MONTHLY CLIENT COMMENTARY

"Largely Negotiated" — and What It Means for Your Investments

After three months of conflict, oil prices falling sharply, and President Trump declaring a peace deal with Iran "largely negotiated," the investment landscape is shifting. Here is what it means — and what still needs to happen.

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BRENT CRUDE OIL	S&P 500 / NASDAQ	GOLD (PER OZ)
~$94/bbl	**Record highs**	**~$4,400**
Volatile on deal uncertainty	S&P 7,519 · Nasdaq 26,656	Off Jan record ~$5,500

A WORD FROM JONATHAN

When I last wrote, the worst seemed to be over. It wasn't.

My last commentary, for the week ending 24 April, left you with a mixed picture — a fragile ceasefire, stalled peace talks, and oil that had fallen from its $124 peak to around $97–98. The weeks since have not lacked for drama.

THE STORY SO FAR

From stalemate to "largely negotiated" — the weekend breakthrough

When the original ceasefire expired on 22 April, it was extended rather than allowed to lapse. Both sides exchanged fire on multiple occasions whilst insisting the ceasefire technically remained in force. Iran's peace proposal was rejected by Trump as "garbage." The US counter-proposal was rejected by Iran as "unreasonable." The Trump–Xi summit in Beijing produced commercial agreements but no concrete action on Hormuz. Iran's Supreme Leader issued a directive ordering near-weapons-grade uranium to remain on Iranian soil. By mid-May the situation appeared deadlocked.

Then, over the weekend of 23–24 May, the picture shifted materially. The key development is this: Trump declared a Memorandum of Understanding "largely negotiated," oil fell more than 10%, and Iran's central bank governor flew to Doha. That last detail matters. **Central bank governors attend peace negotiations to discuss money, not diplomacy.** Reuters confirmed Governor Abdolnaser Hemmati's presence is specifically to negotiate the release of frozen Iranian funds — tens of billions of dollars of oil revenues held in foreign banks. Both sides are working through the financial mechanics of a settlement. That is a meaningful signal of seriousness.

The deal is not yet signed — and since Trump's Saturday announcement, both sides have moderated their language. On Monday, Rubio said the US would give diplomacy every chance but would deal with Iran "in another way" if talks fail. Trump told his representatives not to rush, then convened his Cabinet at Camp David. Talks have intensified but a signed agreement is not expected imminently. Iran disputes the nuclear terms. Israel is deeply troubled by a framework that defers the nuclear question. The most accurate description as of today: meaningfully closer to resolution than at any point since the conflict began — but not there yet, and both sides are managing expectations carefully.

Timeline of key events

28 FEBRUARY 2026 **Conflict begins.** US–Israeli airstrikes on Iran. Oil rises sharply from $72 per barrel. Iran closes the Strait of Hormuz.

2 MARCH 2026 **LNG supply shock.** QatarEnergy suspends production after an Iranian drone attack. Qatar supplies around 20% of the world's liquefied natural gas.

8 APRIL 2026 **Ceasefire announced.** Pakistan-mediated two-week truce. Hormuz blockade remains largely in place.

22 APRIL 2026 **Ceasefire extended.** The original truce expires but is extended rather than allowed to collapse.

7 MAY 2026 **UK local elections.** Reform UK 26%, Greens 18%, Labour and Conservatives both 17% on the BBC Projected National Vote.

14 MAY 2026 **Labour leadership pressure intensifies.** Wes Streeting resigns. Over 90 Labour MPs call on Starmer to set a date. Gilt yields spike; Sterling falls over 2%.

13–15 MAY 2026 **Trump–Xi summit — Beijing.** High-profile delegation including Musk, Jensen Huang, Tim Cook, Larry Fink. Commercial deals reached; no concrete action on Hormuz.

20 MAY 2026 **Nvidia reports Q1 results.** Revenue up 85% year-on-year to $81.6 billion. Shares barely move — a signal of how high expectations have been set.

