Market Commentary 6th of May 2026

After a volatile March, April 2026 saw a powerful recovery across most risk assets. As geopolitical tensions stabilized and markets digested the previous month's shocks, investor sentiment shifted back toward growth. The month was characterized by a sharp rally in equities and a retreat in the U.S. Dollar, though energy prices remained stubbornly high.

Equities: US, Europe, and UK

Global equity markets staged a massive relief rally, recovering much of the ground lost in the preceding weeks.

The S&P 500 (SPX) led the charge among major Western Indices, surging 10.42% to close the month at 7209. This performance officially pushed the index back into positive territory for the year, with a YTD return of 5.31%.

Continental markets also saw a strong bounce-back. The MSCI Euro (MSER) rose 5.92%, while the DAX Index gained 7.11%. Despite the monthly rally, the DAX remains slightly underwater for the year at -0.81% YTD, reflecting the deeper impact of the Q1 energy crisis on German manufacturing.

The FTSE 100 (UKX) posted a more modest gain of 1.99%. While it lagged the explosive growth seen in the US and Germany, it maintained a steady 4.51% YTD return, supported by its heavy weighting in the energy sector which remained firm throughout the month.

Fixed Income

The bond market showed signs of stabilization as the aggressive sell-off in yields paused. The Global Aggregate index climbed 1.25% in April, effectively erasing its year-to-date losses to sit at +0.16% YTD. The Global Aggregate was bolstered by corporate bonds and international sovereign debt, which benefited from the weakening U.S. Dollar.

Commodities: Oil and Gold

The energy rally continued, albeit at a slower pace. Crude oil rose another 3.64% in April, closing at $105.07. Oil remains the standout performer of 2026 so far, boasting a massive YTD gain of 83%.

Precious metals remained under pressure as investors rotated back into "risk-on" assets like equities. Gold declined -1.08% to end at $4618/oz, though it retains a healthy 6.9% gain for the year to date.

Currencies & Digital Assets: Dollar and Bitcoin

The Dollar Index (DXY) retraced its previous gains, falling -1.91% to 98.056. As the immediate "flight-to-safety" bid faded, the greenback softened against the Euro and Pound, moving the DXY to a slightly negative -0.27% position for the year.

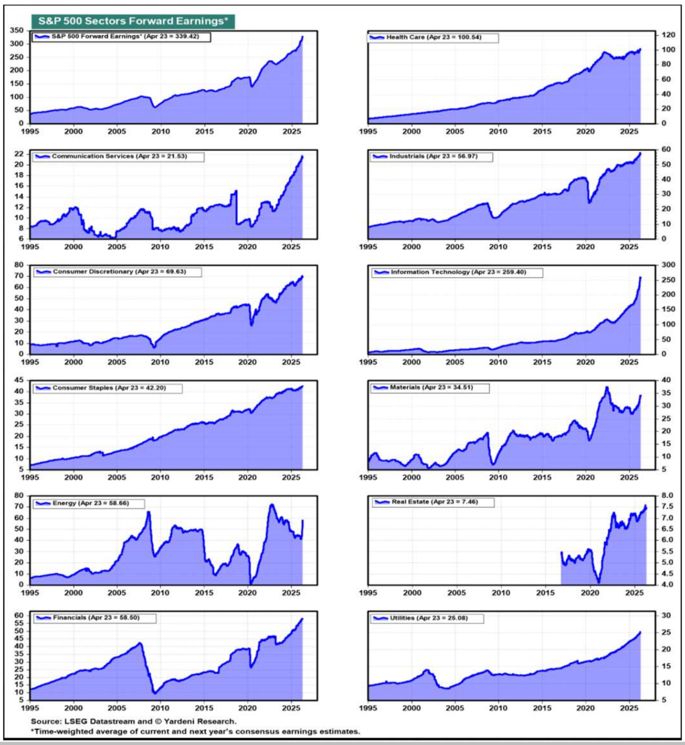
Following a resilient March, Bitcoin accelerated its recovery with a 12.13% jump to $76,466.34. While still down -12.76% YTD, the asset regained significant momentum as technical buyers returned to the market.

“We told you so”

We ended last month’s commentary on April 3rd with the following paragraph:

We are of the opinion that this has created a compelling buying opportunity for some high-quality names in a sector (tech) that has led growth in the US equity markets for decades. It takes some resolve to buy when the world is in so much turmoil, but anyone who actually buys will probably be very happy looking back.

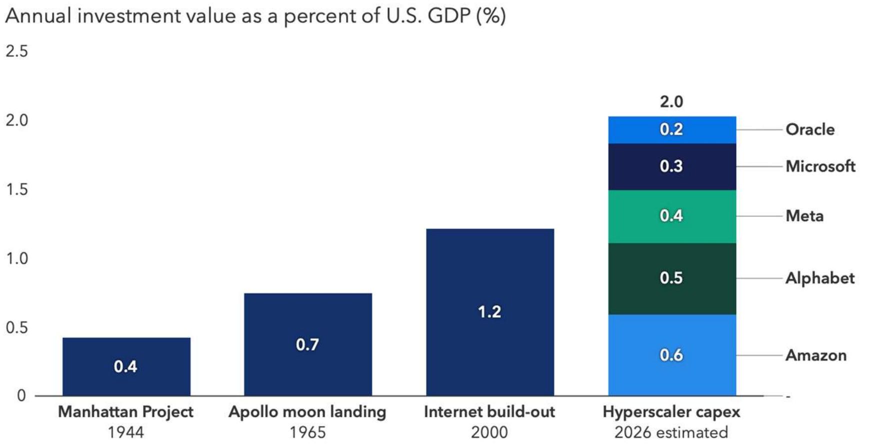
As it turned out, tech is up about 15% since we wrote that, and as our client portfolios do indeed have a considerable exposure, they have benefited in a meaningful way. Of course, we are not prophets, and tech could easily have continued its short term fall. What we had, however, was conviction in the market-beating earnings growth that only tech can consistently provide, and earnings growth is the single biggest factor in equity market performance. The graph below from Yardeni Research shows that forward tech earnings are still expected to be very strong, far outpacing any other sector and also accelerating considerably in 2026.



