

What to watch in the week ahead

Weekly Global

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- The situation in the Middle East remains a source of uncertainty for investors, with planned talks in Pakistan over the weekend not going ahead. Then on Sunday, reports suggested that Iran had offered the US fresh proposals to reopen the Strait of Hormuz, though this plan seemingly excludes the crucial issue of the nuclear program. Investors will be hoping for solid progress this week in reopening the key shipping lane.
- Geopolitical risks didn't stop the S&P 500 hitting a fresh record high last week, with the index rising for the fourth consecutive week. This reflected optimism over the outlook for earnings, especially in tech. This will be put to the test this week when five of the Magnificent Seven will report earnings: Amazon, Alphabet, Meta, Microsoft, and Apple.
- Finally, major central banks including the Fed will hold policy meetings this week. While they're likely to keep rates on hold, investors will be watching for signs of how policymakers assess the outlook for inflation and economic growth against a backdrop of higher energy prices.

Will talks between the US and Iran open the Strait of Hormuz?

Market attention was split last week between anxiety over faltering efforts to secure a permanent end to hostilities in the Middle East and enthusiasm over a positive start to the first quarter US earnings season. Last week it was optimism over profits that won out, taking the S&P 500 to fresh record highs. But risks in the Middle East remain elevated. The stated positions of the US and Iran remain far apart, with disagreements over how to deal with Iran's enriched uranium, compensation for the war, and the issue of shipping through the Strait of Hormuz. The US maintained its blockade of the waterway, while Iran seized container ships. The longer the conflict continues, the greater the disruption will be to supply chains of energy, fertilizer, and helium—which is critical to the tech sector.

So, a key focus for investors will remain whether the US and Iran can reach an agreement to open the Strait. The situation remains fast moving. Over the weekend, President Trump canceled a planned trip by his envoys to Pakistan for discussions over the conflict. The Islamic Republic said it would not negotiate while it was being threatened. Then on Sunday, there were reports from Axios that Iran had offered a fresh deal to reopen the Strait and end the war while postponing talks on the nuclear issue. This exclusion may make the plan challenging for the US to accept. Israel carried out strikes in Lebanon, straining the ceasefire between the nations that is an important part of a broader regional deal.

The Middle East conflict

- Listen to [GWM Chief Economist Paul Donovan](#) on the conflict in the Middle East.
- Listen to the [JumpStart podcast](#) on the main events coming up this week and the weekend's news on US-Iran diplomacy.
- Read our [House View Briefcase](#) on what the Iran war means for markets.

The equity rally and earnings

- In the latest Signal Over Noise podcast, Ulrike Hoffmann-Burchardi discusses how an influx of large-scale US IPOs could reshape market dynamics. Listen on [Apple](#) and [Spotify](#).
- Watch the [AI Show](#) on tech earnings.
- Read our [US equities blog](#) on first quarter earnings.

The economy and central bank policy

- Read the [Monthly Letter](#) on the outlook for key market drivers including growth, inflation, and liquidity.
- Listen to our [Investors Club podcast](#) on what's next for gold, bonds, and the US dollar after the Warsh hearings.
- Watch the [CIO Monthly](#) video on investing in a fast-changing world.

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Our base case has remained that a diplomatic solution will be reached, enabling markets to focus on strong earnings momentum. We continue to view global equities as Attractive. However, given geopolitical risks, it is prudent to hedge portfolios. Investors can use periods of market calm to implement such strategies. This includes locking in yields on government debt up to 10 years or replacing linear equity exposure with strategies offering a degree of downside protection. The goal is to reduce the risk of large drawdowns while maintaining participation in potential rebounds.

Will the rest of the earnings season justify fresh highs for stocks?

The US earnings season is off to a strong start. With results in from over 25% of the S&P 500 market cap, just shy of 80% of companies are beating sales and earnings per share estimates. The magnitude of earnings beats has also edged up, with the median company beating by 5.2%. Economic resilience has been part of the reason for the positive outcome for companies. In the US, consumer demand remains healthy, the labor market is solid, and AI-driven investment spending remains robust. In the Eurozone, despite headwinds to growth, unemployment is still close to a record low. And first-quarter growth in China topped expectations.

Tech optimism is also driving stocks higher, with a gauge of chipmakers climbing for an 18th consecutive day last Friday. Meanwhile, Alphabet said it will invest up to USD 40bn in Anthropic, strengthening ties between two rivals in the competition to capitalize on AI.

In the coming week, five of the Magnificent Seven megacap companies will report earnings: Amazon, Alphabet, Meta, Microsoft, and Apple. Investors will be eager for positive signals over progress in monetizing AI, especially amid elevated capital spending outlays. On the economic data front, the flash estimate of first quarter US GDP will be released, along with the ISM manufacturing survey for April. In Europe, the final update of the Eurozone consumer confidence survey for April will provide further guidance on how sentiment is holding up.

