Daily Packet: 2026-05-17 to 2026-05-18

Trading_and_investment_papers plus Daily Shot when available.

WINDOW PDFS	CHART EXTRACTS	TOP CHARTS
10	**30**	**4**

DAILY SHOT
skipped

> **Bottom line:** This packet is the one-stop morning read: curated chart evidence first, Daily Shot context second, and source links at the end.

Top Charts

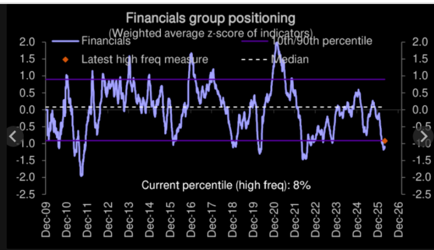
1. Earnings are still carrying more weight than bears want

Page 2 | Everyone Hates Banks

What it says: Everyone Hates Banks: Deutsche Bank More on positioning Here is the MS PB hedge fund exposure in large cap banks - way off highs. MS PB EPS estimates The S&P 500's 2026 EPS expectation has risen over 7% since the start of the year, from $308 to $331. Financials are at a meager 1...

Worldview update: The bearish macro case needs earnings to crack. Until that happens, selloffs can remain buyable even if the rally quality deteriorates.

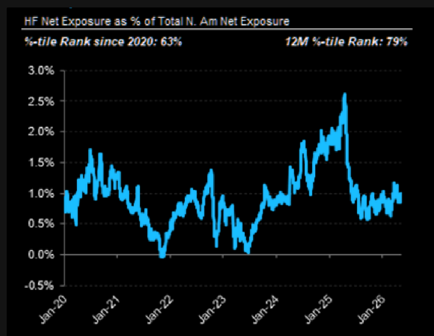
Portfolio/use: Track breadth of EPS revisions, not just index EPS. Narrow earnings strength is less durable.



Deutsche Bank

More on positioning

Here is the MS PB hedge fund exposure in large cap banks - way off highs.



MS PB

EPS estimates

The S&P 500's 2026 EPS expectation has risen over 7% since the start of the year, from $308 to $331. Financials are at a meager 1.5% - but that actually puts them in the middle of the sector pack - clocking in at 5th place as 3 sectors has negative growth and 2 around 0.

	Weight	2026 EPS Estimate			2027 EPS Estimate		
		12/31/2025	5/15/2026	Change	12/31/2025	5/15/2026	Change
S&P 500	100%	308.47	330.67	7.2%	354.72	380.48	7.3%
Technology	35%	212.73	242.89	14.2%	255.55	304.98	19.3%
Financials	12%	56.05	56.9	1.5%	62.56	63.32	1.2%
Comm. Services	11%	20.28	22.79	12.4%	23.23	24.37	4.9%
Cons. Disc.	10%	65.13	65.73	0.9%	76.44	74.04	-3.1%
Industrials	9%	54.81	55.58	1.4%	63.26	64.32	1.7%
Health Care	9%	97.12	92.34	-4.9%	108.35	110.17	1.7%
Cons. Staples	5%	39.4	38.86	-1.4%	42.55	41.95	-1.4%
Energy	3%	43.08	63.76	48.0%	51.21	60.94	19.0%
Utilities	2%	24.27	24.37	0.4%	26.52	26.65	0.5%
Materials	2%	30.24	34.9	15.4%	34.21	38.06	11.3%
Real Estate	2%	14.93	14.89	-0.3%	15.97	15.75	-1.4%

Carson

Cheaper

Bank valuations have gotten cheaper since 2021. This chart shows the 1yr forward price-to-earnings ratio of S&P 500 banks to utilities.

2. Oil stress is feeding rates, while equities are looking through it

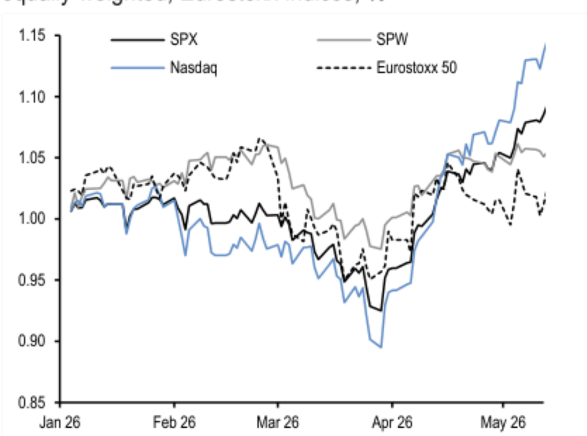
Page 3 | JPM The J P Morgan View Higher for Longer in Oil and Rates Own AI

What it says: JPM The J P Morgan View Higher for Longer in Oil and Rates Own AI: Figure 1: Stick to our momentum view of “buying the winners” with AI upstream theme being the key pillar of our bullish outlook in risk assets Normalized YTD performance for Nasdaq, S&P 500, S&P 500 equally weighted, Eurostoxx indices; % 0.85 0.90 0.95 1.00...

Worldview update: The cleaner market signal is the cross-asset divergence: oil stress has mattered for rates, but equities are already looking through it. That calm is fragile if energy pressure starts feeding inflation or growth expectations again.

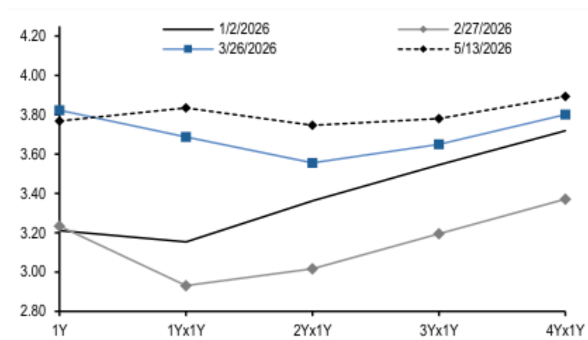
Portfolio/use: Track Brent, rates, and equity correlation together; use oil/rates stress as the warning light rather than treating headlines in isolation.

Normalized YTD performance for Nasdaq, S&P 500, S&P 500 equally weighted, Eurostoxx indices; %



Source: J.P. Morgan

USD OIS 1Y spot and 1Y forward rates



Source: J.P. Morgan

3. AI is becoming a capex, power, and politics story

Page 1 | different this time

What it says: different this time: Religion Every bubble eventually develops its own religion. This one worships AI, ignores bond yields and believes momentum only travels upward. Meanwhile, the Nasdaq is levitating, Treasury yields are back at crisis-era levels, and even Goldman admits the...

Worldview update: The AI trade is no longer only about demand and model progress. The constraint is shifting toward cash-flow intensity, grid capacity, permitting, and public tolerance.

Portfolio/use: Map AI exposure through power, grid, utilities, gas, and capex beneficiaries; be careful where capex consumes free cash flow.

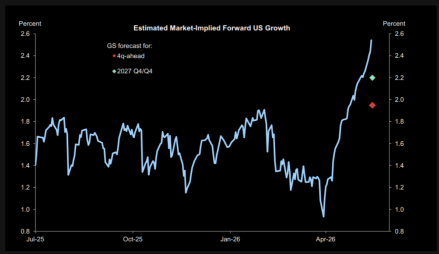
Religion

Every bubble eventually develops its own religion. This one worships AI, ignores bond yields and believes momentum only travels upward. Meanwhile, the Nasdaq is levitating, Treasury yields are back at crisis-era levels, and even Goldman admits the math is getting difficult. Here are five longer-term charts that feel a bit like swearing inside the bull market cathedral.

Too euphoric

Macro optimism is looking too hallelujah euphoric.

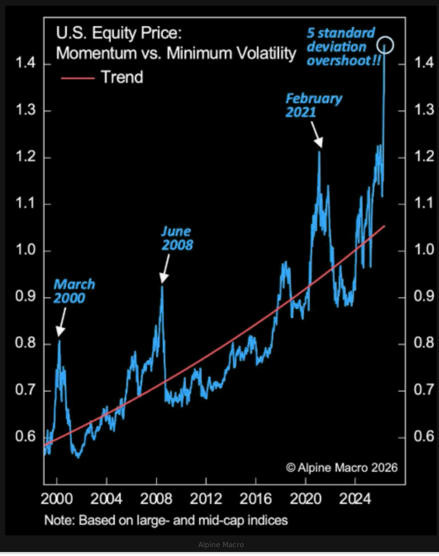
GS: *"Market pricing of US growth is beyond even our 2027 forecasts"*



GIR

Momentum melt-up

Momentum stocks (dominated by semis) have basically had a vertical rally towards heaven relative to minimum volatility stocks (think defensives like staples, utilities). Markets don't like big straight-line moves like that. It's not something that persists.



Alpine Macro

4. Europe has opportunity, but oil and FX can spoil it

Page 3 | The Europe Comeback Trade Is Quietly Falling Apart

What it says: The Europe Comeback Trade Is Quietly Falling Apart: LSEG Workspace Selling European core Industrials was by far the most aggressively sold European sector last week. The sector saw the largest percentage net selling in five months, driven by both short and long sales at roughly a 1.3-to-1 ratio according to...

Worldview update: Europe has an earnings and under-positioning setup, but it is also more exposed to energy disappointment and currency pressure.

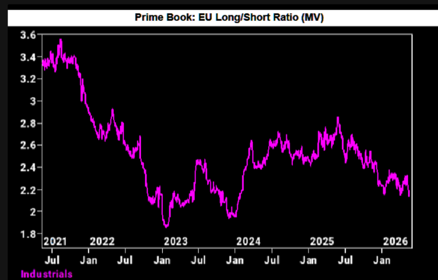
Portfolio/use: Prefer European longs with earnings momentum and lower energy sensitivity; hedge EUR risk when oil stress rises.

LSEG Workspace

Selling European core

Industrials was by far the most aggressively sold European sector last week. The sector saw the largest percentage net selling in five months, driven by both short and long sales at roughly a 1.3-to-1 ratio according to GS PB.

The EU Industrials long/short ratio has now fallen to 2.14, down 5.9% week-over-week. That is the lowest level since January 2024 and sits in just the 14th percentile versus the past five years.

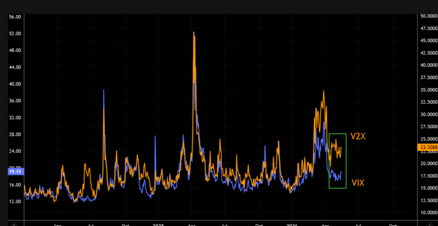


GS

The more stressed one

European equity vols continue to trade with a wide gap vs VIX.

Europe continues pricing materially more stress than the US despite the reflation narrative.



LSEG Workspace

Vol knows

European equity vol started widening materially versus VIX just as oil exploded higher. Europe remains the more vulnerable relative expression whenever energy stress returns.

The combination of stalled price action, stressed vols, and aggressive industrial selling increasingly suggests investors still view Europe as a tactical trade rather than a durable structural long.

Europe keeps talking reflation while markets continue pricing stagnation and stress.

Daily Shot

> Daily Shot skipped: Daily Shot credentials are not configured.

