



Source: Momentum Global Investment Management, FactSet. Data to 31 March 2026.

Quality time in the Markets

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What does the chart show?

The chart illustrates the valuation spread (blue line) between a group of global quality stocks and the broader equity universe of roughly 1,500 companies. The quality cohort consists of about 200 of the highest-quality firms, selected using our internally defined criteria. The valuation score itself combines multiple metrics to assess how expensive or inexpensive each company is.

Historically, high-quality companies have traded at an average premium of around 15% relative to the wider market. Makes sense: you pay more for better quality things. Today, that premium has compressed, sitting below both its long-term mean and the five-year moving average. In fact, it is now sitting two standard deviations below its typical range, indicating that high-quality stocks are currently trading at unusually attractive valuations compared to history.

Why is it important?

It would be an understatement to describe the first quarter of 2026 as eventful, particularly on the geopolitical front, which has driven significant volatility across risk assets. Despite this turbulence, markets have shown resilience, with global equities delivering positive returns year to date. Global equities have reached new high in recent days. As a result, equity valuations appear increasingly stretched, prompting investors to search more broadly for ideas. However, these gains have not been evenly distributed. A subset of stocks has lagged, creating potential opportunities. Decomposing global equity performance into three key investment styles – value, momentum, and quality – reveals a divergence. Value investing, which focuses on undervalued stocks, has performed strongly in recent periods, outperforming the broader market. Momentum strategies, targeting companies with positive earnings and price trends, have also delivered decent returns. In contrast, quality stocks – typically defined by stable earnings and strong balance sheets – have underperformed, potentially presenting an attractive entry point for investors.

With most equity markets at or near all-time highs, concerns about a potential correction are increasingly on investors' minds. Combined with a volatile geopolitical backdrop, this may be an appropriate moment to reassess how equity portfolios are constructed. Allocating to quality stocks at this stage could enhance returns over the medium to long term, while also adding more defensive characteristics and a steadier return profile in an uncertain environment. Given that the valuation gap between high-quality companies and the broader market is currently wide by historical standards, this may present a compelling opportunity to invest in high-quality businesses at more sensible prices.

Surging oil prices, shipping disruption, and renewed inflation fears set the tone for equities, bonds, currencies, and global rate expectations.



US

- » Markets focused on Iran conflict fallout as oil-price spikes and shipping disruption through the Strait of Hormuz raised fears of renewed inflation and slower growth.
- » Federal Reserve expectations shifted toward holding rates higher for longer as geopolitical energy shocks complicated the inflation outlook.
- » Trump administration foreign policy dominated headlines, including ceasefire diplomacy with Iran and widening strains with European allies.
- » Security concerns rose after a shooting incident linked to the White House Correspondents' Dinner venue in Washington, D.C., prompting renewed scrutiny of presidential protection and political violence risks.



UK

- » IMF sharply downgraded UK growth forecasts, citing energy shock exposure and global slowdown risks.
- » UK inflation rises to 3.3% amid biggest jump in fuel prices in more than three years.
- » Chancellor Rachel Reeves faced fiscal pressure, with reports suggesting much of budget headroom could be eroded by higher borrowing and energy support costs.
- » Prime Minister Starmer engaged diplomatically with Washington over restoring safe shipping routes and reducing market disruption.



Europe

- » European stocks weakened as oil and gas prices surged and investors priced in supply-chain and industrial cost pressures.
- » Germany cut growth forecasts while lifting inflation expectations amid the external energy shock.
- » Governments considered fuel-tax relief and support measures to cushion consumers and transport sectors.
- » Political tensions with Washington deepened, with Europe discussing more independent security and shipping responses.



Rest of the World/Asia

- » Oil exporters (Middle East, parts of Latin America, some Africa) benefited from higher crude prices and stronger fiscal revenue.
- » Chinese equities benefited selectively from AI and technology themes, helping offset broader global risk aversion.
- » China benefited from Western distraction, with global focus shifting toward Middle East tensions and energy security.
- » Global shipping and airline sectors were hit by Strait of Hormuz disruption, lifting freight and jet fuel costs.

