

MONTHLY INSIGHT MAY 26

RISEON

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FX Analytics

USD INDEX

April 2026 Recap

Monthly Performance Overview

- April was a directional downside month, confirming March's bearish bias.
- Break below 96.00 triggered continuation lower.
- Failure to reclaim resistance kept pressure intact
- » Bearish continuation phase.

Price Action Highlights

- Early Month: DXY lost 96.00 after weak macro, triggering selling toward 95.30. | Move confirmed prior consolidation as distribution.
- Mid-Month (Macro): Soft NFP reinforced easing expectations. | Markets priced May cuts and deeper 2026 easing » DXY extended to 95.00-95.30.
- Late Month: Stabilization attempt, but no rebound. | Price remained below 96.00 (now resistance).

Fundamental Drivers

1. Fed Policy

Fed seen behind the curve » more aggressive easing priced. » Reinforces USD bearish bias.

2. Macro Data

- Labor: Softening, no collapse
- Inflation: Easing
- Growth: Slowing
- » Macro remains USD-negative.

3. Global Context

EUR & JPY gained strength.
Flows diversifying away from USD.

Technical View

- Structure: Breakdown below 96.00, lower highs/lows
 - Resistance: 96.00-96.30
 - Support: 95.00-95.30
- Momentum: Bearish, no reversal signals.

Conclusion

April 2026 confirmed the transition into a more established USD downtrend:

- The break below 96.00 was technically significant and triggered follow-through selling.
- Macro conditions – particularly soft inflation and easing expectations – continue to drive the bearish narrative.
- The lack of a meaningful rebound suggests that buyers remain absent at current levels.

The DXY enters May under sustained pressure, with downside risks toward 94.00 becoming increasingly relevant unless a macro shift emerges.



May 2026 Outlook

Starting Point After April Breakdown

The DXY enters May trading around the 95.00-95.30 zone, after:

- A confirmed break below 96.00
- A continuation of lower highs and lower lows
- Weak stabilization near support, but no meaningful recovery

The structure has now shifted from "potential downtrend" to a confirmed bearish trend, with downside continuation risk elevated.

Core Theme: Trend Continuation vs. Exhaustion

The key question for May is:

- Does the bearish trend extend toward 94.00 and below, or does the market begin a corrective rebound?

Monetary Policy & Fed Expectations

FOMC Meeting (May)

The May meeting is now critical, with markets pricing:

- A high probability of a 25bps rate cut
- Some tail risk of a more aggressive easing path if data deteriorates

Implications:

- Cut + dovish forward guidance » further USD downside
- Cut + neutral tone » temporary stabilization
- No cut (low probability) » sharp USD squeeze higher

The reaction function matters more than the decision itself.

Key Economic Data to Watch

1. Non-Farm Payrolls

- Continued labor softening would confirm macro slowdown
- A weak print could trigger a clean break below 95.00

2. CPI / Inflation Data

- Below ~2.2-2.3% YoY » reinforces aggressive easing expectations
- Sticky inflation » delays cuts » supports USD short-term

3. Growth Indicators (Retail Sales, ISM)

Critical to determine whether the U.S. is entering:

- A controlled slowdown (USD-negative), or
- A sharper deceleration (USD could temporarily benefit as risk hedge)

Global Context & Flows

EUR and JPY continue to benefit from:

- Relative policy stability
- Capital rotation away from USD

- Risk sentiment remains moderately constructive » limits USD demand
- However, any equity correction or geopolitical escalation could create short-term USD spikes

Technical Structure

Key Levels

96.00-96.30: Major resistance (April breakdown level)

95.30: Immediate support (April lows)

95.00: Psychological level

94.00: Primary downside target

92.80-93.10: Extended bearish target

Technical Read

Repeated tests of 95.00 support suggest:

- Either imminent breakdown
- Or short-term exhaustion

Momentum:

- Still bearish on higher timeframes
- But short-term conditions are approaching oversold territory

Key insight: This increases probability of short squeezes, even within a downtrend.

Scenario Matrix - May 2026

Base case: 25bps cut + balanced data » 94.80-96.20 range

Bearish USD scenario: Weak NFP + soft CPI + dovish Fed » Break below 95.00 » 94.00 » 93.00

Bullish USD scenario: Strong data + less dovish Fed » Rebound toward 96.50-97.50

Executive Summary

- The U.S. dollar enters May in a confirmed downtrend, with pressure building on the 95.00 support level.
- The May FOMC meeting is the key catalyst, likely to define whether the trend accelerates or pauses.
- While the structural bias remains bearish, the market is increasingly vulnerable to short-term corrective rebounds.

Bias: Bearish continuation, but with higher probability of volatility and short squeezes.

Projected range: 93.00 to 96.50

EUR/USD

April 2026 Recap

- April 2026 showed controlled downside pressure with consolidation near key support, following March's bearish shift.
- Despite macro headwinds (geopolitics, oil), EUR/USD avoided a structural breakdown, stabilizing within range.
- » Bearish-leaning consolidation with strong support defense

Monthly Performance Overview

- Opening Level: ~1.1620
- High of the Month: ~1.1750
- Low of the Month: ~1.1550
- Closing Level: ~1.1600
- Monthly Change: -0.2% approx.

Technical Breakdown

1. Resistance Rejection

EUR/USD recovery failed below 1.1740, confirming it as key resistance and range top.

2. Support Tests (1.1640)

Level tested multiple times, with brief dips (~1.1550) but no follow-through.

» No confirmed breakdown

» Buy-side still defending, but pressure is building

3. Range Compression

Price compressed within 1.1550-1.1750, with lower volatility.

» Suggests accumulation ahead of a larger move

Key Levels Going Forward

1. Geopolitical Risk (Iran Conflict)

Continued tensions sustained:

- Risk-off sentiment
- Ongoing demand for USD

2. Energy Market Pressure

Elevated oil prices:

- Weighed on the Eurozone outlook
- Limited EUR upside potential

3. USD Strength (Short-Term)

Despite a dovish medium-term Fed outlook.

The USD remained supported by:

- Defensive capital flows
- Global uncertainty

Technical Structure Post-April

Short-term: Bearish pressure persists, with lower highs and failure to reclaim resistance.

Medium-term: **Bullish structure still intact, but clearly under stress.**

Outlook vs. Reality

Bearish bias: Confirmed

Pressure on 1.1640: Confirmed

Break toward 1.1500: Partial (tested, not sustained)

Geopolitical influence: Strong

Conclusion & Forward View

EUR/USD remains in bearish-leaning consolidation, with 1.1640 as key support and compression building toward a breakout.

USD retains a short-term edge, while upside momentum weakens.

» May outlook driven by macro data, geopolitics, and oil dynamics move toward 1.1500



May 2026 Outlook

EUR/USD enters May in a fragile but stabilizing structure. After April's bearish-leaning consolidation, the pair is trading around the 1.17 area, with the market still reacting to the Iran conflict, elevated oil prices, and central-bank uncertainty. Trading Economics showed EUR/USD near 1.1717 on May 1, while Reuters reported that prolonged Hormuz disruption has pushed Barclays to raise its 2026 Brent forecast to \$100/bbl.

