Market Recap

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EXECUTIVE SUMMARY

- April was defined by an unusual divergence: the Hormuz blockade extended into its third month, yet US equities staged the strongest monthly rally since November 2020 as a record Mag 7 earnings week powered indices to fresh all-time highs.
- Central banks pivoted decisively hawkish under stagflation pressure. The Fed held at 3.50% to 3.75% in an 8 to 4 vote, the largest dissent block since 1992, while the ECB held at 2.00% with a hike openly debated and the CBRT kept its policy rate at 37% while intervening in FX to defend the lira.
- The Mag 7 super reporting week delivered the largest single year capex commitment in technology history, with the four hyperscalers guiding to over $685 billion of 2026 AI infrastructure spend and Microsoft alone reporting an AI run rate of $37 billion, up 123% year over year.
- Turkiye traded the regional risk premium two ways: April CPI accelerated to 32.37% year over year and USD/TRY pushed to a fresh all time high of 45.18 on April 29, yet the BIST 100 closed near 14,340 after touching 14,621.97 on April 27 as domestic investors leaned on equities as the dominant inflation hedge.

I. GLOBAL MACRO ENVIRONMENT

Monetary Policy: Federal Reserve: Held the fed funds target range steady at 3.50% to 3.75% on April 29 in an 8 to 4 vote, the largest dissent block since October 1992. The statement explicitly cited "elevated inflation, in part reflecting the recent increase in global energy prices," and several members publicly opposed any messaging that further cuts could be ahead. The meeting was widely reported as Chair Powell's final FOMC, with Kevin Warsh expected to take the chair in May.
ECB: Held the deposit facility rate at 2.00% on April 30 for a third consecutive meeting. President Lagarde said the decision was unanimous but acknowledged that a hike was openly debated, as April flash HICP jumped to 3.0% on energy. Markets are now positioning the June meeting as the genuine pivot point.
CBRT: Held the one-week repo rate at 37.0% on April 22 with the corridor unchanged at 35.5% / 40.0% and signaled a clear shift away from its easing bias. The Bank also intervened directly in FX markets earlier in the month to slow the lira's slide, a notable break from its prior reliance on rate tools alone.

Geopolitics: The crisis followed a sharp news cycle. After a brief reopening on April 17 tied to a short-lived Israel and Lebanon ceasefire window, Iran formally re-closed the Strait of Hormuz on April 18 in retaliation for the US naval blockade of Iranian ports that began April 13. On April 29, President Trump publicly rejected Iran's offer to reopen the strait first and lift the blockade in exchange for postponed nuclear talks, calling the blockade "more effective than bombing." CENTCOM was reported to have prepared a "short and powerful" strike package as a contingency, while Iran threatened "practical and unprecedented action." Crude and product flows through the strait collapsed to roughly 3.8 mb/d versus a pre-crisis 20 mb/d, the largest sustained chokepoint disruption ever recorded.

Currency Performance: USD/TRY traded above 45 for the first time in late April, setting a fresh all time high of 45.18 on April 29 and settling near 45.17 at month end with the CBRT visibly active in defense. The DXY softened, declining roughly 1.9% on the month and consolidating in a 97 to 100 range as the relief rally reduced the dollar's safe haven bid and traders rotated toward higher beta currencies. EUR/USD rebounded to roughly 1.18 as the ECB's hawkish hold and a softer dollar reasserted themselves. In commodity FX, the AUD and NOK both outperformed on energy and cyclical exposure, a typical signal that markets were pricing demand resilience rather than recession.

