

# MONTHLY INSIGHT JUNE 26

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# FX Analytics

## USD INDEX

May 2026 Recap

### Monthly Performance Overview

May brought continued pressure on the U.S. dollar, though the decline moderated after April's break below 96.00.

DXY spent most of the month stabilizing, but remained trapped within a broader bearish trend.

Fed easing expectations continued to weigh on the dollar, while improving conditions abroad supported the euro, Swiss franc, and yen.

» May confirmed a structurally weak USD environment, despite the absence of an aggressive sell-off

### Price Action Breakdown

**Early Month:** DXY remained under pressure after April's break below 96.00, as easing expectations kept long-dollar positioning limited.

**Mid-Month:** Fed caution, softer inflation, cooling labor data, and slower growth kept Treasury yields under pressure, limiting any USD recovery.

**Late Month:** DXY stabilized through short-covering and improved risk sentiment, but failed to reclaim major resistance.

» Recovery was technical, not fundamental.

### Fundamental Drivers

**Fed Expectations:** Markets continued to price additional 2026 rate cuts, narrowing rate differentials and keeping USD pressure intact.

**Inflation & Growth:** Lower inflation, softer consumer spending, and slower but positive growth reinforced the soft-landing view, reducing safe-haven demand for the dollar.

**Global Flows:** Improving prospects in Europe and Asia supported diversification away from U.S. assets, while constructive risk sentiment reduced defensive USD positioning.

### Technical View

May was a consolidation month within the existing DXY downtrend.

- 96.00 remained key resistance
- Immediate post-April support held
- Momentum stabilized, but no bullish reversal confirmed

The broader lower-highs / lower-lows structure remains intact

### Technical View

**Trend:** Bearish, but stabilizing

**Primary Driver:** Fed easing expectations

**Inflation:** Continued moderation

**Risk Sentiment:** Supportive of non-USD assets

**Technical Structure:** Consolidation within downtrend

**Market Tone:** Cautiously bearish

### Conclusion

May was a consolidation month, not a reversal, for the DXY.

Downside momentum slowed after April's sell-off, but the macro backdrop still favored a weaker dollar. Easing expectations, lower inflation, and improving global growth limited any meaningful recovery. Support held, but failure to reclaim 96.00 confirms the bearish trend remains intact.

» Heading into June, DXY remains vulnerable unless inflation reaccelerates or the Fed turns more restrictive.



## June 2026 Outlook

### Where We Stand After May

- DXY enters June stabilizing within a broader bearish trend.
  - Failure to reclaim 96.00 confirms the longer-term outlook remains negative.
  - Markets continue to price lower inflation, slower growth, and further Fed easing in H2 2026.
- » The broader bias remains bearish, though consolidation increases the potential for short-term rebounds

### Federal Reserve & Monetary Policy

#### Fed Focus:

- Markets are watching whether the Fed signals further summer cuts, as inflation moderates and growth slows.
- » Any slower easing signal could trigger a short-term USD rebound.

#### Treasury Yields:

- Yields have stabilized after earlier declines, offering temporary DXY support.
- However, narrowing rate differentials versus Europe and other developed markets remain a medium-term USD headwind.

### Key Economic Releases

#### Non-Farm Payrolls:

The labor market is the key variable for June.

- Strong NFP: Lower easing expectations » higher yields » stronger USD
- Weak NFP: Growth concerns » more rate-cut pricing » weaker DXY

### Key Economic Data to Watch

#### Non-Farm Payrolls:

Main June labor-market catalyst.

- Strong NFP: Less Fed easing » higher yields » stronger USD
- Weak NFP: Growth fears » more rate-cut pricing » weaker DXY

#### Inflation Data:

Second key catalyst.

- CPI above expectations: USD supported
- CPI below expectations: Bearish pressure reinforced

### Global Market Environment

**Improving Growth:** Europe and Asia continue to stabilize, supporting exposure to non-U.S. assets and reducing USD appeal.

**Geopolitical Risks:** Middle East tensions could still trigger temporary USD safe-haven demand.

However, safe-haven flows are increasingly split between the USD, CHF, gold, and sovereign bonds.

### Technical Structure

Level	Significance
96.00-96.30	Major resistance
97.20-97.50	Secondary resistance
95.00-95.30	Immediate support
94.00	Primary downside target
92.80-93.00	Extended bearish target

### Technical Read

DXY remains within a medium-term downtrend:

- Repeated failures below 96.00 confirm sellers remain in control.
  - Support at 95.00-95.30 continues to hold but has been tested multiple times.
  - The longer support holds without a meaningful rebound, the higher the risk of a breakdown.
- » Technical bias remains bearish below 96.30.

### Scenario Matrix - May 2026

**Base case:** Mixed data, patient Fed 94.80-96.20

**Bearish USD scenario:** Weak labor market, softer inflation, dovish Fed 93.00-94.00

**Bullish USD scenario:** Strong payrolls, sticky inflation, higher yields 96.50-97.50

### Executive Summary

- June is likely to be a transitional month for the U.S. dollar.
- The broader trend remains bearish, though downside momentum has slowed.
- Markets remain focused on whether Fed easing will deepen in H2 2026.
- As long as DXY stays below 96.30, downside risks toward 94.00 remain dominant.

» Bias: Bearish with consolidation tendencies.

### Projected trading range: 93.00-97.50

The key question for June is whether recent stabilization marks the start of a durable base-building process or simply a pause before the next leg lower in the broader USD downtrend.

## EUR/USD

### May 2026 Recap

May marked a transition from correction to recovery for EUR/USD. As geopolitical tensions stabilized and market volatility eased, the pair rebounded from its lows and ended the month with a modest gain. Improving risk sentiment reduced safe-haven demand for the U.S. dollar, while EUR/USD successfully recovered from the lower end of its range. Although the pair approached key resistance levels, a decisive return to the broader bullish trend has not yet been confirmed.

### Technical Performance

- Opening ~1.1600
- Monthly High ~1.1850
- Monthly Low ~1.1570
- Closing ~1.1780
- Monthly Change +1.6%

### Technical Breakdown

#### 1. Support Held

The key 1.1640 support held throughout May, preventing a move toward 1.1500 and preserving the medium-term bullish structure.

#### 2. Recovery Above 1.1740

EUR/USD reclaimed 1.1740, shifting momentum back to a neutral-to-positive stance and attracting renewed buying interest.

#### 3. Resistance Approached

By month-end, the pair was testing the 1.1825-1.1850 resistance zone, signaling improving buyer confidence despite no confirmed breakout.

### Macro Drivers

#### Geopolitics:

Middle East risks stabilized, reducing volatility and safe-haven demand for USD.

#### Oil Prices:

Oil consolidated, easing inflation concerns and reducing pressure on the Eurozone.

#### Fed Expectations:

Focus returned to monetary policy, with softer inflation and easing expectations limiting USD strength.

### Technical Structure After May

#### Short-Term

- Higher lows emerging
- Momentum stabilized
- Recovery phase developing

#### Medium-Term

- Broader ascending structure remains intact

### Level | Role

1.1640 : Major support

1.1740 : New support

1.1825-1.1850 : Major resistance

1.2000 : Bullish target

### Conclusion

May was a month of stabilization and recovery for EUR/USD.

The pair:

- Defended 1.1640
- Reclaimed 1.1740
- Advanced toward 1.1850

» The medium-term bullish structure remains intact, with a break above 1.1850 reopening the path toward 1.2000.



## June 2026 Outlook

EUR/USD enters June in a stronger position after recovering during May and reclaiming 1.1740, while approaching the key 1.1825-1.1850 resistance zone.

Key developments:

- 1.1640 support held multiple times.
- Geopolitical risks became less dominant.
- Focus shifted back to monetary policy and macro fundamentals.

» June is likely to determine whether the March-April correction was temporary or the start of a broader consolidation.

### Macro Environment

#### US - Federal Reserve

The Fed remains the primary driver of USD direction.