20 MAY 2026 **ONS releases April CPI.** UK inflation fell to 2.8%, down from 3.3% in March. Analysts warn this reflects a statistical base effect, not genuine relief.

23–24 MAY 2026 **Trump declares deal "largely negotiated."** Framework involves 60-day ceasefire extension, Hormuz reopening, sanctions waivers and nuclear talks. Brent falls more than 10%. US equity futures rally sharply.

25–26 MAY 2026 **Iran delegation in Doha.** Central Bank Governor Hemmati attends specifically to negotiate release of frozen Iranian funds. Rubio says there is "a pretty solid thing on the table."

> ⓘ **HOW FAR THE RIPPLES REACH**
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> It has been said that when a butterfly flaps its wings in Brazil, it sets off a tornado in Texas. The closure of a strait in the Persian Gulf, it turns out, empties shelves in Mumbai. Indian Prime Minister Narendra Modi made an unusual public appeal this month, urging India's 1.4 billion citizens to stop buying gold, reduce overseas travel, and cut fuel use — for at least a year. India is the world's third largest oil importer and its second largest gold buyer, spending $72 billion on gold imports last year. With oil prices up nearly 50% since the conflict began, India's current account deficit has widened sharply. The Indian rupee has weakened around 7.5% over twelve months, touching a record low near 99 per dollar before recovering to around 85–86.

There is an intriguing counterpoint. As of today, Taiwan has overtaken India to become the world's fifth-largest stock market — Taiwan's total market capitalisation reached $4.95 trillion against India's $4.92 trillion (Bloomberg). The primary driver is TSMC, whose shares have rallied 46% this year on AI semiconductor demand. The same technology boom that is lifting one market is, indirectly, compounding the pressure on the other. A prime minister asking over a billion people to change their daily habits — whilst a nearby island of 23 million people rides an AI wave to surpass his country's entire stock market value — is perhaps the most striking illustration yet of how unevenly the current moment is being felt.

MARKETS IN NUMBERS

Oil falling on deal hopes, US indices at record highs

With US markets closed on Monday 26 May for Memorial Day, Tuesday brought a decisive signal: the S&P 500 closed at a record 7,519 and the Nasdaq at a record 26,656, both all-time highs, led by technology and semiconductors. Micron Technology surged 19% to top $1 trillion in market capitalisation on AI memory chip demand. The S&P 500 is up around 9% in 2026 and the Nasdaq up around 14%. Banking results have been broadly strong: JPMorgan reported Q1 net income of $16.5 billion; Goldman Sachs posted a 48% surge in investment banking fees. Of S&P 500 companies reporting Q1 results, 83% have beaten analysts' estimates. China was a notable exception: the Shanghai Composite fell around 2%, dragged lower by profit-taking in technology stocks and weaker domestic economic data.

Nvidia reported its latest quarterly results on 20 May — revenue of $81.6 billion, up 85% year-on-year, with Data Center revenue alone reaching $75.2 billion. The company also announced an $80 billion share buyback and raised its quarterly dividend. And yet shares barely moved. When a company grows revenue by 85% and the stock barely moves, it says something important about how much AI enthusiasm is already reflected in the price — and how high the bar has been set for what constitutes a surprise.

A further positive development: Samsung Electronics clinched an 11th-hour deal with its South Korean union on 21 May, averting a planned 18-day strike by 48,000 workers. Samsung produces much of the world's AI memory chip supply. The KOSPI surged 8.42% on the news.

A MEXICAN FOOD INTERLUDE — TACO, MEET NACHO

I should say at the outset that Mexican food is not my favourite. But financial markets, it seems, have developed quite an appetite for it this year. Last year's dominant trade was the TACO — "Trump Always Chickens Out" — coined by Financial Times columnist Robert Armstrong to describe investors profiting from a then-reliable pattern: Trump announces aggressive policy, markets fall, Trump retreats, markets recover.

