

# ZITAPLUS

## WEEKLY BULLETIN
















11 — 15 MAY 2026  
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# HORMUZ DISRUPTION REDRAWNS THE OPEC SUPPLY MAP

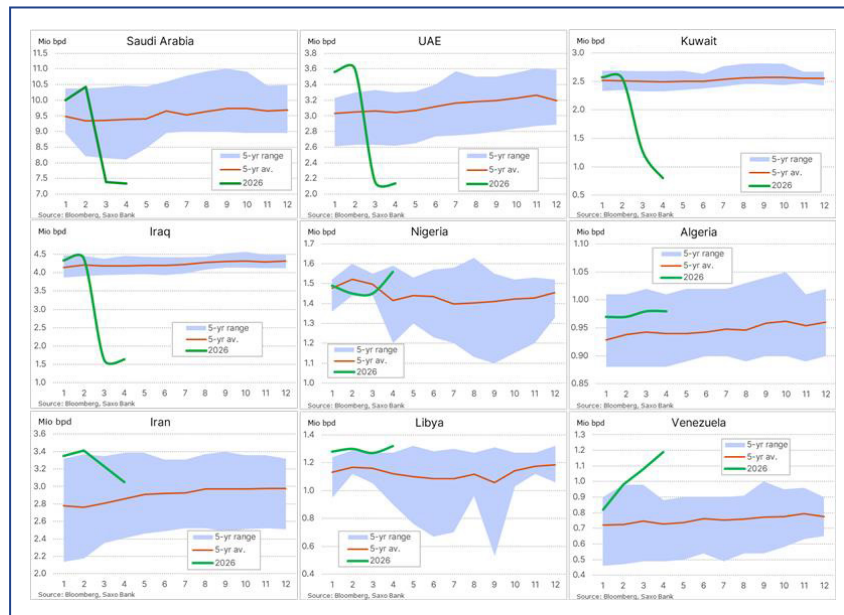


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TIME	CUR.	EVENT	FORECAST	PREVIOUS
<b>MONDAY, MAY 11</b>				
18:00		Existing Home Sales	4.05M	3.98M
<b>TUESDAY, MAY 12</b>				
10:00		German CPI (MoM) (Apr)	0.6%	0.6%
16:30		CPI (MoM) (Apr)	0.6%	0.9%
16:30		CPI (YoY) (Apr)	3.7%	3.3%
16:30		Core CPI (MoM) (Apr)	0.3%	0.2%
21:00		10-Year Note Auction	-	4.282%
<b>WEDNESDAY, MAY 13</b>				
16:30		PPI (MoM) (Apr)	0.5%	0.5%
18:30		Crude Oil Inventories	-	-2.313M
21:00		30-Year Bond Auction	-	4.876%
<b>THURSDAY, MAY 14</b>				
10:00		GDP (YoY) (Q1)	-	1.0%
10:00		GDP (MoM) (Mar)	-0.2%	0.5%
10:00		GDP (QoQ) (Q1)	0.6%	0.1%
16:30		Retail Sales (MoM) (Apr)	0.6%	1.7%
16:30		Core Retail Sales (MoM) (Apr)	0.6%	1.9%
16:30		Initial Jobless Claims	206K	200K

# HORMUZ DISRUPTION REDRAWNS THE OPEC SUPPLY MAP



The latest production data from Bloomberg's monthly survey and Saxo Bank highlights how unevenly the Strait of Hormuz disruption is hitting Gulf producers. While Iran remains at the center of the conflict, its oil output has fallen by only around 11% since the war began, the smallest decline among major regional producers. By contrast, several Gulf exporters have suffered far steeper losses as restricted shipping routes continue to disrupt export flows and limit access to global buyers.

## PIPELINE ACCESS CREATES A CLEAR DIVIDE

Saudi Arabia's production has declined by roughly 29%, while the UAE has seen output fall around 40%. Both countries appear to be partially shielded by pipeline infrastructure that allows some exports to bypass the Strait of Hormuz. Flexibility has become essential as transport delays, rather than production capacity, are now the primary constraint in the market.

## IRAQ AND KUWAIT FACE THE HEAVIEST PRESSURE

The sharpest losses are visible in Iraq and Kuwait. Iraq's production has dropped by roughly 63%, while Kuwait has suffered the deepest hit, with output down around 69%. The declines underline a growing reality in the oil market: producers can still pump crude, but without reliable export routes, supply cannot move efficiently. As storage fills and tanker access weakens, output cuts become unavoidable.

