

Stealing the show

Key takeaways

Emerging market stocks gained almost 7% thanks to ongoing AI fervour, and hopes of progress in the Middle East that saw oil prices plummet over 15% and the dollar weaken.

Emerging markets race away

Last week, the MSCI Emerging Market Index gained 6.9%, taking returns in 2026 to just under 21%, more than three times the return from the MSCI North America Index. A combination of AI euphoria, a weak dollar, and an improving outlook in the Middle East has 'turbo-charged' emerging markets.

Around half of this year's gains for the index derive from TSMC (Taiwan Semiconductor Manufacturing Company), and Korea's Samsung Electronics and SK Hynix. They now account for 21% of the MSCI Emerging Market Index. At 13%, TSMC alone is now more valuable than all of the Indian stocks in the index.

Meanwhile, oil-importing emerging markets, outside of the AI narrative, have suffered in 2026. Indonesia and the Philippines have been especially hard hit, as have stock markets in South Africa and India. All remain deeply 'in the red' since the Iran war.

US earning growth broadens as market leadership narrows

The S&P 500 Index of US companies closed above the 7,300 mark for the first time last Friday, amid another exceptional US reporting season. While the US technology sector continues to lead in terms of earning growth, other US sectors are also showing strong progress. Consequently, S&P 500 earnings growth is hitting highs last seen in the final quarter of 2021. With 84% of companies to have reported so far beating earnings per share (EPS) expectations, aggregate earnings are now more than 18% ahead of those forecast.

Although the S&P 500 Index has gained over 12% since the start of April, just five giant US technology stocks – Alphabet, Amazon, Apple, Broadcom and Nvidia – account for over half of these gains with the equal-weighted version of the S&P 500 only gaining half as much as the main S&P 500 Index.

Gilt market relief as 'Starmergeddon' averted

Despite losing very nearly 1,500 seats in last week's UK local elections, gilt markets (UK government bonds) took the view that 'Starmergeddon' – the end of Sir Keir Starmer's government amid a leadership challenge and a possible move to the left of the political spectrum – had been averted, for now.

Gilts have been among the asset classes worst hit by the conflict in Iran. Yields on 30-year gilts were already 0.5% higher (meaning their prices were substantially lower) as a result of the war and its likely inflation consequences. Last week's added political turmoil took the same yields to their highest this century. They eased on Friday (meaning their prices rose), and the pound strengthened, as the 'doomsday' scenario of an immediate leadership change, and Britain's seventh prime minister in 10 years, afforded gilts a temporary reprieve.



Market moves

Global stock markets made strong progress thanks chiefly to US and emerging stock markets.

Although European shares made modest gains, the UK stock market declined amid political turmoil.

UK and US government bonds gained on signs of progress on Iran. This weakened the US dollar and helped gold to gain over 2%.

What to look out for this week

Today is the US Senate confirmation vote for Kevin Warsh, Mr Trump's candidate for chair of the US Federal Reserve. After a turbulent term, Jay Powell's chairmanship ends on Friday.

The US awaits CPI inflation numbers on Tuesday, Producer Price Index (PPI) numbers on Wednesday, and jobless claims data on Friday.

Wednesday will see the latest European GDP and employment numbers while Thursday brings UK GDP growth numbers for March.



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

marketing.hwam@handelsbanken.co.uk

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