



The Markets IQ

MONTHLY MARKETS UPDATE

Vitti Capital and The Markets IQ — Monthly Markets Update - May 2026

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Opening Snapshot

You can't say May was boring.

The Nasdaq 100 futures (CME:NQ1!) closed the month up 9.82% at 30,307. S&P 500 futures (CME:ES1!) added 4.67%, closing at 7,582. Wall Street had one of its best months of the year. The AI trade came back with conviction, earnings beat expectations, and the market decided it wasn't going to wait for anyone.

Oil reversed. WTI crude (NYMEX:CL1!) fell 15.39% to close at \$88.90. Brent (ICEEUR:B1!) fell 17.81% to \$93.71. After WTI hit \$109.47 early in the month, that's a steep reversal. The Iran/Hormuz premium that drove crude higher from February is deflating fast. We'll get to what that means for Australian energy names.

Copper (COMEX:HG1!) was the commodity worth owning. Up 7.93% to \$6.40. Data-centre infrastructure, electrification, and the green energy build-out are absorbing supply. Gold (COMEX:GC1!) dipped 2.5% to \$4,499.30 while silver (COMEX:SI1!) bucked the trend and added 2.87% to \$75.64.

US 10-year yields (TVC:US10Y) crept to 4.45% from 4.39%. Not a dramatic move. US rates are slowly but steadily shuffling towards interest rate hikes.

Australian Market

The ASX 200 (SFE:AP1!) finished May up 0.95% at 8,750. A late push into the close turned a flat month green.

Dig under the surface and it was anything but quiet. The index ran to 8,925 intraday, clearing 8,900, then sold back hard to a low of 8,512. That's a 413-point range, and the buyers won the month by a nose.

The divergence with Wall Street still stands. Nasdaq 100 futures up 9.82%. The ASX up under 1%. The reason is simple. Australia's index isn't wired for mega-cap AI. What we've got is banks, miners, and healthcare. Banks sold off. Healthcare crashed. Materials ripped. The miners did enough to drag the index into the green.

The AUD/USD (FX:AUDUSD) held at 0.72, up 0.44% for the month. The RBA's hiking cycle is putting a floor under the currency.

The ASX is trading water directly below resistance. Which direction it breaks will depend on whether inflation news turns or the US rally cools.

Inflation, Interest Rates and Taxes

The RBA hiked 25 basis points to 4.35% at its May meeting. That's the third straight hike of 2026, and it brought the cash rate back to the prior cycle peak.

We called the end of rate cuts in May 2025. This is a hiking cycle. Not a cutting cycle.

The Q1 2026 CPI data landed on 30 April and framed the May decision. Headline CPI came in at 4.6% year-on-year, up from 3.7%. Trimmed mean held at 3.3%, giving the RBA short-term cover to flag a potential pause. But 4.6% headline isn't 'on the path to target.'

That's inflation getting away.

The RBA's own forecasts have headline inflation peaking near 4.8% mid-2026, with underlying above 3% until mid-2027.

Markets are pricing one more rate hike by the end of the year. The RBA will likely take any opportunity to pause while negotiations between the US and Iran play out. A June pause is likely. Expect the next hike to come towards the back end of the year, based on the current data.

Then there's the budget.

On 12 May, Jim Chalmers wound back the 50% CGT discount. As we covered in [CGT Discount Scrapped. Yield Rotation Started 12 May](#), that's the end of a 26-year incentive to be a growth investor.

From 1 July 2027, gains get indexed for inflation and taxed at your marginal rate. The market is still working out what that means for portfolio construction.

We've held a 20-30% probability on a 1970s-style runaway inflation scenario all year. Read the case in [Brace for Runaway Inflation](#). Oil and wage growth remain the two key elements to watch.

The next RBA meeting is 16 June. Watch it closely for key wording changes.

Sector Themes

Materials: The Electrification Dividend

Materials (ASX:XMJ) jumped 10.47%. The standout sector by a wide margin.

Copper did the heavy lifting, up 7.93% globally. Data centres need copper for power infrastructure. EVs need it for motors and charging. Grid upgrades need it everywhere. Supply hasn't kept pace, and it's showing up in miner earnings.

The copper-leveraged majors went with it, and we cover the standout below. The same tide lifted names with no copper story at all, which is where we'd apply some scepticism. A rising commodity tide flatters everything for a month. It doesn't erase the divide between genuine copper exposure and pure iron ore.

Healthcare: The Worst Month in Years

Healthcare (ASX:XHJ) fell 9.18%. The worst month of a six-month down-cycle.

The damage went wider than one name. The whole biotech and pharma complex is pricing in a pessimism that quality names haven't earned. As we noted in [Don't Overlook ASX Biotech](#), the sector sits near the bottom of a cycle that's been grinding for six months.

Risk/reward in healthcare has improved. That isn't the same as calling the bottom next month.

Energy: The Hormuz Premium Deflates

Energy (ASX:XEJ) fell 5.88%. Oil's reversal did the damage.