## OPEC OUTPUT FALLS TO MULTI-DECADE LOWS

The broader OPEC picture has weakened considerably. Bloomberg's survey showed OPEC production falling to its lowest level since 1990 as the Hormuz disruption continues to choke Gulf exports. OPEC+ production increases announced in recent weeks have remained largely symbolic, as physical transport constraints continue to outweigh official quota changes.

## NON-GULF BARRELS GAIN STRATEGIC VALUE

Outside the Gulf, the picture looks very different. Venezuela's production has climbed to a seven-year high, while Libya remains near a 13-year high. As geopolitical transport risks rise, supply that avoids the Strait of Hormuz is becoming increasingly valuable. In the current environment, markets are pricing not only how much oil producers can extract, but also how much they can realistically deliver.



 **EURUSD**

**ECB TIGHTENING BETS LIFT EURO**

EURUSD held above 1.1750, near three-week highs, as markets balanced US–Iran tensions with growing ECB rate hike expectations. Brent crude surpassed \$105 after Trump rejected Iran’s peace proposal as “totally unacceptable,” sustaining inflation risks. Money markets now price at least two ECB hikes in 2026, with a June move highly likely. Christine Lagarde’s openness to swift policy action further supported euro strength.

Technically, the short term resistance is at 1.1785 while the critical support is around 1.1700. A break above 1.1785 could strengthen upside momentum, while a move below 1.1700 may trigger renewed selling pressure.



 **USDJPY**

**YEN WEAKENS AS 160 RETURNS INTO VIEW**

USD/JPY moved closer to 157 as renewed Middle East tensions supported the dollar and pushed oil prices higher, adding pressure on Japan’s import-driven economy.

The yen also remained vulnerable as higher energy costs revived inflation concerns, while markets stayed alert to possible Japanese intervention after several suspected actions since late April.

The 160–161 region remains the key area. A move toward this zone could increase expectations of another intervention response from Japanese authorities.



**XAUUSD**

**GOLD TESTS KEY BREAKOUT ZONE**

Gold hit a three-week peak near \$4,730 as market focus remains on US-Iran friction. Donald Trump's rejection of Iran's peace proposal as "totally unacceptable" has sustained geopolitical risk, while Strait of Hormuz pressure keeps oil high and inflation fears rising. This environment lowers Fed rate cut odds. Prices await US inflation data, Iranian politics, and Trump's China trip.

Technically, a daily close above resistance at \$4,765-\$4,770 could trigger a bullish shift toward \$4,820-\$4,830.



