Global Markets

Global Markets Surge in May, but Caution Lingers Beneath the Surface

Global equities rallied in May, staging a sharp rebound from April's declines as de-escalating trade tensions and strong corporate earnings reignited investor confidence. Progress in US-China tariff negotiations and a temporary pause in planned US-EU tariff hikes supported risk appetite, driving broad gains across equities, high yield credit, and select commodities. Despite renewed optimism, concerns around inflation, fiscal deficits, and policy direction continued to create an uneven backdrop.

Equities Lead the Rally on Earnings Momentum

US markets outperformed, with the S&P 500 rising 6.3% and the Nasdaq soaring 9.6%, their best monthly performance since late 2023. Gains were fueled by robust earnings, particularly in tech and semiconductor sectors. Notably, 78% of S&P 500 companies beat EPS expectations, posting 12.5% year-over-year earnings growth, the second straight quarter of double-digit expansion. European markets also benefited from easing trade stress and upward revisions, though UK stocks lagged due to sector-specific pressures in pharmaceuticals and staples. In Asia, Taiwan and Korea stood out among emerging markets, supported by strong local tech names and a softer dollar.

Bond Market Strains Persist, Commodities Offer Mixed Signals

Bond yields climbed across major developed markets, with US Treasuries rising by up to +30bps amid persistent fiscal concerns and a Moody's downgrade of US credit. Demand for long-duration debt weakened in the US, UK, and Japan, while eurozone bonds held steadier on expectations of ECB rate cuts and stronger fiscal positions in southern Europe. Credit markets were more resilient, with high-yield outperforming investment grade, supported by renewed inflows and risk appetite. Commodity performance was uneven: gold was flat as safe-haven demand faded, oil rebounded 4.4% on OPEC+ supply cues, and industrial metals rose 1.2% on infrastructure demand.

Navigating Forward: Growth Hope Meets Policy Uncertainty

While May's rally signaled renewed optimism, the macroeconomic outlook remains delicately poised. Inflation is showing signs of softening, but long-term expectations remain elevated, keeping central banks on edge.

The ECB is likely to proceed with measured rate cuts, while the Fed holds a more cautious, hawkish line amid growing deficit pressures. Trade-related risks, though lower, continue to inject volatility into the market narrative. As investors embrace strong earnings and fading tariff threats, they remain mindful of structural headwinds, from elevated bond yields to fiscal fragility, that could challenge sustained market momentum in the months ahead.

Regional Markets

TASI Slumps amid Oil Volatility and Sectoral Weakness

The Saudi equity market declined sharply in May, with the Tadawul Index dropping 5.8% to close at 10,990 points, marking an 8.7% decline year-to-date. Investor sentiment remained cautious amid sustained weakness in global oil prices and concerns around potential headwinds to domestic earnings. Most sectors ended the month in the red, with Utilities (-16.9%), Media (-15.1%), Real Estate (-11.0%), and Telecoms (-9.8%) registering the steepest declines. Only the capital goods sector posted a modest gain of 2.2% in May. Market breadth was weak, with 20 out of 21 sectors posting losses.

Economic Fundamentals Steady Despite Market Volatility

Despite a sharp decline in market turnover, down 17.5% month-on-month to SAR 103.9 billion, foreign investor interest in Saudi equities remained resilient, with qualified foreign investors (QFIs) slightly raising their ownership to 10.36% of free float. Institutional investors led the selloff with SAR 4.7 billion in net outflows, partially offset by inflows from foreign, retail, and GCC investors.

Meanwhile, macroeconomic indicators pointed to continued non-oil sector strength. The non-oil PMI edged higher in May, supported by rising new orders and employment. Credit growth accelerated, with private sector lending up 15% year-on-year and total bank credit expanding 16.5%, outpacing deposit growth. Inflation held steady at 2.3%, driven by housing-related costs, while consumer spending fell 23% month-on-month due to post-Ramadan seasonality.

Global Market Indices

Global Data: As End Of:	**30-May-25**
Saudi Market Data: As End Of:	**28-May-25**

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	10,985.11	6.3	0.7	9.2	15.3	11.5	12.0	10.5	(24.2)	27.0	18.0
Developed	DJIDEV TR	6,327.12	6.5	0.4	9.0	15.7	12.3	12.9	11.0	(24.2)	29.4	18.5
Emerging Markets	DJIEMG TR	5,423.30	4.4	2.9	11.3	12.0	4.5	5.0	5.2	(24.2)	6.4	13.3
Saudi	TASI	11,052.76	(5.3)	(8.2)	(5.2)	(0.4)	(4.1)	9.4	1.3	(6.4)	14.2	0.6
NAREIT	All REITS (EM Inc) TR	3,152.84	2.5	5.5	12.7	9.7	0.5	5.6	3.2	(23.6)	9.8	1.6
GSCI	All Commodities	524.67	1.3	(4.5)	(9.3)	(0.7)	(12.9)	11.3	1.8	8.7	(12.2)	2.6
	Euro	1.13	0.2	9.6	4.8	2.8	1.7	0.4	0.3	(5.8)	3.1	(6.2)
Currencies	Yen	144.02	(0.7)	9.2	8.9	(1.5)	(4.0)	(5.6)	(1.5)	(12.2)	(7.0)	(10.3)
	GBP	1.35	1.0	7.5	5.7	4.1	2.1	3.2	1.3	(10.7)	5.4	(1.7)

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