Then came the Iran conflict — and a sequel. Bloomberg's Javier Blas put it plainly: "We thought we were getting a TACO. But so far we are getting a NACHO: Not A Chance Hormuz Opens." The divergence between markets told the story: equity investors maintained their TACO instinct, keeping US indices near record highs, whilst bond and commodity markets priced in a prolonged energy disruption. As of this weekend, however, the chips appear to be falling. With Trump declaring a deal "largely negotiated," Iran's central bank governor in Doha and oil down more than 10% in a week, the NACHO trade is being unwound in real time. It turns out the nachos may finally be leaving the menu.

CLOSER TO HOME

Two pressures for UK investors this month

For UK investors, May has brought two distinct challenges: the continued drag from elevated global energy prices, and a domestic political crisis — long building, but now erupting into the open — that has rattled Sterling and the gilt market simultaneously.

Energy prices, inflation and the central bank dilemma

Brent crude today	~$94/bbl
Brent crude pre-conflict	$72/bbl
UK CPI inflation (April 2026, ONS)	2.8%
UK inflation forecast Q4 2026 (HM Treasury)	>5.5%
Bank of England rate (held 30 April)	3.75%

The Iran conflict has placed central banks in genuinely difficult territory — higher energy costs push inflation up, calling for rate rises, whilst also squeezing household budgets and slowing growth, calling for cuts. The ONS confirmed on 20 May that UK CPI fell to 2.8% in April, down from 3.3% in March. The fall largely reflects a statistical base effect rather than genuine relief. Higher wholesale energy costs have not yet fully fed through to household gas and electricity bills, as domestic energy prices are regulated by Ofgem's quarterly price cap. When the cap rises in the summer, the impact will become more visible to consumers. HM Treasury's average of independent forecasts sees CPI reaching 5.5% by Q4 2026.

The petrol pump tells its own story. Average unleaded rose from around 135p per litre before the conflict to approximately 158p by mid-May — an increase of around 23p per litre, adding roughly £12.50 to a typical fill. The RAC confirmed prices rose every single day for 40 consecutive days before the first small dip. Even if an Iran deal is reached this week, drivers should not expect an immediate return to pre-conflict prices. Both the RAC and AA have cautioned against that expectation. Relief will come — but gradually.

The Bank of England held Bank Rate at 3.75% on 30 April, with Chief Economist Huw Pill alone voting to raise. In its most severe scenario, CPI could reach 6.2% in early 2027. The ECB faces a similar bind: money markets now price an 86% probability of a rate rise in June. In the US, the CME Group's FedWatch tool shows traders pricing in an 11% probability of a Fed rate hike in July — up from just 0.9% a month ago. The next BoE decision is 18 June.

That resilience is worth acknowledging in the context of Q1 GDP expanding by 0.6% — the strongest quarterly performance in the G7, though the bar was low given the global energy shock. This is offset by PMI data released on 22 May showing services activity contracting in May for the first time in over a year.

✓ **RACHEL REEVES AND THE GREAT BRITISH SUMMER SAVINGS SCHEME**

In a statement to the Commons on 21 May, the Chancellor cut VAT from 20% to 5% on summer attractions — fairs, theme parks, zoos, museums, cinemas — and on children's meals in restaurants and cafes, running 25 July to 1 September. The planned fuel duty rise has been scrapped for 2026 and tax-free mileage rates rise by 10p per mile, backdated to April. The package is funded by closing a tax loophole used by oil and gas companies.

The timing feels apt. With the Met Office confirming that temperatures hit 35°C in London this Bank Holiday weekend — breaking the May record and making this the hottest late May on record — a scheme specifically designed to make a British summer out cheaper is rather welltimed. Whether the weather holds until July is another matter, but for once, the policy and the thermometer appear to be pointing in the same direction.

