

MARKET INSIGHT WEEK 21

RISEON

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UPCOMING ECONOMIC EVENTS

	Time*	Forecast	Previous
Monday, May 18			
Tuesday, May 19			
<u>JP</u> GDP (QoQ)(Q1)	00:50	0.4%	0.3%
<u>CA</u> CPI (MoM) (Apr)	13:30		0.9%
Wednesday, May 20			
<u>GB</u> PPI (MoM)(Apr)	07:00		0.7%
<u>EU</u> CPI (YoY) (Apr)	10:00	3.0%	3.0%
<u>US</u> Crude Oil Inventories	15:30		-4.306M
Thursday, May 21			
<u>US</u> Initial Jobless Claims	13:30	211K	211K
<u>US</u> S&P Global Manufacturing PMI (May) P	14:45	54.5	54.5
Friday, May 22			

*US moves forward one hour for daylight saving time.

Weekly Recap - May 11-15, 2026 (W20)

CPI Confirms Inflation Persistence and Reinforces the “Higher for Longer” Regime

Week 20 unfolded exactly around the inflation narrative outlined at the start of the week. Following the previous strong NFP report, markets looked to the U.S. CPI release on May 12 for confirmation on whether resilient growth was also being accompanied by persistent inflation pressures.

The CPI outcome ultimately reinforced the view that inflation remains sticky, validating the market's recent repricing toward a “higher for longer” policy environment.

United States

Inflation Validation, Not Relief

The CPI release confirmed that:

- Inflation pressures remain elevated
- Services and wage-related components continue to show persistence
- The Fed has little near-term flexibility to pivot dovishly

Market reaction aligned closely with the “hot/moderate CPI” framework:

- Treasury yields remained elevated and firm
- The USD stayed broadly supported
- Rate-cut expectations were pushed further out into the future
- Equities remained under valuation pressure

Importantly, the market did not experience a disorderly repricing, because much of the inflation risk had already begun to be priced after the strong NFP report.

The key takeaway was clear:

» Strong labour market + persistent inflation = continued restrictive policy expectations.

Geopolitics

Still Secondary

The Iran ceasefire remained intact throughout the week:

- No major escalation
- Oil supply remained stable
- Geopolitical premium stayed contained

As expected, geopolitics remained a secondary volatility factor, with macro and rates continuing to dominate broader market direction.

Eurozone & United Kingdom

USD and Rates Remain Dominant

Both EUR and GBP continued to trade primarily as a function of:

- U.S. yield dynamics

- USD strength
- Rate differentials

With no domestic catalysts capable of offsetting the stronger U.S. macro backdrop, both currencies remained pressured and externally driven.

Asia-Pacific

Pressure Returns

Asia-Pacific assets remained vulnerable:

- Elevated U.S. yields tightened financial conditions
- USD strength capped rebounds
- China remained passive and unable to support sentiment

AUD and NZD continued behaving as rate-sensitive extensions of USD dynamics.

Commodities

Gold Pressured, Oil Stable

Gold remained under pressure, reflecting elevated real yields and persistent inflation concerns. WTI crude stayed relatively stable:

- Supported by geopolitical risk premium
- Capped by demand uncertainty and stronger USD

Commodity markets remained more influenced by financial conditions than physical demand changes.

Equities

Valuation Discipline Continues

Equities remained constrained by:

- Elevated yields
- Persistent inflation
- Delayed easing expectations

Summary

Week 20 confirmed that the market has firmly entered a “higher for longer” macro regime.

The U.S. CPI validated persistent inflation pressures following the strong NFP report, keeping yields elevated, supporting the USD, and maintaining pressure on equities and gold.

The key takeaway:

- » Inflation remains the dominant macro force
- » Rate-cut expectations continue to move further out
- » Markets remain highly sensitive to inflation and yields rather than growth fears

Market Outlook: Key Levels and Trends to Watch Across Major Pairs and Commodities

U.S. Dollar Index

DXY is attempting a short-term rebound, but the move still looks corrective within a broader weak structure. Price is now approaching the 99.65 resistance zone, which remains the key area to cap the recovery. As long as DXY stays below that level, downside risk remains dominant, with 97.95 as the main support to watch.



