ALTUS

INVESTMENT

Market Update

May 2026

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April Market Returns

Equity Indices

Index	1M Change %	YTD Change %	12M Change %
S&P 500	10.42%	4.54%	29.45%
NASDAQ Comp.	15.64%	7.81%	40.27%
FTSE 100	1.99%	4.41%	22.18%
Hang Seng Index	3.99%	(0.30)%	16.53%
Nikkei-225	16.10%	17.77%	64.47%
Euro Stoxx 50	5.60%	1.47%	13.98%
MSCI World Index	9.45%	4.54%	27.50%
MSCI EM	14.53%	14.09%	43.80%
Shanghai Comp.	5.66%	3.71%	25.41%
NIFTY 50	7.46%	(7.48)%	(1.38)%
Ibovespa Brazil	(0.08)%	16.26%	38.69%
S&P MERVAL Argentine	(5.50)%	(7.17)%	34.84%

Fixed Income Yields

Tenor	Yield %	1M Change (bps)	YTD Change (bps)
US 2Y	3.87%	8 bps	42 bps
US 10Y	4.37%	5 bps	25 bps
US 30Y	4.97%	6 bps	16 bps
UK 10Y	5.01%	10 bps	51 bps
JGB 10Y	2.53%	17 bps	46 bps
DE 10Y	3.04%	3 bps	18 bps
ETF	**Yield %**	**1M Change %**	**YTD Change %**
LQD (iShares Inv. Grade Corp. Bond ETF)	5.57%	0.02%	0.28%
HYG (iShares iBoxx High Yield Corp. Bond)	7.15%	(0.34)%	0.31%
EMB (iShares J.P.Morgan EM Bond ETF)	6.53%	(0.28)%	0.26%
EMLC (V.E J.P. Morgan EM Local Currency Bond)	7.36%	0.00%	0.43%

Other Assets & FX Rates

Asset	Price (USD)	1M Change %	YTD Change %
Brent	114.1	(3.55)%	84.36%
Gold	4,617.9	(1.08)%	6.41%
Silver	73.7	(1.89)%	(3.34)%
Uranium	86.5	2.92%	5.62%
Soft Commodities	28.0	2.60%	9.56%
Bitcoin	76,466.3	12.13%	(13.29)%
Currency Pair	**Rate**	**1M Change %**	**YTD Change %**
EUR/USD	1.17	1.54%	(0.15)%
USD/JPY	156.6	(1.34)%	0.12%
GBP/USD	1.36	2.85%	1.01%
USD/CHF	0.78	(2.26)%	(1.31)%
USD/CAD	1.36	(2.40)%	(0.84)%
AUD/USD	0.72	4.36%	7.56%

May Outlook

- The question going into May remains: Can the US equity market continue to be driven by AI stocks? The past month brought some reprieve for markets following the March VaR shock. The reason for the divergence is not hard to identify: a renewed surge of AI optimism, coupled with Europe's vulnerability to the ongoing turmoil in energy markets. The upshot, however, is that investors are more prepared for another bout of risk-off in European markets than in the US.
- May is a big month for Q1 earnings releases, and on Thursday the 7th of May we will have the busiest day with some 453 companies reporting.
- We would expect the real impact of oil, gas and fertiliser supply to start feeding into the real economy in a more meaningful way. As the summer season approaches, we will be watching passenger flights in Europe particularly.

