



BENDURA BANK

# Market Outlook

April 2026

## First quarter that felt like a year

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An extraordinary concentration of market-moving events in the first three months of the year left investors with the distinct impression that the first quarter lasted far longer than it actually did. It already feels distant and almost forgotten, yet only a couple months ago President Donald Trump created widespread confusion by openly expressing a willingness to buy Greenland, or to acquire it by other means. Soon after, global attention shifted to Venezuela, where authoritarian leader Nicolás Maduro was reportedly extracted directly from his apartment, marking another dramatic political turning point. Finally, what was initially presented as a short-lived military operation in Iran became the most significant and far-reaching event of the quarter.

At the end of February, President Trump ordered a new round of US military attacks on Iran, aiming to destroy enriched uranium reserves and prevent the country from developing nuclear weapons. However, after the failure to locate the enriched uranium during the first few days, the operation evolved into a full-scale conflict that lasts now more than a month. As a defensive response, Iran closed the Strait of Hormuz, a critical trade route through which approximately 20% of the world's daily oil supply flows. This move immediately disrupted energy markets and forced investors to reassess expectations for global economic development, sending market indexes across the world deep into the red. Almost \$14 trillion has been wiped from global equity markets in March.

War highlights a familiar problem: in geopolitics, uncertainty dominates. The situation is shaped by an unpredictable US president and an Iranian regime unwilling to retreat, while Iran has demonstrated resilience and a clear capacity to strike back. Much like the Russia–Ukraine conflict, it pits relatively low-cost defense against expensive overwhelming force, showing that the weaker side can still impose significant damage. Iran's downing of two US warplanes underscores that the conflict's outcome is not solely in Trump's hands, as Tehran can meaningfully raise the costs for both the US and Israel.

So far, uncertainty remains high regarding how and when the conflict will truly end. As a result, markets are no longer guided by clear forecasts, but rather by multiple potential scenarios for future developments. However, the ongoing ceasefire between the conflicting sides offers hope that the worst-case scenarios may not materialize.

# Investment Policy

	Very unattractive	Unattractive	Neutral	Attractive	Very attractive
Liquidity	●	●	●	●	●
Fixed income	●	●	●	●	●
Government	●	●	●	●	●
Corporate	●	●	●	●	●
High Yield	●	●	●	●	●
Emerging Markets	●	●	●	●	●
Duration	●	●	●	●	●
Equities	●	●	●	●	●
United States	●	●	●	●	●
Eurozone*	●	●	●	●	●
Japan	●	●	●	●	●
Emerging Markets	●	●	●	●	●
Rates					
USD	●	●	●	●	●
EUR	●	●	●	●	●
CHF	●	●	●	●	●
EM Currencies	●	●	●	●	●

\*incl. UK and Switzerland

The terms attractive / unattractive describe the return potential of the various asset classes. An asset class is considered attractive if its expected return is above the local cash rate. It is considered unattractive if the expected return is negative. Very attractive / very unattractive denote the highest conviction views of the BENDURA Investment Committee. The time horizon for these views is 3-6 months.

# Global Economy

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## USA

The strongest data point came from employment. U.S. employers added approximately 178,000 jobs in March, significantly exceeding expectations and marking a sharp rebound after job losses in February. The unemployment rate edged down to 4.3%, indicating continued labor market strength despite slowing momentum over the past year. Job growth was concentrated in healthcare, construction, and transportation, while federal government employment continued to decline.

Inflation remained above the Federal Reserve's 2% target, with policymakers increasingly concerned about rising energy costs. The conflict involving Iran led to higher oil prices, which fed into short-term inflation expectations, especially for gasoline. The New York Fed's Survey of Consumer Expectations showed a noticeable jump in one-year inflation expectations in March. A common rule of thumb suggests that a sustained \$10 increase in oil prices eventually adds around 0.3–0.4 percentage points to overall inflation. If oil remains around \$100 a barrel, the OECD's average inflation rate could therefore rise above 4%; at \$140, inflation of 5–6% cannot be ruled out.

Most troubling, central banks may be less able to respond to an inflation shock than they were in 2022. In the United States in particular, monetary policymakers may feel constrained when it comes to raising interest rates. If historical patterns hold, global monthly inflation could exceed 0.6% by July, an equivalent to more than 7% on an annualised basis.

At its March 17–18 meeting, the Federal Reserve held interest rates steady in the 3.5%–3.75% range, citing inflation risks and geopolitical uncertainty. Updated Fed projections pointed to slightly stronger GDP growth for 2026 (around 2.4%), but also higher expected inflation, reinforcing a “higher-for-longer” rate environment.

