

April 27, 2026

Weekly Investment Insights



MARKET SNAPSHOT

US equities continued their strong performance last week, with several major indices reaching record highs, as broadly positive economic data and upbeat earnings helped offset some of the uncertainty stemming from the ongoing conflict in the Middle East. European equities, by contrast, came under more pressure, with the pan-European STOXX Europe 600 index ending the week lower. Traditionally defensive sectors such as utilities and telecoms outperformed, as geopolitical uncertainty continued to dominate market sentiment.

The earnings season has begun on a solid footing, with profits up around 13.3% in the US and 2% in Europe, the latter held back by the stronger euro in the first quarter. Results have been driven primarily by continued strength in semiconductors as key beneficiaries of AI-related investment. Chip stocks have performed well, with gains becoming increasingly broad-based and extending beyond the initial AI leaders toward memory and analog segments. In contrast, software earnings have been more mixed, reviving concerns over the potential impact of AI on traditional software business models.

This week, central banks on both sides of the Atlantic meet to assess the direction of monetary policy. The ongoing conflict in the Middle East, and uncertainty around its potential resolution, are complicating the inflation outlook for policymakers who had hoped for greater clarity since their last decisions. While some hope of de-escalation remains, price pressures linked to the conflict are already beginning to filter through the economy. Despite this, some of the world's leading central banks are widely expected to refrain from raising interest rates this month, preferring to wait for clearer signals on energy prices and the broader inflationary impact before taking further action.

	Friday Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	7165.08	0.55	9.75	4.67
Nasdaq Composite	24836.6	1.50	15.03	6.86
EuroStoxx 50	5883.48	-1.43	5.88	1.83
CAC40	8157.82	-1.83	4.63	0.36
DAX	24128.98	-0.70	6.91	-1.00
CSI 300	4769.369	0.28	7.21	3.05
US 10 Year Yield (%)	4.3007	1.47	-0.07	3.52
Germany 10 Year Yield (%)	2.994	1.14	0.33	5.57
Gold Spot (\$/Oz)	4709.5	-2.40	0.79	8.93

Source: Bloomberg, BIL as of April 27

MACRO SNAPSHOT

Eurozone PMIs Signal Rising Stagflation Risks

Eurozone economic momentum weakened notably in April, with the latest PMI surveys pointing to a renewed divergence between slowing activity and intensifying price pressures, a configuration that raises stagflation concerns for the months ahead.

The **Composite PMI fell back into contractionary territory**, dropping to 48.6 in April from 50.7. Higher energy prices continued to weigh on consumer demand, while staffing levels remained broadly unchanged. The **Services index deteriorated sharply, falling to 47.4 from 50.2**, with providers reporting the steepest drop in activity in five years. The German services sector is particularly affected due to its reliance on imported inputs for electricity generation, leaving firms exposed to elevated and volatile energy costs.

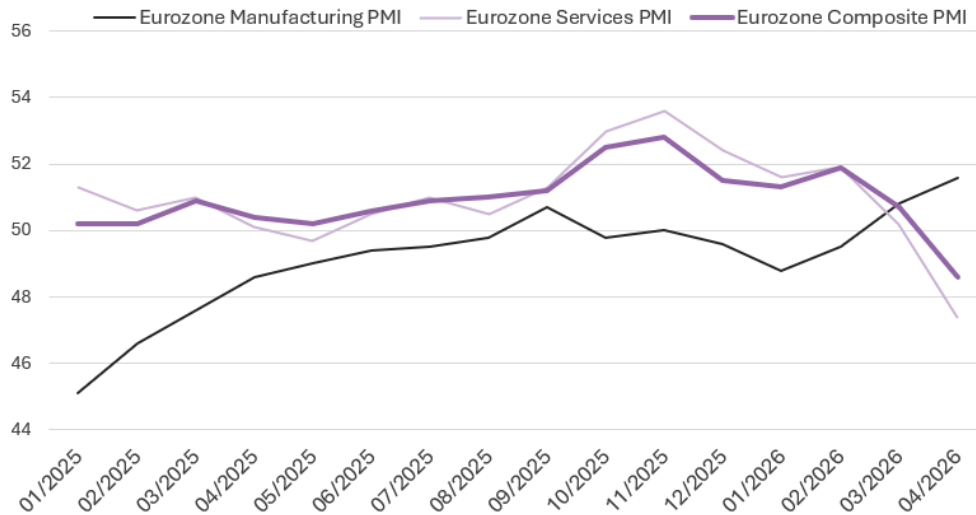
In contrast, **manufacturing activity strengthened, though this growth has inflationary undertones**. The PMI rose to 52.2 (from 52.0 previously and well above expectations of 50.8). Production growth accelerated to its fastest pace since August, driven by a surge in new orders, which expanded at the quickest rate in four years. Notably, export orders rose for the first time since February 2022, offering some relief to the external outlook.

