



Source: Bloomberg Finance L.P., data to 15 May 2026.

30-Year UK Gilt yields back to levels last seen in 1998

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What does the chart show?

The chart above shows the dramatic rise in 30-year UK Gilt yields, back to levels not seen since the 1990s.

Why is it important?

The move in 30-year Gilt yields to 5.8%, the highest level since 1998, reflects a materially more challenging macro backdrop for the UK. The inflation outlook has deteriorated sharply as the Iran war has driven energy prices higher and raised fears of renewed second-round inflationary pressures across the economy. Against this backdrop, near-term Bank of England rate cuts are effectively off the table and, if inflation expectations become less well anchored, further rate rises may ultimately be required. At the same time, domestic politics remains unsettled, with a material possibility of a change in Prime Minister and the risk that any incoming administration could pursue policies viewed negatively by the Gilt market, particularly around fiscal credibility and borrowing. Nevertheless, governments cannot ignore the discipline imposed by sovereign bond markets indefinitely, and over time tighter financial conditions should help restore lower inflation and lower real yields, although the adjustment process may still have some way to run.

The week marked a decisive return of geopolitical risk to the centre of global markets. Oil, inflation, and sovereign borrowing costs moved sharply higher, while investors increasingly questioned whether central banks can contain inflation without triggering deeper political and economic instability.



US

- » Donald Trump's Beijing summit with Xi Jinping dominated foreign-policy headlines, producing symbolic trade and diplomatic wins but little substantive progress on tariffs, Taiwan, or Iran.
- » The Federal Reserve turned noticeably more hawkish after stronger-than-expected inflation data, with markets beginning to price in the possibility of further rate hikes later in 2026.
- » Markets remained resilient despite geopolitical shocks, with Wall Street continuing to climb even as investors grappled with higher oil prices, tariff uncertainty, and concerns over renewed inflation pressure.
- » Republican politics continued to revolve around Trump's influence, including high-profile primary battles and pressure campaigns against intra-party critics.



UK

- » UK government borrowing costs surged to post-1998 highs as investors reacted negatively to mounting political instability around Prime Minister Keir Starmer.
- » Sterling weakened amid fears of Labour Party fragmentation and speculation over leadership challenges from figures including Wes Streeting and Andy Burnham.
- » Rising oil prices tied to Middle East tensions intensified inflation concerns and worsened the outlook for households, manufacturing, and public finances.
- » Markets increasingly focused on whether political turmoil could derail investment plans, fiscal credibility, and future IPO activity in London.



Europe

- » The EU approved sanctions against violent Israeli settlers in the West Bank, reflecting a tougher foreign-policy posture and growing internal pressure for broader measures.
- » European economies faced worsening growth concerns linked to elevated energy costs and Middle East-related supply disruptions.
- » Brussels continued expanding sanctions and security coordination, including renewed cyberattack restrictions and additional Ukraine-related defence support.
- » Policymakers accelerated work on industrial resilience, transport infrastructure, and critical medicines supply chains amid broader concerns over strategic autonomy.



Rest of the World/Asia

- » Xi Jinping emerged from the Trump summit appearing politically confident, emphasizing stability while avoiding major concessions on trade, Taiwan, or Iran. China maintained a careful balancing act diplomatically, seeking improved ties with Washington while reinforcing links with Russia and the broader Global South.
- » Beijing continued positioning itself as a global clean-energy superpower, strengthening its leadership in renewables, EVs, and critical minerals.
- » Japan's Prime Minister Sanae Takaichi's government continued pushing a more expansionary fiscal and security agenda, including discussion of higher defence spending.
- » Middle East tensions and Strait of Hormuz fears drove oil volatility, reigniting global inflation and supply-chain concerns.

Asset Class / Region	Currency	Cumulative returns			
		Week ending 15 May	Month to date	YTD 2026	12 months
Developed Markets Equities					
United States	USD	0.2%	2.8%	8.6%	26.3%
United Kingdom	GBP	-0.1%	-1.6%	4.6%	22.6%
Continental Europe	EUR	-0.5%	0.4%	3.6%	12.1%
Japan	JPY	0.9%	3.7%	14.5%	44.4%
Asia Pacific (ex Japan)	USD	-2.0%	4.8%	19.9%	42.9%
Australia	AUD	-1.2%	-0.1%	0.4%	7.4%
Global	USD	-0.3%	1.8%	7.6%	25.0%
Emerging Markets Equities					
Emerging Europe	USD	-2.5%	0.9%	12.6%	38.9%
Emerging Asia	USD	-2.1%	5.8%	22.5%	49.0%
Emerging Latin America	USD	-5.7%	-4.9%	12.4%	38.7%
BRICs	USD	-3.5%	-1.1%	-5.6%	2.4%
China	USD	-2.5%	0.7%	-5.0%	7.1%
MENA countries	USD	-1.6%	-1.5%	0.9%	0.8%
South Africa	USD	-5.4%	-0.6%	-1.3%	43.9%
India	USD	-3.7%	-2.5%	-15.0%	-14.9%
Global emerging markets	USD	-2.5%	4.4%	19.5%	45.0%
Bonds					
US Treasuries	USD	-1.1%	-0.9%	-0.9%	3.2%
US Treasuries (inflation protected)	USD	-0.7%	-0.4%	1.0%	4.8%
US Corporate (investment grade)	USD	-1.0%	-0.5%	-0.4%	5.7%
US High Yield	USD	-0.5%	-0.3%	0.8%	7.0%
UK Gilts	GBP	-1.7%	-0.8%	-3.1%	1.0%
UK Corporate (investment grade)	GBP	-1.3%	-0.4%	-2.1%	3.5%
Euro Government Bonds	EUR	-1.0%	-0.5%	-0.8%	-0.1%
Euro Corporate (investment grade)	EUR	-0.5%	-0.2%	-0.2%	1.9%
Euro High Yield	EUR	0.0%	0.5%	0.7%	4.0%
Global Government Bonds	USD	-1.7%	-1.1%	-1.3%	1.0%
Global Bonds	USD	-1.6%	-1.0%	-0.9%	3.6%
Global Convertible Bonds	USD	-0.5%	2.8%	15.8%	33.5%
Emerging Market Bonds	USD	-1.3%	-0.5%	-0.1%	10.1%
Property					
US Property Securities	USD	-2.1%	-1.7%	12.0%	14.4%
Australian Property Securities	AUD	1.6%	1.7%	-8.4%	-2.7%
Global Property Securities	USD	-2.7%	-1.6%	6.8%	14.7%
Currencies					
Euro	USD	-1.2%	-0.8%	-0.9%	4.0%
UK Pound Sterling	USD	-2.1%	-1.8%	-0.9%	0.3%
Japanese Yen	USD	-1.3%	-1.3%	-1.2%	-8.2%
Australian Dollar	USD	-1.2%	-0.3%	7.3%	11.8%
South African Rand	USD	-1.6%	0.2%	-0.7%	8.1%
Swiss Franc	USD	-1.2%	-0.5%	0.9%	6.4%
Chinese Yuan	USD	-0.2%	0.2%	2.6%	5.8%
Commodities & Alternatives					
Commodities	USD	2.3%	1.1%	39.7%	50.3%
Agricultural Commodities	USD	-1.0%	-0.6%	10.6%	4.9%
Oil	USD	7.9%	-4.2%	79.6%	69.3%
Gold	USD	-3.6%	-1.4%	5.2%	41.0%

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