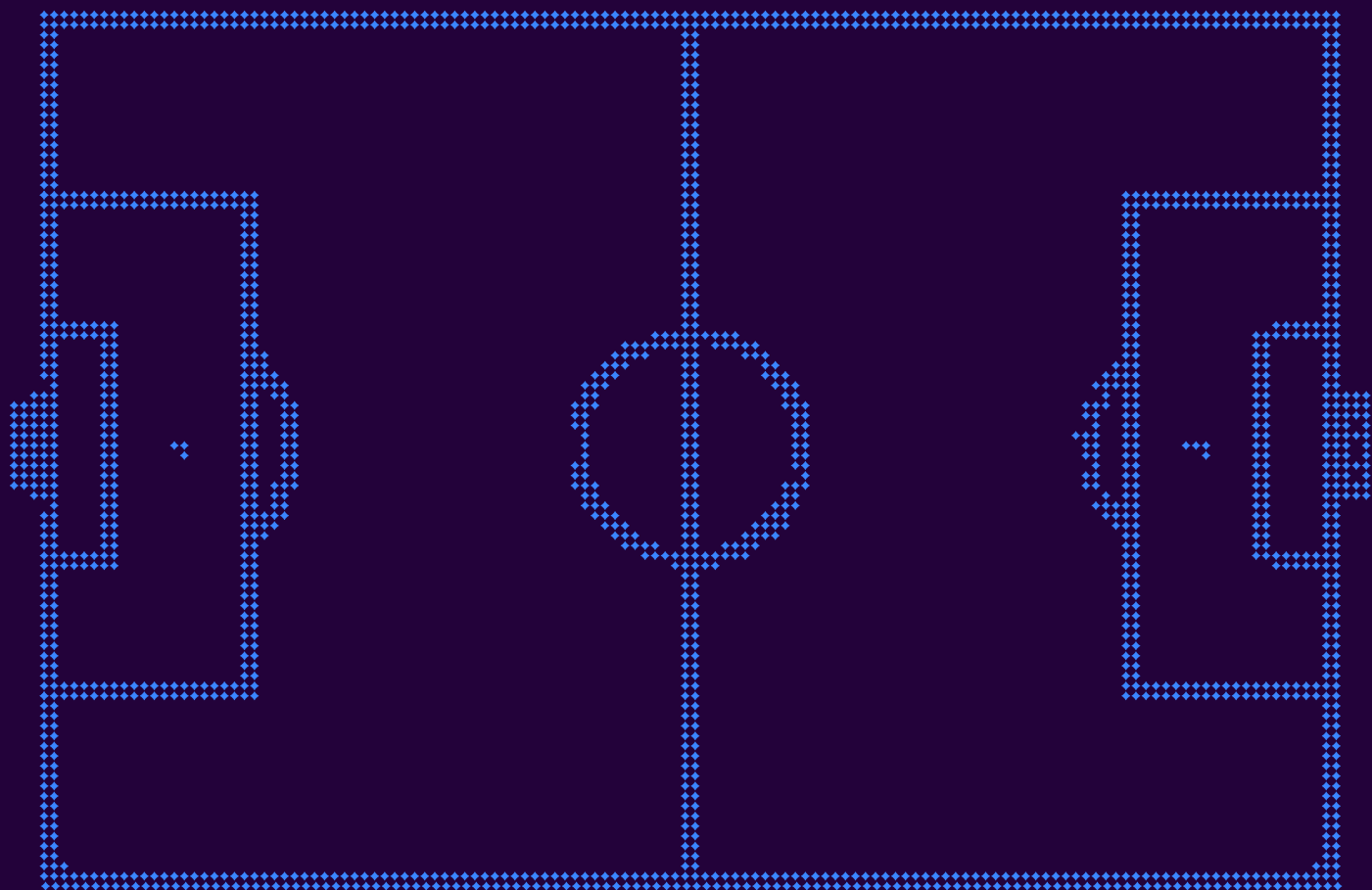


Investment OUTLOOK

June 2026



*A monthly round-up
of GLOBAL MARKETS
and trends*

In this issue:
Markets face a game
of two halves

Please read the important information section

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MARKETS *face a* GAME of TWO HALVES



Summary

Financial markets in 2026 resemble a football game of two halves, with bulls dominating the first half from strong earnings, surging AI investment and supportive policy.

