

Week in review and ahead (vol.20-26)



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Week in review

US markets ended the week nearly unchanged, as an end to the conflict in the Middle East remains elusive and effects of the oil supply shock are beginning to reverberate through the US economy as inflation, both on retail and wholesale, are raising beyond just the price increases at the pump. The highly anticipated China-US summit did little to that end. In public statements, China reaffirmed its stance that it seeks the Strait of Hormuz re-open to commerce, but did not provide any indication that it would otherwise pressure Iran to negotiate to that end with the US. Overall, the outcome of the China-US summit appeared to disappoint markets. With no resolution to the Iran conflict in sight, markets are beginning to dismiss the notion that an eventual conclusion would relieve the global oil shock pricing pressures as global bonds appear to reprice following a worldwide selloff and consequently surge in yields. Besides government debt, the amount of corporate bonds issuance continues to see record levels worldwide as compute and hyperscalers seek to finance the AI infrastructure built out. Since November'25, for example, Alphabet has now placed nearly \$60 billion in bonds in the US, Europe, and since last week in Japan, the largest bond yen sale by a foreign company. Including others, like Amazon, Meta, and Oracle, this figure is well above \$100 billion. Despite the oil supply shock, increased governmental and non-governmental debt levels, equity markets worldwide have been rallying since April, but some cracks are appearing that the price appreciation in risk assets may have gone too far, too fast. With the strong corporate earnings season nearing its end, markets may be looking for tailwinds that may fuel the ongoing rally further. These tailwinds may not come from a mixed macroeconomic backdrop that may see central banks around the world being forced to increase rates to address reaccelerated inflation and threatens to slowdown domestic and global growth simultaneously.

For the week, the S&P advanced +0.1%, while the Dow Jones and Nasdaq declined by -0.2% and -0.1%, respectively. The Russell-2000 saw the strongest move for the week, declining by -2.4% as investors see higher inflation likely to reduce the probability of any rate cuts which generally are seen favorable for small caps in particular. Notwithstanding the weekly performance, both the S&P and Nasdaq did reach new all-time highs before a sell-off ended the week just off those highs for the week.

Internationally, all major markets registered declines for the week despite somewhat better than expected macroeconomic data for some, like Q1'26 GDP growth in the UK, or better economic sentiment in Germany, for example. In Asia, South Korea's Kospi led the declines for the week, losing -3.6%, followed India (-2.7%), Japan (-2.1%), Hong Kong (-1.6%), and China (-1.1%). In Europe, the UK's FTSE saw the least of the decline of -0.4%, despite calls for Prime

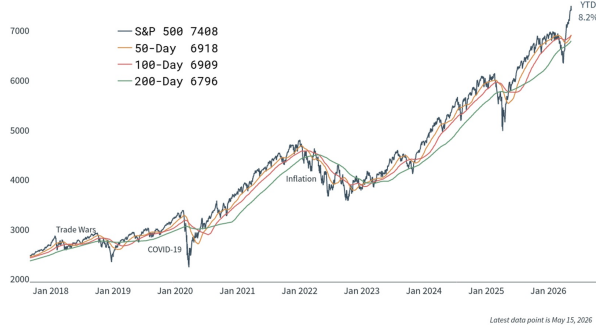
Minister Starmer to resign following disappointing local elections empowering others in the Labour party to outright challenge for the leadership role. In Germany and France, markets declined by -1.6% and -2.0%, respectively.

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Stock Market Moving Averages

S&P 500 Index, 50-day, 100-day and 200-day moving averages



Sources: Cleareconomics, Standard & Poor's © 2026 Cleareconomics, Inc.

Week in review – US macroeconomics

This past week's macroeconomic calendar was dominated by inflation, headlined by CPI for April, PPI for March, and import prices for April. Other releases included retail sales for April, existing home sales, initial jobless claims, business inventories, and industrial production.

Retail inflation, or CPI, for April surprised modestly to the upside. Headline CPI rose 0.6% month-over-month (“MoM”) in April, in-line with expectations and lower sequentially from 0.9%, while on an annual basis (“YoY”) it accelerated to 3.8% from 3.3% previously and above consensus of 3.7%. Core CPI ran hotter on both, advancing 0.4% MoM, above estimates of 0.3% and higher sequentially, and 2.8%

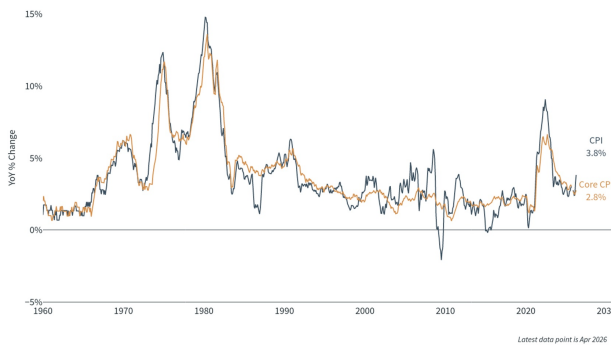
YoY, equally above estimates (of 2.7%) and higher sequentially as well. It has been the highest annual print since September'25 and likely reflective of pass-through inflation from the oil shock now working through the economy.

