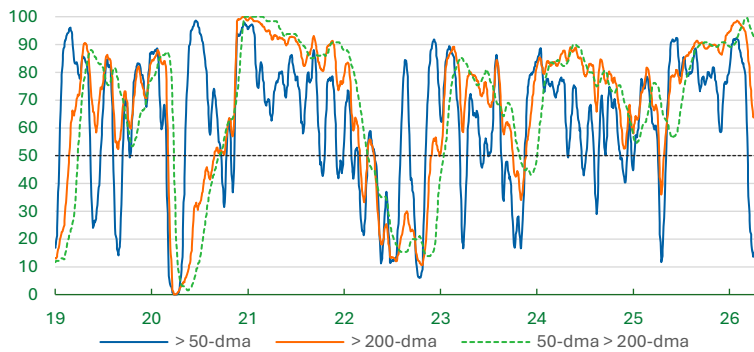


Bounceback

Global Market Performance Indicator

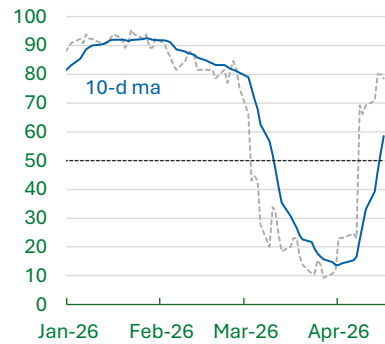
(% of 65 global indices, 10-d ma)



Source: Investing.com, Watt Strategic Economic Advisors

GMPI

(% of 65 global indices)



Source: Investing.com

Overview

WSEA's Global Market Performance Indicator (GMPI) shows the remarkable rebound in market sentiment as tensions in the Middle East eased and as the — still seemingly tentative — ceasefire holds. As a result, from an extreme level of short-term bearishness, we now have almost 80% of global markets that are again above their 50-dma.

Starting in the US, the S&P 500 is up 11% from its 30 March low. Earlier this month, the focus was on the potential that the S&P 500's 50-dma was heading toward a bearish crossover of the 200-dma. That is less of a concern now, as the rally has lifted the S&P 500 to new highs.

The story with the Nasdaq is similar, with one wrinkle. The Nasdaq did have its 50-dma fall, and touch, its 200-dma. However, this might well turn out to have been a “touch and go” situation given the surge in the Nasdaq in recent days. The Nasdaq also bottomed on 30 March and has since rallied by 15.8%. What is also remarkable among the US markets, is the surge in the Philadelphia Semiconductor index (SOX), which has soared to record highs. As the situation in the Middle East cools, the focus shifts back to the AI boom and the still very strong demand for chips. Also keep in mind that much of the military hardware deployed in recent weeks will also contribute to the strong demand for chips in coming months/years.

The easing of geopolitical strains has not washed away all concerns, but there is a palpable sense of relief. As a result, it was not only US markets that have observed powerful rallies of late. There are several markets one could choose from to highlight upward momentum. Take Japan's Nikkei for example. Though Japan remains vulnerable to the ongoing closure of the Strait of Hormuz, the Nikkei has rallied by 16.6% from its late March low. As well, the Bank of Japan has highlighted the complications of the Middle East disruptions that are deemed upside risks to inflation and seen as downside risks to the economic outlook. BoJ Governor Kazuo Ueda has suggested the need to be “vigilant to future developments.” It suggests a wait-and-see approach, and thus that the BoJ is not in any rush to raise rates again. An incremental boost to equity market sentiment.

Relief rallies are also evident in markets such as Kuwait, which has a direct regional vulnerability. From its late March low, the Kuwait All Share index is up 6.8%. That might not be seen as a particularly strong rally, but it has been enough to lift the index back through both its 50-dma and its 200-dma. It is above its pre-war levels and looks poised to head toward its mid-December highs.

