PROBUS PLEION

Monthly Newsletter

May 2026

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Editorial

Don't underestimate Iran's resilience

The bombing campaign didn't produce the expected results

After five weeks of intensive bombing on Iranian soil, the elimination of numerous leaders, and the blockade of its oil exports for nearly two months, it is clear that the expected capitulation of the mullahs' regime has not materialized.

What was initially intended to be a swift operation aimed at halting Iran's military nuclear program is turning into an intractable quagmire, while American public support for the operation is dwindling day by day.

Digging in one's heels, without offering the current leaders an "honorable" way out, will do nothing to resolve the current impasse. The Iranians' patience and tolerance for hardship are incomparable to those of the American people.

While Iran has lived under economic sanctions for decades, with access to essential goods often limited, American consumers will not tolerate a surge in the price of a gallon of unleaded gasoline and other consumer goods for long. Restrictions on kerosene and domestic flights would not be tolerated either.

The Strait of Hormuz is open, yes… but no

Source: The Times of India

Japan is (slightly) complaining, while China bides its time

While "dissenting" voices were few and far between among major oil importers—particularly the Asian economic powers—the Japanese Prime Minister confirmed (if confirmation were needed) that the conflict in Iran was having a massive impact on Asian economies, sending a thinly veiled message that the conflict had gone on long enough.

China, for its part, is "playing for time" as it awaits the U.S. president's visit to Beijing on May 14 and 15. A continuation of the current status quo during this visit would undoubtedly put Donald Trump in a position of weakness.

A (brief) spike in oil prices before we emerge from the crisis?

It has long been known that very little can sway Donald Trump in his decisions. An election deadline is one such factor, but a strong signal from the financial markets seems, at this stage, to be the main factor that will capture his attention.

In the event of a breakdown, or if the market loses patience, a surge in oil prices to $130, or even $150, per barrel could be the factor that finally forces Donald Trump to accept a lasting compromise on the outcome of this conflict.

What consequences can we expect for the markets?

Patience is more important than ever. Trying to predict when the crisis will end seems futile, but keeping some cash on hand to buy quality stocks on dips remains for us to be the best strategy for the coming weeks.

Kim Muller

CIO (Switzerland)

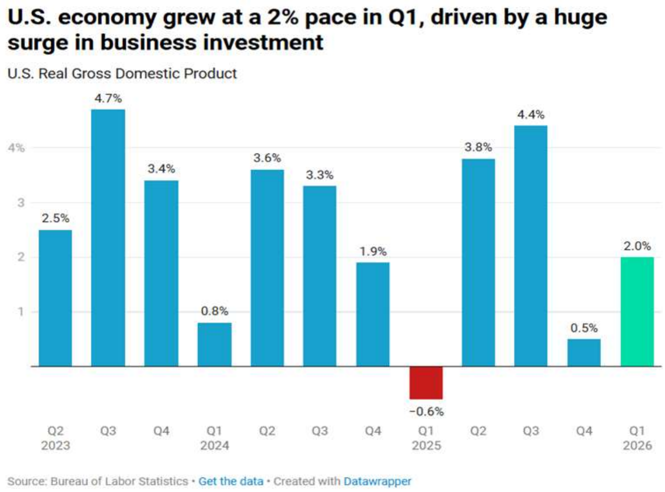
Assessment of the economic situation

The ongoing blockade of the Strait of Hormuz is keeping oil prices firmly above $100, and the resulting inflation is slowing down the economies of oil-importing countries. Central banks find themselves in a difficult position.

