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AIP

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The earnings bedrock

US Q1 earnings have beaten estimates, led by the tech sector, providing strong foundation for the equity market rebound. This week, leading US tech firms reiterated strong guidance on AI capex growth and monetisation. US and Asia ex-Japan equities are likely to benefit the most from AI-related spending. The Fed and the BoJ held rates this week and the ECB and BoE are likely to follow suit. However, Fed could cut rates later this year to support the job market, while the ECB, BoJ and BoE are likely to hike to counter inflation pressures. The policy divergence is likely to extend USD weakness, supporting Emerging Market assets. A re-escalation in US-Iran hostilities is a near-term risk, but the UAE's departure from OPEC should eventually help increase supplies and lower oil prices, supporting risk assets.

Equities

Over one-third of S&P500 companies have reported Q1 2026 earnings so far, with 81% of them beating consensus estimates – well above the average 'beat rate' of 67%. The strong US earnings are providing fundamental support to equities and the tech sector, and Opportunistic idea on global semiconductors.

Bonds

There are GCC bond opportunities, favouring investment-grade (IG) sovereigns and the regional large banks sector. However, cautious on the property sector given the relatively greater vulnerability of the sector's bonds to a regional cyclical slowdown.

FX

Upward revision in inflation estimates and growing dissent among BoJ policymakers support that the BoJ will hike rates by 50bps to 1.25% by December, in line with money market pricing. This supports bearish USD/JPY stance. Technically, USD/JPY upside appears limited, with resistance evident in the 160-162 zone which saw intervention from authorities two years ago.

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