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Five things you need to know from May

Technology and artificial intelligence continued to drive markets in May, helping equity markets push higher despite ongoing geopolitical uncertainty. At the same time, bond markets remained more cautious as investors weighed the potential impact of higher inflation and interest rates.

Here are five developments advisers should have on their radar.

1. The war in Iran is starting to hit UK pockets

The conflict in Iran is beginning to have a more visible impact on UK households. Fuel prices rose above 158p per litre in May, their highest level since the conflict began, and the energy price cap is set to increase from July. For the average household, that means around £221 a year in additional energy costs.

Higher energy prices are a reminder that geopolitical events will feed through to household finances.

2. AI continues to shape global stock markets

Last month saw Samsung, SK Hynix, and Micron, three memory chip companies, all achieve market values of over \$1tn. The Korean and Taiwanese stock markets have seen large gains throughout May, fuelled by chip companies seen to gain from the AI boom.

In the US, markets have also continued to rise despite the concerns around the Iran war, with the S&P 500 remaining above pre-conflict levels.

3. Big AI IPOs are on the horizon

SpaceX filed for its stock market listing in May. Combining AI technology with space innovation, the listing is expected to be one of the biggest ever and could make Elon Musk the first trillionaire. OpenAI and Anthropic are also potential future listings, with valuations that could make them significant additions to public markets.

Large new listings don't just create investment opportunities. They can also affect index composition, increase concentration, and influence how capital flows through markets. These are important considerations when thinking about diversification.

4. UK Gilt yields rise

Over the past month, we've seen gilt yields increase due to fears of increased inflation and uncertainty over Keir Starmer's leadership. The 10-year gilt yield rose to 5.17%, the highest since before the 2008 global financial crisis, before slightly easing towards the end of the month. Although rates were unchanged in May, there could be a rise on the horizon.

5. A new Federal Reserve Chair takes centre stage

Kevin Warsh was sworn in as Chair of the Federal Reserve during May. Handpicked by Trump, he takes charge of the central bank at a time of mounting pressure over Americans' financial wellbeing. A highly divisive political appointment, as the vote to approve him was split along party lines, everyone is watching closely to see what he'll do with interest rates. Trump wants him to cut them which goes against conventional wisdom to raise them when facing rising inflation.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	1.85	-2.69	-0.51	3.42	8.08
IA Sterling Corporate Bond	1.77	-1.25	0.27	5.40	19.91
IA Global High Yield Bond	1.11	0.55	1.52	7.53	21.86
FTSE All Share	1.17	-2.97	6.48	21.64	53.55
FTSE USA	6.22	10.29	10.60	28.74	72.09
FTSE World Europe ex UK	4.32	-0.12	7.28	20.89	53.28
FTSE Japan	5.96	0.06	16.08	32.36	59.98
FTSE Asia Pacific ex Japan	10.21	8.52	23.96	49.39	75.40
FTSE Emerging	4.35	2.16	10.73	30.63	57.69

Source: FE Analytics, GBP total return (%) to last month end

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It's also important to remember that an investment's past performance isn't an indicator of its future performance, and you could get back less than you put in. There's also no guarantee that an investment will meet its objectives.