

May 12, 2026

To Exist Or Not To Exist?

“Existential” risks are rarely as existential as markets initially assume. Geopolitical tensions and disruption to energy supply chains dominated sentiment during the month, with the near closure of the Strait of Hormuz driving a sharp rise in oil prices and reigniting inflation concerns globally. **Saudi Aramco’s CEO Amin Nasser warned that a prolonged disruption could keep oil markets tight well into 2027, noting that even a rapid restoration of flows would take months for the market to rebalance, while a more extended disruption could significantly prolong the supply shock.** Despite elevated uncertainty, markets demonstrated resilience (once again), with investors increasingly conditioned to “buy the dip” following a series of major risk events in recent years.

Risk assets rallied and credit spreads tightened back towards cycle tights, even as Brent climbed above \$105/bbl for the first time since the April 7 US-Iran ceasefire announcement. As the month progressed, the narrative shifted back towards the structural artificial intelligence investment theme, with strong AI-related capital expenditure supporting growth expectations and helping US equities recover to fresh record highs. US economic momentum has remained firm, supported by resilient earnings and stronger than expected activity.

Numbers Behind the Narrative

Consistent with the sharp rise in energy prices during the month, US inflation data began to reflect the early effects of renewed supply-side pressures, although broader inflation pass-through remains limited (so far). Headline CPI rose sharply by 0.9% MoM in March, in line with consensus, marking the largest monthly increase since June 2022, lifting the YoY rate to 3.3% from 2.4%. The move was overwhelmingly driven by a surge in gasoline prices, which alone contributed ~80bps to the headline print. In contrast, core CPI remained relatively contained at 0.2% MoM, with annual core inflation edging only slightly higher to 2.6% from 2.5%, suggesting limited evidence so far of sustained inflation effects. However, we believe core inflation has likely bottomed, with ongoing supply-chain disruptions and higher input costs expected to place gradual upward pressure on underlying prices in the coming months.

Broader economic indicators continued to point towards resilient US growth despite elevated energy prices. Retail sales surprised positively, rising 1.7% MoM in March and reflecting continued strength in consumer demand, while April PMI surveys across both manufacturing (52.7) and services (53.6) remained consistent with expansionary activity. Labor market conditions also appeared to stabilize, with April nonfarm payrolls increasing by 115k (vs. 65k consensus), while the unemployment rate remained broadly stable at 4.3%. It appears that the labor market is stabilizing rather than deteriorating materially. The US economy appears to be running on six cylinders, which is likely to keep Federal Reserve on hold in the near term, although underlying conditions remain too fragile to justify immediate rate hikes (unless inflationary pressures broaden).


Against this backdrop, the Federal Reserve maintained a cautious, hawkish stance, leaving policy rates unchanged at 3.50% to 3.75% during the month. Fed officials acknowledged that inflation risks remain tilted to the upside amid the Middle East conflict, while resilient economic activity has reduced the urgency for near-term policy easing. As a result, markets have scaled back rate cut expectations, although the bar for renewed tightening remains high given potentially softer consumption trends.


#1 MENA Asset Manager investing in Asian G3 bonds for 2025 by The Asset Magazine


Quote of the Month

“Black swans are unpredictable, but human nature is predictable.”

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Central Bank Watch

US Treasury yields moved modestly higher by 4–8bps across the curve, with the 5-year and 10-year ending the month near 4.0% and 4.37%, respectively, while the 30-year approached ~5%. Investors continue to debate whether persistent fiscal expansion, elevated sovereign issuance and debt-funded AI investment could keep longer-term bond yields elevated. While AI-driven productivity gains may eventually become disinflationary over the medium term, the near-term impact of AI-related spending appears to be more inflationary than disinflationary.

While geopolitical risks and elevated energy prices continued to underpin stagflation concerns, improving risk appetite following the ceasefire announcement supported a broad-based recovery across asset classes. The S&P 500 gained ~10.5% (YTD +5.7%), touching new highs. Credit markets also recovered, with spreads tightening across both developed and emerging markets: US IG tightened by ~9bps and US HY by ~55bps, while EMB spreads compressed by 36bps to 225bps. In aggregate, April was characterised by a broad risk-on across asset classes, although markets remained sensitive to evolving macro and geopolitical developments. Within EM, the JPM EMB Index gained 2.5% (YTD +1.4%), while the JPM Asia IG and JPM MECI GCC indices returned 0.6% (YTD +0.1%) and 1.9% (YTD -0.4%), respectively.

The Final Word

The macro backdrop continues to support attractive all-in yields across investment grade bonds, offering the potential for both interest income and capital appreciation over the medium term. We prefer high-quality investment grade bonds over high yield, as cost pressures appear to be intensifying and ongoing supply-chain disruptions, which could lead to spread widening in higher beta and lower quality credits. In our view, there is limited reason to chase high yield bonds when all-in yields on investment grade bonds remain attractive while also offering better downside protection in an uncertain environment. While geopolitical tensions and commodity volatility may continue to drive near-term market swings, we view such periods of weakness as opportunities to selectively add exposure. However, with credit spreads already trading near historically tight levels further meaningful spread compression appears limited.

FI Conventional Portfolio

A diversified portfolio of USD denominated securities, primarily Investment grade, both in the Middle East & North Africa (MENA) region and globally. The portfolio aims to achieve a steady level of interest income with moderate capital appreciation.

BBB

Avg. Portfolio Rating

3.59

Modified Duration

5.33%

Yield to Maturity

Managed Account Performance – April 30, 2026

	1M	3M	6M	1Y	3Y	5Y	YTD	ITD
FI Conventional Portfolio	1.34%	0.19%	1.64%	6.83%	22.12%	20.48%	0.78%	104.47%
Benchmark¹	1.05%	0.25%	1.17%	5.81%	18.66%	11.35%	0.50%	75.11%

Global Sukuk Fund

A US Dollar denominated Shariah compliant open-ended fund that will invest in a diversified portfolio of Sukuks globally. The Fund aims to achieve a high level of income with moderate capital growth. The fund pays a semi-annual dividend.

BBB+

Avg. Portfolio Rating

3.89

Modified Duration

5.70%

Yield to Maturity

Managed Account Performance – April 30, 2026

	2025	1M	3M	6M	1Y	YTD	ITD
Sukuk Fund²	7.90%	1.92%	0.13%	0.89%	4.92%	0.15%	8.60%
Benchmark³	7.59%	1.39%	0.21%	0.59%	4.72%	0.23%	7.97%

Notes: The QIC Global Sukuk Fund is managed by QIC Islamic Asset Management LLC, an affiliate company of QIC Asset Management LLC (company registration no. 00602), which is also authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA). (1) *Blended benchmark- Pre 2023: JPM MECI GCC (UCADGCTR) Index (60%) & JPM Asia (JACIIGTR) Index (20%) & US Bloomberg Aggregate (LBSTRUU) Index (20%), 2023 onwards the benchmark is changed to reflect a change in the mandate and duration requirements of the portfolio: Bloomberg Eurodollar Global Aggregate (I02953US) Index (35%), Bloomberg EM USD Aggregate 1-3 (I12885US) Index (25%), Bloomberg EM USD Aggregate EMEA (I13292US) Index (20%), Bloomberg Intermediate US Aggregate (LC08TRUU) Index (20%).(2) Assumes reinvestment of dividends. (3)Dow Jones Sukuk Total Return ex-Reinvestment DISUKTXR Index

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