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Market Snapshot

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A heavy week of earnings underlined the dominance of big technology in driving markets, with results from the so-called Magnificent Seven once again setting the tone for US equities. Strong performances from **Alphabet**, **Amazon**, **Microsoft** and **Meta** highlighted renewed momentum in cloud computing, artificial intelligence (AI) and digital advertising, offsetting pockets of caution around rising costs, heavy capital spending and softer consumer trends. **Apple's** blockbuster quarter reinforced confidence in resilient demand at the top end of the smartphone market, while **Tesla** remained an outlier, with margins under pressure.



Outside tech, results were more mixed, with banks and consumer groups pointing to the drag from higher interest rates and rising energy costs. The contrast mattered for markets: robust Magnificent Seven earnings helped support the S&P 500 and Nasdaq near record levels, masking broader earnings fragility and reinforcing concerns about index concentration, as a narrow group of mega-cap stocks continues to account for the bulk of profits, returns and investor optimism in an increasingly uncertain macro and geopolitical backdrop.

It was a busy week at central banks, with interest rates held at the major institutions. While borrowing cost were left unchanged, this week marked a clear shift towards higher-for-longer thinking among major central banks. With energy prices rising and leadership changing at the Federal Reserve, policymakers are signalling that controlling inflation now takes precedence over cushioning growth – a message with significant consequences for markets, borrowers and governments worldwide. The situation in the Middle East still appears to be a long way from any resolution.

The FTSE 100 was down 0.8% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading 1.3% lower.

Middle East

The reality of the oil-supply situation hit markets this week as traders seemed increasingly to bet on a continuing closure of the Strait of Hormuz. Oil prices jumped to their highest level since 2022 after a report that the US military is set to brief President Donald Trump on new plans for potential action in the Iran war. Brent crude rose by almost 7% to more than \$126 a barrel at one point on Thursday, before falling back. US Central Command has prepared a plan for a wave of "short and powerful" strikes on Iran to try to break the deadlock in negotiations with Tehran, news site Axios reported. Energy prices have been rising as peace talks appear to have stalled, with the key Strait of Hormuz waterway still effectively closed. A ceasefire has been in place since April 8, but on Thursday evening Iranian Foreign Ministry spokesman Esmail Baghaei said it was unreasonable to expect quick results from US talks, the official IRNA news agency reported. United Arab Emirates presidential adviser Anwar Gargash said on Friday in a post on social media site X that no unilateral Iranian arrangements could be trusted or relied upon regarding freedom of navigation through the Strait of Hormuz after its "treacherous aggression" against its neighbours.

Economics

Major central banks left interest rates unchanged this week, but the overall tone shifted noticeably more hawkish, reflecting rising energy prices linked to the Middle East conflict and renewed concerns that higher inflation could become entrenched.

The US Federal Reserve held its benchmark rate at 3.5%–3.75%, but the decision exposed the deepest internal split in decades, with four dissenters and growing resistance to language suggesting future easing. Chair Jerome Powell acknowledged that war-driven energy costs were complicating the inflation outlook, underlining a shift from patience towards vigilance. Markets now expect no rate cuts

in 2026 and a possibility of hikes in 2027 if inflation pressures persist. Adding to market uncertainty, Congress is expected to confirm Kevin Warsh as the next Federal Reserve chair, replacing Jerome Powell when his term ends in mid-May.



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The Bank of England also kept rates on hold at 3.75%, voting 8–1 against a rise, but its messaging was notably cautious. For the first time, it scrapped a central inflation forecast and instead laid out multiple scenarios, including one that could require “forceful” rate hikes if energy prices trigger second-round inflation effects. BoE Governor Andrew Bailey stressed uncertainty around the duration of the Iran war, signalling that policy could tighten quickly if inflation expectations rise.

The European Central Bank left rates unchanged, but policymakers signalled that further tightening was under active consideration as energy costs feed into headline inflation. The tone was distinctly less dovish than earlier in the year, with emphasis on preventing energy-driven price pressures from spreading into wages.

The Bank of Japan also held policy steady but hinted more clearly at upcoming rate increases, as higher global energy prices threaten to push Japanese inflation further above target after years of ultra-loose policy.

The Conference Board said that its US consumer confidence index edged up slightly in April to 92.8, from a revised 92.2 in March, defying forecasts for a decline and marking its highest level of the year so far. The modest improvement was driven by a better outlook for jobs and household income, reflected in a rise in the expectations index to 72.2, although this remains well below the 80 mark that historically signals recession risk. By contrast, the present situation index slipped slightly, indicating consumers still view current business conditions with caution, despite some improvement in perceptions of the labour market. The survey also showed persistent anxiety over rising gasoline prices and inflation, with respondents frequently citing the Middle East conflict and energy costs as key concerns, suggesting the lift in confidence may prove fragile.

Company news

Alphabet delivered a strong first-quarter performance, driven by a sharp acceleration in cloud computing as demand for artificial intelligence surged. Revenue rose 22% year on year to \$109.9bn, while net income jumped 81% to \$62.6bn, boosted by operating leverage and equity gains. Google Cloud was the standout, with sales up 63% to just over \$20bn and operating profit tripling, while advertising proved resilient, despite YouTube sales narrowly missing forecasts.

