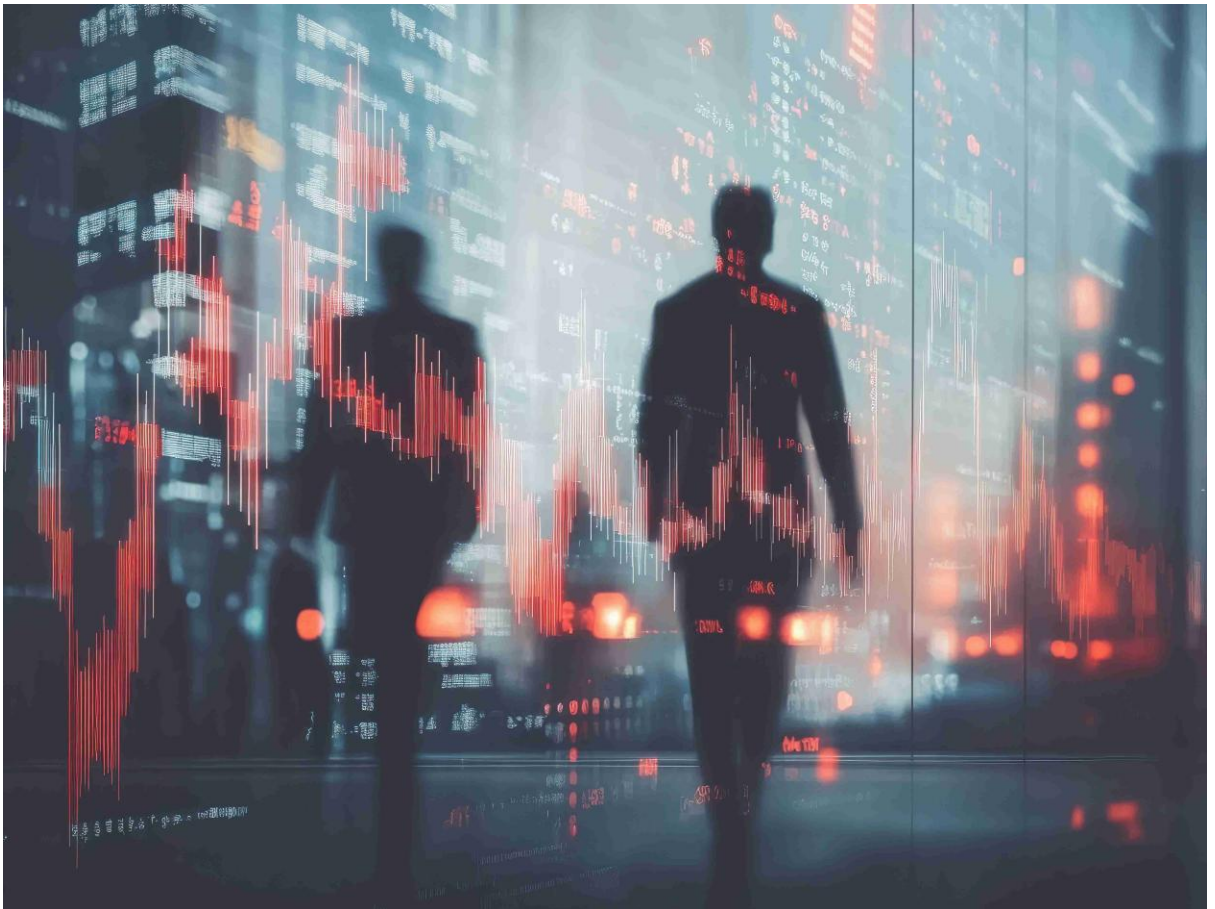




CARTLIDGE MORLAND
INDIVIDUAL WEALTH MANAGEMENT

INVESTMENT COMMENTARY

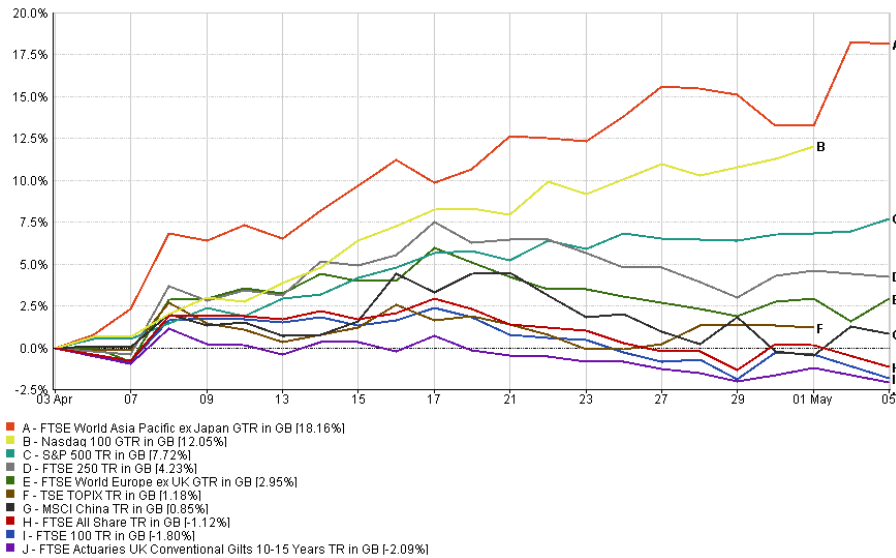


5 MAY 2026

OVERVIEW

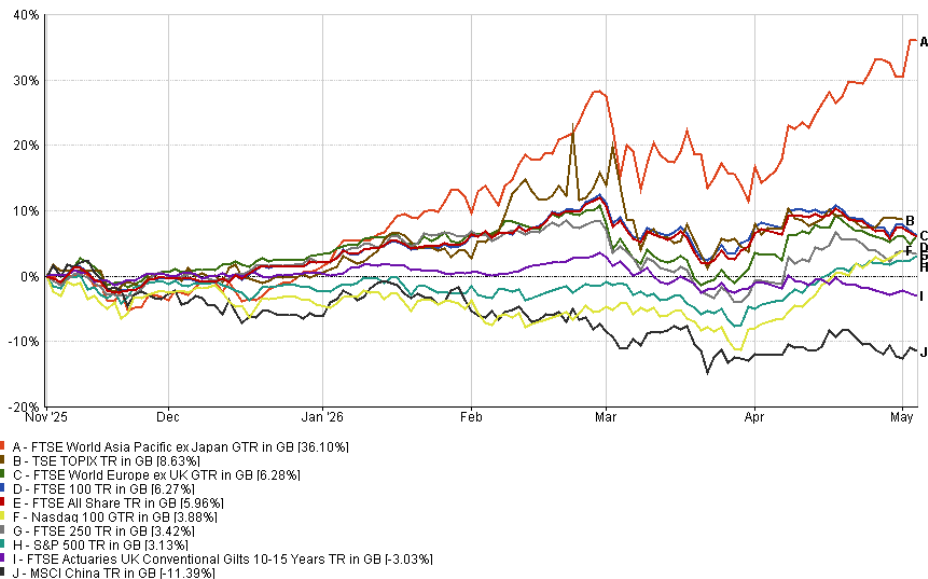
Over the past month most of the major equity markets have made positive returns despite the ongoing conflict in the Middle East, a soaring oil price, rising inflation and the interest rates of major world economies remaining on hold, with little prospect of cuts this year. Equity markets were buoyed by the extended, although fragile, ceasefire in the Middle East and some better-than-expected corporate earnings in recent days. Nevertheless, the Strait of Hormuz remains closed and oil prices have climbed back above \$100 a barrel. The re-establishment of the AI buildout theme has been supporting equity markets with the S&P 500 Index reaching a new high.

