KFH Capital Monthly Insights

Capital Market Outlook & Updates

May 2026

Capital Market Insights & Outlook

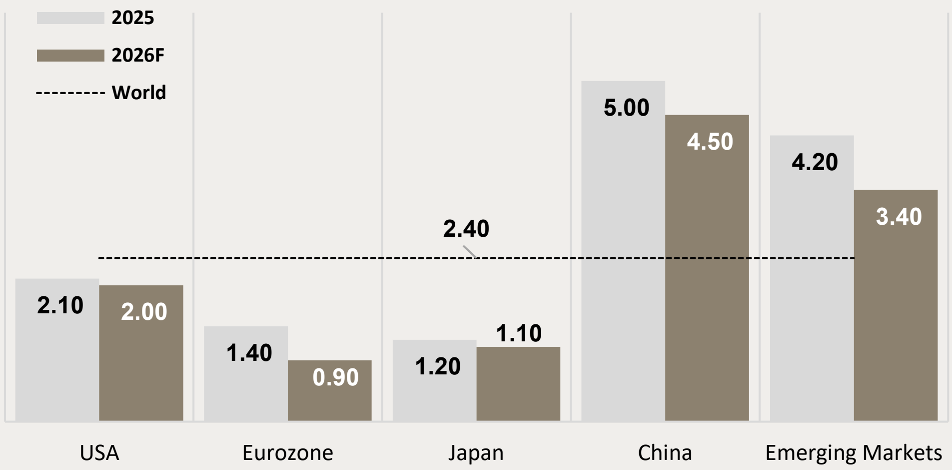
Key themes in the short to medium term include the expectations on the conflict, inflation as energy prices rise and monetary policy constraints amid elevated inflation and slowing growth….

Factor	View	Comments / Notes
Macro Update	**Increased Downside Risks**	We continue with our view that the macro environment though positive has increased downside risks; sustained higher inflation levels driven by higher energy prices being the key theme. Elevated inflation and rising, coupled with economic growth losing momentum (but still positive) indicate that the global growth is in the soft slowdown to early stagflation spectrum. With inflation being elevated central banks are likely to take a wait and watch approach with a hawkish tone on the monetary policy as economic uncertainty increases.
Fixed Income	**Neutral**	The long end of the curve in particular the 2Y and 5Y have moved higher significantly on a Year to Date (YTD) basis implying monetary policy constrain as inflation risks increase and growth slowing down. Further movement in yields will be driven inflation and policy constraints.
Equities	**Neutral**	Global Equities continue to rally, however as stated in our previous monthly, markets are being complacent as they under price or ignore risks of the ongoing conflict & risks of higher oil prices amid supply disruptions. As stated earlier key risks to the market includes further rise in oil prices driven by the conflict; hawkish monetary policy; sustained higher inflation. Markets are in a late up cycle supported by fundamentals like strong earnings growth; however macro headwinds are building up; thus, one can expect correction and increased volatility. The market is transitioning from momentum driven strategies to more macro driven indicators.
Commodities	**Neutral to Positive**	Among commodities energy prices will continue to remain elevated supported by supply disruptions during 1H2026 and restocking requirements during the second half of 2026. Same would be the case of Industrial metals; Materials (Petrochemical derivatives) which have indicated supply side risks. Precious metals will remain neutral, higher for longer theme in the case of rates and reallocation in assets will limit upside in prices in the short term (3-6 months)

