NOVUM
PARTNERS

Novum Partners: Biweekly Market Update

May 8th, 2026

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Last 2 weeks performance

World Equity Indices

	% TR USD	% TR Local
MSCI World	3.1%	3.1%
S&P 500	3.7%	3.7%
S&P 500 Equal Weighted	1.2%	1.2%
Mag 7 Index	6.4%	6.4%
Russell 2000	3.5%	3.5%
Euro Stoxx 50	2.9%	2.3%
CSI 300 Index	2.8%	2.4%
Hang Seng Index	2.9%	2.8%
Nikkei 225	8.4%	6.2%
MSCI Asia	5.3%	5.3%
MSCI Latam	-0.3%	-0.3%
MSCI EM	6.3%	6.3%

S&P 500 Sectors

	% TR USD
S&P 500 Info Tech	8.0%
S&P 500 Comm. Serv	7.5%
S&P 500 Health Care	-1.0%
S&P 500 Financials	-0.3%
S&P 500 Cons Discr.	3.6%
S&P 500 Energy	-3.1%
S&P 500 Real Estate	0.5%
S&P 500 Materials	0.1%
S&P 500 Industrials	1.0%
S&P 500 Cons Staples	0.0%
S&P 500 Utilities	-1.5%

Key Thematic Indices

	% TR USD	% TR Local
ARK Innovation ETF	3.4%	3.4%
Software ETF	9.0%	9.0%
GS Uranium	1.7%	1.7%
GS Cyclicals	0.1%	0.1%
BBG Defensive Sectors	1.32%	1.32%

Fixed Income

	% TR or bps
LQD (High Grade)	0.1%
HYG (High Yield)	0.3%
US Treasuries Index	0.0%
TSY 2 year (bps)	2
TSY 10 year (bps)	1
Bund 10 year (bps)	-2
SOFR March 27 rate (bps)	9

FX & Commodities

	% TR USD
US Dollar Index	-0.9%
Bitcoin	3.0%
BBG Precious Metals	2.4%
BBG Energy	-1.9%

Data as of 8 May

Executive Summary

- The Iran war remains the dominant macro narrative. The Strait of Hormuz stayed closed for the entire two-week period, driving Brent crude to a conflict-era high of $126.41/bbl on April 30 before retreating sharply to below 100 on May 7 following reports of a potential US-Iran framework agreement.
- UAE / OPEC. The UAE announced its departure from OPEC, its first since joining in 1967. Near-term impact is limited while Hormuz is closed, but structurally this reduces OPEC's long-run influence and increases UAE production flexibility.
- Stagflation risks dominated central bank communication. All G7 central banks met during the period: all held rates steady, but the tone turned progressively hawkish until the oil reversal on May 7. The Fed's decision was the most divided since 1992, with four dissents.
- Equities proved remarkably resilient. The S&P 500 set multiple record highs during the period, closing at new peaks on May 6-7 despite oil above $100 and sovereign bond yields at multi-year highs. The Philly Semiconductor index is now +62% YTD, one of the strongest two-month runs in history.

- Big Tech Q1 earnings were strong overall. Alphabet (+10.3%), Amazon and Microsoft beat on cloud growth. Meta underperformed (-9% after results) as its $125–145bn 2026 capex plan unnerved investors.
- Government bond yields reached multi-year extremes mid-period. The 10yr Bund hit a post-2011 high of 3.11%, the 10yr Gilt touched a post-2008 high of 5.07%. Both subsequently rallied sharply as oil retreated on May 7.

