



RECORD HIGHS AND EMPTY TANKERS

This week two forces drove markets: the US-Iran war and stronger-than-expected corporate earnings. The S&P 500 climbed above 7,000 for the first time, its biggest 10-day gain since the Covid-19 rebound, after President Trump suggested the war was 'very close to over.' But the oil market tells a harsher story. The US blockade of Iranian ports, which began on Monday, added to weeks of disruption in the Strait of Hormuz, pushing supply losses to roughly 13 million barrels per day, the largest in history. Brent crude hovers near \$95 a barrel, but physical cargoes are changing hands at \$150-170 with shipping included. Global oil demand fell 3.4% in March, the sharpest drop outside the pandemic.

Corporate America is beating estimates at a rate not seen since the post-pandemic recovery. S&P 500 first-quarter earnings growth is forecast at 12.6%, with scope to reach 19%. Technology and energy sectors lead the upgrades, while industrials and consumer-facing names face pressure. Meanwhile, UK 10-year gilts hit their highest yield since 2008, and Pimco has flagged discomfort with its overweight UK bond position.

THE MARKETS THIS WEEK

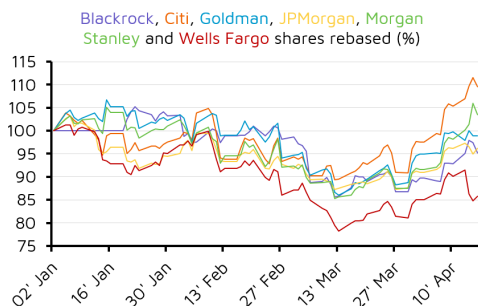
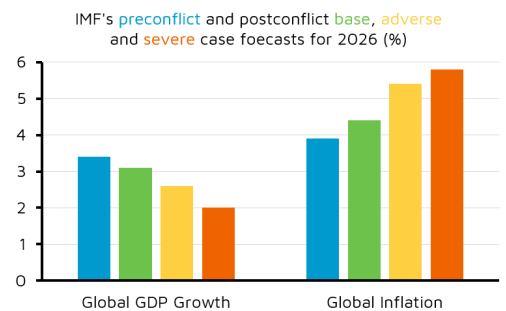
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-0.31%	+3.35%	+3.76%	+0.64%	+1.36%	0.00%	-0.02%	-1.03%	+0.27%	+5.23%	+0.82%



UK: BEST GROWTH IN TWO YEARS, BEFORE THE WAR HIT

February's GDP expanded 0.5% month-on-month - the strongest pace in over two years and well ahead of the 0.1% consensus forecast - with services, production and construction all contributing. The rolling three-month figure matched at 0.5%. Yet the data belongs to a different world: February preceded the war. The energy shock, disrupted Strait of Hormuz shipping and strained public finances have since taken their toll, and February's strength offers little shelter from what has followed. Gilts reflect the strain - the UK sold £15bn of 10-year debt at the highest yield since 2008, just above 4.91%.

The IMF's World Economic Outlook delivered the steepest UK growth downgrade among G7 nations, cutting its 2026 forecast by 0.5 percentage points to 0.8%, citing Britain's heavy reliance on gas. Unemployment is projected to reach 5.6% and inflation could approach 4% before returning to target by end-2027. Globally, sustained \$100 oil could slow world growth to 2.5% - the weakest since the pandemic.



WALL STREET: WAR FUELS RECORD TRADING WINDFALL



Wall Street's five biggest banks reported their strongest collective quarter in over a decade, with combined trading revenues rising 13% to their highest since 2014. The Iran war and US military action in Venezuela triggered sharp moves across oil, equities and fixed income, which proved highly profitable for banks facilitating client trades. JPMorgan delivered a record \$11.6bn in trading revenues and net income of \$16.5bn. Citigroup's profits rose 42% to \$5.8bn, shares at their highest since 2008. Morgan Stanley rose 30%, Bank of America 17%. Goldman's strongest earnings in five years were tempered by a 10% drop in fixed-income trading revenues after the Iran war saddled it with losses. The five banks spent a record \$33bn on buybacks, aided by looser regulation.

Investment banking was mixed. Fees rose sharply, up 50% at Goldman and 28% at JPMorgan, as earlier deals closed, but Goldman's forward pipeline has edged back from a record high. IPO and private equity activity remains low.



CHINA: EXPORT MACHINE PRESSES ITS ADVANTAGE

China's economy grew 5.0% in Q1 2026, but the result flatters. Exports rose 14.7% over the quarter, partly on pre-tariff front-loading, while domestic demand stayed soft: retail sales missed in March and consumer prices were flat last year. A second wave of Chinese export dominance is breaking in higher-value sectors: electric vehicles, batteries, solar panels and robotics. Subsidised by local governments and forged in brutal domestic competition, Chinese companies are undercutting global rivals, backed by an IMF-estimated 16% currency advantage and a goods trade surplus that surpassed \$1tn in 2025.

The fallout is tangible. South-east Asian manufacturers face deindustrialisation as Chinese goods crowd out both ends of the value chain, while European governments balance courting Chinese factories against demands for genuine technology transfer. China has nearly tripled its use of export controls in five years, turning supply chain dominance into geopolitical leverage. Services are the newest front where China ranks sixth in digital exports.



Data sourced from FE Analytics, IMF and GACC

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