APRIL 2026 OUTLOOK

THE GREAT DIVERGENCE: CORPORATE PROFIT RECORD VS. MACROECONOMIC FRAGILITY

Market overview as of the 30th of April 2026

Equities	**MTD**	**YTD**
MSCI WORLD	9.45%	5.20%
US S&P500	10.42%	5.31%
NASDAQ 100	15.29%	7.10%
RUSSELL 2000	12.16%	12.81%
EUROPE EURO STOXX 50	5.60%	1.56%
JAPAN TOPIX	6.56%	9.34%
MSCI EMERGING	14.53%	13.95%
CHINA CSI 300	8.03%	3.83%
Fixed Income		
U.S.Corporate	0.45%	-0.09%
U.S.Corporate HY	1.69%	1.19%
Pan-Euro Aggregate	0.57%	-0.27%
Pan-Euro Aggregate HY	1.92%	0.39%
EM USD Aggregate	2.11%	0.74%
EM Local Currency Govt	2.27%	1.14%
Commodities		
GOLD ($4668.06)	-1.08%	6.91%
OIL WTI ($101.38)	3.64%	82.99%
Currencies		
EUR/USD (1.1731)	1.54%	-0.13%
EUR/CHF (0.9165)	-0.78%	-1.53%
USD/JPY (156.59)	-1.34%	-0.08%
GBP/USD (1.3604)	2.85%	0.96%

Executive Summary

April 2026 was a strong risk-on month for U.S. equities, despite a macro backdrop still dominated by elevated inflation, high energy prices, and geopolitical uncertainty in the Middle East. The S&P 500 rose **10.5% (Table)**, its best monthly performance since November 2020, supported by resilient U.S. macro data, strong corporate earnings, and renewed enthusiasm around AI-related growth stocks. Bonds were comparatively subdued as Treasury yields stayed elevated, gold consolidated after its prior rally, and the U.S. dollar weakened against the euro and yen into month-end.

Macroeconomic Summary

<u>Inflation</u>

Inflation remained the main macro constraint for markets and the Federal Reserve. The latest CPI data available during April, covering **March 2026**, showed headline CPI up **3.3% year over year**, while core CPI rose **2.6% year over year**. The BLS also noted that the April CPI release was scheduled for **May 12, 2026**, meaning April market pricing was still based on March inflation data and expectations for further energy-driven pressure.

The Fed's preferred inflation measure also reaccelerated. The March PCE price index, released on April 30, rose **0.7% month over month** and **3.5% year over year**, while core PCE rose **0.3% month over month** and **3.2% year over year**. This confirmed that inflation pressures were not only a CPI issue but were also visible in the Fed's preferred gauge.

Federal Reserve

The Federal Reserve kept the federal funds target range unchanged at **3.50%–3.75%** at its **April 29, 2026** FOMC meeting. The statement emphasized that inflation remained elevated, partly because of the rise in global energy prices, and that developments in the Middle East were creating a high level of uncertainty around the economic outlook.

The decision was notably divided: J.P. Morgan Asset Management reported **four dissents**, including one member favoring a 25 bp cut and three members objecting to the statement's easing bias. This signaled that the Fed was no longer debating a straightforward path toward cuts; the policy discussion had become more balanced between inflation risk, growth risk, and financial conditions.

GDP and Growth Indicators

U.S. real GDP grew at an annualized rate of **2.0% in Q1 2026**, accelerating from **0.5% in Q4 2025**. The BEA attributed the increase to investment, exports, consumer spending, and government spending, while noting that imports also rose, which subtracts from GDP.

The quality of growth was mixed. Real final sales to private domestic purchasers rose **2.5%**, pointing to still-resilient domestic demand, but consumer spending decelerated. The BEA also reported that the gross domestic purchases price index increased **3.6%**, while the PCE price index in the GDP report rose **4.5%** annualized, reinforcing the message that growth was holding up but inflation was still too high for the Fed to ease aggressively.

Economic sentiment (Fig.1) in the Euro region dropped to 93 in April from 96.2 in March, indicating a third straight monthly drop, according to figures released by the European Commission .

