



April 2026 Market Pulse

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IRAN WAR DEVELOPMENTS DRIVE MARKETS IN APRIL



A two-week ceasefire announcement helped to propel equity markets to fresh highs in April as markets hoped for a swift, lasting conclusion to the Iran conflict and disruptions to shipping through the Strait of Hormuz. Despite this bullishness, a comprehensive peace agreement did not materialise. US inflation climbed sharply during the month and a key initial consumer sentiment reading declined dramatically. In Europe, headline inflation climbed and activity indicators fell. Both the Federal Reserve and the ECB kept interest rates on hold.

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Global themes

The global macro backdrop in April remained defined by the ongoing US–Iran conflict and associated disruption around the Strait of Hormuz. A slight pull-back in Brent crude prices over the month eased the earlier energy shock and helped stabilise sentiment even as uncertainty stayed elevated. In the US, inflation picked up amid higher energy costs; in Europe, rising inflation and softer activity data reinforced stagflation concerns.

US

Negotiations between Washington and Tehran continued intermittently during the month, with the White House signalling optimism over a potential agreement. However, a resolution failed to materialise, and tensions remained elevated following the US naval blockade which prevented the export of Iranian oil through the Strait of Hormuz. Severe disruption of shipping through the Strait persisted, keeping energy markets on edge. A fragile ceasefire and talks in Islamabad briefly fuelled hopes of de-escalation, contributing to a mid-month pull-back in oil prices and a broader risk-on phase in markets. However, the collapse of these talks, reports that the United States was considering further strikes and renewed shipping risks in the Gulf underscored that the conflict remained far from resolution.

Economic data remained broadly resilient. The US economy expanded at an annualised 2.0% in Q1, rebounding from 0.5% in Q4 2025, supported by business investment and steady household spending despite higher fuel costs. March non-farm payrolls rose by 178,000 after a 133,000 decline in February, and initial jobless claims fell to 189,000, the lowest level since 1969. Retail sales rose 1.7% m/m, while credit card data showed spending rose 4.3% y/y in March and 3.6% y/y excluding gasoline sales. At the same time, inflation re-emerged as a concern; headline CPI rose 3.3% y/y in March, while core inflation reached 2.6%, and market-based one-year inflation expectations jumped to 3.4% from 2.5% before the war. Consumer sentiment was mixed, with the University of Michigan consumer sentiment reading dropping to 47.6, the lowest in the survey's history, before being revised up to 49.8 by month end, as households became more worried about rising living costs and the impact of higher energy prices. The Conference Board Consumer Confidence reading rose 0.6 to 92.8 given its greater sensitivity to the still-resilient labour market.

Against this backdrop, the Federal Reserve kept rates unchanged at 3.50%-3.75%, adopting a cautious tone as policymakers weighed persistent inflation pressures against still-solid growth. There were divergent views, with three members voting against maintaining an easing bias, instead preferring to move to a more neutral stance and highlighting two-sided risks to rates, including the possibility that the next change in rates could either be a hike or a cut. Market attention also turned toward Kevin Warsh, whose nomination as the next Fed chair was approved by the Senate Banking Committee, and who is now widely expected to be confirmed by the full Senate and appointed as the new chair by mid-May. The Fed's current head, Jerome Powell, confirmed that he will stay on as a Fed governor to help protect the Fed's independence and credibility against several political attacks in recent months.

Europe

Europe remained highly exposed to the Middle East energy shock in April, with markets reacting to repeated swings in expectations around US–Iran relations and traffic flow through the Strait of Hormuz. Macro data pointed to a deteriorating growth–inflation trade-off. Euro area GDP expanded 0.1% in Q1, although excluding Ireland was in line with Q4 at 0.2% q/q. Sentiment surveys generally deteriorated with the April flash PMIs slipping into contraction, driven by softer services activity and rising input costs, with growth in the region seen as vulnerable given the dependence on energy imports. Inflation rose to 3.0% y/y, reinforcing stagflation concerns.

Monetary policy expectations swung sharply over the month: at moments of peak tension, markets priced multiple ECB hikes, before paring back these expectations during the ceasefire-driven relief rally and then repricing a more hawkish path as talks collapsed and shipping risks reintensified. The ECB left rates unchanged at the late April meeting, though it indicated that the possibility of raising rates was discussed. While waiting for more information before deciding on the next policy move, the central bank suggested a rate hike at the June meeting was likely unless inflation pressures ease. Investors now expect three rate hikes from the ECB before year end. While also leaving rates unchanged, the Bank of England similarly signalled caution and data dependence, with investors expecting between two to three rate hikes over the remainder of the year.