Key themes:

- Inflation continues to moderate.
- Markets still expect further rate cuts later in 2026.
- Treasury yields have stabilized.

» Additional signs of U.S. weakness would likely support EUR/USD.

#### EU - European Central Bank

The ECB remains in a relatively comfortable position:

- Inflation is near target.
- Policy remains stable.
- The ECB continues to signal patience.

» Policy divergence remains slightly supportive for the euro.

#### Energy Markets

Oil remains an important variable.

#### Bullish EUR scenario:

- Stable or lower oil prices.
- Improving European growth.
- Better risk sentiment.

#### Bearish EUR scenario:

- Renewed Middle East escalation.
- Rising oil prices.
- Deteriorating Eurozone growth.

### Technical Structure

The May recovery improved the technical outlook:

- Higher lows are emerging.
- Sellers failed to break 1.1640.
- Buyers reclaimed 1.1740.

### Key Levels

#### Level | Role

1.1640 ! Major support

1.1740 ! Key support

1.1825-1.1850 | Major resistance

1.2000 | Primary target

1.2080-1.2200 | Extended target

### Scenario Analysis - June 2026

#### Base Case (Most Likely)

- Fed easing expectations remain intact.
- Geopolitical risk premium continues to fade.
- Technical structure improves above 1.1740.

Expected range: 1.1700-1.2050

» **Moderately bullish.**

### Bullish Scenario

If:

- U.S. data softens further.
- Markets price additional Fed cuts.
- Oil prices continue declining.

Then:

- Break above 1.2000
- Target 1.2080
- Potential extension toward 1.2200

### Bearish Scenario

If:

- Middle East tensions escalate.
- Oil prices surge.
- USD safe-haven demand returns

Then:

- Failure at 1.1850
- Retest 1.1740
- Potential move toward 1.1640

**Immediate Momentum:** Improving.

**Medium-Term Trend:** Bullish.

**Key Support:** 1.1740 remains the first support level and the key reference for maintaining positive momentum.

**Structural Support:** 1.1640 remains the major structural support and the level that protects the broader bullish trend.

**Key Resistance:** 1.1825-1.1850 is the critical resistance zone that buyers need to overcome to confirm a continuation higher.

**Primary Target:** 1.2000 remains the next major upside objective and psychological barrier.

**Extended Target:** A successful breakout above 1.2000 could open the path toward 1.2080-1.2200.

**Main Risk:** Renewed geopolitical escalation, particularly in the Middle East, which could boost USD safe-haven demand and pressure EUR/USD lower.

### Conclusion

EUR/USD enters June with improving momentum and an intact medium-term bullish structure.

As long as 1.1740 holds, the balance of risks favors a gradual move higher. A break above 1.1850 would strengthen the recovery outlook and reopen the path toward 1.2000+.

## GBP/USD

### May 2026 Recap

May confirmed the bearish scenario outlined in the previous outlook, with GBP/USD breaking below the critical 1.3200 support level after weeks of consolidation. The month was driven by:

- Persistent geopolitical uncertainty.
- Elevated energy and inflation concerns.
- Weakening UK growth expectations.
- Continued selling pressure on sterling.

### Price Action Overview

GBP/USD remained under pressure throughout May, failing to recover above the 1.3350-1.3450 resistance zone.

The key technical event was the break below 1.3200, which accelerated downside momentum and confirmed sellers' control of the market.

### Technical Behaviour

The breakdown of 1.3200 marked a transition from April's consolidation phase into a clear bearish trend. Repeated failures to reclaim 1.3350-1.3400 reinforced the negative structure and confirmed weak buying interest.

### Macro & Geopolitical Influence

Geopolitical tensions and elevated energy prices continued to weigh on market sentiment.

For the UK, this translated into:

- Persistent inflation concerns.
- Pressure on household spending.
- Ongoing uncertainty regarding Bank of England policy.

As a result, sterling remained vulnerable throughout the month.

### Key Levels

#### Level | Significance

- 1.3450-1.3500 | Major resistance
- 1.3350 | Rejection zone
- 1.3200 | Broken support
- 1.3000 | Primary downside target
- 1.2850 | Emerging long-term support

### Conclusion

May was a decisively bearish month for GBP/USD. The break below 1.3200 confirmed a deterioration in the medium-term structure and shifted focus toward the 1.3000 area.

» Sellers enter June in control, while any recovery toward 1.3350-1.3400 is likely to face strong resistance.

### Strategic Takeaway

The loss of 1.3200 was the defining event of May. Going into June:

- 1.3000 becomes the key battleground.
- Recoveries are likely to be sold into below 1.3400.
- Downside risks remain dominant while geopolitical uncertainty persists.



## June 2026 Outlook

### Starting Point: Post-May Structure

June begins with a weaker GBP/USD backdrop after May confirmed the breakdown below the critical 1.3200 support zone.

The market enters June with:

- Confirmed bearish structure.
- Price near the psychological 1.3000 level.
- Ongoing geopolitical uncertainty.
- Persistent UK growth and inflation concerns.

» Focus now shifts to whether 1.3000 can hold as the next major structural floor.

### Technical Structure for June

**Trend status:** Bearish across short and medium-term timeframes, with the long-term structure under pressure after the May breakdown.

#### Key levels:

- 1.3200-1.3250: Major resistance.
- 1.3000-1.3100: Recovery zone.
- 1.3000: Key battleground.
- 1.2850-1.2900: Next structural support.
- 1.2600-1.2700: Extended downside target.

» A sustained break below 1.3000 would likely trigger another wave of selling.

### Macro & Geopolitical Dynamics

GBP remains highly sensitive to Middle East developments and energy prices.

If tensions persist or escalate:

- Risk-off sentiment strengthens.
- Energy prices may rise.
- Inflation risks increase.
- GBP remains under pressure.

If tensions ease:

- Relief rallies become possible.
- GBP/USD may retest former support levels.

### Energy, Inflation & BoE Policy

The UK remains vulnerable to higher energy costs, which pressure consumers, businesses, and inflation expectations.

The Bank of England faces a difficult balance:

- Weak growth argues for lower rates.

- Energy-driven inflation argues for caution.
- » Policy uncertainty remains a headwind for sterling.

### Scenario Framework - June

#### **Base Case:** 1.2800-1.3100

GBP/USD remains below former support, with 1.3000 repeatedly tested and bearish momentum slowing.

#### **Bearish Scenario:** 1.2600-1.2900

A decisive break below 1.3000 would confirm broader bearish continuation.

#### **Recovery Scenario:** 1.3000-1.3250

If geopolitical tensions ease and energy prices stabilize, GBP/USD may recover toward former support, though 1.3200-1.3250 should act as strong resistance.

### Final Outlook - June 2026

Bias: Bearish

Key Level: 1.3000

Primary Range: 1.2800-1.3100

Downside Risk: 1.2600

Invalidation: Sustained recovery above 1.3250

### Strategic Takeaway

GBP/USD remains in a sell-on-rallies environment after the May breakdown shifted control to sellers.

June will likely focus on whether 1.3000 stabilizes the market or becomes the next support level to fail.

» Unless geopolitical conditions and risk sentiment improve meaningfully, the path of least resistance remains to the downside.

# USD/JPY

## May 2026 Recap

### Price Action Overview

May confirmed continued bullish momentum in USD/JPY, although gains moderated after April's breakout above the long-term resistance near ¥159.

The pair consolidated above the former breakout zone, with ¥159.00-159.50 successfully turning into support. Pullbacks were consistently bought, keeping USD/JPY near multi-year highs.

### Key Drivers During May

#### U.S. Dollar:

Resilient U.S. data, sticky inflation, strong employment, and elevated Treasury yields kept the USD supported.

#### Bank of Japan:

The BoJ maintained a gradual approach to policy normalization, preserving a wide U.S.-Japan yield differential.

#### Intervention Risk:

Concerns increased above ¥160, but no intervention was strong enough to reverse the broader trend.

### Technical Breakdown

USD/JPY opened May trading above ¥159, confirming that the April breakout remained valid.

