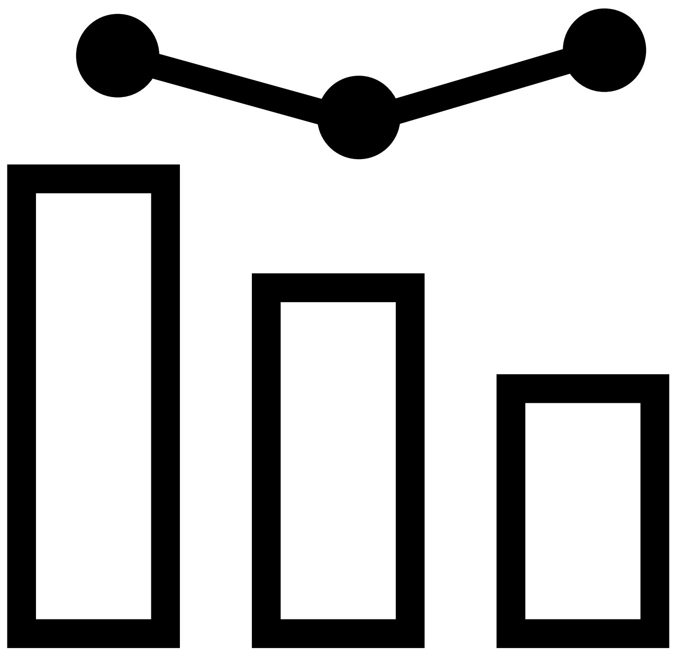


Marketupdate

April 2026

April 2026: Nothing to worry about?

It looks as though there is still no end in sight to the war in the Middle East. The Strait of Hormuz is still closed, and oil prices are still high. Nonetheless, last month was a good month for shares. Emerging market shares performed especially well, with a return of 13% (in euros), closely followed by Asian shares with a return of 12%. However, it should be remembered that these were the markets most heavily punished in March. Good profit figures from Asian chip producers also contributed to the positive return.

European shares did well, returning 5%, even though this was the region with the worst performance. US shares did better, with a return of 9% (in euros), despite this region being less affected in March by the war in the Middle East due to its energy self-sufficiency. US shares also benefited from strong profit growth figures in the first quarter of 2026.

The asset class with the worst performance was government bonds, on the back of increased inflation forecasts due to higher gas and oil prices. Even so, the return was still positive at 0.3%. Investment-grade corporate bonds did slightly better, with a return of almost 1%, while higher-risk corporate bonds returned nearly 2%.

Generally, therefore, April was a pretty decent month for marketable securities. There were several positive and negative outliers, not least due to the difficult progress of negotiations between the US and Iran and Trump's statements on the issue. The markets are likely to remain volatile.

The returns on the various asset classes were as follows:

Rendementen (total return, in euro's)	april	Q2	2026	12 mths
Bloomberg Barclays Eurozone Staatsobligaties	0.3%	0.3%	-0.3%	-0.4%
Bloomberg Barclays Euro Bedrijfsobligaties	0.9%	0.9%	-0.1%	2.0%
Bloomberg Barclays Euro High Yield Bedrijfsobligaties	1.8%	1.8%	0.2%	4.6%
FTSE/EPRA Europe Onroerend Goed	5.0%	5.0%	-0.5%	-1.5%
MSCI Europe Aandelen	5.2%	5.2%	4.2%	18.4%
MSCI North America Aandelen	8.6%	8.6%	5.7%	26.2%
MSCI Asia Pacific Aandelen	11.5%	11.5%	13.4%	35.1%
MSCI World Developed Markets Aandelen	7.8%	7.8%	5.3%	23.1%
MSCI Emerging Markets Aandelen	13.0%	13.0%	14.7%	41.6%
EUR/USD	1.5%	1.5%	-0.1%	3.6%

Source: Bloomberg

Slower growth in the eurozone

Economic growth in the eurozone is slowing. Growth in the first quarter of 2026 was 0.8% year-on-year. This is a notable decline from the average in the three previous quarters (1.4%), and could indicate that negative sentiment due to the war in Iran and high oil and gas prices are beginning to affect consumer spending.

Within the eurozone, it is mainly the larger economies that are performing less well: growth was only 0.3% in Germany, 0.7% in Italy and 1.1% in France. In recent quarters, we already saw that eurozone growth was driven mainly by its southern and smaller members, and this is still the case. In Spain and Portugal, for instance, growth increased during the past quarter to 2.7% and 2.3% respectively.