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Consumer Price Index

CPI and Ex Food and Energy, YoY % Change



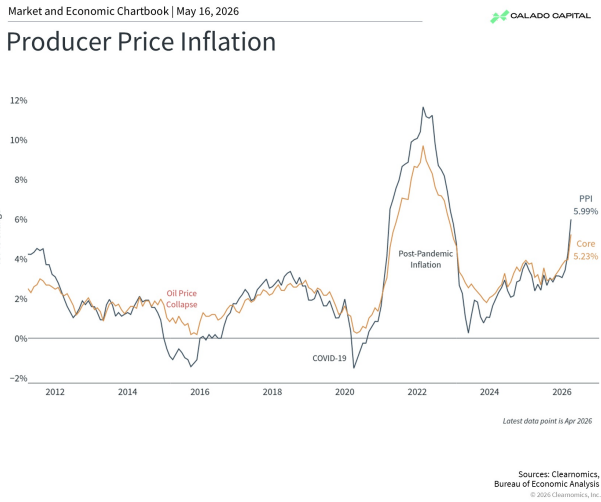
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Wholesale inflation, or PPI, for March surprised to the downside. Headline PPI jumped 1.4% MoM, well above estimates of 0.5% and nearly triple the rate previously, and 6.0% YoY, exceeding estimates of 4.8% and the prior rate of 4.0%. Similarly, Core PPI rose 5.2% YoY and 1.0% MoM, with the former ahead of estimates of 4.3% YoY and higher sequentially, while the latter exceeded expectations of 0.4% MoM and the 0.1% rate, previously. Given the PPI print for March, in aggregate, it rose at the fastest pace since April'22. Import prices for April reinforced the trend, climbing 1.9% MoM, exceeding estimates of 1.0% and higher sequentially, the highest reading since September/October'22. Given the magnitude of the CPI, PPI, and import-price prints, headline PCE for April is now imputed at 4.6%, more than double the

Fed's 2% target and the highest since late 2023, with core PCE expected to reach levels last seen in late 2023 as well.

The consumer, however, continues to spend despite the inflationary backdrop. Retail sales for April rose 0.5% MoM on headline, in-line with estimates, but lower sequentially (from 1.7%). The control group equally rose 0.5% MoM, above estimates of 0.4% but below the 0.7%, previously, while retail sales ex-autos rose 0.7% exceeding expectations of 0.6% but below the 1.9% MoM rate, previously. The balance of the week's data was broadly positive, with industrial production advancing 0.7% in April, well exceeding expectations of 0.2%, as business inventories for March advanced 0.9% in-line with estimates. Initial jobless claims came in at 211K, just above estimates of 205K for the week, remaining well-behaved and below historical averages. Existing home sales, however, were effectively flat in April, up slightly 0.2%

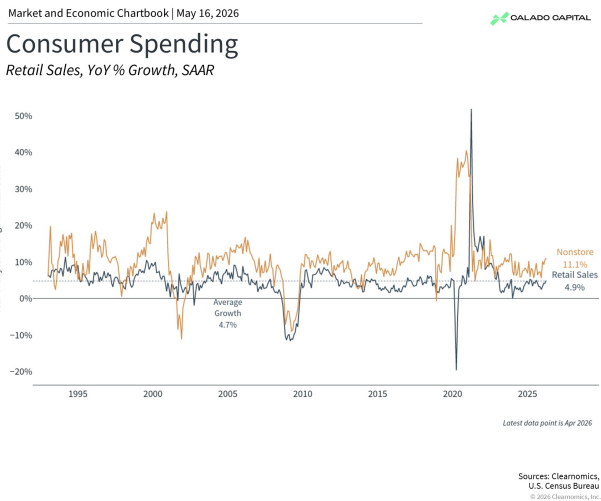
MoM, with inventory rising to 4.4x months of supply, as higher rates appear to continue quelling demand and leaving housing anemic. Despite improving inventory, the median price for existing homes rose 0.9% YoY to \$418K, rising for the 34th consecutive month.