**XAGUSD**

**SILVER ENTERS A STRONGER RANGE**

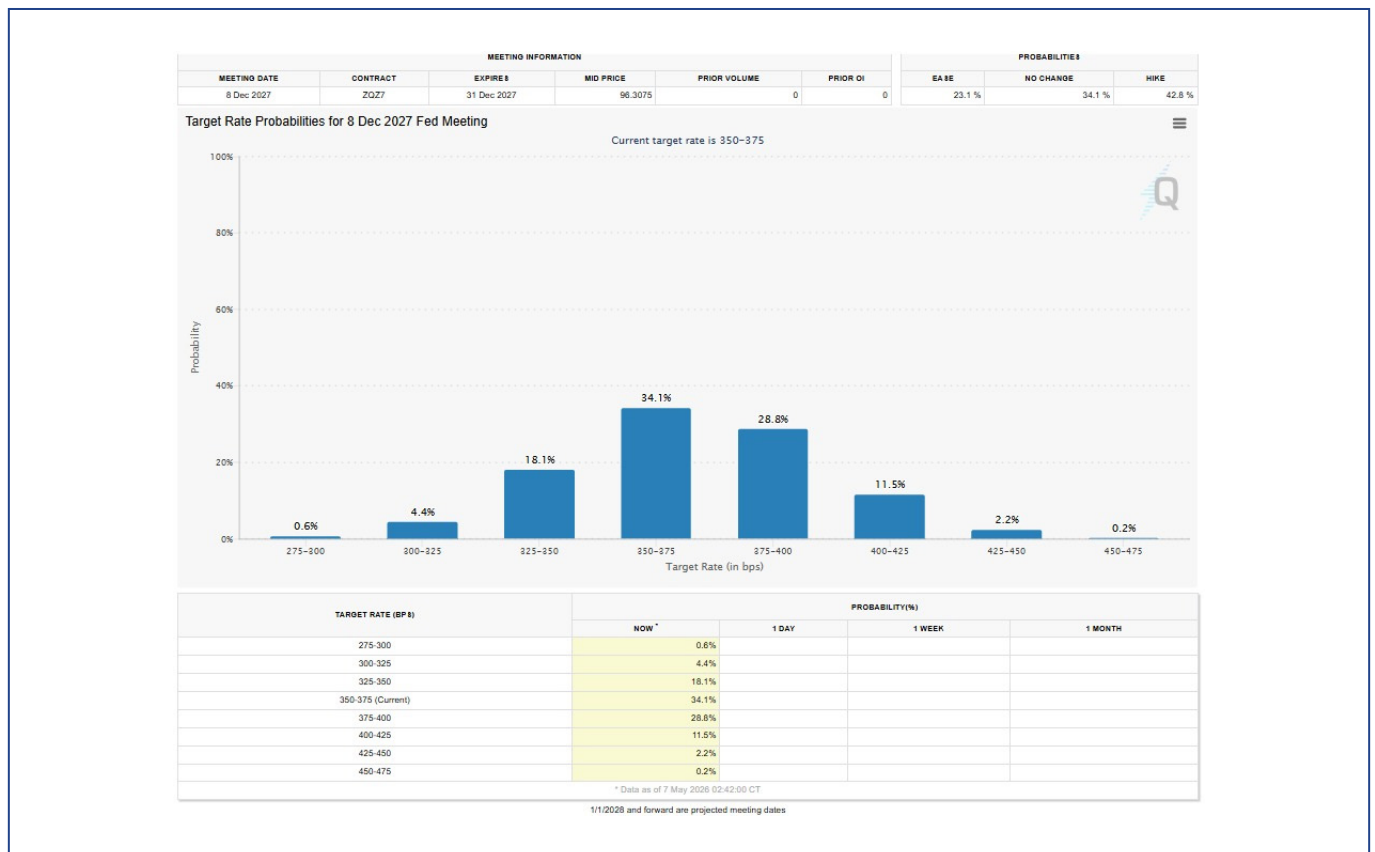
Silver moved above \$85, marking its strongest level in nearly two months as ongoing US-Iran tensions continued to support demand.

Holding above \$84.20 may keep the upward trend intact and support further gains in the near term. A move below that level could open the door to short-term pullbacks as traders lock in profits.

Attention now turns to US CPI data, oil price movements, headlines involving Iran, and Trump's upcoming China visit.



# FED OUTLOOK SHIFTS TOWARD WARSH



Investors are aggressively recalibrating the future of Federal Reserve policy as a potential leadership transition under Kevin Warsh comes into focus. Market expectations are pivoting away from aggressive rate cut scenarios toward a significantly tighter policy trajectory. This shift indicates that the era of easy money may remain on hold as a new ideological direction at the central bank gains traction.

## RATE HIKE ODDS CROSS 50%








The impact of this shift is most evident in swap markets, where the probability of a rate increase by April 2027 has now surpassed 50%. This marks a stark reversal from previous months, when the primary debate centered on the timing and depth of easing. The narrative has transformed from "when will they cut" to "how much higher must they go," forcing a massive repricing across global fixed-income markets.

## INFLATION RISKS AND ENERGY PRESSURES

The primary catalyst for this hawkish turn is the resurgence of inflation risk. Ongoing Middle East tensions continue to keep oil markets volatile, creating a persistent floor for energy prices. Rising fuel costs threaten to leak into transportation and production chains, complicating the Fed's efforts to anchor inflation at its target.

This environment presents a significant challenge for policymakers. If price pressures remain stubborn, the central bank may find its hands tied, unable to provide relief even if economic growth begins to stumble. For market participants, the "rate cut trade" is becoming increasingly risky. A more restrictive Fed suggests that the dollar will likely find support through higher yields, while risk assets must contend with the reality of tighter financial conditions for the foreseeable future.