Asset Class / Region	Currency	Cumulative returns				
		Week ending 24 April	Month to date	YTD 2026	12 months	
Developed Markets Equities						
United States	USD	0.6%	9.8%	4.9%	31.8%	
United Kingdom	GBP	-2.5%	2.1%	6.2%	27.9%	
Continental Europe	EUR	-2.4%	5.8%	3.3%	18.9%	
Japan	JPY	-1.2%	6.3%	10.1%	46.7%	
Asia Pacific (ex Japan)	USD	1.2%	15.4%	14.7%	47.9%	
Australia	AUD	-1.8%	3.6%	1.9%	13.9%	
Global	USD	-0.3%	8.9%	5.0%	30.5%	
Emerging Markets Equities						
Emerging Europe	USD	-5.2%	12.2%	13.6%	43.0%	
Emerging Asia	USD	2.1%	17.9%	16.2%	53.7%	
Emerging Latin America	USD	-3.2%	4.9%	20.2%	55.1%	
BRICs	USD	-2.3%	6.5%	-3.5%	10.0%	
China	USD	-1.7%	5.3%	-4.1%	15.2%	
MENA countries	USD	2.6%	3.0%	4.7%	6.7%	
South Africa	USD	-7.3%	5.7%	2.1%	57.6%	
India	USD	-3.6%	7.3%	-12.5%	-9.7%	
Global emerging markets	USD	0.8%	15.4%	15.2%	50.3%	
Bonds						
US Treasuries	USD	-0.2%	0.4%	0.5%	3.9%	
US Treasuries (inflation protected)	USD	0.3%	1.3%	1.5%	4.8%	
US Corporate (investment grade)	USD	-0.2%	1.1%	0.7%	6.8%	
US High Yield	USD	-0.2%	1.8%	1.3%	9.0%	
UK Gilts	GBP	-1.1%	0.1%	-1.8%	1.3%	
UK Corporate (investment grade)	GBP	-1.1%	0.6%	-1.3%	4.4%	
Euro Government Bonds	EUR	-0.4%	0.5%	-0.1%	-0.3%	
Euro Corporate (investment grade)	EUR	-0.4%	1.1%	0.1%	1.9%	
Euro High Yield	EUR	0.0%	2.1%	0.3%	4.6%	
Global Government Bonds	USD	-0.7%	1.3%	-0.1%	1.1%	
Global Bonds	USD	-0.7%	1.3%	0.3%	3.7%	
Global Convertible Bonds	USD	0.3%	9.7%	11.9%	34.7%	
Emerging Market Bonds	USD	-0.5%	2.8%	0.9%	12.0%	
Property						
US Property Securities	USD	-1.3%	7.5%	12.4%	17.9%	
Australian Property Securities	AUD	0.1%	8.4%	-10.1%	-0.5%	
Global Property Securities	USD	-1.6%	7.5%	7.7%	18.1%	
Currencies						
Euro	USD	-0.7%	1.5%	-0.1%	3.0%	
UK Pound Sterling	USD	-0.2%	2.3%	0.5%	1.4%	
Japanese Yen	USD	-0.8%	-0.3%	-1.6%	-10.5%	
Australian Dollar	USD	-0.5%	3.9%	7.2%	11.6%	
South African Rand	USD	-1.9%	2.9%	0.3%	13.4%	
Swiss Franc	USD	-0.7%	2.1%	1.1%	5.4%	
Chinese Yuan	USD	-0.2%	0.9%	2.3%	6.7%	
Commodities & Alternatives						
Commodities	USD	4.3%	1.8%	32.8%	42.3%	
Agricultural Commodities	USD	1.4%	0.8%	8.5%	0.9%	
Oil	USD	16.5%	4.1%	123.6%	129.1%	
Gold	USD	-2.9%	1.9%	9.4%	41.9%	

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