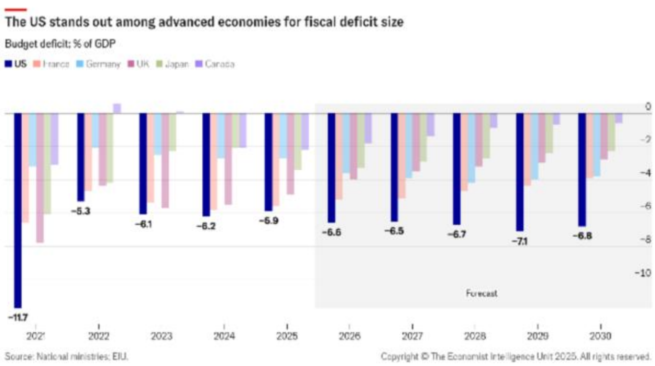
Interesting (Crazy) Numbers

- **$1.2 tr** - Valuation that Anthropic shares are trading at in the secondary markets
- **46%** - the increase in US farming businesses filing for bankruptcy since the start of the Iran war as fertilizer prices continue to increase
- **$180bn** – damages being claimed by Elon Musk against OpenAI as he sues for the company misleading him about initial investment
- **45%** of all S&P and Rusell 2000 index owned by 10 institutions.
- **$400m** hit to HSBC earnings based on fraudulent lending, mainly related to MFS mortgage lender via Apollo
- **17%** – weight of MSFT, GOOG, AMZN, and META in the S&P500 index; AI CapEx risk is now index-level risk

What Has Caught Our Attention

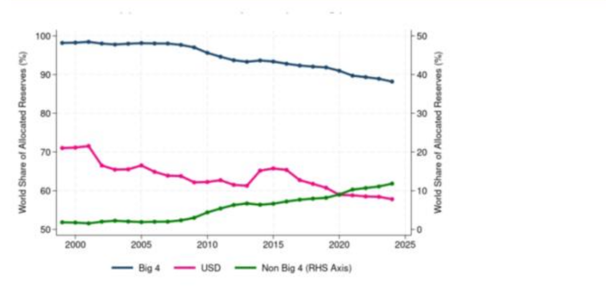
Is a Treasury "Buyers' Strike" Possible?

- The headlines out of the U.S. are now focused on Trump looking to defy Congress over the authorization of the Iran War, and requests of billions more dollars. Whatever one's views, there is one thing we know; it's a war they cannot afford. The U.S. debt situation is becoming unsustainable based purely on math. The interest coverage alone is over $1trillion per year. The deficit in 2026 is predicted to be $2trillion. If the States were a business, they would be looking at a restructuring. And nobody would lend them money that wasn't well into double-digit rates. So, this brings us onto something we have been thinking about lately. What if people decide to stop lending them money?



- Prior to Trump's second term we could have given you many reasons why the USD would remain the global reserve currency, and people would continue to be forced into Treasuries. However, since then, we have already seen a decline in foreign central banks' purchases of American sovereigns, but one can't help but think that this may start to intensify, even at the shorter end. The Iran war has reinforced the need for Europe, the Middle East, and China to forge new relations that don't involve being held to ransom by the U.S. This will ultimately translate to new directions of capital flows.

Figure 1 - Global Payments Remain USD-Dominated, but Alternative Settlement Channels Are Emerging



Source: Federal Reserve Bank of New York

- Analysts at Deutsche Bank note that foreign central banks have been aggressively selling U.S. Treasuries, particularly from the belly of the curve where their holdings are historically concentrated, driving custody holdings at the New York Fed to their lowest levels since 2012. This widespread official sector divestment is primarily a mechanism to fund foreign exchange interventions, allowing nations to defend their local currencies against a strong U.S. dollar amid rising energy costs. Furthermore, the bank estimates that any sustained drop in foreign demand could unwind the convenience yield traditionally associated with U.S. debt, potentially boosting term premia and overall Treasury yields materially. Treasury yields are used as a reference point for pricing everything from mortgages and car loans to corporate bonds and international sovereign debt. When yields rise, borrowing costs for governments, businesses, and consumers globally typically follow. A sharp rise in treasury yields is never well absorbed by equity markets. In fact, in terms of risk-off event, investors only need to go back to 2022 and look at how negatively this played into risk assets. The risk of this may not be a base case assumption for most investors, however they cannot ignore that the factors required for this have been in place for some time. Perhaps the one factor that made it unlikely (US hegemony) is now starting to drift away in the background…