Macro Backdrop

The key issue remains the oil shock. Higher energy prices are negative for the Eurozone because it is a net energy importer, while the USD continues to benefit from safe-haven demand. The ECB kept rates unchanged on April 30, but acknowledged that upside inflation risks and downside growth risks have intensified.

For the Fed, the oil shock complicates the expected easing path. Reuters reported that some Fed officials are pushing back against a rate-cut bias because higher oil prices could keep inflation elevated. This supports the USD and limits EUR/USD upside in the short term.

Key Technical Levels

- 1.1850: Major resistance
- 1.1750: Pivot / breakout trigger
- 1.1640: Key support
- 1.1550: April low zone
- 1.1500: Bearish acceleration
- 1.1400: Downside target

Base Case – Range Trading with Bearish Risk

The most likely scenario for May is continued consolidation between 1.1550 and 1.1850, with price action highly dependent on oil and geopolitical headlines. As long as EUR/USD remains below 1.1750–1.1850, rallies should be treated as corrective rather than trend reversal. A break below 1.1640 would reopen the downside toward 1.1550, and then 1.1500.

Bullish Scenario

A bullish recovery requires:

- Iran conflict de-escalation
- Oil prices stabilizing or falling
- Softer U.S. data weakening the USD
- EUR/USD reclaiming 1.1750, then 1.1850

If confirmed, the pair could recover toward 1.1950–1.2000.

Bearish Scenario

If the conflict escalates or oil remains above \$100:

- USD safe-haven demand should remain strong
- Eurozone growth concerns may increase
- EUR/USD could break 1.1640

Below 1.1640, the next targets are 1.1550, 1.1500, and potentially 1.1400.

Strategic Summary

Bias: Neutral → Bearish

Support: 1.1640

Resistance: 1.1750 / 1.1850

Range: 1.1550 – 1.1850

Driver: Oil + Iran risk

→ **Bullish:** Above 1.1850

→ **Bearish:** Below 1.1640

Conclusion

May 2026 is a confirmation month for EUR/USD. The pair has stabilized, but the broader risk environment still favors the USD. Unless EUR/USD reclaims 1.1850, the market remains vulnerable to another downside leg. A clean break below 1.1640 would confirm deeper correction risk into Q2.

GBP/USD

April 2026 Recap

April unfolded as a decision month, exactly as anticipated:

- March had already established bearish momentum
- The market entered April trading near the critical 1.3200 support zone
- Ongoing geopolitical tensions (Iran conflict) continued to drive volatility and risk sentiment

The key question for April was whether 1.3200 would hold or break - and this level defined the entire month's behaviour.

Price Action & Structure

GBP/USD stayed below 1.3400, with repeated rejection at 1.3450-1.3500.

Support at 1.3200 was tested multiple times no breakout, no breakdown.

» Range-bound under pressure

Technical Behaviour

- Range: 1.3200-1.3450
 - Repeated support tests weakening the level
 - Lower-quality rebounds
- » Building downside pressure

Macro & Geopolitical Influence

- Iran conflict » risk-off + oil volatility
 - UK exposed to energy » inflation + growth risks
 - Policy uncertainty (BoE)
- » GBP rallies capped

Key Levels

Resistance: 1.3450-1.3500

Support: 1.3200-1.3250 (fragile)

Target: 1.3000

Performance Summary

April did not deliver a directional breakout but confirmed:

- A bearish-to-neutral consolidation phase
- Strong resistance control by sellers
- Increasing pressure on key structural support

This matches the expected base case scenario:

» Range-bound trading under resistance with repeated tests of support.

Conclusion

April was a consolidation month under bearish pressure, defined by:

- Failure to reclaim 1.3500
- Repeated testing of 1.3200
- Persistent geopolitical uncertainty

The market:

- Did not recover bullish momentum
- Did not fully break down either
- Built a compression structure likely to resolve in May

Strategic Takeaway

Regime: Sell rallies

Support: 1.3200 (fragile)

» Break: 1.3000 + reversal confirmation

Current: Bearish consolidation below 1.3500

» Focus: 1.3200 hold vs break



May 2026 Outlook

Starting Point: Post-April Structure

May begins with a clearly defined backdrop:

- Bearish-to-neutral structure from April consolidation
- Repeated failure below 1.3450-1.3500 resistance
- Price holding, but weakening, around the 1.3200 support zone
- Ongoing geopolitical uncertainty (Iran conflict) April acted as a compression phase.

May is likely to determine the next directional move.

Technical Structure for May

Trend Status

- Short-term trend: Bearish
- Medium-term trend: At risk, heavily dependent on 1.3200

Key Levels

Resistance (Primary): 1.3450-1.3500 (Strong sell zone)

Intermediate Resistance: 1.3350-1.3400 (Rejection area)

Support (Critical): 1.3200-1.3250 (Structural floor)

Breakdown Level: 1.3200 (Trigger for downside acceleration)

Downside Targets: 1.3000 / 1.2850 (extension zones)

The 1.3200 level remains pivotal.

After multiple tests in April, the probability of a breakdown has increased.

Macro & Geopolitical Dynamics

Iran Conflict - Still the Key Driver

May remains highly sensitive to geopolitical developments. If tensions persist:

- Continued risk-off sentiment
- Sustained pressure on GBP
- Elevated volatility

If tensions de-escalate:

- Relief rallies possible
- Potential short-term recovery toward resistance

Energy & Inflation Impact

- Elevated oil prices » renewed inflation pressure in the UK
- Weak growth + inflation risk » stagflation environment

This keeps the Bank of England constrained:

- Limited ability to ease aggressively
- Ongoing policy uncertainty
- GBP remains structurally vulnerable

Monetary Policy Expectations

- BoE remains data-dependent and cautious after the December cut.

Persistent inflation (driven by energy) may:

- Delay further cuts
- Or complicate forward guidance

This environment does not support strong GBP upside, especially under risk-off conditions.

Scenario Framework for May

Base Case (Most Likely)

- **Range:** 1.3000 - 1.3350
- Continued pressure below 1.3400
- Gradual breakdown attempt of 1.3200
- Move toward 1.3000

Bearish Scenario (High Probability Expansion)

- **Range:** 1.2850 - 1.3200
- Clear break of 1.3200
- Acceleration toward 1.3000
- Momentum-driven selling

This confirms a structural breakdown of the medium-term trend.

Bullish Recovery Scenario (Lower Probability)

- **Range:** 1.3350 - 1.3550
- De-escalation of geopolitical tensions
- Short covering and recovery

However:

- 1.3450-1.3500 remains a strong cap
- Rallies are likely to be sold

Structural Interpretation

May is a breakout month following compression:

- April built the range
- May is likely to resolve it

The market is positioned for:

A directional move driven by the break of 1.3200

Final Outlook - May 2026

Bias: Bearish

Key Level: 1.3200

Primary Range: 1.3000 - 1.3350

Downside Risk: 1.2850

Invalidation: Sustained move above 1.3500

Strategic Takeaway

- Market remains in a sell-on-rallies regime below 1.3500
- Pressure is building on support
- Volatility remains headline-driven (geopolitics + energy)

Unless there is a clear shift in macro conditions:

» The path of least resistance for GBP/USD in May remains to the downside.

