

Data and opinions as of April 30, 2026

Confidence returns, risks remain

April was a month of re-risking: markets staged a powerful V-shaped recovery from late-March stress as volatility eased, investors grew more comfortable with the idea that the economic slowdown would remain manageable, and earnings season helped re-anchor expectations. But under the surface, the “confidence” story was more nuanced—consumer sentiment data remained fragile even as equities regained altitude, reminding investors that markets often move ahead of the real economy and that headline optimism can mask crosscurrents from inflation, energy prices, and geopolitics.

NEI perspectives

Markets bounced to make new highs as consumer confidence finds a new low, sending mixed signals:

April delivered a sharp rebound and new highs in major U.S. indexes as investors looked through March’s drawdown and leaned into a soft-landing narrative. Meanwhile, University of Michigan consumer sentiment index, historically an early indicator of economic growth, hits a new low. **Bottom line:** A fast recovery can be driven by positioning and relief as much as by fundamentals—sustainability will depend on whether breadth and earnings can follow through.

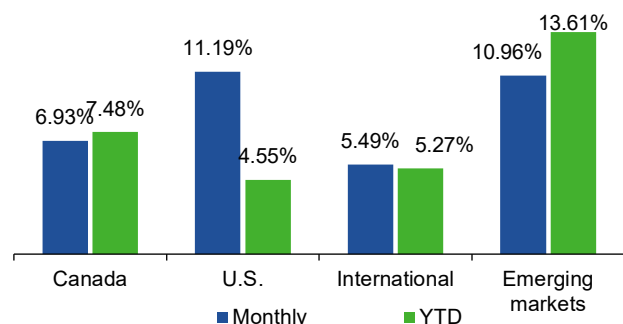
Big Tech is still the earnings engine—but it’s becoming a capex story: The quarter’s most important earnings message wasn’t just revenue or margins; it was the scale of AI-related investment and the reality that cloud/AI demand is “capacity constrained,” pushing spending higher again. **Bottom line:** This cycle’s key question isn’t “is AI real?”—it’s who earns attractive returns on the capex, and how concentrated market leadership becomes, leading to investors becoming more selective and widening the dispersion of price performance.

Geopolitics and real assets remained in focus, with Canada leaning into strategic capital. Oil prices stayed sensitive to Iran related shipping risks and threats to the Strait of Hormuz, reinforcing the link between energy, inflation expectations, and rates. Canada also reintroduced the idea of “patient capital” through the Canada Strong Fund, positioned as a sovereign style vehicle for long term investment in major projects. **Bottom line:** Markets remain exposed to renewed oil price shocks—higher energy costs can quickly lift inflation expectations, pressure rates, and challenge risk assets, even when growth and earnings momentum appear resilient.

– NEI Asset Allocation team

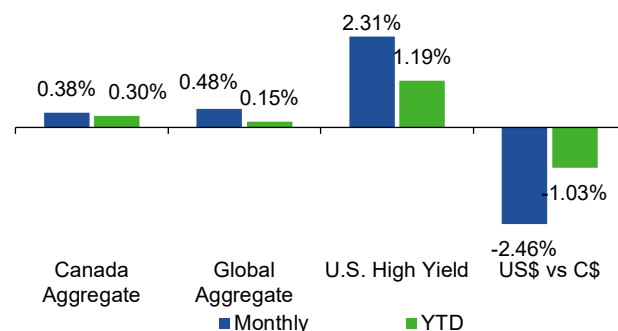
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Equity returns (in C\$)



Canada: MSCI Canada Index TR; **U.S.:** MSCI USA Index TR
International: MSCI EAFE Index TR; **Emerging markets:** MSCI Emerging Markets Index TR.
 Source: Bloomberg.

Fixed income and currency returns (in C\$)