During the month, the pair tested the former breakout area but buyers successfully defended the key support zone.

USD/JPY also moved above ¥160, establishing new multi-year highs and reinforcing the bullish structure.

The pair closed the month near its highs, confirming that bullish momentum remained intact.

Overall, the structure continued to show higher highs and higher lows, supporting a strong continuation pattern.

### Key Technical Observations

- Breakout above ¥159.50 was validated.
- Former resistance became strong support.
- Higher highs and higher lows remained intact.
- Momentum stayed positive, though increasingly stretched.

### Conclusion

- May reinforced the bullish USD/JPY narrative after April's breakout.
- Resilient U.S. data, a cautious BoJ, wide yield differentials, and sustained demand kept the pair near multi-year highs.
- Intervention risks increased above ¥160, but the broader trend remained positive.

### Forward Implication

- Going into June, the focus shifts to whether USD/JPY can hold sustainably above ¥160 and extend toward ¥162-165.
- As long as the pair remains above ¥159.00, the medium-term outlook continues to favor upside continuation.



## June 2026 Outlook

### **Overall Bias: Bullish, but Entering an Overextended Zone**

USD/JPY enters June following two consecutive months of strong gains and a confirmed breakout above the long-term resistance zone at ¥159.00-159.50.

The broader trend remains firmly bullish, supported by favorable yield differentials and persistent weakness in the Japanese yen. However, after the strong advance seen since April, the market is becoming increasingly stretched, raising the probability of corrective pullbacks and intervention-related volatility.

### **Technical Structure (USD/JPY)**

Primary Support: 159.00 - 159.50 » Former breakout zone, now major support

Secondary Support: 156.50 - 157.50 » Previous consolidation area

Immediate Resistance: 162.50 - 163.00 » Near-term upside target

Major Resistance: 164.50 - 165.50 » Extension target from breakout pattern

Invalidation Level: Below 156.00 » Would signal loss of bullish momentum

### **Macro Drivers**

#### **Federal Reserve**

The market continues to reassess the timing and magnitude of future Fed rate cuts.

Recent U.S. economic data has shown:

- Inflation proving more persistent than expected.
- Labor market conditions remaining relatively resilient.
- Consumer spending holding up despite tighter financial conditions.

As a result, expectations for aggressive monetary easing have been pushed further out, providing continued support for the U.S. dollar.

#### **Bank of Japan**

- The BoJ remains the key source of weakness for the yen.
- While inflation and wage growth continue to support the case for policy normalization, the central bank remains cautious and reluctant to tighten aggressively.
- Markets increasingly believe that any normalization process will be gradual, limiting support for the Japanese currency.

#### **Intervention Risk**

- As USD/JPY continues to trade above ¥160, the risk of intervention remains significant.
- Japanese authorities have repeatedly expressed concerns regarding excessive currency weakness.

- Even if direct intervention occurs, market participants may continue to view pullbacks as buying opportunities unless there is a fundamental shift in BoJ policy.

### **June 2026 Scenarios**

**Bullish Continuation (Base Case):** USD remains supported while the BoJ maintains a cautious stance.

**Expected range:** ¥160.00 - ¥164.00

**Consolidation Scenario:** Profit-taking and intervention concerns slow the advance.

**Expected range:** ¥158.00 - ¥162.00

**Bearish Correction:** Triggered by weaker U.S. data or a more hawkish Bank of Japan.

**Expected range:** ¥155.00 - ¥158.00

### **Key Events - June 2026**

**June 5 - Non-Farm Payrolls (NFP):** Strong employment data would support the U.S. dollar.

**June 11 - U.S. CPI:** Higher inflation could delay Fed rate cuts and strengthen the USD.

**June 18 - FOMC Meeting:** Key guidance regarding the Federal Reserve's policy outlook for H2 2026.

**June 26 - Tokyo CPI:** Stronger inflation may increase support for the Japanese yen.

**Throughout June - Bank of Japan Commentary:** Any hawkish shift could increase volatility and support JPY.

### **Conclusion**

June is likely to remain a bullish month for USD/JPY, although the pace of gains may slow compared to April and May.

The breakout above ¥159.00 remains fully intact, and as long as that zone continues to hold as support, the broader uptrend remains in control. However, with USD/JPY now trading at levels that historically attract official attention, intervention risk and profit-taking activity are likely to increase.

#### **Key Level to Watch:**

¥159.00 - ¥159.50

- Holding above this zone keeps the bullish trend intact.
- A sustained move below it would suggest a deeper correction toward the ¥156-157 area.

### **Final Take**

The long-term trend remains bullish, with upside potential toward ¥163-165 during the summer months. However, volatility is expected to increase as markets balance strong momentum against rising intervention risks and evolving central bank expectations.

# USD/CHF

## May 2026 Recap

### Overview

May 2026 was characterized by a continuation of the broader bearish environment for USD/CHF, although the pace of the decline moderated compared to previous months. Markets spent much of the month reassessing the outlook for U.S. monetary policy while maintaining strong demand for defensive assets, allowing the Swiss franc to remain one of the strongest currencies within the G10 complex.

The pair remained influenced by the same themes that dominated the first quarter of 2026: expectations of Federal Reserve easing, SNB passivity, and persistent safe-haven demand for the Swiss franc.

### Key Drivers

#### 1. Federal Reserve Expectations

Markets increasingly focused on the timing and magnitude of future Fed rate cuts. Easing inflation pressures reinforced expectations of a more accommodative policy stance, limiting USD recovery.

#### 2. Swiss Franc Strength

The CHF continued to benefit from its safe-haven status. Ongoing geopolitical uncertainty and the SNB's passive stance supported demand for the currency.

#### 3. Risk Sentiment

Periods of market caution and concerns over global growth encouraged defensive positioning, favoring the Swiss franc over the U.S. dollar.

### Technical Developments

May largely confirmed the broader bearish structure:

- The long-term descending trend remained intact.
- Former support levels continued to act as resistance.
- USD buying interest remained limited.
- Downside momentum slowed but was not reversed.

The market appeared to transition from an acceleration phase into a consolidation phase within the broader downtrend.

### Summary (May 2026)

- Fed easing expectations remained negative for USD.
- Easing U.S. inflation reduced dollar support.
- SNB policy and safe-haven demand remained supportive for CHF.
- Global growth concerns favored defensive assets.
- The broader bearish USD/CHF trend remained intact.

### Conclusion

May reinforced the dominant USD/CHF narrative of 2026: a structurally strong Swiss franc versus a U.S. dollar facing growing expectations of monetary easing.

Although downside momentum moderated, the broader trend remained unchanged, leaving USD/CHF positioned for further moves driven by inflation data, central bank communication, and shifts in global risk sentiment.



## May 2026 Outlook

### Context Overview

USD/CHF enters June 2026 after another month dominated by the broader bearish trend that has defined the pair since 2023. While May did not deliver an aggressive acceleration lower, it reinforced the underlying narrative of a structurally weak U.S. dollar against a resilient Swiss franc.

The pair remains positioned near the lower boundary of the multi-year descending channel, with market participants increasingly debating whether the current levels represent the beginning of a longer-term base or simply a pause before another leg lower.

The broader macro backdrop remains largely unchanged:

- Markets continue to anticipate further Federal Reserve easing during 2026.
- The SNB remains passive despite CHF strength.
- Safe-haven demand continues to provide support for the franc.
- Technical momentum remains biased to the downside.

### Key Drivers for June:

#### 1. Federal Reserve Expectations

- Inflation and labor market data remain the primary drivers for USD direction.
- Stronger U.S. data could reduce easing expectations and support the dollar.
- Weaker data would reinforce expectations of additional Fed accommodation and maintain pressure on USD/CHF.

#### 2. Swiss Franc Positioning

- The SNB remains comfortable with current CHF strength.
- Safe-haven demand continues to provide structural support for the franc.
- Any deterioration in global risk sentiment is likely to favor CHF inflows.