Additional Chart Selection

JPM The J P Morgan View Higher for Longer in Oil and Rates Own AI

2 additional extracted charts

Chart 1

Page 3 | page-fallback | score 0.954

J.P. Morgan Securities plc
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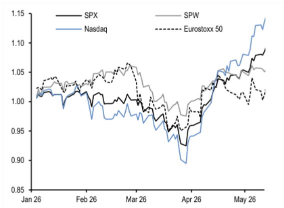
our economists' forecast for the FOMC to remain on hold, and resulting in a positively sloped money market curve, with the next move for the FOMC being a hike, which is supportive for USD. Consequently, we revise our year-end EUR/USD target lower to 1.14 from 1.20 previously. Notably, in the event of a de-escalation of the Iran conflict, we would expect EUR/USD to move higher, so we prefer to express our view via options to insulate against this. Elsewhere in FX, we continue to favour G10 commodity exporters such as AUD and NOK and prefer high-yielders in the EM space including BRL and MXN. In EMEA EM FX, we are also bullish HUF given the election outcome and the multi-year convergence story.

Figure 1: Stick to our momentum view of "buying the winners" with AI upstream theme being the key pillar of our bullish outlook in risk assets

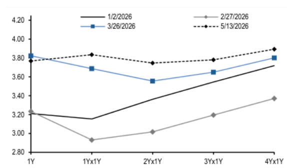
Normalized YTD performance for Nasdaq, S&P 500, S&P 500 equally weighted, Eurostoxx indices; %



Source: J.P. Morgan

Figure 2: US money market curve is now positively sloped with markets pricing ~30bp of hikes by June 2027

USD OIS 1Y spot and 1Y forward rates



Source: J.P. Morgan

Table 1: Core recommendations by asset class

Equities	**Country**: OW Eurozone, N Japan, UK. OW EM vs DM ex US. **Sector**: OW Technology, Comm Services, Utilities; Neutral Industrials, Cons. Staples, Cons. Discretionary, Financials, Health Care; UW Energy, Materials, Real Estate.
Bonds	**DM Duration**: In the US, hold short 5Y in 2s/5s/10s butterflies and 5s/10s/30s belly-cheapening butterflies. In Euro rates, **we buy 10Y Bund, enter 10s/30s conditional bull-stseepner (via 3m receivers), short 3Mx2Y EUR gamma vs. long USD gamma and take profit in 6Mx10Y JPY payer vs. Euribor**. We hold fronts/greens conditional bear flattener via 3M payers, hold long Sep26 SONIA calls vs. Euribor, 3Mx(1Yx1Y) receiver fly A/A-25/A-50, 2s/10s conditional bull steepener, 6Mx5Y USD payers vs. EUR. In the UK, **we go long 10Y gilt**, hold long 3Mx10Y gamma, Dec26 3M SONIA A/A+25/A+50 put fly, fronts/greens SONIA curve conditional bear flatteners and stay long gilt Mar27 on ASW basis. In Japan, hold tactical 5s/20s JGB curve steepener and 30s/31s curve steepeners. In AUS/NZ, stay recieved AUD 2Y1Y IRS vs. US, hold AUD 10Y EFP and NZD-AUD 5Y5Y IRS spread. **EM Duration**: MW; OW Hungary, Brazil, Mexico, while UW Peru and Chile.
Credit	**US HG**: OW Healthcare, Yankee banks, US Banks; UW Media Entertainment, Technology, Automotive, Basic Industries, Retail **Euro HG**: OW Financials vs. Non-Financials, OW EUR IG vs. GBP IG, iTraxx Main 75bp June payer option **Euro HY**: Long Single-B Basket **EM**: MW sovereigns and corporates
Currencies	**DM**: **Sell EUR/USD via 1.1650/1.14 3m put spread, buy 3m 40d/20d USD/CAD call spread (k=1.3782 / 1.3982), take profit on short CAD vs.50:50 basket of AUD & NOK**. Stay long-NOK/SEK via 3m call spread, long NOK vs JPY, CHF, short CAD/MXN and short EUR/AUD. **EM**: MW; OW MYR, HUF, TRY, BRL, MXN, while UW CZK, INR, THB and PEN.
Commodities	**Long**: Gold, Copper, Aluminum, Silver, and Platinum. **Short**: Oil and Zinc.

Source: J.P. Morgan. New recommendations in bold.

Chart 2

Page 5 | page-fallback | score 0.794

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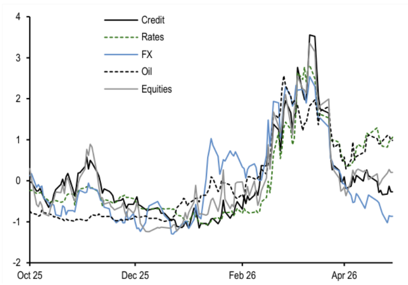
Figure 3: Non-linear hedges in rates and oil remain the most attractive ways to protect geopolitical-driven inflation risk making oil and rates vol sticky

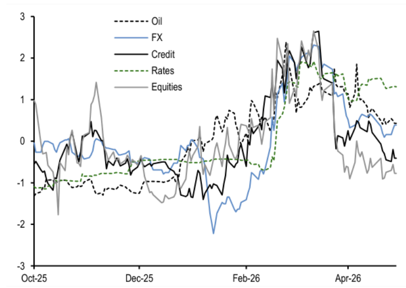
Average 6M Z-score of implied volatility grouped across asset classes



Implied vol on S&P 500 and EuroStoxx for equities, 3Mx2Y swaption vol in USD, EUR and GBP for rates, Brent and WTI for oil, and TRACX for US/Euro HG and HY credit.
Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 4: Demand to hedge stagflationary risks remains more persistent in DM front-end rates where the relative skew stays the most elevated

Average 6M Z-score of implied volatility skew grouped across asset classes



Implied vol on S&P 500 and EuroStoxx for equities, 3Mx2Y swaption vol in USD, EUR and GBP for rates, Brent and WTI for oil, and TRACX for US/Euro HG and HY credit (see footnote here for details).
Source: J.P. Morgan, Bloomberg Finance L.P.

The AI upstream theme has been further reinforced by strong earnings in the first quarter, providing further support to our bullish equity outlook. However, given the sharp rally from recent lows, a geopolitical backdrop that remains in flux and high crowding in Quality Growth (93.5%ile, Figure 5) or in Semis (99.3%ile) vs. Software (22.8%ile) (Figure 6), we see a non-negligible risk of a short-term consolidation/correction phase before the market resumes its upward trajectory. We are not overly worried about concentration risk given that about 45% of the market cap is now tied to the AI/Quality Growth theme (AI-50 stocks), which should be in line with our analysis of less sensitivity to higher rates and inflation risk, with a more muted beta to geopolitical uncertainty. Elsewhere in the equity space, we think investors should be selective and differentiated within cyclicals, focusing on areas most linked to Security and Resiliency (SRI) themes. In line with JPM's SRI initiative, we launch 5 equity baskets with exposure to: 1) Advanced Manufacturing and Supply Chains (JPRAMANS <Index>), 2) Aerospace and Defense (JPRAEROD <Index>, 3) Energy Independence and Resiliency (JPREIRES <Index>), 4) Frontier and Strategic Technologies (JPRFRSTT <Index>) and 5) Pharma and Healthcare (JPRPHHTR <Index>).

GS MORNING 1 Thoughts From the Floor 2 Dom Wilson s Latest 3

3 additional extracted charts

Chart 1

Page 1 | vector-cluster | score 0.740

* GS MORNING: 1) Thoughts From the Floor, 2) Dom Wilson's Latest, 3) Hedging UK Tails, 4) European Views and 5) Week Ahead Previews

18 May 2026


Adam Crook
Goldman Sachs International
Global Banking & Markets


Gabriel Hollis
Goldman Sachs International
Global Banking & Markets

Highlights from GS Research, Trading and Sales: **1)** Thoughts From the Floor, **2)** Dom Wilson's Latest, **3)** Hedging UK Tails, **4)** European Views and **5)** Week Ahead Previews

1) ADAM CROOK – Connecting you to GS: Thoughts from the Floor – LINK

Key Questions: The AI Trade – What innings are we in + what's the next innovation that generalists are missing? What were the main take-aways from China/US Summit as framed by both sides? How much risk-premium is priced in to UK assets + how far could Gilts + GBP go? Oil - Is there more two-way risk now? Hungary - What changed from the CB this week + what are we watching from Magyar in May?

GBP-Funded Risk / EMFX -> Tech, BRL, KRW… There is potential for GBP to underperform other USD-crosses over the next 2-3 months as political risk-premium remains elevated. Against a broadly constructive back-drop for Equities + pro-cyclical EMFX, there could be good risk-reward in funding popular + high-conviction Risk-Trades, especially in Tech, BRL + KRW, through GBP -> For GBP-Funded Risk: i) Buy a 3mnth Dual Binary NDX > 105% vs GBPUSD < 98% for 9% USD (~11x leverage); ii) Buy 3mnth Dual Binary KS200 > 105% vs GBPUSD < 98% for 9% (~11 x leverage).. For GBP-Funded EMFX: i) Buy a 3mnth Dual Binary USDBRL < 5.00 vs GBPUSD < 1% OTMS for 8.5% USD (~11.75 x leverage); ii) Buy a 3mnth Dual Binary USDKRW < 1475 vs GBPUSD < 1% OTMS for 9% USD (~11x leverage) .

GBP -> Hedging UK Tails… We think EURGBP higher is the cleanest way to hedge UK fiscal risk-premium in FX; EURGBP has generally been responsive to rising fiscal risk, proxied by 2s30s curve steepening, and our analysis indicates that a 25bps curve move equates to a 1.5%-2% move higher in EURGBP -> i) Buy a 3mth 0.9050 EURGBP Binary Call for 11.5% EUR (~8.7x leverage); ii) Buy a 3mnth Dual Binary EURUSD < 1.15 vs EURGBP > 0.90 for 4.85% EUR (~20.5x leverage) – EURUSD/EURGBP Realised Corrhas moved materially negative during windows of elevated UK risk-premium.

USDCNH Downside -> GIR Revising Lower Medium-Term USDCNH Forecasts… GS recently upgraded their forecasts for CNH, now looking for USDCNH at 6.50 in 12mnths, notably below both market consensus + forwards. We think that the case for a stronger Renminbi is becoming more fundamental + longer-lasting: China's external surplus is approaching unprecedented levels as a % of global GDP, it has a highly undervalued currency (more than 20% undervalued vs USD on a weighted average of our two valuation models), and CNH is at some of the cheapest levels on a real-trade-weighted basis vs the past couple of decades -> i) Buy a 3mth USDCNH 6.6 Digi Put for 10% USD (~10x max leverage); ii) Buy a 3mnth Dual Binary GBPUSD < ATMS vs USDCNH < 1% OTMS for 7.65% USD (max ~13x leverage).

2) GLOBAL MACRO (WILSON / TRIVEDI) – Global Market Views: Shortages – LINK

Chart 2

Page 5 | page-fallback | score 0.707

Low Risk of Recession: We do not forecast a Euro area recession. A key reason is that German fiscal policy is expanding markedly. While the rollout of the infrastructure fund remains slow, defence spending is rising rapidly and looks geared towards domestic production. As a result, activity in the German defence industry has picked up sharply, including factory orders, production and company sales. The rise in defence spending is much slower elsewhere in Europe, but we expect German fiscal policy to boost German growth by 1/2pp this year, providing a key source of resilience for the Euro area as a whole.

