



Macro Pulse for May 1

- The Fed held rates steady last week, but Chair Powell’s final press conference shifted attention from the policy rate to the politics around the Fed. With four dissents and a Warsh-led Fed likely ahead, we continue to expect 1-2 cuts in 2026. The Iran-driven oil shock and renewed inflation risk likely delay, but do not derail, these expectations.
- The BoJ and ECB both held rates steady this week, but neither signaled comfort with staying on hold for long. In Japan, a hawkish split and higher inflation forecasts put a June hike firmly in play; in Europe, policymakers also discussed a near-term hike as higher energy prices keep inflation pressure elevated.
- Next Friday’s April jobs report will be the next major test of how well the U.S. economy is absorbing the energy shock. After March’s payroll rebound helped ease near-term stagflation concerns, investors will be watching whether hiring remains resilient or whether higher energy costs, tighter financial conditions, and margin pressure are beginning to weigh on labor demand.

Macro Pulse: Pricing past the blockade

Our latest monthly Macro Pulse report for May is [now available](#). We summarize the key changes to the market environment and our team’s view [here](#).

The energy shock that began in March continues to drag on. Markets have largely looked through the acute phase of the Iran conflict, but the dispersion in outcomes across regions, sectors, and asset classes is likely to become the defining feature of the macro environment. Our view remains that the U.S. macro and market cycle has room to run, but the path forward for global markets and economy will continue to be uneven and increasingly differentiated by geography.

What’s happened & what’s next?

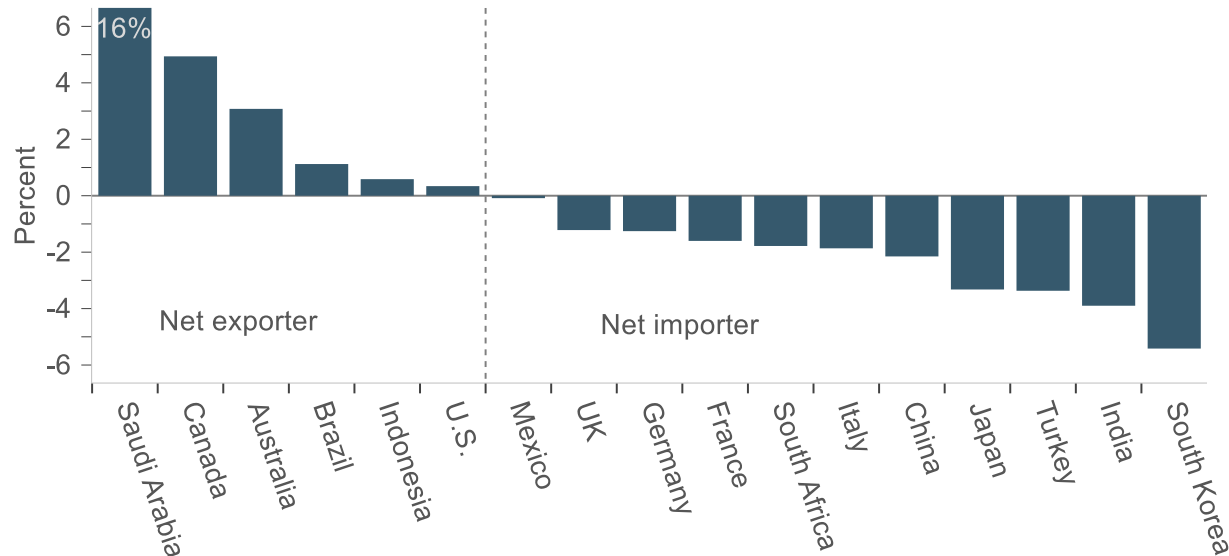
Since our last update, three developments have shaped market conditions. First, the fragile U.S.–Iran ceasefire has held, even as shipping through the Strait of Hormuz remains severely curtailed. Second, U.S. macro data have firmed: the labor market has stabilized after February’s sharp contraction and Q1 2026 earnings season has reinforced the strength of large cap tech and AI-related capex. Third, the economic damage abroad has become harder to ignore: European and Asian PMIs have softened, and energy cost pass-through is already showing up in inflation prints.

The result is a macro environment in which the U.S. increasingly appears to be the “cleanest dirty shirt.” Investors have responded accordingly: U.S. equity indices are near all-time highs; the dollar has firmed; and credit spreads have re-tightened. But beneath the surface, the dispersion in outcomes and risk pricing across regions has widened materially. We do not believe energy price risk is well captured by headline equity benchmarks, and we see growing opportunity for selective, regionally-aware positioning.



The economic impact of the Iran conflict is likely to fall most heavily on net oil-importing economies

Oil trade balance (% of GDP, 2024)



Sources: New York Life Investment Management, Global Market Strategy, Comtrade, Macrobond, May 2026.

What's our view?

Our base case over the next six months is fundamentally unchanged: constructive on the U.S. cycle, less constructive abroad, and increasingly cautious on the pace of monetary policy normalization. Three forces continue to shape this view.