Economy & Monetary Policy

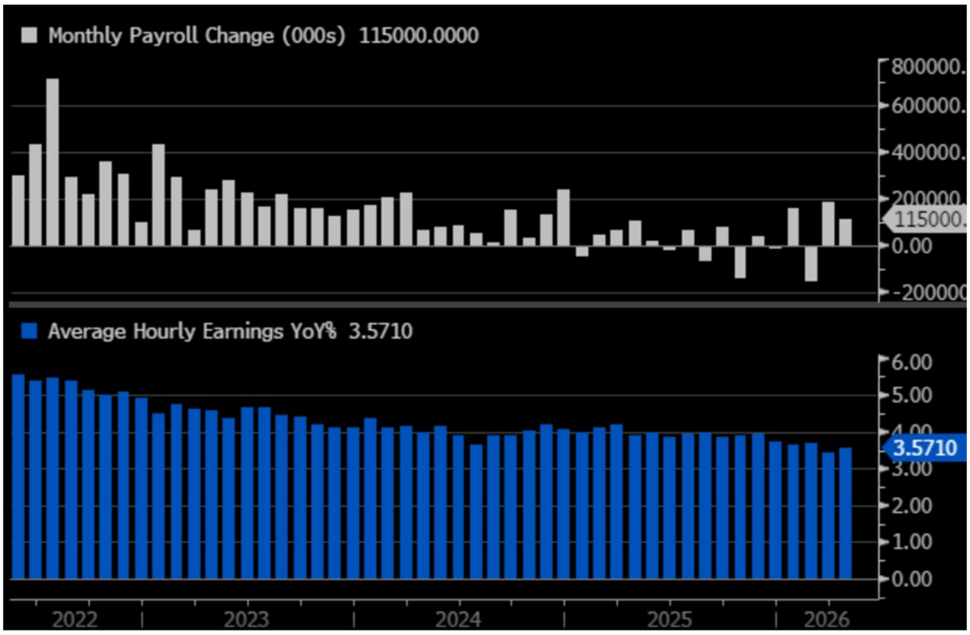
Q1 2026 GDP came in at an annualised rate of +2.0%, slightly below the consensus of +2.3%, but the composition was encouraging: real final sales to private domestic purchasers, a cleaner measure of underlying demand, printed at +2.5%. Non-residential fixed investment accelerated sharply to +7.5%, reflecting continued strength in AI-related capital expenditure. Consumer spending contributed +1.2 percentage points, down from +1.9pp in Q4 but still positive, consistent with a labour market that remains historically tight.
The ISM Services index held at 53.6, and critically, the prices paid component remained at 70.7 against expectations of a rise to 73.5, offering some reassurance that services inflation is not re-accelerating despite the oil shock. The Atlanta Fed's GDPNow model raised its Q2 growth estimate to +3.7% annualised.

On monetary policy, the Federal Reserve held rates as expected on April 29, but the decision was notable for producing the most dissents since 1992: four in total. Three regional presidents dissented hawkishly against the retention of an easing bias in the statement, while Governor Miran dissented dovishly in favour of a 25bp cut. Futures markets briefly priced a net hiking bias for 2026, before retreating to price only 5bps of hikes by early May as oil eased.
Chair Powell also confirmed he would remain on the Federal Reserve Board as a Governor once his four-year term as Chair expires on May 15, citing the ongoing DoJ investigation into the Fed refurbishment. Kevin Warsh's nomination to replace him as Chair cleared the Senate Banking Committee and is advancing to the full Senate.

US Labor Market Shows Resilience with Stabilizing Employment Trends. The US labor market delivered a positive surprise in April, with nonfarm payrolls rising by 115,000, far exceeding economist expectations of approximately 65,000 jobs. The unemployment rate held steady at 4.3%, marking the strongest two-month increase since 2024 when combined with March's upwardly revised gain of 185,000 jobs.
The positive employment print reflects a broader trend of labor market stabilization, supported by multiple complementary indicators:

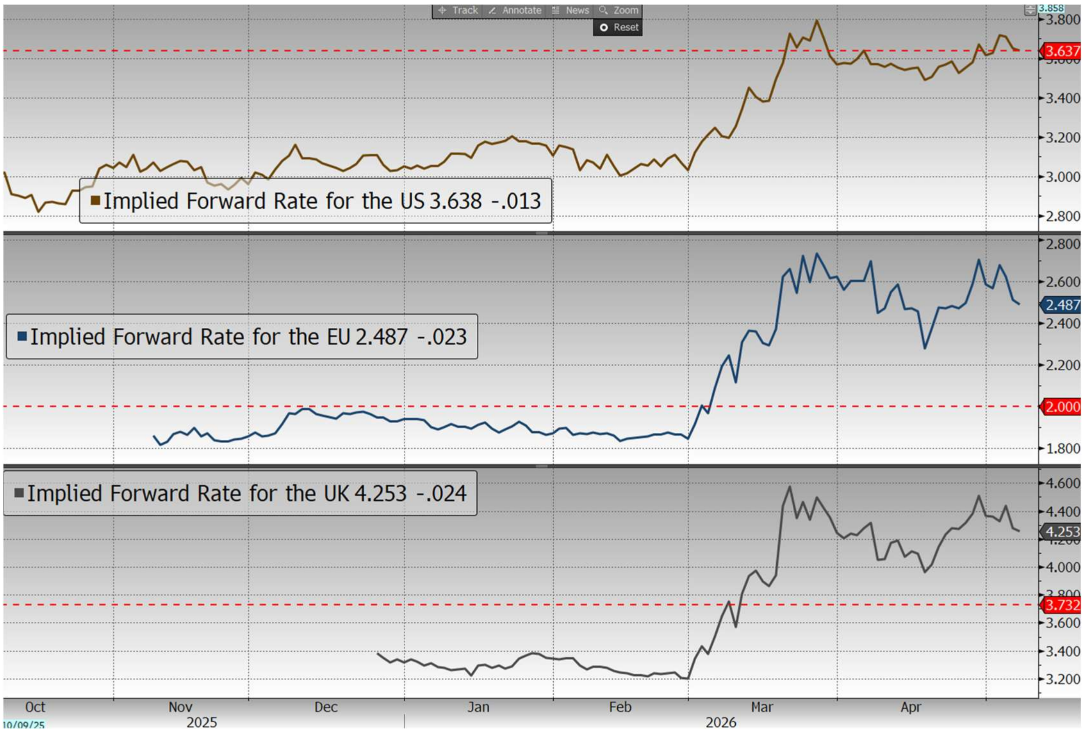
- Jobless Claims Remain Low: Initial jobless claims rose modestly to 200,000 in the week ended May 2.

