

Monthly Investment Insights

APRIL 2026

TOPIC 1:

Riding out the geopolitical shock

While there are concerns about heightened volatility arising from the Middle East conflict, history shows that drawdowns from geopolitical shocks are typically short lived.



What you can do

Investors should maintain a well-diversified portfolio and avoid concentration risk during periods of heightened geopolitical tension. For investors with higher risk appetite, look to accumulate quality assets on weakness.

- The US-Iran conflict has continued for several weeks, with no clarity on how or when it will end. While developments remain fluid, history suggests that the market impact is primarily tied to the duration of tensions. Our view is that this remains a geopolitical event rather than an economic one, with potential disruption likely measured in weeks, not months.
- Thus far, the impact of the conflict has been felt mainly through higher oil prices. Since the conflict began, Brent crude oil briefly surged to nearly USD 120 per barrel on 9 March before easing back. This move echoes the experience of 2022, when Russia’s invasion of Ukraine kept oil prices above USD 100 per barrel for more than six months, contributing to high inflation, slower economic growth, and broad declines across both stock and bond markets.
- While we do not expect a similar scenario this time, it is important to map the impact of higher oil prices on Asian economies. Many of the regional countries are reliant on imported energy which leaves them exposed to rising costs, higher inflation, and a potential deterioration of current account balances. For Asian countries outside of China and India, headline inflation is estimated to rise by about 0.2 percentage points for every USD 10 per barrel increase in crude prices.
- From a policy perspective, governments are likely to step in to cushion the impact of elevated oil prices, including extending fuel subsidies or release supply from strategic petroleum reserves. Central banks are likely to treat this as a temporary supply-driven inflation shock but stand ready to respond should financial stability risks arise.
- Historically, markets recover from geopolitical shocks relatively quickly unless the conflict becomes prolonged enough to affect economic fundamentals. Since 2001, the median duration for the S&P 500 index to recover to its prior level. (Figure 1).

Figure 1:

S&P 500 drawdown around geopolitical events

Event	Start of sell-off	Duration of sell-off (trading days)	Size of sell-off (%)	Duration to recover to prior level (trading days)
9/11 attacks	10/09/2001	5	-11.6	14
Iraq war	24/03/2003	6	-5.3	15
Ukraine conflict	10/03/2014	5	-2.0	12
Intervention in Syria	19/09/2014	19	-7.4	12
Russia/Ukraine War	10/02/2022	18	-9.1	15
Israel/Hamas War	12/10/2023	12	-5.9	7
US/Iran War	28/02/2026	-	-0.7	-
Median (ex. US/Iran War)	2001-2023	6	-6	12

Source: FactSet, Deutsche Bank, Standard & Poor’s, J.P. Morgan Asset Management.



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China's focus on quality growth

At the recent annual session of China's National People's Congress (NPC), policymakers lowered the official growth target, highlighting a shift toward prioritising structural quality over the speed of growth.



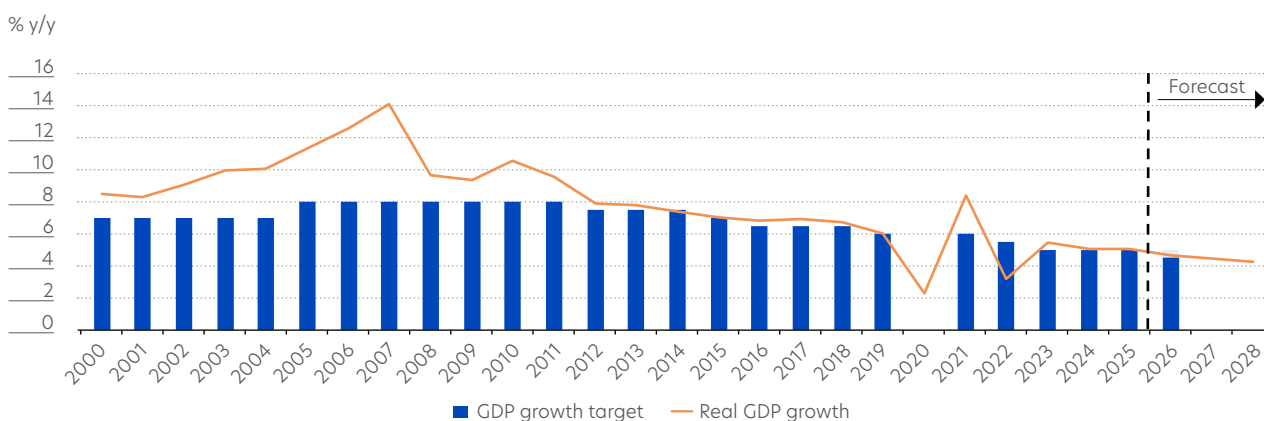
What you can do

China continues to offer attractive investment opportunities despite a lower growth target. Particular areas to focus on are Chinese dividend-paying stocks and technology companies that benefit from government policy support.