The biggest drop was in consumer confidence, which dropped to-20.6, the lowest since December 2022, down from -16.4 in March.

Manufacturing optimism decreased slightly to -7.7 from -7.0, while services sentiment fell to 0.9 from 4.1. The measure of economic uncertainty increased from 20.6 in March to 23.6 in April, indicating increased concern about the state of the economy going forward.

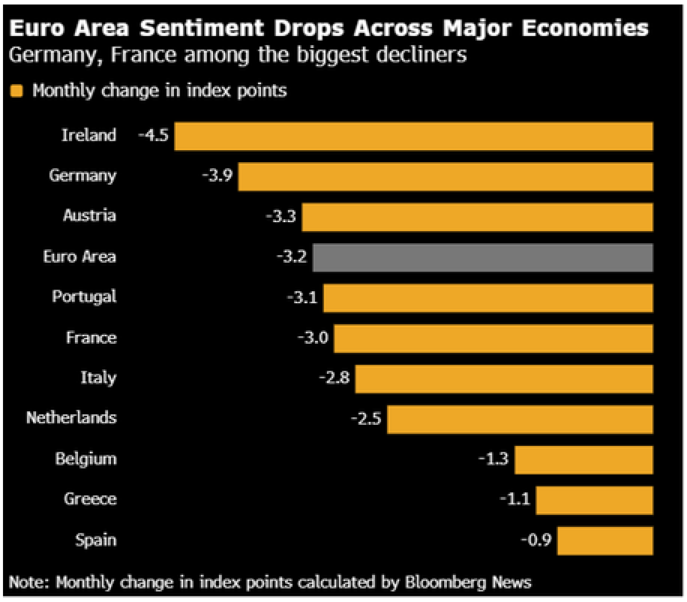

Fig.1 Source: Bloomberg

Top 3 Market Drivers

1. Middle East conflict, oil prices, and inflation risk

The U.S.-Iran conflict and disruption around the Strait of Hormuz remained the dominant macro shock. Early-April ceasefire hopes helped risk assets recover, but oil prices stayed elevated and markets remained concerned that higher energy costs could feed into inflation and squeeze consumer spending. JPMorgan/Chase noted that the Strait of Hormuz is a key route for roughly **20% of global oil supply**, making the shock highly relevant for inflation and growth expectations.

This created a complex market reaction: equities rallied as tail-risk fears faded, but bonds remained constrained because higher oil prices reduced confidence in near-term Fed rate cuts.

2. Strong earnings season and AI-led equity leadership

The equity rally was not only a relief rally. It was also supported by earnings. J.P. Morgan Asset Management reported that the S&P 500 returned **10.5%** in April, driven by strong earnings from technology and financials, with analysts estimating **14.5% year-on-year EPS growth** for companies that had reported at the time.

AI remained the dominant equity theme. Reuters highlighted major earnings moves among Alphabet, Amazon, Meta, and Microsoft, with Alphabet rising sharply after strong cloud results, while some AI capex concerns weighed on Meta and Microsoft. Overall, markets rewarded companies that could show credible monetization from AI investment.

3. Fed policy stayed restrictive despite better growth

The April FOMC meeting reinforced the idea that the Fed was not ready to validate aggressive easing expectations. The Fed left rates unchanged at **3.50%–3.75%**, acknowledged elevated inflation, and explicitly pointed to Middle East uncertainty.

At the same time, the GDP report showed the economy was still expanding at a decent pace, with Q1 real GDP up **2.0%** and domestic private demand up **2.5%**. That combination — resilient growth plus sticky inflation — supported equities but kept pressure on bonds by limiting the case for near-term rate cuts.

Bottom Line

April 2026 was a month where markets chose to price the Middle East shock as **serious but not yet systemic**. Equities rallied sharply on earnings strength, AI momentum, and better growth data. Bonds remained constrained by inflation and higher yields. Gold paused rather than broke down, supported by ETF demand and dollar weakness. In FX, the dollar softened against both the euro and yen, with USD/JPY especially sensitive to intervention risk near the 160 level.

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