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# Global Equity Compass

## Beyond the AI trade: markets broaden as fundamentals meet uncertainty



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Global equity markets remained broadly resilient in May, building on the strong rebound seen in April, with many major indices still near record highs despite bouts of volatility. At the same time, the macro backdrop has grown

increasingly complex, with persistent inflation pressures, higher bond yields and ongoing geopolitical tensions – particularly in relation to the

Middle East and energy markets. Under the surface, markets are showing signs of a gradual broadening; while technology and AI-linked sectors continue to dominate earnings growth, there is increasing dispersion and a tentative rotation towards other regions and sectors, including those more value-oriented. Overall, the May environment could be characterised as one of resilience under pressure: fundamentals remain supportive, but elevated valuations and macro uncertainties are leading to a more selective and volatile market backdrop.

## Global Equity Compass | What to watch

### 1 AI infrastructure

AI infrastructure is shifting from training to deployment and inference, with a growing role for CPUs, memory, and networking. This is broadening demand beyond GPUs, creating a more diversified opportunity set across semiconductors, data centre equipment, and other enabling technologies.

### 2 Value as diversifier

Value stocks are showing promise, providing diversification in an AI-driven market. After “Growth” and mega-cap stocks have enjoyed a period of dominance, a different macro landscape – including greater volatility and the spectre of “higher for longer” – is driving a rotation towards fundamentals.

### 3 Strategic autonomy

In Europe and beyond, strategic autonomy continues to grow in importance. Growing government spending on defence, energy, and key infrastructure is supporting increased corporate activity across a range of sectors. And while defence remains key, the drive for autonomy is also being felt across areas such as energy transition, digital and financial infrastructure, and manufacturing.

## Equity market data

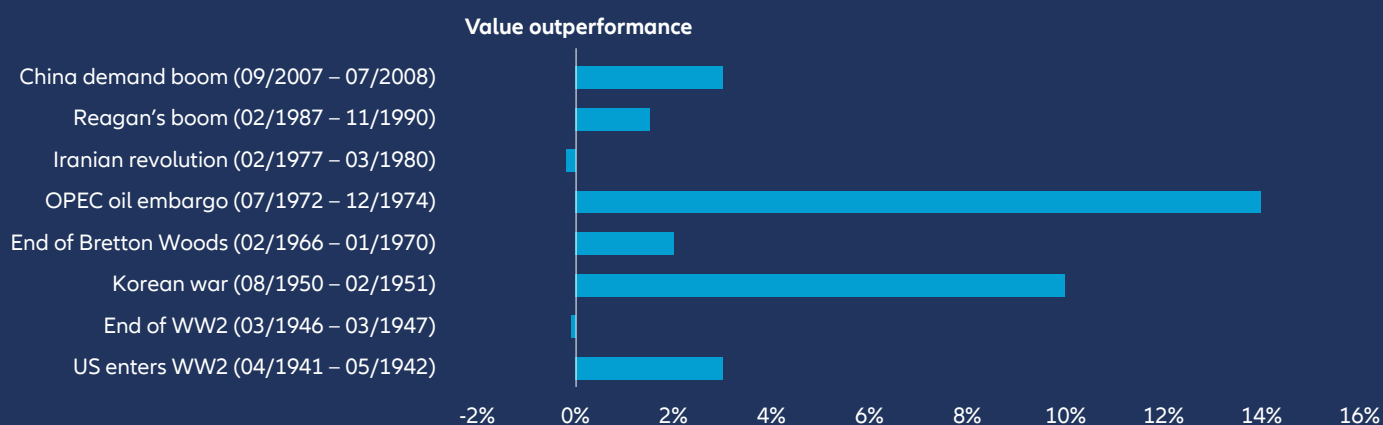
Market indices	3M	12M	YTD	12M fw. PE
MSCI World	7.64%	25.70%	10.12%	19.407
MSCI EM	12.82%	55.07%	27.40%	11.907
MSCI World SC	4.09%	31.56%	13.80%	-
MSCI World LC	8.63%	26.91%	10.29%	-
MSCI World Growth	13.05%	28.29%	10.49%	-
MSCI World Value	2.75%	22.68%	9.68%	-
<b>USA</b>				
S&P 500	10.58%	28.20%	11.16%	21.085
Nasdaq 100	22.68%	42.66%	21.43%	25.084
<b>EUROPE</b>				
MSCI Europe	-0.01%	16.14%	4.79%	14.845
Dax 40	1.97%	4.99%	2.59%	14.118
CAC 40	-2.21%	6.10%	0.73%	14.093
SMI	-3.82%	9.08%	0.29%	17.564
FTSE 100	-3.77%	18.23%	4.45%	12.583
<b>ASIA</b>				
Topix	0.66%	41.30%	15.12%	16.731
CSI 300	3.93%	27.98%	6.15%	14.971
Nifty 50	-5.56%	-4.99%	-10.13%	19.427

Source: Allianz Global Investors E&S team, 31. May 2026.

## Market review – style lens

- Resilient, higher quality stocks (“Quality”) have been broadly resilient in May, supported by continued investor preference for companies with strong earnings and balance sheets amid ongoing macro and geopolitical uncertainty. That said, they have not been clear market leaders, as the ongoing rotation beyond defensive growth has limited relative outperformance.
- Stocks that have shown strong performance recently (“Momentum”) remained reasonably well supported, benefiting from persistent dispersion and the continuation of established market leadership patterns, particularly around AI and earnings revisions. However, early signs of rotation and market broadening in Q2 mean they look less dominant than earlier in the year.
- Attractively valued stocks (“Value”) have continued to improve in May, extending the rotation seen earlier in 2026 as investors become more price-sensitive and look beyond concentrated growth winners. The broadening of the equity rally and sector rotation into cyclical areas have been key tailwinds for these stocks.

## Chart of the month: Value outperformance in inflationary environments



Source: AllianzGI, as of May 2026.

Value has historically shown a strong tendency to outperform during periods of inflation and deflation, when macro conditions favour tangible assets, pricing power and near-term cash flows. These environments are typically characterised by rising interest rates, steeper yield curves and higher commodity prices – factors that tend to weigh on

long-duration growth equities while supporting more cyclical, value-oriented segments. The chart illustrates this pattern across multiple historical episodes, with outperformance in six of the eight, underlining Value’s role not just as a return driver, but as a strategic hedge in portfolios exposed to growth and duration risk.

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