an uneven domestic recovery. Consumer spending remained below policymakers' expectations, and the property sector continued to act as a structural drag, with developer sales still declining and several major restructurings incomplete. The People's Bank of China maintained an accommodative stance but held rates steady, with investors questioning whether incremental liquidity could meaningfully shift underlying confidence. China's first-quarter GDP of 5.0% provided some support for sentiment, and the country's strategic energy reserves offered genuine insulation from the Hormuz disruption, but these positives were insufficient to offset the trade and domestic demand concerns through May.

Australia

Australian equity markets delivered a modest positive return in May, with the S&P/ASX 200 gaining 0.76% and the All Ordinaries rising 0.87%, though both remain in negative territory over three months. The muted result reflected several offsetting forces: global equity market tailwinds from ceasefire progress, a domestic RBA rate increase adding to borrowing costs, a Federal Budget with a number of policy changes, and the reversal of the energy sector tailwind that had supported the ASX in March and April.

The RBA raised the cash rate by 25 basis points to 4.35% on 5 May in an 8-1 vote, delivering the third consecutive rate increase of 2026 and fully unwinding the rate reductions of 2025. The decision was widely expected following the March quarter CPI result of 4.6% year-on-year released in late April. The RBA's accompanying statement was notably cautious, acknowledging that conflict in the Middle East had resulted in sharply higher fuel and related commodity prices adding materially to inflation. The door was left open to further increases if required.

The Federal Budget delivered by Treasurer Jim Chalmers on 12 May was framed as the most important in decades, set against the backdrop of the Middle East conflict pushing up prices and weighing on global growth. Key measures included an underlying cash deficit of $28.3 billion for 2025-26, an improvement of $8.5 billion relative to the December MYEFO forecast, driven primarily by a windfall revenue gain. On tax, the Budget introduced meaningful changes to negative gearing, capital gains tax and certain trust tax settings. Further detail was provided separately here on the changes in our budget update email, and it now remains to be seen what final position is confirmed by Parliament.

Australian government bond yields fell for the first time in several months in May, offering some relief after the relentless rises seen through March and April. The move reflected growing confidence that inflation could ease if oil prices continued to normalise as the ceasefire framework held. Even so, yields remain elevated near 4.8%, and the full extent of the RBA's tightening cycle is still being felt across rate-sensitive parts of the market. Bond markets are worth watching closely from here, if yields resume their climb, that could put pressure on growth assets more broadly.

Sector performance on the ASX was shaped by the oil price reversal. The energy sector, which had driven the index in March and April, gave back meaningful gains as WTI fell, with Woodside, Santos, and Ampol all declining through the month. Resources were broadly positive, supported by resilient iron ore prices and continued Chinese steel demand. Financials were cautious given the rising rate environment, while rate-sensitive sectors continued a gradual recovery from the March lows. The AUD/USD held near multi-year highs above US$0.71, supported by the interest rate differential but capped by the lower commodity price tailwind from falling oil.

Other

WTI crude fell 15.82% for the month and Brent crude fell close to 19%, the worst monthly performance for oil since the early stages of the COVID-19 pandemic in 2020. At month-end, WTI was trading near US$87 per barrel, having been above US$100 for much of April, before markets moved quickly to unwind the war premium embedded in prices since the February strikes once the ceasefire framework was announced. Despite the monthly decline, WTI remains up 31.98% over three months, a reflection of just how significant the March and April price surge had been. The IEA noted that more than ten weeks after the conflict began, supply losses from the Hormuz disruption were continuing to deplete global oil inventories at a record pace, and that even with a gradual reopening from late May, supply would likely recover more slowly than demand. The UAE's exit from OPEC, effective 1 May, added further complexity to the medium-term supply picture.

Gold continued its retreat from the record highs reached in early March, falling 1.73% for the month and now down 13.93% over three months. The combination of reduced safe-haven demand as ceasefire progress took hold, rising real yields as inflation remained elevated, and the sharp reversal in oil prices all weighed on the metal. Gold closed May near US$4,430 per ounce, approximately 21% below its all-time high from earlier in the year. Central bank buying remained a structural support, and most investment banks maintained medium-term price targets above current levels, expecting longer-run real yield dynamics and dollar diversification themes to reassert as the geopolitical risk premium normalises. The speed of the drawdown from the highs is a useful reminder of how quickly safe-haven positions can reverse when the conditions that drove them begin to shift.

Iron ore gained 1.53% for the month and is now up 9.85% over three months, one of the more resilient commodity performances through the period of the energy shock. Prices rose toward US$108–109 per tonne during May, supported by China's 5.0% first-quarter GDP result, seasonal construction sector restocking, and a gradual easing in the freight cost pressures that had complicated seaborne bulk commodity trade during the Hormuz disruption. Chinese port inventories remained elevated, providing a natural ceiling on price upside, but demand from blast furnaces operating at higher utilisation rates was sufficient to keep prices firm. For Australia, iron ore at these levels remains a meaningful positive for export revenues, government revenue, and the major mining companies.

Index*	1 Month	3 Months
US – Dow Jones	2.78%	4.19%

Index*	1 Month	3 Months
US – Nasdaq (100)	8.36%	18.99%
US – S&P 500	5.15%	10.19%
Germany – DAX	3.34%	-0.71%
UK – FTSE 100	0.29%	-4.59%
Shanghai Composite – SSE	-1.06%	-2.27%
Hong Kong – Hang Seng	-2.30%	-5.44%
Japan – Nikkei 225	11.88%	12.71%
S&P/ASX 200	0.76%	-5.08%
All Ordinaries Index	0.87%	-4.99%
Gold (USD)	-1.73%	-13.93%
Oil (USD) – WTI	-15.82%	31.98%
Iron Ore (USD)	1.53%	9.85%
Δ 10 Year Aus Gov't Bonds (Yield)	-2.94%	4.28%
Δ 10 Year US Gov't Bonds (Yield)	1.71%	12.70%
AUD/USD	-0.29%	0.90%

* Percentage change in local currency unless stated otherwise

If you have any questions in relation to the above, or require any additional portfolio or investment information, please do not hesitate to contact your Adviser to discuss your particular circumstances.