

May 2026

## Interest rates & bonds

De-escalation led to credit spread recovery

	10-year government bond yield			Investment-grade credit spread		
	Current	Apr. 2026*	Year-to-date*	Current	Apr. 2026*	Year-to-date*
US	4.4%	7 bps	22 bps	80 bps	-9 bps	2 bps
Eurozone	3.0%	5 bps	19 bps	82 bps	-15 bps	4 bps
UK	5.0%	8 bps	52 bps	92 bps	-7 bps	9 bps
CH	0.4%	5 bps	11 bps	73 bps	-1 bps	-6 bps

10-year government bond yield eurozone = DE, bps = basis points.  
\* Change as at 30 April. Source: Bloomberg

### USA

- The de-escalation (ceasefire and peace talk meetings) in the US-Iran war led to a decline in risk premia. Accordingly, USD credit spreads both in investment grade (IG) and high yield (HY) tightened in April. US government bond yields stayed rather stable month-to-date as energy prices and 1-year and 2-year inflation expectations remained elevated.
- We expect a 25bp interest rate cut by the Fed in September 2026 and one additional cut in 2027, in line with the Fed's own median projections.

### Eurozone

- After the spike of government bond yields in March, the 2-year to 5-year Bund yields declined and the 10-year yield was slightly up in April. EUR credit spreads tightened more than USD credit spreads.
- We expect the ECB to hike its policy rate to 2.25% in June 2026.

### UK

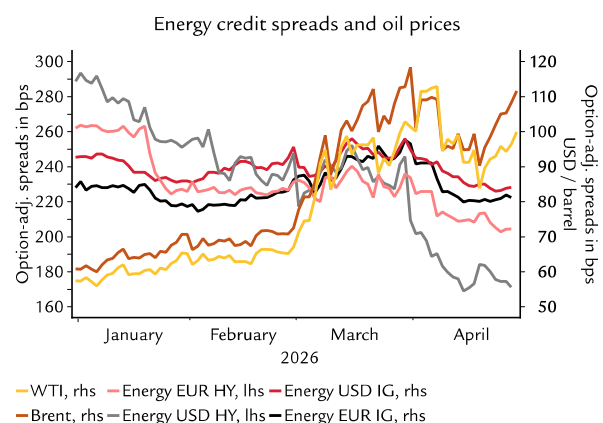
- In a move comparable to the eurozone, IG spreads tightened and 10-year gilt yields went up in April.
- The Bank of England indicated it would tighten policy in the event of a “larger or more protracted shock”. We expect one hike in June before an easing of monetary policy toward towards neutral in 2027.

### Switzerland

- Swiss 10-year government bond yields increased in April. Swiss IG credit spreads stayed rather stable, both in April and year-to-date.
- We expect the SNB to hold its policy rate at 0% in 2026.

## Energy sector spread outperformance year-to-date

Rising oil and gas prices in March, which remained elevated in April, made the energy sector one of the strongest performers in credit markets year-to-date. USD credit indices benefited more than EUR indices due to their higher exposure to energy (USD HY 10%, USD IG 9% vs. EUR IG 4% and EUR HY 2%). Within IG, performance varied across the five sub-sectors: 1. credit spreads in the exploration & production (E&P) and oil refining & marketing sectors saw the strongest tightening year-to-date. E&P benefits directly from higher commodity prices, with a fast and largely undiluted transmission into EBITDA and free cash flow. Refiners and marketers gained from wider crack spreads, product market dislocations (e.g. diesel and jet fuel) and inventory revaluation. 2. Other sub-sectors, i.e. integrated energy, gas distribution and oil field services, lagged. This is due to either more diversified business models that dilute the upside, regulated or non-commodity-linked revenues. For the credit market overall, a prolonged disruption of the Strait of Hormuz would likely weigh on company fundamentals through higher energy prices and interest rates, alongside weaker growth – particularly in the eurozone relative to the US. However, our base case remains that oil prices will ease in the coming months. As a result, we maintain a neutral 1-month view on IG and HY credit spreads, as well as on 2-year and 10-year government bonds in the US, eurozone, and Switzerland.