## THE RALLY THAT REFUSES TO SLOW

Major	Price	Day	%	Weekly	Monthly	YTD
 <b>US100</b>	29141	▼ 94	-0.32%	5.45%	14.88%	15.49%
 <b>JP225</b>	62599	▼ 115	-0.18%	-0.49%	10.66%	24.21%
 <b>US500</b>	7388.26	▼ 10.67	-0.14%	2.60%	7.29%	7.93%
 <b>SHANGHAI</b>	4225	▲ 45	1.08%	1.56%	5.93%	6.45%
 <b>IT40</b>	49351	▲ 61	0.12%	4.04%	3.93%	9.91%
 <b>HK50</b>	26397	▲ 3	0.01%	1.22%	2.94%	3.06%
 <b>US30</b>	49513	▼ 96	-0.19%	1.19%	2.71%	3.04%

The latest surge in US equities is beginning to raise a more uncomfortable question across markets: are stocks still climbing on solid fundamentals, or is optimism starting to move too far ahead of reality?

The S&P 500 continues to push higher despite persistent inflation, elevated bond yields, geopolitical tensions, and uncertainty around the Federal Reserve's next steps. Under normal conditions, this combination would likely pressure risk appetite. Instead, equities have continued to attract strong demand.

### WHY INVESTORS KEEP BUYING

A large part of the rally still comes down to growth expectations. Major technology companies remain at the center of market leadership, particularly firms tied to artificial intelligence, semiconductors, and cloud infrastructure. As long as earnings forecasts continue to improve, investors appear willing to accept higher valuations. For now, strong balance sheets, aggressive AI spending, and resilient corporate profits are helping markets look past a less comfortable macro backdrop.

### WHEN VALUATIONS START TO STRETCH

The challenge is that stock prices are rising faster than earnings in several parts of the market. As valuations expand, the rally becomes increasingly dependent on confidence rather than fundamentals alone. Elevated Treasury yields add another layer of pressure, as investors begin comparing equity returns more directly against safer fixed-income alternatives. In that environment, expensive stocks need consistently strong earnings growth to justify their pricing.

### A RALLY CARRIED BY A FEW GIANTS

Another concern is how concentrated the rally has become. A relatively small group of mega-cap companies continues to drive a large share of index performance, making the broader market appear stronger than many individual stocks actually are. This type of narrow leadership can leave markets more exposed if momentum in the biggest names begins to fade. The stronger the dependence on a handful of companies, the more fragile the broader rally can become.

