

# Boom in US earnings growth

## Key takeaways

Stock markets in the developed world were essentially flat last week as a bumper US earnings season cancelled out the deteriorating news from the Middle East.

### Tech stocks help double US earnings forecasts

April was the strongest month for the S&P 500 Index of US companies since 2020. In the three weeks since the start of the US first quarter-earnings season, forecast (blended) earnings growth has almost doubled to 27%, taking the full-year forecast to 22%. This is largely thanks to outstanding earnings from several of the Magnificent 7 and other major US technology stocks, such as the chipmaker Micron Technology.

Earnings numbers are now so strong that they have succeeded in bringing current P/E (price to earnings) valuations for US shares down from their recent highs. Of the five Magnificent 7 to report last week, Alphabet (Google) was the pick of the bunch. Amazon also beat expectations, as did Apple, while shares in Meta and Microsoft were punished for their capex (capital expenditure) plans. Last week's reporting took combined AI spending from the US tech giants to \$725bn.

### Central banks wary of Iran risks

All four major central banks kept interest rates on hold last week. The Bank of Japan held rates at 0.75%, followed by the third consecutive 'hold' from the US Federal Reserve at 3.50% - 3.75%. Meanwhile, the Bank of England held at 3.75%, and the European Central Bank kept interest rates at 2% for the third time in a row.

The central banks are awaiting further evidence of the inflationary impact of the Iran war. Although the oil price declined last week, it was almost 80% up in 2026 (to 30 April). Yesterday, US personal consumption expenditure (PCE) inflation hit 3.5%, with US gas prices jumping from c\$3 a gallon prior to the Iran war, to \$4.30 by the end of April. UK Consumer Price Index (CPI) inflation came in at 3.4% in March, while eurozone inflation jumped to 3% in April.

### 'Fab 3' tower over Asian markets

Despite easing slightly last week, the MSCI Emerging Market Index surged over 11% in April thanks mostly to AI-driven demand, and the heroic progress of Asia's three largest chip fabricators so far in 2026.

Some 90% of this year's gains for emerging markets derive from the technology sector, with Taiwan Semiconductor (TSMC), and Korea's Samsung Electronics and SK Hynix accounting for an enormous 60% of total index returns. Shares in TSMC, which accounts for around 40% of Taiwan's market, surged over 23% in April, while Samsung and SK Hynix leapt 35% and 60%, respectively, helping their home markets to gains of around 25% in April (in US dollars).

The two Korean giants have pushed Korea's stock market index, the KOSPI, into the stratosphere this year, helping it to replace the UK as the world's eighth-largest stock market.



## Market moves

Global stock markets were flat last week mirroring those in the US, Europe and UK.

Emerging markets retreated modestly, but were still 11.3% ahead for April as a whole.

Both UK and US government bonds suffered losses as the Bank of England and the Federal Reserve kept interest rates on hold. Elsewhere, gold declined by 2.5%.

## What to look out for this week

Global Composite PMI (Purchasing Managers' Index) data will provide an economic snapshot of most major markets this week.

In the US, Tuesday brings balance of trade and services data followed by productivity and jobless numbers on Thursday and non-farm payrolls on Friday.

Wednesday sees European services data and Producer Price Index data, a key inflation indicator. Thursday promises European construction data and retail sales numbers.



**If you have questions about financial markets, or our investment services, please contact the Marketing team:**

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