II. EQUITIES PERFORMANCE

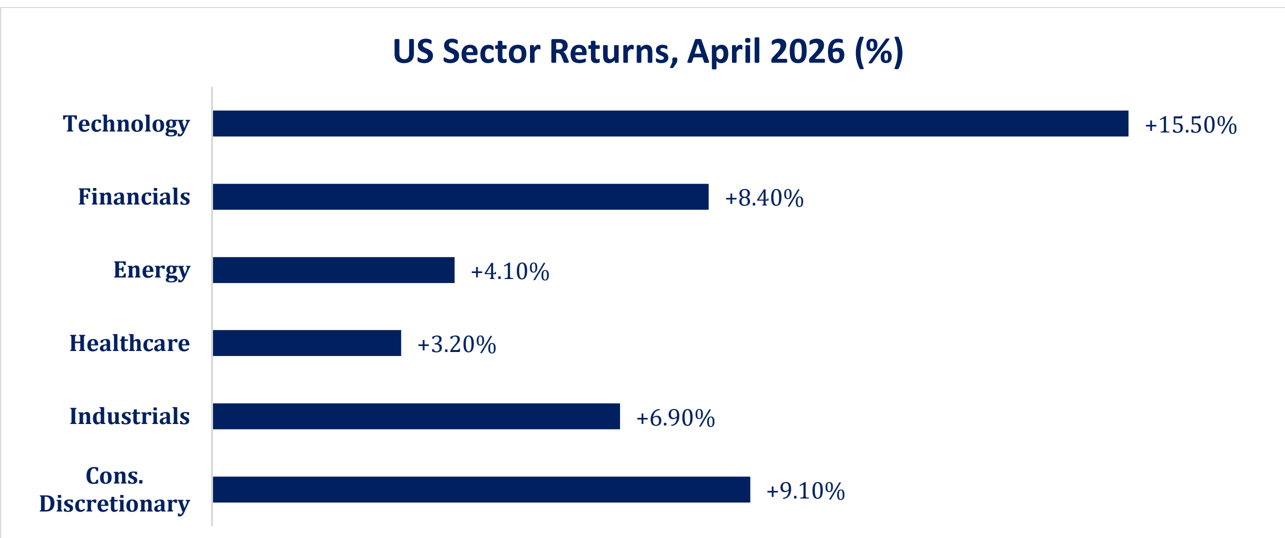
US Indices: The S&P 500 closed April at 7,209, gaining +10.4% for the month, its strongest monthly print since November 2020 and only the 14th double digit monthly gain since World War II. The Nasdaq 100 surged +15.6% to log its best month in more than two decades, propelled by a Mag 7 super reporting week in which Microsoft printed AI revenue at a $37 billion run rate, Alphabet beat on Cloud at $20 billion, Amazon's EPS of $2.78 dwarfed the $1.64 consensus, and Meta dropped 6% only because it raised its 2026 capex guide. The Dow added +7.1%. Importantly, market breadth remained narrow: roughly half of the index gain came from the top ten names.

Turkish Indices: The BIST 100 ended April near 14,340, up roughly +12.1% in lira terms after touching an intra-month peak of 14,621.97 on April 27. The rally extended despite headline CPI accelerating to 32.37% year over year and USD/TRY pushing to a new all-time high, a clear signal that domestic flows continue to use equities as the primary inflation hedge. Foreign positioning remained light enough that local money set the marginal price, and net buying from pension and participation funds was a key driver into month end.

Market Sentiment: The VIX collapsed to roughly 16.9 by month end, down sharply from the late March print of 25.24 and well inside its long-term equilibrium range, even with crude consistently above $100. Realized correlations dropped sharply, the hallmark of a single factor rally driven by index level beta rather than dispersion. Crucially, systematic positioning rebuilt rapidly: CTA and risk parity gross exposure recovered most of the March drawdown by the final week, leaving the tape more vulnerable to a reflexive reversal than the headline VIX print suggests.

III. US INDUSTRY PERFORMANCE

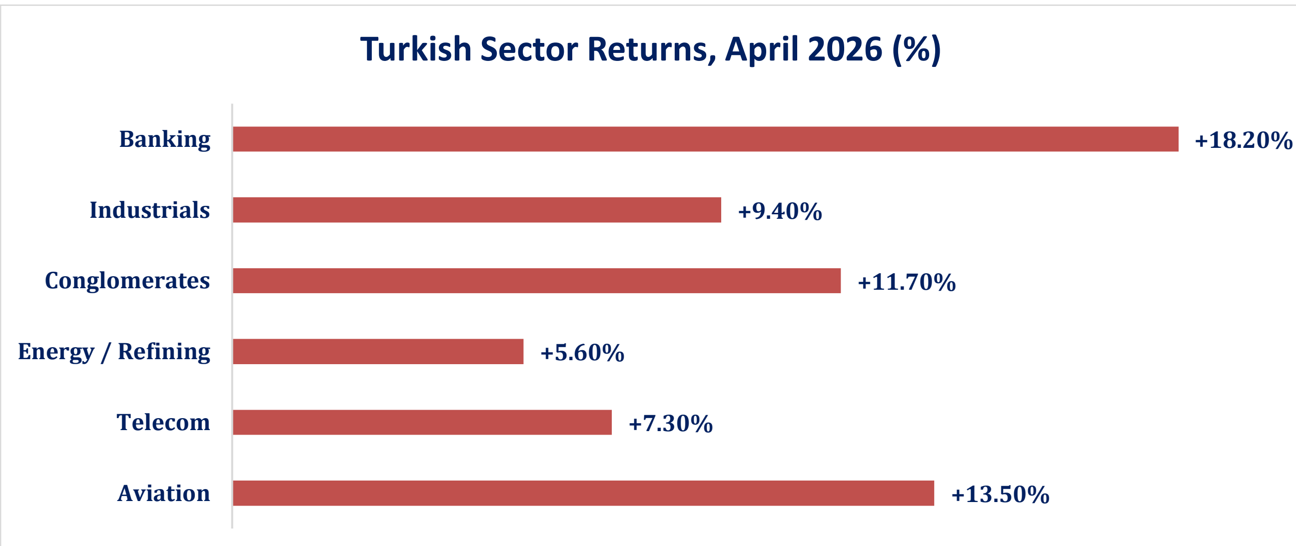
Industry	Monthly Return	Key Macro Catalyst
Technology (XLK)	+15.50%	Mag 7 super reporting week reset the bull case: IT sector revenue grew +29.2% year over year, with AI capex now exceeding $685B for 2026; Microsoft, Alphabet, and Amazon all beat top line.
Financials (XLF)	+8.40%	Big bank Q1 beats on net interest income and trading lifted the mega caps; yield curve steepened modestly. Regional banks (KRE) lagged on credit risk spreads but recovered into month end.
Energy (XLE)	+4.10%	Brent above $100 supported integrated, with Trump's April 29 blockade comments triggering a $126.41 intraday high on April 30; refiners caught negative EPS revisions and weaker margins capped sector upside.
Healthcare (XLV)	+3.20%	The defensive bid faded as risk on rotation pulled flows out of pharma; biotech (IBB) recovered with rates stabilizing and Eli Lilly led on GLP 1 demand.
Industrials (XLI)	+6.90%	Defense (ITA) extended its run on sustained Middle East budgets and growing aerospace order books; transportation (IYT) lagged on jet fuel costs but offset by stable cargo demand.
Cons. Discretionary (XLY)	+9.10%	Mega cap retail (AMZN, TSLA) led the rebound; broader autos and travel still pressured by gas prices but earnings cushion offset the drag.