WTI (NYMEX:CL1!) touched \$109.47 early in May, then closed at \$88.90. Brent (ICEEUR:B1!) peaked at \$115.25 and closed at \$93.71. We laid out the Hormuz shock in [The Oil Shock Nobody Wants to Think About](#). The geopolitical premium is unwinding. The question isn't whether the price fell. It's whether the underlying risk has receded or the market is getting complacent again.

Energy is still up meaningfully over six months from where the Iran trade began. A reasonable retrace, not a verdict on the sector. We've never accused Trump of being predictable, and we aren't about to start now.

The budget also quietly rewired Australia's domestic gas market for the next two decades. We covered that in [The Twenty-Year Supply Wave Hiding Inside the Budget](#). The long-term gas story may matter more than the oil headlines for Australian long-term investors.

Financials: Caught in the Rate Vice

Financials (ASX:XFJ) fell 3.87%.

The RBA hiking cycle is a mixed blessing for the banks. Higher rates lift net interest margins in the short term. But credit risk climbs with repayments. The CGT discount change adds another layer, reshaping how investors weigh growth against income.

The next round of credit-quality data will tell us whether the hikes are starting to crack household balance sheets. That's the number to watch. Watch big four bank commentary for key insights.

Technology: Holding the Line

Technology (ASX:XIJ) edged up 0.57%.

Flat counts as progress after a six-month decline approaching 39%. The agentic-AI panic is still being applied to SaaS businesses with strong switching costs and visible recurring revenue, and we cover the clearest example below. The bright spot was data-centre infrastructure, where the copper and electrification theme is pulling AI money in.

The sector going flat while quality names keep selling tells you rotation is happening inside tech. That disconnect has a shelf life.

Standout Stocks and Stories

BHP Group (ASX:BHP): Copper's Best Friend

BHP added 15.99% to \$62.31. The kind of outperformance that comes from owning the right commodity at the right time.

The market is finally pricing BHP as a copper-and-diversified-resources business rather than an iron ore stock that happens to own other things. With copper (COMEX:HGI!) at \$6.40 and demand structurally higher from data centres and electrification, Olympic Dam and Escondida look better every quarter.

A 16% month in a broader market that barely budged is what conviction in the right theme delivers.

CSL Limited (ASX:CSL): Down 22.3%. What Now?

The business hasn't changed that much. Plasma collection is recovering. Vifor is contributing. The concern is guidance credibility after a run of downgrades, and management needs to rebuild trust with the market. That takes more than one quarter. The execution problems are serious, but they aren't fatal to the thesis.

For patient investors, CSL at these levels prices in a lot of bad news. The franchise value of the plasma business alone is hard to replicate. The six-month decline across ASX biotech is creating setups that reward patience over panic.

WiseTech Global (ASX:WTC): Still Getting Punished

WiseTech fell 15.71% to \$36.01. The agentic-AI sell-down has reached levels that are getting harder to justify on fundamentals.

CargoWise doesn't become less useful because AI agents exist. If anything, agents running on top of logistics platforms could speed adoption. The 'structurally at risk' argument applies to plenty of SaaS names that haven't been sold down nearly as hard. We covered [The Great ASX Tech Smackdown](#) in detail. WiseTech and Xero (ASX:XRO) are quality businesses penalised for a macro narrative.

The question is when the market reaches the same conclusion.

Fortescue (ASX:FMG): Iron Ore Surprise

FMG gained 13.54% to \$22.31. A strong month.

The iron ore momentum catch-up is hard to ignore. If Chinese demand is re-accelerating, FMG is the high-beta play. But the structural picture hasn't shifted. China's property sector is still working through excess inventory, and FMG lacks BHP's copper diversification backstop.

Caution is still warranted in FMG.

Outlook for June

The RBA meets on 16 June, but don't expect fireworks this time around. A surprise rate move will catch the markets off guard, but otherwise the market will just be over-obsessing over one or two key words.

Oil is the second swing factor. WTI at \$89 after touching \$109 means energy lives or dies on whether the Hormuz premium keeps deflating or geopolitical risk flares again. Wall Street is the third. A near double-digit Nasdaq month sets a high earnings bar. AI hardware demand is robust, but the valuations now need the earnings to match, and any disappointment flows straight through to ASX tech.

The slow burn is the CGT discount change from the 12 May budget. Advisers and clients are still reworking portfolios, and the shift from growth toward income will play out over months, not weeks. Watch uranium too. Off 10.05% to \$50.75 and testing support, it's the tell for whether the broader commodities complex has more downside to absorb.

In Summary

May split Australia and America in two. Wall Street had one of its best months of the year. The ASX eked out a small gain while its biggest sectors moved hard in opposite directions.

Materials won. Healthcare and energy lost. Banks sold off. Tech held on.

The three themes driving our view all year are intact. Inflation isn't beaten. The RBA is hiking, not cutting. Copper and the electrification story is repricing faster than the market expected. Quality names in healthcare and tech are pricing in pessimism that their fundamentals don't justify. That's not a call on timing. It's an observation that the risk/reward has shifted.

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