

The Way We See It

May 2026
Issue 54

Goji Consulting Limited

enquiry@goji-consulting.com

INSIDE THIS ISSUE

1. Review of Developments
 - Global Economies
 - Global Markets
2. Market Outlook
3. The Way We See It
 - Global Markets and Investment Thematics

Iran war is declared “terminated” by Trump: What if it’s not and what else will be driving global financial markets?

A brief update report which serves to review the recent market development and to offer our outlook for the rest of the year and beyond.

Review of Developments

- Global Economies

Region	GDP Growth (Q1)	Headline Inflation	Core Inflation	Budget Deficit (% of GDP)
United States	2.0% (Ann.)	2.90%	3.20%	-6.8%
China	5.0% (YoY)	0.50%	0.80%	-3.5%
Eurozone	0.4% (QoQ)	2.60%	2.50%	-3.2%
Japan	0.2% (QoQ)	2.40%	2.10%	-5.5%
Asia / EM Bloc	5.1% (Avg)	3.60%	~3.1%	-4.5%

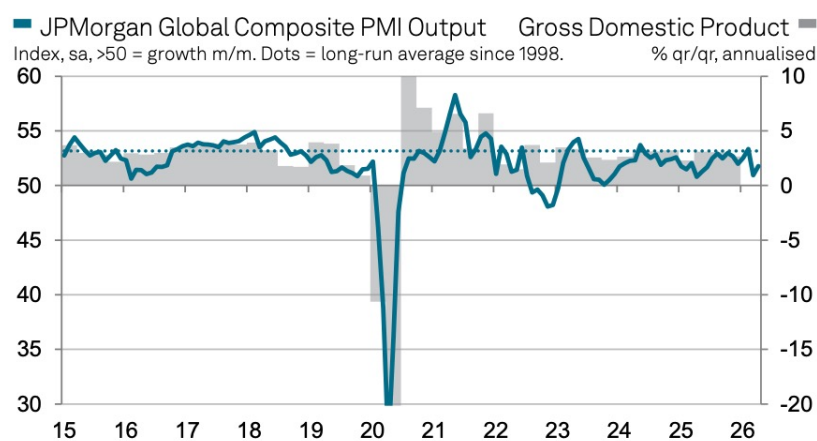
Source: Bureau of Economic Analysis, IMF, Asian Development Bank
Data as of May 3, 2026

The global economic landscape in early 2026 reflects a divergence between robust investment in artificial intelligence (AI) infrastructure and slowing macroeconomic momentum. Despite projected capital expenditure of approximately USD 700bn in 2026, potentially rising to USD 1tn by the leading US technology hyperscalers, US growth has moderated. The preliminary Q1 estimate of 2.7% annualised GDP growth has been revised down to 2%, with energy market disruptions linked to the Iran conflict exerting

pressure on supply chains and petroleum-related costs. These effects are expected to become more pronounced in Q2.

In Europe and Japan, GDP growth of 1–1.5% per annum was broadly consistent with expectations, while China's expansion continues to be supported by net exports and AI-related investment. However, persistent weakness in consumer sentiment and the property sector remains a drag on domestic demand. Inflationary dynamics across the OECD had shown signs of stabilisation until the recent surge in energy prices. Core inflation in Europe and Japan had been converging towards 2%, whereas US core PCE inflation remains elevated at c.3%, above the Federal Reserve's target.

J.P.Morgan Global Composite PMI™



Source: J.P.Morgan, S&P Global PMI

Monetary policy remains a focal point. Despite the appointment of Kevin Warsh as Chair of the Federal Reserve, policy continuity is anticipated in the near term, with limited justification for immediate rate adjustments. By contrast, other central banks—including the Reserve Bank of Australia, European Central Bank, Bank of England and Bank of Japan—are either resuming or preparing to resume tightening measures, reflecting their more explicit commitment to maintaining core inflation below 2%.

Geopolitical risk has re-emerged as a defining macro theme for 2026. The ongoing conflict involving the US and Israel against Iran, alongside instability in Venezuela, Greenland, Cuba and Mexico, continued

Limited justification for immediate rate adjustment even with new Fed Chair.

tensions in Ukraine, and unresolved disputes in East Asia, pose material threats to global supply chains and regional stability. These developments underscore the necessity of integrating geopolitical risk into strategic asset allocation. Ensuring portfolios remain resilient, diversified and adaptable will be critical in navigating an increasingly complex and uncertain global environment.