Fiscal Policy: The energy shock is unlikely to represent an immediate challenge to fiscal positions across Europe. Governments remain set to provide a limited response to the energy pressures, with announced measures significantly smaller than in 2022. Fiscal balance sheets across Europe are more solid today, with an average deficit of 3.4% of GDP in 2025 compared to 5.6% of GDP in 2021. And EU debt issuance will reach its highest level on record this year. That said, next year's general elections (in France, Italy and Spain) could entail significant fiscal risks, especially in France.

Inflation: We have further upgraded our inflation forecast given signals of stronger indirect effects into core inflation. First, product prices—including diesel, jetfuel and petrochemicals—have risen sharply more than implied by wholesale energy prices. Second, business surveys point to material price increases, especially for core goods. Third, signs of global supply chain pressures have emerged, pushing up transportation costs and delivery times. Fourth, we find evidence of a "rocket and feather" effect in historical pricing, where firms are much quicker to pass on higher energy costs than lower input prices. As a result, we now expect headline inflation to rise to 3.4% in Q2 and look for core inflation to peak at 2.7% in Q2 (vs 1.9% before the war).

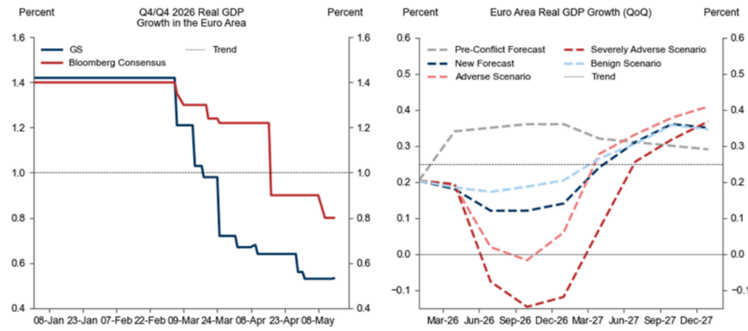
Second-Round Inflation Effects: We still see modest second-round inflation effects. The labour market remains resilient but is loosening given sluggish employment growth (at 0.1% in Q1), a declining vacancy/unemployment ratio and gently rising unemployment (for example, in France). While some forward-looking wage indicators (such as wage expectations in the ECB corporate telephone survey) have increased, they continue to show wage growth falling back into the 2.5-3% we see as consistent with inflation at target. We therefore expect core inflation to return to 2% by the end of 2028.

ECB: We maintain our forecast for 25bp hikes in June and September. Risks around our forecast run in both directions. The Governing Council might still decide to remain on hold (or hike only once) if energy prices fall sharply on the back of a US-Iran peace agreement, although the passage of time makes this less likely as pipeline inflationary pressures build. At the same time, a renewed spike in energy prices or emerging signs of second-round inflation effects could push the ECB into several hikes this year. Our probability-weighted rate path peaks at about two hikes, below market pricing for three rate rises. While more persistent inflation could lead to a longer-than-usual holding period at the peak, the case for reversing the hikes looks convincing given weak growth, especially if ECB officials motivate the hikes with a risk management approach. We therefore maintain our forecast for rate cuts in June and September 2027 to return the policy rate to its (broadly) neutral level.

CHART 1: Growth Slowdown Ahead

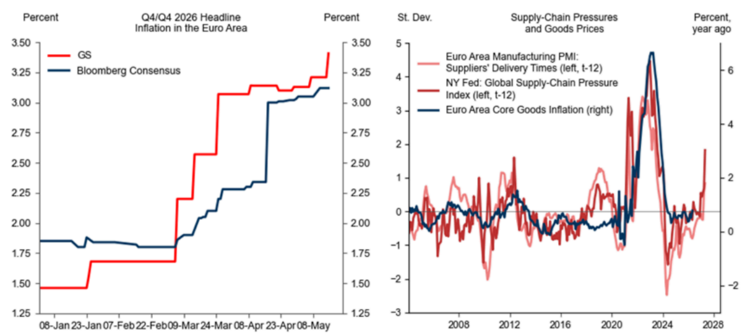
Chart 3

Page 6 | page-fallback | score 0.771



Source: Goldman Sachs Global Investment Research, Bloomberg

CHART 2: Additional Fuel for the Inflation Fire



Source: Goldman Sachs Global Investment Research, Bloomberg, NY Fed, Haver Analytics

5) Week Ahead Previews

CAD CPI, YoY (Tuesday): GS: 3.0%, consensus: 3.1%, last: 2.4% - https://tinyurl.com/37mznztb

UK U/E, 3Mths, Mar (Tuesday): GS 4.8%, consensus 4.9%, last 4.9% - https://tinyurl.com/3p6pfu78

AUD Consumer Sentiment, May (Tuesday): We expect sentiment to be negatively impacted by the RBA's decision to raise interest rates in May and the ongoing closure of the Strait of Hormuz - https://tinyurl.com/yduunfpf

NVDA Earnings (Wednesday): We expect Nvidia to deliver a ~$2bn revenue beat in 1Q, and we stand 3% above the Street for 2Q revenue; our 1Q/2Q EPS estimates are 7% / 8% above the Street - https://tinyurl.com/2av4avrc

FOMC Minutes, April Meeting (Wednesday): After the FOMC left the fed funds rate and the policy guidance in its statement unchanged in April, we will be watching for the FOMC Minutes on Wednesday – https://tinyurl.com/4uffst97

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markets macro the best thing I read this weekend

3 additional extracted charts

Chart 1

Page 2 | image-block | score 0.600

Company	Ticker	S&P 500 weight	YTD return	Contrib. to SPX return bp	Contrib. to SPX return %
NVIDIA Corporation	NVDA	9 %	21 %	161 bp	19 %
Alphabet Inc. Class A	GOOGL	7	27	151	17
Micron Technology, Inc.	MU	1	154	84	10
Broadcom Inc.	AVGO	3	23	65	7
Apple Inc.	AAPL	7	11	73	8
Advanced Micro Devices, Inc.	AMD	1	98	58	7
Amazon.com, Inc.	AMZN	4	14	55	6
Intel Corporation	INTC	1	195	55	6
Exxon Mobil Corporation	XOM	1	33	29	3
Cisco Systems, Inc.	CSCO	1	55	29	3
S&P 500		**100 %**	**9 %**	**870 bp**	**100 %**
Top 10 contributors		34	26	761	87
S&P 500 ex. top 10		66	2	109	13

Chart 2

Page 4 | image-block | score 0.650

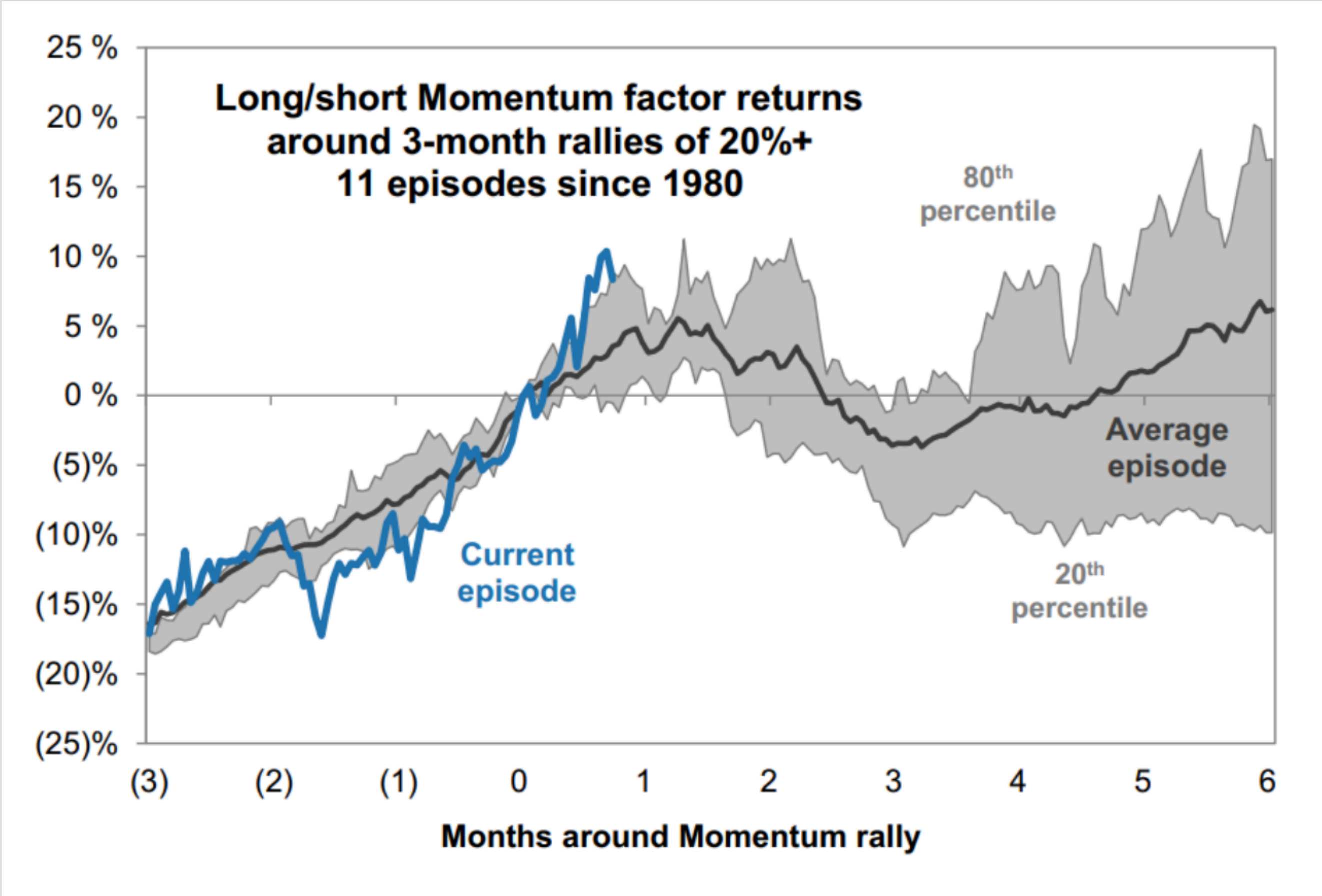
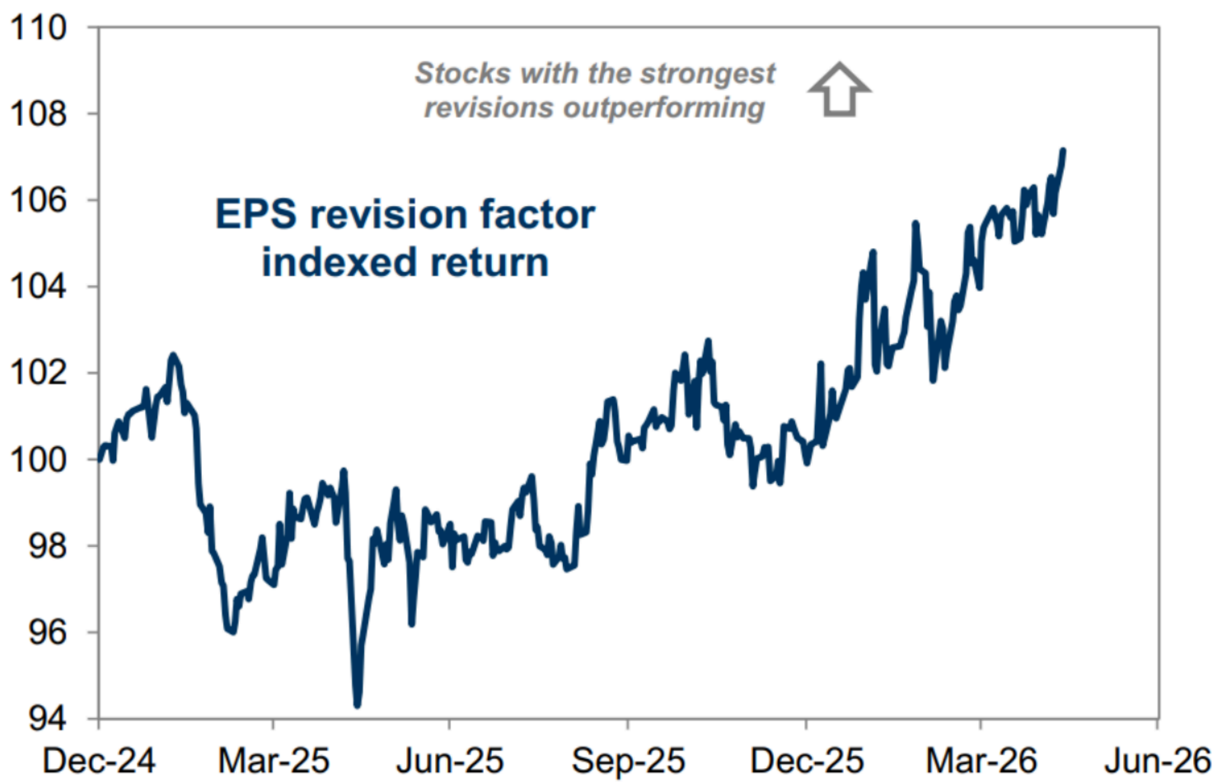