- Continuing claims fell by 10,000 to 1.766 million, demonstrating that layoffs remain muted despite economic headwinds.
- Private-sector employment added 109,000 jobs in April according to ADP, representing the fastest growth pace since January 2025.
- Job growth was distributed across multiple sectors, with healthcare, transportation and warehousing, and retail trade showing solid hiring, indicating resilient demand for labor across the economy.



Critically, the labor market's strength has been accompanied by soft pressure from labor costs, creating a favorable environment for the Federal Reserve. Average hourly earnings rose by a modest 0.2% month-over-month in April, with year-over-year wage growth moderating to approximately 3.6%.
This modest wage growth could alleviate inflationary pressure for Federal Reserve officials, as companies may not need to raise prices significantly to offset labor costs. The combination of solid job growth and contained wage pressures supports a positive economic environment without creating a policy dilemma for the Fed, allowing policymakers to maintain their current stance as inflation remains the primary focus

In Europe, the ECB held its deposit rate at 2% on April 30 as widely expected. President Lagarde signalled directionally towards a June hike, acknowledging that rate hikes had been discussed. Markets moved to price approximately 73-76bps of ECB hikes by year-end. The ECB's own bank lending survey showed the tightest credit conditions since early 2024, while consumer inflation expectations jumped sharply: 1-year expectations rose from 2.5% to 4.0%.



The Bank of England also held rates at 3.75%, with an 8-1 vote. Chief economist Huw Pill dissented for a 25bp hike, but Governor Bailey struck a balanced tone. The probability of a June hike subsequently fell from 85% to 61%. UK 10-year gilt yields touched 5.07%, a post-2008 high, driven by the combination of stagflation fears and political uncertainty around Prime Minister Starmer.

Geopolitics

The period opened exactly two months after the onset of US strikes on Iran, with a rolling ceasefire in place since April 8 but the Strait of Hormuz still closed to commercial shipping. The two-week window was characterised by alternating hope and despair: diplomatic signals of progress repeatedly raised and then dashed market optimism.

The most dramatic sequence occurred around April 30 to May 1. Brent crude surged to a conflict-era intraday high of $126.41/bbl on April 30 after Axios reported that US Central Command had prepared plans for a “short and powerful” wave of strikes to break the negotiating deadlock. Oil then swung sharply lower in the same session as month-end distortions and a more cautious reading of diplomatic signals pulled Brent back to $114 by the close.

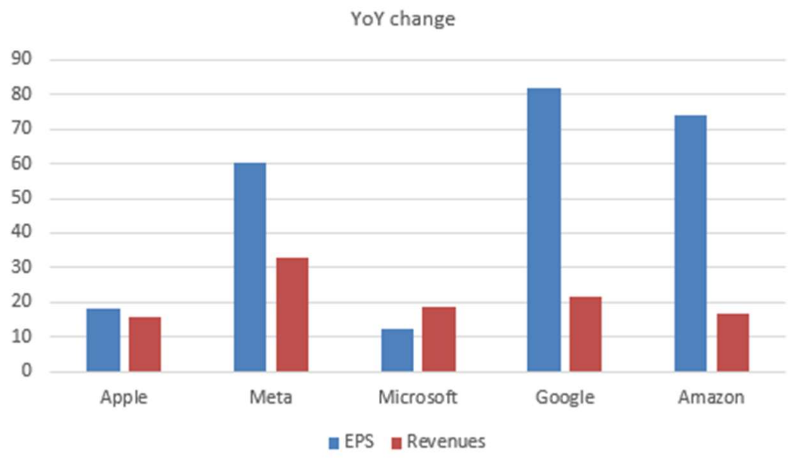
A renewed flash point emerged on May 5 when UAE oil infrastructure at Fujairah came under drone attack for the first time since the ceasefire began. Two US warships transited the Strait under Trump's “Project Freedom” initiative, which he subsequently paused on May 6, citing “great progress” towards a final agreement.