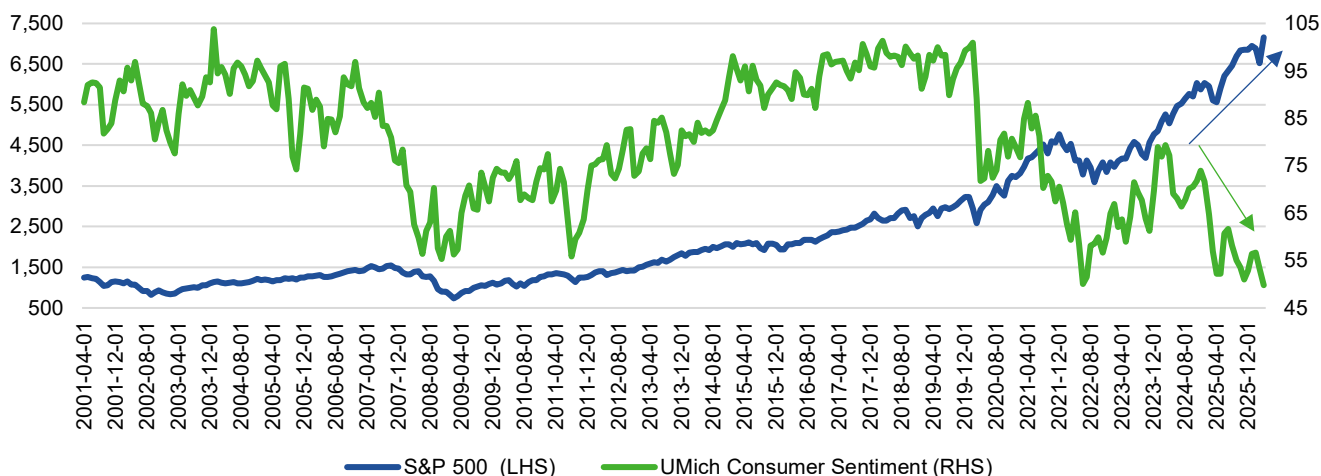


Canada Aggregate: Bloomberg Barclays Canada Aggregate Bond Index; **Global Aggregate:** Bloomberg Barclays Global Aggregate Bond Index; **U.S. High Yield:** Bloomberg Barclays U.S. High Yield Index.
 Source: Bloomberg.

Weak consumer sentiments may dampen further market upside

April's market tone felt like a **reset**: a rapid rebound in U.S. equities culminated in a strong month, with major indexes finishing at or near record highs after the March drawdown. That kind of move is often a blend of fundamentals and technicals—strong earnings delivery, relief that worst-case geopolitical outcomes didn't materialize, de-risking being reversed, and liquidity/positioning re-engaging as volatility fell. The key tension for investors is whether improved sentiments translate into durable spending and profits. On the consumer side, the University of Michigan's April **consumer sentiment reading hit a new historical low at 49.8**, with **year-ahead inflation expectations rising to 4.7%**. This does not bode well for forward looking economic growth. It is also a reminder that households can remain uneasy when inflation psychology is influenced by gasoline and other goods prices. In other words: markets may be celebrating the soft-landing path, but consumer confidence is still sensitive to inflation shocks, especially those tied to energy

Chart 1: Equity market rebound vs. consumer sentiment



Source: Bloomberg.

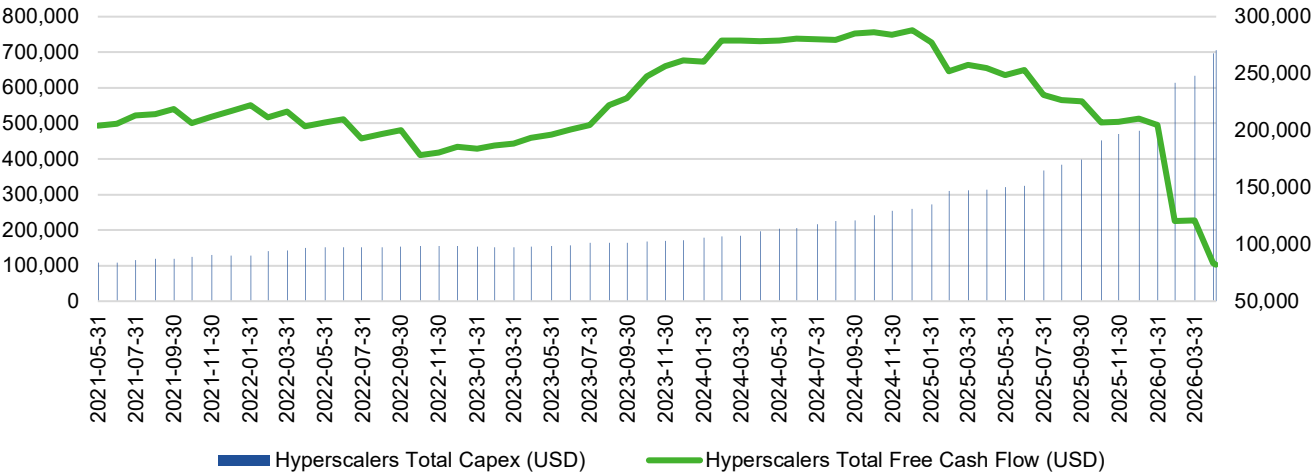
Bottom line: Optimism is a tailwind, but April reinforced the need to separate signal (earnings, resilience and stabilizing macro) from reflexive bounce (positioning and relief). In practice, we keep watching breadth, revisions, and whether consumer behaviour follows market confidence rather than being overwhelmed by oil-price-induced inflationary pressures.