## Europe

The euro area entered 2026 with modest but positive growth, supported by services, domestic demand, and government spending. However, short-term indicators weakened in March as higher energy costs and uncertainty weighed on consumption and investment. The ECB revised 2026 GDP growth down to around 0.9%, reflecting the drag from energy inflation and deteriorating confidence. Europe’s high dependence on imported energy made the region particularly vulnerable, pushing inflation back above target and clouding the growth outlook.

Euro area inflation jumped to 2.5% in March, up sharply from 1.9% in February and well above the ECB’s 2% target. The increase was driven almost entirely by energy prices, with energy inflation rising close to 5% year-on-year. Inflation accelerated across major countries, notably Germany (2.8%) and Spain (3.3%), while France (1.9%) and Italy (1.5%) remained more restrained.

Among the largest economies, Spain continued to outperform, supported by strong consumption and investment, while Germany and Italy showed mild recoveries after a weak 2025. France’s growth slowed, particularly in industry, although domestic demand remained supportive.

The outlook for the European Union for the remainder of 2026 points to continued but weak growth amid elevated uncertainty. Most forecasts suggest the euro area will avoid recession, yet expansion is likely to remain sub-trend, with GDP growth around 0.8–1%, constrained by high energy costs, fragile confidence, and external risks. Inflation, which had been moving closer to target, is expected to remain uncomfortably high, largely due to energy prices, keeping pressure on household purchasing power and political sentiment.

## **Asia**

China's economy showed signs of stabilisation in March, thanks to a rebound in industrial activity, while inflationary pressures edged higher. The official manufacturing PMI rose to 50.4, returning to expansion territory for the first time in two months. PMI was supported by stronger production and new orders. The non-manufacturing PMI also moved above 50, indicating modest improvement in services activity. Industrial output and export-related manufacturing benefited from resilient external demand, although domestic demand remained uneven, reflecting the ongoing property-sector downturn. Consumer prices accelerated earlier in the quarter, with CPI at 1.3% year-on-year in February, driven partly by holiday effects, while producer-price deflation narrowed as input costs rose amid higher global energy prices.

Chinese policymakers also see the conflict as validating Xi Jinping's long-standing push for self-sufficiency in critical technologies and raw materials. His strategy has aimed to shield China from supply bottlenecks and external pressure points. As part of this effort, Beijing has built a strategic oil reserve of roughly 1.3 billion barrels, sufficient to cover domestic demand for several months. Beyond defensive measures, the war may also open up commercial opportunities. Reconstruction efforts in Iran and the Gulf are likely to

generate large infrastructure and rebuilding contracts, while countries concerned about potential future disruptions in the Strait of Hormuz may increasingly turn to Chinese green technologies to reduce their exposure to energy embargoes.

## Equities

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U.S. equities ended the month with relatively modest losses of around 5%, while traditional safe havens such as Treasuries and gold offered limited protection. In contrast, European and Asian markets performed significantly worse, reflecting their greater vulnerability as major oil importers and the pressure that higher energy prices place on an already fragile recovery. U.S. stocks proved more resilient largely due to America's energy independence and lingering hopes for policy de-escalation, although those expectations were only partially met.

U.S. equities declined broadly across major indices. The S&P 500 fell 5.09%, the Dow Jones Industrial Average dropped 5.38%, and the Nasdaq lost 4.75%. Outside of the energy sector, investors found few places to take shelter. The S&P 500 posted its third monthly decline in the past four months, while the Nasdaq recorded its worst monthly performance since March 2025. Losses were broad-based, with the equal-weight S&P 500 ETF falling 6.2%, underperforming the cap-weighted index for the first time in five weeks. It was a sign that market weakness extended beyond the largest stocks.

Ten of the S&P 500's eleven sectors declined over the month, with losses averaging around 6.2%. Counting from the start of the year, the technology-heavy Nasdaq formally entered correction territory on March 26,

having fallen more than 10% from its recent peak. The Dow Jones Industrial Average followed a day later, underscoring the broad deterioration across major U.S. benchmarks.

European equities saw a sharp reversal in March, ending an eight-month winning streak and posting heavy losses across markets. Germany's DAX fell by more than 10%, France's CAC 40 dropped around 9%, while the UK's FTSE 100 performed relatively better, declining about 6% thanks to its higher exposure to energy stocks. The Stoxx Europe 600 recorded its largest monthly decline since 2022 and its second-biggest drop since the Covid shock in March 2020. Markets experienced extreme sector dispersion as escalating geopolitical tensions triggered an energy-led rotation and widespread volatility. Oil and gas was the standout and the only sector to finish in positive territory, supported by surging commodity prices. Equinor emerged as the top-performing stock in March, rising 49.3%.

