



# INVESTMENT OUTLOOK

## APRIL 2026



### At a Glance

- **Base case:** Markets are balancing macro resilience with geopolitical regime risk, as the Iran conflict is being priced primarily as an inflationary supply shock rather than an imminent growth recession.
- **Why:** Dispersion dominates beta. Cross-asset correlations and ‘traditional hedges’ can behave inconsistently when inflation (not demand) is the binding constraint.
- **Key risk:** The passability and functioning of the Strait of Hormuz remains the critical macro signpost; ceasefire headlines may lower tail risk, but do not, on their own, resolve the regime.

### Key Themes

1

#### Iran conflict = inflation shock, not recession

- Cross-asset moves are consistent with cost-push inflation dominance: energy outperformance alongside pressure on global/EM risk assets.
- Long-duration bonds have not behaved as a reliable hedge in this inflation-sensitive regime.

2

#### Hormuz is the lever behind volatility

- The market is responding to whether energy flows remain durable, not simply to headline intensity.
- Even with improved headline conditions, the backdrop remains path-dependent: outcomes can reverse quickly on either escalation or credible de-escalation.

3

#### Non-linear end-states create ‘unstable equilibria’

- Markets can tolerate elevated stress until a threshold is crossed, at which point risk premia, correlations, and liquidity can reset abruptly.
- Portfolio robustness comes from resilience across multiple end-states, not from positioning for a single forecast path.

4

#### Policy paths are increasingly conditional and asymmetric

- Geopolitics has reintroduced inflation–growth trade-offs, narrowing central-bank flexibility.
- Relative policy constraints are diverging across regions, reinforcing dispersion across rates, FX and equity leadership.

### Key Signposts

- **Strait of Hormuz:** evidence of sustained passability vs renewed friction; watch for ‘flow durability’ rather than headline noise.
- **Energy transmission:** oil direction *and* spillovers into inflation expectations (including stress points beyond crude, such as refined products / feedstocks / freight sensitivities).
- **Rates regime:** whether inflation shock dynamics keep duration behaving like a risk asset (vs regaining diversification power in growth-downside scenarios).
- **Central bank reaction functions:** whether policy remains ‘look-through’ vs turns more reactive as inflation persistence risks rise.
- **Cross-asset dispersion:** persistence of sector-driven equity leadership and unstable correlations.



# INVESTMENT STRATEGY

## APRIL 2026



### At a Glance

- **Most likely outcome:** Returns are shaped by selectivity and risk control in a higher-volatility, higher-dispersion environment (rather than broad market direction).
- **Implementation bias:** emphasise diversification, liquidity and optionality; avoid concentrated, single-scenario exposures in a path-dependent geopolitical regime.

### Key Themes

#### 5 **Equities - neutral, diversified; sector dispersion matters**

- Corporate earnings have been resilient, but equity outcomes are increasingly driven by sector repricing linked to geopolitics and energy.
- Maintain portfolio discipline: prioritise diversification and be aware of sharp sector rotations.
- US tech has seen a valuation de-rating, shifting the opportunity set toward fundamentals and execution (earnings delivery) rather than multiple expansion.

#### 6 **Fixed Income: carry is attractive; duration is conditional**

- Elevated yields improve income appeal, but inflationary supply shocks can undermine duration's hedging role.
- Prefer short- to intermediate-duration, high-quality credit where carry can be harvested with more manageable volatility.
- Treat long-duration sovereign exposure as more scenario-dependent (better in growth-downside than inflation-shock regimes).

#### 7 **Credit: resilience in public markets; valuation buffers are thin**

- Public credit is not signaling systemic stress, despite concerns in private credit; markets look vigilant rather than disorderly.
- Fundamentals and liquidity remain supportive, but event-driven tail risks can still create abrupt repricing i.e., so quality and liquidity matter.

#### 8 **FX: USD behaves more as a hedge than a yield story**

- Geopolitical stress supports the USD primarily as a safe-haven, with regional policy constraints shaping relative FX outcomes.
- Positioning should assume FX can add volatility; hedge design matters more than in calmer regimes.

#### 9 **Commodities & Gold: oil is path-dependent; gold is rates-sensitive near term**

- Oil remains highly sensitive to conflict duration and supply-path outcomes, reinforcing the need for prudence around commodity-driven volatility.
- Gold's near-term behaviour is increasingly tied to real rates and policy expectations, with higher volatility; its diversification role is still relevant, but the driver is not always 'fear premiums'.

#### 10 **Portfolio construction: resilience across regimes**

- Build portfolios that can participate if risk premia compress on de-escalation, while remaining robust to abrupt resets under escalation.
- Emphasise diversification, liquidity and optionality over tactical over-reaction.



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### Global Tactical Asset Allocation

Sub-Asset Classes	UW	N	OW	Comments
<b>Equities</b>				
US/Canada				<ul style="list-style-type: none"> <li>Earnings resilience remains intact, but equity outcomes are increasingly driven by geopolitical risk premia and energy-shock sector rotations rather than uniform market beta.</li> <li>Index-level moves can mask meaningful dispersion: energy and defence leadership versus lagging transport/airlines under supply-shock conditions.</li> <li>Given headline volatility and unstable correlations, maintain a neutral, diversified stance and focus on disciplined positioning rather than chasing short-term swings.</li> </ul>
Europe				
Japan				
Asia & EM				
Global Thematic Equities				
<b>Fixed Income</b>				
Developed Sovereign				<ul style="list-style-type: none"> <li>Carry is attractive, but duration behaves as a conditional risk asset in an inflationary supply-shock regime.</li> <li>Emphasise short- to intermediate-duration, high-quality credit as a carry source supported by manageable volatility.</li> <li>Be selective with long-duration sovereign exposure: bonds can diversify in growth-downside scenarios, but entry points and regime matter more than in prior cycles.</li> </ul>
Developed Corp IG				
Developed Corp High Yield				
Emerging Markets Bonds				
<b>Alternatives</b>				
Precious Metals				<ul style="list-style-type: none"> <li>Gold is trading increasingly on real rates and policy expectations near term, which can raise volatility even when geopolitical headlines appear supportive.</li> <li>Oil and broader commodity behaviour remains sensitive to conflict duration and supply-path outcomes; FX and commodities may add portfolio volatility rather than reliably dampen it.</li> </ul>
Hedge / Alternative Funds				

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