ONE MONTH INVESTMENT MARKETS STERLING TOTAL RETURNS



03/04/2026 - 05/05/2026 Data from FEfundinfo2026

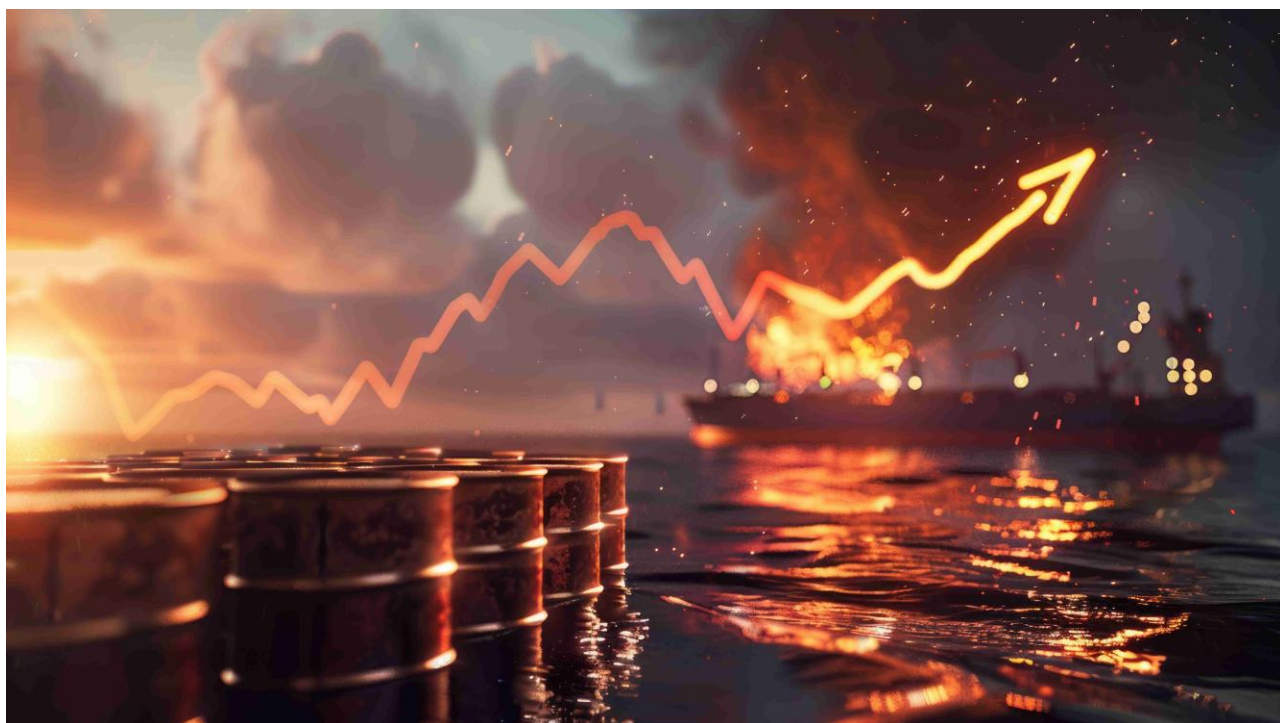
SIX MONTHS INVESTMENT MARKETS STERLING TOTAL RETURNS



05/11/2025 - 05/05/2026 Data from FEfundinfo2026

The ongoing conflict in the Middle East did little to deter confidence in the US equity market over April 2026. The S&P 500 Index had its biggest monthly rise since November 2020. It has rebounded strongly from the sell-off experienced at the start of the Middle East conflict when energy prices increased rapidly. The strong rebound has been powered by expected massive spending of around \$725bn this year by the US 'hyperscalers' – Amazon, Meta, Microsoft and Alphabet - on the build out of AI infrastructure. Such expenditure will benefit chip makers including Intel and memory tech companies such as Sandisk, which is reflected in their sharply rising share prices. Amazon, Alphabet, Microsoft and Apple have recently reported strong quarterly earnings further underlining the resilience of technology/AI related companies. The Asia Pacific equity market has also been a beneficiary of the renewed confidence in the AI theme. The share values of South Korean companies such as Hynix and Samsung Electronics as well as the Taiwanese company, TSMC, have increased rapidly in the last month.

This renewed tech boom comes as US economic statistics suggest the US economy is perhaps starting to feel the impact of the Middle East conflict, with headline inflation rising to 3.5% in March as the oil price remains elevated (\$113 per barrel as we write). The US Federal Reserve (Fed) kept interest rates on hold at its latest meeting at the end of April at a range of 3.50-3.75%. It seems increasingly unlikely that interest rates will be cut further this year given the potential that inflation could rise further the longer the Middle East conflict continues. The US economy grew by 2.0% pa in the first quarter of 2026 - slightly below forecasts.



The large cap end of the UK equity market has made a negative return over the past month lagging those markets which have high exposure to the technology sector. The FTSE All Share primarily comprises 'old' industries such as oil, tobacco and mining. Whilst they have found support over the last twelve months, the recent change in sentiment towards technology has weighed on returns.

