



STRATEGY UPDATE • APRIL 2026

Markets Between Stability and Disruption

KEY TAKEAWAYS

- Markets are showing a growing disconnect between relatively stable price action and a widening range of macro outcomes, with energy remaining the key transmission channel.
- Our base case remains a gradual de-escalation, but the duration of disruption is now the critical variable for inflation, interest rates and asset prices.
- The current environment increasingly resembles 2022 in terms of cross-asset behaviour, although higher starting yields provide a partial cushion.
- Even without further escalation, persistent frictions in energy and logistics can sustain inflationary pressure and limit central banks' ability to support markets.
- Portfolio positioning should remain disciplined and resilient, as risks appear asymmetrically skewed despite recent relief rallies.

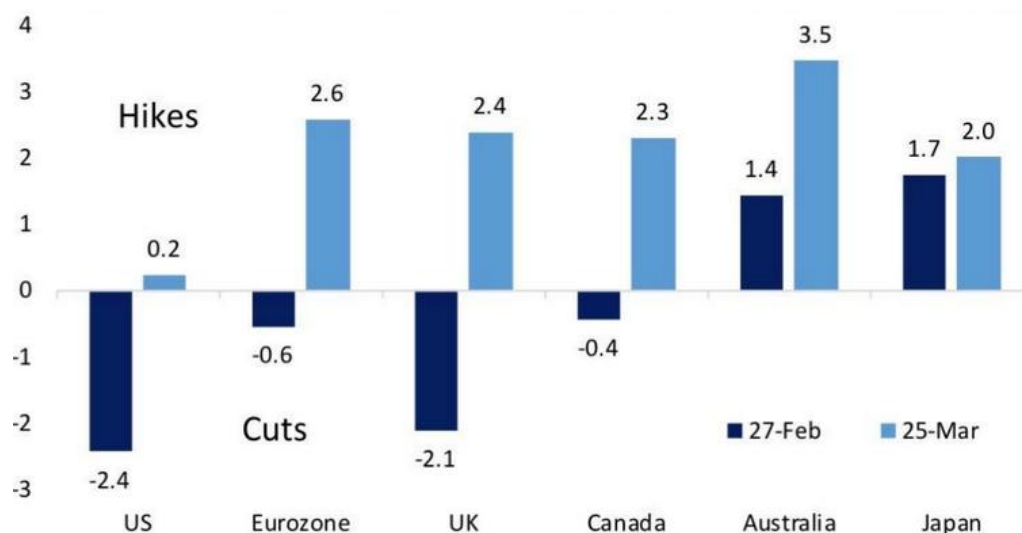
Over the past several weeks, financial markets have been dominated by the escalation of the Iran conflict and its implications for global energy flows. The initial phase of the shock triggered a sharp increase in oil prices and a broad repricing across asset classes. Equity markets experienced volatility and short-lived drawdowns, while commodities – particularly energy – moved significantly higher. Despite this, market functioning has remained orderly, and financial conditions, while tighter, have not deteriorated materially. This is an important distinction. **Markets are not reacting to a systemic breakdown, but rather attempting to assess how persistent the current disruption may become.**



CROSS-ASSET STRESS

At the same time, the internal structure of markets has become more fragile. **Fixed income has not provided its traditional diversification benefit**, with bond yields rising alongside inflation expectations. As a result, **both equities and bonds have come under pressure simultaneously, creating a pattern that strongly resembles the “nowhere to hide” environment observed in 2022**. This parallel is not coincidental. In both cases, the key driver is an energy shock feeding into inflation and forcing a repricing of monetary policy expectations. In recent weeks, rate expectations have already shifted meaningfully, with markets moving away from anticipating rate cuts toward a more uncertain, and potentially tighter, policy path.

Number of Hikes/Cuts Priced Before/After War



Source: Bespoke

What has become clearer more recently is that **the situation is evolving into a phase of ongoing but controlled disruption rather than an immediate escalation**. Energy supply has not collapsed, but frictions around shipping, insurance costs and security measures – particularly around the Strait of Hormuz – are persisting. Tanker traffic has resumed only selectively at times, and discussions around potential control mechanisms or restrictions have reinforced the idea that energy is being used as a strategic lever. These developments do not

require further escalation to have a meaningful economic impact. **The persistence of disruption alone is sufficient to keep oil prices elevated and maintain pressure on inflation expectations.**

