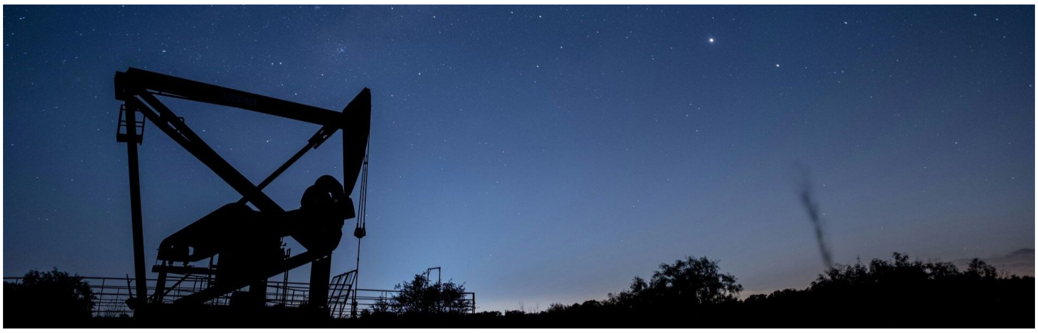
April 13, 2026

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	Healthcare	IT hardware
Consumer Discretionary	Materials	Utilities
Consumer Staples	IT software	Industrials
	Energy	Communication Services
	Financials	

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