

WEEKLY MARKETS ROUND-UP

Executive Summary

18th May 2026

Top news: all eyes on FOMC minutes and NVDA earnings Wednesday - last week delivered a harsh US inflation scare as Tuesday's Headline CPI printed 3.8% YoY on Headline (exp. 3.7%) and 2.8% on Core (exp. 2.7%), while Wednesday's PPI then shocked with 6.0% YoY on Headline (exp. 4.9%) and 5.2% on Core (exp. 4.3%), and as 60% of the rise came from services rather than energy alone. These prints led to an immediate repricing of rate expectations with Fed Funds futures now pricing at least one hike by yearend, up from zero a month ago. The Beijing Trump-Xi summit was also disappointing and added further headwind late in the week. Cisco did surge 16% following strong results on Wednesday, and Applied Materials also beat on Thursday, yet couldn't save the week on an index level. Warsh then became FED Chair on Friday, inheriting this complicated backdrop. This week, Wednesday will first see the last FOMC minutes. Any hawkish signals, dissent counts and language around rate hikes will be scrutinized. That evening, NVIDIA then reports Q1 results with revenue exp. at circa \$79bn (up from \$68bn in Q4) and EPS at \$1.77/share. A beat on both is expected, yet the market will mainly focus on operating margins (hopefully holding around 75% and not falling below 73%) as well as guidance on the Blackwell ramp-up and the Rubin processor. Thursday's Global Flash PMIs will then wrap up the week with US and Europe Manufact. growth exp. to decelerate slightly and Services rather stable.

Equities: last week's hot US CPI/PPI triggered an initial retracement. Despite today's rebound, Nvidia's earnings now need to convince to sustain equity markets at their current stretched levels (NDX Overbought in the table below).

Fixed Income: the US30Y reached marginal new highs (5.128%) above its Oct-23 peak, and the highest level in nearly 20 years. The US 10Y also rose back to 4.6%. This re-acceleration may actively weigh on risk assets going forward.

Forex: USD continued its rebound as the inflationary surprise is fueling hawkish speculations on future Fed policy. Risk-off dynamics were adding a further safe-haven bid last week. The USD recovery may now extend slightly further.

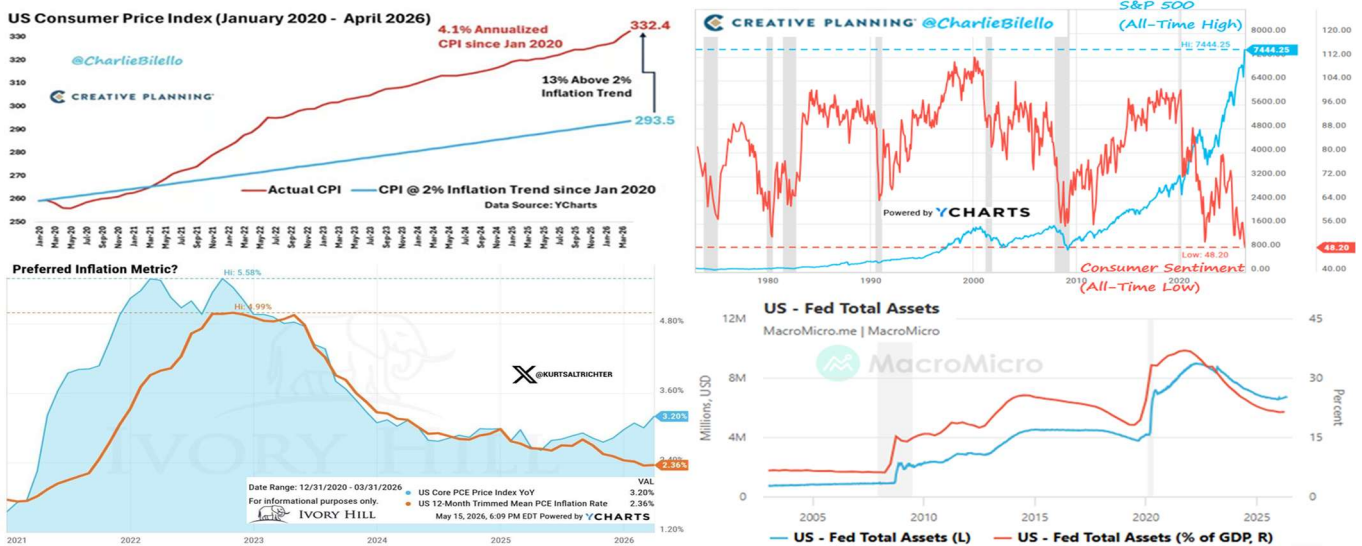
Commodities: Brent recouped 110 \$/bbl last week as the Hormuz rhetoric remain menacing, yet is now dropping again on supposed concessions from both sides. Gold sold off late last week (to 4'500) due to the hawkish repricing.