The combination of hot inflation reports amidst the ongoing oil supply shock, with no end in sight, and resilient demand pushed treasury yields sharply higher along the entire curve. The 2-year jumped above 4%, now well above the Fed Funds Target Rate of 3.50–3.75%. The 10-year climbed to its highest level since July'25, and the 30-year treasury auction this past week clearing at 5% for the first time since 2007, with subsequent auctions struggling to clear well. The bond selloff in the US was synchronized globally as yields set new multi-year highs in Germany, Japan, and the UK, with Gilts alone widening 17bps on Friday. Early signals from the USD-JPY pair also bear close monitoring. Notably, equities continued to look past it all, with the S&P 500 closing above 7,500 for the first time and both the S&P and Nasdaq printing new record

highs.

With retail and wholesale inflation re-accelerating, PCE poised to revisit levels last seen in late 2023, and term premia repricing higher across global curves, the question must be asked: would this dynamic force the Fed to pivot away from its easing bias altogether? With incoming Fed Chair Kevin Warsh set to take the helm, markets may waste little time in testing his commitment to price stability, probing his resolve before he even takes the chair.



Corporate earnings

The corporate earnings season is nearing their conclusion, and last week saw few companies report, continuing, however, seeing results exceeding earnings and revenue estimates. As such, the S&P500 continues on track to report the highest quarterly growth rate since Q4'21. Similarly, per FactSet, revenue growth of 11.4% is on track to being the highest since Q2'22 with tech companies, to no surprise, contributing to the highest YoY growth rate of all eleven (S&P) sectors at 29.2%.

Earnings season continues next week with Nvidia, the largest company by market capitalization and the last of the Magnificent Seven, to report. As in prior earnings season, the results will be significant for markets, but this time even more so, given the

recent market rally being underpinned by the semiconductor sector as a whole.

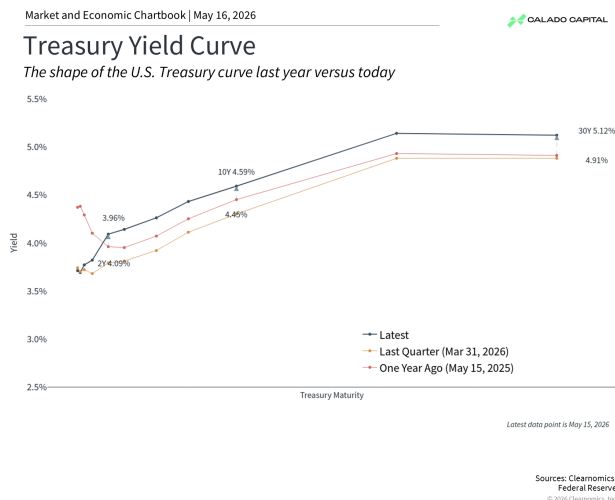
Week ahead

Following the China-US summit, geopolitical uncertainty around the Middle East conflict may persist for some time, as

hopes for China to pressure Iran may not materialize. As such, the conflict is entering its twelfth week with the US likely to continue the sea blockade to force negotiations with Iran. Given the inflationary pressures globally and rise in bond yields worldwide, it has the hallmarks of upending the recent rally in risk assets. From a US macroeconomic perspective, next week's calendar will be light. Besides the weekly initial jobless claims figure, the FOMC is scheduled to release its recent meeting minutes, and markets will get updated housing data, specifically building permits and housing starts, both for the month of April

Number of the week: 4.09%

The closing yield on the 2-year treasury on Friday, closing above for the first time since February'25, its first sustained break through the threshold, before the Fed began the recent rate cuts. The close at 4.09% on Friday is therefore decidedly above the Fed Funds target rate of 3.50-3.75%, and likely to test the new incoming Fed chair's resolve. The rise in the 2-year yield comes amidst the backdrop of yields raising globally and along all maturities. The 10-year treasury yield closed above the 4.5% threshold last week, while the 30-year treasury jumped above 5%, closing at 5.12%, the highest level since June 2007. Likewise, the 10-year UK Gilt, German Bund, and Japanese Bonds ("JGB") spiked to levels not seen in decades, with Gilts spiking to 5.2%, the most since July 2008, the Bund pushing above 3.13%, the highest since May 2011, while the JGB is approaching 2.7%, a level not seen since 1997. It seems that every long-end sovereign benchmark is being repriced higher essentially simultaneously. The narrative is not a U.S. story; it appears to have the makings of a developed-market term-premium story among greater inflationary pressures and increasingly higher fiscal indebtedness of developed nations.



If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at claudio@caladocapital.com.

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