- China's annual National People's Congress (NPC) took place last month, where policymakers outlined priorities for the year ahead. Officials lowered the GDP growth target to 4.5%-5%, from "around 5%" in 2025 (Figure 2), signalling a willingness to accept slower growth in favour of structural reforms and higher quality, more sustainable development.
- While monetary and fiscal policies remain key supports, policymakers are placing greater emphasis on boosting domestic demand and technological innovation. The government plans to issue CNY 250 billion in ultra-long-term bonds to fund trade-in programmes for household goods, alongside measures to support household incomes, including higher minimum pensions. Investment in innovation is also being stepped up through new AI initiatives across aerospace, biopharmaceuticals, and quantum technology, in line with plans to lift annual R&D spending growth to 7% and ease regulations for private technology firms.
- With no broad policy measures announced to reverse weakness in the property market, policymakers are indicating a preference for stabilisation over reflation.
- For investors, the shift away from real estate towards domestic demand and technology suggests evolving growth drivers. While last year's technology-led rally was broad-based, opportunities ahead are likely to be more selective, particularly in AI, semiconductors, and quantum computing, where policy support may create longer-term opportunities.
- In our view, offshore and onshore Chinese stocks can play complementary roles in portfolios. Offshore markets provide exposure to policy beneficiaries, while onshore stocks offer stable dividends, attractive valuations, and access to the domestic economy. A balanced approach may help capture opportunities while maintaining diversification.

Figure 2:

China's annual real GDP and GDP growth targets



Source: Bloomberg, J.P. Morgan Asset Management. Due to the pandemic, no GDP growth target was announced for 2020. The GDP growth target for 2026 was set at 4.5-5.0%. GDP forecasts for 2026-2028 reflect Bloomberg consensus estimates. Data reflect most recently available as of March 6, 2026.



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AI reshapes tech leadership

Diverging performance between hardware and software companies highlight shifting expectations, as investors look for a clearer path to monetisation, resilient earnings, and tangible benefits from AI adoption.



What you can do

Participate in the AI theme by focusing on companies monetising demand, particularly those in the hardware segment, and broaden exposure beyond the US to China and Asia's AI supply chain.

- At the start of the year, performance within the technology sector began to diverge, with hardware outperforming software. This reflects growing investor caution over the durability of software growth, as well as questions about how rapid advances in AI may be changing traditional software business models.
- Information technology services and traditional software stocks sold off as investors worried that rapid advances in AI could undermine established software business models. More recently, comments from AI providers suggested that these tools are unlikely to fully replace incumbent software, leading to a rebound in software stocks. Even so, software stocks remain lower year-to-date, underscoring ongoing uncertainty. This has been reflected in lower valuations, with investors now paying less for each dollar of software revenue (Figure 3a).
- Despite the ongoing uncertainty around software, opportunities still exist among companies with strong fundamentals, clear catalysts, and improving earnings momentum. Companies that deliver reliable, mission-critical services and consistently support customers are better positioned to adapt. In this context, the long-term value of software-as-a-service lies less in writing code and more in running essential systems dependably and at scale.
- We believe markets will ultimately favour companies that can demonstrate clear and sustainable monetisation from AI. In the near term, however, hardware companies appear better positioned to benefit from AI-related demand. Hardware stocks have attracted investor attention, supported by clearer and more immediate growth drivers such as the ongoing investment in AI infrastructure (Figure 3b).
- We continue to prefer technology hardware stocks, particularly in Asia, where manufacturers and supply chains are more directly linked to ongoing investments in AI infrastructure.

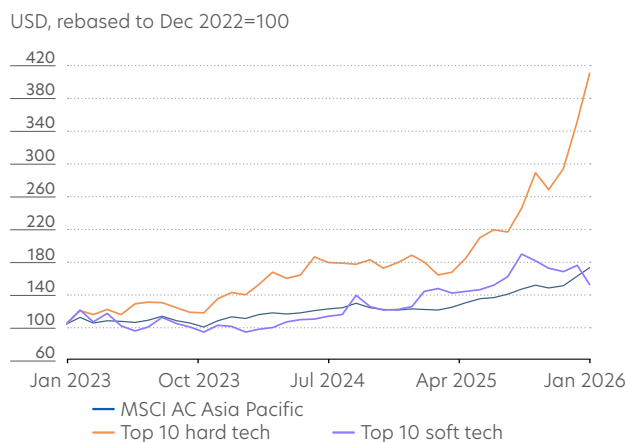
Figure 3a:

S&P 500 software index Enterprise Value (EV) to Sales



Figure 3b:

Performance by Asian technology companies



Source: (LHS) Factset (RHS) Factset, SEMI, SIA, J.P. Morgan Asset Management. Hardware includes electronic equipment instruments & components, communications equipment, semiconductors & semiconductor equipment and technology hardware storage & peripherals. Software include IT services, software, interactive media & services and broadband retail. Based on MSCI AC Asia Pacific index and GICS classification.
 Note: Enterprise value to sales (EV/Sales) measures how much investors are paying for each dollar of a company's revenue by comparing its total firm value (including debt and cash) to its sales.



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