In addition, we should mention the situation in Ireland. The slowdown in eurozone growth was partly due to the state of the Irish economy, which contracted by 6.3% (year-on-year) in the first quarter. Ireland accounts for nearly 4% of eurozone GDP, so the impact of this on eurozone growth was -0.2%. The growth figures for the Irish economy are highly volatile, since they are affected by the activities of multinationals that report their earnings and hold their intellectual property in Ireland for tax reasons. These figures are therefore not an accurate reflection of the short-term health of the Irish economy.

The slower growth figures in the eurozone were disappointing, but they do not as yet suggest any general slowing of growth in the region. However, this may change in the near future, particularly because sentiment is still deteriorating. One sign of this is the collapse in consumer confidence in April to -20.6, not far from the lowest point of -23.2 for this measure during the coronavirus pandemic. The services PMI also fell to 47.4 in April, indicating that purchasing managers expect to see a contraction in the services sector.

US economy growing at a moderate pace

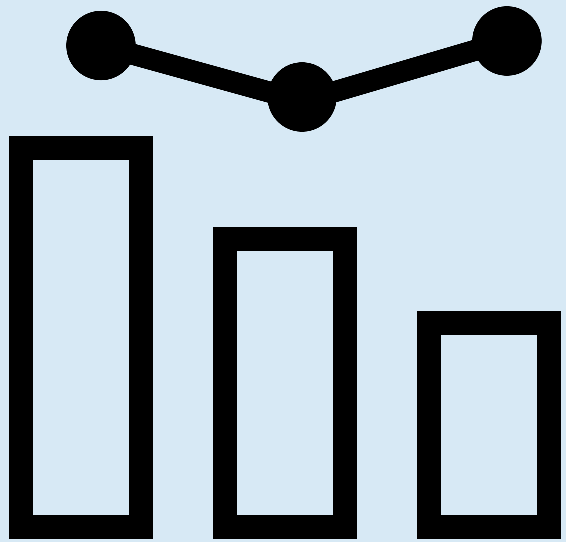
The US economy is doing better, with (annualised) growth of 2% during the first quarter. This was slightly less than forecast (2.3%), but still decent. Consumer spending was also up 1.6%. This is less than the long-term average of 2.5%, but US household consumption is holding up. However, the largest contribution came from investments, partly in AI-related businesses. This was up 8.7%, accounting for half of the 2% growth. Leading indicators are positive as well, with the services and manufacturing PMIs at 54 and 52.7 respectively. Both these measures indicate expected growth. However, this does not mean that the US economy will remain unaffected by higher prices for oil and gas. Although the US is a net exporter of oil, and thus benefits from higher oil prices, it is mainly the oil companies that will reap the spoils, while the higher costs will be borne by consumers. That said, consumption will receive another boost this year from Trump's previously announced tax cuts.

Eurozone inflation already starting to creep up

Inflation in the eurozone rose to 3% in April, up from 2.6% in March. This is a significant change from the situation in February, when inflation stood at 1.9%. So instead of being below the ECB's target, inflation has increased significantly. Most of the rise in inflation has come from higher energy prices, with this component increasing by 10.9% in April. If gas and oil prices remain at high levels, we can expect a further rise in inflation in the coming months. Since the US attack on Iran, oil prices (Brent) have risen by 78% and European gas prices have gone up 63%. Higher gas prices will probably have a delayed effect on the inflation figures, as many European households have annual (or longer) contractual agreements in which the gas price is fixed. According to the ECB, it will take three to six months for higher gas prices to affect the inflation figure.

It should be noted that food prices are also vulnerable to the blockade of the Strait of Hormuz, due to the unavailability of fertilisers. Roughly one-third of all fertilisers transported by sea passes through the Strait of Hormuz. This unavailability will affect food harvests in the coming months. A reduced availability of fertiliser will cause food production to fall and what is produced to become more expensive (due to higher fertiliser prices). To illustrate this point, Rabobank has calculated that fertiliser costs represent nearly half of the variable costs of grain production.

Core inflation in the eurozone eased from 2.3% in March to 2.2% in April, but this metric is also more likely to rise than fall in the coming months. Over time, higher food and energy prices will have an effect on core inflation through higher pay demands from workers. Pay demands are reflected in services inflation, which is an important driver of core inflation. According to the wage tracker on the job site Indeed, wage growth in the eurozone was 2.3% in March. At the same time, the European labour market is still tight, with unemployment at a historically low level of 6.2%. Workers thus have a strong negotiating position, meaning there is a reasonable chance that wage growth will pick up. Clearly, this will not be the case if the eurozone were to fall into a severe recession.



