



### TRUMP'S CHANGEABILITY DRIVES MORE THAN SHORT-TERM MARKET MOVES

This week Donald Trump has driven further volatility as he switches between a conciliatory approach towards Iran and threats of more bombing and then walking away. Other countries have so far been unwilling to volunteer to clear up the mess and help open the Strait of Hormuz, so oil prices have been volatile again. Even if US attacks stop immediately, Trump's Middle Eastern intervention will have lasting effects.

We can already see evidence in inflation numbers, but it is also starting to show up in global trade and politics. In contrast to US treasury bonds, China's government debt has been remarkably stable, boosting its claims as a pillar of stability in the world economy, while its investment in green energy means its manufacturing base faces a lower threat of disruption. In the UK, Trump's war has allowed Keir Starmer to talk up the need for greater cooperation and stronger economic and defensive ties with Europe, to deal with America's impulsive and unreliable attitude towards its allies. This was impossible only a few months ago.

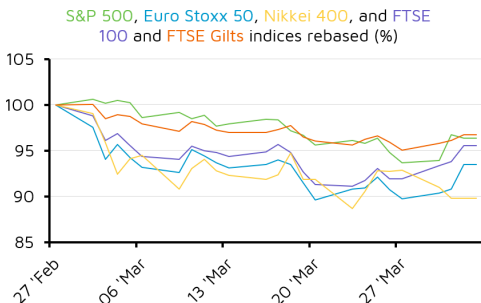
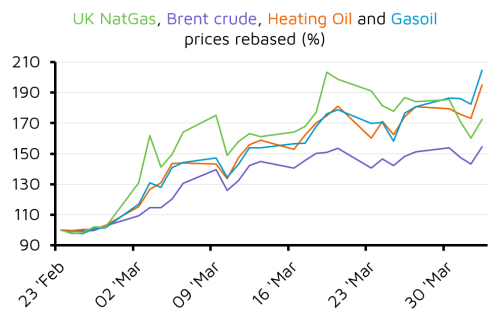
### THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+4.01%	+0.39%	+0.35%	+2.73%	+1.07%	-0.09%	-0.16%	-1.36%	+5.50%	+1.30%	-0.76%

#### GLOBAL: MARKETS TWEETED UP AND DOWN

President Trump's shifting statements on Iran whipsawed energy prices and equities throughout the week. When he signalled willingness to withdraw from the conflict, oil sold off and equities rallied; threats to strike Iran with overwhelming force reversed those moves. Benchmark Brent crude swung between \$98 and \$119 per barrel, ending roughly flat at \$109. The Strait of Hormuz, through which approximately one fifth of the world's petroleum flows, remained the key flashpoint; any suggestion it would stay closed kept a floor under crude. Refined products, like petrol, gasoil and heating oil, rose faster than crude and fell more slowly, suggesting tightening physical markets.

Japanese equities led global moves, surging as much as 8% when Trump struck a conciliatory tone on Tuesday, before retreating as threatening language returned on Wednesday. US and European equities tracked a similar but less dramatic pattern. Gold recovered 6.7% after a 20% war-driven selloff, before slipping back on Thursday.



#### INFLATION: EU INFLATION JUMPS AND FUEL SHORTAGES BEGIN TO BITE

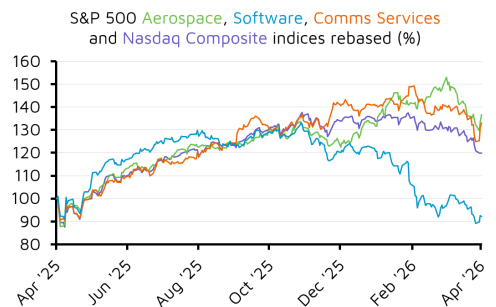
European inflation accelerated in March, rising from 1.9% to 2.5% and pushing back above the European Central Bank's 2% target. The increase was driven largely by a 5% rise in energy costs, which have fed directly into petrol and diesel prices. In the UK, petrol has risen 21 pence a litre since late February to £1.54; in the US, prices have climbed above \$4 a gallon from around \$2.98 before the conflict began.

Asian countries have already introduced rationing, price caps or turned to measures like work from home or a four-day working week to save fuel. In the UK, there are concerns that a shortage of jet fuel may lead to flight cancellations. Rising inflation has weighed on government bonds over the past month. However, investors are increasingly treating the energy shock as a threat to growth rather than a purely inflationary force, raising the prospect of interest rate cuts should central banks move to support economic activity. That shift in thinking has helped bonds claw back some of their recent losses.

#### MARKETS: SPACEX FILES FOR IPO AT \$1.5 TRILLION VALUATION

SpaceX has filed for an IPO aiming to raise \$75bn at a \$1.75tn valuation. The listing, expected around June, would dwarf Saudi Aramco's 2019 offering and rank SpaceX among the five largest US companies by market cap. Nasdaq has moved to ease its entry, removing the 10% free-float requirement and cutting the index incorporation waiting period to 15 trading days, though this may prevent fair market pricing.

The filing is stirring the broader space sector. Amazon is in advanced talks to acquire satellite group Globalstar, up 230% over the past year, to challenge SpaceX's dominant Starlink service. Investors are also backing orbital AI start-ups Starcloud (\$1.1bn valuation) and Aetherflux (targeting \$2bn). SpaceX's absorption of xAI has made orbital computing central to its IPO, with estimated 2025 revenues of \$21bn. Yet at a prospective price-to-sales multiple of around 67x, more than double Nvidia's 30x, investors must decide whether the growth story justifies a historically demanding valuation.



Data sourced from FE Analytics

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