- Global Markets Review of the Month of April 2026

April marked a notable shift in investor sentiment following the announcement of a US–Iran ceasefire, which reversed the pronounced flight to safety observed in March. The easing of geopolitical tensions, combined with renewed optimism in the technology sector, drove a broad-based rally across global equity markets.

Near-term performance of various asset classes

Asset Class	US Equities	Global Equities	Global ex US Equities
Index	MSCI USA	MSCI World	MSCI World ex USD
1 month	10.50%	9.64%	7.49%
3 months	4.16%	3.49%	1.81%
YTD	5.50%	5.83%	6.63%
FY 2025	17.75%	21.60%	32.55%

Asset Class	US Corporate	US Treasury	US Aggregate
Index	Bloomberg US Corporate	Bloomberg US Treasury	Bloomberg US Agg
1 month	0.45%	-0.07%	0.11%
3 months	-0.26%	-0.02%	-0.04%
YTD	-0.09%	-0.12%	0.07%
FY 2025	7.77%	6.32%	7.30%

Asset Class	Global Govt Bonds	Global Aggregate	GEM Equities
Index	Bloomberg Global TSY	Bloomberg Global Agg	MSCI EM
1 month	1.25%	1.25%	14.73%
3 months	-1.06%	-0.77%	5.28%
YTD	-0.20%	0.16%	14.61%
FY 2025	6.82%	8.17%	34.36%

Asset Class	Asia ex Japan Equities	China A	China Offshore
Index	MSCI AC AxJ	MSCI China A Onshore	MSCI China
1 month	16.30%	10.33%	3.64%
3 months	6.27%	3.61%	-9.85%
YTD	14.99%	8.22%	-5.62%
FY 2025	33.02%	30.26%	31.42%

Asset Class	Global Commodities	Gold	USD
Index	CBR	Spot Price	Norm. Broad USD Index
1 month	6.09%	-1.20%	-1.87%
3 months	23.44%	-5.39%	0.74%
YTD	32.67%	7.25%	-1.12%
FY 2025	0.37%	65.51%	-7.24%

Source: GOJI, MSCI, Bloomberg; data as of 30/4/2026

April marked a notable shift in investment sentiment.

Concerns regarding US private credit remain, yet the sharp turnaround in perceptions of AI-related valuations and infrastructure funding catalysed significant gains. Technology equities, spanning traditional semiconductor producers to advanced AI chipmakers and data centre operators, surged as systematic and hedge fund short-covering amplified momentum. US equities advanced by 10.5%, led by semiconductors (+40%) and the Nasdaq (+15%). Global equities rose 9.6%, with ex-US markets up 7.5%. Emerging markets rebounded strongly (+14.7%), with Asia ex-Japan outperforming (+16.3%), while China lagged (+3.6%).

Fixed income markets delivered neutral to modestly positive returns. US Treasuries and the US Aggregate index were broadly flat, while global government and aggregate indices gained 1.3%. Commodities extended their positive run, with oil and agricultural prices rising, though gold continued to decline. The US dollar, having strengthened in March, eased modestly as geopolitical risks subsided.

Market Outlook 2nd Quarter 2026

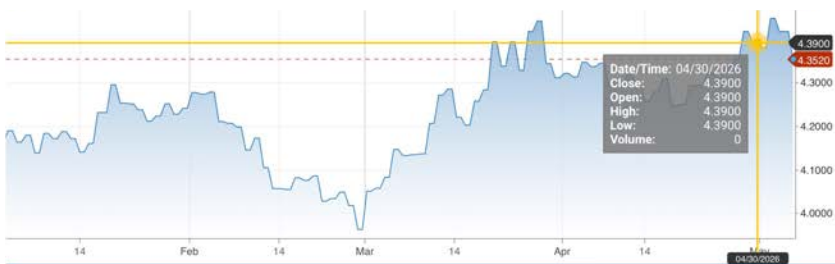
GOJI's stance shifted from constructive to more cautious in early March, with advice to clients—particularly those overweight equities—to realise profits and adopt a neutral risk position. The strong rebound in April equities was therefore unexpected, given that the Iran–Middle East conflict remains unresolved and structural concerns persist around US private credit and the funding capacity of data centres to meet hyperscaler demand.