### Technical Outlook

The long-term descending channel remains intact, although downside momentum has moderated compared to earlier in the year.

### Key Levels

0.7300 - Major support and primary downside target.

0.7200 - Extended bearish objective.

0.7400 - Near-term resistance.

0.7600 - Major structural resistance.

Any recovery below 0.7600 should be viewed as corrective rather than trend-changing.

### Scenario Framework

#### Scenario 1: Base Case (Most Likely)

- Continued Fed easing expectations.
- CHF remains supported by defensive flows.
- USD/CHF gradually extends toward 0.7300, with potential continuation toward 0.7200.

#### Scenario 2: Consolidation Scenario

- Mixed economic data and limited central bank surprises.
- USD/CHF trades between 0.7300 and 0.7400 while markets reassess policy expectations.

#### Scenario 3: Corrective Recovery Scenario

- Stronger U.S. data or less dovish Fed communication.
- USD/CHF rebounds toward 0.7400-0.7600.
- The broader bearish outlook remains intact unless 0.7600 is reclaimed.

### Strategic Summary

June is likely to be another month where the market tests the balance between trend continuation and exhaustion.

The dominant trend remains bearish, but after several months of CHF outperformance, positioning has become increasingly stretched. This raises the probability of temporary corrective rallies, particularly if U.S. data surprises to the upside.

Nevertheless, unless USD/CHF can reclaim 0.7600, the broader outlook remains firmly negative, with risks still skewed toward a test of 0.7300 and potentially 0.7200 later in the summer.

# USD/CAD

## May 2026 Recap

### Monthly Overview

May marked a decisive shift in sentiment for USD/CAD, with the pair breaking out of the consolidation range that had dominated trading since February. After several months trapped between support near 1.3500 and resistance around 1.3750, markets increasingly focused on diverging economic prospects between the United States and Canada.

### Price Action & Technical Developments

#### 1. Pressure on 1.3500 Support

The key development was repeated pressure on the 1.3500 floor.

Drivers:

- Weaker USD sentiment
- CAD support from commodities
- U.S. rate repricing

#### 2. Bearish Momentum

Lower highs remained intact, recovery attempts were sold, and buyers failed to regain control.

### Fundamental Drivers

**United States:** Moderating inflation, slower growth, and Fed easing expectations limited USD upside.

**Canada:** Stable domestic conditions, cautious BoC, and commodity strength supported CAD.

**Oil:** Elevated prices remained a key tailwind for the Canadian dollar.

### Market Sentiment

Positioning shifted toward CAD as markets priced lower U.S. rates and stronger commodity-linked currencies.

### Summary & Implications

May confirmed continued downside pressure on USD/CAD. Key points:

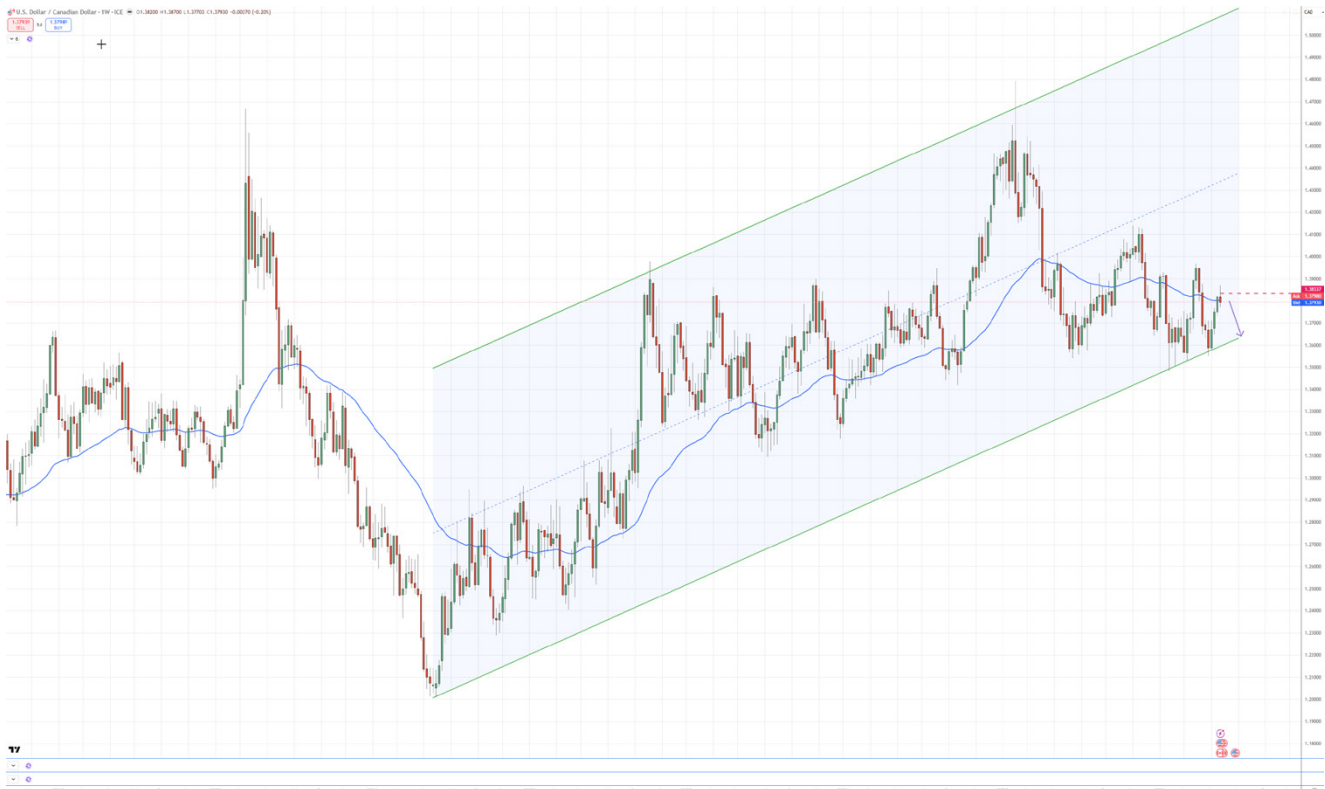
- 1.3500 remains the key support.
- Oil continued to support CAD.
- Fed easing expectations weighed on USD.
- Sentiment favored CAD.

### Looking Ahead

As June approaches, traders will focus on:

- Federal Reserve policy signals.
- U.S. inflation and employment data.
- Oil price sustainability above current elevated levels.
- Potential confirmation of a broader medium-term bearish trend in USD/CAD.

The balance of risks remains tilted toward further CAD strength unless a significant shift occurs in either Federal Reserve policy expectations or global commodity markets.



## June 2026 Outlook

### **Starting Position (End of May 2026)**

USD/CAD enters June with a bearish medium-term bias after several months of pressure around the 1.3500 support zone.

Markets remain focused on three key themes:

- Federal Reserve rate-cut expectations.
- Canadian dollar strength supported by commodities.
- Global growth and risk sentiment.

The key question for June is whether USD/CAD can establish a new lower trading range below 1.3500.

### **Monetary Policy Outlook**

#### **US - Federal Reserve**

Markets continue to monitor inflation, labour market data, and consumer spending for clues on the timing of Fed easing.

- Softer data would reinforce USD weakness.
- Stronger data could delay rate-cut expectations and provide temporary support for USD/CAD.

#### **CA - Bank of Canada**

The BoC remains in a relatively stable position.

- Inflation has moderated.
  - Labour market conditions remain healthy.
  - Pressure for aggressive easing remains limited.
- » CAD continues to benefit from a more stable policy outlook.

### **Oil Market Remains a Key Driver**

Oil continues to provide structural support for the Canadian dollar.

With prices remaining elevated, Canada benefits from:

- Stronger export revenues.
- Improved terms of trade.
- Continued demand for commodity-linked currencies.

» As long as oil remains supported, CAD is likely to retain an advantage over USD.

