PKB

The House View

Investment Strategy

April 2026

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Market Overview

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April 2026 was a headline-driven risk rally, fueled by shifting Iran ceasefire news. Equities and credit climbed, but unevenly. Macro stayed weak, inflation rose, and central banks now face tough choices. Opportunities remain, but the air is getting thinner up here.

April felt like one of those classic “risk-on” months. Basically, when sentiment flips even slightly positive, the assets that got hit the hardest bounce the fastest. And that’s exactly what we saw. The trigger was geopolitical, as usual: the ceasefire announcement tied to Donald Trump and the reopening of talks with Iran. But this wasn’t a clean, straight-line recovery. The story kept changing almost weekly. One minute you had what looked like a full de-escalation across the region, the Strait of Hormuz reopening, and even peace talks in Islamabad. The next minute, tensions were back on, the Strait effectively shut from both sides, and diplomacy off the table. Markets were basically trading headlines in real time, reacting to each twist like it was the final chapter.

Still, geopolitics wasn’t the only thing in play. Macro data and earnings season kept things grounded. On the macro side, the picture isn’t pretty. Most of the data point to slowing momentum. Industrial production is soft, real estate struggles almost everywhere, and inflation picked up. The only real bright spot is the labor market. For now. What make things more complicated is how uneven this all look globally. The US kept printing relatively strong numbers, and Latin America seemed to absorb the shock surprisingly well. Europe and parts of Asia, on the other hand, clearly felt the pressure. Central banks are now stuck in yet another impossible catch-22. Inflation is rising, largely driven by energy prices linked to the conflict, which would normally call for higher rates. But growth is slowing at the same time, which would argue for cuts. They can’t really do both, and whichever path they choose comes with a cost.

If there was one area that worked almost perfectly, it was corporate earnings. The Q1 2026 season has been solid so far, and in some cases surprisingly strong. In the US, around 80% of S&P 500 companies beat expectations, with technology, communications, and materials leading the charge. Europe did okay, though not quite at the same level, with roughly 60% beating estimates. Asia leaned heavily on tech again and reporter solidly. Overall, companies delivered, even if the broader environment remained messy.

Equities ended the month higher across the board, but again, it wasn’t uniform. US stocks led the way and are now flirting with all-time highs, especially in tech. The Eurozone followed, but with more dispersion depending on sector exposure. Markets with heavier weightings in banks, energy, utilities, and tech did well. Those tilted toward luxury, consumer discretionary, chemicals, or export-heavy names lagged behind. Elsewhere, the UK and Switzerland moved up modestly, while Japan and emerging markets saw stronger rebounds, largely on hopes that tensions might eventually ease.

Credit markets joined the party too. Corporate bonds tightened spreads and moved in sync with equities, reflecting a broader risk-on mood. What’s interesting is what didn’t move: government bonds. You’d think that improving sentiment and expectations of lower inflation would push yields down more clearly, but that didn’t really happen. Yields stayed relatively sticky. The reason is inflation itself, especially energy-driven inflation, which forced markets to rethink central bank policy paths. Not long ago, investors expected rate cuts from the Fed and the Bank of England this year. Now, the baseline has shifted to no cuts in the US and even two potential hikes in the UK and Europe. That repricing has kept government bonds from rallying.

Commodities have probably been the wildest part of the story. Oil has surged, with Brent breaking past previous highs and sitting dramatically higher year-to-date. Gasoline prices have followed. Industrial metals like copper and aluminum are also hovering near record levels. It’s been a volatile ride, entirely tied to how the geopolitical story unfolds.

So where does that leave us? Opportunities are still there, no doubt. But the higher markets go, the less margin for error there is. It’s not about stepping away from risk entirely, but about being smarter with it. Diversification matters more now, even within the same asset class. The setup feels a bit like climbing higher into thin air. If you’re going to lean into risk, at least bring some oxygen with you.

