

## From anxiety to relief, markets celebrate the ceasefire

- Last week started with anxiety but turned positive after a 15-day ceasefire was announced
- Oil prices fell 14%, the dollar weakened and the market rebound was broad, led by stocks from emerging markets
- The situation remains uncertain. We have adjusted our scenario and will hold an allocation meeting this week



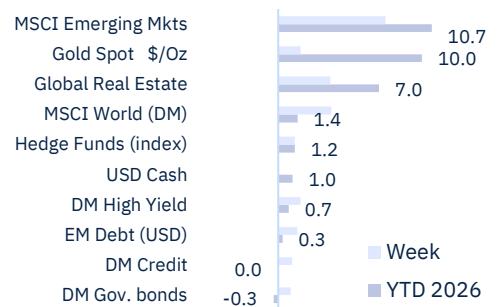
Last week started with the threat of the imminent death of “a civilization” but soon morphed into a massive relief for global markets when a last-minute 15-day ceasefire was announced in the early morning of Wednesday (Gulf time). The US and Iran agreed to negotiate a more sustainable agreement, and to suspend attacks in the meantime. The basis for discussion appears to be the relatively maximalist 10-point proposal transmitted by Iran to Pakistan, where talks are held.

The situation evolved over the weekend. First, US Vice President Vance said that no agreement was reached after a 20-hour negotiation over the weekend. Points of disagreement are significant, namely nuclear enrichment and the modus operandi of traffic through the Strait of Hormuz. Not reaching an agreement on day 1 should obviously not come as a surprise, yet President Trump announced that the US would put a maritime blockade in place from today (Monday), under the principle that the Strait should be open for all or closed for all. It remains to be seen whether this will be implemented, if other countries will join the initiative, and how Iran will respond – or not.

Let’s be clear: the ceasefire is fragile, and parties continue to build mutual leverage. This is not abnormal in the context of negotiations, but uncertainty remains significant. Having said that, we consider that the stakes are so high for all parties and the global economy that the most probable scenario is that the ceasefire will hold until April 21<sup>st</sup> and will hopefully lead to another agreement. We have adjusted our initial 60/40% probability for the conflict lasting weeks rather than months to now 75/25%. This is not perfect, but this is better.

We will hold our monthly investment committee this week and potentially refresh our positioning. The week ahead will provide US retail sales, a lot of monthly data on China, and will importantly see the start of the Q1 earnings season where guidance will matter as much as numbers. Have a great week.

Asset Classes USD % total. Return, week and YTD 2026



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### Cross-asset Update

The current energy crisis due to upheaval in the Middle East is threatening to be the worst one ever and yet financial markets have continued to be exceptionally well behaved. Drawdowns from the recent all-time highs are on average in the mid-single digits, even for benchmark indices in Asian countries that are highly dependent on goods transiting through the Strait of Hormuz. Basically, markets are suggesting that peak volatility may be behind us. Unless we see further escalation, a lower-grade conflict without extreme action on either side may well be in keeping with such benign pricing.

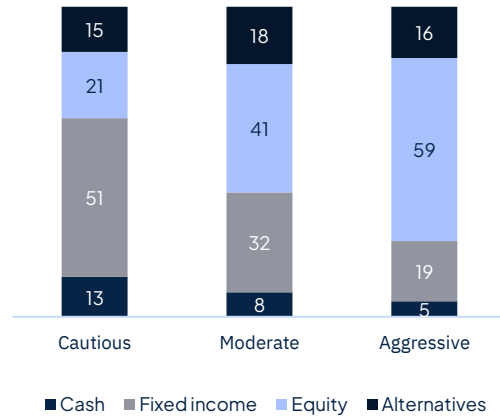
Last week we got constructive signals both from equities and bonds. Solid price action from semiconductors, that just recorded new all-time highs, points to solid manufacturing confidence in the near future. Biotechnology stocks, putting in a new high for the year, suggest longer-dated yields will be steady or lower. And US regional banks, holding above a critical support and trading only about 5% from the highs of the year, tell us there is no recession in sight. Outside of the United States, EM stocks still maintained their relative momentum versus their DM peers, speaking of little investor concern about global growth. In FX, the Dollar Index failed to hold above the important 100 resistance level, acting as a safe-haven currency only fleetingly and in the darkest moments of the crisis. Within fixed income, despite growing concerns about a stagflationary outlook, the yield on the 10-year note failed to climb above the critical 4.5% level, the well-known pain level for the Washington administration and the US Treasury in terms of refinancing costs. Against expectations, gold traded pretty listlessly and failed to impress to the upside.

Overall, it seems markets have put in a cyclical low and shifted to a range-trading mode. The earnings season is starting this week, and most likely portending positive surprises as against the consensus that is negatively positioned and is entertaining low expectations. If we are right and earnings deliver, then stocks could rally into the end of the reporting season, the major catalyst ahead, reinforced by peak geopolitical uncertainty.