MARKET ROUND-UP

Equities

Global equities rebounded strongly in April, returning 9.4% (8.3% in euros), on the back of the announcement of a ceasefire in the Iran war, hopes for the reopening of the Strait of Hormuz, resilient economic data (particularly in the US), strong first-quarter earnings and renewed enthusiasm around AI-related stocks. With two thirds of the Q1 reporting season in the US completed, results are approximately 5% ahead of forecasts, with earnings expectations for the year continuing to be revised upwards. Growth and cyclical sectors led performance in April, with technology and communication services benefiting from renewed AI optimism, strong semiconductor and internet earnings and robust risk appetite.

The MSCI USA rose 10.5% in local terms (8.5% in euros), helped by renewed enthusiasm for AI-related growth stocks and strong performance from large cap technology and communication services names. Emerging markets outperformed, with the MSCI Emerging Markets (EM) index gaining 13.3% (12.7% in euros); Korea and Taiwan rose 33.9% (35.2% in euros) and 25.1% (24.6% in euros) respectively, benefiting from the AI theme. European equities also advanced, though by less, with the MSCI Europe ex UK up 5.7% (6.0% in euros), reflecting lingering concerns over energy costs, stagflation risks and a more hawkish monetary policy outlook.

Bonds

The US-10 year Treasury yield ended April at 4.39%, up 7 bps on the month, as persistent inflation pressures and firmer growth data kept expectations for Fed easing firmly on hold. In the euro area, the ICE BofA 5+ Year Euro Government Bond index delivered a 0.3% return, mainly reflecting the income stream as the 10-year German Bund yield edged up 1 bp to 3.03% amid lingering inflation concerns and expectations of tighter ECB policy.



CHARTS OF THE MONTH

Global equities



Source: ILIM, FactSet. Data is accurate as at 30 April 2026.

Bonds – German 10-year yield



Source: ILIM, FactSet. Data is accurate as at 30 April 2026.

MARKET SNAPSHOT

Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2024 Return (%)
MSCI Ireland	5.2	-3.3	39.9
MSCI United Kingdom	3.3	7.5	19.1
MSCI Europe ex UK	6.0	3.7	20.4
MSCI North America	8.4	5.8	4.5
MSCI Japan	7.2	10.9	10.3
MSCI EM (Emerging Markets)	12.7	14.7	18.5
MSCI AC World	8.3	6.9	8.3
10-Year Yields	Yield last month	2025 Yield (%)	2024 Yield (%)
US	4.39	4.17	4.57
Germany	3.03	2.86	2.37
UK	5.03	4.48	4.57
Japan	2.53	2.07	1.10
Ireland	3.26	3.01	2.64
Italy	3.86	3.55	3.52
Greece	3.82	3.44	3.22
Portugal	3.44	3.15	2.85
Spain	3.49	3.29	3.06
FX Rates	End last month	2025 Rates	2024 Rates
U.S. Dollar per Euro	1.17	1.17	1.03
British Pounds per Euro	0.86	0.87	0.83
U.S. Dollar per British Pounds	1.36	1.35	1.25
Commodities (USD)	MTD Return (%)	YTD Return (%)	2025 Return (%)
Oil (Brent)	-3.7	87.4	-18.5
Gold (Oz)	-0.7	6.7	64.7
S&P Goldman Sachs Commodity Index	6.4	49.0	7.1

Source: ILIM, Bloomberg. Data is accurate as at 1 May 2026.

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THE ILIM VIEW – LOOKING AHEAD

Prior to the outbreak of the war in Iran, the fundamental backdrop was positive and improving and contributed to the strong start to the year for global equities. The positive fundamental backdrop was threatened by the outbreak of the conflict and risk of persistently high oil prices, which could result in a stagflationary backdrop with slower growth and higher inflation.

Despite the uncertainty and stagflation fears which contributed to an initial correction in March, equities have rallied to new all-time highs on the back of continued strong earnings, renewed strength in the AI theme and resilient economic data, particularly in the US. The future path for markets will be determined by a combination of the duration of the Iran war, the extent of damage to energy infrastructure in the Gulf region, how long the Strait of Hormuz remains closed and the resilience of growth and earnings amid a volatile backdrop for energy prices.

A resolution in the coming weeks, with the Strait of Hormuz being reopened and oil returning to close to pre-war levels, would result in a limited impact on growth and inflation. With positive fundamentals reasserting themselves, both bonds and equities would be expected to rise. In a more severe scenario – with the war escalating, lasting longer than currently expected and with the Strait of Hormuz remaining closed for several months – oil could rise further, which would likely lead to increasing fears over growth impacts and contribute to renewed downside in both equities and bonds. In such a scenario, as growth fears begin to dominate inflation fears, bond yields would eventually be expected to fall and provide protection within a diversified portfolio.

Our base case is that the conflict can be resolved in the coming weeks as it is ultimately in all parties' interest to do so. This would reinforce the positive fundamental backdrop which has been evident even with the uncertainty associated with higher energy prices since the end of February.

Based on an eventual resolution and the positive fundamentals which existed pre-war reasserting themselves, we continue to believe equities will be higher on a 12-month view.

