

April 13, 2026

BILBoard April 2026 – Through the noise



Based on the Asset Allocation Committee on March 31 2026

Geopolitical uncertainty took centre stage in March as the conflict in the Middle East extended past the one-month mark, significantly reducing hopes that the impact on energy prices from the closure of the Strait of Hormuz could be temporary. Global stocks fell and bond yields rose as central banks on both sides of the Atlantic increased inflation forecasts. Market participants now price in interest rate hikes by several central banks in Europe, while rate cut expectations in the US have been pushed back to 2027.

At the start of April, equity markets rallied, with European stocks posting their strongest daily performance since 2022 following the announcement of a two week ceasefire in the Middle East. However, uncertainty remains high around the durability of the truce, particularly as the implementation of the ceasefire has already faced setbacks. Oil prices have fallen from their peak, hovering at just below \$100 per barrel at the time of writing. Nonetheless, even if the conflict was to de-escalate, experts caution that much of the damage to energy supply chains has already been done, with repairs to infrastructure and a full resumption of flows likely to take several months, if not years. Market direction continues to be highly sensitive to geopolitical headlines.

Given damage to critical energy infrastructure across the Middle East, and with traffic through the Strait of Hormuz having slowed to a trickle, **sustained energy market imbalances** look difficult to avoid.

Higher energy prices carry broader implications for the global economy, as they tend to filter rapidly through supply chains and into inflation. Oil and natural gas are essential inputs across much of the industrial economy, underpinning the production of the vast majority of manufactured goods. The Middle East also plays a critical role in global supply for key inputs such as fertilisers and metals, increasing the risk of renewed cost pressures and slower growth.

At the same time, **signs of weakening global growth** are becoming more apparent. Corporate and consumer sentiment across the US, Europe and Asia point to softer activity, while declining real incomes could weigh on demand. In the US, the recent pullback in equity markets has also **diminished the wealth effect** that previously supported consumer spending. Together, these factors suggest a more fragile growth environment in the months ahead.

Across regions, **the US economy appears better positioned to absorb the current shock**, largely because of its position as a net energy exporter. In addition, several areas of resilience remain in place: both households and businesses generally have solid balance sheets and ongoing investment linked to artificial intelligence continues to underpin activity. That said, inflation was already higher than the Federal Reserve would prefer before the conflict began. **Rising energy prices therefore add to cost of living pressures**, particularly for low and middle income households.

Europe is less exposed to this energy shock than in 2022, having diversified its energy sources following the previous crisis. However, the **region remains heavily reliant on imported fuel and liquefied natural gas**, and international energy prices are significantly higher than at the start of the year. Gas storage levels are low and refilling them over summer will be costly. With **inflation already rising and economic momentum weakening**, stagflation risks are rising. Falling consumer and business confidence could undermine what was shaping up to be a fragile recovery.

In **Asia**, the **impact of higher energy prices is even more pronounced**. A large share of oil exports passing through the Strait of Hormuz is destined for Asian economies, leaving some countries facing challenges similar to those Europe experienced in 2022. For Emerging Market economies, higher oil prices and a less dovish Fed reduces the scope for EM easing. In some countries, monetary policy tightening could even be needed if energy prices continue to rise. That points to tighter liquidity, weaker support for valuations and greater stress for markets more reliant on foreign capital.

China, however, stands out as a relative exception. Thanks to substantial strategic energy reserves, diversified supply routes, strong domestic production, and significant investment in renewables and energy infrastructure, China is **better equipped to manage the current energy shock**, at least over the medium term.

INVESTMENT STRATEGY

Equities

Against a backdrop of heightened geopolitical risk and persistent energy market uncertainty, we adjusted our equity positioning to reflect differing levels of regional resilience. While Europe is better prepared than in 2022, its exposure to elevated global energy prices and weakening confidence indicators increase downside risks to growth at a time when the ability to provide fiscal support is uneven across countries. As a result, we decided to **reduce our European equity exposure in favour of US Equities (EUR Hedged)**. The US offers stronger growth visibility, supported by well capitalised and innovative companies, together with an energy sector that stands to benefit from Middle East supply disruptions, with US crude exports expected to reach record highs as Asian buyers seek alternatives to their traditional suppliers.

We also **reduced our exposure to Emerging Market equities**, particularly due to the risks facing energy importing countries where higher oil prices, tighter financial conditions, and limited policy flexibility are increasing pressures on growth, inflation, and currencies. The proceeds were likewise shifted toward US equities, which we view as offering a more resilient profile in the current environment.

Within our **US equity allocation**, we **have reduced our preference for an equally-weighted approach back to a market capitalisation weighted one**. After strong performance from equal weight indices this year, we took the opportunity to lock in some gains. Moving back to a market cap strategy increases our exposure to larger, financially strong companies with diversified business models. In a period of ongoing geopolitical uncertainty, these well established firms tend to offer greater stability and resilience.

Equity Sector Adjustments

Within our equity sector preferences, we **downgraded European Financials to neutral**, reflecting their high sensitivity to economic growth visibility, credit risk, and market volatility. Large sovereign and corporate bond holdings at banks and insurers mean that rising yields weighs on capital ratios and earnings quality.

We **upgraded European Communication Services to positive**. The sector, which includes telecom operators, digital connectivity providers, and platform adjacent businesses, benefits

from consolidation, digital sovereignty initiatives, and more stable investment cycles. It also offers a more defensive profile in periods of market volatility and higher expected inflation.