- Geopolitical regime change is reshaping supply chains and sector leadership.** The ceasefire has allowed markets to look past the Iran conflict for now, but the structural implications – energy security, defense spending, hemispheric trade alignment – are in motion, and economic pressures build with each day the Strait is blockaded. The U.S. National Security Strategy continues to anchor our thinking, and we expect a continued bid for energy infrastructure, critical minerals, and industrial capacity tied to onshoring and supply chain resilience. The "[old economy toolkit](#)" we flagged last month remains live.
- AI remains a concentrated market driver.** From the start of the year, we have held high conviction that [AI will remain a positive market driver](#), even when big tech performance suffered a selloff prompted by a strong sentiment shift in Q1. Hyperscalers still have strong earnings and cash flow – halfway through Q1 2026 earnings season, large cap tech leads growth at over 85% earnings growth – and continue to recycle cash from core businesses into AI investment. But underneath the surface, the market is increasingly differentiating between platform owners, enablers, and downstream applications. Quality, led by profitability, remains our preferred lens, particularly given how concentrated the market's gains have been.
- The U.S. policy mix is more supportive than peers.** Though energy-driven inflation pressure complicates the easing path, we continue to expect 1-2 interest rate cuts this year – a view that is now decidedly dovish as consensus pricing has moved. But the broader policy mix, including OBBBA fiscal provisions already in place and a potentially expanding defense thrust, give the U.S. a margin of policy comfort that other



countries do not share. The ECB and BoJ are considering rate hikes next month, and EM central banks are operating under a wider range of constraints.

Globally, this leaves us with a clearer asymmetry than at any point this year: U.S. assets remain central in global portfolios, the dollar has a firmer footing, and the case for diversification across regions and asset classes, particularly into commodities and real assets, has strengthened.

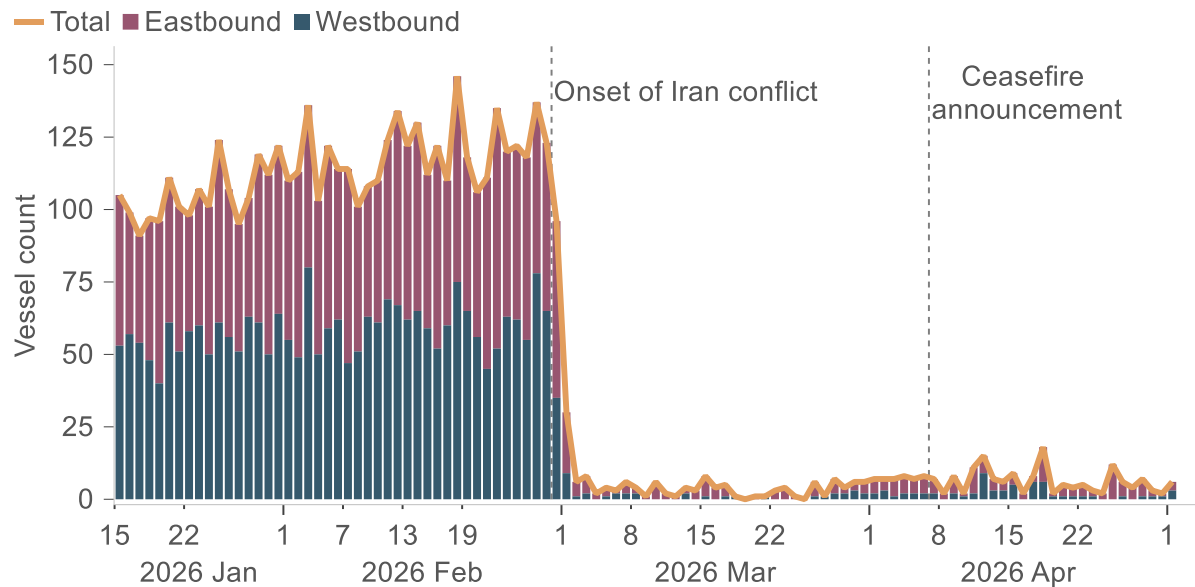
The main risk for markets

In our view, market performance from here hinges on the timeline and degree of Strait of Hormuz normalization. Despite the ceasefire, commercial vessel traffic remains a small fraction of pre-conflict levels.

A sustained pickup in throughput would do more than any policy lever to reduce inflation tail risk for 2H2026, weakening the case for stickier prices, a more hawkish Fed, and downside in non-U.S. markets. If the blockade continues, however, energy-driven inflation, a Fed on hold deeper into 2H, and persistent pressure on European and Asian growth become the likely path.

Hormuz shipping flows are the signal markets should watch

Total commercial vessel crossings through the Strait of Hormuz



Sources: New York Life Investment Management, Global Market Strategy, Bloomberg, Macrobond, May 2026.

Portfolio strategy

Our investment framework remains anchored in **diversification** and **quality**, with regional exposures and inflation hedges playing a larger role this month. We continue to favor U.S. large-cap equities with a quality earnings bias, staying neutral on small cap and ex-U.S. exposure, and shorter duration in credit to manage rate volatility. Against the Hormuz risk, we view gold and commodities as a useful satellite hedge sourced from equity. For new capital, materials, digital infrastructure tied to AI, and selective private credit remain our preferred deployment areas.



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