Takeaway: April flipped the March script. Rather than rotating into commodity hedges, capital rotated back into mega cap growth as Q1 earnings demonstrated that corporate America had absorbed the energy shock. Energy still gained but underperformed the index for the first time since the war began, signaling that markets are increasingly pricing the Hormuz disruption as a margin headwind absorbed at the corporate level rather than an existential macro shock. Defense, Aerospace, and integrated Oils continue to screen as structural hedges if the conflict drags into Q3.

IV. TURKISH INDUSTRY PERFORMANCE

Industry	Monthly Return	Key Macro Catalyst
Banking (XBANK)	+18.20%	Sharp rebound from March capitulation; CBRT FX defense and stabilizing TRY funding markets supported sector multiples; foreign positioning was light enough to amplify domestic flows.
Industrials (XUSIN)	+9.40%	Export competitiveness from a weaker lira; defense linked order flow and higher cement and steel realizations on infrastructure plus Middle East spending.
Conglomerates (XHOLD)	+11.70%	NAV discounts narrowed as flagship listings rallied; cross holdings benefited from broad based equity strength and renewed pension fund inflows.
Energy/Refining (TUPRS, AYGAZ)	+5.60%	Refining cracks remained elevated through the month; integrated outperformed pure E&P on supply security premia and Tupras' sustained margin strength.
Telecom (XILTM)	+7.30%	Stabilizing FX and improving real rate dynamics eased pressure on hard currency capex; defensive cash flows and dividend visibility attracted local yield seekers.
Aviation (THYAO, PGSUS)	+13.50%	Sustained cargo volumes on sea to air substitution; THY benefitted from yield gains on long haul routes that partially offset jet fuel headwinds.



Takeaway: BIST staged a broad-based recovery led by Banks reversing March's capitulation, with Aviation and Conglomerates participating on cargo arbitrage and discount narrowing dynamics. The pattern is consistent with inflation hedging behavior: local investors are using equities to defend purchasing power as the lira retests historical lows, while foreign positioning remains light enough that domestic flows are setting the marginal price. With USD/TRY having decisively cleared 45 on April 29, this regime can persist only as long as the pace of depreciation stays orderly; a sustained break above 46 would mark a different policy regime.

V. DIGITAL ASSETS

Large Caps: Bitcoin closed April near $76,580, gaining +11.87% on the month, its strongest monthly close of 2026 and a decisive reclaim of the $75,900 prior month high that bulls had been watching as a macro continuation trigger. Ethereum and Solana followed with double digit gains, though L1 dispersion narrowed as risk appetite broadened back toward the majors. Stablecoin supply expanded over the month, consistent with renewed deployment of dry powder rather than risk off hoarding.

Sector Rotation: Capital rotated back toward majors and high quality L1s, with AI tokens receiving a more measured bid this cycle. Notably, US spot Bitcoin ETFs registered net inflows for three consecutive weeks into month end, reversing the heavy outflows seen during March, while real world asset and tokenized treasury TVL continued to climb.