Among the other markets posting some impressive gains of late, the Polish stock market is up 12.6% from its 24 March low. We would also highlight India's Sensex. Though the gain in the Sensex has been mid-table compared to other markets at 8.3%, the upswing has lifted the index back to its 50-dma. This might provide an interesting test of short-term sentiment in markets if it can rise above this threshold.

A return to pre-war narratives?

To some extent, the cooling in geopolitical tensions and the modest retreat in oil prices is allowing the narrative around markets to shift. The concerns about the aftermath of the conflict will linger, but there is now a better sense of the impact of the shock. Hence, there has been a reduction in the number of tangents of uncertainty.

The recent IMF World Economic Outlook for April 2026 is illustrative. Of note, the IMF lowered its forecast for global economic growth by 0.2 percentage points to 3.1%. The 2027 forecast for global growth was unchanged at 3.2%. Global inflation was revised upward for both 2026 and 2027, with inflation to be 4.4% this year and 3.7% next.

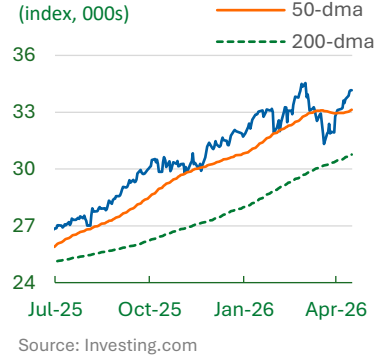
What is interesting was this comment: “Absent the war, global growth would have been revised upward.” Hence, things were looking better for 2026 prior to the war. Notably, several markets were at record, or multi-year highs prior to the war. It seems some markets might be looking to regain their prior momentum.

That said, there is still some risk of a flare-up in the Middle East. Of note, the US aircraft carrier George H.W. Bush is reported to be heading to the region. It is also taking the long way sailing around the Cape of Good Hope rather than traversing the Mediterranean and having to transit the Red Sea ports, thus avoiding the Bab el-Mandeb Strait.

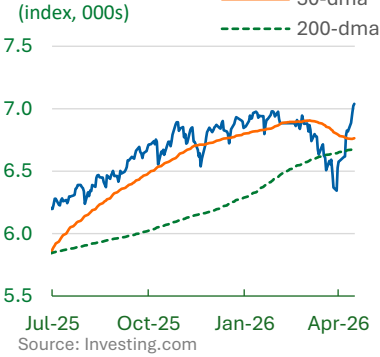
We are not back at pre-war conditions. The economic outlook is worse than it was. Inflation is going to be higher than it was. There will be uneven effects around the world depending on whether one is an energy importer (particularly one vulnerable to Middle East supplies) or an energy exporter. However, worst case scenarios seem less likely now than they did a few weeks ago, and there are some narrow reasons for a return of optimism.

