



A Seismic Shift in Global Financial Architecture

The U.S. 30-year Treasury yield has surged to **5.12%** – the highest since June 2007. This is not a cyclical tick. It is a regime change.

MULTI-ASSET ALERT

MAY 16, 2026



The Numbers at a Glance

5.12%

30Y UST Yield

Highest since June 2007

\$104

WTI Crude

+51% – largest supply shock in modern history

3.8%

US CPI YoY

Highest since May 2023; broadening into core

149bp

30Y–EFFR Spread

Bond market pricing a Fed behind the curve

The 30-year gilt (UK) is at its highest since 1998. Japan's 10Y JGB is at its highest since 1999. This repricing is **simultaneous and structural**.

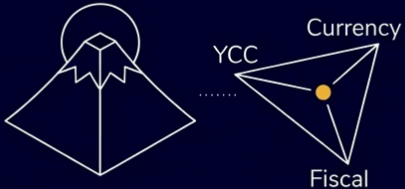
The Perfect Storm: Four Structural Drivers

- 1** **Iran War & Oil Shock**
Hormuz closure removed 6.7–10M bpd. WTI +51% to \$104.39. QatarEnergy force majeure on LNG. No diplomatic off-ramp.
- 2** **Second Inflation Wave**
April 2026 CPI: 3.8% YoY. Import prices +4.2%, export prices +8.8%. Two consecutive hotter-than-expected prints.
- 3** **Fiscal Profligacy & Supply**
US Treasury sold \$691Bn in a single week. 2025 tax cuts + rising defence spend. Bond vigilantes are back. Term premium expanding structurally.
- 4** **Fed Chair Transition**
Kevin Warsh confirmed 54–45 (most divisive in Fed history). Inflation hawk. Markets price 25–30% probability of a December 2026 rate **hike**.

Global Contagion: Synchronised Sovereign Selloff



UK: 30Y gilt
UK: 30Y gilt at 1998 high. Energy shock + political instability.



Japan: 10Y JGB at 1999 high. Trilemma: YCC, currency, fiscal.



Europe: ECB warns Germany and Italy recession by end-2026. LNG supply emergency.



Emerging Markets:
 Turkey, Indonesia, South Africa, South Asia most exposed to capital outflow.

This Is Not a U.S.-Isolated Event

The repricing of the global risk-free rate is simultaneous and structural across every major sovereign bond market.

- **UK:** Sovereign stress beyond pure rates – energy shock + PM Starmer under pressure
- **Japan:** Yen intervention risk elevated and underpriced
- **Europe:** LNG disruption is a direct emergency for energy grids
- **EM:** Dollar-denominated debt servicing costs rising sharply

Kevin Warsh & the June FOMC: Three Paths

1. Hold Steady — Base Case (45%)

Hawkish statement, preserves optionality for H2 hike. Yields rangebound 4.80–5.20%. Equities stabilise.

2. Hawkish Tilt (30%)

Formal hiking bias introduced. 30Y UST to 5.5%+. Dollar strengthens. Equities and EM sell off sharply. Risk-off globally.

3. Cut Despite Inflation (5%)

Politically palatable to Trump. Practically: destroys Fed credibility. Bond market rout. Stagflation deepens. Extremely unlikely.

⚠️ Warsh's implicit mandate from Trump is to cut – macro data demands the opposite. The most divided FOMC in 30+ years.

Multi-Asset View: Global Matrix

Asset Class	View	Key Implication
US Treasuries (Long)	Bearish	5.5% on 30Y plausible; no rally catalyst
Investment Grade Credit	Bearish	Spreads widen; maturity wall risk acute
High Yield / Junk	Deeply Bearish	Default cycle being priced in
US Equities (Broad)	Bearish	10Y at 5%+ compresses P/E by 15–25%
Technology / Growth	Bearish	Long-duration equities devastated by discount rate rise
Energy & Defence	Bullish	Structural beneficiaries; earnings upgrade cycle intact
Real Estate / REITs	Deeply Bearish	6.65% mortgage kills demand; CRE systemic risk
Gold	Bullish	Stagflation hedge
Crude Oil (WTI)	Bullish Near-Term	\$110–\$120 plausible if Hormuz contested
Emerging Markets	Bearish	Higher USD rates + stronger dollar = lethal for EM debt

✔ **Gold & Energy** are the two structural winners in this regime. All other major asset classes face meaningful headwinds.

India Portfolio Positioning: HNI & Institutional



Energy & Defence — Bullish

ONGC, HAL, BEL: structural winners from Iran war shock. Multi-quarter earnings upgrade. Preferred overweight.



Gold (SGBs/ETFs) — Bullish

Classic stagflation hedge. INR depreciation adds incremental rupee return. Allocate 8–12%.



USD T-Bills (UHNIs) — Consider

5%+ USD yield on 3–6M T-Bills is genuinely competitive. Dollar strength adds INR-denominated upside for global-mandate portfolios.



Real Estate / High-PE Tech — Avoid

Rising rates spill over domestically. Office REITs and residential demand under stress. High-PE growth stocks face FII selling pressure.

Strategic Principles for the New Regime

→ Shorten Duration

Reduce long-duration bond exposure. Prefer short-duration T-Bills at 5%+ – a genuine, liquid alternative. **Cash is no longer trash.**

→ Overweight Energy, Defence & Gold

Real assets over financial assets. Commodities, energy infrastructure, and gold outperform in a structurally inflationary regime.

→ Avoid Long-Duration Growth

The 2020–2024 playbook – long duration, high multiples, EM carry – is **obsolete**. The new regime demands cash flow, real assets, and duration discipline.

⚠ **Final Word:** 2026 is genuinely different. Those who adapt quickly will find opportunity in the dislocation. Those who do not face significant permanent capital risk.