USD/JPY

April 2026 Recap

Price Action Overview

USD/JPY entered April trading near ¥152.60, following the corrective phase seen in March.

Early in the month, the pair stabilized above the ¥152.00 support zone, preventing further downside continuation.

Momentum quickly shifted, with price reclaiming the ¥156-157 resistance zone, signaling a reversal from the prior bearish structure.

The key move came mid-to-late April, when USD/JPY broke decisively above ¥159.421 (January high).

This breakout triggered strong upside acceleration, pushing the pair above ¥159.30 and confirming a structural trend continuation.

The pair closed the month near the highs, around ¥159.30+, marking a strong bullish monthly performance.

Key Drivers During April

USD Strength:

Stronger U.S. data → easing expectations scaled back → yields higher → USD supported.

BoJ Lag:

No tightening → policy divergence persists → yen under pressure.

Flows & Carry:

Break above ¥159 → stops + momentum buying.
Carry demand and positioning shifted back to long USD/JPY.

Technical Breakdown

Open: ~152.60 – Post-correction base

High: ~152.00 – Strong support held



Low: >159.30 – Breakout above January high

Close: ~159.30+ – Strong bullish close

Structure: Higher high + strong close – Confirms trend continuation

What April Confirmed

April completely invalidated the bearish outlook from March:

- The ¥152 support held firmly
- The pair reclaimed key resistance levels (¥156 » ¥157 » ¥159)
- The breakout above ¥159.421 confirmed a multi-month continuation pattern

This marks a transition from:

- Correction phase (Q1 2026) to » Trend expansion phase (Q2 2026)

Conclusion

April 2026 was a decisive bullish month, defined by a clean breakout above long-term resistance.

The move above ¥159 confirms that the broader USD/JPY uptrend remains intact.

The combination of:

- Stronger U.S. data
- Delayed Fed easing
- BoJ inaction

Created the conditions for a trend resumption and acceleration.

Forward Implication

- The key level is now ¥159.00, which has flipped from resistance into support.
- As long as price holds above this zone, the path of least resistance remains to the upside, with potential extension toward ¥162-165 in the coming months.

May 2026 Outlook

Overall Bias: Bullish Continuation, but With Elevated Intervention Risk

USD/JPY enters May after a decisive April breakout above the ¥159.00-159.50 resistance zone. The broader trend remains bullish, but the move into the ¥160 area increases the probability of official intervention or aggressive verbal warnings from Japanese authorities.

Technical Structure (USD/JPY)

Primary Support: 158.50-159.50 (breakout support)

Secondary Support: 156.00-157.00

Resistance: 160.00-160.50

» Upside: 162.00-163.00 » 164.50-165.00

» Invalidation: Below 156.00

Macro Drivers

Federal Reserve

- The USD remains supported by resilient U.S. data and reduced expectations for immediate rate cuts.
- If inflation remains sticky or labor data stays firm, U.S. yields may remain elevated, supporting further USD/JPY upside.

Bank of Japan

- The BoJ remains cautious despite persistent inflation and wage pressure.
- Unless the BoJ signals a more aggressive tightening path, the yen is likely to remain under pressure, especially while the U.S.-Japan yield spread stays wide.

Intervention Risk

- The ¥160 zone is politically sensitive.
- If USD/JPY rises too quickly above this level, Japanese authorities may step up verbal intervention or take direct action to stabilize the yen.

May 2026 Scenarios

Breakout Confirmation

- Bullish: 160.50-163.00 » breakout holds, upside extends
- Pullback: 156.00-159.50 » correction (profit-taking / intervention risk)
- False Break: 153.50-156.00 » breakdown, move invalidated

Conclusion

May is likely to be a high-volatility continuation month for USD/JPY.

As long as the pair holds above ¥158.50-159.50, the bullish breakout remains valid and the next upside targets are ¥162-163.

However, the closer the pair trades to or above ¥160, the higher the risk of intervention-driven volatility.

USD/CHF

April 2026 Recap

Overview

USD/CHF extended its bearish trajectory in April 2026, confirming follow-through after the structural breakdown below 0.7600 in March. The pair traded consistently within a lower price regime, with no meaningful recovery attempts sustained, reinforcing the prevailing downtrend. Market dynamics remained aligned with persistent USD weakness and continued CHF strength, supported by macro divergence and defensive capital flows.

Price Action Summary

- USD/CHF began the month below the 0.7600 level, which firmly acted as resistance throughout April.
- Repeated recovery attempts toward 0.7550-0.7600 were rejected, confirming the structural shift from support to resistance.
- Downside pressure gradually pushed the pair toward the 0.7400 area, marking fresh multi-month lows.
- The monthly close near the lower end of the range signals ongoing bearish momentum and weak demand for USD.

Key Drivers

1. Post-Breakdown Momentum

Break below 0.7600 confirmed » shift into bearish phase, sellers in control.

2. USD Weakness

Soft data + dovish Fed expectations » limited USD recovery.

3. CHF Strength

SNB neutral, no intervention » safe-haven flows + policy divergence support CHF.

Structural Interpretation

- USD/CHF remains firmly embedded in a long-term descending channel, now trading closer to its lower boundary.
- The 0.7600 level has clearly transitioned into resistance, a key structural confirmation.
- Momentum indicators continue to favor trend continuation, with no evidence of reversal.

Summary (April 2026)

Trend: Bearish continuation
 Resistance: 0.7600
 Support: 0.7400
 Bias: CHF strong, USD weak
 Momentum: Downside sustained
 Structure: Lower range confirmed

Final Take

USD/CHF confirmed a shift into a lower structural range, with rejection below 0.7600 reinforcing bearish control.
 » CHF supported by macro + safe-haven flows

Outlook:

Downside risk persists unless Fed shifts or U.S. data surprises to the upside.



May 2026 Outlook

Context Overview

USD/CHF enters May 2026 following a confirmed bearish continuation in April, with the pair firmly trading below the key 0.7600 level, now acting as structural resistance. Price action has shifted into a lower trading regime, approaching the lower boundary of the multi-year descending channel.

The broader narrative remains intact:

- USD under pressure due to expectations of monetary easing
- CHF supported by safe-haven demand and SNB passivity
- Technical structure clearly favoring continuation unless proven otherwise

Key Drivers for May

1. Federal Reserve Expectations

- Markets remain focused on timing of rate cuts in 2026.
- Any confirmation of easing will continue to pressure USD.
- A hawkish surprise or stronger-than-expected data could trigger a temporary rebound.