As for gold, most likely we need to be closer to the winding down of the conflict and to the restarting of the Fed's easing cycle for it to resume rallying more significantly. The US economy has been slowing down recently, and the Fed may be willing to look through higher oil prices prioritizing the signal from the slowing labor market, rather than the one emanating from price pressures.

Overall, it seems to us that patient investors adding to risk on weakness as per the model allocation will be duly rewarded by year end. We do not want to sound excessively optimistic in these uncertain times, though market signals are jolting us into this direction.

### Tactical Asset Allocation: Simplified Positioning



### TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>>
DM Gov.		=	
DM Credit	<		
DM H. Yield		=	
EM Debt		=	
DM Equity	<<		
EM Equity		=	
Gold			>
Hedge Funds	<<		
Real Estate		=	

## Fixed Income Update

US March CPI figures matched expectations but indicated a renewed acceleration, primarily due to the emerging impact of the energy shock. Headline inflation increased by 0.9% month-on-month (3.3% year-on-year), up from 0.3% (2.4% year-on-year) in the previous month. Core inflation remained steady at 0.2% month-on-month but edged higher to 2.6% year-on-year. The rise was largely driven by energy, with minimal effects on core inflation so far, though both are expected to climb in the coming months. Unlike the 2022 energy shock, the global economy is in a different phase; US growth has stabilised but is still subdued, potentially limiting second-round effects. With ongoing inflationary pressures, the Fed is expected to keep rates unchanged on 29th April, prioritising inflation expectations alongside actual data. While longer-term expectations are still anchored, they remain vulnerable after persistent inflation. OIS forwards now reflect a Fed hold through year-end, with a rate cut anticipated by Q3 2027.

Geopolitical headlines continue to dictate market movements. After a sigh of relief last week post the ceasefire announcement, yields moved down with the US Treasury yield curve bull steepening. However, the initial disappointment in the failure to negotiate has resulted in a bearish reversal. Despite these gyrations in the short term, we believe the long-term directions of the yields would be to go down from current levels once the fog lifts. We continue our long duration call on treasuries.

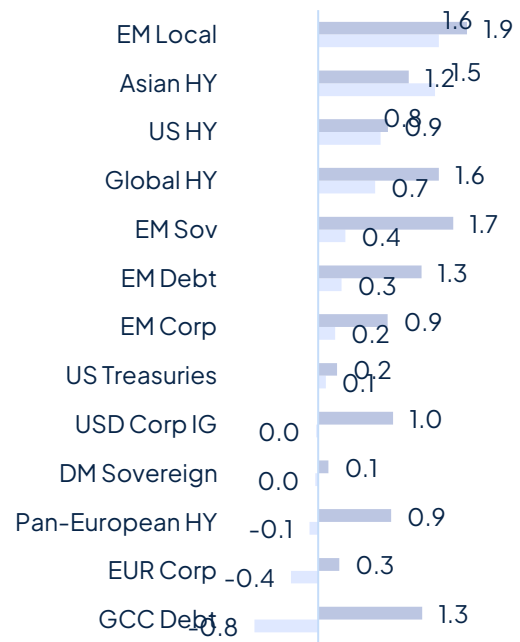
Fixed income delivered positive returns across all segments last week, with risk-on sentiment favouring High Yield over Investment Grade. The High Yield index returned 1.4%, while EM debt posted 1.2%. High Yield spreads narrowed by 20 bps, and Investment Grade spreads decreased by 2 bps. The S&P 500 earnings season begins this week, with Q1 2026 growth expected at 13.2% year-on-year—marking a sixth straight quarter of double-digit gains, driven by Tech and Energy. This should support spreads, provided geopolitical concerns remain subdued.

Last week, we saw spreads tighten across all GCC sovereigns, with Bahrain showing the largest tightening. Bahrain CDS tightened by 30–100 bps across the curve, while Oman CDS tightened by 14–30 bps and Abu Dhabi CDS by 7–12 bps. Within our coverage, Bahrain and real estate bonds were the best performers. Bahrain bonds delivered returns of around 1%–5%, while real estate bonds outperformed, generating returns of up to 7%, supported by spread tightening and positive yield curve movements. Long-duration government bonds also saw spreads tighten by around 13 bps on average, generating positive returns of approximately 1%.