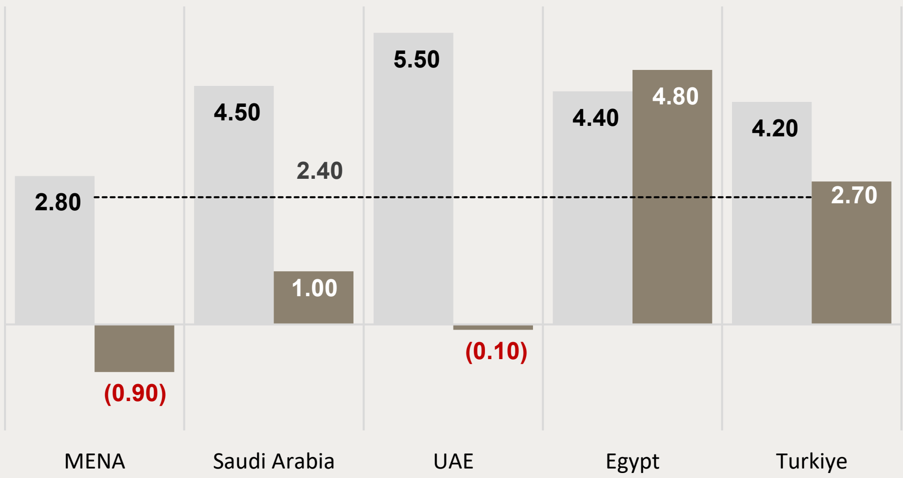
Macroeconomic Overview

Downside risks to Global growth outlook increase, key headwinds include an unresolved conflict resulting continued uncertainty, sustained inflation as supply chain risks increase.

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- Fitch Solutions recent macro reports have indicated revisions to global growth to 2.4% from earlier 2.5% and down from 2.8% forecasted at the start of 2026. Eurozone growth has been revised to 0.9% down from earlier expectations of 1.4% as the region is the most effected from the conflict due higher gas prices.
- The Euro area relies heavily on oil and gas imports; thus, the disruption of energy supply chains has resulted in elevated inflation levels, lower consumption, weak industrial production.

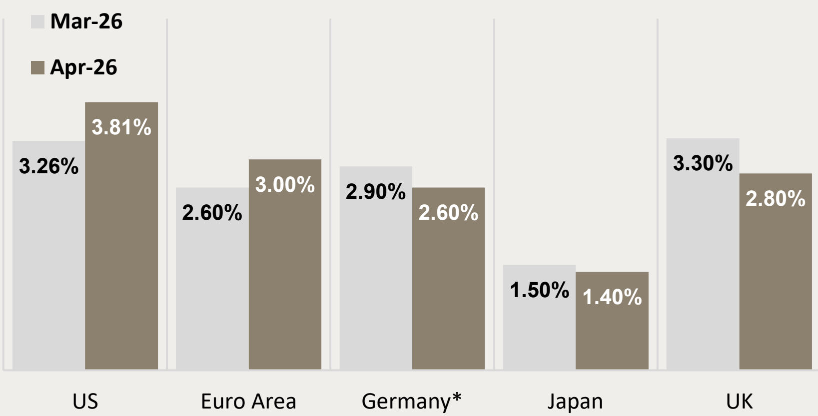
- The Middle East & North Africa is forecasted to experience a contraction of 0.9%, a sharp revision from start of the year wherein the region was expected to clock growth in excess of 4%.
- Regional economies are the most impacted as the conflict prolongs. Key transmission channels include lower export volumes resulting in lower government revenues which will lead to downward revision in government spending a key economic activity driver for the region.

Source: Fitch Solutions, f=forecasted, e=expected

Consumer Price Inflation & Central Banks’ Rates Monitor

Recent Inflation prints indicate pause in the disinflation process; elevated levels supported by higher energy prices.

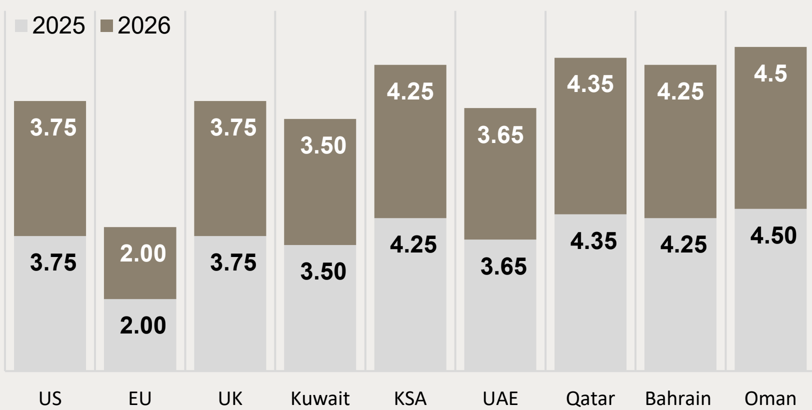
Consumer Price Index (CPI)



- The US Consumer price Inflation (CPI) for the month of April recorded an increase of 3.81% on a year-on-year basis, key driver being higher energy prices. The Energy Index was up 17.9%; Gasoline (Motor Fuel) Index was up 28.4% during the same period.
- As we write the Euro area annual inflation expectation for the month of May 2026 were out and stood at 3.2% higher when compared to April 2026 levels of 3.0%, energy prices increased by 10.9% during the same period.
- UK was an exception as it witnessed a decline in inflation levels to 2.8% from earlier 3.3%. The decline was driven due to one-off government intervention of applying a cap on utilities prices to counter the impact of higher energy prices.

*Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of April 2026;*

Central Banks Rates



Economic Calendar

June 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Jun 02: Consumer Price Inflation - Eurozone

Jun 05: Non-Farm Payroll - US

Jun 10: Consumer Price Inflation - US

Jun 11: European Central Bank Meeting

Jun 17: Federal Reserve Meeting - US

Jun 17: Consumer Price Inflation - UK

Jun 18: Bank of England Meeting

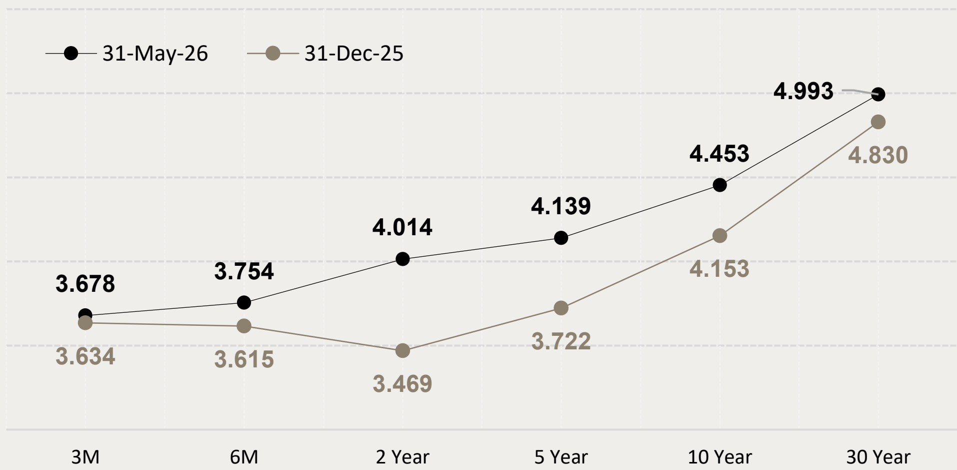
Jun 23: Flash Composite PMI - UK

Jun 25: Personal Consumption Data - US

Global Benchmark Yields

The US Treasury Curve movement implies a bearish steepening corroborating higher for longer policy regime.

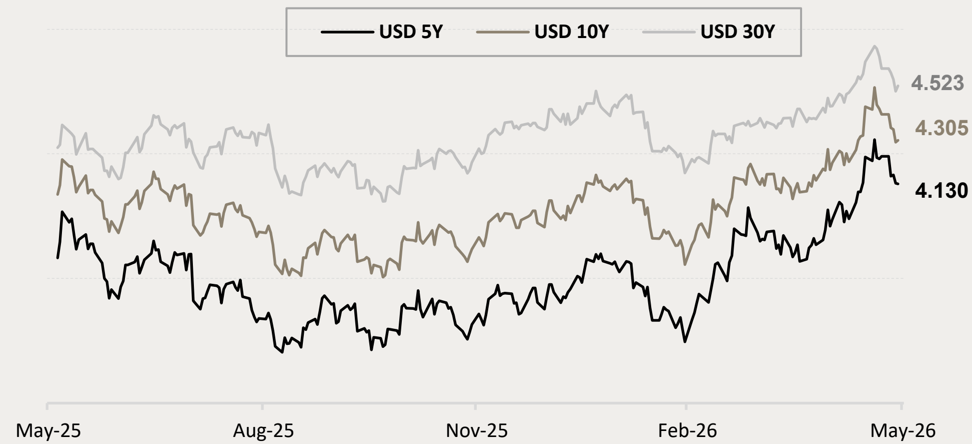
US Treasury Yield Curve (%)



