



INCONSISTENT MESSAGING CONTINUES TO CHURN MARKETS AS CONSUMERS FEEL THE WAR'S CHILL

This week, like every week since the US attacked Iran, investors have been trying to figure out when Donald Trump will finally call it a day. The mixed messages coming from the White House have driven huge swings in oil and gas and government bonds as Trump has switched from threatening to escalate the intensity of US bombing to claiming that talks with the Iranian government are making good progress. A US deadline of 6 April for Iran to reopen the Strait of Hormuz has provided room for further indirect negotiations, but this has failed to reassure investors. A sharp drop in US government bonds towards the end of the week shows bond markets beginning to anticipate a greater economic slowdown and acquiesce that even a swift end to the war will not quickly reverse the damage done.

Although betting markets are predicting an end to hostilities in April, the economic damage caused by the war is already appearing. Consumer confidence surveys in Europe and the UK have declined as concerns about inflation are rising in the real economy as well as financial markets.

THE MARKETS THIS WEEK

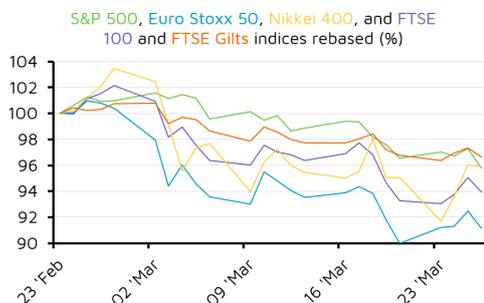
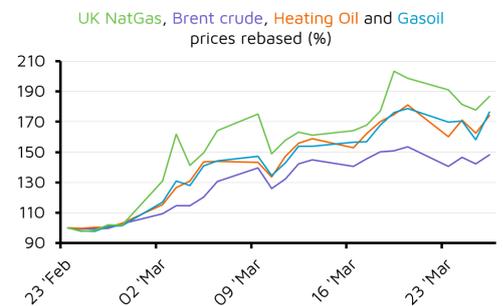
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-1.57%	-2.51%	-1.81%	-1.81%	-1.44%	+0.17%	+0.15%	-0.43%	-4.83%	+0.55%	-0.67%



ENERGY: OIL MARKETS RATTLED AS IRAN TALKS COLLAPSE INTO NOISE

Oil markets remain on edge after a volatile week of conflicting signals over US-Iran peace talks. Brent crude surged back above \$111 on Friday – near its highest since Monday’s brief de-escalation rally, when Trump’s claim of “productive” talks pushed prices down from \$114 to \$99 before Iran denied any direct negotiations. The supply picture is deteriorating on multiple fronts. Iran’s closure of the Strait of Hormuz has choked off roughly a fifth of global oil and LNG flows, Ukraine has knocked out around 40% of Russia’s crude export capacity, and Shell’s CEO has warned of “serious physical strains” spreading from South Asia toward Europe. Yet few traders are willing to bet against Trump’s pattern of “jawboning” markets lower ahead of US midterm elections.

Canada and Norway are moving quickly to fill the gap, with Canadian producers set for a C\$90bn windfall and Equinor targeting a 25% output jump by 2030. Hormuz bottlenecks are also squeezing helium, sulphur, fertilisers and metals.



GLOBAL: TRUMP SAYS TALKS, IRAN SAYS NO, MARKETS PAY THE PRICE

Equity and bond markets have been extremely volatile as investors try to assess how long the US attack on Iran will last. Government bonds fell heavily at the start of the week as President Donald Trump gave Iran 48 hours to reopen the Strait of Hormuz or face attacks on the country’s electricity grid. However, the threat was quickly lifted as Trump claimed talks about a “complete and total resolution of our hostilities” were being held. This triggered a recovery for government bonds and global equities stabilised.

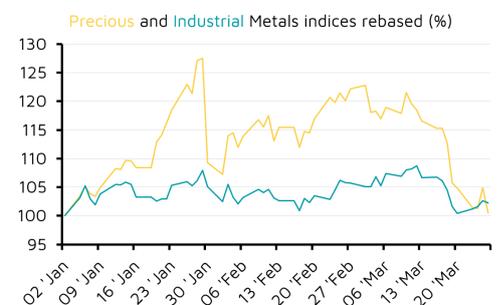
Despite repeated US claims of discussions with the Iranian government, Iranian officials have denied that talks are taking place. Many financial and betting markets expect the war will end in the coming weeks, but conflicting government messages mean that commodity, bond and equity markets continue to fluctuate as they are driven by short-term news flow. Iran’s rejection of a 15-point peace plan put forward by the US saw markets decline towards the end of the week.



COMMODITIES: GOLD OFFERS NO SANCTUARY FOR INVESTORS

Gold and precious metals have so far failed to offer protection from falling equities and bonds. Gold is often seen as a safe harbour during market turmoil, alongside the US dollar and Swiss franc, and US Treasury bonds. The price of gold jumped immediately after the US-led attack on Iran but has fallen steeply since - sliding 16% from \$5,280 on 27 February to \$4,425 an ounce.

Among the reasons for gold’s decline are the strengthening of the US dollar, which makes purchases more expensive. Gold’s record high immediately before the war has also played a part as retail investors locked in gains. Some investors are using gains from gold to cover losses in other markets. Gold ETFs (the most common vehicle for retail investors) recorded outflows of \$10bn this month. Fears of rising interest rates are also a factor as higher rates imply a greater cost of holding an asset with no income. For now, limited evidence suggests defensive investors are choosing to hold cash deposits.



Data sourced from FE Analytics

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