

CIO-OFFICE DAILY OUTLOOK

03 April 2026

Markets lost some momentum yesterday, but the session was more complicated than the headline numbers first suggest. Global equities finished softer overall with MSCI ACWI down 0.4%, developed markets off 0.2% and emerging markets down 1.6%, yet by the close the US had managed to claw its way back into positive territory with the S&P 500 up 0.1% after swinging from a 1.5% drop earlier in the day. Europe closed down 0.2%, China fell 0.9%, TOPIX lost 1.6% and Dubai slipped 0.6%. What drove everything was oil, Brent jumping 7.8% to \$109 and briefly trading even higher intraday, while the dollar firmed 0.3% and the 10 year Treasury yield edged down just one basis point to 4.30%. Gold fell 1.7% to \$4,676, so this was not a classic safe haven move across the board, it was really a market trying to work out whether the speech from Trump meant escalation, or just another round of pressure before a deal.

That is where most of the confusion came from. Trump said the US would hit Iran “extremely hard” over the next two to three weeks and offered no credible plan for reopening Hormuz, which initially sent risk assets sharply lower because markets had been hoping for something much more concrete on de-escalation. Oil reacted immediately, with WTI surging as much as 12% and the prompt spread blowing out to record levels, which tells you just how unprepared the market was for a more hawkish tone. Diesel was even stronger than crude, with Europe’s benchmark moving above \$200 a barrel for the first time since 2022, which matters because it says the inflation story is not just about headline crude anymore, it is feeding more directly into refined products and transport costs. What changed the tone later in the session was a report that Iran is drafting a protocol with Oman to monitor traffic through Hormuz, which was enough to trigger a partial reversal in equities because it gave markets something concrete to latch onto, even if it still implies tolls, tighter control and anything but a clean reopening.

That late turnaround was most visible in the US, where dip buying showed up again and helped the S&P finish slightly positive, ending the day at 0.1% up and capping a 3.4% weekly gain, the best since late November after five straight losing weeks. It was not a clean risk-on session though. The VIX was still around 24, Tesla dragged after another weak quarter, and the whole move felt reactive rather than confident. The message from the US market was basically that traders are still willing to buy sharp pullbacks, but only because every headline now causes exaggerated swings in both directions. The broader point remains the same, until there is an actual agreement on how Hormuz gets reopened, the market is stuck in this loop where oil drives sentiment and equities remain vulnerable to every geopolitical twist.

The US macro data was firmer than the broader mood in markets might suggest. Initial jobless claims fell to 202,000, one of the lowest readings in roughly two years, which keeps the low-fire part of the labour market story intact. The problem is that the hiring side still looks much less convincing, and that came through in other labour indicators. Challenger reported that job-cut announcements rose 25% in March from the previous month, and in tech specifically the quarter has been ugly, with more than 52,000 announced cuts and a growing share tied directly to AI-related restructuring. So you still have an economy where layoffs remain low in aggregate, but there is very clear churn under the surface, especially in sectors trying to redirect spending toward AI infrastructure and automation. That is why the labour story still feels mixed rather than cleanly strong.

In corporate news, Tesla’s deliveries missed again at 358,023 units for the first quarter, well below expectations and one of its weakest quarters in years, which is why the stock remained under pressure even as the broader market stabilised. In AI, the story is becoming bigger and more competitive by the day. Microsoft is now openly saying it wants to build frontier-scale in-house AI models by 2027, which is a major signal that it wants less dependence on OpenAI and Anthropic over time. On top of that, it announced a four-year, \$10 billion AI investment plan in Japan, including infrastructure, cybersecurity and training one million AI engineers by 2029, which is another reminder that the AI buildout is still accelerating globally even while energy costs are rising and power availability becomes a bigger bottleneck. SpaceX is also pushing the speculative side of the market further, with its IPO target valuation now reportedly moving above \$2 trillion, which would make it one of the largest companies in the world almost immediately and the biggest listing ever by a huge margin. So there is this strange contrast where parts of the macro backdrop are getting tougher, but the appetite for very large AI and space-related capital stories is still massive.

Europe had a messy session but the regional picture actually says a lot. The MSCI Europe index closed down 0.2% after being as much as 1.6% lower, so it did a decent job of clawing back losses once the Hormuz protocol headlines came through. For the week it still ended up 3.7%, its best week in almost a year, but the internal composition mattered much more than the index level. Energy and utilities held up well, with Shell and BP among the main supports, while airlines and banks were much weaker, because higher-for-longer fuel costs hit travel immediately and tighter financial conditions remain a problem for cyclicals.

So put together, yesterday was really a session where markets tried to decide whether the conflict is moving toward a managed reopening of Hormuz or toward a longer, more inflationary disruption, and by the end there was still no definitive answer. The global numbers ended slightly weaker because oil remains the dominant driver, but the intraday reversal in the US and Europe tells you markets are desperate for any operational sign that the strait may function again, even under tighter controls. The problem is that crude at \$109, diesel above \$200, weak transport names, rising tech layoffs and a still-fragile growth backdrop all say the damage from this shock is already feeding through. That is why the market keeps bouncing and stumbling in the same session, because every hopeful headline helps for a few hours, but the underlying pressure has not gone away.

Markets this morning

Today morning, the tone is a bit steadier, but it still feels fragile rather than convincing. Asian equities are trying to bounce at the end of what has been another highly volatile week, helped by the fact that oil has eased off its highs after reports that Iran is drafting a protocol with Oman to monitor traffic through Hormuz, which gave markets at least some operational sign to work with. Japan is firmer and South Korea is leading gains, while China is lagging again, and that split makes sense because this is still more a liquidity and positioning rebound than a clean shift in conviction. The bigger issue has not changed, markets are still trading around whether oil can partially normalize, not whether the conflict is fully resolved. Payrolls are also in focus later today, even with US markets shut for the holiday, so there is still plenty of event risk in the background. The mood is better than it was immediately after Trump's speech, but heading into the weekend there is still a lot of caution because any further escalation could send oil straight back up and reverse the improvement just as quickly.

Upcoming key events/data

Looking ahead key events and data today include the US jobs report, where payroll growth around 55,000 is expected, alongside unemployment and services activity, as well as China services PMIs and French industrial production, which should give a clearer read on how growth is holding up as energy pressures build.

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