2. U.S. Economic Data

Key releases include:

- Non-Farm Payrolls (early May)
- CPI (mid-May)
- Retail sales and PMI data
- Weak data » reinforces bearish trend
- Strong data » short-term corrective rallies

3. Swiss Franc & SNB

The SNB remains inactive, with no concern expressed over CHF strength.

CHF continues to benefit from:

- Safe-haven positioning
- Macro stability
- Lack of intervention

Technical Outlook

0.7400 - Support: Recently tested area

0.7300 - Extension: Next downside target

0.7600 - Resistance: Key structural ceiling

0.7750 - Secondary Resistance: Recovery zone

Technical Observations

Price remains below 0.7600, confirming bearish control.

The pair is trading near the lower boundary of the channel, where:

- Either continuation accelerates
- Or temporary technical rebound occurs

Momentum remains negative, but oversold conditions may increase short-term volatility.

Scenario Framework

Scenario 1: Bearish Continuation (Base Case)

- USD remains weak, CHF stable.
- Break below 0.7400.
- Targets: 0.7300 0.7200.

Scenario 2: Corrective Rebound

- Profit-taking or stronger U.S. data.
- Move toward 0.7500-0.7600.
- Likely to remain corrective unless 0.7600 breaks.

Scenario 3: Structural Reversal (Low Probability)

- Strong macro shift (Fed hawkish pivot or major USD strength).
- Break above 0.7600, targeting 0.7750-0.7800.
- Would require a clear change in macro expectations.

May 2026 Bias Summary

Bias: Bearish below 0.7600

Support: 0.7400

Target: 0.7300

Resistance: 0.7500-0.7600

Macro: CHF favored

Volatility: Moderate-high

Strategic View

May is likely to be a continuation month, but with increasing probability of short-term corrections due to extended positioning.

- The trend remains clearly bearish
- But price is approaching levels where market participants may reduce exposure

Any rebound should be viewed as technical and corrective, unless the pair reclaims 0.7600 with strong conviction.

USD/CAD

April 2026 Recap

Monthly Overview

April 2026 was marked by a continuation of the consolidation phase, following the stabilization seen in February and March.

- USD/CAD remained largely range-bound, with no decisive breakout in either direction.
- The pair respected the 1.3500 support zone while struggling to sustain moves above the 1.3720-1.3750 resistance area.
- Overall, price action reflected a balanced market environment, with alternating short-term dominance between USD and CAD.

Price Action & Structure (USD/CAD)

- Range: 1.3500 - 1.3750
 - Resistance: 1.3720-1.3750 (strong supply)
 - Support: 1.3500 (held)
- » Sideways structure, no breakout

Macro Context

- USD: Mixed » no sustained bullish momentum
- CAD: Supported (oil + BoC), but not enough for breakdown

Commodities

Oil supportive but fully priced » no directional impact

Positioning

Mid-range close + neutral momentum
 » Market in equilibrium, awaiting catalyst

Summary & Implications

April 2026 can be defined as a continuation of consolidation, with the following key takeaways:

- The 1.3500-1.3750 range remains intact
- Neither USD nor CAD established clear dominance
- Market participants are waiting for a macro catalyst (rates, oil, or data)

Key Levels Going Forward

- Support: 1.3500
- Resistance: 1.3750
- Breakout trigger (bullish): Above 1.3750
- Breakdown trigger (bearish): Below 1.3500

Conclusion

April confirmed that USD/CAD is in a transition phase, not a trending one.

The next directional move will likely depend on:

- Confirmation of Fed easing
- Sustainability of high oil prices
- Relative macro surprises between the U.S. and Canada



May 2026 Outlook

Starting Position (End of April 2026)

- USD/CAD ended April within a well-defined range between 1.3500 and 1.3750.
- Volatility declined significantly, indicating market accumulation and compression.
- Current structure: an imminent decision phase, typical before more directional moves.)

Monetary Policy Expectations

Federal Reserve

May will be critical, with the market focused on the possibility of:

- First rate cut or a clear signal for June
 - If the Fed confirms a more dovish pivot:
- » Direct pressure on the USD

Bank of Canada

- The BoC maintains a stable stance
 - No urgency to cut rates, which keeps the CAD relatively protected
- » Divergence tends to favor the CAD in the short term

Oil - Continues to Support CAD

With crude at elevated levels (above \$100 regime in your context):

- CAD maintains strong structural support
 - Commodity flows remain active
- » Oil is now one of the main drivers of the pair

Technical Structure (USD/CAD)

Resistance: 1.3720-1.3750 (range top / trigger)

Sec. Resistance: 1.3820-1.3850

Support: 1.3500 (base)

Breakdown: 1.3350

Scenario Outlook - May 2026

Base Case (Bearish Bias - Most Probable)

Range: 1.3350 - 1.3600

- Fed turns more dovish
 - Oil remains strong
 - Break below 1.3500 confirmed
- » USD/CAD enters a new downward leg

Consolidation Scenario

Range: 1.3500 - 1.3750

- No major macro catalyst
 - Market remains in wait-and-see mode
- » Continuation of April's range

Bullish USD Scenario

Range: 1.3750 - 1.3900

- Strong U.S. data
 - Fed delays easing
 - Oil corrects lower
- » Short-term squeeze higher

Strategic View

- The market is compressed and ready to break
- The 1.3500 level is the key trigger for May

Given:

- High oil
 - Fed easing expectations
- » The risk is skewed to the downside (USD/CAD lower)

Conclusion

May 2026 is likely to be a breakout month.

- A sustained move below 1.3500 could accelerate toward 1.3350 and potentially lower.
 - If the range holds, expect continued compression before a larger move in Q2.
- » The balance of probabilities currently favors CAD strength and USD weakness.

AUD/USD

April 2026 Recap

Performance Overview

AUD/USD traded in a range-bound and stabilizing environment during April 2026, following the volatility and corrective pressure observed in March. The pair showed signs of consolidation above key structural support, as markets digested the geopolitical shock and reassessed macro conditions.

Price action during the month was characterized by reduced downside momentum, with the pair holding above critical levels and attempting gradual recovery, although upside remained capped below the March gap resistance zone.

Price Action (AUD/USD)

- Stabilized in 0.6900-0.7000 range
 - Rejection at 0.7100-0.7120 (gap zone)
 - No break below 0.6900
- » Range consolidation, bullish structure intact

Macro Drivers

Geopolitics: Stabilized, no resolution » limited upside

USD: Mixed, no clear trend

AUD: Driven by risk, commodities, China

China/Commodities: Mixed data, stable support

Technical Structure

- Resistance: 0.7100-0.7120
 - Pivot: 0.7000
 - Support: 0.6940-0.6900
 - Risk: 0.6800-0.6850
- » Support holding » accumulation bias



Positioning

- Neutral positioning
 - Range-driven flows
 - Volatility normalized
- » Market in consolidation, awaiting catalyst

Conclusion

April 2026 was a consolidation and stabilization month for AUD/USD:

- The pair absorbed the geopolitical shock from March without breaking key structural support.
- Price action evolved into a defined range, reflecting equilibrium between buyers and sellers.
- While upside momentum remained limited, the broader bullish trend was preserved.

