

## The Chart of the Week

### Tech Valuations Back to Pre-AI Boom Levels



Source: Apollo

## What happened last week?

### Global markets

Global equity markets staged a powerful and broad-based advance last week, with the MSCI All Countries World index gaining 4.2% in USD. The defining event was the announcement mid-week of a two-week humanitarian and diplomatic ceasefire between the United States and Iran. This single development reshaped the investment landscape in a matter of hours, sending oil prices into one of their steepest single-day declines since 2020 and triggering a decisive rotation out of the defensive and energy positioning that had dominated portfolios since the conflict began. Airlines, consumer discretionary, and technology names were among the principal beneficiaries, while energy and defence stocks gave back part of their conflict premium.

The macro backdrop was also supportive: March CPI printed at 3.3% year-on-year - elevated, but driven almost entirely by a 21.2% surge in gasoline prices. With core CPI rising a contained 0.2% month-on-month and 2.6% year-on-year, markets correctly concluded that the Federal Reserve retained the analytical cover to remain on hold without tightening, and equities absorbed the data constructively. The most striking feature of the week was the leadership of emerging markets, which surged 8% in USD, their best weekly return in years, as the regions most damaged by the conflict saw the sharpest reversal.

### US

The S&P 500 rose 3.6% for the week. The Nasdaq Composite outperformed as the ceasefire-driven improvement in the global growth outlook revived demand for riskier stocks that had been under disproportionate pressure during the weeks of peak uncertainty.

The best performing sectors were Semiconductors (which rallied nearly 14%), as well as other high beta / cyclical sectors such as Metals&Mining (+8%) or Banks (+6%). On the flipside - Energy underperformed (-4%) as the high oil prices that had supported them for weeks partially reversed. The worst performing pocket of the market was Software, which dropped -7%, driven by the newsflow coming out of the AI start-up space (Anthropic new model release fed the existing fears of software disruption).

The week's CPI data, while generating an eye-catching headline, reinforced rather than undermined the equity rally: the subdued core reading of 2.6% year-on-year provided the narrative that the inflation spike was primarily energy-driven and likely transitory. The prevailing view appears to be that the Fed was likely to "look through the energy-driven noise" provided the ceasefire held. Fed funds futures shifted modestly to price a marginally higher probability of a cut later in the year.

## Europe

European markets advanced solidly, with the STOXX Europe 600 rising 3.1% in Euro terms. The DAX was among the stronger performers within the region, as German industrials — disproportionately exposed to energy input costs — rebounded on oil price relief. The CAC 40 similarly recovered, led by luxury goods and globally-oriented multinationals that benefit from improved growth expectations. The FTSE 100 lagged at +2.4%, a reversal of its outperformance in the prior week that is directly explained by its heavy energy weighting: the sharp fall in oil prices became a drag. The Switzerland SPI added 2.0%, with the defensive quality of its healthcare and consumer staples heavyweights providing ballast against residual uncertainty while still participating in the broader risk-on move.

The macro backdrop, however, remains challenged in Europe. The EU's Economy Commissioner flagged an impending downward revision to the eurozone's 2026 growth forecast, warning of a stagflationary shock. The OECD maintained its lowered eurozone growth projection of 0.8% for the year. These concerns did not derail the week's equity gains but they represent an important structural overhang heading into the second quarter.

## Rest of the world

The transformation in emerging market performance last week was dramatic. MSCI EM returned +8.0% in USD — strongest weekly gain in several years — as the ceasefire triggered a wholesale reversal of the forces that had most damaged EM assets since the conflict began.

The tech heavy equity markets such as South Korea and Taiwan led the region. Both continued from the ongoing demand for datacentre hardware, and in the Korean memory chip companies, the rebound was additionally helped by the positioning which had cleared significantly during March. On the other hand Chinese equities remained a relative EM-laggard, though they too posted positive returns during the week. MSCI China gained +3.1% and domestic A-shares indices rose 4–5%, stronger interest in growth and technology names as global risk appetite recovered.

Outside the Emerging Markets, Japan's TOPIX 100 added 2.5% in local terms (+3.9% in USD), with the yen's partial recovery against the dollar amplifying returns for USD-based investors.

# Our view on equities

## Equity asset class

We have shifted to a neutral stance on equities, as the repricing of inflation expectations, interest rates, and geopolitical risk premia is creating significant headwinds.

We continue to advocate diversification across regions, with a recent underweight to Europe given its significant exposure to the energy shock, particularly through natural gas dependence.

Markets still price a manageable shock; the most likely scenario remains a correction within an uptrend, but a durable bottom is not yet in place.

## Earnings

Earnings remain supportive but are likely to be revised down with a lag, with growth potentially shifting to single digits, especially in energy-sensitive regions.

## Valuation

US large caps are no longer as stretched as they were, but they remain expensive in absolute terms. The forward P/E has compressed from ~22x to ~18.5x, reflecting a partial normalization in valuations. The equally weighted S&P 500 appears more attractive at ~16x, highlighting less demanding valuations beyond the mega-cap segment.

Japan also trades at elevated levels (~21x forward P/E), while other regions offer more compelling, notably Europe (STOXX Europe 600 at ~14x) and Asia ex-Japan (MSCI Asia ex Japan Index at ~12x), where valuations remain comparatively more attractive.

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