# Equities

## Sharp reversal in April

Regional equity markets	Apr. 2026*	Year-to-date*
USA	9.3%	4.3%
Eurozone	5.1%	2.5%
UK	0.4%	4.5%
Switzerland	2.7%	-0.2%
Emerging markets	16.0%	15.8%

MSCI net total return indices in local currency.  
\* Performance as at 30 April. Source: Bloomberg

### USA

- In April, the US equity market reversed sharply due to hopes of an end to the Iran war.
- The US earnings season started and so far, the results are very good, supporting the market also from a fundamental perspective.
- AI and tech stocks recovered strongly in April. The Magnificent 7 are up 16.7% in April.
- Despite strong earnings growth, the market valuation is now very rich again.

### Eurozone

- European markets underperformed the US market again in April.
- Consumer goods stocks and industrials were hit particularly hard with losses of more than 10%.
- Valuations are at the upper end of the neutral range.

### UK

- The UK market is the most defensive market, which also has the lowest valuation of key equity markets in developed countries.

### Switzerland

- The Swiss equity market underperformed significantly in April.
- The strong Swiss franc, the significant impact of higher energy prices and a weak performance of the index heavyweights were negatives for the market.

### Emerging markets

- Emerging markets were by far the best performer in April (and by far the weakest in March). It is the only market with double-digit returns in 2026.
- Asian markets were the leaders in the recovery (Korea +35%, Taiwan +29% and India +10%). Technology stocks like SK Hynix and Samsung were up more than 60% and 30% respectively in April.

### Earnings growth and earnings season

The war in the Middle East has diverted investors' attention from fundamentals, which remain exceptionally strong in 2026. Firstly, earnings growth estimates for the full year have been revised sharply higher by analysts for all major equity markets (see chart below). For the global equity market excluding the US, earnings growth revisions for 2026 are even in the double digits since beginning of the year, driven by Korea.



Secondly, the earnings season has so far exceeded expectations. In the US, sales have surprised by 2% and earnings by a whopping 10% so far. Earnings per share are expected to grow by 14–17% year-on-year (higher than in any of the previous four quarters) with a contribution from technology-related stocks of around 9%. The estimated sales and earnings growth rates are among the highest in the past three years. For 2026 as a whole, earnings growth is currently projected at 18–19%. In Europe, the earnings season has been more moderate, with sales in line with expectations and earnings about 4.5% above forecasts. Emerging markets stand out, with earnings expected to grow by over 40% in 2026. In Korea, estimates have been revised dramatically, with expected growth increasing from around 100% to 200% this year. Given these extremely good earnings results and projections and the hope of an end of the war in Iran, we retain a positive view for equity markets. Robust earnings growth provides solid fundamental support for further market upside.

# Currencies

## USD: reversing fortunes

	Apr. 2026*	Year-to-date*	1-month view
EUR/USD	1.5%	-0.2%	↘
EUR/CHF	-0.6%	-1.4%	→
GBP/USD	2.5%	0.6%	↘
USD/JPY	-1.4%	-0.1%	↗

\* Performance as at 30 April. Source: Bloomberg

### USA

- After regaining some ground in March, the USD performed negatively in April, losing 1.9% on a trade-weighted basis. High-yielding currencies such as emerging market currencies and AUD profited the most, pushed up by improved risk sentiment among investors.
- We keep our positive view on the USD as geopolitical risks in the Middle East are likely to remain high and as real yield differentials remain supportive.

### Eurozone

- EUR/USD reversed March losses partially and gained more than 2% in April. Next to the temporary de-escalation in the Iran war, hawkish repricing in ECB expectations supported the EUR.
- We think that the market's rate hike expectations for the ECB are too aggressive and expect USD to remain well supported. Therefore, we reiterate our negative view for EUR/USD.

### UK

- In April, GBP gained 2.5% against USD and 1.3% against EUR. The market expectations of further hikes by the Bank of England supported the currency.
- In line with our view of a stronger USD, we reiterate our negative view on GBP/USD and neutral view on GBP/EUR.

### Switzerland

- After strong moves in March, EUR/CHF traded range-bound in April. Markets continue to view the SNB as highly credible in countering excessive CHF strength.
- We reiterate our neutral view on EUR/CHF and positive view on USD/CHF.

