

Weekly Macro and Markets View

20 April 2026



Highlights and View

The mantra of jaw-jaw rather than war-war was the order of the week as a fragile ceasefire held and discussions between the US and Iran continued

Oil prices fell 3% to USD 90, though the Strait of Hormuz remains closed as the US blockade continues while Iran reneged on the opening from its side due to the US position.

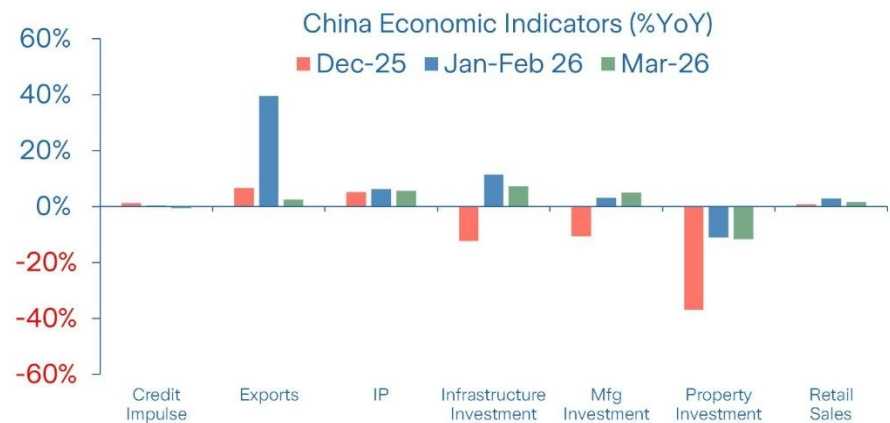
China's Q1 GDP growth rises to 5.0% YoY, beating expectations, but beneath the surface the economy remains bifurcated

With GDP growth hitting 5%, policymakers are unlikely to rush to stimulate the economy meaningfully, signalling continued sluggish consumption and a lifeless property market ahead.

US small business optimism is dragged down by the war in Iran

Small firms' capex plans fall back to the lowest since 2009 as uncertainty and higher input costs weigh on companies.

China is increasingly walking a bifurcated path



Source: Bloomberg, ZIG

China kicked off 2026 with a jump in GDP growth from 4.5% YoY in Q4 to 5.0% in Q1, beating expectations and showing resilience amid global energy price shocks. Digging deeper, however, a bifurcated economy persists. Exports and industrial output are powering ahead, with March industrial production rising 5.7% YoY, suggesting little damage from the energy supply crunch due to the war in Iran, but domestic demand stagnated. Retail sales disappointed, up 1.7% YoY in March, and the property market continued its downward slide, with MoM growth of new home prices showing negative prints for more than two years now. Strategic investment in high-tech and infrastructure is a bright spot, but weak consumer sentiment and falling home prices continue to cast a shadow over the growth outlook. With GDP growth hitting 5% in the first quarter, policymakers are unlikely to rush to stimulate the economy meaningfully, signalling continued sluggish consumption and a lifeless property market ahead. While China's strong energy security and refinery capacity offer a buffer against Middle East turmoil, with growth tied to global demand China has, nonetheless, a clear stake in seeing Middle East tensions eventually resolved.

US

Uncertainty weighs on small firms' capex intentions

Small business optimism fell back to the lowest point in a year in March as the war in the Middle East and the spike in energy prices weighed on companies. Capex plans faced particularly significant headwinds, falling to the lowest level since 2009 as uncertainty and higher input costs burden the outlook. Meanwhile, producer prices rose in March, but less than expected. PPI picked up by 0.5% MoM, the same as in February, pushing up the annual rate from 3.4% to 4.0%. Overall, the economy still seems to be coping well with the spike in energy prices, with initial

jobless claims falling back to 207'000 last week and some regional manufacturing indices like the Empire State Manufacturing Survey and the Philadelphia Fed Business Outlook showing a marked pickup in activity in April. The housing market remains under pressure, however, with existing home sales falling back below 4mn in March. The NAHB's Home Builders' Market Index dropped in April, signalling further weakness ahead.

Equities

The sun is shining...