Tactical Asset Allocation

Asset	Change	- -	-	=	+	+ +
Cash				○		
Bonds				○		
World	↑				●	
Government				●		
Corporate				●		
Emerging Markets					●	
TIPS				●		
Convertibles	↓		●			
High Yield			●			
Equities				○		
US				●		
Europe					●	
Switzerland			●			
Emerging Markets				●		
Japan			●			
Value					●	
Momentum			●			
Commodities				○		
Gold				●		
Forex Outlook						
Euro / Dollar				●		
Euro / Swiss Franc				●		

Equity Market Overview

Equity Market Overview

April showed equities are driven by sectors, not countries. US tech rebounded sharply, Europe stayed mixed, and emerging markets outperformed. Earnings are strong, but valuations are stretched and risks remain. Stay invested, diversify, and avoid chasing markets higher.

If April proved anything, it's that equity markets don't really care where a company is domiciled: they care what it actually does. Sector exposure beat geography, hands down. Europe is the perfect example. On paper, the region did fine, but under the surface it was all over the place. Italy had a strong month, largely because of its heavy tilt toward banks, which make up roughly 46% of the FTSE MIB. On the opposite end of the spectrum, Germany told a completely different story. The DAX remains one of the most cyclical major indices out there. Around 24% industrials, roughly 15% chemicals, and about 11% autos means that half the index is directly exposed to rates, energy, and exports. That combination struggled in April. In emerging markets, it was a mix of distance from the conflict, like in Latin America, and strong exposure to growth sectors, especially tech in Asia. China, South Korea, and Taiwan all benefited from that angle.

The real standout, though, was the US. Coming into April, sentiment around mega-cap tech was shaky. The so-called "Mag 7" had dropped about 16% in the first quarter as investors started questioning whether all that spending would ever translate into profits. To put numbers on it, the six largest US hyperscalers are expected to spend more than $750 billion in capex in 2026. That's roughly 80% of Switzerland's GDP. Then April happened and those same names surged back and are now trading above where they started the year. The monetization question hasn't disappeared. Reports around OpenAI missing some revenue and user growth targets added a layer of doubt. Revenues jumped from $2 billion in 2023 to $20 billion in 2025, which is massive growth. But with a potential $600 billion data center commitment ahead of a possible IPO, even small disappointments could ripple across the entire tech supply chain.

Earnings season has backed up the rally, at least so far. Roughly half of S&P 500 companies have reported Q1 2026 results, and the numbers look strong. About 69% beat on sales and 79% on earnings. Tech is leading again, with earnings surprises running close to 30% above already high expectations. Healthcare and materials are also holding up well. Europe, as usual, is a step behind, with around 60% of companies beating estimates and weaker sales momentum, partly due to a stronger euro.

Looking ahead, the big variable is still the war. It's hard to see a scenario where the Strait of Hormuz stays disrupted for many more months. The US heading into mid-term elections, combined with energy pressure on Europe and Japan, makes a prolonged conflict unlikely. Official numbers say the war has cost the US $416 million per day, which feels unreasonable when Europe alone estimates about €500 million per day. Beyond the direct costs, there are second-order effects already in motion: Europe pushing harder for energy independence, Russia benefiting from higher oil prices, and China strengthening its position in clean energy.

If tensions ease, the obvious winners are likely the sectors that got hit the most, earlier in the year. In the US, that points to industrials, materials, tech, communication services, and financials. In Europe, consumer discretionary, especially luxury, along with financials and industrials, could rebound.

That said, the picture isn't one-sided. There are solid positives: earnings growth is holding up, fiscal policy remains supportive, and markets may be overpricing how aggressive central banks will be. But there are also clear risks. Valuations look stretched, energy prices are still high, and the geopolitical situation can turn again quickly. So, the takeaway is pretty simple. Stay invested, but don't get carried away. Chasing equities higher from here doesn't look particularly smart. A better approach is to stay diversified, even within equities themselves, and be selective about where you take risk.