### **Technical Outlook**

Key Levels

- 1.3700-1.3750 » Major resistance zone.
- 1.3850 » Medium-term recovery target.
- 1.3500 » Critical structural support.
- 1.3350-1.3400 » Next downside objective.
- 1.3200 » Longer-term bearish target.

### **Scenario Outlook - May 2026**

#### **Base Case (Bearish Bias - Most Probable)**

### **Scenario Analysis - June 2026**

Oil continues to provide structural support for the Canadian dollar.

With prices remaining elevated, Canada benefits from:

**Base Case (Most Likely)** Range: 1.3350 - 1.3650

- Fed easing expectations remain intact.
  - Oil prices stay elevated.
  - CAD remains fundamentally supported.
- » USD/CAD gradually extends its bearish trend.

**Consolidation Scenario** Range: 1.3500 - 1.3750

- Markets await clearer Fed guidance.
  - Oil stabilizes.
  - No major economic surprises.
- » Sideways trading continues.

**Bullish USD Scenario** Range: 1.3750 - 1.3900

- U.S. inflation reaccelerates.
  - Fed pushes back against easing expectations.
  - Oil prices weaken.
- » USD stages a temporary recovery.

### **Strategic View**

The broader structure continues to favour the Canadian dollar.

The combination of:

- Elevated oil prices,
  - Prospective Fed easing,
  - Stable Canadian fundamentals,
- keeps the medium-term bias tilted against USD/CAD.

1.3500 remains the key technical level. A sustained break below this area would expose 1.3350 and potentially 1.3200 later in the year.

### **Conclusion**

June is likely to remain driven by monetary policy expectations and commodity markets.

Bias: Bearish

**Key Level:** 1.3500

**Primary Range:** 1.3350-1.3650

**Main Risk:** Stronger U.S. economic data or a sharp decline in oil prices.

» Unless macro conditions shift materially, the balance of risks remains tilted toward CAD strength and further pressure on USD/CAD.

# AUD/USD

## May 2026 Recap

### Performance Overview

May was a strong recovery month for AUD/USD, with the pair breaking out of the consolidation range that had dominated trading since March. Improving risk sentiment, softer USD dynamics, and resilient commodity markets allowed buyers to regain control and recover much of the ground lost during the March correction. As a result, AUD/USD ended the month in a significantly stronger technical position.

### Price Action & Technical Behaviour

The pair spent the first half of May holding above the critical 0.6900 support zone, confirming the resilience of the broader bullish structure. During the second half of the month, AUD/USD challenged the 0.7100 resistance area, while momentum indicators improved and higher highs and higher lows became increasingly visible. The market increasingly viewed the March selloff as a temporary correction rather than the beginning of a broader trend reversal.  
» The technical structure strengthened throughout May.

### Key Drivers

**Geopolitics:** Risk-off pressure eased as markets became more comfortable with the geopolitical backdrop.

**Fed Expectations:** Moderating U.S. inflation and future easing expectations weighed on the USD.

**Australia, China & Commodities:** Stable Australian data, improving China sentiment, and firm commodities supported AUD demand.

### Technical Structure

Key Levels:

- 0.7100-0.7120 » Major resistance tested during May.
- 0.7000 » Psychological support.
- 0.6940-0.6900 » Critical structural support.
- 0.7200-0.7250 » Next major upside target.

### Market Tone & Positioning

Investor sentiment improved noticeably during May. Volatility declined, positioning shifted back toward growth and commodity-linked assets, and AUD benefited from both stronger risk appetite and a softer U.S. dollar.

### Conclusion

May marked a constructive recovery for AUD/USD, supported by improving risk sentiment, softer USD dynamics, and resilient commodity markets.

The broader bullish structure remains intact, with 0.6900 as key support and 0.7200-0.7250 as the next upside target. broader bullish trend rather than the start of a sustained reversal.



## June 2026 Outlook

### Executive Summary

AUD/USD enters June with a constructive bias following the recovery seen throughout May. The pair has largely absorbed the March geopolitical shock and re-established a more stable technical structure. Attention now shifts back to traditional macro drivers, particularly Federal Reserve policy, Chinese economic data, and Australian fundamentals. While the broader trend remains bullish, AUD/USD is approaching a key resistance zone that will likely determine whether the rally can extend further during Q3.

### Key Macro Themes

#### US - Federal Reserve

Markets continue to anticipate Fed easing during the second half of 2026. Key focus areas include:

- Inflation data
- Labour market conditions
- FOMC communication

Further signs of slowing U.S. growth would likely weigh on the USD, while stronger data could delay easing expectations and provide temporary support to the dollar.

#### AU - Australia

Domestic conditions remain relatively stable, with inflation moderating and the RBA expected to maintain its current policy stance.

As a result, external developments are likely to remain the primary driver of AUD performance during June.

#### China

China remains the most important external catalyst for AUD. Markets will closely monitor:

- Industrial activity
- Retail sales
- Credit growth
- Potential stimulus measures

Continued stabilization would support commodity demand and AUD sentiment, while renewed weakness could limit upside momentum.

### Geopolitical Environment

Geopolitical risks remain present but are no longer the dominant market driver.

Unless tensions escalate significantly, macroeconomic fundamentals are expected to remain the primary influence on AUD/USD direction.

### Technical Assessment

The recovery established during May has improved the broader technical picture. Key observations:

- Momentum remains constructive.
- AUD/USD continues to hold above the critical 0.6900 support.

- A sustained break above 0.7200 could open the path toward 0.7350-0.7400.
- Failure to overcome resistance may result in renewed consolidation.

### Strategic View

The medium-term outlook remains constructive. The January-February bullish structure survived the March correction and has gradually rebuilt through April and May. Buyers now face the important 0.7200-0.7250 resistance zone, where fresh macro support will likely be required to sustain the advance.

Key levels to monitor:

- Above 0.7200: Confirms continuation of the bullish trend.
- Below 0.7000: Signals loss of momentum and increased consolidation risk

### Conclusion

June is likely to be a confirmation month for AUD/USD.

The pair enters the month with improving momentum, supportive risk sentiment, and ongoing expectations of Fed easing. As long as China remains stable and global growth concerns stay contained, the broader bias remains constructive.

The 0.7200-0.7250 zone remains the key resistance area. A successful break would reinforce the bullish structure and open the door toward 0.7350-0.7400 later in 2026.

## NZD/USD

### May 2026 Recap

#### Federal Reserve Expectations

Throughout May, markets remained focused on the timing of the Federal Reserve's first rate cut. Inflation continued to moderate while labour market conditions softened gradually.

As a result, expectations for policy easing later in 2026 remained largely intact, limiting USD strength and providing support for risk-sensitive currencies such as the New Zealand dollar.

#### New Zealand Economic Conditions

Domestic data continued to point toward a stabilising environment. While growth remained modest, inflation trends allowed the RBNZ to maintain a patient policy stance.

The absence of major negative surprises helped improve confidence in the NZD, although investors remained cautious regarding the medium-term growth outlook.

#### Global Risk Sentiment

Global markets maintained a constructive tone throughout May. Equity markets remained firm, volatility stayed subdued, and demand for higher-yielding currencies improved.

This environment continued to support the NZD, particularly alongside gradually declining U.S. yields.

#### Technical Structure & Market Behaviour

NZD/USD continued to trade within the recovery structure established earlier in the year.

- Buyers defended the 0.5980-0.6000 support region.
- Resistance near 0.6100 continued to cap upside progress.
- Volatility remained moderate as the pair consolidated recent gains.

#### Key Technical Levels

0.5980-0.6000 : Major structural support

0.6100: Key resistance

0.6240: Medium-term upside target

0.5920: Initial downside trigger

#### Institutional Positioning & Flow Dynamics

Institutional positioning remained moderately constructive toward the NZD.

- Investors continued to view pullbacks toward 0.6000 as buying opportunities.
- Macro funds maintained a cautious long bias.
- Systematic flows remained supportive while price held above key support levels.

Overall, positioning suggested growing confidence in the recovery, although conviction remained below levels typically associated with a strong trending environment.