The Labour leadership crisis and UK markets

The fiscal backdrop adds further complexity. Official ONS figures show public sector borrowing reached £24.3 billion last month, up £4.9 billion from a year earlier and higher than expected. Grant Fitzner, the ONS chief economist, noted that higher tax receipts were "more than offset by higher spending on benefits and other costs." Ruth Gregory, deputy chief UK economist at Capital Economics, observed that the figures "highlight the deteriorating growth outlook and fragile fiscal backdrop that will face whoever is in 10 Downing Street." Separate ONS data showed retail sales volumes fell in April by the fastest pace for almost a year, as the jump in petrol prices hit demand for fuel.

Financial markets reacted with notable speed to the political uncertainty. At their spike high last week, the UK 10-year gilt yield touched around 5.10% — approaching 18-year highs — and the 30-year reached approximately 5.75%, its highest since 1998. This week, yields pulled back sharply — the 10-year falling toward 4.9%, on course for its sharpest weekly decline since 2024 — as lower than expected inflation data and Iran deal hopes improved investor sentiment. For new money being put to work, the income yield now available on bond investments is significantly higher than it was a year ago.

Official labour market data released on 20 May showed payrolls fell by 100,000 in April — the sharpest monthly decline since May 2020 — and the unemployment rate rose to 5.0%. Flash PMI data released on 22 May added further caution: UK Services PMI fell sharply to 47.9 in May from 52.7. The stagflationary combination — rising inflation, slowing activity — makes the Bank of England's task especially difficult.

If you have a mortgage renewal or cash savings decision coming up, please do get in touch with me or your dedicated financial planner. We are always glad to hear from you.

BIGGER PICTURE

The themes shaping markets — where things stand

Iran peace talks MOVING

Deal declared "largely negotiated." Central bank governor in Doha. Not yet signed; Iran disputes nuclear terms. Closer to resolution than at any point since February.

Energy markets IMPROVING

Oil at ~$99, down from $124 peak. Saudi output at lowest since 1990. IEA warns normalisation could take months even after a deal.

UK political risk LIVE

Labour leadership unresolved. Clive Lewis offered to stand aside for Burnham. NEC previously blocked Burnham 8-1. 81 MPs threshold not yet reached. Each week adds a chapter without resolution.

Technology & AI POSITIVE DRIVER

S&P 500 and Nasdaq at record highs. AI businesses insulated from the energy shock. Samsung strike averted; KOSPI up 8.42%. AI infrastructure investment remains a dominant market force.

US tariffs WATCH CLOSELY

10% global tariff expires in July. Trump–Xi summit explored managed trade mechanism

Putin & Xi WATCH CLOSELY

Joint statement on 20 May condemned US and Israeli strikes as breaching international law.

worth ~$30bn. July deadline adds another layer of second-half uncertainty.

SpaceX & OpenAI IPOs COMING SOON

Reuters reports that SpaceX is targeting Nasdaq listing (ticker: SPCX) as early as 12 June at $1.75 trillion+ — the largest IPO in history. Roadshow begins 4 June. OpenAI and Anthropic separately laying IPO groundwork.

Note: the world's most creative founders tend to list when valuations are most favourable to sellers. Extraordinary businesses — but clear eyes are warranted.

Both stopped short of more dramatic action. No gas pipeline deal reached.

IMF growth outlook STABILISING

IMF cut its 2026 global growth forecast to 3.1%, based on assumption of a short-lived conflict. Today's developments suggest that assumption may be playing out. A swift resolution would support a return toward pre-conflict forecasts in H2.

INVESTMENT IMPLICATIONS

This is general market commentary only and not intended as investment recommendations. Please speak to your adviser about your own circumstances.

What all of this means for your investments

Spreading investments across different asset classes, sectors, and geographies means that no single event dominates overall returns. Diversification works best when different assets move in different directions. The honest caveat is that in periods of sharp, broad-based stress, correlations can rise. Periodically reviewing whether your overall investment approach still reflects your circumstances is time well spent.

The S&P 500 is up around 9% this year. That sounds encouraging. But in a world where UK inflation is heading toward 4–5% by summer, the real return — what you actually gain after prices rise — is considerably more modest. Well-run companies possess what investors call **pricing power** — the ability to raise prices ahead of inflation and protect margins. Think about what a bar of branded chocolate costs today compared with five years ago. That is pricing power in everyday life, and one of the most important reasons why owning shares in good businesses has historically been an effective way to preserve real wealth.