That said, the manufacturing recovery carries clear inflationary signals. Input costs rose at their fastest pace since late 2022, while output prices increased at the strongest rate in three years. Firms cited persistent difficulties in sourcing inputs, and input buying surged at the fastest pace since May 2022. Some of this demand appears precautionary, linked to stockpiling amid fears of price hikes and potential supply disruptions tied to Middle East tensions.

Despite stronger current output, business confidence in manufacturing fell to a 17 month low, underscoring concerns that elevated costs and geopolitical risks could hinder sustainability of the rebound. In all, the April PMIs paint an increasingly uncomfortable picture for policymakers: Weakening growth, led by services, and rising cost pressures, most visible in energy intensive sectors.

This combination heightens the risk of stagflation dynamics, where slowing economic activity coexists with renewed inflationary pressures.

Eurozone PMIs



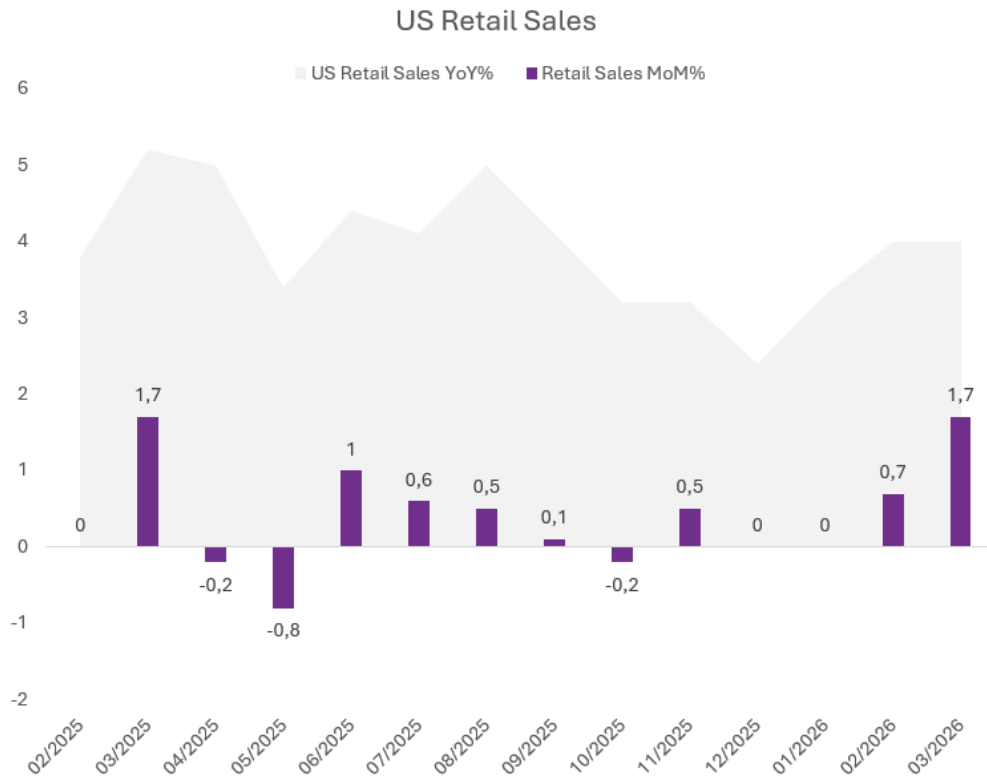
Source: Bloomberg, BIL

US retail sales rise to one-year high driven by fuel spending

US retail sales surged 1.7% in March, marking the strongest monthly increase in a year and surpassing expectations of a 1.4% rise. The gain followed a revised 0.7% increase in February and was largely driven by a 15.5% jump in gas station receipts, reflecting sharply higher fuel prices given that the numbers are not inflation-adjusted.

Beyond gasoline, retail activity remained broadly firm, supported by larger-than-usual tax refunds received this year, which provided a temporary boost to household cash flows. Sales increased across a wide range of categories, including motor vehicles and parts, building materials and garden equipment, and food and beverage stores, underscoring the resilience of consumer demand in the first quarter. Core retail sales, excluding volatile sectors like energy, climbed 0.7%, exceeding forecasts of 0.2%.

However, while headline spending data point to continued resilience, the outlook for household consumption is becoming more uncertain. Persistently higher energy prices linked to the Middle East conflict are pushing inflation higher and disproportionately squeezing lower-income households. Recent indicators suggest that consumers are under growing financial strain. The Federal Reserve's Beige Book reported that many districts in early April were already observing increased price sensitivity and signs of stress in household finances. Reflecting these pressures, consumer sentiment fell to a record low in April.



Source: Bloomberg, BIL

UK inflation boosted by a surge in petrol prices

The impact of the conflict in the Middle East is beginning to filter through to the British economy. Consumer prices in the UK rose by 3.3% in March, up from 3% in both January and February. The increase was largely driven by higher transport costs, which grew at their fastest pace since December 2022.