EUR/USD

EURUSD is holding a key confluence support area around 1.16, where the ascending trendline and recent price structure are meeting. The broader structure remains bullish, but the pair needs to react higher from this zone to preserve the recovery setup. As long as 1.16 holds, the bias stays constructive, with room for a rebound back toward the 1.18 area.



GBP/USD

GBPUSD is under short-term bearish pressure, with price breaking lower inside the descending channel and moving back below the 50 EMA. The recent recovery has failed for now, and the structure suggests further downside while the pair remains capped by channel resistance. As long as price stays below the current breakdown area, the move favors a continuation lower toward the 1.31 zone.



USD/JPY

USDJPY remains broadly bullish above the 50 EMA, but price is now approaching the 160.55 resistance zone, where sellers may re-emerge. The latest rebound is constructive, yet the pair is still trading just below a major supply area. As long as 160.55 caps the upside, the risk is for a pullback toward 158.60, while a breakout higher would reopen the move toward 161.48.



USD/CHF

USDCHE remains under broader bearish pressure, with price still moving inside the descending channel and struggling to build a sustained recovery. The latest rebound stalled again near the 0.7860 resistance zone, keeping the move corrective rather than bullish. As long as the pair stays below that level, downside risk remains favored toward the 0.7700 area.



USD/CAD

USDCAD is still trading within a broader bearish structure, even though the pair is attempting a short-term rebound from recent lows. Price is approaching the 1.3700-1.3800 resistance zone, which remains the key area capping the recovery. As long as the pair stays below that region, the move still looks corrective, with downside risk pointing back toward the 1.3480 support area.



AUD/USD

AUDUSD remains in a strong bullish structure, although the latest pullback is bringing price back toward the 0.7140 support zone and the 50 EMA. So far, the move still looks corrective within the broader uptrend rather than a full reversal. As long as 0.7140 holds, the bullish bias remains intact, with room for another rebound toward the recent highs.



NZD/USD

NZDUSD is facing short-term selling pressure again, with price rejecting the recent recovery area and slipping back below the 50 EMA. The current structure still looks corrective and fragile, while 0.5760 acts as the key short-term support zone. Unless the pair reclaims the recent highs quickly, the bias favors another downside test toward 0.5695.



Gold (XAU/USD)

Gold remains under corrective pressure, with price still trading below the descending trendline and struggling to stabilize above the recent consolidation zone. The short-term structure remains bearish, and the current move suggests further downside toward the 4,380 support area. Unless Gold reclaims the recent range quickly, the bias continues to favor weakness rather than a renewed bullish breakout.



WTI Crude

WTI is consolidating after the explosive breakout, with price now hovering around the 101 resistance zone. The broader structure remains bullish above the 50 EMA, but the short-term move looks range-bound and highly volatile. As long as Oil holds above 93.50, the upside structure stays valid, while a clean break above 101 would strengthen the case for another leg higher.



S&P 500

S&P 500 remains in a strong bullish structure, with price holding above the breakout area and staying well above the 50 EMA. Momentum is still positive, and the current consolidation below 7,539 resistance looks more like a pause than a reversal. As long as the index holds above 7,340, the bullish bias remains intact, with room for another push higher.



EuroStoxx 50

EuroStoxx 50 remains constructive within the broader rising channel, with price rebounding from the 5,607 support zone and holding above the 50 EMA. The current pullback looks corrective rather than trend-reversing, and the structure still favors another push higher. As long as 5,607 holds, the bullish bias remains intact, with room for a move back toward the 6,190 resistance area.