US economic growth in Q1 "disappoints," but stays resilient

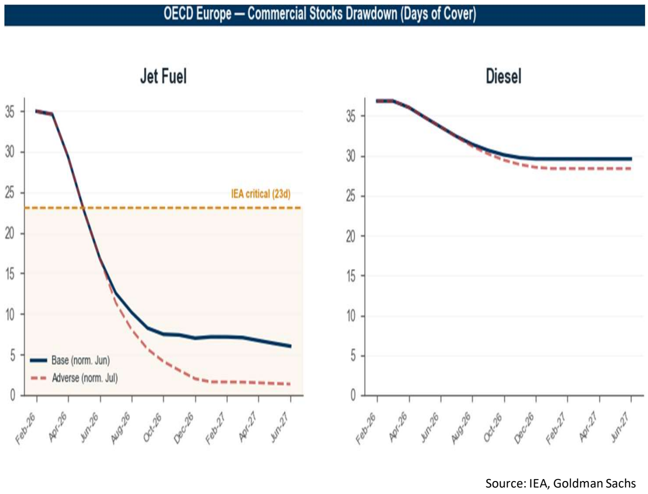
Ahead of the release of U.S. GDP growth figures for the first quarter of this year, investors remained "torn" between economists' consensus expectations of 2.3% growth and the projections from the Atlanta Federal Reserve's model, which stood at 1.3%.

Ultimately, the 2.0% figure satisfied most observers, as it was certainly below "official" expectations but, fortunately, well above those of the Atlanta Fed. While private consumption growth slowed somewhat, private-sector investment surged, driven by investments in artificial intelligence. Public spending has picked up again, while the trade balance weighed on growth, with imports growing faster than exports.



The supply of jet fuel is a problem in Europe

While the blockade of the Strait of Hormuz is affecting the daily lives of consumers in most oil-importing countries, by causing a sharp rise in the cost of every fill-up at the pump, it is now beginning to pose a serious threat to air traffic in Europe. Kerosene stocks are historically much lower than those of crude oil, unleaded gasoline, and diesel, and at the current rate, these reserves will reach critically low levels in June, just before the seasonal peak in consumption associated with summer vacations. Some airlines have already moved to cancel numerous flights scheduled for this summer, including Swiss with 326 cancellations and Transavia with 400. EasyJet reports having secured 70% of its summer fuel needs, while Lufthansa is said to have secured 80%. Will this be enough?



King Charles forces Trump to back down on whiskey tariffs

Amid the very bleak geopolitical news of recent months, some excellent news has brought renewed hope to American whiskey enthusiasts and Scottish whiskey producers. No more customs duties—make way (at last) for free trade. One might legitimately wonder how many glasses King Charles III had to pour for the White House tenant to achieve this result, but subtle royal diplomacy proved effective in the face of Uncle Sam's current heavy-handed methods!

What about the SNB's monetary policy?

On April 26, the Swiss National Bank (SNB) released data on household wealth. In 2025, household wealth increased by 119 billion francs to reach 3,278 billion francs (+3.8%). This increase is largely due to the growth in their occupational pension entitlements. "Mandatory" savings, combined with voluntary savings, are factors that may moderate consumption growth. With the franc remaining as strong as ever (0.917 against the euro), it becomes clearer why Swiss inflation remains modest despite the current global context.

Financial markets during the month

After a very poor March, equity markets staged a spectacular rebound in April, driven in particular by the semiconductor sector. Oil, despite volatility, remained near its highs.

The S&P 500 hits a new high, thanks to semiconductors

During the market downturn in March, many investors were waiting for a market capitulation phase to reposition their portfolios, much like what had happened on April 7, 2025, at the height of the U.S. tariff crisis.

But that didn’t happen, and the rebound took hold without warning. The announcement of a ceasefire in the Middle East on April 7 and its extension on the 17th accelerated the already underway bullish trend, driven by tech stocks and the semiconductor sector in particular.

Its benchmark index, in fact, achieved an unprecedented streak of 18 consecutive gains (!!!), demonstrating the current frenzy in the sector. That said, the projected growth figures are also unprecedented, notably for Micron, whose expected 2026 earnings are projected to be 80% higher than… its 2025 revenue! For Sandisk, this ratio is more than double, while its net profit in 2026 is expected to rise by over 1,500% (!) year-over-year.