This sets the stage for a potential directional breakout in the following months, with key levels clearly defined:

- Above 0.7100 » bullish continuation
- Below 0.6900 » deeper corrective phase

May 2026 Outlook

Executive Summary

AUD/USD enters May 2026 following a month of range-bound consolidation between 0.6900 and 0.7050, after the corrective phase triggered by the geopolitical shock in early March. The pair remains technically compressed, with clearly defined boundaries, suggesting that a directional breakout is approaching.

The broader structure remains neutral-to-bullish, as long as the 0.6900 support holds, but upside continuation will require a decisive break of the 0.7100–0.7120 resistance zone, where the March gap remains unfilled.

May is likely to be a trigger month, where macro data and geopolitical developments determine whether the pair resumes its uptrend or shifts into a deeper correction.

Key Macro Themes

1. Geopolitical Risk

From Shock to Directional Driver

The market has transitioned from initial shock (March) to monitoring phase:

- If the conflict de-escalates, risk sentiment should improve » supportive for AUD.
- If tensions re-escalate, USD demand will return » downside pressure on AUD/USD.
- Headlines remain a primary volatility catalyst.

2. Federal Reserve - Data Dependence Intensifies

Markets continue to price rate cuts in 2026, but timing remains uncertain.

Key data in May:

- US CPI
- US labour market (NFP)

If inflation continues to soften:

USD weakness resumes » AUD/USD breaks higher.

If inflation stabilizes or reaccelerates:

Fed repricing » USD strength » downside pressure.

3. RBA - Stability with External Sensitivity

The RBA remains in wait-and-see mode, with no immediate rate changes expected.

Australian inflation has stabilized near target but not fully converged.

AUD performance remains externally driven, particularly by:

- Global risk appetite
- Commodity prices

4. China - Potential Catalyst for Breakout

China continues to be the key swing factor for AUD:

- Stronger credit growth / stimulus bullish AUD
- Weak property sector / exports bearish AUD
- Markets are increasingly sensitive to any policy shift from Beijing.

Technical Outlook (AUD/USD)

Resistance: 0.7100–0.7120 (gap / trigger)

Pivot: 0.7000

Support: 0.6940–0.6900

Downside: 0.6800–0.6850

Technical Assessment

- Compression phase (low vol, tightening range)
 - Gap at 0.7100 = key upside magnet
 - Break below 0.6900 » invalidates bullish structure
- » Directional move approaching

Scenario Framework - May 2026 (AUD/USD)

- Geopolitics ease + soft US data: » Break above 0.7100 » 0.7200–0.7250
- Base case (range): » 0.6900–0.7050
- Strong US / delayed cuts: » Break below 0.6900 » 0.6800
- China stimulus / commodities: » Supports upside breakout
- Risk-off: » AUD underperforms

Strategic View

- The market is at a technical inflection point.
- The range defined in April is unlikely to persist indefinitely.

Traders and institutions will focus on:

- Breakout confirmation levels
- Macro validation (US + China)

Key triggers:

Break above 0.7100 » trend continuation

Break below 0.6900 » corrective phase extension

Conclusion

May 2026 is likely to be a decisive month for AUD/USD.

- The pair has absorbed the March shock and consolidated through April.
- The structure now suggests imminent directional expansion.

Bias: Neutral with upside potential

Condition: Bullish above 0.6900

The resolution of the current compression will define not only May, but potentially the direction for Q2 2026.

NZD/USD

April 2026 Recap

Performance Overview

April 2026 was characterised by a continuation of the consolidation phase, with NZD/USD trading within a defined range and failing to generate a decisive breakout above key resistance levels.

Price action reflected a market still in balance between supportive global conditions and lingering macro uncertainty, resulting in controlled volatility and range-bound behaviour.

Macro & Fundamental Drivers

Fed: Gradual disinflation + data-dependent stance » stable USD

NZ: Mixed data, easing inflation » neutral-to-dovish RBNZ

Risk: Stable markets, mild China support » no strong flows

Price Action & Structure

- Support: 0.5980-0.6000 (held)
 - Resistance: 0.6070-0.6100 (rejected)
- » Higher lows + compression » constructive consolidation

Key Levels

- Support: 0.5980-0.6000
- Resistance: 0.6070-0.6100
- Breakdown: 0.5920-0.5930
- Target: 0.6240

Momentum indicators:

RSI (weekly) remained above 50 » constructive bias maintained

MACD positive but flat » no acceleration in trend momentum

Institutional Positioning & Flow Dynamics

April reflected a continuation of balanced positioning, with neither buyers nor sellers establishing clear dominance.

Institutional flows suggest:

- Accumulation on dips near 0.6000
- Limited willingness to chase upside without a confirmed breakout

Macro and real money accounts remain selectively constructive, but cautious in increasing exposure.

Executive Summary

April 2026 extended the consolidation phase in NZD/USD, with the pair holding above key structural support but failing to break through critical resistance levels. The macro backdrop remained stable but lacked strong catalysts, resulting in range-bound trading conditions. While the broader technical structure remains constructive, a sustained move above 0.6100 is required to re-establish bullish momentum. Until then, the market is likely to remain in a consolidation regime, with institutional positioning focused on tactical opportunities rather than directional conviction.



NZD/USD

May 2026 Outlook

Macro Landscape & Key Drivers

May is expected to be a transition month, where markets will seek clearer confirmation on the timing of the Fed's first rate cut and reassess the strength of the global recovery narrative.

Federal Reserve

The Fed remains firmly data-dependent, with markets increasingly focused on whether the first rate cut will occur in June or be delayed.

Key data points:

- U.S. CPI and PCE inflation
- Labour market indicators (NFP, unemployment rate)

A continued disinflation trend would:

- Reinforce easing expectations
- Weigh on the USD

Conversely, sticky inflation could:

- Delay rate cuts
- Trigger a short-term USD rebound USD demand.

Reserve Bank of New Zealand (RBNZ)

The RBNZ is likely to maintain a neutral stance, balancing:

- Stabilising inflation
- Still-fragile growth conditions

Market expectations for rate cuts remain skewed toward H2 2026, unless data deteriorates.

NZD will remain sensitive to:

- Domestic activity indicators
- Forward-looking inflation expectations

Global Risk Sentiment

NZD continues to trade as a pro-cyclical currency, driven by:

- Global equity performance
- Chinese economic data
- Commodity price dynamics

A supportive risk environment will favour NZD strength, while any risk-off shift would benefit the USD.

Executive Summary

NZD/USD enters May 2026 in a constructive but range-bound structure, following several months of consolidation above key support. The broader bullish framework remains intact, but the absence of a decisive breakout above 0.6100 continues to cap upside momentum. May will be critical in determining whether the pair transitions into a new bullish leg toward 0.6240 or remains in consolidation.

The macro backdrop - particularly U.S. inflation dynamics and Fed expectations - will be the primary driver of direction, while institutional positioning remains cautious but selectively constructive.