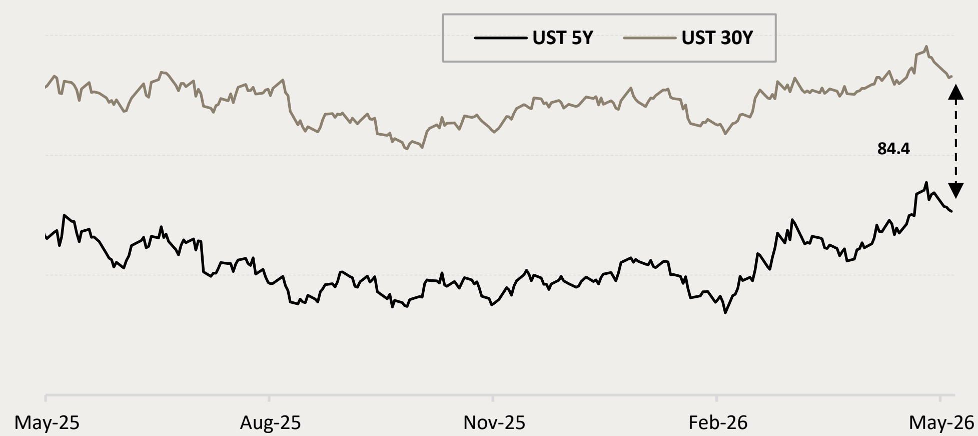
- The long end of the curve has moved higher significantly on a Year to Date (YTD) basis implying monetary policy constrain as inflation risks increase and growth slowing down.
- The 2Y US Treasury yields closed at 4.014% up 54.5bps on a YTD basis, whilst the 5Y yields have moved up by 41.7bps during the same period. Both Yields are repricing the monetary policy path. The 10Y and 30Y yields witnessed moderate rise as they reprice the inflation and economic growth. The 10Y yields were up 30bps while the 30Y yields were up 16.3bps.

Source: Refinitiv, Year-to-Date (YTD) as of May 29, 2026

US Mid-Swaps Yield (%)



30Y-5Y Spread (bps)



Equity Markets Update

Strong Earnings and AI related Capex cycle drives global equities; however, the ongoing conflict has impacted the GCC equities.

Among the S&P 500 74% beat earnings expectations

With over 95% of the S&P500 companies reporting Q1 results, earnings have been up by 27% on a Year-on-Year basis. This was supported by 11% growth in topline for the same period.

On sector basis, clearly the Technology sector was top performer with 50% earnings growth and 29% revenue growth. On the other end Energy sector recorded 4% decline in earnings as revenues were up by the same. The other sector with decline in earnings was Healthcare as it recorded 5% decline in net income for Q12026.

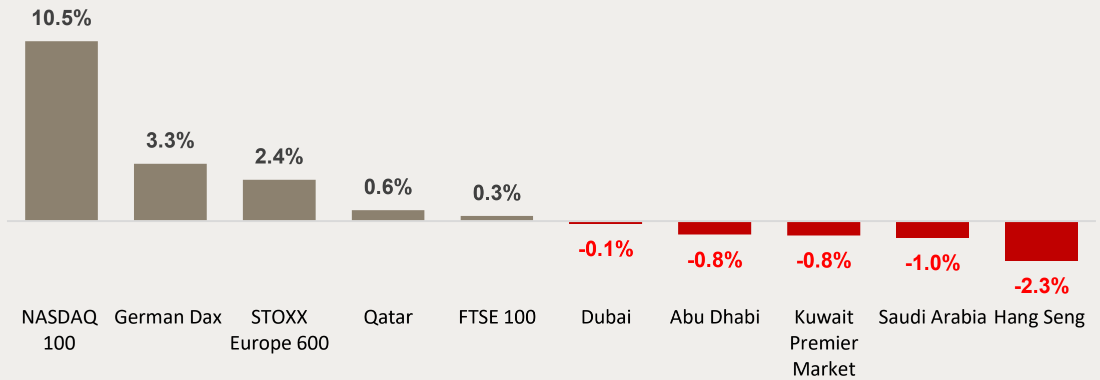
GCC Indices remain volatile amid the conflict

Markets discount the macro impact on the GCC economies as the conflict enters into the fourth month. As stated earlier there have been sharp revisions to the downside in GDP growth in the MENA region which is expected to record a contraction of 0.9% during 2026.