The S&P 500's rebound in April was remarkable

S&P 500 Index: Biggest 3-Week % Gains (January 1950 - April 2026)

20 Biggest Rallies						S&P 500 Forward Total Returns						
Rank	Start	End	Start S&P	End S&P	3-Week Return	3-Month	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
1	3/20/2020	4/10/2020	2305	2790	21.0%	15%	26%	50%	66%	54%	99%	82%
2	3/6/2009	3/27/2009	683	816	19.4%	13%	29%	46%	68%	82%	108%	129%
3	8/13/1982	9/3/1982	104	123	18.1%	15%	28%	41%	49%	76%	145%	167%
4	4/3/2020	4/24/2020	2489	2837	14.0%	14%	23%	50%	55%	53%	87%	86%
5	10/1/1982	10/22/1982	122	139	13.8%	5%	18%	25%	33%	54%	104%	104%
6	3/27/2020	4/17/2020	2541	2875	13.1%	13%	22%	48%	58%	51%	90%	87%
7	9/21/2001	10/12/2001	966	1092	13.0%	5%	2%	-22%	-2%	8%	17%	24%
8	8/6/1982	8/27/1982	104	117	12.9%	17%	31%	45%	57%	83%	154%	187%
9	12/4/1987	12/25/1987	224	252	12.5%	4%	11%	15%	48%	47%	77%	75%
10	10/4/1974	10/25/1974	62	70	12.5%	4%	24%	28%	43%	32%	40%	45%
11	7/10/2009	7/31/2009	879	987	12.3%	5%	10%	14%	36%	49%	86%	100%
12	10/4/2002	10/25/2002	801	898	12.1%	-4%	1%	17%	26%	39%	64%	67%
13	**3/27/2026**	**4/17/2026**	**6369**	**7126**	**11.9%**							
14	1/24/1975	2/14/1975	73	82	11.7%	11%	6%	22%	23%	11%	20%	45%
15	10/9/1998	10/30/1998	984	1099	11.6%	17%	22%	26%	29%	4%	-14%	-6%
16	5/15/2020	6/5/2020	2864	3194	11.5%	8%	17%	35%	33%	41%	76%	85%
17	3/20/2009	4/10/2009	769	857	11.5%	3%	26%	42%	62%	74%	97%	118%
18	3/13/2009	4/3/2009	757	843	11.4%	7%	23%	43%	65%	78%	103%	120%
19	9/27/1974	10/18/1974	65	72	11.3%	-2%	19%	23%	40%	29%	45%	45%
20	10/7/2011	10/28/2011	1155	1285	11.2%	3%	10%	12%	43%	63%	76%	67%
Historical Average (Top 20 Rallies)						**8.0%**	**18%**	**29%**	**44%**	**49%**	**78%**	**85%**
Average: All Other Periods						2.6%	5%	11%	23%	35%	49%	52%
Differential						**5.4%**	**13%**	**19%**	**21%**	**14%**	**28%**	**33%**

CREATIVE PLANNING @CharlieBilello Data via YCharts (Closing Prices)

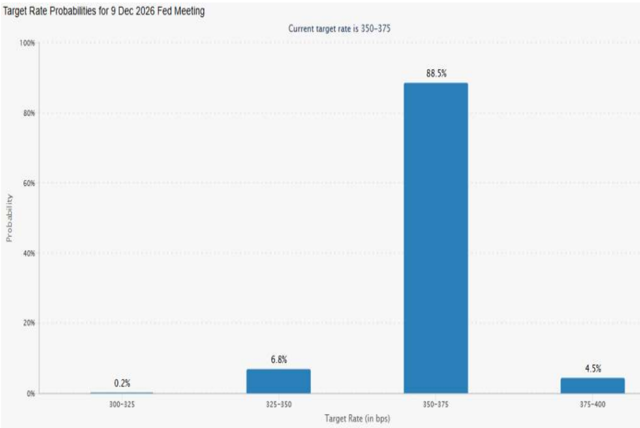
The market no longer expects the Fed to cut rates in 2026

With U.S. inflation now above 3% and the normalization of shipping traffic through the Strait of Hormuz proving to be delayed by another week, the market no longer expects the Fed to cut rates in 2026. At the start of the year, forecasts pointed to two rate cuts this year, but the conflict in the Middle East has, of course, radically changed the situation.