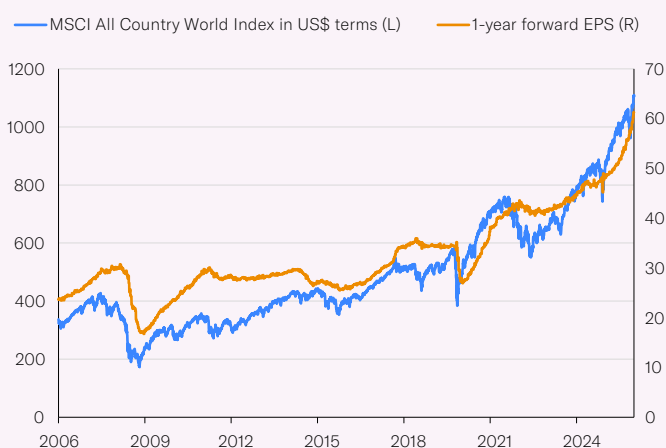
However, a crude oil supply squeeze, inflation pressures and bond market volatility threaten the outlook in the second half. It is therefore important to remain disciplined and balanced in your assessment of market opportunities and risks. Even so, global equities look set to continue positive momentum into the rest of the 2026.

Equities take an early lead into the second half of the year

Football fans will be making their way to the FIFA World Cup in North America this June, filled with hope that their team can perform well on the big stage. In a sense, the tournament can be likened to the way markets are evolving in 2026, as a contest between the bulls and the bears. So far in the first half of the year, the bulls are on top, as evidenced by the rally in equities, despite significant disruption to energy supply from the Middle East.

However, the second half of the year may prove more challenging, as the repercussions from the US and Israeli strikes on Iran, including their impact on energy supply and supply chains, feed through to the global economy and financial markets. The bears may be looking to mount a comeback.

Global equities and Earnings Per Share indices



Source: LSEG Datastream / Evelyn Partners, Data as at 21 May 2026

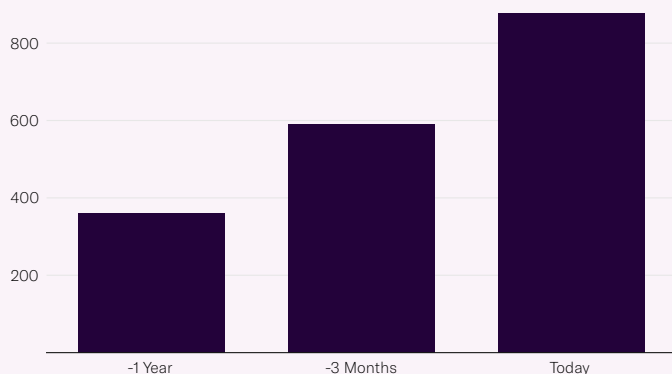
First half – attack

For now, the case for maintaining risk appetite remains in the bulls' favour. Much like a team on the front foot, markets are being driven by three powerful attacking forces: 1) resilient company earnings; 2) booming artificial intelligence (AI) investment, and; 3) a supportive policy backdrop.

1) Resilient company earnings: In aggregate, global company earnings' expectations are expanding at their fastest pace in more than four years.¹ In the US, companies in the S&P 500 index delivered robust annual earnings per share (EPS) growth of 25% in the first quarter of 2026, more than double the 12% consensus forecast heading into the reporting season.² A significant share of this outperformance has been driven by mega-cap technology firms, with some benefiting from the appreciation of their equity stakes in private companies. Even so, stripping out these effects, underlying US EPS growth still came in at an impressive 16% for the quarter.³

2) Booming AI investment: Consensus forecasts for AI hyperscaler capital expenditure continue to exceed expectations. For instance, analysts projected that Alphabet, Amazon, Meta Platforms, Microsoft, and Oracle would collectively spend \$361bn per annum on data centres over the next three years in May 2025.⁴ That figure has more than doubled to \$881bn.⁵