Strategic Outlook

Week 21 (May 18-22, 2026)

Markets Transition from Inflation Shock to Yield Management

Week 21 begins after markets received a second consecutive macro confirmation of the "higher for longer" environment. Following the strong NFP report and the subsequent U.S. CPI release confirming persistent inflation pressures, investors now move from aggressive repricing into a more delicate phase: managing elevated yields, stretched USD positioning, and valuation-sensitive risk assets. The macro narrative is now clear:

- Growth remains resilient
- Inflation remains sticky
- Central banks, especially the Fed, have little urgency to ease

The key question for Week 21 is whether markets can stabilise under these conditions – or whether elevated yields begin to create broader financial stress across equities, FX, and commodities.

Macro Themes

1. United States -

Elevated Yields Become the Main Driver

After weeks dominated by major macro releases, attention now shifts toward:

- Fed communication
- Bond market behaviour
- Secondary activity data
- Financial conditions

Strategic Framework

Yields stabilise at elevated levels

- USD remains supported but less directional
- Equities consolidate
- Gold remains capped
- Markets adapt to the new regime

Yields continue rising

- USD strengthens further
- Equities face renewed valuation compression
- Gold weakens again
- Financial conditions tighten more aggressively

Yields pull back modestly

- Temporary USD correction
- Relief rally in equities and gold
- Commodity FX stabilises

The market is now less focused on "what inflation is" and more focused on "how much tightening markets can absorb."

USD Bias: Structurally bullish, but increasingly vulnerable to positioning correction if yields stop rising.

2. Geopolitics - Background Risk, Not Main Trend

The Iran ceasefire remains fragile but stable:

- No major disruption to oil flows
- Shipping risk premium still present

- Middle East headlines continue to influence intraday volatility

Geopolitics remains secondary to rates and inflation, but retains the ability to trigger temporary risk-off moves.

3. Eurozone - Structural Weakness Persists

Europe remains constrained by:

- Weak industrial momentum
- Soft confidence
- ECB limitations under weak growth conditions

EUR remains heavily dependent on:

- U.S. yields
- USD direction
- Relative rate spreads

Without a meaningful pullback in U.S. yields, sustained EUR upside remains difficult.

4. United Kingdom - Sterling Still a USD Proxy

UK macro backdrop remains unchanged:

- Growth soft
- Inflation elevated
- BoE cautious

GBP continues behaving primarily as a high-beta expression of USD and global rate dynamics.

5. Asia-Pacific - China Still Absent

Asia-Pacific markets continue facing structural pressure:

- Elevated U.S. yields
- Strong USD
- Weak China impulse

Without stronger Chinese stimulus or a USD pullback:

- AUD and NZD remain vulnerable
- Industrial metals remain capped
- Regional risk appetite stays fragile

6. Commodities - Rates Continue to Dominate Gold

Gold remains trapped between:

- Elevated real yields » bearish
- Geopolitical uncertainty » supportive

Unless yields fall materially, upside remains limited.

WTI Crude

Oil remains range-bound:

- Geopolitical premium supports prices
 - Strong USD and demand concerns cap upside
- Energy markets remain highly sensitive to both Middle East headlines and global growth expectations.

7. Equities - Valuation Discipline Intensifies

Equities continue to face:

- Higher discount rates
- Strong USD
- Narrow leadership
- Limited multiple expansion

Markets are entering a phase where:

- Stable yields » consolidation possible
- Rising yields » downside risk accelerates

Investors remain selective, with quality and defensive positioning continuing to outperform.

Summary & Key Risks

Summary

Week 21 marks a transition from macro repricing into financial-condition management. The market now accepts a “higher for longer” environment, but the key challenge becomes whether elevated yields can remain stable without causing broader stress across assets.

USD remains structurally supported, equities remain valuation-sensitive, gold trades real yields, and geopolitics continues as a secondary volatility layer.

Key Risks

1. Yields extend higher » USD surge, equity pressure intensifies
2. Yield pullback » temporary relief rally across risk assets
3. Fed communication turns more hawkish » further repricing
4. Iran ceasefire deteriorates » oil spike, volatility surge
5. China inactivity » continued weakness in commodity FX and metals

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