Longer-term structural themes continue to support a neutral bias across major asset classes. While the AI revolution remains a dominant driver, elevated equity valuations, rising long-dated bond yields amid persistent core inflation, and ongoing geopolitical risks warrant prudence. With the S&P 500 forward P/E ratio at 21–22x and US Treasury yields at 4.40% per annum, the outlook for US equities appears finely balanced.

**Our stance shifted
from constructive to
more cautious.**

Bond markets remain volatile, shaped by both technical and structural factors. GOJI favours selective entry into Treasuries when yields approach 4.50%, viewing this as an attractive entry point. Non-US bonds have experienced yield compression, limiting upside unless recession risks intensify. Duration exposure requires careful management, given prevailing valuations and oil-related inflationary pressures.

U.S. 10 Year Treasury



Source: CNBC.com

Investor positioning in equities rose substantially in April, encouraged by a significant decline in the VIX risk indicator and the broad rise in equity indices. While short-term momentum has surprised to the upside, we maintain a prudent stance, emphasising resilience and selectivity in portfolio construction.

Consolidated Equity Positioning



Source: Deutsche Bank Asset Allocation

Investor positioning in equities increased substantially in April

Discretionary managers raised their exposure in equities, buoyed by the Middle East ceasefire and strong US Q1 corporate earnings. Rising prices fuelled momentum, with both fundamental and quantitative investors compelled to add exposure. Fear of missing out remains a powerful driver of market behaviour, reinforcing risk appetite across portfolios.

Discretionary vs Systematic Equity Positioning

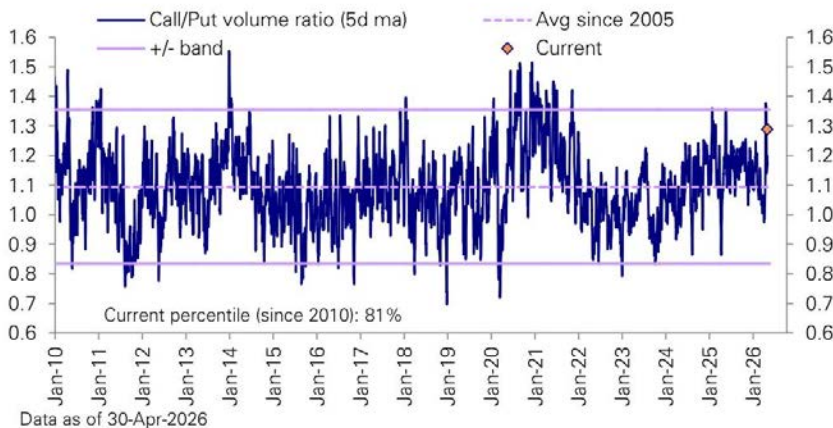


Source: Deutsche Bank Asset Allocation

Discretionary managers increased equities over the month.

Sentiment shifted decisively bullish in April. Long-call option activity surged as trading-focused participants sought rapid upside exposure. This aggressive positioning lifted the call-put ratio to near-historic highs, underscoring heightened risk appetite and momentum-driven behaviour across equity markets.

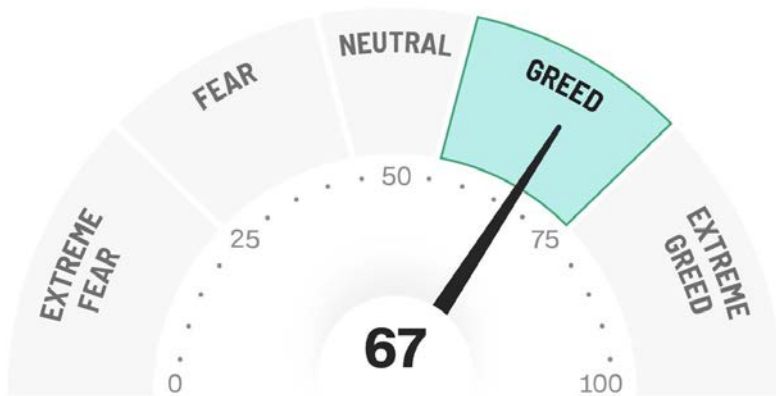
Equity Call/Put Volume Ratio



Source: CBOE, Haver Analytics, Deutsche Bank Asset Allocation

The CNN Fear & Greed Index traded mostly in the Greed zone in April.