#### Executive Summary

May 2026 was characterised by continued consolidation within NZD/USD's broader recovery structure. The pair remained supported by expectations of future Fed easing, stable domestic conditions, and improving global risk sentiment. While NZD/USD was unable to break decisively above 0.6100, buyers successfully defended the 0.5980-0.6000 support zone, preserving the constructive medium-term outlook. Institutional sentiment remained cautiously positive, with markets increasingly focused on whether upcoming macro developments can provide the catalyst for a move toward the 0.6240 region later in the year.



## NZD/USD

### June 2026 Outlook

June could prove to be a pivotal month for NZD/USD as markets move closer to what is widely expected to be the beginning of the Federal Reserve's easing cycle.

#### **Federal Reserve**

Market attention remains firmly focused on the June FOMC meeting, which could provide further clarity regarding the timing and pace of policy easing.

- Investors will closely monitor:
  - U.S. CPI and PCE inflation data
  - Labour market indicators
  - Updated economic projections from the Federal Reserve

Should inflation continue its gradual moderation, expectations for monetary easing are likely to strengthen, potentially exerting further downward pressure on the USD.

However, any resurgence in inflationary pressures could delay policy easing and support a temporary USD recovery.

#### **Reserve Bank of New Zealand (RBNZ)**

- The RBNZ continues to balance a stabilising inflation environment against relatively weak economic growth.
- Current market expectations suggest that the central bank will remain cautious, with no immediate need for aggressive policy adjustments.
- As a result, domestic economic releases will play an increasingly important role in shaping NZD sentiment during June.

#### **Global Growth & Risk Sentiment**

- Global risk appetite remains a key driver for NZD performance.
- Improving Chinese economic activity, stable commodity markets, and resilient global equity performance would continue to support demand for cyclical currencies such as the New Zealand dollar.

#### **Executive Summary**

NZD/USD enters June 2026 with a constructive medium-term outlook following several months of consolidation above key structural support. The market remains focused on the Federal Reserve's policy trajectory, with expectations for future easing continuing to provide a supportive backdrop for the New Zealand dollar. While the pair has yet to break decisively above the 0.6100 resistance zone, the broader technical structure remains favourable. A successful breakout would likely attract renewed institutional participation and open the path toward the 0.6240-0.6350 region during the second half of the year. Until then, consolidation remains the most probable near-term outcome, with a cautiously bullish bias prevailing.

- Conversely, any deterioration in global growth expectations or renewed geopolitical tensions could favour safe-haven flows into the U.S. dollar.

#### **Technical Structure & Key Levels**

0.5980-0.6000: Major structural support

0.6100: Primary resistance and breakout trigger

0.6240: Medium-term upside objective

0.5850: Secondary support zone

0.5740: Major downside support

#### **Technical Assessment**

The pair continues to hold above the former long-term descending trendline that was broken in January.

The broader sequence of higher lows remains intact.

Weekly momentum indicators continue to favour the bulls:

- RSI remains above neutral territory.
- MACD remains positive, although momentum has moderated following the consolidation phase.

A sustained break above 0.6100 would likely confirm the next bullish leg higher.

#### **Institutional Positioning & Strategy**

Institutional investors remain cautiously constructive on NZD/USD.

Key observations:

- Continued demand on pullbacks toward the 0.6000 area.
- Limited appetite to aggressively increase long exposure until resistance levels are decisively breached.
- Macro funds remain focused on the evolving Fed narrative, which continues to be the primary driver of medium-term USD direction.

#### **Scenario Map - June 2026**

**Bullish Breakout:** Fed easing + stable NZ data + supportive risk sentiment could push NZD/USD above 0.6100 toward 0.6240-0.6350.

**Consolidation:** Mixed macro signals keep the pair within 0.5980-0.6100.

**Bearish Pullback:** Hawkish Fed or weaker risk sentiment could send NZD/USD toward 0.5850-0.5740.

# Oil Market

## May 2026 Recap

May 2026 was a pivotal month for the oil market, with WTI remaining above \$100 per barrel amid escalating Middle East tensions and growing uncertainty following the UAE's departure from OPEC+. Markets balanced ongoing supply disruption risks against the possibility of higher future production, resulting in elevated volatility and a sustained geopolitical risk premium.

### Price Performance

- WTI traded above \$100 per barrel for most of the month.
- Volatility remained elevated due to geopolitical developments and producer announcements.
- Buyers consistently supported pullbacks, keeping the broader trend intact.

WTI's ability to hold above \$100 confirmed that geopolitical concerns remained the dominant market driver.

### Key Market Drivers

#### 1. Escalation of the Iran Conflict

The Iran conflict remained the main support for oil prices, keeping supply-risk premium elevated despite no major physical disruption. Prices were maintained by ongoing uncertainty.

#### 2. UAE Exit from OPEC+

The UAE's departure raised concerns over OPEC+ cohesion and future supply discipline, adding volatility to the market.

#### 3. OPEC+ Caution

Major producers avoided aggressive production increases, reinforcing the perception of continued supply discipline.

#### 4. Resilient Demand

Demand remained stronger than expected, with Asian buyers still active and limited evidence of major demand destruction.

#### 5. Financial Flows

Commodity funds and hedging activity supported prices, with oil increasingly treated as a geopolitical hedge.

### Conclusion

May 2026 confirmed that geopolitical risks remained the dominant force in the oil market. Despite concerns surrounding OPEC+ and future supply, WTI held firmly above \$100 per barrel, supported by resilient demand and persistent geopolitical uncertainty.

As June begins, markets will focus on developments in the Middle East, OPEC+ dynamics, and whether elevated prices start to impact global demand.



## June 2026 Outlook

WTI enters June 2026 at the center of a highly volatile geopolitical and energy market landscape. The ongoing conflict involving Iran continues to dominate price formation, while the recent departure of the United Arab Emirates from OPEC and OPEC+ has introduced a new layer of uncertainty regarding future supply coordination.

The market remains caught between two opposing forces:

- **Bullish:** elevated geopolitical risk, supply security concerns, and strategic stockpiling.
- **Bearish:** the potential for higher production from non-OPEC suppliers and growing concerns that sustained triple-digit oil prices may begin to erode demand.

As a result, June is expected to remain a month of elevated volatility, with crude prices highly sensitive to geopolitical developments and producer policy decisions.

### Expected Price Range

- Base Case: \$100 - \$120 per barrel
- Bullish Scenario: \$120 - \$140 per barrel
- Bearish Scenario: \$90 - \$100 per barrel

The market is expected to remain firmly within a triple-digit price environment unless a meaningful de-escalation occurs in the Middle East.

### Supply & Demand Fundamentals

#### Supply Side

- The conflict involving Iran continues to create uncertainty surrounding Middle Eastern exports and shipping routes.
- The UAE is expected to gradually pursue a more independent production strategy following its departure from OPEC+, although a significant production increase is unlikely to occur immediately.
- Saudi Arabia remains the key stabilizing force in global oil markets and may face increasing pressure to compensate for any disruptions.
- U.S. shale producers continue to benefit from elevated prices, although production growth remains constrained by labor shortages, capital discipline, and infrastructure limitations.

#### Demand Side

- Global demand has remained surprisingly resilient despite crude trading above \$100/bbl for several months.
- China and India continue to secure crude supplies aggressively, partly driven by energy security considerations.

However, signs of demand destruction are beginning to emerge:

- Higher transportation costs.
- Reduced fuel consumption growth in developed economies.
- Pressure on emerging-market importers.

While demand remains supportive, it is becoming increasingly sensitive to further price increases.

### Geopolitical Landscape

The geopolitical environment remains the dominant market driver. Key risks include:

- Further escalation involving Iran and regional actors.
- Potential disruption to shipping through the Strait of Hormuz.
- Additional sanctions or restrictions affecting energy flows.
- Increased military activity in the Gulf region.

Even in the absence of a physical supply interruption, the market is likely to maintain a significant geopolitical premium throughout June.