The trajectory for UK interest rates now seems to have altered as the economy has been impacted by the rising oil price, as a result of the Middle East conflict. Inflation rose to 3.3% pa in March 2026 and economic growth is expected to be around 0.5% in first quarter of 2026. Unemployment reached 4.9% in February 2026 as higher employment costs continued to dampen down levels of hiring. The Monetary Policy Committee (MPC) of the Bank of England (BoE) met at the end of April and kept Bank Rate on hold at 3.75%. One member of the MPC voted for an increase. Given the likelihood that oil prices will remain elevated for some time (even if there is a resolution to the Middle East conflict), the MPC is faced with the prospect of inflation increasing further above target, lacklustre economic growth and rising unemployment. The MPC believes that financial conditions have tightened since the conflict began which should contain inflationary pressure to some extent. Andrew Bailey, the BoE Governor, commented that the MPC “would continue to monitor the situation and its impact on the UK economy very closely”. The MPC may need to take action to ensure that CPI inflation remains on track to meet its 2.0% target in the medium term. It appears that the domestically oriented parts of the UK equity market are likely to face further challenges as a result of monetary constraints. As a result of rising inflation and possible interest rate increases coupled with political uncertainty ahead of the imminent elections, the gilt market has struggled.



The Eurozone appears to be facing similar challenges to the UK in that inflation has increased steadily over the last few months with its latest reading at 3.0%, up from 2.6% in March 2026. Growth remains lacklustre at 0.1% in March whilst the unemployment rate is 6.2%. However, eurozone interest rates are at lower levels than both the US and the UK with the European Central Bank (ECB) Deposit Rate at 2.0%. The ECB maintained interest rates at their current levels at its April 2026 meeting, but if inflation continues to climb above the 2.0% target, the ECB may have to increase interest rates to contain inflation. However, increases in interest rates are likely to weigh on the already low level of economic growth.



The Monetary Policy Committee of the Bank of Japan (BoJ) held its benchmark interest rate at 0.75%, although the Bank is expecting inflation to rise further as energy prices increase. Three members voted for an increase to 1.0% leading to concern that the BoJ is not acting quickly enough to normalise its monetary policy. It is now likely that the next increase will be in June. The yen has been volatile of late, with the Japanese Finance Ministry rumoured to be supporting the yen. Japan has become even more sensitive to yen weakness since the Middle East conflict started as a prolonged disruption to energy supplies is likely to prove a severe drag on the Japanese economy, with the possibility that it could lead to a period of stagflation. Even against this backdrop, the Japanese equity market has performed relatively well with its technology exposure being supportive of returns.

The Chinese economy is also experiencing rising cost pressures as a result of the Middle East conflict. Following over three years of decline in factory gate prices, which feed into the broader economy, the Producer Price Index (PPI) rose by 0.5% pa. Consumer price inflation is running at around 1.0% pa. The People's Bank of China (PBOC) left its lending rates unchanged in April 2026 with its one year loan rate at 3.0% and the five year rate at 3.5%. However, market sentiment was supported by data showing that Chinese GDP expanded 5.0% pa in the first quarter of 2026, although falling global demand may start to impact on this figure if the Middle East conflict is prolonged. Weak domestic demand remains a challenge and continues to weigh on equity market sentiment.



OUR VIEW



**Compiled by Angela Cooper,
MD - Investment Services.**

Angela runs Cartlidge Morland's Investment Management team, with over 30 years' experience in investment research working for investment companies, leading UK national IFAs and wealth managers. Angela graduated from the London School of Economics and is a Chartered Insurance Practitioner.

With geopolitics stoking uncertainty in investment markets, it is impossible to know when the current Middle East conflict will conclude and indeed the next geopolitical challenge will emerge. We manage portfolios of well researched funds, identifying fund managers with good medium to longer term track records who have the experience to manage assets through unsettled markets and economic cycles.

As we have seen from the rapid recovery in the technology sector of late, it is impossible to time markets. We have retained our US and technology fund sector exposure in proportions appropriate to client risk levels. Maintaining diversified portfolios investing in cash, fixed interest and equities whilst looking to the longer term helps in managing through short term periods of volatility.

Profit taking as part of the re-balancing of risks within portfolios is particularly important presently, given the extent to which gains have been made rapidly in certain areas. For those drawing income (or planning to in the shorter term) a stock of less volatile assets from which to draw it is particularly important during periods of volatility or downturn. Such stocks are ideally built as part of re-balancing after periods of strong gains.

As always if you have any queries or concerns
please do not hesitate to contact your Cartlidge Morland consultant



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