Global equities are on a P/E multiple of 17.7x compared to the long-term average of 16.3x, and the US P/E has already contracted from the October high of 23.3 to 20.9x. Assuming a resumption of the positive fundamental backdrop, with global economic and earnings growth of circa 2.5% and in the mid-teens respectively, equities can be higher on a 12-month timeframe, although the asset class could remain volatile in the short term and sensitive to newsflow around the war.

A de-escalation or resolution of the conflict, with oil falling back to circa \$80-90 per barrel, should contribute to lower bond yields as inflation fears fade and contribute to some reversal of the more hawkish expectations around central bank policy rates, both of which would support equities.

On a 12-month view, our base case is that the German and US 10-year government bond yields fall from current levels of 3.03% and 4.39% to 2.50% and 4.00%, respectively. If a resolution to the Iranian conflict is reached, the recent rise in yields due to inflation concerns should reverse.

We believe fixed income offers a strong risk-reward profile at this stage in the cycle, with the potential to offer protection if the economy slows. The asset class is attractive from an income perspective while also providing potential for capital gains via falling yields. From current levels, we believe that the risks of materially higher bond yields have reduced and, if the economy falters, major central banks will be able to cut rates to support growth. In that scenario we would expect bonds to outperform.



THE MONTH AHEAD

May

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
			<p>07</p> <p>Australia balance of trade Euro Area retail sales MoM France balance of trade</p>	<p>08</p> <p>Germany balance of trade; exports MoM; industrial production MoM Canada unemployment rate US non-farm payrolls; unemployment rate; Michigan consumer sentiment (prel)</p>
<p>11</p> <p>China inflation rate YoY, MoM US existing home sales</p>	<p>12</p> <p>Japan household spending MoM, YoY Australia Westpac consumer confidence index; NAB business confidence Germany ZEW economic sentiment index US core inflation rate MoM, YoY; inflation rate MoM, YoY; CPI</p>	<p>13</p> <p>France unemployment rate Euro Area employment change YoY, QoQ (prel); industrial production MoM US PPI MoM; core PPI MoM</p>	<p>16</p> <p>UK GDP growth rate QoQ, YoY (prel); GDP MoM; goods trade balance; industrial production MoM; manufacturing production MoM US retail sales MoM; export prices MoM; import prices MoM; initial jobless claims</p>	<p>17</p> <p>Germany wholesale prices MoM, YoY Canada housing starts US Empire State manufacturing index; industrial production MoM Russia GDP growth rate YoY (prel); inflation rate MoM, YoY</p>
<p>18</p> <p>China house price index YoY; industrial production YoY; retail sales YoY; fixed asset investment YTD YoY</p>	<p>19</p> <p>Japan GDP growth rate QoQ (prel), annualised (prel) Australia RBA meeting minutes UK unemployment rate; average earnings Spain balance of trade Euro Area balance of trade Canada inflation rate YoY, MoM; core inflation rate YoY; new housing price index MoM US pending home sales MoM, YoY</p>	<p>20</p> <p>China loan prime rate 1y, 5y Germany PPI YoY UK inflation rate YoY, MoM; core inflation rate YoY US MBA 30-year mortgage rate; FOMC minutes</p>	<p>21</p> <p>Manufacturing and services PMI flashes for Australia, Japan, India, France, Germany, Euro Area, UK and US Composite PMI flashes for India, France, Germany, Euro Area and US Japan balance of trade; exports YoY; machinery orders MoM, YoY US housing starts, initial jobless claims, Philadelphia Fed manufacturing index Euro Area consumer confidence flash</p>	<p>22</p> <p>UK Gfk consumer confidence; retail sales MoM, YoY; CBI industrial trends orders Japan inflation rate YoY; core inflation rate YoY Germany Ifo business climate Canada retail sales MoM (prel) US Michigan consumer sentiment final</p>
<p>25</p> <p>US Chicago Fed national activity index</p>	<p>26</p> <p>US Case/Shiller home price YoY; CB consumer confidence; Dallas Fed manufacturing index</p>	<p>27</p> <p>Australia inflation rate MoM, YoY France consumer confidence EU new car registrations</p>	<p>28</p> <p>Japan housing starts YoY Euro Area economic sentiment India industrial production YoY; manufacturing production YoY US core PCE price index MoM; durable goods orders MoM; GDP growth rate QoQ (second estimate); personal income MoM; personal spending MoM; initial jobless claims; new home sales Canada BoC financial stability report</p>	<p>29</p> <p>Japan unemployment rate; industrial production MoM (prel); consumer confidence UK nationwide housing prices MoM, YoY France inflation rate YoY, MoM (prel) Germany unemployment rate; inflation rate MoM, YoY (prel) Italy inflation rate YoY (prel) India GDP growth rate YoY Brazil GDP growth rate QoQ, YoY Canada GDP growth rate annualised, QoQ; GDP MoM</p>

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