

MONTHLY REVIEW

MACRO

The Israeli-American-Iranian conflict remains the month's dominant variable, with a two-act dynamic. Early April, a de-escalation window opened: indirect talks between Washington and Tehran fuelled hopes of a negotiated settlement and a partial reopening of the Strait of Hormuz. The lull was short-lived. The United States hardened its position by extending the naval blockade on Iran, to force Tehran to the negotiating table — but the collateral effect is elsewhere: it is China and Southeast Asia, massively dependent on Gulf oil, that are sought to be placed under economic pressure.

Despite the geopolitical tension, financial markets largely set it aside in favor of a more powerful short-term narrative: earnings season. Of the 50% of S&P 500 companies that had reported Q1 2026 results, 84% beat estimates — above the five-year average of 78% (FactSet, Apr. 24, 2026). Aggregate earnings grew roughly 12.9% year-over-year. Technology led the charge. IT sector profits rose 29.1%, driven in particular by semiconductors. The chip industry is benefiting directly from the massive capital expenditure wave by hyperscalers — Microsoft, Google, Amazon, and Meta — whose AI infrastructure spending is expected to reach around \$700 billion in 2026, up from \$410 billion the year before. A 70% acceleration in one year, with no signs of slowing.

On the economic front, Q1 2026 growth figures confirm a widening divergence between the two blocs. In the United States, GDP grew at +2.0% annualised — driven by a sharp rise in business investment (+8.7%), an increasing share of which is linked to AI infrastructure. The warning signal comes from imports (+21.4%), likely inflated by tariff front-running, and a slowing household consumption (+1.6%). In the euro area, growth came in at a meagre +0.1% quarter-on-quarter, weighed down by energy shock. Internal divergences are widening: Germany accelerates on the back of infrastructure and defence spending, while France stagnates and the Netherlands contracts.

U.S. inflation, as measured by the PCE — the Fed's preferred gauge — came in at around 2.8% year-over-year, still well above the 2% target. In Europe, eurozone inflation rebounded to 2.6% in March, above the initial 2.5% consensus, driven by energy costs.

Jerome Powell held his final press conference as Fed Chair before handing over to Kevin Warsh, expected mid-May. The ECB met on April 30 and as widely anticipated, held the deposit facility rate at 2.0%. The ECB is beginning to acknowledge growing discomfort on two fronts simultaneously: inflation remains sticky while growth is softening.

OUTLOOK

April was a strong month for equity markets, though performance remained concentrated in a single sector: technology, which alone accounted for more than half of the S&P 500's 10.4% gain. The driver is straightforward. Microsoft, Google, and Amazon are committing record sums to artificial intelligence infrastructure, and their spending continues to exceed expectations. Our portfolio benefited from this trend through our selection of technology stocks.

That said, some caution is warranted. Equities are expensive in an environment where interest rates remain high. Oil above \$110 per barrel keeps inflation alive, which pushes central banks to hold rates where they are — ruling out any near-term cuts. A fresh escalation in the Middle East could weigh on markets quickly. The key question for the months ahead: can the rally broaden beyond technology?

Bond markets reflect a clear reality: inflation is still too high, central banks are on hold, and the change of Fed Chair in June adds a layer of uncertainty over the future direction of U.S. monetary policy. In this environment, betting on long-dated bonds is risky. Expensive oil is not a temporary phenomenon — it raises the cost of living and keeps borrowing costs durably elevated.

Until oil prices fall in a convincing and sustained way, we favor short-to-intermediate maturities. They are less sensitive to rate moves and offer more flexibility to adjust the portfolio if conditions shift.

EQUITY MARKETS

The rotation was sharp. Technology dominated with +20% on the month, confirming that earnings — not geopolitics — drove markets in April. U.S. semiconductors surged 38%. Industrials (+8%), real estate (+8.5%), and financials (+5.6%) rounded out the top performers. On the downside, energy (-2.5%) and healthcare (-0.4%) were the only two sectors in negative territory. The S&P 500 closed April up 10.42% month-to-date, with more than half of that gain attributable to the technology component alone. JPMorgan raised its year-end target to 7,600, citing AI as a structural growth driver (JPMorgan, Apr. 2026).

The Stoxx 600 gained 4.8% on the month — modest, but solid given the backdrop. Technology led here too (+13%), followed by media (+10%), both directly exposed to the AI theme. Banks (+6.5%) and financial services (+6%) also performed well, driven by stronger-than-expected quarterly results from UBS, Deutsche Bank, BNP Paribas, and Barclays. At the bottom, healthcare (-1.8%) and autos (-0.1%) weighed on indices — the former under regulatory pressure, the latter still affected by tariff concerns.

April performance: CAC40 3.81% (YTD -0.83%), SMI 2.81% (YTD -0.99%), Stoxx600 4.83% (YTD 3.22%), Nasdaq 15.29% (YTD 8.72%), S&P500 10.42% (YTD 5.31%), Hang Seng 3.99% (YTD 0.57%), Topix 0.04% (YTD 9.38%).



