

# S&P 500 Index hits new high

## Key takeaways

Thanks to ongoing AI fervour, the S&P 500 Index of US companies hit a new record high on Friday that marked nine consecutive weeks of gains.

### Artificial sweetener: AI drives S&P 500 to new record high

Insatiable demand for AI-related companies, rising hopes of a ceasefire in the Iran war, and still more 'blockbuster' company earnings numbers, helped the S&P 500 Index close at a new all-time high on Friday. The first quarter US earnings season has been exceptionally robust. The latest FactSet estimates for S&P 'blended' earnings growth – which combines reported and estimated numbers – has hit 28.6%, marking the best quarter for US company earnings since 2021.

Meanwhile, the Philadelphia Semiconductor (SOX) Index, which tracks the 30 largest US chip companies, is up almost 80% in 2026, after adding over \$5trn in value. Despite this, the huge earnings increases generated by SOX constituents mean that the price to earnings (P/E) valuation for the index has barely moved. (The P/E ratio indicates how much investors are willing to pay for \$1 of the profits generated by the companies in the index.)

### Record fall in oil prices

Stock and bond markets breathed a collective sigh of relief last week, as the price of Brent crude oil fell by 12.6%. A second week of double-digit declines meant that May saw the biggest monthly decline in the oil price since 2020.

After being whipsawed by the changing news on a potential ceasefire in the Iran war, and the re-opening of the Strait of Hormuz, a late burst of optimism on Friday helped the oil price to ease once more. Government bond yields fell in response, which means their prices rose, as the risk of 'stagflation' – namely rising inflation and stagnant growth – receded. The US and Iran are negotiating a memorandum of understanding that would deliver a 60-day ceasefire and the full opening of the Strait of Hormuz.

### New joiners: the \$1trn club

Last week saw two new companies join the list of those valued at \$1trn or more. Korea's SK Hynix and Micron Technology, the only US-based memory-chip maker, both passed this milestone, reflecting the ceaseless demand for memory chips that's being generated by the AI buildout. SK Hynix is the second Korean memory-chip stock to join the \$1trn club this year. The first, Samsung Electronics, has been so successful that it has promised its memory-chip employees £300,000 bonuses.

As of today, there are 14 companies worldwide valued at \$1trn or more. Apart from Korea's two newly-arrived memory giants, Taiwan Semiconductor (TSMC), and Saudi Aramco, the other 10 constituents are all US companies. They include the 'Magnificent 7' group of technology stocks, Broadcom and Micron. Berkshire Hathaway, Warren Buffett's storied investment company, is currently the only US company in the group that isn't a technology stock.



## Market moves

Global stock markets progressed by over 1%.

Emerging market and Japanese shares were the top performers.

UK and US government bonds gained as inflation worries eased. Gold gained last week, but was down overall in May.

## What to look out for this week

This week sees a slew of PMI (Purchasing Managers' Index) data which provides an economic snapshot of most major economies.

Europe publishes Consumer Price Inflation (CPI) data on Tuesday. GDP and employment change numbers follow on Friday.

The US sees job opening numbers on Tuesday, factory orders on Wednesday, and jobless numbers on Thursday. Payrolls data is due Friday.



**If you have questions about financial markets, or our investment services, please contact the Marketing team:**

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