Chart 3

Page 5 | image-block | score 0.795

Exhibit 15: Stocks with the strongest recent EPS revisions have generally outperformed this year



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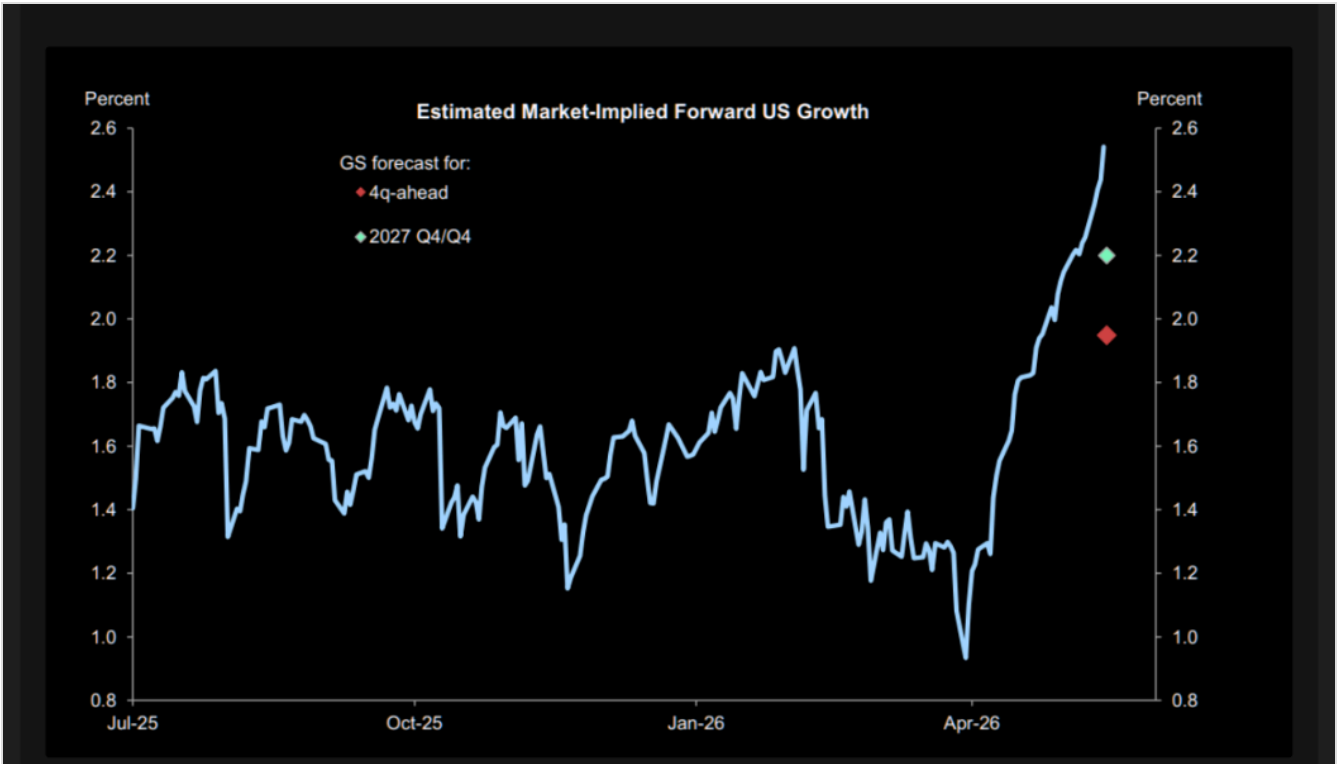
different this time

2 additional extracted charts

Chart 1

Page 1 | image-block | score 0.605



GIR

Chart 2

Page 2 | vector-cluster | score 0.802

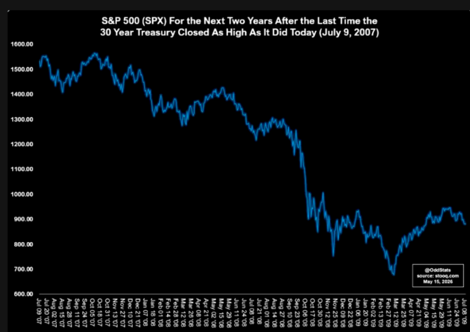
The Jaws gap

Remember when rates used to matter for tech? Could that holy scripture come into play again?

LSEG Workspace

Last time around

The 30 Year US Treasury has closed at its highest close since July 9, 2007. Here's how the S&P 500 moved over the next two years after that date. A hellish halving.

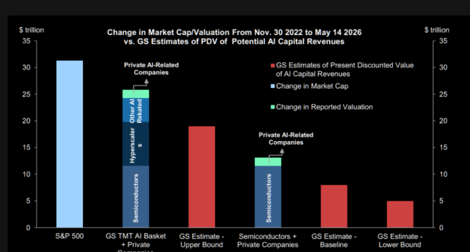


Odd Stats

AI is great, but...

We all get the AI efficiency boost which will be like the second coming, but... maybe we have extrapolated a little too much too fast.

GS: *"Our earlier work point to $5-20trn worth of value creation in present value terms. But SPX has rallied $30trn since ChatGPT was introduced."*



GIR

Everyone Hates Banks

2 additional extracted charts

Chart 1

Page 1 | vector-cluster | score 0.753

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Rarely been this unloved

The market is dumping banks to fund the AI trade. Relative performance versus tech is now at extremes usually associated with crises, positioning has collapsed and valuations keep getting cheaper. Apparently steady cash flows are boring when Nvidia exists. Here are six bank charts that we find interesting.

XLF vs SPX

Financials vs. S&P 500 now below GFC and CV-19 lows.

Flow Show

XLF vs QQQ

Here is XLF vs QQQ, rolling 30-day return spread. Financials continue to serve as a source of funds for AI/tech, with the magnitude of the relative move in Tech vs. Fins only really comparing with the GFC, COVID, & March 2023 (Regional banks).

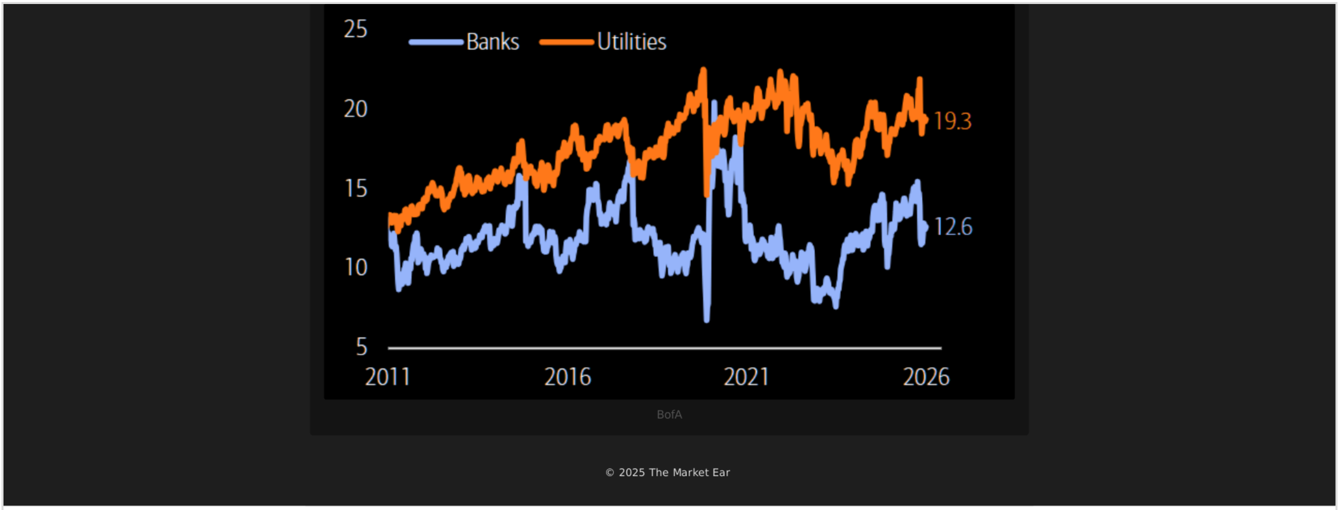
Bloomberg

Positioning

According to Deutsche Bank, banks positioning among "all investors" is at a low 8th percentile.

Chart 2

Page 3 | vector-cluster | score 0.678



Tech Has A Rates Problem Again

3 additional extracted charts

Chart 1

Page 1 | vector-cluster | score 0.732

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Rates Matter Again

The AI melt-up may finally be running into the one thing investors stopped worrying about: rates. Bond volatility is exploding higher just as hyperscalers enter the most capital-intensive spending cycle in modern tech history, potentially reopening the old rates-vs-tech debate at the exact moment positioning and momentum have reached extreme levels.

The breakout

US 10-year yields crushed the negative trend line and broke above the huge triangle formation. A massive psychological battle has been developing inside this consolidation range for months. Yesterday’s breakout matters.

LSEG Workspace

Uncharted

US 30-year yields are taking out huge resistance levels. This could get violent as the long end starts entering increasingly uncharted territory.

LSEG Workspace

MOVE matters

Bond volatility exploded higher yesterday. The short-term gap between SPX and inverse MOVE has widened materially again. Violent moves in rates still matter for equities.