For the ECB, two rate hikes are now on the horizon this year instead of the status quo initially anticipated. But generally speaking, most central banks must now walk a tightrope between fighting inflation and preserving some level of economic growth.

Against this backdrop, bond yields have continued to rise, while the annual returns of various bond indices remain mostly near zero.

The probability of Fed staying on hold in 2026 at 88%



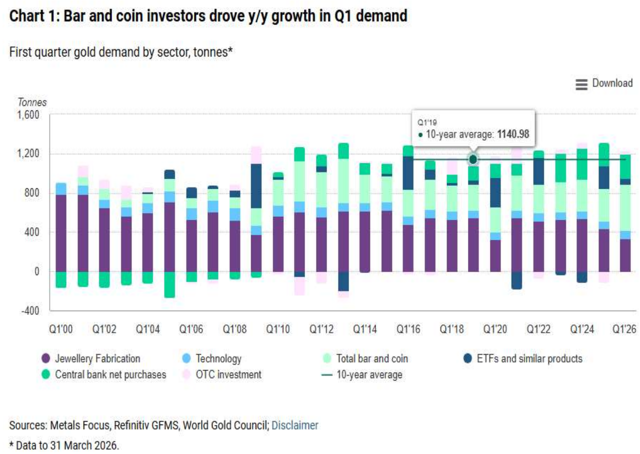
Central bank gold purchases rose over the quarter

The extreme volatility in gold prices during the first quarter somewhat clouded the investment picture, with many wondering what might have caused the two significant downturns in late January and early March. Was it speculators, hedge funds, or central banks—perceived as the ultimate, long-term buyer?

Recently released data for the first quarter sheds some light on the situation. Demand from ETFs did indeed drop by two-thirds over the quarter (from 175 to 62 tons), as did demand from the jewelry sector, which fell by a quarter (from 438 to 335 tons).

In contrast, purchases by central banks rose by 17% (from 208 to 244 tons), as did those of bullion (from 331 to 398 tons), even as overall supply fell by 6%.

Quarterly trends in gold demand



Source: gold.org

Our convictions

		Least attractive	Unattractive	Neutral	Attractive	Very Attractive	Comments
Equities	US Equities			●			Greater resilience of the U.S. economy
	EU Equities		○	●			Some sectors are again attractive
	Swiss Equities		○	●			Many valuations back to attractive levels
	Japan Equities			●			Japanese inflation little affected by oil prices
	China Equities			●			China is staying out of the turmoil
	Asia ex-Japan & China		●				India and Southeast Asia are suffering right now
Fixed Income	Cash & short term debt				●		Maturities: 3–5 years for EUR, 2–3 years for USD
	US long term debt		●				Unattractive risk-return ratio
	EU long term debt		●				Avoid French government debt
	High Yield US & EU		●				Unattractive credit spreads
	Emerging debt local currency				●		Focus on diversified funds
	Emerging debt hard currency			●			
Alternatives	Precious metals & gold miners			●			Consolidation underway. Buying on dips
	Commodities				●		A favorable period for the asset class
	REITs (EU + CH)		●				Swiss residential real estate is highly valued
	Private Markets			●			Be cautious about private debt

● Current conviction ○ Previous conviction

Forex					
EURUSD	EURCHF	EURGBP	USDCHF	USDJPY	GBPUSD
⇩	⇨	⇨	⇧	⇩	⇩

Comments on investment decisions

The stock market is looking beyond the current conflict in the Middle East, but this confidence could erode as the current stalemate drags on. Bond yields continue to rise, while oil prices are hovering near recent highs. Gold continues to consolidate, and the real estate market is suffering from rising yields.

Equities

SAs the stock market rally gradually took hold, we "went with the flow" by gradually reducing our underweight position in this asset class, to move closer to a neutral stance. We increased our exposure to U.S. technology stocks, as well as energy stocks, taking advantage of the sector's pullback during the first half of April.