	Total	Sales			Earnings		
		Better	In-Line	Worse	Positive	In-Line	Worse
S&P500	**27%**	**69%**	**15%**	**17%**	**79%**	**7%**	**14%**
Materials	19%	80%	0%	20%	80%	0%	20%
Industrials	37%	64%	21%	14%	71%	11%	18%
Consumer Staples	23%	88%	13%	0%	75%	0%	25%
Energy	22%	100%	0%	0%	80%	20%	0%
Technology	18%	100%	0%	0%	92%	8%	0%
Consumer Discretionary	27%	46%	23%	31%	62%	8%	31%
Communications	19%	60%	40%	0%	80%	0%	20%
Financials	53%	55%	17%	29%	81%	5%	14%
Health Care	21%	83%	8%	8%	92%	8%	0%
Utilities	10%	67%	0%	33%	67%	33%	0%
Real Estate	13%	100%	0%	0%	100%	0%	0%

Bond Market Overview

Bond Market Overview

Corporate bonds rallied hard in April, with spreads back to pre-war levels, leaving limited upside. Government bonds lag as inflation rises. Emerging market debt and CAT bonds stand out. Stay selective, diversify, and keep some USD exposure as protection.

Fixed income in April felt like two completely different movies playing at the same time (a kind of "Sliding Doors", for film enthusiasts). On one side, corporate bonds were flying. On the other, government bonds were stuck in place, trying to figure out what inflation really means this time around.

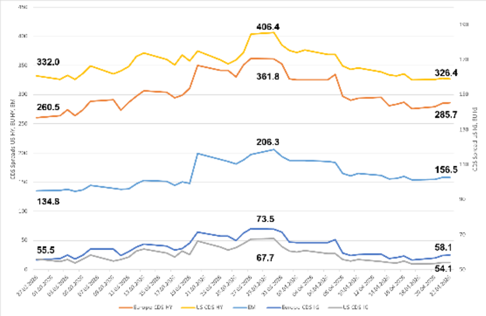
Strong corporate fundamentals and decent liquidity kept the bid alive, but the real fuel came from expectations that the conflict might cool down. That was enough to push spreads tighter very quickly. US high yield and EU/US investment grade both retraced most of their widening and are now trading close to pre-war levels. Did they move too far, too fast? Further tightening looks limited in the more crowded parts of the market. The remaining room is mostly in European high yield and emerging market debt. But European high yield doesn't feel like the cleanest bet right now. Emerging markets look more interesting in comparison. They still offer good carry and, in some cases, are less directly exposed to the energy shock. Overall, yields across credit remain appealing, but the positioning needs to be selective.

Government bonds are a different story altogether. In theory, they should act as a safe haven when things get messy. In practice, they've been dragged around by inflation expectations. And inflation, right now, is the main character. We've seen this pattern before back in April 2025 (remember "Liberation Day"?). Fast forward to this year, and something similar happened. The US 10-year Treasury yield moved from under 4% on February 27 to around 4.43% within a month as the war pushed energy prices higher. Since then, yields have come down, but not dramatically. The reason is simple: inflation is no longer a risk scenario, it's already happening. US Consumer Price Index moved from 2.4% to 3.3%, courtesy of brent crude jumping from roughly $70 per barrel pre-conflict to well above $110 today. Even when tensions eased, yields didn't retrace much, which tells us the market is not fully convinced inflation will fade quickly.

So, are government bonds attractive here? In some cases, yes, but it's not a no-brainer. Take German Bunds. After the announcement of new infrastructure and defense spending, yields spiked to around 2.9% and are now only about 0.15% higher. That suggests the market may not have fully priced in the longer-term inflation impact. This is why alternative fixed income starts to look interesting. One area worth attention is catastrophe bonds (or CAT bonds). These are insurance-linked securities where investors essentially take on specific event risks in exchange for higher yields. What makes them appealing in this environment is their very low correlation with both equities and traditional bonds. They're not as liquid, and there's real risk involved, since a triggering event can lead to capital losses, but in a diversified portfolio they can add a different kind of stability.

