

CIO-OFFICE DAILY OUTLOOK

16 April 2026

Markets have been optimistic for a while amidst great crisis times, not least against the backdrop of the latest Middle Eastern events. Equities made a March-end low as investors bet that President Donald Trump was looking for an off-ramp from the current impasse. The bullish follow through was then driven by a double blockade of the Strait of Hormuz that aligned the interest of both sides for a possible reopening. Market focus has now shifted to first-quarter earnings. It should constitute a positive catalyst given prevailing pessimism as against projections of over 12% bottom-line growth for US companies. Semiconductors have been leading benchmarks higher and that historically has seen positive returns ahead. Negotiations are being restarted about a longer-term peace deal, that is telling us that geopolitical risk should have peaked. And first and foremost, investors are acting as if that risk indeed has peaked. Two days ago, our Tactical Asset Allocation Committee took the decision to increase risk by reducing cash and adding to EM equities. And allocations to government bonds and gold were increased under the expectation that the reopening of the Strait is a pressing issue and will happen, representing an easing of financial conditions. Also, the Fed under Warsh should be looking through the rise in crude prices, laying more emphasis on the labor market than price pressures. Overall, we would see the odds favoring easing versus tightening before the early-November midterm elections.

On Wednesday, the S&P 500 closed above the 7,000 level, recording its first all-time high since January led by technology and consumer discretionary stocks. The S&P 500 climbed 0.8%, the Nasdaq 1.4% also scoring a record close. Caution was cast aside amidst optimism over AI and corporate earnings. ASML, the Dutch producer of chipmaking machines, bucked the trend to fall 2.4% with a weak outlook for the quarter, even as it raised its full-year sales forecast. Bank of America and Morgan Stanley, that reported earnings above expectations, notched a record on strength in investment banking and trading. EM tech stocks were in the spotlight as well. The MSCI EM Index rose 1.2% led by Taiwan Semiconductor, Samsung, and SK Hynix. Treasuries were weaker across the curve with the yield on the 10-year note gaining 3bps to settle at 4.28%. Gold rebounded, Brent crude was little changed, while the US dollar extended declines for an eighth consecutive session.

Markets this morning

War-driven risk premia gradually unwound with Asian equities were on track to rise for a second consecutive week on signs a ceasefire in the Middle East can be extended. The MSCI Asia Pacific climbed 1.2% buoyed by IT stocks. China held gains as economic growth rebounded more than expected. In Q1 GDP expanded above estimates by 5% from a year ago, while industrial production in March grew 5.7%, also above forecasts. Retail sales fell short and grew in the low-single digits alongside fixed asset investments. China built energy security and the impact from higher oil prices was blunted by deflationary pressures. Brent crude held around \$95/bbl, while the US dollar, the haven of choice during the conflict, weakened once more to record the longest losing streak since 2006. Gold rose above \$4,800, and silver to around \$80. Treasuries held steady.

Upcoming key events/data

Later today investors will be focusing on the release of the Philadelphia Fed Business Outlook indicator, as well as on Industrial Production data in the United States. Netflix and Alcoa Aluminum will be reporting earnings. The G20 finance ministers and central bank governors meet in Washington.

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