

Weekly Macro and Markets View

13 April 2026



Highlights and View

A ceasefire with Iran sees oil prices plunge and risk assets jump despite limited hopes of a breakthrough

The fact that both sides met for dialogue is clearly a positive and has removed some downside risks, though this will not be a quick fix, with no agreement reached at the summit.

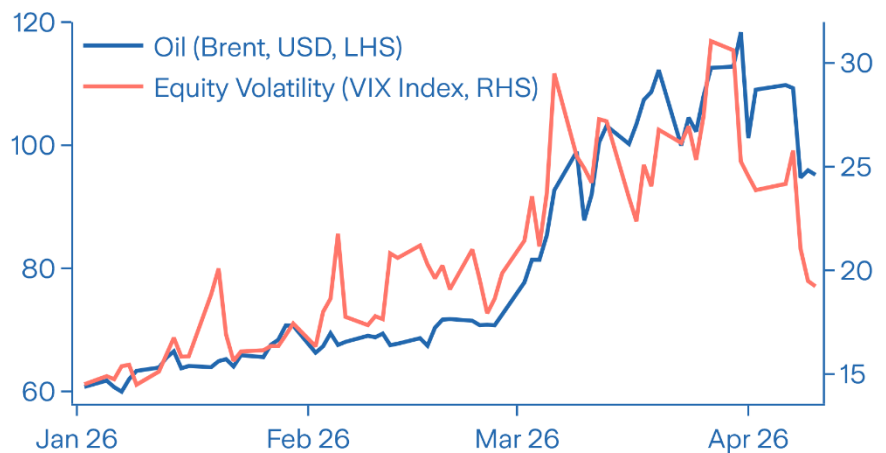
The University of Michigan's consumer sentiment index falls to the lowest on record

The energy price shock triggered by the war in Iran is a significant drag on households' mood, with more than three quarters expecting negative real income growth over the next five years.

Credit spreads partly retrace their recent widening as market sentiment stabilises

Demand for higher-quality credit is likely to remain resilient, although geopolitical developments and elevated energy prices pose risks to tight valuations.

The fall in oil drives volatility lower and stocks higher... for now



Source: Bloomberg

Equity investors were quick to latch on to good news last week as the ceasefire with Iran and subsequent summit sent stocks surging. The positive developments saw oil prices dive, with Brent crude off 20% from its closing high, though it remains up 35% since the war began. Investors took heart that the US was intent on finding an off-ramp for its involvement in the conflict. With US gasoline prices up 41%, to an average of USD 4.10 a gallon, there is clearly domestic pressure at home to find a swift resolution. Though that seems unlikely currently, investors took the developments over the week as a positive. From the risk of 'a whole civilisation will die' as threatened by the US President, to the ceasefire and dialogue, investors had a lot to contemplate. The MSCI World Equity Index closed the week up 3.7%, while the MSCI Emerging Markets Index was up 7.4%. We are also encouraged by the developments and suspect that some of the downside risks around the price of oil and its impact on the global economy have been reduced. It will now be critical to observe if shipping flows through the Strait of Hormuz pick up, even if the conflict rumbles on. That noted, caution is warranted as it will take many months for commodity prices to normalise, while corporate revenues and margins face headwinds. Despite this, stocks are back close to record highs, implying limited room for any disappointment.

US

Rising inflation weighs on consumers' minds

Receding to 54.0 in March from 56.1 the month before, the ISM Services survey reflects the growth headwinds caused by the war in the Middle East but continues to signal robust activity. New orders accelerated to 60.6, the highest level in three years. Employment fell at a rate not seen since December 2023 given the uncertain environment, although this could quickly rebound if the situation in the Middle East stabilises. The most critical part of the report was business prices, however, which have accelerated at the fastest rate since October

2022. Given the spike in energy prices, headline CPI inflation has unsurprisingly picked up by 0.9% MoM in March, pushing the annual rate to 3.3%. Reassuringly, core inflation remains much more muted at 0.2% MoM and 2.6% YoY, both a tick below consensus expectations. The pickup in energy and gasoline prices is a significant drag on consumer sentiment, with the University of Michigan's measure falling to the lowest ever in April (going back to 1978).