Key markets

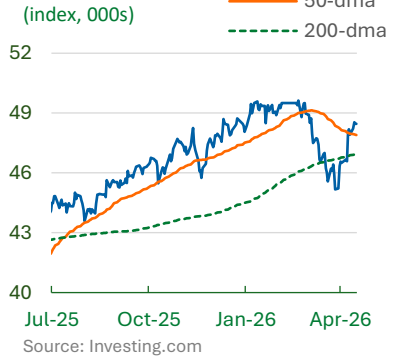
Canada: S&P/TSX



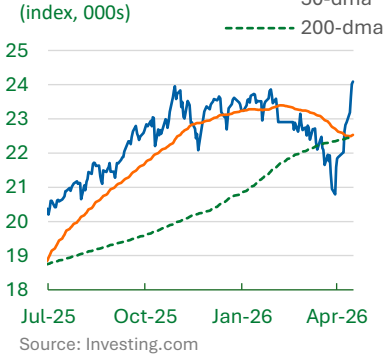
US: S&P 500



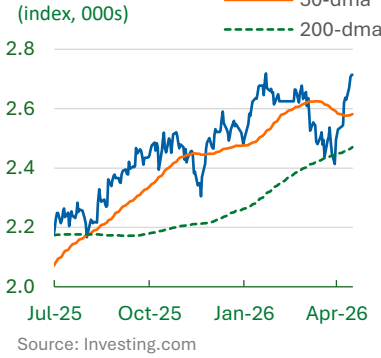
US: DJIA



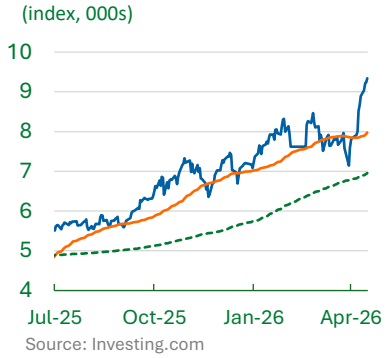
US: Nasdaq Composite



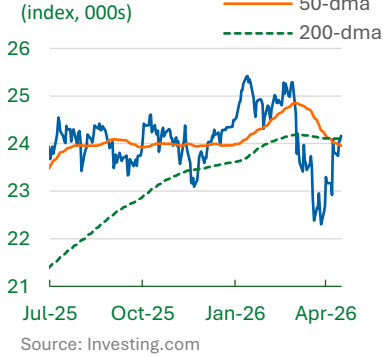
US: Russell 2000



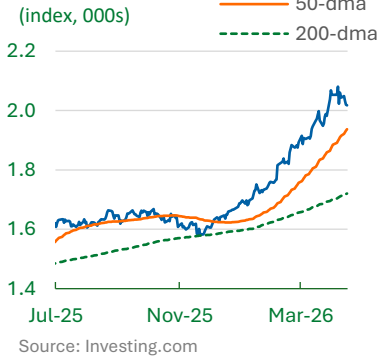
US: PHLX SOX



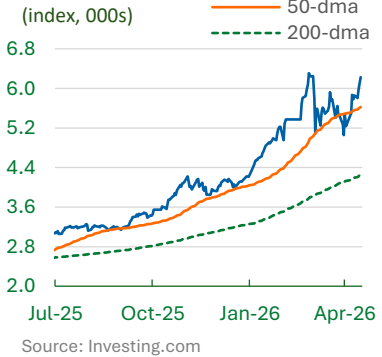
Germany: DAX



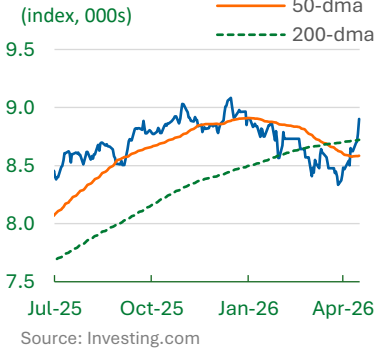
Norway: OSEBX



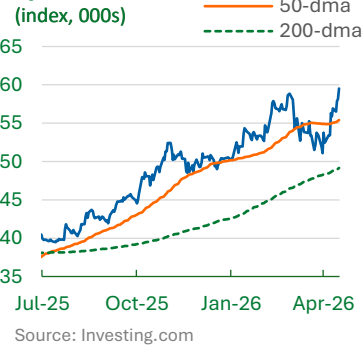
South Korea KOSPI



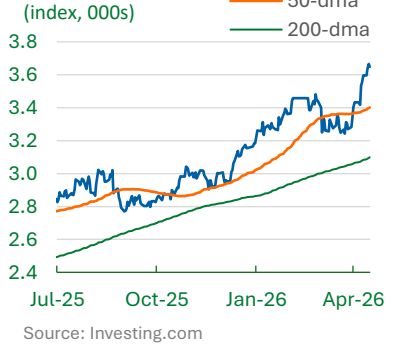
Kuwait: All Share



Japan: Nikkei



Poland: WIG 20 Index



Other indicators to watch

WTI crude oil price



Brent crude oil price



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