	Currencies	Price	Performance since 52 Week Low			Performance since 52 Week High			Performance	Trend	Exaggeration
			Date Low	Low Price	Rise %	Date High	High price	Decline %			
S&P500 Index	USD	7'409	May-25	5'803	27.7%	May-26	7'501	-1.2%	8.2%	up	slightly OB
Nasdaq100 Index	USD	29'125	May-25	20'916	39.3%	May-26	29'580	-1.5%	15.3%	up	OB
Dow Jones Industrials Index	USD	49'526	May-25	41'603	19.0%	Feb-26	50'188	-1.3%	3.0%	neutral	neutral
EuroStoxx50	EUR	5'828	Aug-25	5'166	12.8%	Feb-26	6'173	-5.6%	0.6%	neutral	neutral
Swiss Market Index	CHF	13'220	Aug-25	11'755	12.5%	Feb-26	14'014	-5.7%	-0.4%	neutral	neutral
Nikkei225	JPY	60'974	May-25	36'986	64.9%	May-26	63'272	-3.6%	21.1%	up	slightly OB
Shanghai Composite	CNY	4'136	May-25	3'340	23.8%	May-26	4'243	-2.5%	4.2%	neutral	neutral
US 10Y Treasury Yield	%	4.60%	Oct-25	3.95%	0.7%	May-25	4.61%	-0.0%	0.4%	up	slightly OB
German 10Y Bund Yield	%	3.15%	Jun-25	2.48%	0.7%	May-26	3.15%	0.0%	0.3%	up	slightly OB
US 20Y Treasuries (TLT ETF, 17-18Y duration)*	USD	84	May-25	79	6.0%	Feb-26	89	-6.5%	-2.4%	neutral	slightly OS
US Investment Grade (LQF ETF - 8-9Y duration)*	USD	108	May-25	100	8.0%	Mar-26	110	-2.1%	-0.3%	neutral	neutral
US High Yield (HYG ETF, 3-4Y duration)*	USD	79	May-25	74	7.5%	Apr-26	80	-1.1%	0.6%	neutral	neutral
EM USD Sovereigns (EMB ETF, 7-8Y duration)*	USD	95	May-25	85	11.4%	Mar-26	97	-2.1%	0.0%	neutral	neutral
EUR/USD		1.16	May-25	1.12	3.4%	Jan-26	1.20	-3.4%	-1.0%	neutral	neutral
GBP/USD		1.33	Nov-25	1.30	2.3%	Jan-26	1.38	-3.8%	-1.1%	neutral	neutral
USD/JPY		159	May-25	143	11.4%	Apr-26	160	-1.0%	1.3%	neutral	neutral
USD/CHF		0.79	Jan-26	0.76	3.2%	May-25	0.83	-5.7%	-0.7%	neutral	neutral
AUD/USD		0.71	May-25	0.64	11.5%	May-26	0.73	-1.5%	7.1%	neutral	neutral
Brent Oil (per Barrel)	USD	109	Dec-25	59	85.4%	Apr-26	118	-7.4%	79.6%	up	slightly OB
Gold Spot (per Ounce)	USD	4'537	May-25	3'233	40.3%	Jan-26	5'416	-16.2%	5.1%	neutral	neutral

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FED focus: inflation surprises, K-shaped economy and a complex policy mix

Last week's hot CPI/PPI data revived Inflation concerns. The trend appears more structural than transitory, with many months and altogether a 13% surplus since 2020 above the 2% target, resulting in 4.1% p.a. inflation since then (top-left). Consumer have had to absorb it. The top-right chart captures the resulting social fracture with the S&P500 at all-time highs, driven by record corporate profits (mostly AI related), while Consumer Sentiment hits a 74 years of data all-time low (at 48.2), below the Pandemic or the Great Recession bottoms. Asset owners have never been richer, while everyone else seems at their worse. Warsh may want to address this rather quickly, considering the November midterm elections. Indeed, at his confirmation hearing, he telegraphed a strategy of switching the current Fed's preferred Core PCE (currently 3.2%) inflation gauge to the 12-month Trimmed Mean PCE (at 2.36% or 84bp lower, bot-left), thereby engineering a cosmetic return to the 2% inflation target, and providing a justification for the cuts requested by the current administration. To keep inflation at bay, he also advocates shrinking the FED's balance sheet, in order to reduce financial markets' reliance on - and moral hazard bias towards - large FED interventions in times of crisis. He views these as undemocratic, mostly favoring asset holders, as well as less efficient in transmitting monetary policy (due to the long liquidity transmission lags associated with QE). That said, with the Fed's total assets as % of GDP already back to 2015 levels, the leeway for further QT may be limited to avoid reserve scarcity. Some surgical tools may exist (running a smaller TGA, reducing Bank reserve requirements and their remuneration), yet may lead to their own systemic risks if an unexpected shock arrives. Ultimately, rising long-term inflation expectations and a higher term premium may decide the boundaries of what the new FED Chair can actually do.



Notes:

- Trend last 6 months:** this Primis original algorithm, weighs the slope of the trend over the last 6 months vs the slope of the trend over the last 3 months yet factorised by the Fibonacci retracement ratio (0.618). Values are normalised using the average price over each period. If this combined slope is above +0.08% the trend is then "up", below -0.08% then "down", otherwise it is "neutral".
- Overbought (OB) / Oversold (OS) measures:** this Primis original algorithm is computed by comparing the difference between the 8 days moving average and the 100 days combined with the 3 days vs the 15 days one and normalises this difference by dividing it by the 1 year standard deviation (circa 260 open market days). Values above 225% or under -225% are Overbought "OB", resp. Oversold "OS", values above 100% or under -100% are "slightly OB", resp. "slightly OS", otherwise there is no relevant exaggeration and the situation is then "neutral".

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