At this stage, our confidence level remains moderate and prevents us from moving our equity exposure into an overweight position, as the outcome of the conflict remains uncertain.

Bonds

Bond yields continued to rise throughout the month, albeit at a more measured pace. Central banks unanimously opted to maintain the status quo, but it may well be that only the Fed (and possibly the SNB) will not be forced to tighten monetary policy this quarter.

In this context, our cautious stance on duration remains unchanged, and we maintain our preference for investment-grade corporate debt.

Precious metals, listed real estate (REITs)

The volatility that had been affecting precious metals and gold mining stocks persisted, though with less intensity than in the first quarter. We have, however, reduced our tactical exposure to gold mining stocks for a second time, awaiting a new entry point at lower levels.

In European residential real estate, volatility remains too high to justify a return to the asset class, but the lows seen in March could well turn out to be the annual lows. Swiss real estate has not corrected enough to justify a significant re-entry into positions.

Currencies

With financial markets becoming more risk-friendly, the dollar immediately retreated and erased its gains from March. For once, the Swiss franc was not the strongest currency of the month, ceding that "distinction" to the Australian dollar, which rose 4.4% against the U.S. dollar.

The Japanese yen also stood out at the end of the month, appreciating 1.3% against the greenback during a foreign exchange intervention led by the Bank of Japan. The euro fell 0.8% against the franc.

Performance summary

Equity performance

Equity Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SWISS MARKET INDEX	13136	2.8	-1.0	8.4
STXE 600 (EUR) Pr	611.3	4.8	3.1	15.9
CAC 40 INDEX	8115	3.8	-0.7	6.9
DAX INDEX	24292	7.1	-0.8	8.0
FTSE 100 INDEX	10379	2.0	4.4	22.2
Euro Stoxx 50 Pr	5882	5.6	1.5	14.0
DOW JONES INDUS. AVG	49652	7.1	2.7	22.1
S&P 500 INDEX	7209	10.4	4.5	29.4
NASDAQ COMPOSITE	24892	15.3	6.3	42.7
RUSSELL 2000 INDEX	2800	12.2	12.0	42.6
TOPIX INDEX (TOKYO)	3727	6.6	9.3	39.7
FTSE CHINA A50	15655	7.4	2.3	19.8
Global Index	1077.10	10.0	5.6	29.2

Performance of bonds, currencies and commodities

Fixed Income Indices	Last	1m Return (%)	YTD Return (%)	1y Return (%)
SBI AAA-BBB	138.4	-0.2	0.0	-0.2
Euro-Aggregate	246.3	0.5	-0.2	0.3
U.S. Aggregate	2350.4	0.1	0.0	4.1
Global Aggregate	502.1	1.2	0.1	2.5

Currency	Last	1m Change (%)	YTD Return (%)	1y Return (%)
CHF	0.781	-2.3	-1.3	-5.4
EUR	1.173	1.5	-0.1	3.6
DXY	98.06	-1.9	-0.2	-1.4
GBP	1.360	2.9	1.0	2.1
JPY	156.590	-1.3	0.1	9.4
CNY	6.829	-1.0	-2.4	-6.1
CAD	1.358	-2.4	-0.8	-1.6
AUD	0.720	4.4	7.6	12.5
BRL	4.956	-4.3	-9.5	-12.7
INR	94.918	0.1	5.7	12.3
MXN	17.466	-2.6	-2.9	-11.0
EURCHF	0.917	-0.8	-1.5	-2.1

Commodity	Last	1m Change (%)	YTD Return (%)	1y Return (%)
Gold	4618	-1.1	6.4	40.4
Silver	73.75	-1.9	-3.3	126.1
WTI	105.07	3.6	81.3	80.5
Copper	592.60	5.6	2.5	30.0
Industrial Metals	177.23	4.7	7.7	26.8
Agriculture	58.48	2.2	8.6	0.8

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