

Bond markets retreat

Key takeaways

While bond markets struggled in the face of rising inflation and political risks, global stock markets made gains last week, despite the increasingly fragile truce in the Middle East.

Government bonds hit by inflation fears

Global bond markets recoiled last week amid sharply rising oil prices and signs that the closure of the Strait of Hormuz is pushing US inflation higher. Tuesday's Consumer Price Index (CPI) reading showed annual US inflation ticked up to 3.8% in April, a three-year high which now puts it ahead of wage growth. Wednesday's annual Producer Price Index (PPI) reading, meanwhile, came in at a blistering 6%.

Yields on 30-year US government bonds, or Treasuries, hit 5% – their highest since 2007 (meaning their prices were at record lows). Meanwhile, 30-year UK government bond (gilt) yields hit their highest since 1998. Although Kevin Warsh was narrowly confirmed by the US Senate as the next Federal Reserve chair, the political turmoil resulting from the UK's latest leadership crisis meant gilts suffered far more than Treasuries last week.

Mr Trump goes to China

Amid a crumbling ceasefire in the Middle East, President Trump and an entourage of top leadership from the biggest US tech and finance firms, including Apple, Boeing, Citi, GE Aerospace, Meta, Nvidia, Qualcomm, Tesla, and Visa, made a flying two-day visit to Beijing to meet with China's President Xi Jinping.

A trip light on progress confirmed that a 'mega order' for Boeing aircraft had failed to materialise, alongside vague commitments for greater purchases of US farm products, oil and gas, and thinly veiled Chinese sabre-rattling over Taiwan, amid a \$14bn US arms sale to the latter. By Friday, the absence of any appreciable progress on key issues such as reopening the Strait of Hormuz, or Chinese curbs on access to 'rare earth' metals, or US chip controls, contributed to the sell-off in US stock markets.

Elon Musk invents 'out of this world' pay structure

Next month will see Elon Musk list the world's most valuable private company, SpaceX, in what's expected to be the biggest ever initial public offering (IPO). If it hits its \$75bn target, it will value the rocket maker at c\$1.75trn.

Mr Musk has already agreed a Tesla pay deal worth up to \$1trn over the next decade, if he hits market capitalisation and earnings targets, and ships a million 'bots', including Tesla's humanoid assistants. Meanwhile, his SpaceX package will vest him potentially trillions in shares – if the company hits a \$7.5trn valuation, and establishes a million-strong human colony on Mars!

US public pension funds described Mr Musk's pay packet, and his control of SpaceX, as "the most management-favourable governance structure ever brought to the US public market".



Market moves

Global stock markets made headway thanks chiefly to US markets hitting new record highs.

Shares in Europe made modest gains, UK shares were flat while emerging markets declined slightly.

UK and US government bonds struggled, leaving both in negative territory for 2026. Gold fell 2.5%.

What to look out for this week

This week brings preliminary Purchasing Managers' Index (PMI) numbers for a range of major economies.

The US publishes housing market data on Monday and initial jobless claims and housing starts on Thursday.

The UK promises earnings and unemployment data on Tuesday followed by Retail Price Index (RPI) and Producer Price Inflation (PPI) data on Wednesday.



If you have questions about financial markets, or our investment services, please contact the Marketing team:

marketing.hwam@handelsbanken.co.uk

Important Information

Handelsbanken Wealth is a trading name of Handelsbanken Wealth & Asset Management Limited which is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment and protection business, and is a wholly-owned subsidiary of Handelsbanken plc. For further information on our investment services go to wealthandasset.handelsbanken.co.uk/important-information. Tax advice which does not contain any investment element is not regulated by the FCA. Professional advice should be taken before any course of action is pursued.

- Find out more about our services by contacting us on 01892 701803 or visiting our website: wealthandasset.handelsbanken.co.uk
- Read about how our investment services are regulated, and other important information: wealthandasset.handelsbanken.co.uk/important-information
- Learn more about wealth and investment concepts in our Learning Zone: wealthandasset.handelsbanken.co.uk/learning-zone/
- Understand more about the language and terminology used in the financial services industry and our own publications through our Glossary of Terms: wealthandasset.handelsbanken.co.uk/glossary-of-terms/

All commentary and data is valid, to the best of our knowledge, at the time of publication. This document is not intended to be a definitive analysis of financial or other markets and does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned.

The value of any investment and income from it is not guaranteed and can fall as well as rise, so your capital is at risk.

We manage our investment strategies in accordance with pre-defined risk objectives, which vary depending on the strategy's risk profile.

Portfolios may include individual investments in structured products, foreign currencies and funds (including funds not regulated by the FCA) which may individually have a relatively high risk profile. The portfolios may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity. Changes in exchange rates between currencies can cause investments of income to go down or up.

This document has been issued by Handelsbanken Wealth. For Handelsbanken Multi Asset Funds, the Authorised Corporate Director is Handelsbanken ACD Limited, which is a wholly-owned subsidiary of Handelsbanken Wealth, and is authorised and regulated by the Financial Conduct Authority (FCA). The Registrar and Depositary is The Bank of New York Mellon (International) Limited, which is authorised by the Prudential Regulation Authority and regulated by the FCA. The Investment Manager is Handelsbanken Wealth, which is authorised and regulated by the FCA.

Before investing in a Handelsbanken Multi Asset Fund you should read the Key Investor Information Document (KIID) as it contains important information regarding the fund including charges and specific risk warnings. The Prospectus, Key Investor Information Document, current prices and latest report and accounts are available from the following website: wealthandasset.handelsbanken.co.uk/fund-information/fund-information/, or you can request these from Handelsbanken Wealth or Handelsbanken ACD Limited: 25 Basinghall Street, London EC2V 5HA or by telephone on +44 01892 701803.

Registered Head Office: 25 Basinghall Street, London EC2V 5HA. Registered in England No: 4132340

wealthandasset.handelsbanken.co.uk