



OIL CONTINUES TO CLIMB AS HORMUZ REMAINS SEALED AND CENTRAL BANKS PLAY FOR TIME

This week a signal that the US may be willing to keep the Strait of Hormuz closed for months sent another shock wave through oil markets. Brent crude hit \$126 a barrel before settling back to around \$114. The gap between benchmark prices and the price of physical oil for immediate delivery has been wide in recent weeks. This week's move suggests parts of the market think the benchmark price may be unrealistically optimistic.

Central banks are sitting firmly on the fence, while they weigh whether rate hikes will be needed to counter the inflationary effects of the war with Iran. The decisions to hold rates were in line with expectations, but the mood among central bankers has hardened. Despite the likely confirmation of Kevin Warsh as Federal Reserve chair, dissent over the wording of the Fed's decision and Jerome Powell's choice to stay on as a board member show Trump's pick to lead the central bank will struggle to push through rate cuts. The wording of the Bank of England's decision was more hawkish than the 8-1 vote suggested and government bond yields have risen and the dollar has weakened in response.

THE MARKETS THIS WEEK

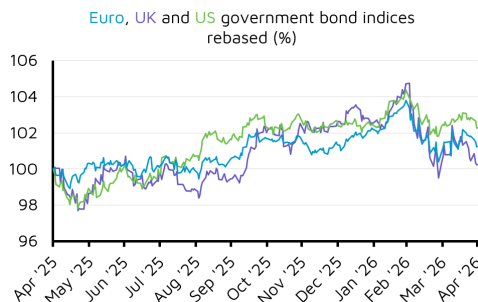
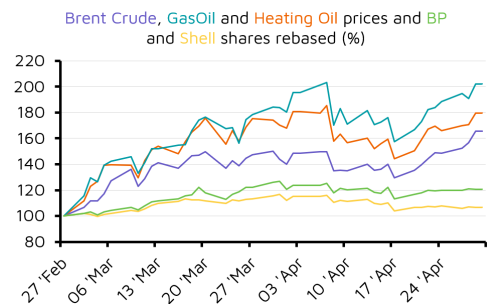
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-0.60%	+1.50%	-0.57%	+0.39	-0.77%	+0.06%	+0.04%	+4.16%	-3.44%	-1.01%	+0.95



OIL: MAJORS PROFIT AS PRICE HITS \$126 AND UAE LEAVES OPEC

Brent crude hit \$126 a barrel this week, a four-year high, capping its longest run of consecutive gains in nearly four years. Markets see a prolonged blockade of the Strait of Hormuz, through which a fifth of global oil flows. The World Bank estimates the initial closure cost the world 10 million barrels a day in March, a larger shock than any previous energy crisis. From May, China is set to resume exporting jet fuel, diesel, and gasoline, easing shortages across Asia. The UAE has added to the strain by leaving OPEC after almost 60 years, citing quota frustrations and a deepening rift with Saudi Arabia.

The price surge has been a windfall for the oil majors. BP reported first-quarter adjusted profit of \$3.2bn, more than double a year earlier. New chief executive Meg O'Neill is cutting debt from \$25bn to a \$14bn-\$18bn target by 2027. Shell paid \$16.4bn for Canadian shale producer ARC Resources, lifting annual production growth from 1% to 4%. TotalEnergies posted a 29% rise in profit to \$5.4bn, doubled buybacks, and raised its dividend.



RATES: CENTRAL BANKS WAIT AS WAR PUSHES PRICES HIGHER

The Federal Reserve, Bank of Japan, Bank of England and European Central Bank all held interest rates steady this month, as investors had expected. All cited concerns with inflationary pressures due to the attack on Iran. However, the Fed and BoE were divided. There was a single vote in favour of a cut at the Fed and a single vote for a hike at the Bank of England. More significantly, three Fed members refused to back the wording of the statement, arguing that it portrayed a bias toward future rate cuts.

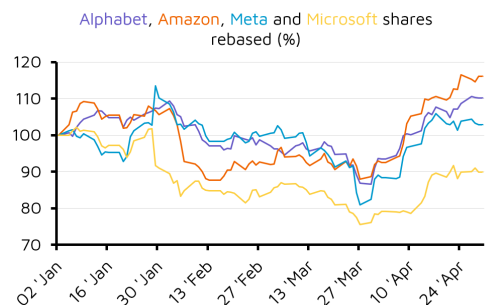
The dissent from the Fed members caused US treasury yields to climb further, with bond values falling as they move inversely to yields. Markets now see no rate cuts from the Fed in 2026. Other government bonds barely moved with investors already pricing in three ECB hikes this year and one from the BoE. This is expected to be Jerome Powell's last meeting as Fed chair, with the Senate expected to confirm Kevin Warsh as his successor shortly. However, Powell said he intends to remain on the Fed's board of governors.



TECH: ALPHABET UP, META DOWN AND THE CHIPMAKERS LEAD IN APRIL

Four of the Magnificent Seven – Amazon, Meta Platforms, Microsoft, and Alphabet – beat estimates for the first quarter of 2026, but investors' reaction was mixed. Alphabet led the group as Google Cloud revenue jumped 63%, lifting the shares. Meta moved the other way. Despite stronger ad pricing and rising AI-driven engagement, its stock fell as investors weighed three concerns – a slip in daily users, a sharp rise in planned capital spending, and no firm date for the next generation of AI models. That capital spending is the wider story. Together, the four firms expect to invest \$725bn this year, up 77% on last year, as they build out the data centres and chips that AI demands.

That spending is also reshaping emerging markets. The MSCI Emerging Markets Index gained more than 15% in April, ahead of the S&P 500's 10% rise, and has now recovered the ground it lost when the Iran conflict began. Semiconductor names, TSMC, Samsung, and SK Hynix, drove almost half the rally. Together they account for about a quarter of the index.



Data sourced from FE Analytics

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