



## EQUITIES GAIN AND BOND YIELDS FALL ON NEWS THAT NEGOTIATIONS WITH IRAN ARE MAKING PROGRESS

This week brought signs that negotiations between the US and Iran seem to be making real progress. Markets are taking the latest developments seriously as indirect talks have continued despite provocations that would have allowed either side to walk away if they wanted to. The most obvious effect was seen in oil markets as the price of crude oil fell more than 10% this week to hover around the \$100 a barrel mark.

The potential for lower energy costs and less inflationary pressure helped developed government bonds rally and pushed down yields. This has helped to distract investor attention away from the UK's election. Early results from England's local elections suggest the outcome is bad for Labour and good for Reform, but not bad enough for Labour MPs to call for Keir Starmer to step down and nowhere near good enough for Nigel Farage to think about what wallpaper he would prefer in Downing St. A terrible result in the Welsh and Scottish devolved government elections could change the picture significantly. But, for now, bond markets are taking heart from progress in the Middle East as equity markets keep rising.

### THE MARKETS THIS WEEK

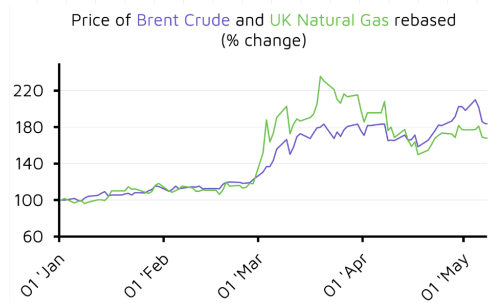
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-1.07%	+2.05%	+6.27%	+0.05	+2.39%	-0.02%	-0.14%	-10.02%	+3.26%	+5.01%	+0.02



#### GLOBAL: HOPES OF A PEACE DEAL SENDS OIL BELOW \$100

Equities markets received a leg up and the price of oil slid on reports that the US and Iran are close to ending to the current conflict in the Middle East and reopening the Strait of Hormuz. Conflicting accounts at the beginning of the week suggested first that the US was starting to shepherd commercial shipping through the strait before Iran threatened to attack any US navy vessels attempting the passage. This caused a repeat of the recent volatility seen in government bond and energy markets.

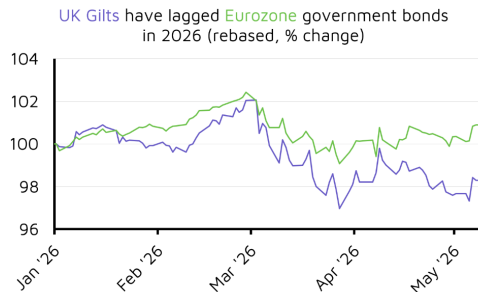
However, reports that the US and Iran are close to an outline agreement appeared to be supported by comments from both the Trump administration and the Iranian government. Global equities added to recent gains as US and Japanese markets hit fresh all time highs and global government bond yields fell slightly. The price of oil dropped sharply as Brent crude fell from \$108 a barrel to \$98. However, this is still the start of negotiations and military strikes from Iran and Israel this week underline the fragility of the ceasefire.



#### UK: FEARS OF LABOUR HAMMERING ADD UPWARD PRESSURE TO GILT YIELDS

England's local elections and elections to the Scottish Parliament and Welsh Assembly have added to bond investors' concerns. Opinion polls before the vote showed Labour trailing Reform and the Green Party by some margin. Prime minister Keir Starmer's low personal poll ratings and dissatisfaction among Labour MPs mean a poor election result could lead to a leadership challenge or force him to resign.

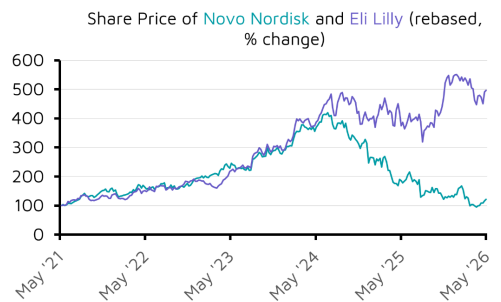
Bond markets fear any replacement will adopt more left wing policies, specifically higher taxes and greater government spending, to counter growing support for the Greens. This concern has added to the sell-off in government bonds globally, as high oil prices fuel fears that rising inflation will force central banks to raise rates. The yield on developed government debt (which moves inversely to bond prices) has risen rapidly since the attack on Iran, but UK government bond yields have risen faster than many comparable countries and the yield on long-dated 30-year gilts recently hit levels last seen in 1998.



#### PHARMA: WEIGHT LOSS PILLS HELP NOVO NORDISK CLOSE GAP TO ELI LILLY

The global obesity-drug market is rapidly evolving as treatment shifts from injections to pill form. Eli Lilly currently leads the injectable segment, holding approximately 70% market share through Zepbound and Mounjaro, while Novo Nordisk remains the main competitor with Wegovy.

Novo Nordisk gained an early advantage by launching its Wegovy pill in the US in January. Eli Lilly's Foundayo received regulatory approval in April. Novo Nordisk's strong launch helped lift investor sentiment after a difficult year as intensifying competition drove down prices. Weight-loss product sales rose 22% year over year, while Novo Nordisk's shares climbed 7% following the earnings release, partially recovering from a nearly 30% decline over the previous 12 months. Pharmaceutical companies have generally underperformed over the last few years as the Trump administration has attempted to drive down drug prices for US patients and threatened punitive tariffs for firms which aren't investing in the US.



Data sourced from FE Analytics

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