<p>Asia</p> <p>Mounting pressures amid oil disruption</p>	<p>March PMI data highlights significant cost pressures across Asia as export orders weaken. Input prices have surged to nearly 70 in Korea, Taiwan, and Vietnam, driven by energy costs, even while robust AI-driven demand continues to bolster semiconductor sectors, evident in strong earnings from SK Hynix and Samsung. The spike in oil prices and heightened risks around the Strait of Hormuz are impacting economies unevenly, with India, Thailand, and the Philippines most affected, with households and small businesses facing acute LPG shortages in</p>	<p>India in particular. Governments across the region are introducing measures like fuel subsidies, price caps, and remote work recommendations to manage the situation. While inflation remains a concern, focus is shifting toward the risks to economic growth, particularly given Asia's heavy reliance on Middle Eastern oil. Although the recent ceasefire has lowered oil prices, persistent supply challenges may continue to strain production and economic activity, especially for emerging and lower-income economies.</p>
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<p>Bonds</p> <p>Government yields are stable despite plummeting oil prices</p>	<p>Despite the sharp fall in oil prices last week and in contrast to global equity markets, moves in government bond markets were limited, though with significant intra-week volatility. European yields ticked lower, with the 10yr UK gilt yield ending the week at 4.83%, down significantly from the recent peak of 5%, as rate hike expectations for the BoE were trimmed. Bund yields were volatile, falling sharply mid-week on the ceasefire news before partly retracing the move later in the week as a hawkish outlook for the ECB continues to be priced in amid inflation</p>	<p>concerns. Treasury yields, by contrast, edged higher, boosted by the March CPI print which showed a surge in headline inflation. While this was in line with expectations, with core CPI slightly softer than anticipated, it triggered a modest hawkish repricing of the Fed outlook. While we continue to see some limited downside for yields, particularly in Europe, bond markets are set to remain volatile and susceptible to news around the Middle East conflict and the price of oil.</p>
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<p>Credit</p> <p>Spreads partly retrace widening, with European High Yield lagging</p>	<p>Corporate credit markets recovered part of the March widening as risk sentiment improved and spreads tightened modestly across both US and Europe. Lower-quality segments led the move tighter, with single-B bonds outperforming across both regions, though they still screen relatively wide versus BBs, particularly in Europe. Fund flow dynamics also showed signs of stabilisation, with US High Yield (HY) recording its first inflow in eight weeks while US Investment Grade (IG) outflows slowed materially. Primary markets were active and new deals were well</p>	<p>received, with solid oversubscription, although average new issue concessions have risen in the US to around 4bps year-to-date from roughly 2.5bps before the US-Iran conflict, suggesting investors are demanding more compensation for absorbing supply. Looking ahead, we expect demand for higher-quality credit to remain resilient, though geopolitical risks and energy market volatility could test valuations and keep investors selective.</p>
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<p>US CMBS</p> <p>Continuing on the recovery path</p>	<p>Despite the volatility affecting risk assets in March, the CMBS market concluded a constructive first quarter. Conditions remained supportive for commercial mortgage origination and securitisation, with spreads largely stable and refinancing and acquisitions activity continuing. Lending appetite improved during Q1, including a greater willingness to finance office assets, and underwriting metrics strengthened, reflected in higher average debt service coverage ratios on deals that priced. In addition to these positive dynamics in</p>	<p>fundamentals, the CMBS market structurally has limited exposure to energy price dynamics and AI disruption concerns. We expect resilient economic growth to continue providing a supportive backdrop for CMBS issuance and fundamentals. While inflation and interest rate volatility remain near-term risks, we believe these risks may create periods of pause or adjustment, rather than reversing recent improvements in fundamentals.</p>
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What to Watch

- The US earnings reporting season is kicking off with some of the major banks presenting their quarterly numbers.
- Final CPI, industrial production, and trade balance data will be published for the Eurozone, while various ECB officials will be speaking at the IMF Spring Meeting.
- China activity data for March and Australia's labour market data are key to watch.

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