## Fixed Income Key Convictions

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

## Fixed Income Sub Asset Class Returns (US\$ TR, week, YTD 2026)



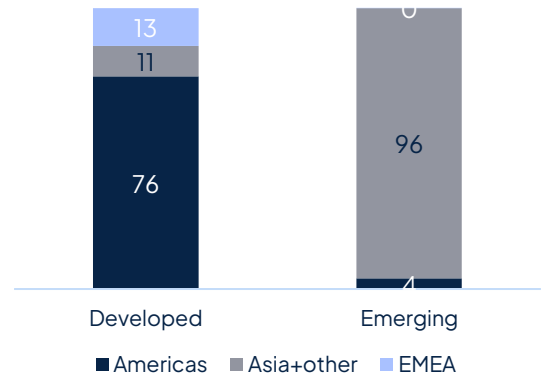
### Equity update

Global equities had a very strong week, and this time the rebound felt a lot more convincing than the one before. MSCI ACWI rose 4.1%, developed markets gained 3.7% and emerging markets actually led with a 7.5% jump, which already tells you this was not just another narrow US bounce. The tone changed once the ceasefire headlines came through and markets stopped trading the conflict as an open-ended shock. That sparked aggressive short covering, a fast rotation back into cyclicals, semiconductors and growth, and for the first time in a while the move felt properly global. The S&P 500 rose 3.6%, Europe gained 3.1%, China also rose 3.1%, TOPIX added 2.6% and Dubai jumped 5.2%.

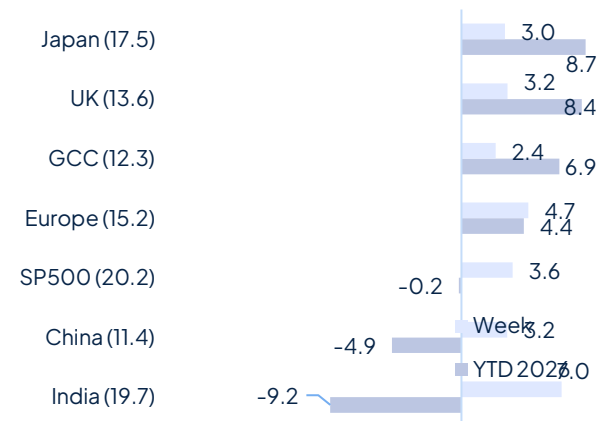
The internal picture was more interesting than the headline gains. In Europe, banks led the way with a 6.5% weekly gain, construction and materials rose 5.8% and basic resources added 5.2%, while energy was down 0.6%, so you could really see the market taking out the stagflation and geopolitical premium that had built during the oil spike. Asia had one of its best weeks in years, with the MSCI Asia Pacific Index up 6%, and the move was not just local traders chasing a bounce. Money came back into Taiwan, Korea and Japan as the AI trade found its footing again. China also looked better with Shanghai moving back above 4,000, Hong Kong reclaimed 26,000, EV and hybrid exports more than doubled in March to a record, brokerages rallied after Citic posted a 55% jump in first-quarter net income, and robotics names caught a real bid on the Unitree and Alibaba story. TSMC was one of the clearest anchors for the whole market this week, with first-quarter revenue up 35% and March sales up 45%, which gave people confidence that advanced chip demand held up much better than feared through the conflict shock. That was one of the better features of the week, because the rebound was not being led only by short squeezes, it was also being led by the part of the market that still has the strongest earnings and capex story.

Now the story shifts to earnings, and that is where the market has to do more than just celebrate a lower immediate risk premium. Analysts are looking for 12.6% first-quarter earnings growth for the S&P 500, which would make it a sixth straight quarter of double-digit growth, but once you strip out technology that drops to around 3%, the weakest in two years. Banks report first, and they will give one of the cleanest reads on trading activity, dealmaking, credit quality and the consumer. The setup there is interesting because the KBW Bank Index fell 6% in the first quarter, its worst start to a year since 2023, and it now trades at about 12 times forward earnings, roughly a 40% discount to the S&P 500. People will also be listening for three things in particular: whether higher energy prices are starting to pressure margins, how much tariff costs are showing up in guidance, and whether AI-related job cuts and restructuring are feeding into broader corporate caution. The other thing that needs to be said clearly is that this could still be a tougher week for markets than last week's price action suggests. The US-Iran talks over the weekend ended without a deal, which leaves the ceasefire looking more fragile again and raises the risk that negotiations slip back toward escalation instead of settlement. That probably means volatility stays high from here, because a lot of the easy rebound has already happened and markets are now much more exposed to headline swings on whether diplomacy restarts or the conflict heats up again.

### Equity Recommended Regional Positioning

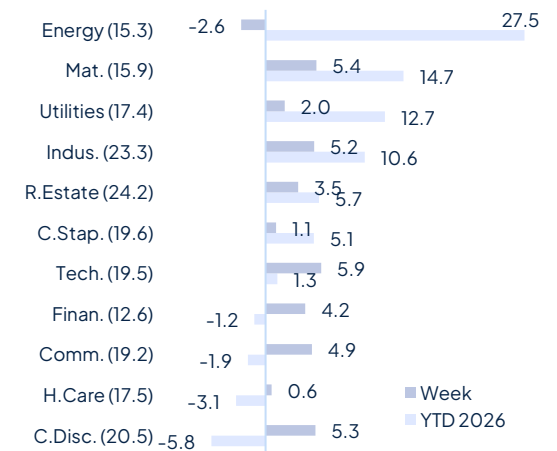


### Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

### Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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