This dynamic brings the comparison with 2022 into sharper focus. At that time, the energy shock triggered a broad repricing across inflation, interest rates and asset valuations, leading to a simultaneous decline in equities and bonds. Today, similar transmission mechanisms are at play. However, the starting point is different. **Interest rates are already significantly higher than they were in early 2022**, meaning that part of the adjustment has already taken place. This reduces the sensitivity of financial assets to further rate increases. At the same time, it creates a new constraint: central banks now have less room to provide support in the event of a prolonged supply-side shock. In other words, **while markets may be less vulnerable to sudden repricing, they are also more exposed to a sustained period of tighter financial conditions.**

DURATION & MACRO RISK

Looking ahead, **political dynamics suggest that a prolonged escalation is not the most likely outcome.** There are increasing signs that the United States is seeking to stabilize the situation and move toward a negotiated solution, with rhetoric emphasizing achieved objectives and the possibility of agreements. However, **the conditions required for a ceasefire** – particularly around security guarantees and control of key shipping routes – **remain complex.** This suggests that negotiations may coexist with continued disruption, prolonging uncertainty even in the absence of further escalation.

TWO SCENARIOS

Two broad scenarios therefore frame the outlook.

- In the **first**, tensions ease over the coming weeks and energy flows normalize. In this case, the current shock would remain cyclical, with oil prices stabilizing and inflation pressures gradually easing. Markets would then refocus on underlying drivers such as investment cycles, productivity gains and global growth.
- In the **second** scenario, disruptions persist into the summer or beyond. In this case, the cumulative impact on energy prices, inflation and financial conditions would become more significant. Central banks could be forced to maintain restrictive policies or even tighten further, increasing the risk of a stagflationary environment. Under such conditions, the parallels with 2022 would become more pronounced, with sustained pressure across both equities and bonds and limited diversification benefits across asset classes.

At present, markets appear to be leaning toward the more benign outcome. Relief rallies have been triggered by any indication of potential de-escalation, including discussions of ceasefire frameworks or temporary pauses. However, this behavior also suggests that investors may be underestimating the importance of duration. Even without further escalation, the cumulative effects of higher energy costs, tighter liquidity conditions and supply chain disruptions are likely to become more visible over time. This creates an asymmetry in the current environment, where **upside is constrained by existing uncertainties, while downside risks remain linked to persistence rather than escalation.**

PORTFOLIO RESILIENCE

In this context, portfolio positioning is less about making aggressive directional calls and more about ensuring resilience across a range of outcomes. The experience of recent weeks has shown that traditional diversification cannot be taken for granted, particularly when inflation and interest rates move in the same direction. This reinforces the importance of maintaining

exposure to assets linked to real economic activity and to structural trends that are less sensitive to short-term market fluctuations.

At the same time, the current environment highlights a broader structural theme: **energy security**. The vulnerability of global supply chains and the strategic importance of reliable energy access are becoming increasingly evident. This has implications beyond the immediate conflict, supporting long-term investment in infrastructure, industrial capacity and alternative energy sources. **Nuclear energy**, in particular, is re-emerging as a credible solution for achieving stable and independent energy supply, a development that could have significant long-term implications for global energy markets.

Gold also remains a relevant component in this environment. While recent price action has been volatile, its role as a hedge against inflation, currency debasement and geopolitical uncertainty remains intact. In scenarios where inflation proves more persistent or financial conditions deteriorate, gold has historically been one of the few assets capable of preserving value. More broadly, commodities continue to offer exposure to the underlying drivers of the current shock, particularly in scenarios where disruptions persist and inflationary pressures remain elevated.

OUTLOOK

Overall, the current market environment can be characterized as **resilient but fragile**. Financial markets have so far absorbed the geopolitical shock without transitioning into a systemic crisis, yet the range of potential outcomes has widened significantly. The comparison with 2022 is increasingly relevant, not because the scenarios are identical, but because the transmission mechanisms – energy, inflation and monetary policy – are once again at the forefront.

Our base case remains that the situation gradually stabilizes, allowing markets to refocus on underlying growth drivers. However, the duration of the current disruption will be critical in determining whether this remains a temporary shock or evolves into a more persistent shift in the macroeconomic environment. In this context, maintaining discipline, flexibility and a focus on resilience remains essential. Portfolios that are prepared for multiple outcomes, rather than optimized for a single scenario, are best positioned to navigate the current environment and to capture opportunities as they emerge.

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