



# INVESTMENT OUTLOOK

## MAY 2026



### At a Glance

- **Base case:** Markets remain resilient, but the macro regime is increasingly constrained by higher-for-longer rates, persistent inflation risks and the oil transmission channel.
- **Why:** The Iran conflict has shifted from a headline geopolitical shock into a rates-and-inflation constraint, with markets fully pricing out 2026 Fed cuts as labour conditions remain resilient.
- **Key risk:** Stagflation risk is not about the initial oil spike, but whether elevated oil prices persist long enough to propagate into broader input costs, margins and supply chains.

### Key Themes

- 1 Higher-for-longer is the key macro implication**
  - Markets have fully priced out 2026 Fed cuts, reversing the easing expectations seen at the start of the year.
  - Oil-driven inflation repricing, resilient labour data and core inflation closer to 3% than 2% keep the Fed in wait-and-see mode.
- 2 Stagflation risk depends on duration, not the first spike**
  - A short oil shock can be absorbed, but elevated oil prices beyond two quarters would increase the risk of non-linear growth damage.
  - The inflection point occurs if the shock spreads beyond energy into petrochemicals, fertilisers, feedstocks, polymers, food and semiconductors.
- 3 Fed transition does not equal Fed pivot**
  - A new Fed Chair may create policy uncertainty, but the broader FOMC remains anchored by inflation concerns.
  - Balance-sheet conservatism and limited appetite for QE-style support could keep long-end yields elevated.
- 4 Rates and equities have temporarily decoupled**
  - Oil-led inflation has pushed yields higher, but equities have continued to advance rather than weaken.
  - This is not a full macro disconnect; it reflects the need to look beyond rates and assess what is supporting equity resilience.

### Key Signposts

- **Oil duration:** whether elevated oil persists beyond two quarters and depletes inventory buffers.
- **Inflation transmission:** whether energy costs spread into broader inputs, margins and second-round supply constraints.
- **Fed reaction function:** whether no-cut pricing for 2026 remains intact and how the Fed transition affects policy communication.
- **Long-end yields:** whether balance-sheet tightening and higher-for-longer expectations keep upward pressure on rates.
- **Rates–equity correlation:** whether equities can keep absorbing higher yields, or whether valuation pressure reasserts itself.



# INVESTMENT STRATEGY

## MAY 2026



### At a Glance

- **Most likely outcome:** Equity markets remain supported by earnings rather than valuation expansion, with AI and energy doing much of the heavy lifting.
- **Implementation bias:** Stay selective and concentration-aware; favour earnings delivery and AI infrastructure beneficiaries, while avoiding reliance on broad beta in a narrow market.

### Key Themes

#### 5 Earnings are offsetting valuation compression

- Higher rates and geopolitical risk have tightened financial conditions through multiple compression.
- Equity gains remain positive because EPS revisions have offset valuation drag; a slowdown in earnings momentum would leave markets more exposed to higher yields.

#### 6 Global equities are being powered by earnings, not multiples

- YTD equity gains are primarily earnings-driven, underscoring that fundamentals and execution matter more than sentiment.
- Further upside depends on the durability of EPS delivery rather than renewed multiple expansion.

#### 7 AI leaders and energy are anchoring earnings strength

- EPS upgrades are concentrated in IT, semiconductors, the AI hardware ecosystem and energy.
- This supports market resilience, but also increases reliance on a narrow cohort of winners and raises payback risk around elevated capex.

#### 8 Asia is a key beneficiary of AI infrastructure spending

- Asia remains structurally well positioned across semiconductors, memory, advanced packaging, substrates and processors.
- Taiwan, South Korea and Japan benefit from hyperscaler capex, while the memory upcycle supports earnings visibility and operating leverage.

#### 9 Asia and EM concentration risk is rising

- Asian and EM outperformance is increasingly driven by a narrow group of semiconductor leaders.
- AI-driven earnings strength argues against premature de-risking, but concentration increases fragility if the semiconductor cycle slows.

#### 10 US-China summit: stabilisation, not breakthrough

- The summit is more likely to manage tensions than deliver a fundamental reset
- Base case is continued status quo: an extended trade truce, lower near-term escalation risk and managed rivalry rather than convergence.



# INVESTMENT STRATEGY

## MAY 2026



### Global Tactical Asset Allocation

Sub-Asset Classes	UW	N	OW	Comments
<b>Equities</b>				
US/Canada				<ul style="list-style-type: none"> <li>Earnings resilience and AI momentum continue to support equities, but leadership remains narrow and increasingly rate-sensitive.</li> <li>Stay constructive on Tech/AI, while tilting exposure from US hyperscalers toward Asia/EM infrastructure beneficiaries.</li> <li>Maintain disciplined positioning, with US underweight and EM overweight.</li> </ul>
Europe				
Japan				
Asia & EM				
Global Thematic Equities				
<b>Fixed Income</b>				
Developed Sovereign				<ul style="list-style-type: none"> <li>Higher-for-longer rates keep duration less reliable as a hedge; carry remains the main return driver.</li> <li>Prioritise Investment Grade for quality and resilience, supported by strong balance sheets and low default risk.</li> <li>Maintain selective HY and EM debt exposure for carry, but remain mindful of tight spreads.</li> </ul>
Developed Corp IG				
Developed Corp High Yield				
Emerging Markets Bonds				
<b>Alternatives</b>				
Precious Metals				<ul style="list-style-type: none"> <li>Energy remains the key macro transmission channel, keeping inflation, rates and FX sensitive to supply risks.</li> <li>Gold is trading more on real yields and rates than pure safe-haven demand in the near term.</li> <li>Accumulate gold on weakness as a strategic hedge against longer-term monetary regime shifts.</li> </ul>
Hedge / Alternative Funds				

**Disclaimer**

This document was produced by HP Wealth Management Singapore Pte Ltd (“HPWM”) for general information purposes only. Unless otherwise stated, the views, predictions, statements, figures, graphs and other information included in this material are subject to change without notice.

This document is not intended as a solicitation, recommendation or investment advice with respect to any securities or financial products. Any prediction, projection, forecasts or past performance is not indicative of future performance or results.

Whilst the contents of the material are believed to be correct and not misleading, no representation is made to that effect. To the maximum extent permitted by law, HPWM, its officers, employees, agents and advisors does not make any warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this presentation or that the information is suitable for your intended use and disclaim all responsibility and liability for the information (including, without limitation, liability for negligence). This material may not be copied, re-distributed or reproduced in whole or in part without the prior written permission of HPWM.

By accessing this material, you represent to HPWM that you are an institutional investor or accredited investor (as defined by the Securities and Futures Act 2001) (the “SFA”), or representative of one and that neither you nor the entity you represent will directly or indirectly disseminate the information in this presentation to other category of investors. HPWM is exempt from complying with certain requirements under the Financial Advisers Act 2001 of Singapore (the “FAA”) and the relevant FAA regulations, notices and guidelines issued by the Monetary Authority of Singapore (“MAS”) in respect of the financial advisory services which we may provide to you, as you are classified as a certain class of investor under the laws and regulations in Singapore. If you are an accredited investor, please be informed that in our dealings with you, we are relying on certain exemptions to the FAA - (1) the exemption in Regulation 33 of the Financial Advisers Regulations (“FAR”), which exempt us from complying with Section 34 of the FAA on obligation to disclose product information to clients; (2) the exemption in Regulation 34 of the FAR, which exempts us from complying with Section 36 of the FAA on recommendations by financial advisors; and (3) the exemption set out in Regulation 35 of the FAR, which exempts us from complying with Section 45 of the FAA on disclosure of certain interests in securities.