Motor fuel prices played a significant role, rising by 4.9% as the conflict in the Middle East put upward pressure on global fuel markets. British consumers felt this sharply, with the average price of petrol increasing by 8.6 pence per litre between February and March. Diesel prices rose even more steeply, climbing by 17.6 pence per litre over the same period.

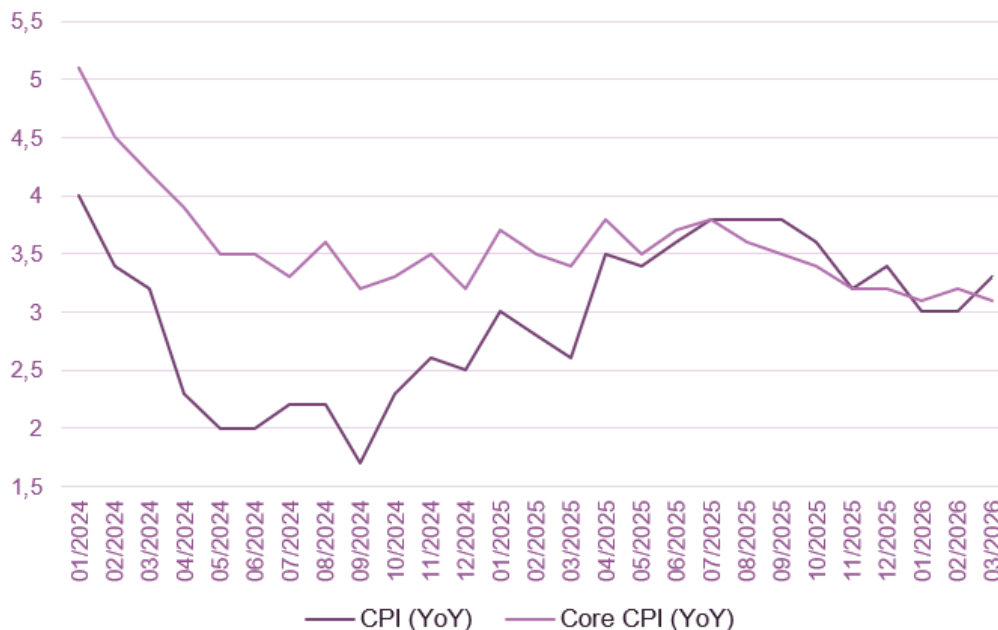
Prices for housing and household services also increased, driven by a 95.3% surge in domestic heating oil prices. Services inflation, which the Bank of England closely monitors as an indicator of underlying price pressures, rose to 4.5% in March, up from 4.3% in February.

Meanwhile, core inflation, which excludes volatile items such as food and energy, stood at 3.1%. This was slightly below expectations and marginally lower than February's reading, offering some reassurance.

The latest data underscore the difficult position facing the Bank of England as it prepares to

meet this week to determine the next steps for monetary policy. Prior to the Middle East conflict, the central bank was getting ready to lower interest rates. However, with inflation expectations rising sharply due to higher energy prices, market participants are now increasingly betting on at least one rate hike later this year.

Motor fuel prices drove up inflation in March



Source: Bloomberg, BIL

Eurozone consumer confidence sinks to lowest level since December 2022

Consumer sentiment in the Eurozone deteriorated sharply in April as concerns about the economic outlook intensified, flash estimates showed last week. The consumer confidence index dropped by 4.3 points to -20, reflecting growing anxiety driven by persistent geopolitical tensions and the closure of the Strait of Hormuz. These developments have pushed energy prices higher, fueling inflationary pressures and eroding the purchasing power of European households. With inflation expectations rising markedly amid the conflict in the Middle East, the European Central Bank is now increasingly expected to raise interest rates later this year rather than keep borrowing costs unchanged. As a result, the outlook for consumers has become notably more uncertain compared with the start of the year.

Calendar for the week ahead

Monday – Germany GfK Consumer Confidence (May). China National People’s Congress Standing Committee.

Tuesday – Bank of Japan Interest Rate decision. US CB Consumer Confidence (April), House Price Index (February). China National People's Congress Standing Committee.

Wednesday – Switzerland Economic Sentiment Index (April). Eurozone Economic Sentiment (April), Consumer Confidence (Final, April). US Housing Stats (March). **Fed Interest Rate Decision**. China National People's Congress Standing Committee.

Thursday – China NBS Manufacturing & Non Manufacturing PMI (April). **Eurozone GDP Growth Rate** (Flash, Q1), Inflation Rate (Flash, April), Unemployment Rate (March). **Bank of England Interest Rate decision. ECB Interest Rate decision**. US Jobless Claims. China National People's Congress Standing Committee.

Friday – Switzerland Retail Sales (March). US ISM Manufacturing PMI (April).

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