On May 7, Axios reported the broad contours of a prospective one-page framework: Iran would accept a moratorium on nuclear enrichment; the US would lift sanctions and release frozen funds; both sides would open the Strait. Trump said he was cautiously optimistic and did not dispute the report. Iran said it was reviewing the US proposal.
Until today, no formal agreement has been signed and the Strait remains closed. Polymarket assigns a 56% probability of normal traffic returning by June 30. The 6-month Brent future at $85.12/bbl implies the market is pricing in a meaningful, if not yet near-certain, prospect of resolution.

The UAE announced it would leave OPEC effective May 1, ending a 59-year membership. The UAE is the cartel's third-largest producer, contributing approximately 3.5 million barrels per day pre-conflict. While the immediate market impact is negligible, as the Strait closure is the binding constraint on global oil flows, the departure has important structural implications: it removes a major voice for quota discipline from within OPEC and allows the UAE to pursue independent production expansion.

Markets

The defining feature of the two-week period was the extraordinary disconnect between the severity of the geopolitical and macro backdrop and equity market performance. The S&P 500 set multiple record highs, ending the period approximately +3.7% on the week and +14.2% YTD. The index is now +13.5% above its March 30 trough, even as 10-year Treasury yields and longer-dated oil futures both reached their highest levels of the conflict. The market is effectively pricing two scenarios simultaneously: a stagflation risk premium through the rates channel, and a technology-led earnings boom through the equity channel. For now, the latter is winning.
The tech and semiconductor complex powered the rally. The Philadelphia Semiconductor index surged +9.2% over the week, extending its gain from the March 30 lows to +53.7% and its YTD advance to +62%, figures that recall only the most extreme historical bull runs for the sector.



Big Tech earnings results dominated mid-period. Alphabet reported strongest cloud growth in its history at +63% year-on-year ($20.0bn vs. $18.4bn expected), with a near-doubling of its contracted backlog. The stock rose +10.3% on the results, its best single-day performance in over a year, and the CEO described Gemini as potentially a standalone company given its scale.

Amazon Web Services grew +28% (vs. +25.7% expected), its strongest quarter since 2022. Microsoft's Azure grew +39%, in line with expectations. Apple guided +14–17% revenue growth for Q2, above the +9% the market expected.

The notable underperformer was Meta. Despite reporting revenues +33% year-on-year to $56.3bn and net income +61%, the stock fell -8.6% after results as the announcement of a $125–145bn 2026 capex plan, raised by $20bn from prior guidance, without a cloud business to directly monetise the spend unnerved investors. The episode illustrated how, in this market, the credibility of the AI infrastructure investment thesis matters as much as the reported numbers themselves.

Company	Before Earnings (FY26 Guidance)	After Earnings (FY26 Guidance)	Change	Q1 2026 Actual Capex
Google (Alphabet)	$175-185 billion	$180-190 billion	+$5 billion (midpoint)	$35.7 billion
Amazon	$200 billion	$200 billion	No change	$44.2 billion
Microsoft	$140-145 billion (est.)	$146-190 billion (est.)	Guidance raised	$19.4 billion
Meta	$115-135 billion	$125-145 billion	+$10 billion (midpoint)	$19.0 billion

European equities lagged their US counterparts, as the continent's heavier energy exposure amplified stagflation concerns. The STOXX 600 ended the period +2.3%. The STOXX Autos index fell sharply on May 5 after Trump threatened to restore 25%

tariffs on EU vehicle imports, citing non-compliance with the trade deal reached last summer.
The standout global performance remains the KOSPI, which surged +6.74% on May 6 alone to breach the 7,000 mark for the first time, taking its YTD gain to approximately +75%. Samsung Electronics reached a record market cap exceeding $1 trillion. The KOSPI's advance is a direct product of the AI semiconductor cycle and its central role in the global technology supply chain.

One of the key questions investors are asking today is why European equities have been underperforming the US so significantly since the start of the war.