Another feature of our management that was recently highlighted was not to sell in the face of grave geopolitical news. And we did not.

How long can this tech party last? Judging by the spending commitments of the hyperscalers, this can go on for a while. The major hyperscalers are expected to spend $1 trillion next year, which will represent a massive 2% of US GDP, a much higher percentage than previous spending sprees.

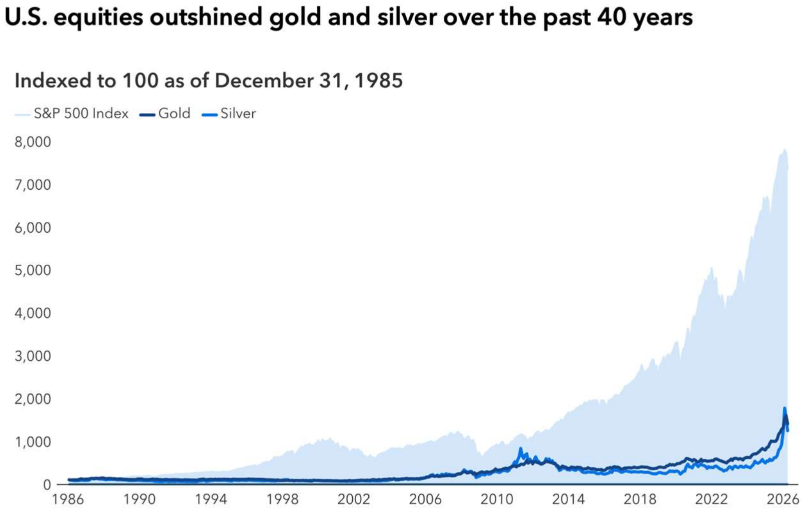
AI spending dwarfs history's biggest moon shots



Sources: Capital Group, Brookings, Congressional Budget Office (CBO), FactSet, Federal Reserve Board of St. Louis, The Planetary Society, U.S. Census Bureau. Project costs for the Manhattan Project and the Apollo moon landing reflect peak annual spending during each project's lifetime. Hyperscalers represented by Google, Amazon, Microsoft, Oracle and Meta. Hyperscaler capex 2026 estimates calculated by taking sell-side estimates divided by CBO GDP estimates. As of February 28, 2026.

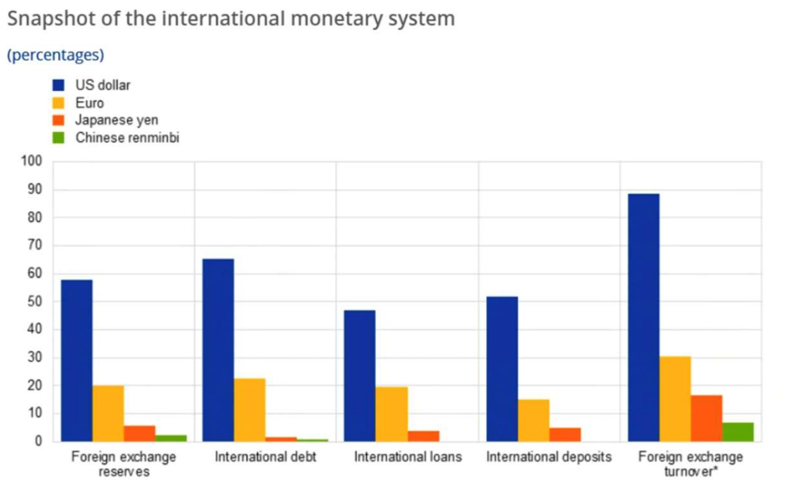
Two graphics on gold and the USD

We are often asked if gold is a good investment and if the US dollar is losing its dominance. On gold, there is no doubt that it has been a very good investment in the last few years. But it's always good to keep this in perspective of how it has done in the longer term versus equities. The chart below shows that in the last 40 years, US equities have done considerably better. Perhaps Warren Buffett had a point when saying that he does not invest in gold.



Sources: Capital Group, ICE, London Bullion Market Association (LBMA), LSEG Workspace, S&P Global. S&P 500 returns reflect total returns (with dividends reinvested). Gold and silver reflect LBMA prices per troy ounce in U.S. dollars. Figures shown are monthly from January 31, 1986 through March 31, 2026.

As for the dollar, it is indeed under stress lately as many investors are questioning the isolationist policies of the US government. Nevertheless, perspective tells us that it is still by far the dominant currency on multiple fronts:



Sources: BIS, IMF, CLS Bank International, Ilzetzki, Reinhart and Rogoff (2019) and ECB staff calculations.
Notes: The latest data on foreign exchange reserves, international debt, international loans and international deposits are for the fourth quarter of 2024. Foreign exchange turnover data are as of April 2022 (the latest available data as they come from a triennial survey). *Since transactions in foreign exchange markets always involve two currencies, foreign exchange turnover shares add up to 200%.