### Market Structure & Technical Outlook

- WTI remains in a strong long-term uptrend.
- The psychological \$100 level has become major support.
- Momentum remains positive, although the market is increasingly vulnerable to sharp corrections following several months of gains.

#### Key technical levels:

\$100 : Major structural support

\$95 : Secondary support

\$120 : Key resistance

\$130-140 : Escalation target zone

### Outlook Summary - June 2026 (WTI)

Expected Price Range: \$100 - \$120/bbl

Primary Driver: Iran conflict escalation

Secondary Driver: UAE post-OPEC strategy

Supply Conditions: Tight and uncertain

Demand Conditions: Resilient but increasingly price-sensitive

OPEC+ Cohesion: Weakened following UAE departure

Market Sentiment: Bullish with elevated volatility

Volatility: Very High

### Strategic Conclusion

June 2026 is expected to remain dominated by geopolitical developments rather than traditional supply-demand fundamentals. The market continues to price a substantial risk premium linked to the Iran conflict, while the UAE's departure from OPEC+ has raised longer-term questions about producer discipline and market stability.

Unless geopolitical tensions ease significantly, WTI is likely to remain comfortably above \$100 per barrel, with the risk skewed toward further upside spikes rather than a sustained correction. Market participants should remain prepared for heightened volatility and rapid repricing driven by geopolitical headlines.

# Gold

## May 2026 Recap

### Performance Overview

Gold spent May 2026 consolidating after the strong Q1 rally and April correction. Prices stabilized within the \$4,600-\$4,700 range as macro conditions, positioning flows, and geopolitical factors became more balanced.

The broader bullish trend remains intact, but near-term direction will depend on whether gold can rebuild momentum above key resistance levels.

### Macro & Policy Environment

#### Federal Reserve & Rate Expectations

Markets became less aggressive in pricing near-term rate cuts, while real yields and the U.S. dollar remained relatively firm.

This created a neutral-to-slightly bearish backdrop for gold. However, weaker inflation data or signs of economic slowdown could quickly revive easing expectations and support prices

#### Geopolitical & Structural Drivers

##### Persistent Risk Premium

The Iran conflict remained unresolved, but markets largely absorbed the initial shock.

Gold continued to benefit from safe-haven demand, although at a more moderate pace than in March.

##### Central Bank Demand

Central banks remained consistent net buyers, helping provide a structural floor for the market and supporting prices on pullbacks.

### Technical Structure

Gold remained in a consolidation range following April's correction.

#### Key Levels

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

#### Market Interpretation

- Price continues to hold above \$4,500
- Volatility has moderated from Q1 levels
- The market is building a range rather than extending the trend

### Institutional View

*Institutional sentiment remains constructive. While short-term momentum has cooled, central bank demand, geopolitical uncertainty, and long-term monetary trends continue to support the broader bullish outlook.*

### Key Variables to Monitor

- U.S. CPI and PCE data
- Real Treasury yields
- U.S. dollar strength
- Central bank buying activity
- Geopolitical developments

### Strategic Conclusion

May was primarily a consolidation month for gold. The market remains structurally bullish, with downside supported near \$4,500, while a move higher will likely require a new macro catalyst, particularly from monetary policy expectations.



## June 2026 Outlook

### Executive Summary

Gold enters June 2026 following a period of consolidation and stabilization after the sharp correction experienced in April. Having established a trading base in the \$4,500-\$4,800/oz region, the market appears to be transitioning from a corrective phase toward a more balanced environment where both macroeconomic developments and geopolitical risks will determine the next major directional move.

While the extraordinary momentum seen during Q1 has faded, the long-term structural drivers supporting gold remain intact. Central bank demand, geopolitical uncertainty, fiscal concerns in major economies, and expectations of lower interest rates continue to provide a favorable backdrop for the precious metal.

### Macro & Policy Environment

#### Federal Reserve and Interest Rate Expectations

June is expected to be heavily influenced by monetary policy expectations.

Markets remain focused on:

- U.S. inflation data
- Labor market conditions
- The June FOMC meeting
- Updated economic projections from the Federal Reserve

Should inflation continue to moderate while economic growth slows, expectations for policy easing later in 2026 could strengthen, providing support for gold. Conversely, any resurgence in inflation or stronger-than-expected economic data could maintain upward pressure on Treasury yields and limit upside potential.

### Geopolitical Environment

#### Middle East Developments

The Iran-related conflict remains unresolved and continues to provide an underlying safe-haven bid to the market. Key risks include:

- Potential disruptions to global energy supply chains
- Increased military involvement from regional actors
- Renewed volatility in oil markets

Although the market has largely priced in the initial shock, any escalation could rapidly reignite safe-haven demand.

#### Global Political Uncertainty

Investors continue monitoring:

- U.S. fiscal challenges
- Sovereign debt concerns
- Ongoing geopolitical tensions in Eastern Europe and Asia

### Technical Structure

Gold has spent recent weeks building a base after the significant correction from its March highs.

Key Levels

- Immediate support: \$4,500
- Secondary support: \$4,300
- Resistance zone: \$4,800 - \$4,900
- Major breakout level: \$5,000

The market is currently attempting to establish a medium-term equilibrium range.

A sustained move above \$4,900 would likely attract renewed momentum buying and improve the probability of a retest of the psychological \$5,000 level.

### Scenario Analysis - June 2026

Bullish Recovery: \$4,800 - \$5,100 » Softer inflation, weaker USD, renewed safe-haven demand

Base Case: \$4,500 - \$4,900 » Stable macro backdrop and continued consolidation

Bearish: \$4,300 - \$4,500 » Stronger economic data and higher real yields

### Institutional View

*"Gold enters June in a healthier and more sustainable position than earlier in the year. Following the correction and consolidation phases, the market has largely absorbed excessive positioning while maintaining strong structural support. The balance between monetary policy expectations and geopolitical developments will be the primary determinant of direction during the month."*

### Key Variables to Monitor

- U.S. CPI and PCE inflation releases
- June FOMC meeting and economic projections
- U.S. Treasury yields and real rates
- U.S. Dollar Index (DXY)
- Central bank reserve purchases
- Developments in the Iran conflict and energy markets

### Strategic Conclusion

June is expected to be a decision month for gold. The market has successfully stabilized after the extreme volatility of the first quarter, and the focus now shifts toward whether macroeconomic conditions will allow the next leg higher to develop.

While short-term volatility is likely to persist, the broader structural environment remains supportive, with gold continuing to play a critical role as both a portfolio hedge and a strategic reserve asset in an increasingly uncertain global landscape.

# S&P 500

## May 2026 Recap

### Executive Overview

May 2026 marked a significant improvement in market sentiment, with the S&P 500 recovering part of the losses experienced during March and April. The month was characterized by a gradual return of risk appetite as investors became increasingly confident that the geopolitical shock stemming from the Iran conflict would remain contained and would not evolve into a broader disruption of global energy markets. While uncertainty remained elevated compared to the beginning of the year, May represented the first meaningful indication that markets were beginning to look beyond geopolitical headlines and refocus on economic fundamentals.

### Geopolitical Environment - De-escalation Supports Markets

Geopolitical concerns eased throughout May as investors became more confident that the conflict would remain contained and supply disruptions would be limited.

As a result, the geopolitical risk premium faded, helping stabilize valuations and improve investor confidence.

### Macro Expectations Improve

Markets also benefited from a more constructive macro backdrop.

- Inflation concerns eased.

- Rate-cut expectations gradually returned.
- Growth fears moderated.

This supported equities and reduced concerns over a prolonged restrictive policy cycle.

### Market Behaviour & Investor Positioning

Investor sentiment improved noticeably during May.

- Exposure to equities increased.
- Growth sectors regained leadership.
- Market participation broadened.

Buying activity was driven by improving confidence rather than speculative enthusiasm.

### Regime Assessment

May confirmed that the March sell-off was primarily a geopolitical and macro repricing event.