Big tech earnings: Hyperscalers morphing from asset-light into capital-intensive companies

If April had an “returns engine,” it was the mega-cap complex—particularly the cloud and AI stack—where results and commentary continued to point to strong demand, but also to a major regime shift in how growth is funded. Across hyperscalers, the capital required to build processing capacity in a scale enough to meet AI demand is pushing the sector from “asset-light” companies into a **buildout cycle** that requires enormous capital for the building of data centers, chips, networking, and power. Several companies raised or reaffirmed very large 2026 capex plans, and messaging repeatedly emphasized that AI demand is running ahead of available capacity—this “compute constrained” dynamics can support revenue but compress free cash flow in the near term. This reframes the valuation debate: investors are underwriting a future where today's spending generates attractive returns on invested capital, not just revenue growth.

For diversified portfolios, the practical lens is **quality growth, not growth at any price**. The winners will likely be the firms that can sustain margins while scaling capex efficiently—and the “second-order beneficiaries” in semiconductors, infrastructure, power/grid buildout, and enabling technologies that monetize the capex cycle regardless of which platform wins share. At the same time, this is where concentration risk re-enters the conversation: when leadership narrows, portfolios can become more exposed to a small set of earnings drivers—and to any disappointment in capex payback periods or margin durability.

Chart 2: Hyperscalers (Alphabet, Microsoft, Meta, & Amazon) capex starting to be funded by their free cash flow



Source: Bloomberg.

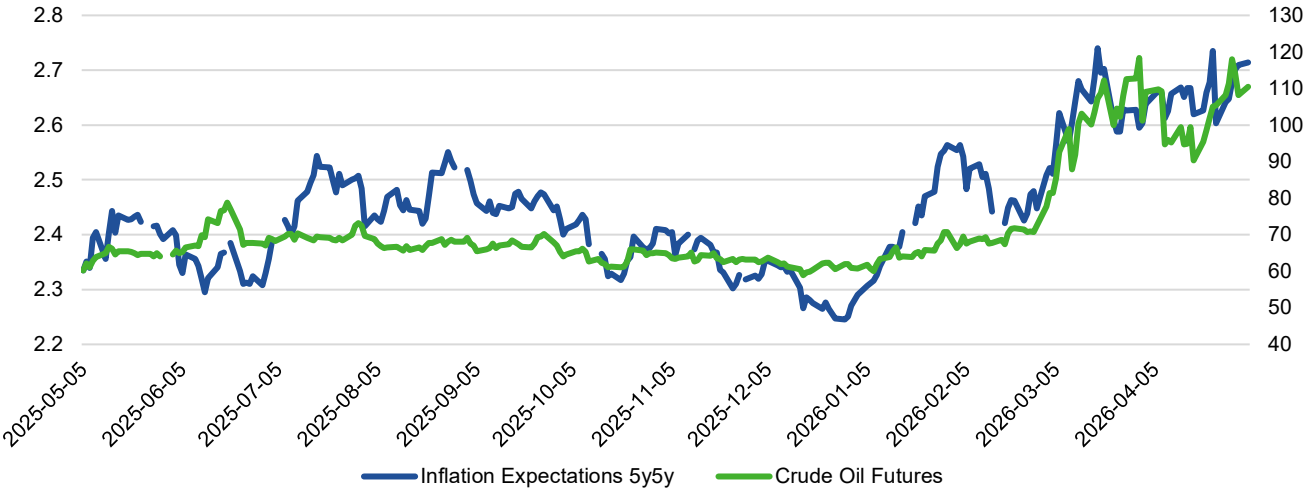
Bottom line: This cycle’s question isn’t “is AI real?”—it’s **who earns attractive returns on the capex**. Investors should watch capex guidance, margin resilience, and signals of payback discipline—because the market is increasingly demanding proof, not faith.

Real assets & strategic capital: oil, Iran risk, and Canada’s “sovereign” conversation

April also reminded investors that geopolitical risk travels through a well-worn transmission mechanism: **oil** → **inflation expectations** → **rates** → **valuation multiples and risk appetite**. With the Strait of Hormuz repeatedly central to headlines, markets continued to price a risk premium tied to shipping disruption and uncertainty around the durability of de-escalation. Small disruptions to a key chokepoint can have outsized impacts on supply expectations and inflation psychology in the short term.

Canada’s policy backdrop added a related, longer-duration angle: the federal government announced the **Canada Strong Fund**, described as Canada’s first national sovereign wealth fund-style vehicle, seeded with **\$25 billion** and intended to invest alongside private capital in “nation-building” projects across areas like energy, infrastructure, mining, agriculture and technology. Regardless of where one lands on the details, the signal is clear: the market is rediscovering the role of **strategic capital**, to create domestic investment capacity to fund long-duration projects in building long term competitiveness and resilience. For investors, the implication is not to “trade the announcement,” but to recognize that the mix of geopolitics and industrial policy can influence real assets, infrastructure, and energy transition pathways—often with non-linear effects.

Chart 3: Oil prices vs. inflation expectations



Source: Bloomberg.

Bottom line: The market is rediscovering that scarcity, security, and national balance sheets can move prices. Real assets can help diversify, but the key is understanding the oil-to-inflation-to-rates linkage—and keeping a long-term lens rather than reacting to daily headlines

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