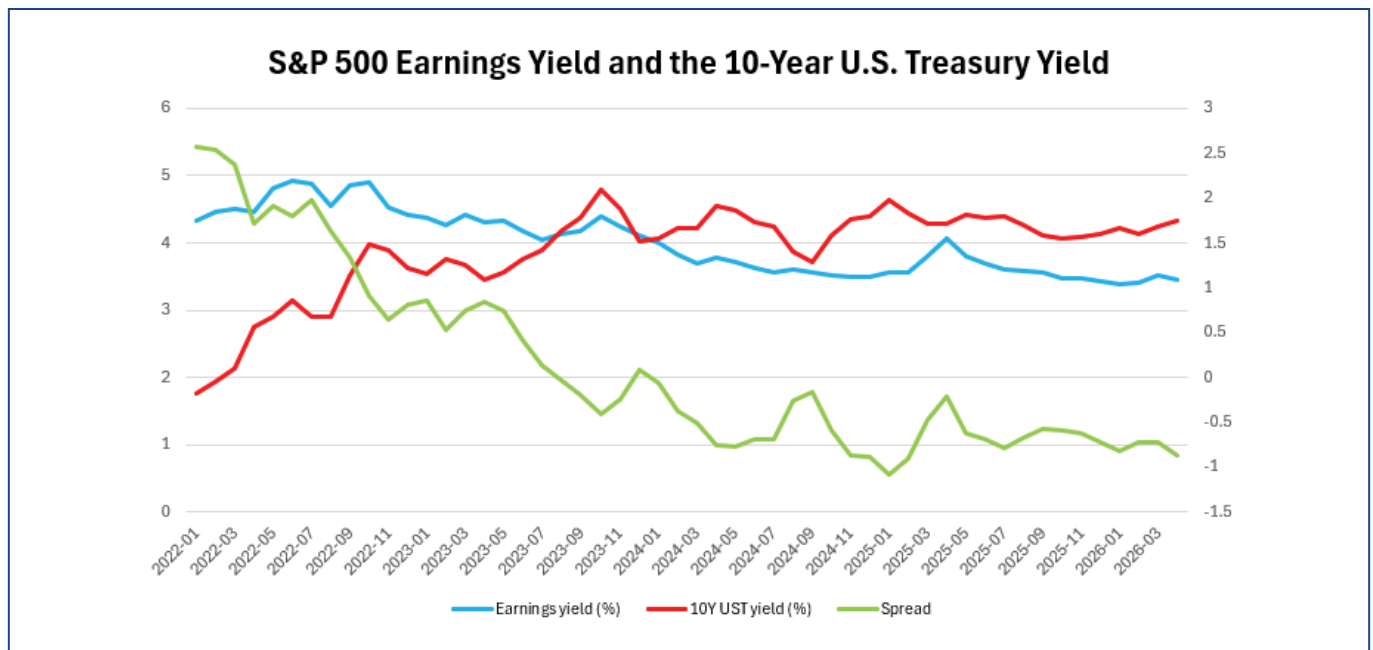
### MOMENTUM CAN BECOME ITS OWN RISK

Investor psychology is also playing a growing role. Strong rallies tend to feed themselves: rising prices attract more buyers, which pushes valuations even higher and reinforces momentum. That does not automatically mean a correction is imminent. However, it does mean markets become increasingly sensitive to disappointment, especially if inflation remains elevated, yields stay high, or earnings growth starts to slow.

### THE MARGIN FOR ERROR IS SHRINKING

For now, equities continue to benefit from resilient earnings and strong demand for growth exposure. If inflation cools and yields ease, the rally may still have room to extend further. As valuations rise, market flexibility decreases if conditions worsen. The rally may not be irrational yet, though it is becoming increasingly dependent on everything continuing to go right.

## THE MARKET'S COSTLY HUNT FOR PAYBACK



The financial landscape is shifting its focus from the technicalities of trade law to a broader psychological theme: the search for political accountability. Recent judicial rulings against executive tariff authority have ignited a significant rally, suggesting that investors are eager to price in any constraints on aggressive trade policies. This surge in equity prices reflects a market that is increasingly desperate to see the most disruptive elements of the current trade agenda neutralized by legal or legislative friction.

### POLICY STABILITY FUELS INVESTOR OPTIMISM

The primary driver behind this upward momentum is the perception that policy uncertainty may finally be hitting a ceiling. By requiring stronger legal or congressional support for broad tariffs, the courts have effectively provided a "safety valve" for the economy. To investors, this translates to reduced inflationary pressure, protected corporate profit margins, and a more predictable global trade climate. Also, the market has treated these legal setbacks as a major "risk-on" signal, prioritizing the immediate relief of a softer trade path over the complexities of ongoing litigation.

### THE HIDDEN RISKS OF A RELIEF RALLY

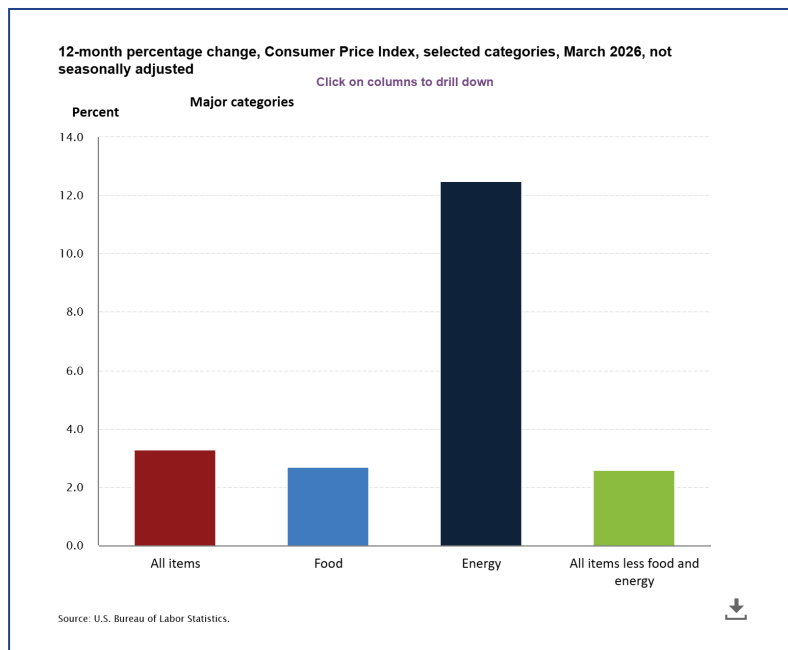
However, this optimism has pushed valuations into a precarious zone. With the S&P 500 approaching historic peaks, stocks are once again looking expensive relative to the bond market. While investors may be correct that specific policy risks are fading, the danger lies in overextending. A rally built on the absence of a negative event is fundamentally different from one built on organic economic growth.