Evolution of 3-year forward capital expenditure estimates



Source: LSEG Datastream / Evelyn Partners as at 18th May 2026. Hyperscalers total Capex in \$bn

Importantly, new funding channels are emerging to support this wave of investment. For example, US banking deregulation is unlocking additional lending capacity across the financial system. Research firm Alvarez & Marsal estimates that up to \$2.6 trillion in incremental lending capacity could be released, more than double the projected global AI capex in 2027.⁶

3) Supportive policy backdrop: Even though traders expect Federal Reserve (Fed) interest rates to remain largely unchanged over the next 12 months, monetary policy is still being loosened. At the end of last year, the Fed started a light form of Quantitative Easing. Essentially the Fed is expanding its balance sheet buying short-term Treasury bills. This helps provide additional money to fund the 6% of GDP budget deficit and keep the Treasury market running smoothly.⁷

Furthermore, President Donald Trump's choice Kevin Warsh as Fed Chair, raises the prospect of increased political pressure from the White House for looser monetary policy.

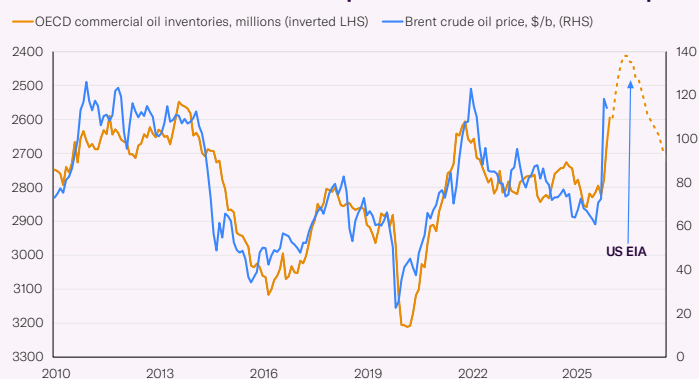
Second half – defence

Investors may also wish to think about defence in their portfolios. The second half of the year brings a different set of challenges, with risks building around three factors: 1) a crude oil supply squeeze; 2) higher inflation, and; 3) bond market volatility. These could test the market's resilience and give the bears an opportunity to mount a comeback.

1) Crude oil supply squeeze: Since the onset of the Middle East conflict, OPEC crude and liquids production has fallen by around 9 million barrels per day.⁸ This has led to ongoing drawdowns in inventories to offset the shortfall.

The US Energy Information Administration expects OECD commercial inventories to bottom out in the autumn. However, with the US driving season and peak summer air travel still ahead, upward pressure on oil prices could persist, which would increase investor nervousness and market volatility.

OECD commercial crude oil/liquid fuel inventories and oil price



Source: LSEG Datastream / Evelyn Partner, Data as at 21 May 2026.

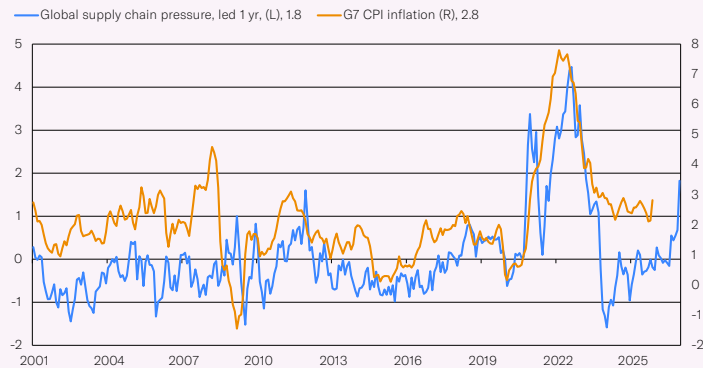
Beyond the summer, supply could begin to recover. The UAE's exit from OPEC in May allows it to raise output from around 3 million barrels per day toward its capacity of roughly 5 million barrels per day.⁹ While this does not fully offset the current shortfall, the departure of a major oil producer from the cartel could encourage further exits and weaken OPEC's cohesion.

2) Higher inflation: Global inflation is expected to accelerate, driven primarily by higher energy prices, stemming from the blockage of the Strait of Hormuz and damage to oil infrastructure in the Gulf caused by military strikes.