FOREIGN EXCHANGE MARKET

The early-April geopolitical easing was the main catalyst for euro appreciation against the dollar. Markets quickly priced in a potential reduction in risk and a lower safe-haven premium on the greenback. EUR/USD closed the month at 1.1740. This fits an established pattern: since July 2025, the pair has traded in a 1.15–1.18 channel, following the sharp rally triggered by Liberation Day. Geopolitical or monetary events have caused brief breakouts from this range, but the pair consistently returns to it — a sign that markets treat this corridor as the fundamental equilibrium for EUR/USD in the current environment.



EUR/CHF remained stable around 0.92. The franc continues to attract safe-haven flows, while the Swiss National Bank works to limit excessive appreciation; the euro, meanwhile, benefits from reallocation out of dollars. On the last day of April, a new disruptive factor emerged: the Bank of Japan's intervention triggered a partial unwinding of yen carry trades, mechanically generating a fresh wave of CHF buying.



INTEREST RATES AND BOND MARKET

Fed — Third consecutive hold. Rates remain at 3.50–3.75%. The vote was not unanimous: Governor Miran favored a 25bp cut, while three other members resisted any dovish language in the statement. Powell ruled out rate hikes and signaled a shift toward more neutral communication. This was his final meeting; Kevin Warsh will chair the next FOMC in June.

ECB — Deposit rate held at 2.00%. The ECB acknowledged a simultaneous deterioration in growth and inflation. No second-round effects yet, but the outlook has clearly diverged from the March projections of +0.9% growth and +2.6% inflation for 2026.

The U.S. 10-year Treasury yield rose to around 4.40% (+20bps on the month), reflecting persistent inflation and a prolonged policy hold. In Europe, the German Bund traded around 2.60–2.70%. Peripheral spreads remained contained — a sign that market distrust has not yet translated into bond stress within the eurozone.



COMMODITIES

GOLD

Gold closed the month at \$4,600/oz, showing a strong positive correlation with equity markets throughout April. The dynamic is paradoxical: geopolitical stress supports safe-haven demand, but rising oil prices feed inflation expectations and reduce the probability of near-term Fed easing. Gold is a zero-yield asset — when real rates stay elevated, it faces structural headwinds. The Reuters consensus forecasts an average price of \$4,916/oz for full-year 2026, suggesting upside potential if rate pressures ease (Reuters poll, Apr. 2026).



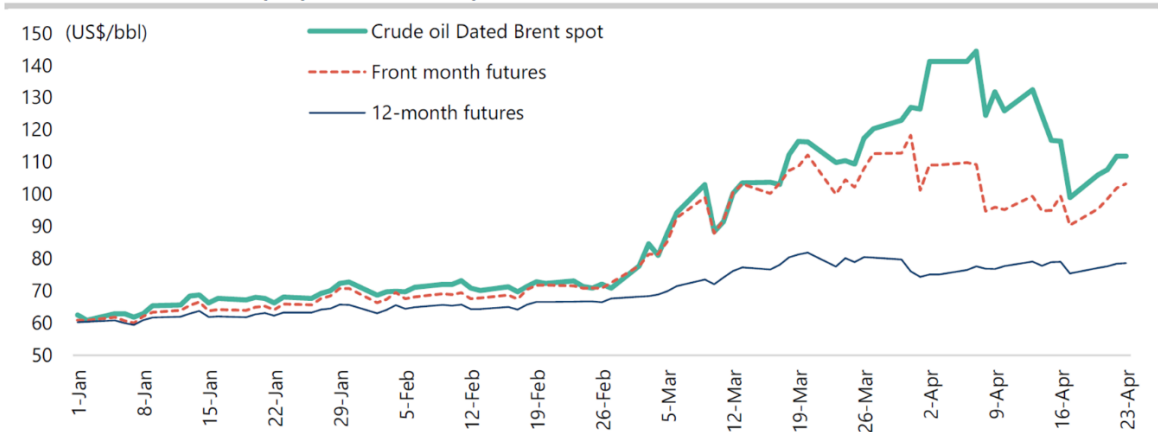
OIL

Brent crude surged roughly 12% on the month, reaching above \$126/bbl on April 30, following fresh diplomatic escalation and the unexpected withdrawal of the UAE from OPEC. For context, Brent was trading at \$73/bbl before the conflict began in late February 2026. Goldman Sachs forecasts a pullback to \$90/bbl in Q4 2026 if the Strait of Hormuz reopens (Goldman Sachs, Apr. 2026).

What deserves closer attention is the shape of the forward curve. The one-year contract is gradually moving higher — a more structural signal than a cyclical one. If this trend holds, oil will stop being perceived as a temporary shock and will instead become embedded in medium-term inflation expectations. That would mechanically close any remaining window for monetary policy normalization. One to watch.

Brent 1Y

Exhibit 3: Brent crude oil spot price and futures prices



Source: Bloomberg

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