The market faces several critical questions as it navigates this "payback" phase:

- **Can legal relief offset the weight of massive fiscal deficits and high national debt?**
- **Will a more stable trade environment be enough to stimulate slowing consumer spending?**
- **Are current valuations sustainable if earnings do not see a significant acceleration?**

Ultimately, the enthusiasm surrounding these political and legal pivots may prove fragile. Removing a single policy risk does not resolve the broader macro challenges of high interest rates and sticky inflation. Investors who mistake a judicial victory for a total economic reset may find that the hunt for political comeuppance carries a high price tag if the underlying fundamentals fail to catch up with the hype.

# INFLATION DATA FACES ENERGY SHOCK TEST



Global markets are bracing for a critical set of economic indicators this week as analysts scramble to determine if the recent energy shock is trickling into broader consumer prices. Headline CPI is forecast to surge by 0.6% for April, potentially marking one of the steepest monthly gains since late 2022. This anticipated spike highlights the persistent pressure that volatile fuel costs are exerting on the global economy.

## CORE INFLATION AND THE ENERGY PASS-THROUGH

While the headline figure captures the immediate impact of energy, the core CPI reading (expected to rise by 0.3%) will be the true barometer of underlying price stability. Although March's core data showed limited immediate spillover from high oil prices, there is growing concern that the delay may be over. If energy costs remain high due to ongoing instability near the Strait of Hormuz, the pressure will inevitably spread into transportation, housing, and essential services.

This creates a high stakes environment for the Federal Reserve. While cooling growth would typically pave the way for rate cuts, sticky inflation could paralyze policymakers, forcing them to maintain a restrictive stance despite a slowing economy.

## REAL SPENDING VS. RISING COSTS

Retail sales figures will provide the second half of the puzzle, revealing how well consumers are getting through these price hikes. Investors are looking past nominal spending totals to see if "real" consumption is actually holding up. A scenario where nominal spending remains high only because prices are up while the actual volume of goods purchased declines would signal a significant loss of household momentum.

For the markets, the implications are clear:

- A "hot" CPI print will likely cement the higher for longer interest rate narrative, boosting the dollar and weighing on equities.
- A softer reading would provide much needed relief, suggesting the energy shock is contained.

This week's data will be the primary driver for bonds, commodities, and currencies as the market seeks a clearer path for the remainder of 2026.

# Market Roundup

## TRADE LINES TIGHTEN AGAIN

The EU responded firmly to Donald Trump's threat of raising tariffs on European cars and trucks to 25%, stating that while escalation is not the preferred path, all options remain open. Brussels signaled readiness to act if needed, with Trade Commissioner Maroš Šefčovič set to address the issue with US Trade Representative Greer in Paris.



Image Source: EP

## GERMANY'S ENGINE SLOWS DOWN

Germany's auto sector continues to lose momentum, with the Ifo business climate index falling from -19 to -23.8. Expectations for the months ahead dropped even more sharply, from -15.3 to -30.7. Rising tensions in the Middle East, ongoing supply chain concerns, and the threat of US tariffs are all weighing on sentiment, leaving the outlook fragile.



Image Source: Maxim Shemetov/REUTERS

## SUPPLY RISKS INTENSIFY IN THE GULF

The situation around the Strait of Hormuz remains highly sensitive. Trump stated that Iran targeted a South Korean-flagged vessel in the strait, adding that seven Iranian boats were destroyed in response. He warned that any further action against US vessels would bring a severe reaction. French President Macron called for the strait's reopening to become a shared priority. A drone attack linked to Iran also triggered a fire at an oil facility in Fujairah, UAE, adding to concerns over supply stability.