Currencies added another layer to the story. In a full risk-on environment, the US dollar tends to lose some of its shine as a safe haven. That's exactly what happened in April. After strengthening in March, when tensions were rising, the dollar weakened as soon as ceasefire headlines started to hit. Structurally, the outlook on the dollar is still mildly negative, especially with inflation pressures tied to domestic policy decisions. But tactically, it still makes sense to keep some exposure. If things escalate again, and that risk is far from zero, the dollar can quickly regain its role as a portfolio stabilizer.

Bottom line, fixed income still offers opportunities, but it's no longer a one-way trade. Credit has rallied hard, government bonds are constrained by inflation, and the best approach right now is to stay diversified, pick your spots, and avoid assuming that April's momentum will just continue unchecked.



Key Market Indicators

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		Curncy	%1M	%YTD	%1YR	30.04.2026
BOND MARKETS						
Money Market						
FTSE 3-Month US Dollar Eurodeposit LCL	U.S. Money Market	USD	0.31	1.24	4.14	203.21
FTSE 3-Month Euro Eurodeposit LCL	European Money Market	EUR	0.17	0.63	2.02	162.59
FTSE 3-Month Switzerland Franc Eurodeposit LCL	Swiss Money Market	CHF	-0.01	-0.03	-0.07	115.28
Bond Markets						
Bloomberg Intermediate US Govt/Credit TR Index Value Unhedged	U.S. Bond Market	USD	0.36	0.19	3.67	2'500.33
Bloomberg Euro-Aggregate 1-10 Year TR Index Value Unhedged EUR	European Bond Market	EUR	0.64	-0.21	0.86	238.14
Swiss Bond Index SBI AAA-BBB 1-10 Total Return	Swiss Bond Market	CHF	-0.01	-0.03	0.20	133.34
High Yield Markets						
Bloomberg Global High Yield Total Return Index Value Unhedge	Global High Yield Market	USD	3.11	1.23	10.44	1'885.24
Bloomberg Intermediate US High Yield Total Return Unhedged USD	U.S. High Yield Market	USD	2.27	1.18	8.73	2'568.44
Bloomberg Pan-European High Yield (Euro) TR Index Value Unhedged EUR	European High Yield Market	EUR	1.96	0.25	4.56	411.31
EQUITY MARKETS						
MSCI ACWI Index	World Equities	USD	12.10	6.16	29.22	1'077.10
S&P 500 INDEX	U.S. Equities	USD	13.64	5.31	29.45	7'209.01
NASDAQ Composite Index	U.S. Technology Equities	USD	19.71	7.10	42.68	24'892.31
EURO STOXX 50 Price EUR	European Equities	EUR	6.13	1.56	13.98	5'881.51
FTSE MIB Index	Italian Equities	EUR	10.09	7.35	28.30	48'246.12
Swiss Market Index	Swiss Equities	CHF	3.69	-0.99	8.41	13'136.27
Nikkei 225	Japanese Equities	JPY	14.26	17.77	64.47	59'284.92
MSCI Emerging Markets Index	Emerging Market Equities	USD	13.31	13.95	43.80	1'600.21
OTHERS						
Bloomberg Commodity Index	Global Commodities	USD	6.12	8.47	26.78	177.23
Gold Spot $/Oz	Gold	USD	2.37	6.91	40.42	4'617.85
Crude Oil, WTI Generic	Oil	USD	2.13	82.99	80.50	105.07
US Dollar Index Spot Rate	Dollar Index	USD	-2.44	-0.27	-1.42	98.06
Bloomberg Euro Index	Euro Index	EUR	1.05	-0.46	2.60	931.09
Chicago Board Options Exchange Volatility Index	Volatility	USD	-44.82	12.98	-31.62	16.89
Chart and Table Data source: Bloomberg, PKB, elaborated with MS Excel		*2026-04-30*				

Source of data in graphs: Bloomberg

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