Chart 2

Page 2 | vector-cluster | score 0.832

LSEG Workspace

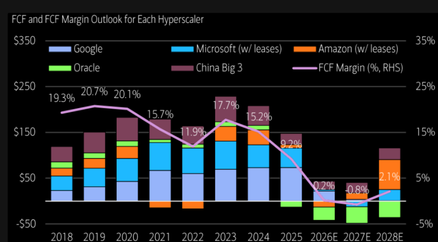
Tech's new rates problem

Remember when rates used to matter for tech? That narrative faded once investors realized mega-cap tech was sitting on enormous cash piles. But that was before the AI capex explosion era. Parts of tech are quietly becoming capital intensive again as the AI arms race shifts toward massive spending on chips, data centers, power, and infrastructure, much of which still needs to be financed. Could the old script be flipping again?

LSEG Workspace

AI infrastructure

Cloud capex is expected to consume nearly 95–100% of operating cash flow by 2026–2028, far above the already aggressive ~65–70% levels US telcos reached during the peak 4G/5G infrastructure cycle. As hyperscalers aggressively finance chips, data centers, and power infrastructure, free cash flow margins could temporarily fall toward zero or even negative levels, potentially making parts of tech far more sensitive to rates and bond volatility again.



BofA

Telco vs. Cloud Capex as a % of Cash Flow from Ops

Cloud CFO	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR '19-'24	CAGR '25-'28	CAGR '15-'25
Cash Flow from Ops ($bn)	$213	$251	$339	$347	$337	$441	$540	$659	$810	$986	$1,166	16.5%	21.0%	19.3%
Capex w/ Leases ($bn)	$78	$86	$112	$148	$172	$169	$280	$479	$807	$1,005	$1,102	26.7%	32.0%	32.8%
Free Cash Flow ($bn)	$135	$172	$206	$203	$165	$272	$260	$179	$3	($20)	$64	8.7%	-29.1%	7.9%
Cloud Capex / CFO (%)	36.5%	34.1%	33.0%	42.8%	50.9%	38.4%	51.8%	72.8%	99.6%	102.0%	94.5%			
FCF Margin (%, RHS)	19.3%	20.7%	20.1%	15.7%	11.9%	17.7%	15.2%	9.2%	0.2%	-0.8%	2.1%			

Telco CFO	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR '19-'24	CAGR '25-'28	CAGR '15-'25
Cash Flow from Ops ($bn)	$87	$95	$97	$88	$91	$99	$102	$105	$108	$116	$126	1.3%	6.1%	2.8%
Capex w/ Leases ($bn)	$43	$44	$45	$48	$57	$46	$46	$48	$49	$49	$49	1.0%	1.0%	1.2%
Free Cash Flow ($bn)	$44	$51	$52	$40	$34	$53	$55	$58	$59	$67	$77	1.6%	10.1%	4.3%
Telco Capex / CFO (%)	49.8%	46.2%	46.4%	54.8%	62.4%	46.8%	45.5%	45.4%	45.3%	42.1%	39.1%			
FCF Margin (%)	12.7%	14.3%	14.1%	11.2%	10.1%	15.7%	16.4%	16.3%	16.2%	17.9%	20.0%			

BofA

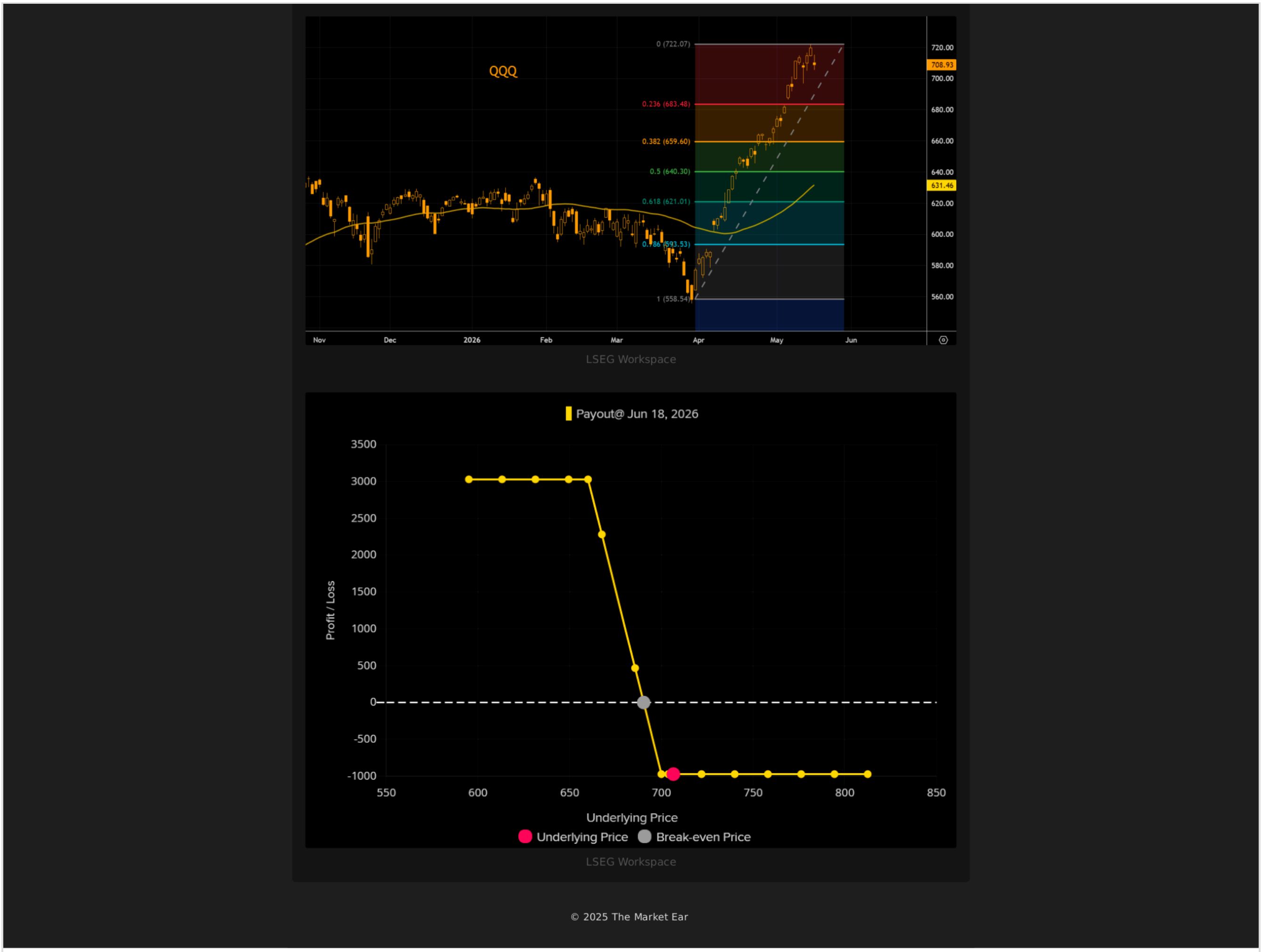
Downside fragility

Yesterday's wobble could mark the beginning of the much-needed pause or correction. It is still early, but downside fragility is starting to build quickly beneath the surface. Fibonacci support sits around $680 (note the gap), followed by the next major level near $660. The 50 day moving average remains much lower, around $630.

One way to express downside risk is via put spreads. Chart 2 shows the QQQ June 700/660 put spread, offering roughly 4x max payout.

Chart 3

Page 3 | vector-cluster | score 0.806



The Europe Comeback Trade Is Quietly Falling Apart

2 additional extracted charts

Chart 1

Page 1 | vector-cluster | score 0.818

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Soggy Europe

European equities remain trapped in broad ranges, defense stocks are struggling despite exploding spending ambitions, banks have stalled after the rerating, and industrials are now getting aggressively sold again.

European volatility continues trading stubbornly stressed relative to VIX, quietly signaling that markets still do not trust the Europe comeback narrative.

Stuck Stoxx

SX5E has been stuck inside a broad range since last autumn.

In our view, Europe remains a giant mean-reversion market without a clear medium-term trend.

The longer-term trend line and the 200 day moving average are both coming in slightly lower.

LSEG Workspace

Dead

DAX remains stuck inside the “eternal” range that has dominated price action over the past year. We remain below the 200 day moving average, although the longer-term MA has yet to roll over materially. Note also the major longer-term trend line coming in lower.

We still struggle to understand the growing optimism around structurally soggy Europe.

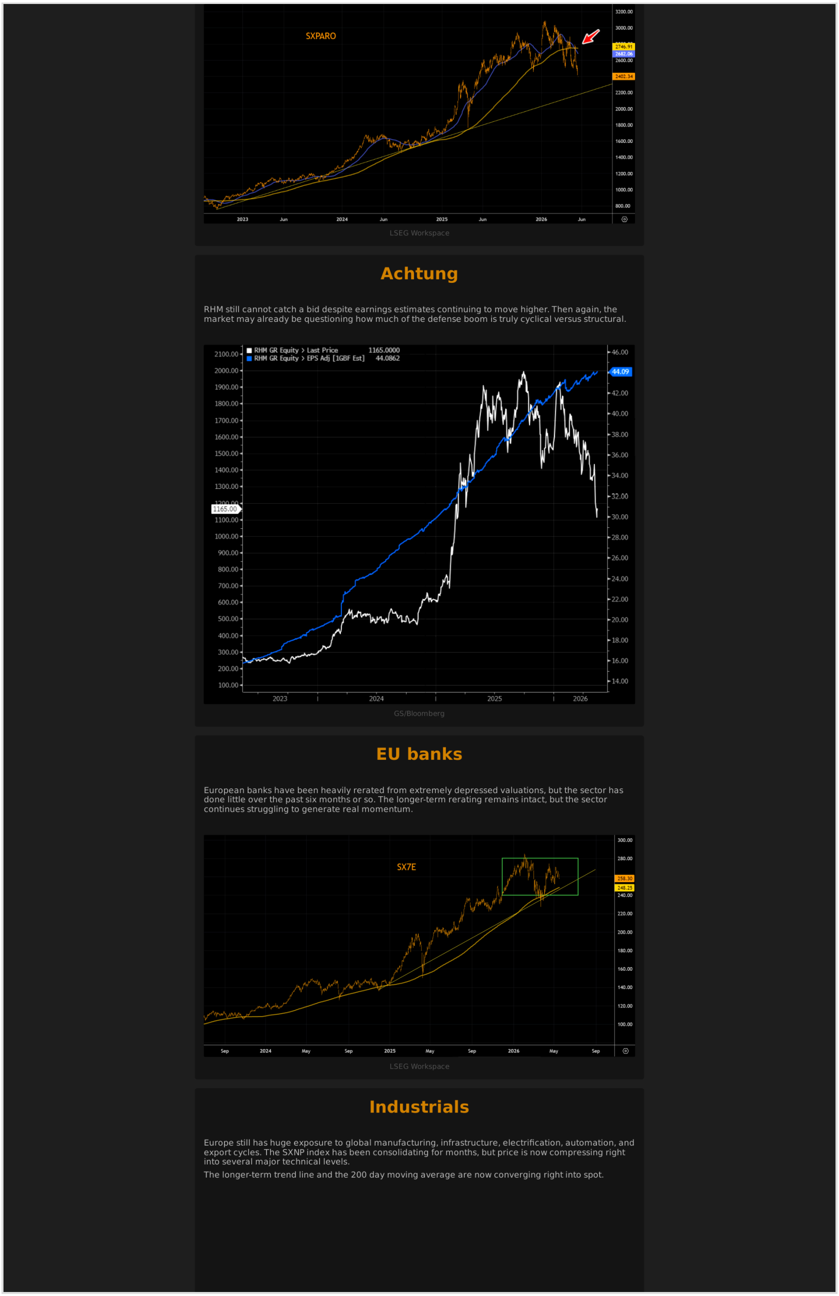
LSEG Workspace

Dead cross

Europe's pride, SXPARO (defense), continues trading well offered. Note the dead cross (50/200 day) we got a few sessions ago. The bigger trend comes in way lower still.

