

04/2026

Market Snapshot

Equity Snapshot

United States US equities closed April significantly higher. Wall Street rebounded sharply from losses in March, with the S&P 500 and Nasdaq Composite indices notching fresh all-time highs. Markets initially shrugged off the uncertainties surrounding the fragile ceasefire in the Middle East, focusing instead on optimism around a general de-escalation in the conflict. Brent crude prices remained elevated as a result of the continued closure of the Strait of Hormuz, although US exports of refined oil products rose to meet demand amid tightening global inventories. Sentiment was rattled again on reports that the US is weighing the resumption of military strikes against Iran, stoking fears of renewed escalation. More positively, markets were steadied by news that the Department of Justice had dropped its investigation into Federal Reserve (Fed) Chair Jerome Powell, clearing the way for Kevin Warsh to be confirmed as head of the Fed when Powell's term finishes in May. Investors are looking ahead to next month's meeting between US President Donald Trump and Chinese President Xi Jinping in China amid optimism around a potential thaw in Sino-American relations. Washington will begin to process tariff refund applications filed through a new portal launched after the US Supreme Court's recent ruling struck down President Trump's so-called emergency tariffs.

US economic data releases showed resilience. The initial advance estimate of annualised GDP growth showed that the US economy grew by a cooler-than-expected 2.0% in the first quarter of 2026 compared with an increase of 0.5% in the previous quarter. Soaring fuel prices drove retail sales to a three-year high of 1.7% in March, a significant acceleration from February's pre-war increase of 0.7%. US exports jumped 4.2% in February, while US refined fuel exports surged to over 3 million barrels per day in March as tight global supply linked to the Iran war drove increased demand, although surging prices at the pump weighed on US consumers. Turning to labour market releases, non-farm payrolls data showed that the US economy added 178,000 jobs in March compared with a downwardly revised decline of 133,000 jobs in February, while the US unemployment rate crept back down from 4.4% in February to 4.3% in March. Meanwhile, the University of Michigan Consumer Sentiment Index fell from 53.3 in March to a historic low of 47.6 in early April before staging a modest recovery and posting a final reading of 49.8 on the month.

Annual headline inflation rose from 2.4% in February to 3.3% in March, driven higher by soaring petrol and diesel prices. On a sequential month basis, prices rose by 0.9%, the biggest jump since June 2022. Meanwhile, the Fed's preferred inflation gauge, the core personal consumption expenditures prices index (PCE) – which strips out volatile food and energy costs – rose by 0.3% on a sequential monthly basis in March, equivalent to 3.2% on an annualised basis. The Fed held the federal funds rate steady at a target range of 3.50–3.75%

– albeit with the highest level of dissent since October 1992 – in the last meeting presided over by Jerome Powell before Kevin Warsh, the president’s nominee, takes over as Fed chair. Warsh defended his position at a confirmation hearing before the Senate Banking Committee, rejecting claims that he is President Trump’s “sock puppet”. Additionally, North Carolina Senator Thom Tillis lifted his block on Warsh’s confirmation after the Department of Justice dropped its investigation into Powell’s Congressional testimony related to the cost of renovations at the central bank’s headquarters.

Europe

European equities closed April higher but trailed the global index. Movements in the Stoxx 600 Index were largely driven by developments in the Middle East, with equities rising on ceasefire news and tentative progress in US-Iran peace talks, before giving back gains amid renewed attacks on commercial vessels in the Strait of Hormuz. Conflicting signals from Washington and Tehran around a potential end to the stalemate also rattled markets. More positively, sentiment was boosted by the landslide victory of Péter Magyar in Hungary’s presidential elections, ending Viktor Orbán’s 16-year rule and ushering in a new era of cooperation with the European Union. Elsewhere, tech stocks were lifted by record first-quarter profits from Dutch semiconductor firm ASML, supported by continued strength in AI demand.