US inflation also on the rise

Inflation also rose in the US, from 2.4% in February to 3.3% in March. Here, too, energy costs were the main driver, with a 12.5% increase in this component in March. This is notable, as this figure reflects only a single month's effect of the Iran war. US consumers are also suffering from higher energy prices, even though the US is a net exporter of oil.

Core inflation rose to 2.6% in March, up from 2.5% in February. There is a fair chance that core inflation will increase further in the US as well. The US labour market has shown signs of easing in the recent period, but is still in relatively good shape. US unemployment stands at 4.3%, lower than the long-term average of 5.5%. Moreover, wages are still growing (by 3.9% in March). Non-farm payrolls recently rose by 178,000, well above the Bloomberg consensus forecast of 65,000.

Difficult position for central banks

Around the world, central banks are in a difficult position. Inflation is rising, but there is also a risk of recession. If oil and gas prices increase further and stay high, there could be a collapse in demand. If energy prices get too high, people will simply consume less energy, but it will not only be energy consumption that falls: consumption of other goods and services will decline as well.

Currently, most central banks are keeping their powder dry. The Japanese, British, US and European central banks were among those that held meetings last month. All of them decided to maintain their policy rates and adopt a wait-and-see stance.

The financial markets believe it is more likely that the interest rate policy will be tightened rather than eased in the coming period. The ECB is currently expected to implement three interest rate hikes this year, based on overnight index swap prices. This is a significant change from the situation before February, when no interest rate hikes were expected to occur this year.

The Fed is now expected to keep its interest rate policy unchanged this year, whereas before February two or three rate cuts were forecast. The markets will also be looking at the views of new Fed Chair Kevin Warsh, who will take up his post on 15 May. Given his statements criticising quantitative easing, he would not appear to be particularly dovish. On the other hand, he has also described the effects of AI as structurally deflationary, which could mean he will argue for a lower policy rate.

No likelihood of peace with Iran in the short term

The US and Iran have held talks on possible permanent solutions. So far, there has been no breakthrough, and the interest rate markets are not convinced that this will happen any time soon. This is shown, for instance, in the rate for one-year eurozone inflation swaps, which point to average inflation of 3.8% in the coming months. This is in line with a scenario in which oil and gas prices remain high.

Since the outbreak of the war, several banks and investors have analysed the effects of various scenarios on economic growth and inflation. The ECB has calculated three such scenarios: a 'base case', an adverse scenario and a severe scenario. The one-year inflation swap rate reflects the adverse scenario. In this scenario, the ECB assumes an oil price of USD 119 dollars per barrel and a gas price of EUR 87 per MWh, leading to inflation at 3.5% and eurozone growth of 0.6% in 2026.

In line with the financial markets, speculators using the gambling site Polymarket are also betting against peace in the short term. The probability of peace by 30 June is estimated at just 35%. While these figures need to be interpreted with caution, intuitively there would also appear to be much chance of peace any time soon. The demands of Iran and the US are simply too far apart for that to happen.

UAE leaves OPEC

Another interesting development last month was the departure of the United Arab Emirates (UAE) from the OPEC oil cartel. This did not have any significant effect on oil prices. In the longer term, however, the UAE's departure could lead to lower oil prices, as it will weaken OPEC's ability to set the price of oil. Including the UAE, OPEC accounts for 34% of daily oil production. After the UAE's departure, this proportion will fall to 30% – so even without the UAE, OPEC will still account for almost one-third of global oil production. Nonetheless, the departure is a sign of the gradual break-up of OPEC's power to influence oil prices. Fifteen years ago, OPEC accounted for 40% of global oil production. Today, the US alone is responsible for 20% of global oil production. The UAE's departure could also encourage other OPEC members to leave, given that OPEC membership becomes less valuable as the cartel loses its dominant position in global production.

Uncertain situation calls for a neutral view

In this highly uncertain environment, it is advisable to exercise caution. Economic growth is under pressure, while inflation is rising. This is not a positive situation for marketable securities such as shares. If higher inflation leads to higher interest rates, this will also have a negative effect on government bonds and real estate. Much will depend on the development of oil and gas prices, which are highly exposed to signs of peace or further escalation between Iran and the US. If a light appears at the end of the tunnel, shares could rally strongly and inflation forecasts will decline, as will interest rates. Whatever the outcome, the markets are likely to remain tense in the coming period.

Disclaimer

a.s.r.
Archimedeslaan 10
3584 BA Utrecht
www.asrvermogensbeheer.nl

ASR Vermogensbeheer N.V. - KVK 30227237 Utrecht

57552EN_0526