Technical Structure & Key Levels

NZD/USD enters May following an extended consolidation phase, with the broader structure still constructive but lacking breakout confirmation.

Key Technical Levels (NZD/USD)

- 0.5980-0.6000: Key support / accumulation
- 0.6070-0.6100: Resistance / breakout trigger
- 0.5920-0.5930: Downside trigger
- 0.6240: Upside target

Technical Assessment

The higher-low structure remains intact, preserving a constructive bias.

Price continues to respect the former descending trendline as support, confirming the validity of the January breakout.

Momentum indicators:

- RSI (weekly) remains above neutral » bullish bias maintained
- MACD positive but flat » consolidation phase persists

A decisive break above 0.6100 remains the key technical condition for trend continuation.

Institutional Positioning & Strategy

Institutional positioning remains balanced with a slight constructive tilt toward NZD.

Key observations:

- Dip-buying interest continues to emerge near 0.6000
- Lack of aggressive long positioning without breakout confirmation

A move above resistance would likely trigger:

- CTA and systematic inflows
- Momentum-based allocation increases

Conversely, a break below support could lead to:

- Short-term de-risking
- Reallocation into USD assets

Scenario Map - May 2026 (NZD/USD)

Bullish (base): 0.6100 » 0.6150 » 0.6240

Range: 0.5980-0.6100

Bearish: 0.5980 » 0.5920 » 0.5850

Oil Market

April 2026 Recap

April 2026 was characterised by a continuation and intensification of the crisis-driven oil market environment, with WTI sustaining levels above \$100/bbl throughout the month. The escalation of the conflict involving Iran materially increased supply disruption risks, shifting market behaviour away from traditional fundamentals toward geopolitical and security-driven pricing.

The month was marked by elevated volatility, strong intraday swings, and persistent buying interest, particularly on dips, reflecting a market dominated by risk hedging and strategic positioning.

Price Performance

- WTI held firmly above \$100, trading within a \$102-118 range
- Multiple spikes toward \$115-118 on geopolitical headlines
- No sustained move below \$100 » strong support confirmed
- Month closed near the upper range » bullish pressure intact

Key Market Drivers

1. Iran Conflict

Escalation reinforced supply risk and elevated geopolitical premium.

2. Supply & Logistics

Higher shipping costs, rerouting, and delays tightened effective supply.

3. OPEC+

Wait-and-see stance + no intervention » bullish supply backdrop.

4. Demand

Demand stayed resilient despite high prices, though sensitivity is emerging.

5. Flows & Positioning

Hedgers + institutions increased long exposure. Corrections remained shallow and heavily bought.

WTI Summary - April 2026

- Range: ~\$102-118
- Regime: Above \$100/bbl
- Trend: Strong uptrend
- Driver: Iran escalation
- Supply: Tightening
- Demand: Resilient
- Sentiment: Bullish / defensive
- Volatility: High, headline-driven
- Structure: Breakout regime

Conclusion

April 2026 confirmed the oil market's transition into a geopolitically driven, high-price regime, with WTI sustaining levels above \$100 due to credible and persistent supply disruption risks linked to Iran.

The market is now primarily driven by:

- Supply security concerns,
- Geopolitical escalation risk,
- And strategic positioning by global participants.

Going forward, the key question is not whether prices remain elevated, but how high they can move under continued escalation, and when demand destruction or policy intervention may begin to cap the upside.



May 2026 Outlook

WTI enters May 2026 in a highly complex and unstable environment, defined by two major structural forces:

1. Escalation of the Iran conflict, sustaining elevated geopolitical risk and supply uncertainty.
2. The United Arab Emirates' exit from OPEC and OPEC+, representing a significant shift in the global oil supply framework and undermining cartel cohesion.

This combination introduces both upside price risk (geopolitical disruption) and downside pressure (potential supply expansion and breakdown of discipline), resulting in a high-volatility, bi-directional market.

Expected Price Range

- Base Case: \$95 - \$115 per barrel
- Upside Scenario (Escalation + Supply Disruption): \$115 - \$130+
- Downside Scenario (UAE-led Supply Expansion / OPEC Breakdown): \$85 - \$95

The market is expected to trade in wide ranges, with sharp moves driven by both geopolitical headlines and policy developments from producers.

Key Structural Drivers

1. UAE Exit from OPEC/OPEC+ - Structural Shift

The UAE's departure represents a material break in OPEC+ cohesion, raising concerns about:

- Quota discipline erosion,
- Potential production increases from UAE (~3+ mbpd capacity),
- A broader risk of fragmentation within the cartel.

Market implications:

- Short-term: uncertainty and volatility increase.
- Medium-term: potential oversupply risk if other members follow or loosen compliance.

The UAE may pursue:

- Market share strategy,
- Higher production to monetise elevated prices.

2. Iran Conflict - Persistent Supply Risk

Continued escalation maintains:

- Elevated risk to Strait of Hormuz flows (~20% of global oil),
- Ongoing constraints on Iranian exports,
- Increased logistical friction (shipping, insurance, rerouting).
- Even without full disruption, the market continues to price a significant geopolitical premium (~\$10-20/bbl).

3. OPEC+ Response Dynamics

Remaining OPEC+ members (notably Saudi Arabia) face a strategic dilemma:

- Defend price stability,
- Or protect market share in response to UAE actions.

Likely outcomes:

- Short-term policy inertia / delayed response,
- Potential unilateral adjustments from Saudi Arabia if price volatility increases.

4. U.S. Supply Response

Sustained prices above \$100 incentivize:

- Increased hedging activity,
- Gradual shale production response (lagged).
- However, short-term supply elasticity remains limited.

Geopolitical Landscape

The market is now driven by:

- Conflict escalation risk,
- Cartel instability,
- And tail-risk pricing behavior.

Sentiment is:

- Bullish on risk,
- But increasingly unstable due to structural uncertainty.

Technical Structure

High-volatility uptrend with rising correction risk

- Key Levels:
- Support: \$100 / \$95
- Mid Support: \$90
- Resistance: \$115 / \$120
- Extension: \$130+

» Expect sharp spikes, aggressive pullbacks, and wider ranges.

WTI Outlook - April 2026

Base Range: \$95-115

Upside: \$115 » \$130+ (geopolitical escalation)

Downside: \$85-95 (UAE/OPEC+ supply expansion)

Drivers: Iran conflict + UAE/OPEC+ dynamics

Supply: Tight but unstable

Demand: Resilient, price-sensitive

OPEC+: Cohesion weakening

Structure: Volatile, event-driven

Volatility: Extremely high

Strategic Conclusion

May 2026 marks a turning point for oil:

1. Geopolitical risk supports prices
 2. OPEC+ fragmentation adds downside instability
- » Market shifting from a pure supply shock to a more complex, volatility-driven regime.

Key variables:

- Hormuz disruption risk
- UAE production/export policy
- Saudi response
- Early demand destruction signs

Gold

April 2026 Recap

Performance Overview

April 2026 marked a transition phase for the gold market, as prices moved from the elevated levels reached in March into a period of correction and consolidation. After trading above \$5,400 during the prior month, gold came under sustained pressure and spent most of April repricing lower, stabilising around the \$4,600-\$4,700/oz range.