Fear & Greed Index
- What emotion is driving the market now?

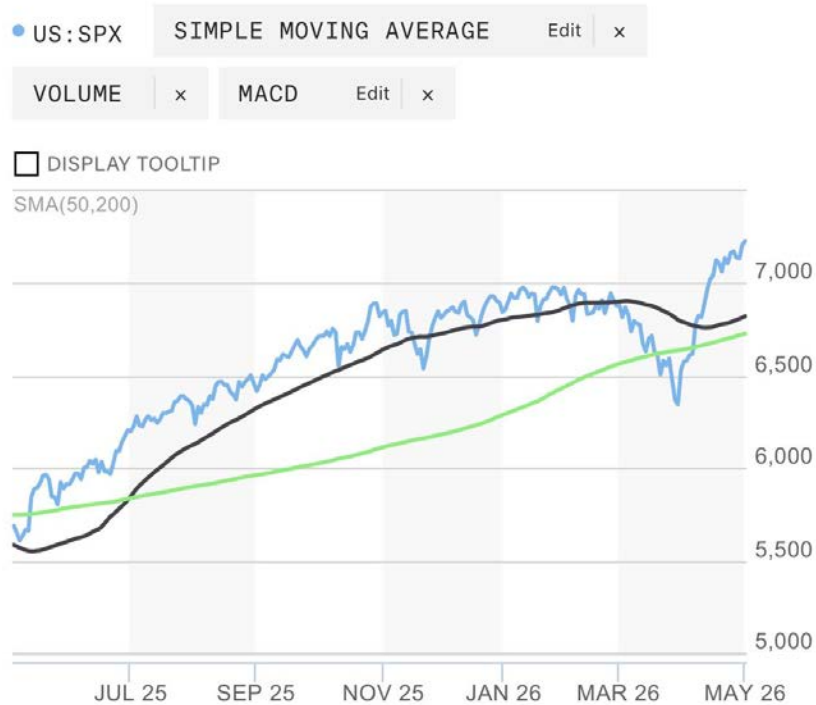


Source: CNN Business
Last update May 1 at 8:00:00 PM ET

Short-term Technical Analysis

As a result of the strong rally, US equity indices quickly regained their high levels above their 50- and 200-day moving averages.

S&P 500 Stock Price Index



Source: MarketWatch.com

The Way We See It

- Global Markets and Investment Thematics

At GOJI, our investment framework is built on a dual approach—balancing short-term tactical agility with long-term strategic discipline. We distinguish between tactical positioning (3–6 months) and strategic allocation (1–2 years), allowing us to navigate evolving market dynamics with precision.

Long-Term Risk-Neutral Strategy Rationale

GOJI maintains its long-term neutral risk positioning, unchanged from March. Elevated equity valuations, subdued global growth and persistent geopolitical uncertainty continue to shape market conditions. Investor sentiment remains anchored in optimistic assumptions favouring pro-growth and pro-digital asset policies, yet risks are evident.

We reiterate a modest underweight in high-beta growth assets, reflecting stretched valuations and heightened volatility. Conversely, overweight allocations to cash and high-quality, stable assets remain appropriate to preserve capital, enhance resilience and maintain flexibility.

Our strategy balances risk and opportunity across portfolios, consistent with our unchanged long-term view.

Short Term: Stay Neutral

Despite April's strong short-covering rally in US and global equities, GOJI maintains a neutral stance in both equities and bonds.

Diversification remains key, with preference for Asia and Emerging Markets over European equities, which are expected to encounter persistent growth challenges.

LT: Maintain a long-term risk-neutral stance.

ST: Remain neutral at the moment.

Special Section: Our views on various – Iran War, New Fed Chair, AI Bubble, Bond Vigilantes, and

1) Iran war “terminated”: What if it's not?

Below is an outline of our humble preliminary thoughts (as we are not a military expert) about what appears to be a restart of the Iran war - the Iranian military force, i.e. the IRAG, and the new Ayatollah, Mojtaba Khamenei, are clearly in control.