Gold hit a record high of around $5,500 in January 2026 before its worst two-day fall since 1983. It currently trades around $4,500 — down around 15% since the conflict began, as rising rate-hike expectations have increased the opportunity cost of holding an asset that pays no income. It remains a useful barometer. Analyst forecasts for year-end span from Macquarie's cautious $4,323 to J.P. Morgan's $6,300. **When analysts who study the same asset reach conclusions nearly $2,000 apart, it tells you something about the limits of forecasting itself.** For bond investors: rising gilt yields mean falling prices for existing holders, but meaningfully better income for new money being deployed.

Three months in — an honest assessment

The past three months have been a genuine test. US corporate earnings have been stronger than expected. The Iran conflict shows the first signs of real diplomatic movement. Oil has fallen from its peak. But the conflict is not resolved, inflation is likely to rise more through the summer, the UK economy is showing signs of strain, and interest rates may go up before they come down.

Long-term investing has always meant accepting uncertainty as the price of return, and the evidence consistently shows that remaining invested through difficult periods produces better outcomes than trying to sidestep them. This is a good moment to make sure your investments reflect where you actually are in life — your timeframe, your circumstances, your appetite for risk — rather than where you were when you last reviewed them. If any of that has changed, please do get in touch with me or your dedicated financial planner. We are always glad to hear from you.

LOOKING AHEAD

Key dates and what to watch

ON THE CALENDAR

Iran peace deal — progressing but not imminent. Trump declared a deal "largely negotiated" over the weekend but both sides have since moderated the timeline. Rubio says talks may take several more days. A signed agreement would be the most significant positive catalyst for energy markets since the conflict began.

UK Labour leadership — live. A formal contest requires 81 Labour MPs to back a challenger — that threshold has not yet been reached. Burnham's borrowing commitment has partially calmed the gilt market. Each week adds a chapter without resolution.

4 June — SpaceX roadshow begins. Pricing on 11 June; listing as early as 12 June on Nasdaq under ticker SPCX. At a targeted valuation of $1.75 trillion or above, it would be the largest IPO in history. Retail investors expected to play an unusually large role.

18 June — Bank of England rate decision. Now a genuinely live question. J.P. Morgan and ING both forecast one hike to 4% in June. In a Reuters poll, 33 economists expect a hold, 14 a hike and 15 a cut. The IMF says a hike is not necessary.

IEA: undersupply until October. Even if conflict resolution comes next month, the agency warns shipping volumes and production infrastructure will take several months to normalise. Energy price relief is likely to be gradual.

⚠ MY CURRENT ASSESSMENT

The most significant shift since the conflict began happened over this past weekend. Trump's declaration that a deal is "largely negotiated" — backed by calls with eight regional leaders and a detailed framework covering Hormuz, blockades, sanctions and nuclear talks — represents genuine diplomatic momentum. Oil has fallen more than 10% from its recent highs. Since then, both sides have moderated the timeline: Rubio said talks may take several more days and Trump told his team not to rush.

If a deal is formally signed, it would remove the single largest source of inflationary pressure on the global economy. It is also worth noting that President Trump chose to skip his son Donald Jr.'s wedding to focus on the negotiations — a sacrifice that, if a deal is reached, may yet prove to be his most consequential act of the conflict.

Markets may respond positively if diplomatic progress continues, though outcomes remain uncertain.

The caveats are real: Iran disputes the nuclear terms, Israel has concerns, and deals at this stage can still unravel. Gold at $4,500 — still historically elevated even after its correction — is a reminder that markets are not fully confident. UK political uncertainty persists and inflation is likely to rise more through the summer. But the balance of risks today is more positive than at any point since 28 February. Markets may respond positively if diplomatic progress continues, though outcomes remain uncertain.