Chart 2

Page 2 | vector-cluster | score 0.806



Achtung

RHM still cannot catch a bid despite earnings estimates continuing to move higher. Then again, the market may already be questioning how much of the defense boom is truly cyclical versus structural.

EU banks

European banks have been heavily rerated from extremely depressed valuations, but the sector has done little over the past six months or so. The longer-term rerating remains intact, but the sector continues struggling to generate real momentum.

Industrials

Europe still has huge exposure to global manufacturing, infrastructure, electrification, automation, and export cycles. The SXNP index has been consolidating for months, but price is now compressing right into several major technical levels.

The longer-term trend line and the 200 day moving average are now converging right into spot.

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the momentum bubble is starting to crack

3 additional extracted charts

Chart 1

Page 1 | vector-cluster | score 0.817

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In the danger zone

Momentum is now the AI trade. Hedge funds are crowded, leverage is stretched, and the same setup seen near the peaks of 1998, 1999 and 2021 is back again. Asia momo has already started rolling over. The melt-up phase may be entering the dangerous part.

At highs

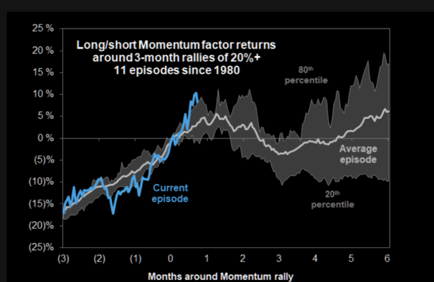
Hedge fund positioning is at highs, and price is of course also at highs.

JPM PI

Normal trajectory

Here is the trajectory of the sharpest 3-month Momentum factor rallies since 1980. Since 1980, there have been 11 other distinct episodes where Momentum rallied by 20% or more over a 3-month period. On average, Momentum went on to deliver an additional 6% gain during the following month, but the strength of the recent Momentum rally has already exceeded that average.

The Momentum factor then typically declined over the following two to three months.



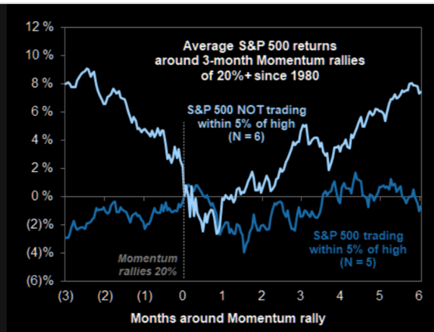
GIR

Not a good sign for the overall market

For the broad market, sharp Momentum rallies near equity market highs have generally signaled below-average near-term S&P 500 returns. Sharp Momentum rallies occurring with the S&P 500 at or near highs have often preceded weaker subsequent equity market returns. These episodes included mid-1998, late 1999, and late 2021.

Chart 2

Page 2 | vector-cluster | score 0.875

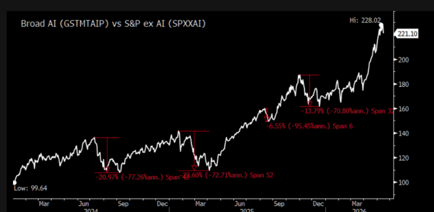


GIR

Pullbacks do happen

GS: *"While the trend is higher, we have seen multiple pullbacks in AI, making the case for short-term hedging."*

And make no mistake: AI and Momentum are now the same thing.

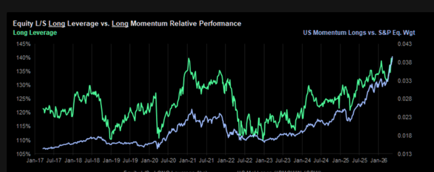


GS

More on the risks

Equity L/S long leverage has risen back to historical highs.

JPM: *"Given its correlation with Momentum Long returns relative to the S&P, it could suggest downside for both long leverage and high momentum stocks if risk comes out of the market."*



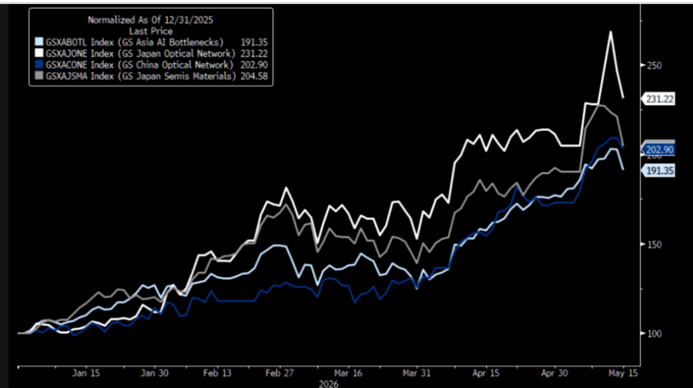
JPM PI

It has already started

It has already started in Asia. The chart shows this week's Asia Momo pullback in niche AI-themes.

Chart 3

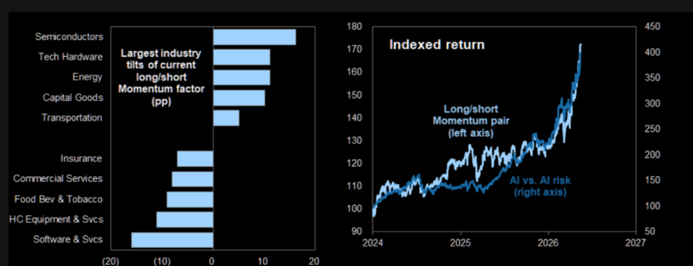
Page 3 | vector-cluster | score 0.740



GS

It is an AI trade

The current composition of Momentum largely reflects the AI trade. At the industry level, the largest tilts in the long leg of Momentum are in Semiconductors, Tech Hardware, and Capital Goods stocks involved in the AI infrastructure build-out, along with Energy and Transportation. The short leg includes constituents of the Software and Commercial Services industries that have been caught up in concerns around AI disruption.



GIR

HSBC Currency Outlook May 2026

3 additional extracted charts

Chart 1

Page 11 | page-fallback | score 1.000

Currency	Key points	Conviction	End-2Q26f	Risk to forecast
PHP	◆ The PHP has been badly affected by the Middle East conflict, being a large fuel importer (with limited emergency stockpiles), and having a CPI basket that is dominated by fuel and food. The BSP hiked rates and turned hawkish (Bloomberg, 23 April). ◆ The silver linings for the PHP are that (i) non-oil imports should eventually fall due to weak fiscal spending (amid an ongoing corruption investigation) and domestic demand (high inflation and rate hikes); (ii) JPMorgan has announced that it will add Philippines government bonds to the GBI-EM index in early 2027 (Bloomberg, 23 April). ◆ Following HSBC oil analysts' assumption that oil prices peak in 2Q but only fall more notably in 4Q, we adjust our USD-PHP forecasts such that the exchange rate stays elevated in the coming months and falls only gradually later (new end-2026F: 60.8 and mid-2027F: 60.5; previous end-2026F: 59.8).	Higher PHP-IDR	61.5	PHP weaker than our forecast
SGD	◆ The MAS increased the slope of the SGD NEER policy band slightly on 14 April, likely by 0.5ppt to 1%. It raised its inflation forecast for the second time this year. But the MAS did not sound overly hawkish as the disruption to oil and gas supply – especially to Asia – will naturally cause some demand destruction, thereby dimming the growth outlook for Singapore's small and open economy. ◆ We expect the SGD NEER to remain strong within the top octant of the band (i.e. 1.5-2% above the midpoint) until it is clearer where the balance of risks lies. This is in line with historical norms – the SGD NEER trades most often in the top octant of the band when the MAS is on a policy tightening path (35% of the time). This is also reflecting the likelihood that "safe haven" inflows should continue against the challenging external environment. The main obstacle to SGD NEER strength is the deeply negative carry.	SGD NEER to mostly trade within the top octant of the band; Lower USD-SGD	1.27	Neutral
THB	◆ The THB was the worst performing currency in Asia during March and early April, because of its large oil imports, portfolio outflows, and downside risk to tourism revenue and its fiscal health (Thailand provides energy subsidies; the government is mulling additional borrowing of THB500bn and raising the debt ceiling from 70% to 75% of GDP; Bloomberg, 20 April). Moreover, gold prices did not do all that well during the risk aversion, and in any case, the Thai authorities have been scrutinising FX sales related to speculative gold trading as it saw the THB as overvalued (Bloomberg, 25 February). ◆ The THB has partially recovered with the ceasefire, but there are still limitations since oil prices remain much higher than they were pre-conflict and the tourism outlook still looks weaker than before (especially arrivals from/through the Gulf). In any case, we are in the "negative seasonality" period (2Q) of the THB due to tourism lull season and concentrated dividend outflows. ◆ We moderate and smooth the THB's expected recovery through an extended forecast horizon (new end-2026F: 31.5 and mid-2027F: 31.2; previous end-2026F: 31.0).	Lower THB-KRW	32.5	Neutral
TWD	◆ The TWD has been comparatively resilient amid high oil prices. The pace of lifers' FX hedge unwinding has likely slowed after the industry's overall FX hedging ratio dropped to 45.1% at the end of February, not too far away from the reported target of some major lifers at 40%. This allowed USD-TWD to become more responsive to other drivers, including equity performance. After selling some USD30bn worth of Taiwanese equities in March and early April, foreign investors have since returned to buy back USD14bn worth. The market is becoming more reassured that Taiwan's robust tech exports outlook will remain intact. ◆ We also think the CBC's limitations on exporters' FX sales may be eased, as the central bank is showing a more vigilant stance against excessive TWD weakness and its pass-through to imported inflation. ◆ We lowered our USD-TWD forecasts in *TWD: Less disadvantaged*, 5 May 2026.	Lower USD-TWD	31.2	Neutral
VND	◆ The VND has depreciated modestly against higher oil prices. The USD-VND fixing has been raised since March and is now nearly back to the level at the start of the year. The central bank also stopped tightening interbank VND liquidity conditions. But the VND's carry remains positive, which is preventing USD-VND from making fresh highs (last seen in 3Q25). The SBV is balancing between inflation and growth risks. ◆ Modest equity outflows continued year-to-date – the FTSE upgrade to EM status only kicks in from September. ◆ Notwithstanding the oil price shock, we maintain our forecast for USD-VND to rise moderately in 2026, at a slower pace compared to 2025 and 2024 since US rates are lower and peak tariff uncertainty has passed. We smooth our USD-VND forecasts through an extended forecast horizon (new end-2026F: 26,600 and mid-2027F: 26,800; previous end-2026F: 26,800).	Neutral	26,400	Neutral
LKR	◆ The terms of trade shock from higher oil prices has driven USD-LKR sharply higher since March. In April, the central bank responded by net selling USD13m to support the LKR, as headline inflation (5.4% in April) suddenly rose to above the central bank's 5% target. ◆ The "silver lining" is that remittance inflows remain resilient – USD3.0bn in Jan-April 2026 versus USD2.5bn over the same period in 2025. Sri Lanka is also likely to receive nearly USD700mn in the coming weeks, reflecting the combined disbursement of the delayed IMF-EFF fourth tranche (originally expected in December 2025) together with the fifth tranche. ◆ We see the LKR's weakness persisting in the near term due to high oil prices and a low tourism season in 2Q. Even if oil prices fall later, we think the central bank will have to rebuild FX reserves to improve FX reserves adequacy in line with the IMF's programme requirements. We therefore raise our USD-LKR forecasts (new end-2026F: 330; previous: 322).	Neutral	325	Neutral
BDT	◆ The BDT has hovered close to the 123 level since March following the surge in oil prices. We expect the BDT to remain vulnerable as higher oil prices are lifting inflation and causing a current account deficit. ◆ Additionally, there is a rising risk that the IMF may delay the final tranche (USD1.3bn) of its programme, as Bangladesh has yet to make progress on some of the key conditions, including moving to a market-determined exchange rate (The Business Standard, 17 April).	Neutral	125	Neutral

Source: HSBC

Chart 2

Page 16 | page-fallback | score 1.000

Overview: Stuck

- Currencies are getting a lucky break even though Middle East uncertainties persist
- FX fundamentals are starting to stick more, meaning the Fed and other central banks' next steps are regaining importance
- We make modest FX forecast changes and extend our views into early 2027: the broad USD is seen stuck in soft orbit in the longer run

Luck

Since the last Currency Outlook, the standout development has been a clear reversal in momentum. After taking a hit in March, a number of currencies have been recovering versus the USD and, in many cases, are steadily regaining the ground they lost.

