

# Monthly Market Commentary

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## A sign of relief, but risks remain

April marked a distinct turn in the tone of markets. The rhetoric and bluster of March gave way to hopes of diplomacy as both sides stepped back from war and brinkmanship. Investors are betting that the rise in inflation and hit to growth will prove temporary, a view that remains uncertain but has been sufficient to steady sentiment for now.

First-quarter earnings have, so far, stayed close to plan. With around a quarter of US large-cap companies having reported, earnings are up 15.1% year-on-year. Eight of eleven sectors are reporting year-on-year growth, led by Information Technology, Materials, Financials and Industrials. The signs of broadening that we have written about for several months are still visible in the data, which has helped investors look past a third month of unprecedented disruption to global energy markets.

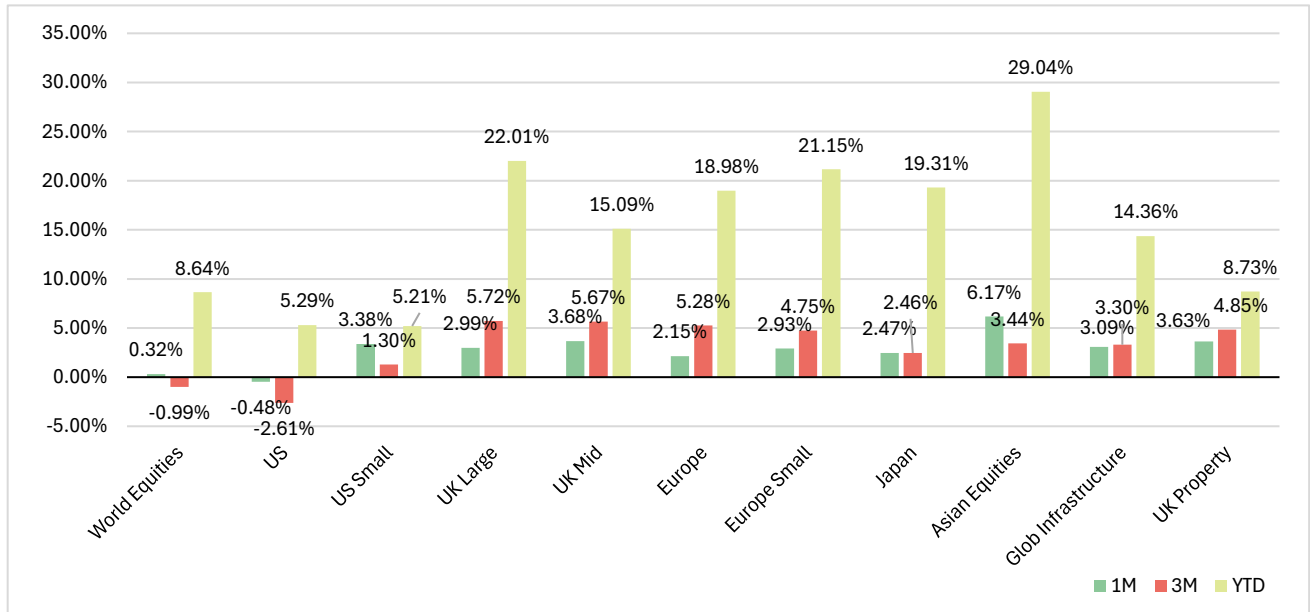
For now, bearish forecasts have failed to sway positive sentiment around US growth. AI-related capex, the gradual re-shoring of manufacturing, and fiscal support flowing from the One Big Beautiful Bill have all combined to keep the underlying picture intact. US equities look set to post their strongest monthly gains since 2020. Oil at four-year highs has not been enough to break the equity rally, although the dispersion within it is a useful reminder that the market is still discriminating between companies. The US market has shown remarkable resilience throughout the crisis so far and could continue to benefit as investors reassess risks heading into the second half of 2026. Europe, last year's winner from asset allocators rotating out of the US, now looks expensive given its energy dependence and the prospect of rates having to move higher to contain imported inflation. UK economic activity has held up better, but higher yields pose a risk to consumer spending.

