Highland ReCAP

A Review of Capital Markets

Highland
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May 2026

Summary

Global stocks and bonds rallied in May, pushing U.S. equity indexes to new highs. While resolution in Iran has been slower than investors would hope, regular reports of progress on an accord led to easing oil prices and equity gains during the month. Earnings were generally strong and the AI trade continued to boost returns globally, with SK Hynix and Micron joining the trillion-dollar market cap club in May. Treasury yields were pressured with the 30-year bond hitting a post-GFC (Global Financial Crisis of 2007-2009) high of 5.18% before abating into the Memorial Day holiday.

Equities

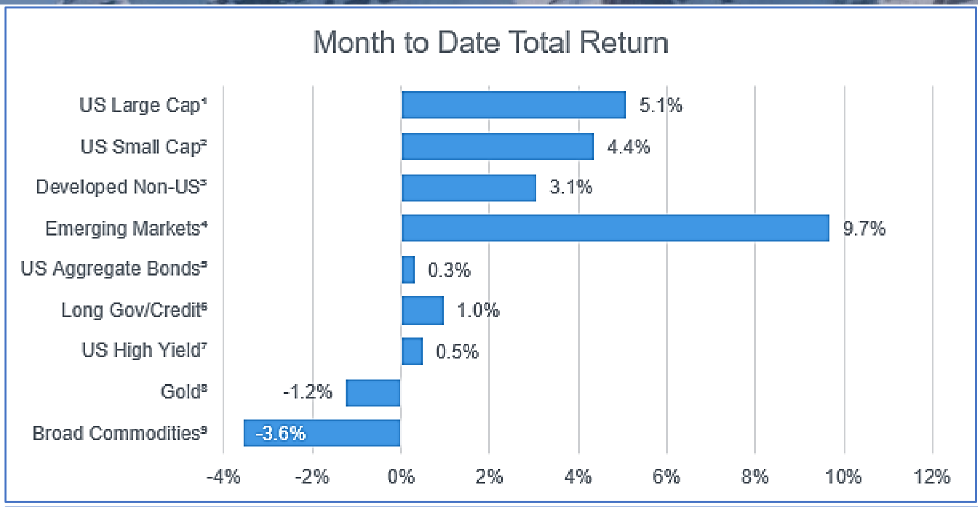
AI continued to be the driver of equity gains in May. Emerging markets, powered by a booming return from South Korean stocks, led the way with a return of 9.7%, pushing the index past the 25% mark year to date. U.S. stocks were the next in line with large caps outpacing smaller companies, posting respective returns of 5.1% and 4.4% during the month. Developed international equities lagged but still managed a respectable 3.1% gain in May.

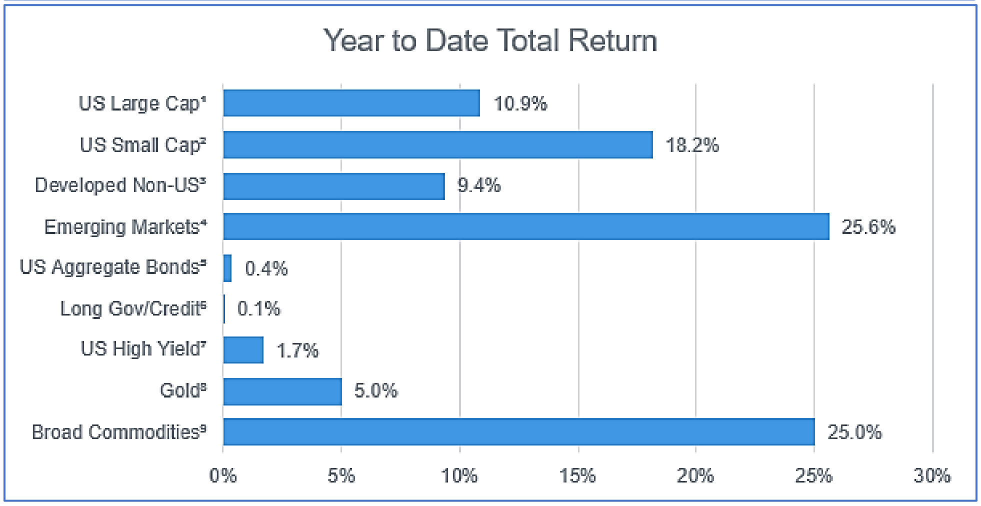
Fixed Income

Bonds managed to finish the month of May with modest gains. Global treasury yields marched higher, with the long end of the yield curve under pressure in the U.S., Japan, and the UK. Japanese 30-year government bonds traded at an all-time high and U.S. yields moved 20 to 30 points higher, peaking in the aftermath of April's CPI report. Credit spreads were little changed and U.S. Treasuries retraced losses into month end. Falling oil prices provided some easing to inflationary concerns, resulting in a 0.3% return for core bonds in May.

Market Trends

As of May 31, 2026





	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap[1]	5.1%	10.0%	10.9%	28.8%	23.3%	13.3%	15.4%
US Small Cap[2]	4.4%	11.3%	18.2%	43.1%	20.3%	6.6%	11.2%
Developed Non-U.S.[3]	3.1%	-0.6%	9.4%	22.8%	18.2%	8.8%	9.3%
Emerging Markets[4]	9.7%	9.4%	25.6%	54.3%	25.2%	7.5%	10.7%
US Aggregate Bonds[5]	0.3%	-1.3%	0.4%	5.1%	3.9%	0.2%	1.7%
Long Gov/Credit[6]	1.0%	-2.8%	0.1%	6.0%	1.9%	-3.3%	1.1%
US High Yield[7]	0.5%	1.0%	1.7%	7.6%	9.4%	4.4%	5.9%
Gold[8]	-1.2%	-13.0%	5.0%	37.3%	31.3%	18.3%	13.0%
Broad Commodities[9]	-3.6%	12.1%	25.0%	40.5%	16.6%	11.7%	7.2%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

Disclosure Statements

Bloomberg

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FTSE Russell

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