Market Update: May 2026

Market Insights By Ben Snedeker

Market Highlights

May was a choppy but ultimately positive month for shares. The ASX 200 swung lower mid-month — dipping to around 8,485 — before recovering into month-end to close at 8,731.7, a gain of roughly +0.8% in local currency terms. Sentiment was dominated by events in the Middle East: escalating tension and disruption around the Strait of Hormuz kept energy markets on edge for most of the month, before a late-May ceasefire memorandum between the US and Iran sparked a sharp relief rally into the close.

Global markets finished firmer on that same ceasefire optimism. In the US, the S&P 500 swung to a fresh all-time record high in the final week of May, capping a 12-month advance of more than 27%. Investors continued to reward earnings resilience while keeping a close eye on sticky inflation and the path of interest rates under new Fed Chair Kevin Warsh.

Australian Equities

The ASX 200 added roughly +0.8% for the month, with leadership rotating as the geopolitical backdrop shifted. Energy and Materials were the standout performers, with names like Woodside and BHP benefiting from higher oil, gas and bulk-commodity prices through the Middle East supply scare. Financials held up defensively, the major banks providing ballast as volatility picked up. At the softer end, Healthcare (led by CSL) and Consumer/Retail names lagged, pressured by the stronger-for-longer rates backdrop and squeezed household budgets.

Global Equities

Global equities delivered a modestly positive return in May, albeit with meaningful volatility through the month. Markets were heavily influenced by geopolitical developments in the Middle East, with tensions around the Strait of Hormuz driving early weakness before a late-May US–Iran ceasefire agreement prompted a sharp relief rally into month-end. As a result, developed markets finished higher overall, with the S&P 500 reaching a fresh all-time high of around 7,560 by late May, extending its 12-month gain to more than +27%.

Performance continued to be underpinned by resilient corporate earnings and strong investor confidence in AI-driven growth, particularly across US technology stocks. However, gains remained narrowly led by large-cap growth sectors, leaving broader market breadth somewhat limited. At the same time, markets remained sensitive to macro conditions, including elevated bond yields and ongoing uncertainty around inflation and interest rate policy, which created intermittent pullbacks during the month.

Overall, while the direction of travel for global equities remained positive, May reinforced a key theme for 2026 to date: returns are being driven by a combination of strong earnings and structural growth themes, but against a backdrop of heightened volatility, geopolitical risk, and increasing sensitivity to economic data and interest rate expectations.

Monthly Quote

"If you mix your politics with your investment decisions, you're making a big mistake"

— Warren Buffet

Fixed Interest

Bond yields stayed elevated as markets weighed firmer inflation against the prospect of central banks holding policy tighter for longer. The Australian 10-year government bond yield finished the month around 4.89%, while the US 10-year sat near 4.47%. With higher oil prices feeding inflation expectations, rate-cut bets were pared back over the month.

Global Economy

The Middle East conflict was the defining macro story of May. Disruption to shipping through the Strait of Hormuz kept crude and LNG prices elevated and stoked inflation concerns globally, before a 60-day ceasefire memorandum between Washington and Tehran late in the month eased the worst fears and triggered a broad relief rally. In the US, attention centred on a higher-than-expected April inflation reading, which left markets debating whether the Fed's next move could be a hike rather than a cut

Australian Economy

Domestically, the RBA tilted firmly towards fighting inflation. On 5 May the Board lifted the cash rate by 25 basis points to 4.35% — its third consecutive hike — after the March-quarter CPI surprised to the upside. Headline inflation accelerated to +4.6% over the year (its highest since late 2023), with the trimmed-mean measure at 3.3%, driven by housing, electricity and a sharp lift in fuel prices on the Middle East oil shock. The labour market softened a touch, with unemployment ticking up 0.2 percentage points to 4.5% in April as employment fell by around 18,600. The Australian dollar held broadly steady, finishing the month around US$0.719.

Commodities

Commodity markets were mixed but firm. Iron ore held up well, rising about +1.5% over the month to around US$109/tonne. Copper was a standout, gaining close to +11% on electrification demand and tight supply, while silver added around +4.4%. Gold consolidated near record levels, finishing roughly flat at about US$4,535/oz. Oil stayed elevated through the month on Middle East supply risk, with WTI around US$88/bbl and Brent near US$92/bbl, easing off the highs only after the late-month ceasefire. Lithium continued its recovery on renewed electrification momentum

Federal Budget 2026–27

Treasurer Jim Chalmers handed down the 2026–27 Federal Budget on 12 May, framing it as one of the most consequential in decades and a direct response to the inflationary fallout from the Middle East oil shock. The Budget returns to deficit — around $31.5bn for 2026–27 — ending the recent run of surpluses, with gross debt forecast to top $1 trillion for the first time. Treasury sees inflation peaking near 5% around mid-2026 before easing, with growth slowing to about 1¾%.

A number of measures are directly relevant to our clients. The headline cost-of-living item is a new $250 Working Australians Tax Offset for more than 13 million workers. On the wealth and investment side, the changes are more significant: negative gearing will be restricted to newly built dwellings only from 12 May 2026 (existing arrangements are grandfathered); the CGT discount is being pared back from 2027 (broadly, tax applied to the gain net of inflation, with a minimum effective rate); and a minimum 30% tax on discretionary trust distributions is slated from July 2028. We'll be reviewing what these mean for individual strategies and will be in touch where they're relevant to your circumstances.

Introducing the ORA Private Foundation

We're proud to introduce the ORA Private Foundation, established in 2026. Our mission is to strengthen Western Australia by backing local charities and grassroots organisations that deliver meaningful, measurable impact — especially for children and young people. The Foundation is funded on an ongoing basis by an annual contribution of a portion of ORA Private Wealth's profits, together with the generosity of our wider community. We invite clients to nominate the initiatives that matter most to them, partner with organisations creating real change, and share transparent updates on the outcomes we help deliver. As our giving grows over time, so too will our capacity to support the next generation and create lasting impact across WA.

All donations are tax deductible. To keep our giving independent, the Foundation's investments and compliance is managed separately by the Australian Communities Foundation — reducing any conflict of interest. The Foundation generates no fees or revenue for ORA Private Wealth. If you'd like to contribute, you can donate here: Donate to the ORA Private Foundation

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That's your May market wrap! If you've got questions or want to chat about your portfolio, feel free to reach out.

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