Financial conditions remained supportive, allowing markets to transition from correction into a recovery and stabilization phase.

### Conclusion

- May marked a return of confidence to U.S. equities.
- Easing geopolitical concerns and improving macro expectations helped rebuild positive momentum, with investors increasingly shifting focus from downside risks to recovery opportunities.



## June 2026 Outlook

### **Executive Overview**

The S&P 500 enters June 2026 following a month of stabilization and improving sentiment. After the sharp correction experienced in March and the consolidation phase observed in April, May suggested that investors are becoming increasingly comfortable with the evolving macro environment. However, June is unlikely to be a straightforward continuation of the recovery. Markets now face a transition from geopolitical-driven pricing toward economic validation, where the focus shifts back to inflation, growth, and monetary policy expectations. The question for June is no longer whether markets can absorb geopolitical shocks, but whether economic conditions remain strong enough to justify current valuations.

### **Geopolitical Risk Begins to Fade**

The Iran conflict remains unresolved, but its influence on market direction has diminished significantly.

Investors have largely concluded that:

- The conflict is unlikely to evolve into a broader regional disruption.
- Global energy supply remains intact.
- The probability of a sustained energy shock has declined.

As a result, the geopolitical premium that weighed heavily on markets during March has continued to fade. This does not eliminate risk, but it shifts investor focus away from headlines and back toward fundamentals.

### **Monetary Policy Returns to the Forefront**

With geopolitical concerns becoming less dominant, attention returns to the Federal Reserve.

June will be heavily influenced by:

- - Inflation readings
- - Labour market data
- - Federal Reserve communication

Markets continue to anticipate eventual easing during the second half of 2026, but policymakers remain cautious.

The challenge for investors is that:

» Economic growth remains positive, but not strong enough to eliminate concerns, while inflation remains low enough to keep rate-cut hopes alive but not low enough to guarantee them. This creates an environment where expectations can shift quickly.

### **Market Behaviour & Positioning**

Investor behaviour has improved noticeably since March.

Several trends have emerged:

- Broader participation across sectors.
- Reduced demand for defensive positioning.
- Renewed interest in quality growth companies.
- Increased willingness to deploy capital on pullbacks.

Importantly, the market is beginning to transition from a defensive recovery phase toward a selective risk-on environment.

Confidence is returning, but conviction remains moderate.

### **Scenario Framework - June 2026**

#### **1. Bull Case**

- Inflation eases.
- Growth remains resilient.
- Fed turns more supportive.

» Market Response

- Recovery extends.
- Risk appetite improves.

#### **2. Base Case**

- Mixed economic data.
- Gradual inflation improvement.
- Fed stays cautious.

» Market Response

- Moderate gains.
- Healthy consolidation.

#### **3. Bear Case**

- Inflation surprises higher.
- Rate cuts are delayed.
- Growth remains too strong.

» Market Response

- Momentum weakens.
- Volatility rises.
- Defensive positioning returns.

### **Conclusion**

The S&P 500 enters June with a more constructive backdrop than at any point since the Iran-driven correction began.

Geopolitical concerns are gradually fading, investor confidence is recovering, and market participation is broadening.

However, the sustainability of the recovery now depends on economic fundamentals rather than external events.

The most likely outcome for June is a continuation of the stabilization process, with a moderate upward bias, provided inflation remains under control and the Federal Reserve maintains flexibility regarding future policy easing.

The market has moved beyond crisis management and is now focused on answering a more important question:

*"Can economic fundamentals support the next leg higher?"*

# STOXX50

May 2026 Recap

## Market Overview

May saw improving sentiment across European equities as investors shifted focus from geopolitical risks back to economic fundamentals and monetary policy expectations.

The STOXX Europe 50 remained resilient, supported by easing concerns over a broader economic disruption and a gradual recovery in risk appetite.

## Geopolitical Developments

The Iran conflict remained a key theme, but its market impact diminished as investors became more confident that:

- Energy supply routes would remain operational.
- Broader regional escalation was less likely.
- Policymakers would contain further instability.

As a result, the geopolitical risk premium continued to fade.

## Return of Macro Fundamentals

Macro factors regained importance during May.

Investors focused on:

- Progress in disinflation.
- ECB easing expectations.
- Stabilising economic activity.
- Improving business confidence.

Economic data continued to support a soft-landing narrative for Europe.

## Sector Performance & Rotation

Market leadership broadened during May:

- Industrials and Financials outperformed.
- Technology remained supported.
- Defensive sectors lagged as risk appetite improved.

This suggested a gradual rotation back toward growth-oriented sectors.

## Investor Sentiment & Positioning

Investor sentiment improved steadily throughout the month.

Institutional investors increased equity exposure as geopolitical concerns faded and confidence in the macro outlook improved.

## Conclusion

- May marked a return to a more constructive environment for European equities.
- Markets moved away from crisis-driven trading and back toward fundamentals, supported by improving confidence, stabilising macro conditions, and expectations of future monetary easing.



## June 2026 Outlook

### **Market Overview**

The STOXX Europe 50 enters June 2026 with a noticeably improved backdrop compared to the uncertainty that dominated the previous quarter. While geopolitical tensions in the Middle East remain unresolved, financial markets have largely adapted to the new environment, resulting in a gradual reduction of the risk premium that weighed on European equities during March and April.

Investors are increasingly shifting their attention back to economic fundamentals, corporate earnings prospects, and the expected path of monetary policy, allowing European equities to regain stability and rebuild confidence heading into the second half of the year.

### **Geopolitical Environment**

The conflict involving Iran remains a relevant market consideration, but its influence has become more indirect than immediate.

Markets are now operating under the assumption that:

- Major energy supply disruptions remain unlikely.
- Regional tensions will persist but remain contained.
- Global policymakers continue to prioritize diplomatic solutions to prevent further escalation.

As a result, geopolitical developments are no longer the sole driver of market direction, although any unexpected deterioration could quickly reintroduce volatility.

The key variable remains the energy market. As long as oil prices remain relatively stable, European equities should be able to focus on underlying economic trends rather than geopolitical headlines.

### **Monetary Policy and Economic Outlook**

Attention is increasingly turning toward the European Central Bank (ECB) and the prospect of monetary easing later in the year.

Recent developments suggest:

- Inflation continues to move gradually toward the ECB's target.
- Wage growth is moderating across several major eurozone economies.
- Growth remains modest but resilient.

While policymakers are unlikely to signal imminent rate cuts, markets continue to expect that the next move from the ECB will be towards accommodation rather than further restriction.

This environment remains supportive for equity

valuations, particularly for sectors that benefit from lower financing costs and improving business confidence.

### **Corporate and Sector Outlook**

June should see investors focus on the second half of 2026. Key themes:

- Industrials: Supported by infrastructure spending.
- Technology: Driven by AI and digitalization.
- Financials: Supported, but rate-cut expectations may cap gains.
- Healthcare & Utilities: Continue to attract defensive flows.
- Energy: Sensitive to oil prices and geopolitical headlines.

Leadership is expected to broaden as confidence improves.

### **Investor Positioning**

Investor sentiment has improved significantly.

Institutions are:

- Increasing equity exposure.
- Reducing defensive positioning.
- Focusing on high-quality companies.

Volatility is expected to remain below March-April levels.

### **Market Outlook**

The base case for June remains continued stabilization with moderate upside potential.

Key supports:

- Progress in disinflation.
- ECB easing expectations.
- Lower geopolitical sensitivity.
- Resilient corporate fundamentals.

Upside remains possible, but gains are likely to be gradual rather than aggressive.

## Conclusion

June 2026 is expected to mark a further transition away from the geopolitical uncertainty that dominated the previous quarter and toward a market environment driven increasingly by fundamentals.

For the STOXX Europe 50, the outlook remains cautiously constructive. While risks remain present, particularly in relation to the Middle East and energy markets, the broader backdrop continues to support European equities as investors position for the second half of the year.

The overall tone for June is one of growing confidence, improving stability, and a gradual return to a fundamentally driven market environment.

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