

‘Animal spirits’ return to the US

Key takeaways

Emerging market and US shares outperformed, thanks chiefly to a strong rebound in technology stocks. Markets elsewhere struggled as oil prices rose amid deadlock in the Middle East.

Tech stocks power US higher

A pronounced rally in technology stocks, the largest sector in the S&P 500 Index, helped US shares to overhaul their European peers in the year to 24 April, reversing the previous trend. By the close on Friday, the S&P 500 had gained 10% in April while the tech-heavy Nasdaq Index was ahead 15%.

Although they report earnings this week, last week saw shares in Amazon gain north of 25%, with other Magnificent 7 stocks, such as Meta (Facebook), Microsoft and Alphabet (Google) also enjoying double-digit gains.

Hardware companies and chipmakers have been especially robust as they're seen as supplying the current AI boom. Banking analysts now estimate that AI spending will add 12% to the S&P's earnings per share (EPS) in 2026, and 10% next year.

Market: Intel

Shares in the previously declining US chip-making giant, Intel, have done nothing but rise this year thanks to a leadership change, White House support, ambitious turnaround plans and massive AI demand for its latest wares. Its shares leapt 24% on Friday following first-quarter earnings that beat expectations.

Intel's shares have so far gained over 85% in April, to more than triple over the last year, surpassing the record price they hit back in the dot.com bubble of 2000.

The chip maker has enjoyed renewed fortunes along with other major memory and storage chip companies, and now partners with Elon Musk's 'Terafab' chip factory, which supplies both SpaceX and Tesla. The US government also invested in Intel as part of the US Chips Act. Its 8.6% share of the company was worth over \$35bn following Friday's gains.

White House clears path for Kevin Warsh

In a move calculated to fast track the approval of Kevin Warsh for confirmation by the US Senate as the next chair of the Federal Reserve (Fed), last week the US Department of Justice announced on social media that its prosecutors were dropping their criminal investigation into sitting Fed chair Jay Powell.

Previously, Mr Warsh's progression was barred by Republican dissent, with senior figures refusing to vote on the issue so long as criminal charges were pending against Jay Powell. Mr Powell's term as chair is due to end on 15 May, however, he has the power to remain on the Fed board until January 2028, should he choose.

Mr Warsh is a former Fed governor. At his delayed nomination hearing last week, the likely next chair of America's central bank notably denied being President Trump's "sock puppet".



Market moves

Global stock markets were slightly ahead thanks to gains for emerging market and US shares.

European and UK stock markets suffered the worst declines.

Rising UK inflation undermined UK government bonds. US government bonds suffered more modest losses.

What to look out for this week

Three major central banks convene to set interest rates this week. The US Federal Reserve announces on Wednesday, followed by the Bank of England and the European Central Bank (ECB) on Thursday.

Tuesday brings ECB inflation expectations followed by European consumer confidence and economic sentiment data on Wednesday.

In the US, consumer confidence numbers are due on Tuesday. Wednesday sees trade balance numbers with US GDP, and Personal Consumption Expenditure (PCE) data (the Fed's preferred inflation gauge) on Thursday.



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