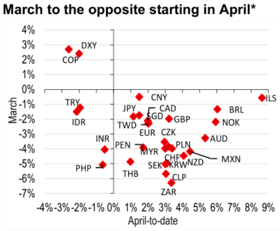
The main catalyst has been the ceasefire between the US and Iran. That said, **the backdrop is challenging: energy and other commodity prices are high, and supply disruption remains severe**; it is not a "back to normal" setting.

Importantly, **FX performance has not simply replayed March in reverse**. The rebound has been uneven. Some currencies have already fully recovered against the USD, others are still lagging, and a few have held up well throughout - showing resilience regardless of developments linked to the Middle East conflict (Chart 1).

To track the beneficiaries from the de-escalation via a weaker USD and lower oil price, we show the individual track record of currencies in March compared to April and May so far. The relief is evident lately with most currencies clustered in the bottom-right quadrant. The PHP, IDR, TRY and INR have been unable to benefit for varying reasons, including challenging terms of trade pressures, portfolio and dividend outflows, or a managed decline (See '*Will reality bite?', EM FX Roadmap, 30 April).*

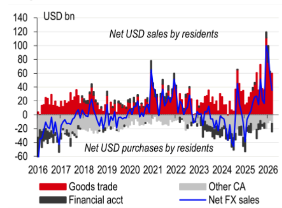
There are other observations. The DXY has come full circle, giving up the gains it made in March. The COP is another example. It initially benefitted from higher oil prices given its economy is a net energy exporter, the central bank was front-loading rate hikes and there were expectations of a market-friendly election outcome come 31 May. However, the oil price is lower, BanRep chose to surprisingly keep rates steady at its last meeting and the political outcome is less straightforward. Meanwhile, **only a handful of currencies have either shown resilience through the conflict** or recovered more of their losses that occurred in March.

1. A reversal of fortune across FX from March to the opposite starting in April*



Source: Bloomberg, HSBC *Note: Data ends 11 Mayl 2026

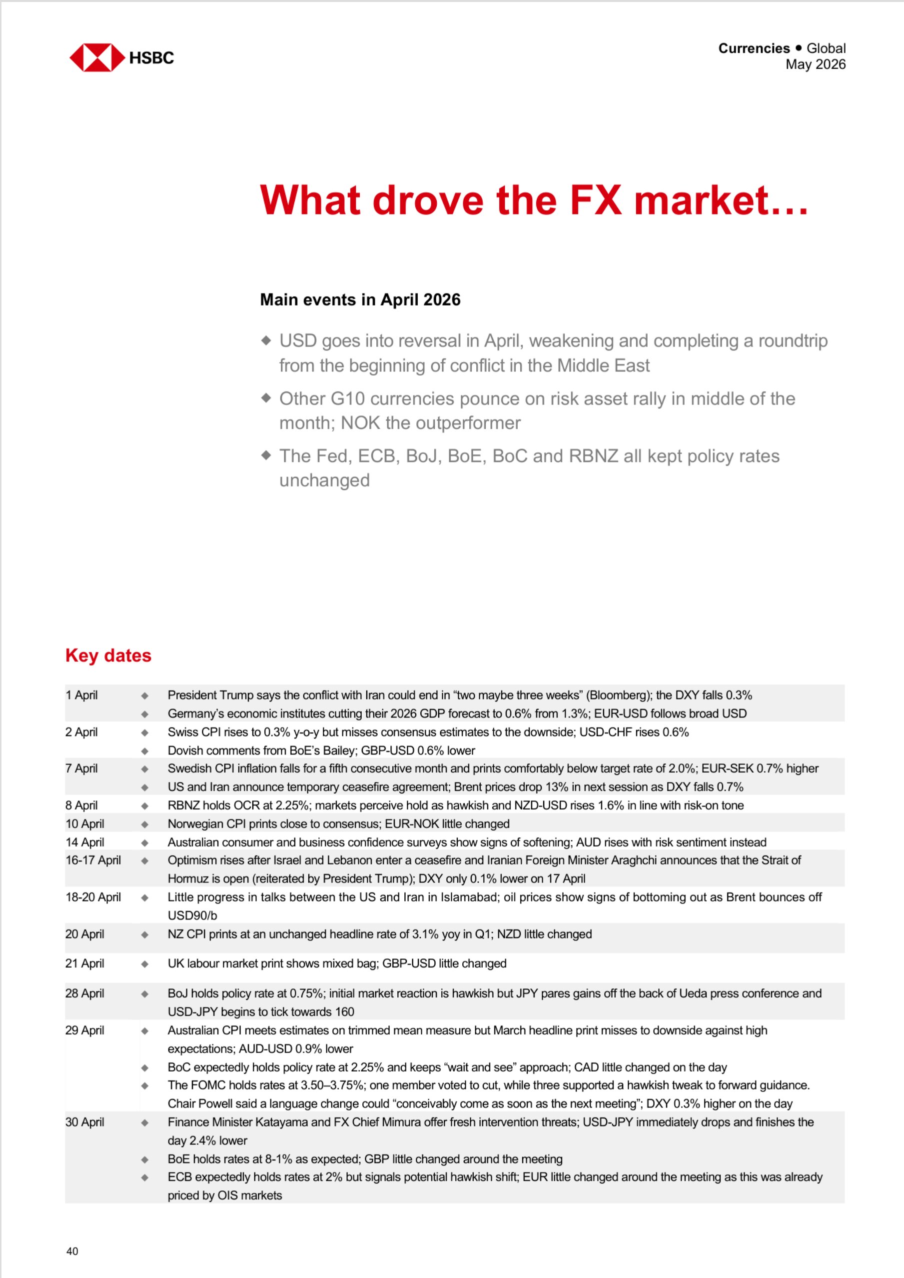
2. Larger FX conversion by Chinese corporates in recent months



Source: Bloomberg, CEIC, HSBC

Chart 3

Page 41 | page-fallback | score 0.971



What drove the FX market…

Main events in April 2026

- USD goes into reversal in April, weakening and completing a roundtrip from the beginning of conflict in the Middle East
- Other G10 currencies pounce on risk asset rally in middle of the month; NOK the outperformer
- The Fed, ECB, BoJ, BoE, BoC and RBNZ all kept policy rates unchanged

Key dates

1 April	◆ President Trump says the conflict with Iran could end in "two maybe three weeks" (Bloomberg); the DXY falls 0.3% ◆ Germany's economic institutes cutting their 2026 GDP forecast to 0.6% from 1.3%; EUR-USD follows broad USD
2 April	◆ Swiss CPI rises to 0.3% y-o-y but misses consensus estimates to the downside; USD-CHF rises 0.6% ◆ Dovish comments from BoE's Bailey; GBP-USD 0.6% lower
7 April	◆ Swedish CPI inflation falls for a fifth consecutive month and prints comfortably below target rate of 2.0%; EUR-SEK 0.7% higher ◆ US and Iran announce temporary ceasefire agreement; Brent prices drop 13% in next session as DXY falls 0.7%
8 April	◆ RBNZ holds OCR at 2.25%; markets perceive hold as hawkish and NZD-USD rises 1.6% in line with risk-on tone
10 April	◆ Norwegian CPI prints close to consensus; EUR-NOK little changed
14 April	◆ Australian consumer and business confidence surveys show signs of softening; AUD rises with risk sentiment instead
16-17 April	◆ Optimism rises after Israel and Lebanon enter a ceasefire and Iranian Foreign Minister Araghchi announces that the Strait of Hormuz is open (reiterated by President Trump); DXY only 0.1% lower on 17 April
18-20 April	◆ Little progress in talks between the US and Iran in Islamabad; oil prices show signs of bottoming out as Brent bounces off USD90/b
20 April	◆ NZ CPI prints at an unchanged headline rate of 3.1% yoy in Q1; NZD little changed
21 April	◆ UK labour market print shows mixed bag; GBP-USD little changed
28 April	◆ BoJ holds policy rate at 0.75%; initial market reaction is hawkish but JPY pares gains off the back of Ueda press conference and USD-JPY begins to tick towards 160
29 April	◆ Australian CPI meets estimates on trimmed mean measure but March headline print misses to downside against high expectations; AUD-USD 0.9% lower ◆ BoC expectedly holds policy rate at 2.25% and keeps "wait and see" approach; CAD little changed on the day ◆ The FOMC holds rates at 3.50–3.75%; one member voted to cut, while three supported a hawkish tweak to forward guidance. Chair Powell said a language change could "conceivably come as soon as the next meeting"; DXY 0.3% higher on the day
30 April	◆ Finance Minister Katayama and FX Chief Mimura offer fresh intervention threats; USD-JPY immediately drops and finishes the day 2.4% lower ◆ BoE holds rates at 8-1% as expected; GBP little changed around the meeting ◆ ECB expectedly holds rates at 2% but signals potential hawkish shift; EUR little changed around the meeting as this was already priced by OIS markets

