

# CAPITAL MARKETS REPORT - MAY 18, 2026



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## SERVICE BEYOND COMPARISON

- Global Bond Selloff Intensifies as Markets Reprice Inflation and Rate Risks
- Consumer Inflation Reaccelerates, Pressuring Household Finances
- Wholesale Prices Surge as Energy and Freight Costs Spread Through Economy

-->Global bond markets experienced a sharp selloff last week as investors increasingly priced in the risk that central banks may need to pivot back toward tighter monetary policy in response to persistent inflation pressures. Treasury yields surged globally, with the U.S. 10-year yield around 4.60% and long-dated yields in Japan and the UK reaching multi-decade highs. Mounting concern over elevated oil prices and prolonged supply disruptions through the Strait of Hormuz has reinforced fears that inflation could remain higher for longer. Markets are increasingly questioning whether the Fed can begin easing this year and whether policy may need to remain restrictive for longer than previously expected.

-->U.S. consumer inflation accelerated in April, with CPI rising 3.8% year-over-year as gasoline, groceries, rent, and airfare costs continued to climb. Energy prices tied to the Iran conflict remain a major driver of inflationary pressure. Inflation-adjusted wages turned negative for the first time in three years, adding strain to household finance and consumer spending. Although some underlying core inflation measures remained relatively stable, rising costs for essential goods and services are increasing the risk that consumers will scale back discretionary spending in the months ahead or continue to fund spending through credit or tapping into savings. At the same time, sharply higher long-term yields and tighter financial conditions could begin to weigh on business investment, housing activity, and consumer demand later this year.

-->Compounding these concerns, wholesale inflation also surprised to the upside, with producer prices posting their largest annual increase since 2022 as higher energy and freight costs increasingly filtered through supply chains. Transportation and warehousing costs surged, while trucking prices recorded one of their sharpest increases on record, signaling that businesses continue to face mounting input pressures. The broad-based rise in producer prices reinforces concerns that inflation pressures are becoming more embedded across the economy and strengthens the case for the Federal Reserve to maintain a more hawkish policy stance until inflation shows clearer signs of moderating.

Market Last Week			
	5/8/2026	5/15/2026	Weekly Change In Bps
<b>2 yr. Note</b>	<b>3.89%</b>	<b>4.07%</b>	<b>18</b>
<b>5 yr. Note</b>	<b>4.00%</b>	<b>4.26%</b>	<b>26</b>
<b>10 yr. Note</b>	<b>4.35%</b>	<b>4.60%</b>	<b>25</b>
<b>30 yr. Bond</b>	<b>4.94%</b>	<b>5.12%</b>	<b>18</b>
<b>SOFR Rate</b>	<b>3.63229%</b>	<b>3.61281%</b>	<b>-1.948</b>

Data This Week			
Date/Time (ET)	Economic Data	Market Estimate	Prior Report
5/18/2026 10:00 AM	NAHB Housing Market Index (May)	34.00	34.00
5/19/2026 10:00 AM	Pending Home Sales MoM (Apr)	1.00%	1.50%
5/20/2026 7:00 AM	MBA Mortgage Applications (May 15)	--	1.70%
5/21/2026 8:30 AM	Initial Jobless Claims (May 16)	210k	211k
5/21/2026 8:30 AM	Continuing Claims (May 9)	1795k	1782k
5/21/2026 8:30 AM	Philadelphia Fed Business Outlook (May)	18.30	26.70
5/21/2026 8:30 AM	Housing Starts (Apr)	1400k	1502k
5/21/2026 8:30 AM	Building Permits (Apr P)	1380k	1363k
5/21/2026 9:45 AM	S&P Global US Manufacturing PMI (May P)	53.60	54.50
5/21/2026 9:45 AM	S&P Global US Services PMI (May P)	51.00	51.00
5/21/2026 11:00 AM	Kansas City Fed Manf. Activity (May)	10.00	10.00
5/22/2026 10:00 AM	U. of Mich. Sentiment (May F)	48.20	48.20

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