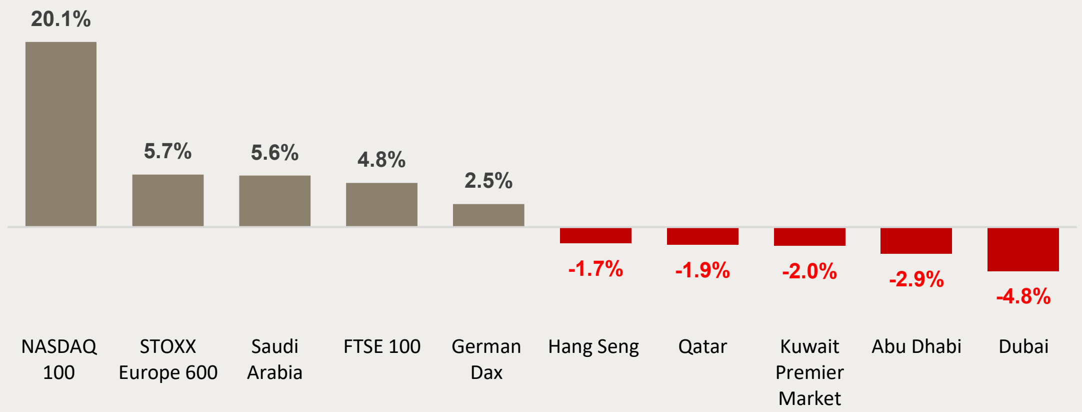
The impact is disruption of oil exports impacting government revenues and spending. The implications are downside risks on domestic consumption, capex delays etc.

The other factor would be the capital outflow as the regional risk premiums increase and capital allocation shift towards AI/Tech related sectors.

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*



Source: Refinitiv; *Index Closing as of May 31, 2026

Commodities and Forex Overview

Broadly commodities have been mixed with Industrial metals and Natural Gas leading the price gains, while the oil energy segment witnessing a decline.

- Industrial metals have recorded price gains despite macro headwinds as supply continues to remain tight. Aluminum (Al) and AL Alloy prices remain supported as supplies from the GCC region remain affected. Copper has record price gains on supply risks amid strong demand in sectors like AI; Electrification etc.
- In the case of Brent, the average price for the month USD 104 per barrel up 1% compared to previous month average price of 103 per barrel. The crude prices are sensitive to incoming updates on the conflict, as we write the Brent crude prices were up USD 5 per barrel on the back of negative updates on the conflict
- Precious metal prices have been under pressure; key headwind is the change in policy stance to higher for longer. The average price for Gold for the month of May stood at USD 4,593 per ounce down 2.8% over previous month average price of USD 4,725 per ounce.

US Dollar Index is down 0.27% on a Year-to-Date basis

Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	87.36	-16.86%	30.35%	52.14%
Brent Crude (USD Per Barrel)	92.05	-19.26%	27.00%	51.27%
DME Oman Crude (USD Per Barrel)	103.52	-4.63%	42.20%	68.52%
Natural Gas (USD MMBTU)	3.29	18.90%	15.08%	-10.74%
LNG - ASIA (USD MMBTU)	18.20	8.98%	75.00%	89.58%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	4,560.50	-1.17%	-12.81%	5.43%
Silver (USD Ozs)	75.62	2.83%	-18.41%	7.82%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,659.5	5.34%	16.54%	22.17%
Alu Alloy (USD/Tonne)	3,325.0	4.72%	28.93%	32.52%
Copper (USD/Tonne)	13,701.5	5.50%	2.68%	10.29%
Tin (USD/Tonne)	55,079.0	11.92%	-4.59%	35.81%
Zinc (USD/Tonne)	3,551.0	5.65%	7.05%	13.91%
Lead (USD/Tonne)	2,018.0	3.20%	2.85%	0.35%
Nickel (USD/Tonne)	19,101.0	-1.89%	7.04%	14.75%
Rolled Steel (CNY/Tonne)	3,048.5	-0.67%	0.79%	-1.52%

Source: Refinitiv, YTD as of May 29, 2026

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