Asia appears increasingly divided, with economies splitting into two distinct groups based on their exposure to US demand for technology and energy import dependence. Taiwan, South Korea and Japan stand to benefit from sustained US demand for AI infrastructure and semiconductors. In contrast, India and China face the harder question of how to absorb higher imported energy costs alongside slowing global demand for their exports. China is the partial outlier within the region, with ample reserves and a more diversified energy mix supporting first-quarter growth of 5%, but its industrial complex is not immune to the squeeze on margins that high energy prices cause.

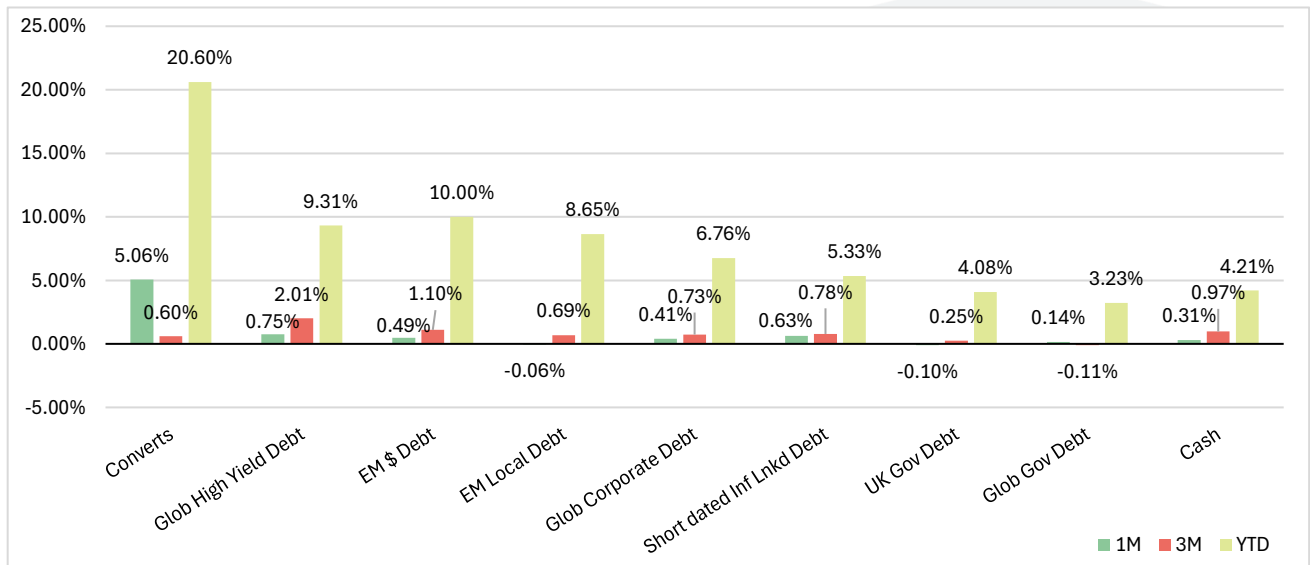
Exposure to duration has, once again, been the principal driver of divergent investor outcomes in fixed income. The steps we took in the SAA 2026 review cycle have proved prescient. Our allocation to short-term government debt outperformed gilts and neutral-duration government allocations through the crisis. The shorter end of our fixed-income allocation has performed as intended. The flexible bond positions we introduced as part of the same review have proved defensive through the sell-off and should provide additional help if credit spread widening creates more meaningful opportunities.

We will continue to monitor developments with a disciplined, data-led approach, focusing on data rather than market noise and geopolitical forecasts.

### Asset Class Performance: Equities and Alternatives



### Asset Class Returns: Bonds & Cash



Source: Bloomberg, data to 30/04/2026 in GBP

**Past performance is not a guide to future performance**

## Digesting the data – Asset Class Performance

### Equities

Global equities rallied strongly, with world markets up +6.67% over one month. Asian equities were the standout, surging +13.20% on the month and +9.68% over three months, while the US rebounded sharply with large caps up +7.53% and small caps an even stronger +9.22% - the latter now up +12.16% YTD. European and UK gains were positive over the month but three-month momentum has faded, with Europe slipping to -0.67% and UK mid-caps at -3.09% over that period.

### Fixed Income

Convertible bonds dominated, returning +10.72% over one month and +15.13% YTD, driven by strong equity market tailwinds. Elsewhere, credit was modestly positive with high yield up +2.20% on the month, while government bonds remained under pressure - UK gilts down -2.32% over three months and -2.31% YTD. Short-dated inflation-linked debt and cash provided relative stability.

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