## YIELDS FACE FRESH PRESSURE FROM ISSUANCE

The US Treasury increased its Q2 2026 borrowing estimate by \$79 billion, bringing the total to \$189 billion. This additional supply comes at a time when bond markets are already under pressure from higher energy prices and geopolitical uncertainty, reinforcing the upward bias in yields.



# Market Roundup

## OIL RISKS CAST A LONGER SHADOW

IMF Managing Director Kristalina Georgieva warned that a prolonged escalation into 2027, combined with oil prices climbing toward \$125 per barrel, could significantly worsen the global outlook. The concern goes beyond energy alone. Higher oil prices would likely intensify inflation pressures, slow economic activity, and leave central banks facing even more difficult policy decisions.



Image Source: Kent Nishimura/Bloomberg

## ALPHABET LOCKS IN LONG-TERM FUNDING

Alphabet returned to the euro bond market only months after raising \$32 billion in February, launching a new deal expected to exceed €3 billion across six maturities. The longest tranche reportedly extends to 2063, with initial pricing near 205 basis points above midswaps. Capital spending could approach \$190 billion in 2026, largely tied to AI expansion and data center infrastructure, pushing Alphabet to secure flexible funding while credit conditions remain supportive.



## HORMUZ STANDOFF KEEPS MARKETS ALERT

US Secretary of State Marco Rubio stated that any Iranian attempt to close the waterway would violate international law. Rubio also confirmed that the US plans to provide safe passage for stranded vessels through "Project Freedom," describing the mission as defensive in nature while warning that Washington would respond if attacked. The situation continues to keep energy markets sensitive to every new development surrounding one of the world's most critical shipping routes.



Image Source: Drew Angerer/Getty Images

# The Week Ahead

Middle East tensions will remain central after the fragile US–Iran ceasefire faced new challenges. Markets will also focus on US inflation, retail sales, and industrial production as the Fed stays divided on policy. In Europe, investors will watch UK GDP and trade data, Eurozone industrial production, and Germany's ZEW survey. In Asia, China releases CPI, PPI, and monetary data, while Japan publishes BOJ meeting insights. Earnings from Tencent, Alibaba, Siemens, Allianz, Siemens Energy, Mitsubishi UFJ, Mizuho, and Commonwealth Bank are also due.

## AMERICAS

US earnings season enters its final stage with results from Cisco, Applied Materials, and Constellation Energy. Markets will also watch the Senate's May 11 vote on Kevin Warsh's nomination as next Fed Chair ahead of Jerome Powell's term ending May 15.

Headline US CPI is expected at 3.4% annually due to higher energy costs linked to Iran tensions, while monthly inflation may ease slightly and core inflation strengthen. PPI and import prices are also expected to rise. Other releases include retail sales, industrial production, existing home sales, inventories, Empire State Manufacturing, and the federal budget statement. Canada publishes housing starts, while Brazil releases inflation, retail sales, and business confidence data.

## EUROPE

UK Q1 GDP is expected at 0.6%, the strongest growth in a year, although March GDP may contract 0.2%. Manufacturing output is likely to decline for a second straight month.

Germany's ZEW sentiment index is expected to fall for a fourth month, potentially reaching its weakest level since December 2022, while wholesale prices continue rising. Eurozone industrial production is forecast to rise for a second month, while Italy's output may stay flat after February's modest increase.

Additional releases include revised Eurozone Q1 GDP and employment data, final inflation figures from Germany, France, Spain, and Italy, France unemployment, Switzerland industrial production, and Russia Q1 GDP and inflation.

## ASIA-PACIFIC

China's CPI is expected at 0.8% YoY in April, down from 1%, while PPI may accelerate to 1.5%, the highest since August 2022. New yuan loans are forecast to drop sharply from CNY 2.99T to CNY 300B.

Japan will release BOJ Summary of Opinions, household spending, current account data, machine tool orders, and producer inflation, expected at 3%. India's CPI and WPI are projected at 3.8% and 4.4%.

Australia will publish confidence surveys, home loans, wage growth, inflation expectations, and its 2026–27 Budget. Malaysia and Hong Kong release GDP data, while South Korea and Malaysia publish unemployment figures. Earnings from Tencent, Alibaba, Takeda, JD.com, Mitsubishi UFJ, Mizuho, and Commonwealth Bank are also due.





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