### Japan

- The JPY traded calmly against the USD for most of April, before gaining strongly on the last trading day of the month.
- We hold a neutral view on USD/JPY over one month.

### Shift in risk sentiment, but risks linger

The Iran war continued to dominate trading action in April. After a sharp “risk-off” phase in March, with investors fleeing into the USD as a safe haven against sharp energy price moves, the USD lost some of its strength in April. The announcement of a ceasefire and the start of peace talks led markets to expect a swift resolution. As a result, the USD weakened broadly, with higher-yielding currencies such as the AUD, GBP, BRL and MXN performing particularly well. So-called risk reversals (see chart below) picture this move well. In the case for EUR/USD, if currency risk reversals are positive, it means investors are more concerned about the euro strengthening and vice versa. After the de-escalation, EUR/USD one-month risk reversals spiked, even though not completely reversing the March move. However, we believe risks in current market positioning remain elevated. If geopolitical tensions persist or escalate again, demand for the USD as a safe-haven currency could quickly return. In addition, Europe's greater exposure to higher energy prices continues to support our negative outlook on EUR/USD for May. While the preliminary eurozone inflation data for April showed the expected increases in energy and fuel prices, there are still no signs of second-round effects. Core inflation even declined marginally in April. Meanwhile, markets closely watched the late-April central bank meetings of four of the major central banks (Fed, ECB, Bank of England and Bank of Japan). While there was no action expected on the interest rate front, which was confirmed, communication was eagerly watched. Markets are currently pricing in three ECB rate hikes by year-end, which we view as too aggressive (we expect only one). This leaves the euro vulnerable to a repricing of interest rate expectations, which would further reduce the interest rate differential versus the USD.



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 30/04/26

## Asset allocation

*Riding the wave, actively managing risk*

### April in review

- Global equities moved higher, supported by cautious optimism around a potential resolution of the Iran war. Strong corporate earnings and resilient global growth provided additional support. Many regional equity indices have recovered to pre-war levels, although European and Swiss equities continue to lag.
- Global government bond yields moved lower in April, while CHF government bond yields remained broadly stable.
- Corporate credit spreads tightened back to pre-war levels and are once again trading at historically tight valuations.
- The USD depreciated on a trade-weighted basis over the month.

### Current asset allocation views

Asset class	Active weight
Global government bonds	neutral
Global investment-grade credit	underweight
Global equities	overweight

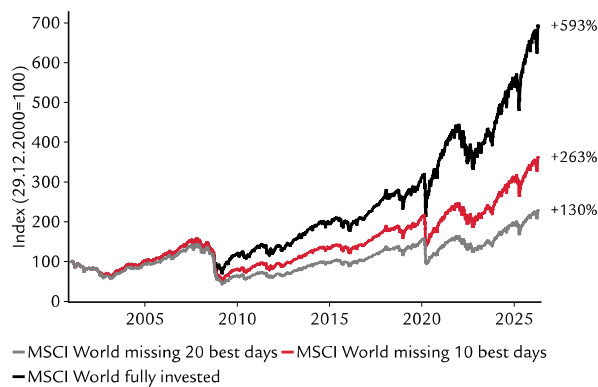
Source: Swiss Life Asset Managers

- In line with our base case of a near- to medium-term resolution of the Iran conflict, we remain overweight in risk assets.
- However, as that global equity markets have largely returned to pre-Iran war levels and are increasingly pricing in such a resolution, we retain an overweight but reduced the position modestly.
- The remaining overweight is supported by strong earnings momentum, a US software sector no longer trading at a premium to the broader equity market and supportive global growth dynamics.
- We slightly reduce our overweight in Swiss equities, due to the lack of near-term catalysts. That said, we maintain a small overweight given the market's defensive sector composition and the strong fundamentals of leading Swiss companies.
- We remain underweight in corporate credit, as spreads have tightened back to historically low levels, limiting return potential and offering insufficient risk compensation relative to equities.
- Our positioning in government bonds is neutral.
- We continue to hold an overweight in real assets such as Swiss NAV-based real estate, where we see favourable market dynamics and sustained demand support.