Our view is that the outlook for both growth and earnings is positive. We estimate S&P 500 earnings are on track to rise 17% in the first quarter, the fastest rate of growth in four years. We estimate semiconductors will drive about a third of this growth, though we expect the strength to be broad-based. And in the Eurozone, we see earnings growth of 5% in 2026, an acceleration after three years of stagnation. We recommend that investors (1) dilute index concentration by complementing core index exposure with equal-weight approaches and preferred markets like Japan, emerging markets, China (including its tech sector), global health care, Switzerland, and European consumer discretionary; and (2) diversify megacap exposure across the AI value chain, and into industrials, automation and robotics, and space.

What signals will the Fed send to markets?

One key concern for investors since the early stages of the conflict in the Middle East was the threat of tighter central bank policy. Top officials have broadly sought to dispel such concerns, expressing the need for vigilance rather than rate increases. This week investors will be carefully parsing the outcome of the policy meetings from the Federal Reserve, European Central Bank, Bank of England, Bank of Canada, and the Bank of Japan. While we do not expect policy shifts, the language will be carefully examined.

Investors have also been focused on the longer-term outlook for Fed policy, as President Trump's nominee to head the central bank appeared

before the Senate Banking Committee last week. Kevin Warsh cemented expectations that he would be a broadly dovish influence on rates, while seeking to shrink the Fed's balance sheet. On inflation, Warsh struck a relatively sanguine tone, noting that policymakers should place greater weight on median and trend-based inflation measures rather than relying primarily on core PCE, which remains above the Fed's 2% target at 3.0% in February. He also highlighted the potential for AI to lead to productivity gains, reducing inflationary pressure.

Finally, news on Friday that US prosecutors had dropped a criminal investigation of current Chair Powell removed a barrier to the confirmation of Warsh, since some Republican Senators had said they would refuse to approve Trump's nominee while the probe continued.

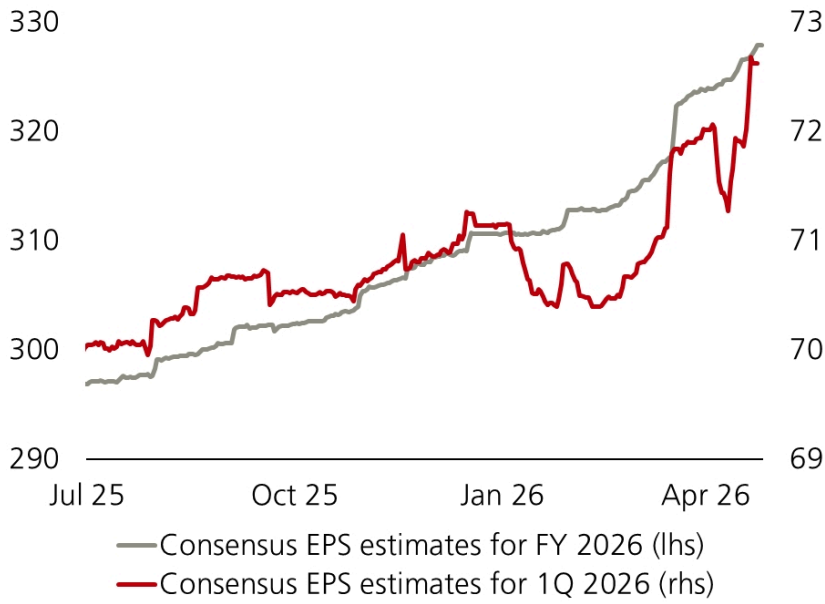
Against this backdrop, we expect the Fed to cut rates twice later this year. We believe markets continue to overprice the risk that central banks will hike—or not cut—interest rates, presenting an opportunity for investors to “lock in rates” by adding to quality bonds, particularly in the short- and medium-maturity segment. Equity income strategies and yield-generating structured investment strategies can also support diversified income.

Chart of the week

The US first quarter earnings season has delivered encouraging results so far. About a quarter of S&P 500 companies by market share have reported, with nearly 80% surpassing consensus sales and earnings estimates. Forward guidance has also been robust despite the US-Iran conflict. Results from five of the Magnificent Seven companies that are due to report this week will offer additional insight into the current earnings momentum. Supported by robust earnings, equity sentiment appears to remain largely positive, and the S&P 500 has returned to all-time highs, fully recovering from losses since the start of the conflict. We maintain a constructive medium-term view on equities and expect stocks to end the year higher amid a still-supportive economic backdrop.

US first-quarter earnings have been better than expected

S&P 500 consensus earnings-per-share estimates for FY26 (lhs) and 1Q26 (rhs), in USD



Source: Bloomberg, UBS, as of April 2026

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In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
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- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
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Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities

Note: For equities, we have a five-tier rating system with two additional preferences

Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.

Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.

When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

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