A few scenarios below reflecting the way we see it.

- IRAN WAR Scenarios:

1) Risk-Assets Negative (20% chance):

- In coming weeks or months, if it turns out to be a big final battle and that oil price futures were to skyrocket to \$150-200/bbl, then risk assets (both equities and bonds) will be significantly affected.

2) Choppy but Still OK (60% chance)

- If there is continuing “controlled fighting” like what has been happening over the past few days, i.e. not serious kinetic and damaging fighting (oil price futures not exceeding \$120/bbl, partly because Trump is somewhat constrained by the US Congress regarding having additional military spending approved), then US traders and markets will likely ignore the war's developments. They are likely to firstly continue to focus on the strong Q1 corporate profits & outlook for the rest of the year; secondly on what Kevin Warsh, the new Fed boss, will try to do, once he chairs the next inaugural FOMC meeting; thirdly, on the funding of the massive AI CAPEX spending; and fourthly, whether the private credit issue has stabilised or getting worse.

3) SUSTAINABLE CEASEFIRE / PEACE (20% chance):

- Party time for all Risk Assets !

2) Kevin Warsh as Fed Chair

Assuming that Kevin Warsh will formally take control as Chair of the US Fed, what is he likely going to do in his inaugural FOMC meeting ?

It is an open secret that Warsh, being a hand-picked Trump appointee, will try his best to do the bidding for the latter. This means leaning heavily on the dovish side of rates policy.

However, with a core PCE deflator running at around 3% versus the Fed's long-term target of 2% p.a., and a historically low unemployment rate of 4.3%, it does not appear that he has strong and valid reasons to cut rates. While he is keen to advocate the deflationary impact of AI and technological advances on the long-term inflation rate, the Fed Board, based on data, may not readily agree with his hopeful productivity hypothesis.

3) AI : What happens to the Bubble fear?

AI bubble fears have dissipated but not gone away altogether. Now the attention has switched from NVIDIA to a new mini-me bubble: Secondary names in the Semiconductors sector.

The valuation of hot sub-sectors within the Semiconductor / AI and related infrastructure buildout has recently been raised substantially, post the April month's rally.

Bottlenecks are observed in many sub-sectors. These include all types of chips, from traditional (DRAM / NAND flash) to AI GPUs and TPU chips. The latest shortages are being seen in Memory, CPUs, and AI-physical infrastructure, including gas turbines, water and energy supply, and so on.

Circular financing of many-billion-dollar deals between AI-components-related buyers and sellers of compute-capacity in data centres continued. The question of funding the growth of data centres has not gone away, particularly when the private credit sector remains under the microscope.

In addition, the next few months will see a number of large and expensively-priced IPOs in the AI / Technology sector being offered to investors. This will absorb a large chunk of funds out of US Tech and US equity markets.

While there are undoubtedly a number of unique high-growth Technology companies in the US, it seems prudent to only select high quality companies with sustainable growth and at a reasonable valuation. In other words, we think it is sensible to leave the hype and insanely-valued hot stocks to the fast-money trading crowd.

4) Bond Vigilantes

While equity investors' sentiment has become a lot more enthusiastic, bond vigilantes are watching inflationary pressures in the US economy with eagle eyes. For now, equity investors and the Trump's Economic / Bond team did not feel the need to panic as yet, as the 10-year US Treasury bond yield continued to trade below the psychological 4.50% p.a..

Inflationary pressures are real. The latest annual US core PCE deflator is 3% (against a target of 2% pa), before the impact of higher petroleum-related products and services is felt. Corporate profits in the US have been strong, thus suggesting that the growth of wages and bonuses will continue to be upwards (except for a number of employees who are being displaced by AI or automation).

In brief, Bond Vigilantes could be the "silent enemy" of the rampant Equity Bull!

5) Momentum is king, defeating Quality

We wish to share with you an interesting analysis by John Authers, columnist of Bloomberg and ex-Financial Times finance correspondent.

John showed that the style of Quality has significantly underperformed Momentum. This helps to explain the

reluctance of Fundamental investors to raise their equity exposure to their historical maximum levels, as the charts from Deutsche Bank in the main text show.