Amazon beat expectations in the first quarter as strength in cloud computing and advertising offset heavy spending on artificial intelligence. Revenue rose 17% to \$181.5bn and net income climbed to \$30.3bn, partly helped by gains from its Anthropic stake. AWS led the group, with sales up 28% to \$37.6bn – its fastest growth in nearly four years – generating \$14.2bn of operating income.

Microsoft posted a solid third-quarter performance, underpinned by strong cloud and AI demand, although high investment spending weighed on sentiment. Revenue rose 18% to \$82.9bn and net income increased 23% to \$31.8bn. Microsoft Cloud revenue jumped 29%, with Azure growing about 40% at constant currencies as AI-related workloads accelerated.

Apple reported a record first quarter, lifted by strong iPhone demand and renewed momentum in services. Revenue rose 16% to \$143.8bn, while net profit climbed 16% to \$42.1bn. iPhone sales hit a record \$85.3bn and services revenue reached an all-time high of \$30bn, with particularly strong growth in Greater China offsetting weaker Macs and wearables.

Meta Platforms posted a blockbuster first quarter as a rebound in digital advertising and AI investment fuelled its fastest growth in years. Revenue surged 33% to \$56.3bn and net income jumped 61% to \$26.8bn, driven by higher ad impressions and pricing. Daily active users edged lower sequentially, with the company citing disruptions in Iran and WhatsApp restrictions in Russia.

Tesla reported a mixed first-quarter performance, beating profit expectations but again highlighting pressure on its core car business. Investors welcomed progress in autonomy and artificial-intelligence initiatives, including the expansion of robotaxi trials, but concerns lingered over slowing sales growth, rising competition and sharply higher capital spending as Tesla pivots increasingly towards AI-driven businesses.

BP beat expectations as first-quarter profits more than doubled to \$3.2bn, driven by strong oil trading amid heightened market volatility. Upstream output was broadly flat and refining performed well, although gas and low-carbon results were weaker. A working capital build pushed net debt higher, but BP reaffirmed its strategy and dividend.

AstraZeneca delivered a strong first quarter, with revenue up 8% at constant currencies to \$15.3bn, led by double-digit growth in oncology and rare diseases. Core earnings per share rose 5% to \$2.58 and operating profit increased 12%. The drugmaker reaffirmed full-year guidance and highlighted continued pipeline progress.

GSK made a strong start to the year as growth in specialty medicines offset weaker general medicines sales. Turnover rose 2% to £7.6bn and core operating profit increased 10%, driven by oncology, respiratory and HIV treatments and solid Shingrix demand. Full-year guidance was unchanged.

Lloyds Banking Group reported strong first-quarter results as higher lending income and cost discipline lifted profits. Statutory profit before tax rose 33% to £2.0bn, with return on tangible equity improving to 17%. Net interest income climbed 8% and credit quality remained resilient.

Barclays posted resilient first-quarter results, with investment banking strength offsetting higher impairments and macro uncertainty. Group income rose 6% to £8.2bn and profit before tax increased to £2.8bn, while investment banking income topped £4bn for the first time in a quarter.

Rolls-Royce reported a strong start to 2026, supported by improving performance across civil aerospace, defence and power systems. Large engine flying hours rose 5% year-on-year, while defence deliveries and power generation orders increased. Full-year guidance was reiterated and Middle East disruption had no material impact.

Standard Chartered delivered a record first quarter, with pretax profit rising 17% to \$2.45bn. Operating income reached a record \$5.9bn, driven by strong growth in wealth and investment banking, particularly bond issuance.

NatWest reported a solid first quarter as operating profit before tax rose 12% to £2.0bn on higher lending income and robust customer activity. The bank raised income guidance but increased provisions to reflect a weaker UK economic outlook.

Taylor Wimpey struck a cautious tone as stable sales were offset by softer pricing and higher costs. Net private sales were steady at 0.74 homes per outlet per week, but the order book slipped to about £2.2bn, reflecting a 1% fall in prices, particularly in southern England.

WPP said first-quarter trading was in line with expectations, with revenue down 4% like-for-like as client caution persisted. The advertising group reiterated guidance for an improving second-half trajectory as it continues its strategic overhaul.

Whitbread reported flat full-year revenue as strong hotel trading offset the rundown of its restaurant estate, while profits were weighed down by restructuring costs. Premier Inn outperformed its market and Germany reached annual profitability, as Whitbread launched a new five-year strategy to become a pure-play hotel group.

Unilever beat expectations as volume-led growth returned across its core brands. Underlying sales rose 3.8%, driven by strong performance in Home Care and emerging markets, although adverse currency movements dragged reported turnover lower.

Starbucks delivered strong second-quarter results, prompting an upgrade to full-year guidance as its turnaround gained traction. Revenue rose 9% to \$9.5bn and adjusted earnings climbed 22%, driven by improving customer traffic, particularly in North America.

Atlas Copco reported modest organic growth and stable margins in the first quarter, supported by strong demand for vacuum equipment. Orders rose 5% organically, while currency effects weighed on reported revenue. Operating margins held firm despite softer performance in compressors and industrial technique.

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