

CIO-OFFICE DAILY OUTLOOK

6 April 2026

Last week was -a bit surprisingly- positive across major asset classes, despite no clear signs of de-escalation in the Middle-East. Stocks rebounded +3.3% in developed regions and 0.3% in emerging markets. The fixed income asset class was supported by US Treasury yields falling -8 basis points on average across the curve; the dollar weakened -0.1% against trade-weighted counterparts. This propelled gold +4% higher over the week, as well as silver. Importantly, the price of Brent crude oil ended the week -3% lower at \$109.

It looks like sentiment evolved from fear to hope, but with regards to the war, there were at best reasons to move from fear to doubt. Markets were initially buoyed by the announcement, on Tuesday, that President Trump would address the nation on the war Wednesday night. He did, but with more ambiguity than clarity. On one hand, he praised the results from the military campaign so far, and said that objectives were almost met. On the other, he warned of more aggressive strikes on Iran for the coming two weeks, explicitly mentioning power facility. Over the week-end he threatened to unleash "all hell" as he reiterated his 10-day deadline for the reopening of the Strait of Hormuz. The last of his series of three very aggressive social media posts was simply "Tuesday, 8PM Eastern Time!". The US position on the Strait of Hormuz is thus also ambiguous: there is a deadline to reopen it, but in his live TV address, he urged other countries to take care -with "delayed courage"- of it, as America "doesn't need it". Bottom-line, visibility has probably worsened. Our 60/40 probability for a relatively short conflict does not carry a high level of confidence. Reasons for a limited conflict include the upcoming US midterm elections, with approval ratings for the administration in free fall, China's new but indirect involvement through a 5-point proposal transmitted to Pakistan, in addition to international efforts to reopen the Strait, from bilateral Oman/Iran talks to the potential formation of a broader coalition from Europe, some Gulf states, and Asia. On the other side, risks for a longer conflict are considerable: Iran's military capabilities are factually not "obliterated", their leadership doesn't look terrified by Tuesday's deadline, US troops continue to arrive in the region, and Israel shows no respite in their military action in two countries. The risk of some red line being irreparably crossed on the battlefield remains significant and consequences could potentially spiral out of control. Let's keep hope as maximum pressure is always part of the equation with President Trump, and is often the last stage before some agreement.

Meanwhile, last week brought interesting economic data. Manufacturing PMIs for March started to show the chilling impact of high energy prices, especially in Asia where the gauge dropped in India, Japan and China, even if it remained in expansion territory. Looking at the broader picture from PMIs, we see serious warning signs rather than the start of an actual collapse. Still, the global economy is in a perilous situation, should the conflict be protracted. In the US, leading indicators show manufacturing resilience and softness in services which, together with speeches from Fed officials, increased the probability of a rate cut this year. Fed fund futures are now pricing it at 27% for December, which wasn't the case a week earlier. Finally, when US markets were closed for Good Friday, the monthly NFP labor report came out much stronger than expected with 178k job creations in March, roughly 3 times the median forecast, and an unexpected drop in unemployment rate to 4.3%.

Markets this morning

Ambiguity is the word of the day: according to headlines, Iran categorically rejected the ultimatum, but Axios reported that their mediators are working on the terms for a 45-day ceasefire, in talks that allegedly include representatives from the US and Israel. In addition, President Trump said he will hold a press conference later today (1PM Washington DC time) which will probably be about the "greatest airman rescue in history". This is enough to trigger some cautious optimism on Asian markets. Stocks are up +1.5% in both Japan and Korea, while China and Hong-Kiong are closed for a holiday. The price of Brent crude oil is only modestly up, just below \$110. The dollar is slightly firmer, US treasury yields marginally higher, and gold is down -0.4% to \$4,650.

Upcoming key events/data

The main focus of the week ahead will remain on geopolitical developments. In parallel, we will get more leading indicators, especially on services, as well as inflation gauges in the US and the minutes of the FOMC. Have a great week.

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