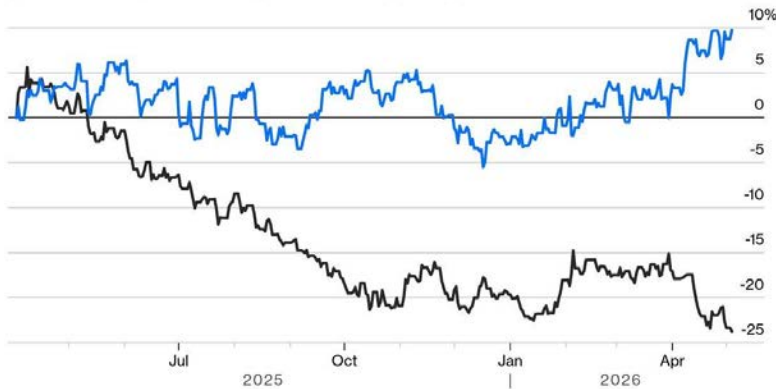
Stock markets have been driven to historical highs by the formidable rally of high momentum and large liquid stocks. These developments reflect the fast and furious accumulation of momentum stocks by the fast-money trading cohorts, including hedge funds, retail and algo-driven Systematic funds.

Below are the salient charts compiled by John:

Big Mo's Low-Quality Rally

High-quality stocks with strong balance sheets continue to be pummeled

FTW US All-Cap Momentum / FTW US All-Cap Quality



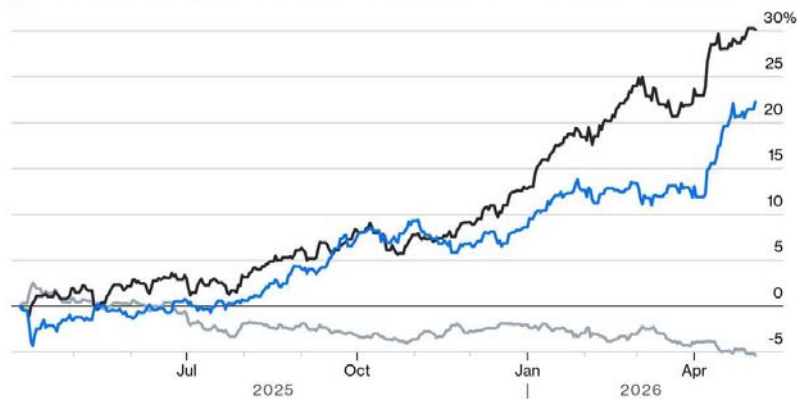
Note: Figures show long-short total return starting 04/02/2025 (Liberation Day).
Source: Bloomberg Factors To Watch

Bloomberg Opinion

Liquid Gold

Outside the US, liquidity and momentum are driving stock performance

FTW World ex-US Liquidity / FTW World ex-US Momentum / FTW World ex-US Quality



Note: Figures show long-short total return starting 04/02/2025 (Liberation Day).
Source: Bloomberg Factors To Watch

Bloomberg Opinion

Quality factor performance has historically exhibited resilience in fundamental bull markets, as well as in sideways or bearish environments, where investors tend to prioritize balance sheet strength and earnings stability.

Within the quality spectrum, distinctions exist between quality growth, quality value, and other substyles, each with differing sensitivities to macroeconomic and market drivers.

Quality has traditionally been a core allocation in long-only portfolios. Consequently, in momentum-driven bull markets—particularly those led by high-growth sectors such as technology and artificial intelligence—quality has tended to lag, given its relative underexposure to speculative growth.

Looking ahead, quality is likely to remain challenged while AI, semiconductors, and technology companies continue deploying close to a trillion dollars in capital expenditures across the industry over recent years, with elevated spending expected to persist this year and next.

GOJI CONSULTING LIMITED



Level 34, Tower One, Times Square
1 Matheson Street, Causeway Bay, Hong Kong



www.goji-consulting.com



enquiry@goji-consulting.com



+852 3951 0359

Disclaimer

For your personal use and for reference only, not to be relied upon for any investment decisions or any other purposes. Not for further distribution. Neither Goji Consulting Limited nor its representatives are licensed with the Securities and Futures Commission of Hong Kong, nor is any of them holding out as such. No investment advice is offered. No solicitation made. Whilst information stated herein is based on independent third party sources we believe to be reliable, no warranty is hereby given and no responsibility is accepted.