The month was characterised by a shift in market regime, with macroeconomic factors—particularly real yields and U.S. dollar strength—temporarily outweighing geopolitical support.

Key Market Drivers

Fed Repricing

Higher yields + stronger USD after reduced rate-cut expectations created headwinds for gold.

Positioning & Profit-Taking

Post-Q1 rally » deleveraging, profit-taking, and stop-loss driven pullbacks.
» Consolidation, not structural reversal.

Geopolitical Premium

Iran tensions persisted, but safe-haven demand moderated as panic flows faded.
» Gold kept a geopolitical bid, but at lower intensity.

Technical and Market Structure

- Gold broke below the \$5,000 psychological level, confirming a loss of short-term momentum
- Price action stabilised within a \$4,500 - \$4,800 range
- The \$4,400-\$4,500 zone emerged as key support, with buyers stepping in on deeper pull-backs

The overall structure suggests a controlled correction within a broader uptrend, rather than a trend reversal.

Institutional Commentary

“April represented a necessary reset for the gold market following an exceptional first quarter. The correction was driven primarily by macro repricing and positioning adjustments, rather than a deterioration in the structural bull case. Importantly, the market demonstrated resilience, with demand re-emerging at lower levels.”

Strategic Conclusion

April 2026 confirmed that the gold market is undergoing a healthy correction and rebalancing phase after an extreme rally. While short-term momentum has weakened, the broader structural framework remains supportive, with the current range likely serving as a foundation for the next directional move.



May 2026 Outlook

Executive Summary

Gold enters May 2026 in a consolidation phase, following the corrective move observed in April that brought prices down from March highs above \$5,400 to the \$4,600–\$4,700/oz range. The market has transitioned from a momentum-driven rally into a more balanced environment, where macro factors, positioning flows, and geopolitical risk are interacting more evenly.

The structural bull case remains intact; however, near-term direction will depend on whether gold can stabilise and rebuild momentum above key technical levels, or if macro headwinds continue to exert pressure.

Macro & Policy Environment

Federal Reserve & Rate Expectations

The primary driver for May will be the evolution of U.S. monetary policy expectations:

- Markets are now less aggressive in pricing near-term rate cuts
- Real yields remain elevated relative to Q1 levels
- The U.S. dollar continues to show underlying strength

This creates a neutral-to-slightly bearish macro backdrop for gold in the short term.

However:

- Any downside surprise in inflation data (CPI/PCE)
 - Or signs of economic slowdown
- could quickly reignite expectations of easing, providing upside support for gold.

Geopolitical & Structural Drivers

Persistent but Stabilised Risk Premium

- The Iran-related conflict remains unresolved, but markets have largely absorbed the initial shock
- Gold continues to benefit from a baseline safe-haven bid, though without the urgency seen in March

Central Bank Demand

- Central banks remain consistent net buyers
- This continues to provide a structural floor to the market, particularly on dips toward \$4,400–\$4,500

Technical Structure

Gold is currently trading within a well-defined consolidation range, following April's correction.

Key Levels

- Immediate resistance: \$4,800 – \$4,900
- Upper resistance: \$5,000
- Support zone: \$4,500 – \$4,600
- Major structural support: \$4,200

Market Interpretation

- The market is forming a base above \$4,500
- Volatility has decreased relative to Q1
- Price action suggests range-building rather than trend continuation (for now)

Scenario Analysis - May 2026

Base Case: \$4,500–4,800 » stable macro + balanced flows

Bullish: \$4,800–5,100 » weak inflation + dovish Fed

Bearish: \$4,200–4,500 » strong USD + higher real yields

Institutional View

“Gold is transitioning into a consolidation regime after an exceptional rally in Q1. The market is absorbing prior gains while reassessing macro conditions. While short-term momentum has cooled, the underlying structural drivers—central bank demand, geopolitical uncertainty, and long-term monetary dynamics—remain firmly supportive.”

Key Variables to Monitor

- U.S. CPI and PCE inflation data
- U.S. Treasury yields (especially real yields)
- U.S. dollar strength (DXY)
- Central bank reserve activity
- Any escalation or de-escalation in geopolitical tensions

Strategic Takeaways

May is expected to be a stabilisation and positioning month:

- The market is likely to remain range-bound in the short term
- Downside appears contained above \$4,400–\$4,500
- Upside requires a clear macro catalyst, particularly from monetary policy expectations

Gold remains structurally bullish, but tactically neutral in the near term.

S&P 500

April 2026 Recap

Executive Overview

April 2026 confirmed that the S&P 500 has entered a new market regime, following the correction triggered in March. The index traded in a volatile and directionless environment, closing the month without a clear recovery, as investors remained cautious and highly reactive to macro developments. Rather than a continuation of the sell-off, April was characterized by stabilization attempts under pressure, with the market struggling to regain momentum while adjusting to a more complex macro backdrop.

Geopolitical Influence - Iran Remains Central

- Market absorbed the initial shock, reducing panic selling
- Conflict remained unresolved » geopolitical premium stayed embedded

Impact:

- Oil prices stayed elevated
- Risk appetite recovery remained limited
- » Market shifted from reaction to adaptation, not normalization.

Market Behaviour & Structure

- Fed expectations stabilized, but upside remained limited
- Market shifted from easing expectations to monitoring conditions
- » Neutral-to-restrictive macro backdrop

Market Behaviour

- Trend moves faded into range trading
- Rallies sold, declines lacked follow-through
- Signs of base-building without conviction
- » Market probing for equilibrium

Positioning & Sentiment

- Defensive, selective positioning
- Rotation into energy and defensive sectors
- Volatility elevated, but below crisis levels
- » Controlled repricing, not panic

Interpretation

April validated March's shift:

- Higher geopolitical risk
- Less predictable policy
- More fragile macro expectations
- » Adjustment phase, not recovery

Conclusion

April 2026 established a new baseline for the S&P 500:

The prior bullish trend has been replaced by a macro-sensitive, range-bound structure
Upside is constrained without:

- De-escalation in Iran
- Clear disinflation
- Policy flexibility

The market is now operating in a regime where:
» Macro overrides momentum



May 2026 Outlook

Executive Overview

The S&P 500 enters May 2026 in a fragile equilibrium, following two consecutive months of adjustment (March correction + April stabilization). The market is no longer in a momentum-driven phase – it is now operating under a macro-dominated regime, where direction depends primarily on external variables rather than internal strength.

May is likely to be a resolution month, where the market begins to move away from indecision and toward a more defined directional bias.

Geopolitical Framework - Still the Core Driver

The Iran conflict remains the central variable. At this stage, markets are no longer reacting to headlines – they are reacting to implications:

- Stable conflict (contained risk)
 - » Risk premium gradually fades
 - » Supports equity stabilization
- Escalation (energy disruption)
 - » Oil moves higher
 - » Inflation expectations rise
 - » Downside pressure resumes
- » The key is no longer the conflict itself, but whether it feeds into inflation persistently.

