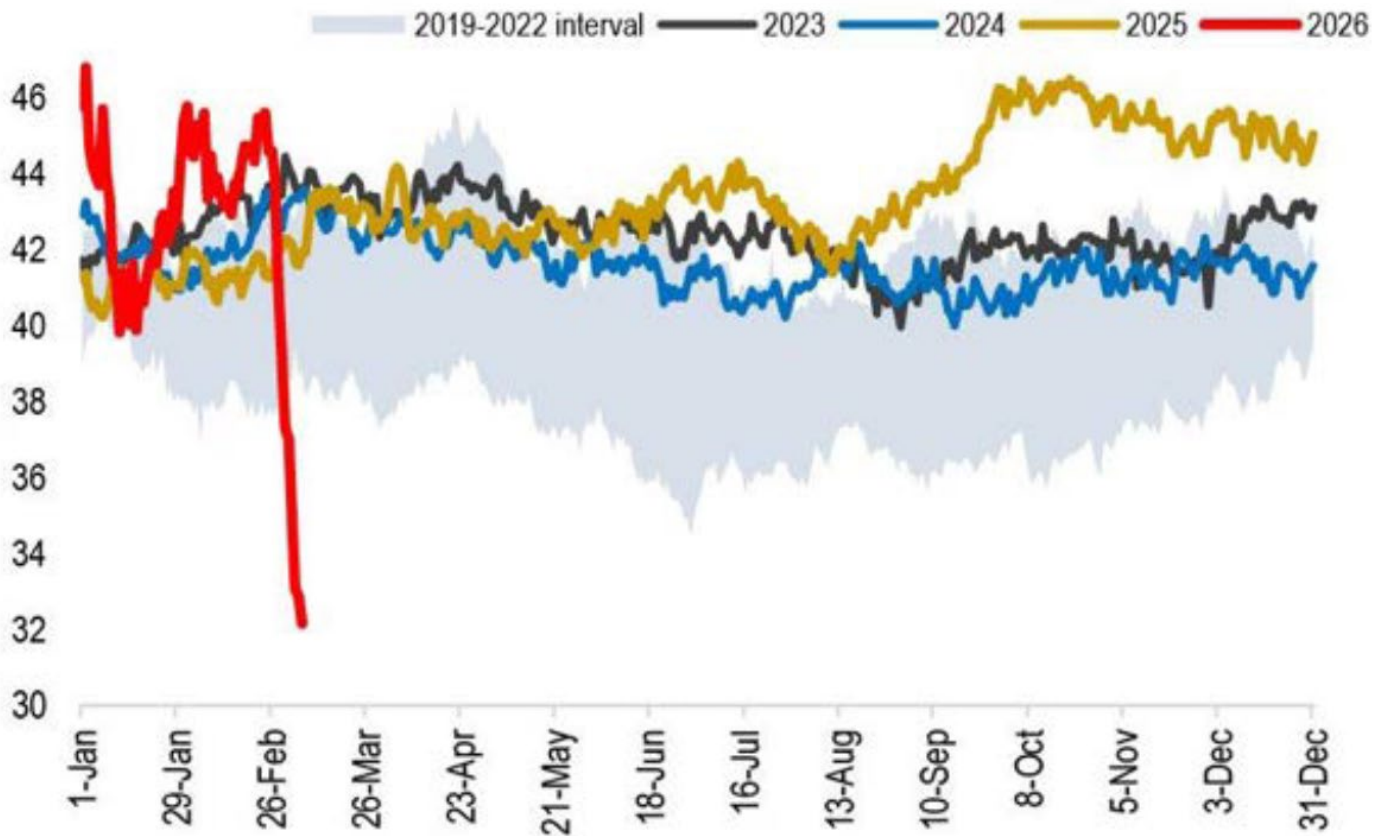
# Circular April 2026

## Middle East Updated

Mixed messages have been coming out with both major players contradicting each other, although very recent hope with conciliatory messages from both. Initial short conflict timescales have passed, and so markets are digesting when it could end and the pain involved in the meantime. International flow of oil has been significantly affected. As well as the strait of Hormuz, 4 major oil pipelines are shut running through the Middle East, especially Saudi Arabia and Iraq, toward the European side near Cyprus and Turkiye.




Source: Vortexa

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## Market Context

After a very good start to the year, all major markets are down and remained highly sensitive in March, with growing instability. De-escalation noises from both sides lead to a late surge in US markets. There was a sharp rise in oil prices with Brent Crude rising as high as $119 per barrel. US markets continued to retreat. UK equities stayed resilient benefiting from the FTSE 100's heavy exposure to energy and commodities but are still down on previous highs. Geopolitics continues to be the dominant market influence. Disruption to shipping routes and renewed supply-chain anxieties have elevated volatility. With approximately 20% of global oil flows passing through the Strait of Hormuz now considered at risk, a substantial "geopolitical risk premium" remains embedded in prices. Since 1957, the S&P 500 has fallen 5% from an all-time high 60 times, bouncing quickly after. Unlike prior circumstances, such as after "liberation day" when stocks staged a rapid recovery, the market may struggle to bounce back quickly this time, especially if oil stays above $100 a barrel for an extended period. Elsewhere gold slid to its lowest level since January 2, losing more than 10% in a week.

Bond yields are up sharply with the UK in particular increasing.

## Interest Rates

Inflation levels had started to take different paths as markets grappled with fluctuating energy costs. Things were looking promising as UK inflation steadied at 3.0% unchanged from January and in line with market expectations, driven primarily by rising clothing and falling petrol prices (before escalating tensions in the Middle East). Eurozone inflation rose to 1.9% from 1.7% as services inflation climbed, while US inflation held steady at 2.4%. Rising oil prices have significant inflationary potential as it affects supply costs. Central banks have all paused for breath and kept rates the same to see what happens. The Bank of England went from a close vote last month, to a 9-0 vote this month to keep rates the same. At the start of the year underlying market sentiment was factoring in 2 rate cuts for 2026 but are now considering 3 increases. This seems an overestimation with attitudes likely to be tight and so rates less likely to change.

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## Conclusion

At times like this, it's sensible to focus on the bigger picture – and the story is still broadly the same:

- Inflation is expected to ease, just not as smoothly.
- Economic growth is slowing but holding up.
- Interest rates are likely to remain on a path downwards, although we may have to wait longer for cuts.

For long-term investors, the key implication is that portfolio construction matters more than it has for much of the past decade. A balanced mix of exposure, a clear emphasis on quality (strong balance sheets, sustainable cash flows and pricing power) and genuine diversification across regions, sectors and strategies, all become more valuable when outcomes diverge as sharply as they do now. Diversification here is not simply a risk management tool but an active return driver. Do not get distracted when you are investing for the long term as there is always something going on.

We work on referrals so if you think this would be useful to others, please feel free to pass on and refer them to us for further information.

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