Asian equities declined sharply in March, underperforming other global regions. By the end of the month, the MSCI Asia-Pacific ex-Japan index had fallen 13.6% month-on-month, with double-digit losses in every major national benchmark except Singapore, Malaysia, and the main Greater China indices. Rising energy costs added to the pressure, as natural gas and downstream oil product prices surged and oil shortages began to emerge in Japan and South Korea. India was viewed as one of the most exposed economies due to its heavy reliance on oil imports and limited reserves, with its key equity benchmarks falling by around 15% over the month. Additional headwinds came from technology-related developments, including Google's release of its TurboQuant compression algorithm, which weighed heavily on South Korean semiconductor stocks, and Beijing's decision to bar banks and state agencies from using OpenClaw technology.

After the recent market pullback, global equities look far more reasonably valued than they did just a few months ago, though U.S. stocks still stand out as expensive. Around \$14 trillion has been wiped off global market capitalisation in a single month – more than during the worst phase of the pandemic in March 2020. Even so, total global equity value of roughly \$143.5 trillion now sits on a more defensible footing relative to a global economy worth about \$111 trillion at the end of 2024. The U.S. alone accounted for about \$5.7 trillion of that decline, yet its market capitalisation remains near \$66.3 trillion, which is still more than double the size of the American economy and far above levels seen in other developed markets. While U.S. equities arguably merit some premium given the country’s dominant position in the global economy, current valuations leave little doubt that they remain stretched rather than genuinely attractive.

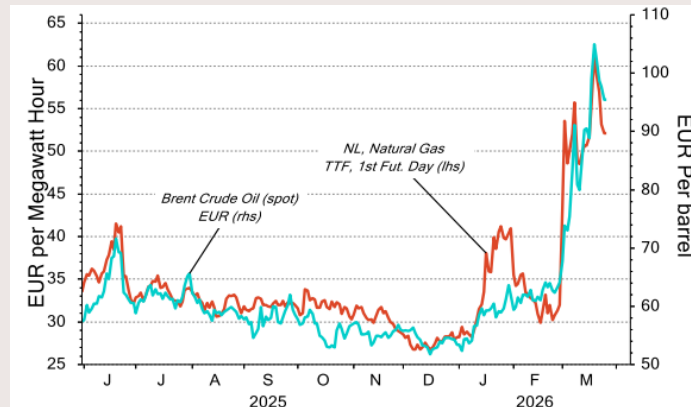


Chart 1: European natural gas and oil prices have surged due to escalating Middle East conflict. Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)

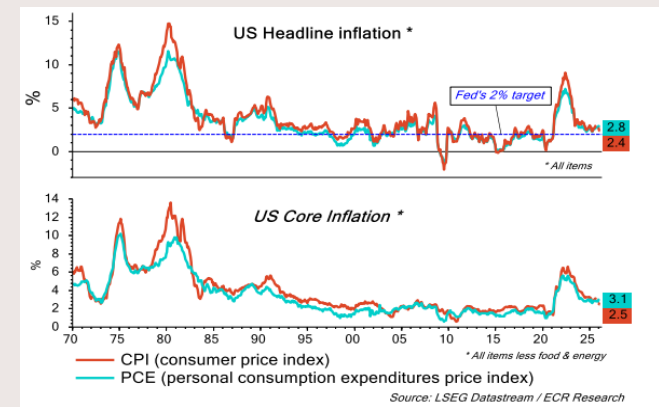


Chart 2: US Inflation. Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)

# Bonds

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Treasury yields rose sharply over the month, accompanied by a pronounced flattening of the yield curve. The 10-year yield briefly reached its highest level since the summer of 2025, while short-dated rates moved even more aggressively. The two-year Treasury yield surged toward 4% before easing slightly by month-end. At the outbreak of the war, markets were pricing in at least one, if not two Federal Reserve rate cuts before the end of the year. Those expectations have since vanished. In fact, markets are now assigning roughly a one-in-five probability to a 25-basis-point rate hike this year, which largely explains the jump in short-term yields.

This shift has occurred despite the standard lesson that monetary policy should generally look through energy-driven supply shocks. Central banks cannot produce oil, and higher energy prices tend to slow growth on their own. Tightening policy in that environment risks worsening the downturn. There is, however, an important caveat. Energy prices are highly visible to households and firms, and sustained increases can fuel broader inflation expectations. The established playbook therefore calls for central bankers to respond forcefully in their communication, emphasizing a willingness to raise rates if needed. That is precisely what policymakers in the developed world have done and if expectations truly become unanchored, the Fed retains the ability to act quickly.