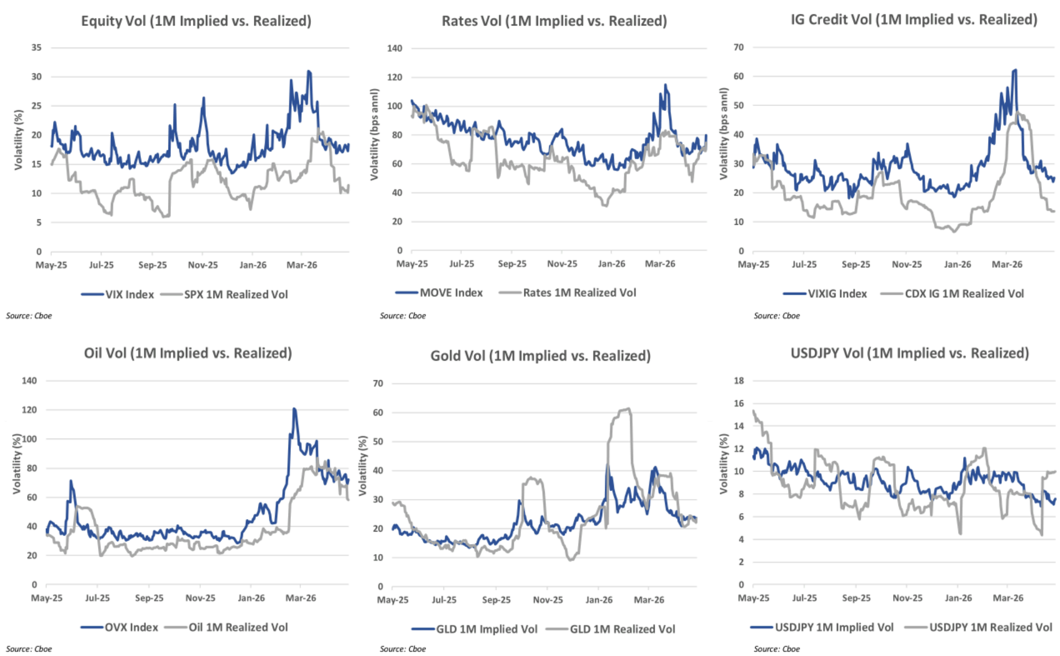
Macro Volatility Digest May18

3 additional extracted charts

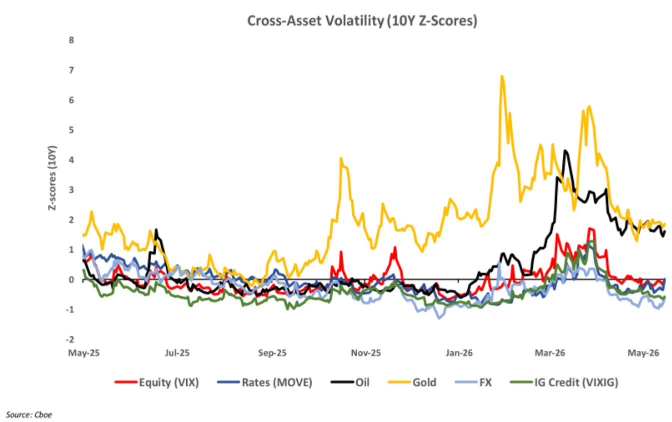
Chart 1

Page 2 | vector-cluster | score 0.900

Cross-Asset Volatility Monitor



Cross-Asset Volatility Snapshot (10Y Lookback)



How to read this chart:

The chart shows how various asset class implied volatilities are trading relative to their own history, using a 10-year lookback.

The volatilities are ranked by z-scores, which compares the current volatility level for an asset versus its own 10-year history. A z-score of +2, for example, would mean that the current volatility level is trading 2 standard deviations above its long-term average (i.e. rich) while a z-score of -2 would mean it's trading 2 standard deviations below average (i.e. cheap)

Because each asset class volatility trades at different levels and often defined differently (e.g. lognormal vs. normal vol, price vs. bps vol), by standardizing using z-scores, we're able to compare different asset class volatilities on the same scale - and see at a glance if there are any divergences or dislocations in the cross-asset volatility markets

Chart 2

Page 3 | vector-cluster | score 0.825

Macro Volatility Digest
May 18, 2026

Cross-Asset Correlation Matrix (1M)

		Equities					Corporate Credit				Rates		Commodities			Foreign Exchange		
		SPX	RTY	SX5E	NKY	MXEF	IBIG ($IG)	IBHY ($HY)	CDX IG	CDX HY	Tsy 10Y	Tsy 30Y	Oil	Gold	Copper	EURUSD	USDJPY	GBPUSD
Equities	SPX																	
	RTY	89%																
	SX5E	77%	75%															
	NKY	-13%	-30%	-29%														
	MXEF	22%	16%	21%	63%													
Corporate Credit	IBIG ($IG Bonds)	85%	84%	70%	-26%	9%												
	IBHY ($HY Bonds)	89%	87%	68%	-28%	3%	93%											
	CDX IG	-83%	-86%	-74%	30%	-2%	-85%	-93%										
	CDX HY	-73%	-71%	-69%	29%	-11%	-64%	-70%	71%									
Rates	Tsy 10Y	-81%	-82%	-73%	14%	-15%	-92%	-92%	88%	67%								
	Tsy 30Y	-75%	-78%	-72%	16%	-11%	-92%	-87%	81%	69%	97%							
Commodities	Oil	-73%	-66%	-80%	9%	-17%	-76%	-74%	80%	60%	76%	72%						
	Gold	87%	76%	68%	6%	17%	76%	79%	-75%	-49%	-76%	-67%	-71%					
	Copper	73%	63%	57%	19%	25%	62%	61%	-58%	-34%	-55%	-52%	-48%	74%				
Foreign Exchange	EURUSD	53%	59%	33%	-3%	16%	62%	67%	-61%	-31%	-71%	-61%	-33%	60%	38%			
	USDJPY	-50%	-56%	-41%	26%	3%	-44%	-59%	69%	42%	64%	52%	39%	-55%	-22%	-66%		
	GBPUSD	53%	60%	29%	1%	5%	59%	69%	-65%	-20%	-69%	-58%	-33%	59%	43%	89%	-75%	

Source: Cboe

Cross-Asset Correlation Analysis

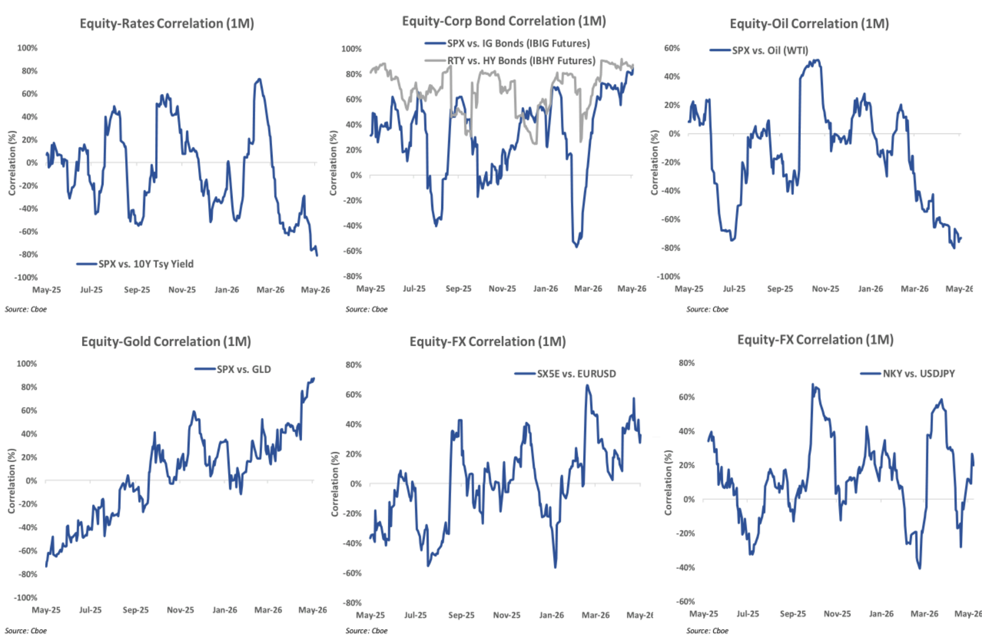
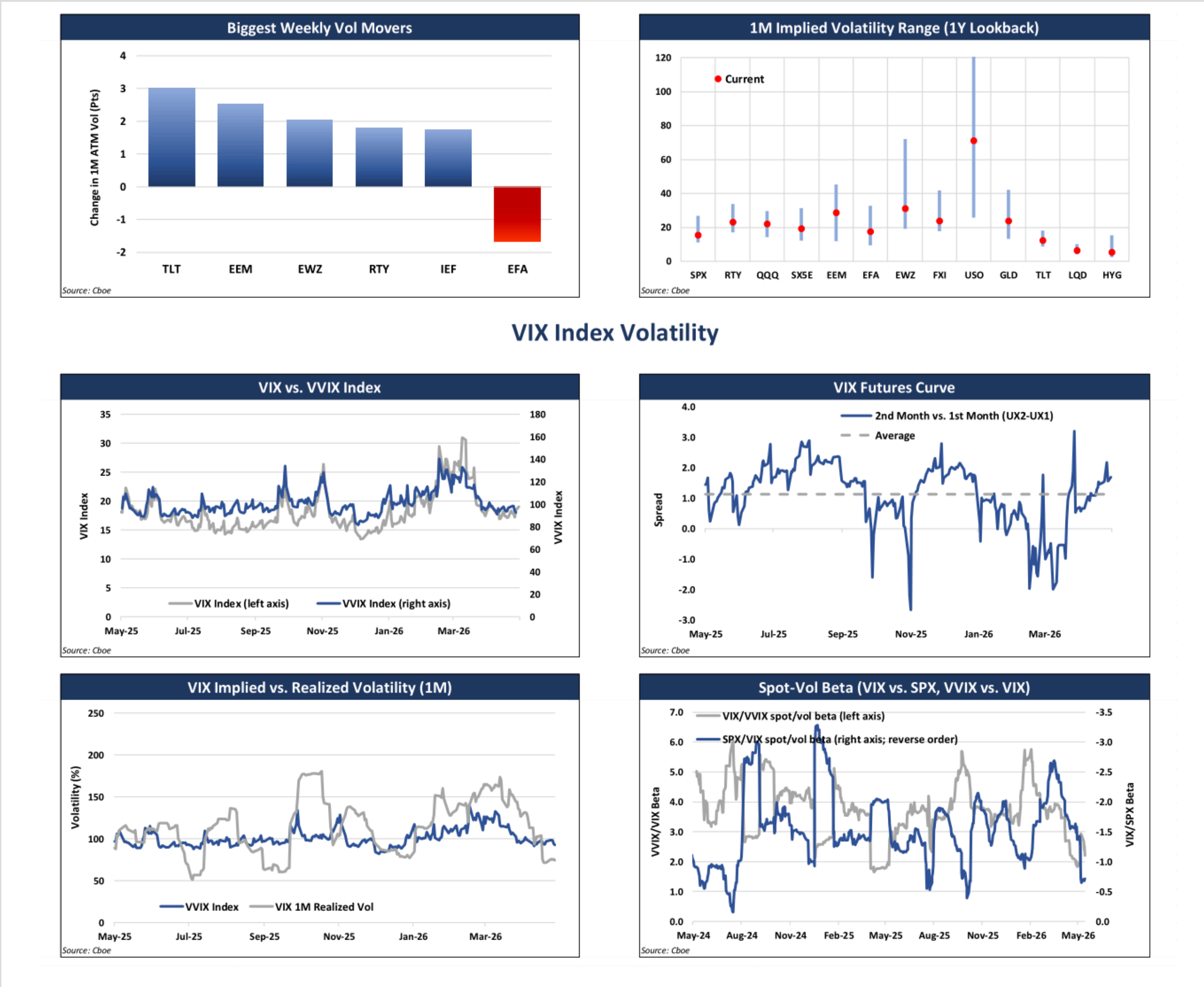


Chart 3

Page 4 | vector-cluster | score 0.825



Sources

Chart report PDF