Performance since start of Iran's war (28.2.26)

	% TR USD	% TR Local
MSCI World	4.8%	4.8%
S&P 500	7.4%	7.4%
Mag 7 Index	13.5%	13.5%
Euro Stoxx 50	-1.5%	-1.2%
CSI 300 Index	5.1%	4.1%
Nikkei 225	7.3%	7.5%

First, Europe's economic structure makes it more vulnerable to the current shock. The region is not energy self-sufficient and has a higher exposure to manufacturing and global trade. As a result, it is more sensitive to disruptions such as the closure of the Strait and the resulting rise in oil prices - especially in a context where the ECB may be forced to keep policy tight to combat cost-driven inflation.

Second, US equities continue to benefit from the strong performance of technology and semiconductors. These sectors play a much smaller role in European indices, but are highly relevant in the US, and increasingly in parts of Asia such as Korea, Taiwan and Japan, which are indeed outperforming.

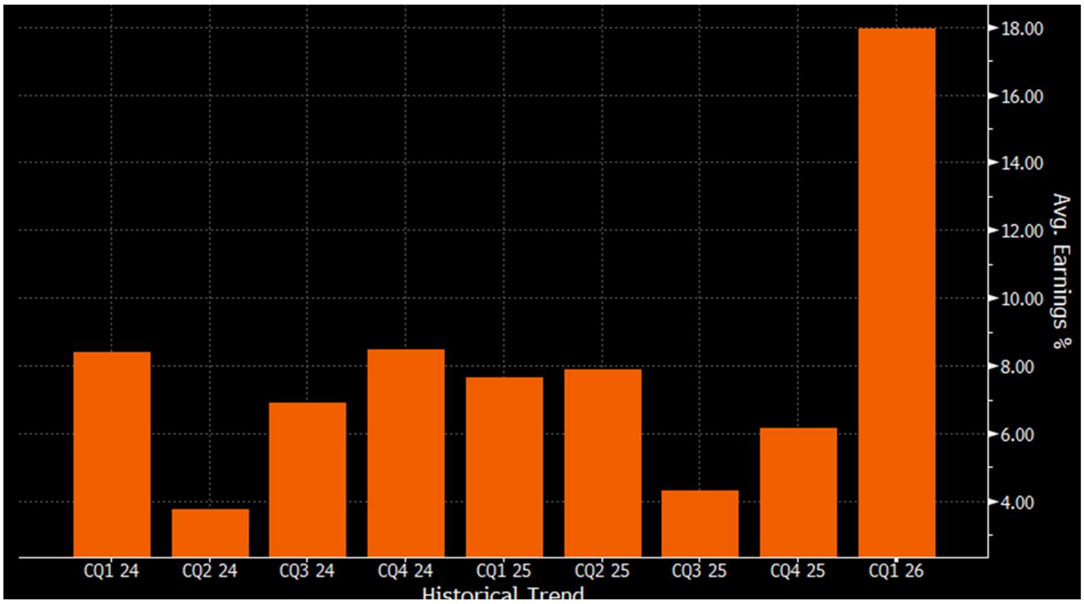
Third, and perhaps most importantly, earnings momentum in the US remains exceptionally strong.

This earnings season is proving to be one of the strongest in recent history-comparable only to post-recession rebounds or the 2018 period following US corporate tax cuts.

With around 320 companies out of the S&P 500 having reported, the data is now fairly representative:

- 81% of companies have beaten EPS expectations, by an aggregate of around 20%

- 72% have beaten revenue expectations, albeit by a more modest ~2%
- Overall earnings growth is running at approximately 27% year-on-year



These are remarkably strong numbers.

What is even more unusual is what is happening to forward expectations. Typically, estimates are revised down during earnings season. This time, the opposite is happening: consensus estimates are being revised sharply higher. Current expectations point to around 25% earnings growth for 2026, broadly in line with what we are seeing in Q1.

With this kind of earnings backdrop, it is difficult to see a meaningful correction in US equities. Once the earnings season concludes, macro and geopolitical factors may regain prominence. But unless these earnings dynamics weaken materially, any market pullback is likely to remain limited to periods of consolidation.

Europe, by contrast, is lagging behind. With 212 companies out of the Stoxx 600 having reported so far, the picture is less compelling:

- 63% have beaten EPS estimates, by roughly 4% in aggregate
- Only 44% have beaten revenue expectations, by around 0.3%
- Earnings growth stands at about 11% year-on-year

While still positive, these figures are clearly less robust than in the US and remain subject to revision.