Macro & Monetary Policy

The market has already repriced into a “delayed easing” framework.

May now becomes about confirmation or reversal:

- If inflation stabilizes, markets may begin to price cuts again
- If inflation remains sticky, the Fed stays constrained

The Fed is no longer the driver – it is a dependent variable reacting to inflation.

Market Behaviour & Structure

The behavioural shift seen in March and April is now established:

- Markets are less trend-following, more reactive
- Rallies lack conviction unless supported by macro improvement
- Downside moves are controlled, not disorderly
- » The market is in a range-to-transition phase, not yet trending but preparing to.

Scenario Framework - April 2026

1. Stabilization » Recovery (Bull Case)

- Iran tensions ease or remain contained
- Oil stabilizes or softens
- Inflation does not re-accelerate

Market behavior:

- Gradual rebuilding of risk appetite

- Rotation back into growth
- Attempt to recover prior breakdown zones

2. Continued Equilibrium (Base Case)

- No major geopolitical shift
- Inflation remains uncertain but not worsening

Market behavior:

- Range-bound behavior persists
- Choppy price action
- Selective opportunities, no broad trend

3. Repricing Phase (Bear Case)

- Conflict escalates materially
- Oil moves higher again
- Inflation expectations rise further

Market behavior:

- Renewed downside pressure
- Expansion of risk premium
- Broader equity de-risking

Strategic Interpretation

May is likely to define whether the market transitions into:

- A recovery phase, or
- A continuation of the correction cycle

The key shift is conceptual:

» The market is no longer pricing growth – it is pricing constraints on growth.

Conclusion

The S&P 500 enters May in a neutral but unstable position:

- The prior uptrend has paused
- The correction has stabilized, but not reversed
- Direction now depends on macro clarity

Until there is resolution in:

- Geopolitics
- Inflation trajectory
- Policy flexibility

» The most likely outcome remains:

volatile, selective, and macro-driven price action

STOXX50

April 2026 Recap

Market Overview

April 2026 was a continuation of the geopolitical-driven environment that emerged in March, with the STOXX Europe 50 navigating a complex backdrop shaped by ongoing tensions in the Middle East. The index traded in a volatile but controlled manner, reflecting a market caught between structural support from macro fundamentals and short-term pressure from geopolitical uncertainty. Overall, April can be characterised as a month of adjustment and repositioning, rather than a clear directional move.

Geopolitical & Market Impact

Iran/Middle East tensions remained the main driver, keeping:

- Oil elevated
- Inflation expectations sticky
- Risk sentiment defensive
- » No sustained risk-on environment.

Sector Rotation

- Energy & defense outperformed
- Defensive sectors attracted steady inflows
- Cyclical mixed
- Financials lacked direction
- » Market stayed invested, but selective.

Macro & Policy Context

- Disinflation stalled on energy pressures

- ECB easing expectations became more conditional
- Growth remained soft but resilient
- » Macro acted as a stabilizer.

Investor Sentiment

- Positioning stayed defensive
- Focus on quality, dividends, low volatility
- Markets remained headline-driven
- » Elevated volatility, but no systemic stress.

Conclusion

April 2026 reinforced the transition toward a geopolitically influenced market regime.

For the STOXX Europe 50, the month was defined by resilience in the face of uncertainty. While geopolitical risks prevented a clear continuation of the bullish momentum seen earlier in the year, the index remained supported by underlying macro stability and investor discipline.

The key takeaway from April is that markets are absorbing geopolitical risk without structural damage, but conviction remains limited. Going forward, a clearer directional move will likely depend on either de-escalation in the Middle East or a shift in the macro and policy outlook.



May 2026 Outlook

Market Overview

The STOXX Europe 50 enters May 2026 in a delicate equilibrium, following two months dominated by geopolitical uncertainty. After a period of consolidation in April, the index remains structurally supported but lacks strong directional conviction, reflecting a market balancing resilient fundamentals with persistent external risks.

The broader trend remains intact; however, short-term direction continues to depend heavily on developments in the Middle East, particularly regarding Iran and energy market stability.

Geopolitical Landscape: From Shock to Stabilisation?

As May begins, markets are transitioning from an initial shock phase to a monitoring phase, where the key question is whether tensions:

- **Stabilise at elevated levels,**
- **De-escalate through diplomatic channels, or**
- **Re-escalate into broader regional disruption.**

Energy markets remain the primary transmission channel. Oil prices have stayed relatively elevated, maintaining pressure on inflation expectations without triggering systemic stress.

Markets are now less reactive to headlines but remain structurally sensitive to escalation risk.

Scenario Framework

Base Case - Prolonged Stability with Elevated Risk (Most Likely)

- Tensions persist but without further escalation.
- Oil prices stabilise at moderately high levels.
- Inflation remains slightly above target, but not accelerating.

Market Impact:

- Continued range-bound behaviour.
- Preference for defensives and quality growth.
- Limited upside, but downside also contained.

Bullish Scenario - Gradual De-escalation

- Diplomatic progress reduces geopolitical risk premium.
- Oil prices decline, supporting disinflation.
- Confidence in ECB rate cuts strengthens.

Market Impact:

- Re-acceleration of risk-on positioning.
- Strong performance from cyclicals and financials.
- Potential upside continuation in the STOXX Europe 50.

Macro and Monetary Backdrop

The macro environment remains relatively stable but constrained:

- Inflation trends have become less predictable, due to energy volatility.
- Growth remains modest, with no clear acceleration but also no contraction.
- The ECB continues to adopt a cautious stance, with markets still expecting rate cuts later in 2026, though with reduced conviction.

Macro drivers are now secondary to geopolitical developments, but still provide a floor to the market.

Sector Positioning

Market leadership is expected to remain fragmented:

- **Energy and Defense:** Continue to benefit from geopolitical risk premium.
- **Healthcare and Utilities:** Maintain strong demand as defensive anchors.
- **Industrials and Consumer Discretionary:** Sensitive to cost pressures and demand uncertainty.
- **Financials:** Dependent on rate expectations and overall market confidence.

Investors are likely to maintain a balanced allocation, favouring resilience over aggressive growth positioning.

Market Outlook

May 2026 is expected to be a continuation of the consolidation phase, with markets seeking clarity before establishing a stronger directional trend.

- **Base case points to range-bound trading with episodic volatility.**
- **Upside potential depends on risk premium compression.**
- **Downside risk remains tied to energy shocks and geopolitical escalation.**

Volatility is expected to remain elevated but controlled, reflecting a market adapting to a new risk regime.

Conclusion

May represents a transition from uncertainty to conditional stability.

The STOXX Europe 50 remains structurally intact, but the path forward is increasingly dependent on external variables, particularly geopolitical developments and their impact on energy markets.

Until a clearer resolution emerges, investors are likely to maintain a disciplined and selective approach, prioritising capital preservation, diversification, and flexibility.

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