Sector preferences

NEGATIVE	NEUTRAL	POSITIVE
Real Estate Consumer Discretionary Consumer Staples	Healthcare Materials IT software Energy Financials	IT hardware Utilities Industrials Communication Services

Fixed Income

Within the Fixed Income space, we decided to **reduce risk** by **cutting our exposure to high-yield and Cocos**. Given the uncertain geopolitical landscape, mounting risks to growth and a more restrictive monetary policy backdrop, we prefer to reduce exposure to lower quality credit. While spreads have widened, they have done so from very compressed levels, and they remain narrow compared with history.

We also **traded Italian sovereigns for European government bonds**. Italy is more vulnerable to the energy crisis than other major Eurozone economies as it is more reliant on imported energy, thus the risk premium is increasing more. Worst case scenario, this will have a larger impact on costs, Italy's competitiveness, consumption and growth. We are therefore more comfortable with a broader exposure to European govies.

Conclusion

Faced with elevated uncertainty and a steady flow of unsettling news, it is natural for investor anxiety to be high. In times like these, some might be compelled to step out of the market, reduce exposure, or wait for conditions to “feel” more safe. However, exiting the market during periods of volatility often leads to crystallising losses and missing subsequent recoveries.

At BIL, our approach remains grounded in long term fundamentals, diversification, and active risk management rather than short term market noise. While we remain invested across a broad range of asset classes and regions, we have taken measured steps to reduce portfolio risk following a period of heightened volatility. By reallocating across regions, styles, sectors, and credit quality, we aim to limit specific vulnerabilities while staying invested in areas where fundamentals, balance sheet strength, and defensive characteristics are more compelling.



Lionel De Broux

GROUP CHIEF
INVESTMENT OFFICER



Johanna Lindberg

MACRO STRATEGIST / INVESTMENT
COMMUNICATION OFFICER

Disclaimer

All financial data and/or economic information released by this Publication (the "Publication"); (the "Data" or the "Financial data and/or economic information"), are provided for information purposes only, without warranty of any kind, including without limitation the warranties of merchantability, fitness for a particular purpose or warranties and non-infringement of any patent, intellectual property or proprietary rights of any party, and are not intended for trading purposes. Banque Internationale à Luxembourg SA (the "Bank") does not guarantee expressly or impliedly, the sequence, accuracy, adequacy, legality, completeness, reliability, usefulness or timelessness of any Data. All Financial data and/or economic information provided may be delayed or may contain errors or be incomplete. This disclaimer applies to both isolated and aggregate uses of the Data. All Data is provided on an "as is" basis. None of the Financial data and/or economic information contained on this Publication constitutes a solicitation, offer, opinion, or recommendation, a guarantee of results, nor a solicitation by the Bank of an offer to buy or sell any security, products and services mentioned into it or to make investments. Moreover, none of the Financial data and/or economic information contained on this Publication provides legal, tax accounting, financial or investment advice or services regarding the profitability or suitability of any security or investment. This Publication has not been prepared with the aim to take an investor's particular investment objectives, financial position or needs into account. It is up to the investor himself to consider whether the Data contained herein this Publication is appropriate to his needs, financial position and objectives or to seek professional independent advice before making an investment decision based upon the Data. No investment decision whatsoever may result from solely reading this document. In order to read and understand the Financial data and/or economic information included in this document, you will need to have knowledge and experience of financial markets. If this is not the case, please contact your relationship manager. This Publication is prepared by the Bank and is based on data available to the public and upon information from sources believed to be reliable and accurate, taken from stock exchanges and third parties. The Bank, including its parent,- subsidiary or affiliate entities, agents, directors, officers, employees, representatives or suppliers, shall not, directly or indirectly, be liable, in any way, for any: inaccuracies or errors in or omissions from the Financial data and/or economic information, including but not limited to financial data regardless of the cause of such or for any investment decision made, action taken, or action not taken of whatever nature in reliance upon any Data provided herein, nor for any loss or damage, direct or indirect, special or consequential, arising from any use of this Publication or of its content. This Publication is only valid at the moment of its editing, unless otherwise specified. All Financial data and/or economic information contained herein can also quickly become out-of- date. All Data is subject to change without notice and may not be incorporated in any new version of this Publication. The Bank has no obligation to update this Publication upon the availability of new data, the occurrence of new events and/or other evolutions. Before making an investment decision, the investor must read carefully the terms and conditions of the documentation relating to the specific products or services. Past performance is no guarantee of future performance. Products or services described in this Publication may not be available in all countries and may be subject to restrictions in some persons or in some countries. No part of this Publication may be reproduced, distributed, modified, linked to or used for any public or commercial purpose without the prior written consent of the Bank. In any case, all Financial data and/or economic information provided on this Publication are not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law and/or regulation. If you have obtained this Publication from a source other than the Bank website, be aware that electronic documentation can be altered subsequent to original distribution.

As economic conditions are subject to change, the information and opinions presented in this outlook are current only as of the date indicated in the matrix or the publication date. This publication is based on data available to the public and upon information that is considered as reliable. Even if particular attention has been paid to its content, no guarantee, warranty or representation is given to the accuracy or completeness thereof. Banque Internationale à Luxembourg cannot be held liable or responsible with respect to the information expressed herein. This document has been prepared only for information purposes and does not constitute an offer or invitation to make investments. It is up to investors themselves to consider whether the information contained herein is appropriate to their needs and objectives or to seek advice before making an investment decision based upon this information. Banque Internationale à Luxembourg accepts no liability whatsoever for any investment decisions of whatever nature by the user of this publication, which are in any way based on this publication, nor for any loss or damage arising from any use of this publication or its content. This publication, prepared by Banque Internationale à Luxembourg (BIL), may not be copied or duplicated in any form whatsoever or redistributed without the prior written consent of BIL 69, route d'Esch | L-2953 Luxembourg | RCS Luxembourg B-6307 | Tel. +352 4590 6699 | www.bil.com.