Investors had a very seasonal spring in their step last week as several key equity markets rebounded to record highs. They are clearly interpreting the Iran conflict as a done deal and turning their attention to the corporate earnings season. This may be a tad optimistic as the Strait of Hormuz remains closed, and the last shipments of oil prior to its closure have now reached their destination, leaving an unknown gap until the next delivery. While this will influence corporate fundamentals, it has yet to show up in profitability and investors are an optimistic bunch. The MSCI

World Equity Index tacked on a further 4% last week, while the tech-heavy US Nasdaq jumped 7% and is now up 18% from end-March lows. The mood was supported by US earnings, with 10% of the S&P having reported and 88% of those companies showing results ahead of expectations for Q1. US banks posted generally good results last week, setting the tone for others ahead. As noted last week, we think downside risks from the conflict diminishing warrant a rally, but caution against over-optimism in a still fraught environment.

Eurozone

Eurozone inflation is well behaved while the ECB signals a wait-and-see approach

Final Eurozone CPI data for March confirmed that inflation jumped from 1.9% YoY to 2.6% as energy inflation swung from -3.1% to +5.1%. Outside of transportation and air fares, impact on non-energy CPI components was largely absent, with modest declines in core, services, and food inflation. While data were encouraging, some further pass-through is expected, both to energy inflation but also to non-energy components. This is in line with pricing surveys, which confirm higher output price pressures in the industrial sector. Last week also saw various ECB Governing

Council members speak at the IMF spring meetings. They emphasised a wait-and-see approach, pushing back on April rate hike expectations while reiterating that they need to be ready to act should evidence of second-round effects on inflation build. This triggered a sharp dovish repricing at the short end of the yield curve, with only one ECB rate hike now fully priced by year end, compared to two previously. We strongly agree with the direction of repricing and expect it to have further to run.

India

A double whammy

India has started to see the geopolitical shock transmitting through the economy, although the ceasefire in Iran has helped restore some calm. March CPI edged up to 3.4% YoY while the Wholesale Price Index rose to 3.9% YoY, pointing to rising upstream cost pressures. LPG shortages have hit low-income households hardest amid gas supply disruptions, but the impact remains concentrated among the most vulnerable groups rather than signalling broad based stress. Trade deficits narrowed to USD 20.7bn, but pressures are likely to build if oil

prices remain close to USD 100 per barrel. Confirmation of a ceasefire in Iran triggered a sharp retracement of risk premia, with 10yr government bond yields falling back to 6.9% after spiking above 7.1%, equities recovering roughly half of their drawdown, and the rupee stabilising near 93 INR/USD. While India faces a double whammy from higher energy prices and a weak currency, the situation remains manageable as ample FX reserves, covering around 11 months of imports, should help cushion FX pressures.

Covered Bonds

Strong supply and stable spreads

Euro covered bond issuance gained momentum in April, with year-to-date volumes reaching EUR 80bn, materially above the approximately EUR 60bn recorded over the same period last year. Covered bond spreads have retraced part of the widening seen since late February and are now close to levels observed at the start of the year. Within EUR-denominated fixed income, covered bonds have modestly lagged sovereign and agency bonds over the past month as investors were driven toward the safest markets during heightened volatility. While the discount

between European senior bank bonds and covered bonds is back to the historical lows seen in early 2026, the discount between higher rated non-financials and covered bonds has widened, reflecting the recent weakness of non-financial credit. Looking ahead, we expect covered bond spreads to remain broadly range-bound during Q2 as market volatility could linger. That said, spread tightening potential seems likely in the second half of the year as lower issuance and higher redemptions could provide supportive technical conditions.

What to Watch

- Eurozone consumer confidence and PMI data will be published, alongside the ZEW and ifo surveys for Germany.
- In the UK, labour market data, inflation numbers, and the latest PMIs will give crucial insights into the current state of the economy.
- Japan's CPI and exports in March, Korea's 20d exports are key to watch. Flash PMIs for Japan, Australia and India will be released. In the Philippines, the central bank is expected to keep rates unchanged.
- The key highlight of the week in LatAm will be the release of Mexico's monthly GDP proxy for February.

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