Economic fundamentals for the euro zone remained mixed. Annual inflation in the euro zone rose from 1.9% in February to 2.5% in March amid soaring energy costs, while a flash estimate suggested that the figure is likely to have jumped to 3.0% for April. As expected, the European Central Bank (ECB) held rates steady at 2.0% in April for the seventh consecutive meeting. However, the continued spike in oil prices has significantly clouded the inflationary outlook, with minutes released from the ECB’s March meeting confirming a hawkish pivot and markets currently pricing in two quarter-point rate rises by the end of the year. Euro-zone exports fell 6.7% in January compared with the same time last year, while industrial production unexpectedly rose by 0.4% on a sequential monthly basis in February, equivalent to an annualised decline of 0.6%.

Asia

Asia ex Japan equities rebounded strongly in April, led by the technology heavy markets of South Korea and Taiwan, as the accelerating global AI and semiconductor upcycle lifted chip leaders and their wider supply chains. In China, onshore A shares outperformed offshore markets, with large internet platforms a source of funding rotation into companies offering more direct exposure to AI related themes.

Indian equities also recovered part of their earlier losses, supported by continued strength in domestic inflows that helped offset ongoing foreign investor outflows. Overall, ASEAN markets lagged. Indonesia remained under pressure as investors mulled the prospect of MSCI’s potential downgrade from emerging market to frontier status.

Bond

Global bonds stabilized, after sharp selloff in March. While the major central banks left interest rates on hold in April, officials generally struck a modestly hawkish tone, warning of upside risks for inflation and downside risks to growth due to the Iran war and elevated energy costs. The major 10-year government bond yields largely closed the month higher, with the UK and Japan seeing some of the largest leaps, bond yields rose for 10 bps and 17 bps respectively. Global corporate bonds generated positive returns, with high-yield debt registering the biggest gains as risk appetite improved.

Outlook

The financial market response to the Iran war has been swift. US Treasuries sold off in one of the worst monthly performances of recent years as inflation expectations soared and any hope of imminent rate cuts was abandoned. Similarly, the Europe and the UK also experienced an increase in borrowing costs, and expectations of rate cuts were replaced with expectations of rate hikes to control inflation. Central banks face a major dilemma: higher energy prices and trade interruptions threaten higher inflation, while lower confidence and the tax-like impacts of higher oil prices challenge growth forecasts. Given the need to prevent an inflationary spiral, tighter monetary policy is the normal outcome.

Markets are now navigating a more complex environment, where powerful structural innovation is increasingly intersecting with tighter financial conditions and elevated geopolitical uncertainty. Despite this, the long-term structural growth drivers related to AI, automation, and digital infrastructure remain firmly intact, continuing to expand addressable markets and reinforce the competitive positioning of leading companies.

Near-term, the increasingly complex macroeconomic environment clouds the visibility, increases volatility and therefore tends to favour agile companies with strong execution and pricing power. We continue to see robust underlying demand across key structural themes, including data infrastructure, electrification and automation. At the same time, areas such as defence benefit from strong medium-term visibility, supported by sustained increases in spending and long-term procurement pipelines.

In Europe, fiscal expansion and industrial policy continue to act as important catalysts, particularly across energy security, infrastructure, electrification and defence. Although cyclical headwinds persist, including elevated energy costs and softer industrial momentum, order books and backlog visibility remain supportive in several areas. We maintain exposure to semiconductor equipment, automation and AI enablers, as well as aerospace, where structural demand drivers continue to underpin long-term growth.

Against this backdrop, we retain a constructive medium-term view on quality growth. Valuations have become more balanced relative to the durability of earnings, and we expect market leadership to increasingly be driven by companies with strong competitive advantages, pricing power and resilient cash flow generation. For strategies anchored in quality and fundamental strength, we believe the current environment offers an attractive foundation for sustained, earnings-driven outperformance.

Source: Allianz Global Investors, as of 30 April 2026 unless otherwise stated.

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