More recently, global bond yields have retreated from their peaks. Optimists may interpret this as a signal that the Middle East conflict will soon de-escalate, but bond markets are often discounting downside risks. In the case of the Iran war, the dominant concern is stagflation, which is a toxic mix of weak growth and elevated inflation. Yields have been volatile because these two forces pull borrowing costs in opposite

directions. Broadly speaking, the sharpest increases in government borrowing costs have occurred in countries most exposed to inflationary pressures stemming from the disruption of the Strait of Hormuz.

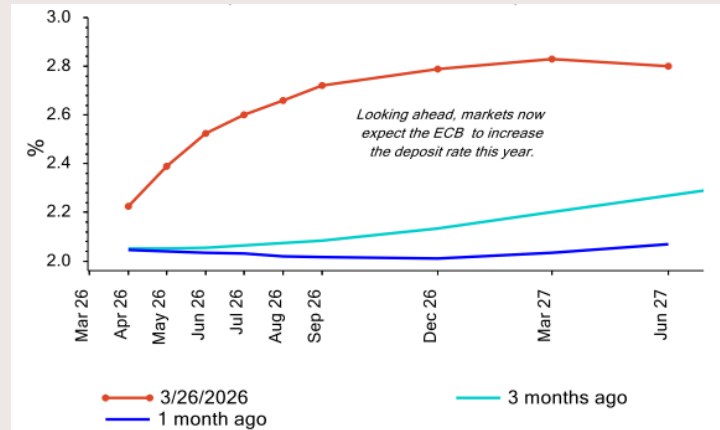


Chart 3: Market implied ECB interest rate expectations (3-month Euribor futures). Source: LSEG Datastream / ECR Research, [www.ecresearch.com](http://www.ecresearch.com)

## Commodities and Currencies

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Oil prices surged sharply following the outbreak of the war with Iran, with Brent crude climbing well above \$100 a barrel in March 2026 and later trading in the \$110–115 range, underscoring the severity of the supply shock. Until late March, the impact was partly cushioned by inventory drawdowns, releases from strategic reserves, and oil already stored on tankers awaiting delivery. These buffers, however, were temporary. At the start of April, a two-week ceasefire between the conflicting parties led to a notable pullback in oil prices, offering some short-term relief to markets. Unless a durable resolution follows, global oil consumption will still need to adjust to structurally lower supply. Ultimately, prolonged high prices risk forcing demand destruction, first in poorer regions and, if the conflict resumes or drags on for months, increasingly in the industrialized world where most oil is consumed.

Gold failed to act as an effective hedge during the market turmoil in March, delivering one of its weakest performances in decades despite heightened geopolitical risk. After starting the month at elevated levels above \$5,300 per ounce, gold briefly rallied to a monthly high of around \$5,405, before selling pressure intensified. As the month progressed, rising U.S. Treasury yields, a stronger dollar, and a sharp repricing of Federal Reserve rate expectations overwhelmed traditional safe-haven demand. Gold ultimately fell to a monthly low near \$4,100 per ounce and ended March down roughly 10–13%, marking its steepest monthly decline since the global financial crisis.

The conflict in the Middle East has exposed a new vulnerability in the global semiconductor supply chain by disrupting helium supplies. Attacks on energy infrastructure in Qatar have led to a halt in natural-gas

production, cutting off an estimated 30–40% of global helium output, since helium is extracted as a by-product of gas drilling. This has forced major suppliers, including Air Liquide, to declare force majeure for some customers. The disruption is particularly sensitive because helium is difficult to store and transport, requiring extreme cooling and specialised containers, forcing suppliers to carefully prioritise deliveries. Although helium represents only a small share of semiconductor manufacturing costs, it is critical for advanced processes such as EUV lithography. As in previous shortages, chipmakers and medical users are expected to receive priority access.

The US dollar strengthened notably against both the euro and the Swiss franc as the war with Iran reshaped currency markets. Instead of triggering a classic flight into traditional havens such as the CHF, much of the risk-averse flow went into the dollar, reflecting the US's energy independence, rising Treasury yields, and the dollar's role as the world's primary settlement and funding currency. The euro weakened as Europe's exposure to higher energy prices intensified concerns about growth and inflation, leaving the ECB with limited policy flexibility. Meanwhile, the Swiss franc proved less defensive than usual, as Switzerland's dependence on imported energy and the global repricing of interest-rate expectations reduced its appeal relative to the dollar. We expect further dollar strength only in case the conflict continues further. If the conflict will be resolved, EUR/USD pair could march toward at least 1.20.



*Chart 4: Historical EUR/USD changes. Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)*

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