Macro Link: April reinforced the high beta to tech read on crypto: Bitcoin tracked the Nasdaq 100's rally rather than gold's drift toward $4,611 (down roughly 1% on the month and now ~18% below January's $5,602 peak). The pattern keeps the "digital gold" framing on the defensive, even as the same fiat debasement narrative that powered gold's record run is being amplified by hawkish central bank rhetoric. We continue to model BTC as a leveraged proxy for global liquidity rather than an inflation hedge.

VI. OUR READ

Consensus View

April's rally has consensus leaning into a "growth despite war" narrative. Corporate America has demonstrably absorbed the energy shock, the AI capex story is intact at over $685B for 2026, and the Fed's dissent is being read as a ceiling on rates rather than the start of a hiking cycle. Most sell side desks have moved year end S&P 500 targets toward 7,500 to 7,800, with relative value desks rotating away from defensives.

Why We're Less Comfortable

The 8 to 4 FOMC dissent is the most hawkish internal signal we have seen this cycle, and the ECB openly debated a hike with eurozone inflation at 3.0%. Brent has now held above $100 for roughly eight consecutive weeks since the war began and intraday hit $126 on April 30 after Trump rejected Iran's offer. Crucially, equity gains were unusually narrow at the factor level: realized correlations collapsed and a small set of mega cap reports drove the index higher, while CTA and risk parity gross exposure rebuilt rapidly. A multi expansion run into a deteriorating policy reaction function is the textbook setup for a sharp single session repricing if energy reaccelerates or if June central bank communications turn more hawkish.

Positioning Implication

We continue to favor quality growth with cash flow durability over speculative long duration exposure, and view Defense, Aerospace, and integrated Energy as structural hedges that should re rate higher if the Hormuz situation drags into Q3. For Türkiye, the BIST 100 ended April near 14,340 with USD/TRY at 45.17 and CPI at 32.37%; we treat the BIST's record lira denominated highs as an inflation hedge story rather than a fundamental re rating and use a sustained break above 46 as the trigger to reduce TRY denominated exposure (the prior "above 45" threshold was crossed on April 29). Within Turkish equities we prefer hard currency earners and exporters over rate sensitive financials.

The Mag 7 Concentration Risk Has Returned

Roughly half of April's S&P 500 gain came from the top ten constituents. With the four hyperscalers (MSFT, GOOGL, AMZN, Meta) guiding to a record $685B+ of AI capex for 2026, free cash flow conversion is set to step down even as revenue accelerates, which mathematically tightens the link between AI monetization timelines and aggregate equity returns. If a single hyperscaler trims its capex envelope or if a regulatory action targets data centre power agreements, the index level beta would not be cushioned by any other sector group. We view position sizing discipline as more valuable than a directional call here.

VII. THE MONTH AHEAD

What to Watch	**April CPI prints, Hormuz Resolution Path & June ECB Pivot** The US April CPI print on May 13, the eurozone April final HICP on May 20 and May flash on June 2, and the Turkish May CPI on June 3 will set the tone for whether central bank dissent translates into actual policy action. The ECB June 11 meeting is now the most likely pivot point for a hike. Watch CENTCOM activity in the Gulf and any Iranian counter response, plus the full Senate confirmation vote on Kevin Warsh as Fed Chair, expected by mid-May (his Banking Committee hearing was held April 21, and the committee advanced his nomination on April 29).
Why It Matters	**Stagflation Pricing vs. Soft Landing Positioning** April lifted equity multiples on the assumption that the energy shock is contained. A single hot CPI print or a Hormuz escalation reverses that assumption mechanically, and gross exposure has been rebuilt to pre-crisis levels. The ECB and Fed are visibly closer to a hike than a cut, which means the consensus "rate cut floor" under risk assets has effectively been removed.
Key Indicators	**Brent | DXY | USD/TRY | 10Y UST | VIX** Brent above $105 or a DXY break above 100 would re anchor the stagflation trade. USD/TRY pushing decisively above 46 (45 was breached on April 29) would test CBRT's reaction function, and a VIX move back through 22 would mark the end of the April risk on phase.

VIII. SOURCES & DATA REFERENCES

- Central Bank of the Republic of Türkiye (CBRT), April 22 MPC decision statement, FX intervention disclosures, and TURKSTAT April CPI release.
- Federal Reserve Board, April 29 FOMC statement, Implementation Note, and Chair Powell's press conference transcript.
- European Central Bank, April 30 monetary policy decision and President Lagarde press conference; Eurostat April flash HICP release.
- Borsa İstanbul (BIST), index, sector, and trading data for April 2026; FactSet Earnings Insight Q1 2026 reports.
- Reuters, Al Jazeera, Axios and CNBC, reporting on Strait of Hormuz, US naval blockade, US and Iran negotiations, and OPEC supply commentary; IEA Oil Market Report (April 2026).
- CoinGlass and Glassnode, digital asset market and on chain data; World Gold Council April 2026 commentary.

End of Report
Thank you for reading. See you next month.