### The cost of timing markets

Equity markets have shown notable resilience, with most major indices trading back at or near pre-Iran conflict levels despite the absence of a definitive resolution. This outcome reinforces our view that our initial market positioning, with an overweight in equities, was appropriate. Rather than reacting to headlines, markets have once again demonstrated an ability to look through geopolitical uncertainty when underlying fundamentals remain broadly supportive. Importantly, our equity overweight was implemented alongside deliberate downside-mitigating measures. Portfolios were not positioned on a binary geopolitical outcome but constructed to absorb shocks. Allocations to real assets provided an effective hedge against supply-side and inflationary risks associated with potential disruptions around the Strait of Hormuz. At the same time, alternative strategies, including trend-following and diversified hedge fund exposures, added uncorrelated return streams and helped dampen volatility during periods of market stress.

Impact of missing the strongest daily equity returns



Sources: Bloomberg, Macrobond, Swiss Life Asset Managers Research. Data range: 29.12.00-24.04.26

History shows that attempting to time equity markets around geopolitical events is exceptionally difficult, as price reactions are often swift and reversals can occur well before uncertainties are resolved. By staying invested while embedding structural protection, portfolios were able to participate in the equity market recovery without being fully exposed to downside tail risks. This combination of conviction in equities and disciplined risk management underpins our continued preference to remain overweight in equities as the most effective way to navigate an uncertain but opportunity-rich environment.

## Swiss Life Asset Managers



**Sven Kreitmair**  
**Portfolio Manager Fixed Income**  
sven.kreitmair@swisslife-am.com  
**in** sven\_kreitmair



**Andreas Homberger**  
**Head Quantitative Equities**  
andreas.homberger@swisslife-am.com  
**in** andreas\_homberger



**Damian Künzi**  
**Head Macroeconomic Research**  
damian.kuenzi@swisslife-am.com  
**in** damian\_künzi



**Florence Hartmann**  
**Economist Developed Markets**  
florence.hartmann@swisslife-am.com  
**in** florence\_hartmann



**Stephanie Zwick**  
**Head Multi Asset**  
stephanie.zwick@swisslife-am.com  
**in** stephanie\_zwick



**If you have any questions or if you would like to subscribe to this publication,**  
please send an e-mail to: [info@swisslife-am.com](mailto:info@swisslife-am.com).

For more information visit our website at: [www.swisslife-am.com/research](http://www.swisslife-am.com/research)

**in**

**Released and approved by the Macroeconomic Research Department, Swiss Life Investment Management Holding Ltd, Zurich**

Swiss Life Asset Managers may have acted upon or used research recommendations before they were published. The contents of this document are based upon sources of information believed to be reliable, but no guarantee is given as to their accuracy or completeness. This document includes forward-looking statements which are based on our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements.

**France:** This publication is distributed in France by Swiss Life Asset Managers France, 153 rue Saint-Honoré, F-75001 Paris to its clients and prospects. **Germany:** This publication is distributed in Germany by Swiss Life Asset Managers Deutschland GmbH, Clever Strasse 36, D-50668 Köln, Swiss Life Asset Managers Luxembourg, Niederlassung Deutschland, Darmstädter Landstraße 125, D-60598 Frankfurt am Main and BEOS AG, Kurfürstendamm 188, D-10707 Berlin. **UK:** This publication is distributed by Swiss Life Asset Managers UK Ltd., 55 Wells Street, London W1T 3PT. **Switzerland:** This publication is distributed by Swiss Life Asset Management Ltd., General-Guisan-Quai 40, CH-8022 Zürich. **Norway:** This publication is distributed by Swiss Life Asset Managers Holding AS, Haakon VII's gt 1, NO-0161 Oslo. **Italy:** This publication is distributed by Swiss Life Asset Managers Luxembourg, succursale Italia, Via San Prospero 1, I-20121 Milano. **Denmark:** This publication is distributed by Swiss Life Asset Managers Danmark, filial af Swiss Life Asset Managers Luxembourg, Luxembourg Frederiksgade 11, 1. tv, 1265 København K.