Beyond hydrocarbons, the Strait plays a vital role in global supply chains, serving as a critical waterway for the transport of fertilizers and chemicals. For instance, industry estimates suggest that around 44% to 50% of global sulphur trade passes through the Strait of Hormuz.¹⁰ Sulphur derived sulphuric acid is widely used in copper extraction and processing.

Disruptions to these supply chains are already becoming evident. The Federal Reserve Bank of New York's "Global Supply Chain Pressure Index", which tracks transportation costs and manufacturing surveys, has reached its highest level in four years, signalling elevated inflationary pressures over the coming year.

Global supply chain pressure index* and G7 CPI inflation (% yoy)



Source: LSEG Datastream / Evelyn Partners. As at 21 May 2026. Data is number of standard deviations from average, Federal Reserve Bank of New York. *Includes global transportation costs and manufacturing PMI surveys focused on seven major economies.

3) Bond market volatility: With a higher inflation outlook, there is a growing risk that central banks will be forced to raise interest rates, increasing volatility in bond markets and putting downward pressure on fixed income prices.

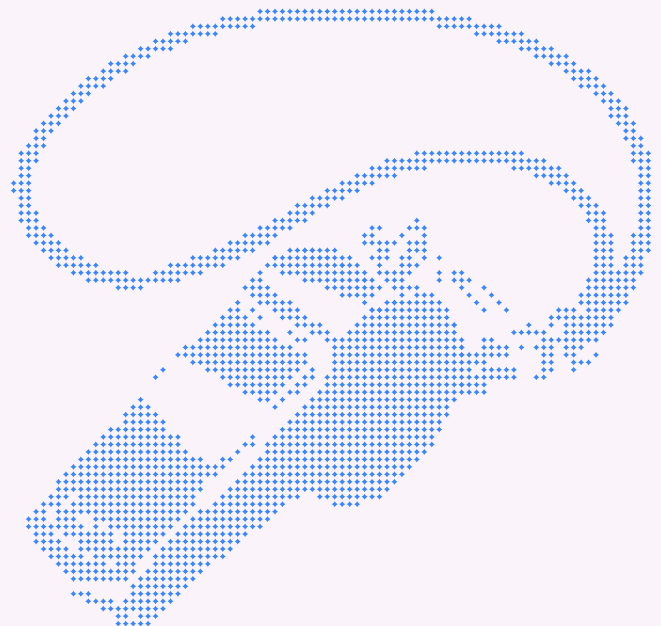
Politics also plays an important role in bond market dynamics, as evidenced by higher UK gilt yields. The UK local election results pointed to gains for Reform UK and the Green Party at the expense of both Labour and the Conservatives. Current projections suggest that no single party is likely to secure a decisive majority in a future general election, raising the prospect of coalition negotiations and reduced policy clarity.

In addition, the likelihood of a leadership challenge to Prime Minister Keir Starmer appears inevitable. This creates the possibility of a shift in policy direction, potentially towards more expansionary fiscal measures, including higher welfare spending and increased public sector wages. Combined with the prospect of higher taxes, such a policy mix could add to inflationary pressures and further strain the public finances. This could contribute to heightened volatility in the gilt market. ♦

Wrapping up at the final whistle

Together, resilient earnings, the AI investment boom and supportive policy form a strong attacking trio for markets, helping to offset the headwinds from tighter oil supply, higher inflation and bond market volatility.

Like a World Cup match, 2026 is shaping up as a game of two halves. The bulls have dominated early through attacking strength, but the second half will demand greater defensive discipline as macro risks rise. Nevertheless, global equities still look set to push higher on solid earnings foundations, even as markets prepare to defend their lead deep into 2026.



Speak to us

Sources

^{1, 4, 5, 7, 8} LSEG, Evelyn Partners

^{2, 3} US weekly Kickstart, Q1 2026 mid-season S&P 500 earnings update, Goldman Sachs, 1 May 2026

⁶ Funding for AI, Gavekal, 8 May 2026

⁹ Bloomberg

¹⁰ What I learnt This Week, 12 March 2026

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