2pm PERSONALIZED PORTFOLIO MANAGEMENT

Quarterly market review

APRIL 2026

Editorial

A tense first quarter

The 2026 stock market year had nevertheless started well, buoyed by expectations of interest rate cuts, especially in Europe, and by generally robust earnings reports from companies for the fourth quarter of 2025. As of February 28, the Eurostoxx 50 index was up 5.99% year-to-date, the MSCI Emerging Markets by 14.69%, while the S&P 500 posted a modest gain of 0.49%.

It must be said that European and emerging market valuations had lagged behind those observed in the United States, which had been inflated over the past two years by the tech and AI sectors.

Gold, fully playing its role as a safe haven asset amid rising risks in the Persian Gulf and the imminent arrival of the US naval armada, saw a 37.42% increase in the first two months of the year, with a corresponding 35.06% rise in gold mining stocks. On the interest rate front, the yield on 10-year US Treasury bonds was trending downward, ending at 3.94% at the end of February, compared to a high of 4.30% on January 20. The same was true for European long-term rates, which began the year around 2.90% and yielded 2.65% at the end of February. All in all, a good start to the year for bonds.

All these elements combined explain the very good performance of many of our allocation managers after the first two months of the year, with performances often between +3 and +6%.

Unfortunately, just 11 months after Liberation Day and the tariff crisis triggered by Donald Trump, the launch of Operation Epic Fury on February 28th disrupted what had been an almost idyllic start to the year on global stock markets.

This joint offensive between Israel and the United States initiated a phase of decapitation. B-2 bombers and Tomahawk missiles targeted strategic installations, and the strikes eliminated Supreme Leader Ali Khamenei and several high-ranking regime officials on the very first day. Iran immediately retaliated with missile attacks against American bases in Qatar, the United Arab Emirates, and Bahrain, in addition to strikes on Israeli cities.

Oil prices, which had been held below $70 a barrel for WTI for months, immediately rebounded, and just two weeks after the start of the bombings, the symbolic $100 mark was crossed. The bond market was also quick to readjust. As we detail in our Special Topic on page 4, fears of an inflationary shock rapidly resurfaced, and interest rates, both long-term and especially short-term, rose sharply, particularly in Europe.

This explains why the stock market decline was more pronounced in Europe in the first 15 days following the outbreak of hostilities, with the Eurostoxx 50 falling by 6.5% compared to 2.61% for the S&P 500. Over the entire month of March, Europe lost -9.26% vs -5.09% for the S&P500 and -13.26% for emerging markets, which are also on the front line facing this potential inflationary shock if the crisis were to last, as they are so dependent on oil circulating through the Strait of Hormuz.

Hormuz… It was truly the total blockade of this strait by the Revolutionary Guard command on March 11, shortly after another series of massive airstrikes on the port infrastructure of Bandar Abbas, that triggered the second wave of price increases, with WTI crude nearing $118 a barrel on April 7. Iranian forces began intensive mining of the strait's waters, leading to the immediate halt of international oil traffic in the area.

That's over 20% of global oil traffic! Not to mention fertilizers, other agricultural inputs, and various other chemicals (see details in our in-depth report on page 4). Faced with such an event, the market downturn is more than understandable. It was even relatively moderate compared to the decline observed last year during the tariff crisis.

https://picryl.com/media/uss-abraham-lincoln-cvn-72-underway-in-the-arabian-sea-in-support-of-operation-de6548

	Q1 2026	YTD 2026	Close 31/03/26
DOW JONES	-3.58%	-3.58%	46 341.51
S&P 500	-4.63%	-4.63%	6 528.52
FTSE	2.47%	2.47%	10 176.45
EUROST .50	-3.83%	-3.83%	5 569.73
CAC 40	-4.08%	-4.08%	7 816.94
FTSE MIB	-1.41%	-1.41%	44 309.71
MSCI EM	-0.51%	-0.51%	1 397.20
CRUDE OIL	94.49%	94.49%	101.38
GOLD	9.33%	9.33%	4 668.06
EUR/USD			1.1553
EUR/CHF			0.9237
EUR/GBP			0.8735
EURIBOR 1M			1.998%

What was less understandable, however, was the sudden and counterintuitive fall in the price of gold in this anxiety-ridden and systemic context, where the precious metal traditionally acts as a natural safe haven. From March 2nd to 23rd, the price of gold plummeted from $5,322 an ounce to $4,407, a drop of over 17%! This decline is explained by a liquidity crunch, which temporarily neutralized its safe-haven status. Four factors can explain this movement.

1/ Faced with the simultaneous collapse of global stock markets and extreme volatility, institutional investors were forced to sell their most liquid assets (including gold) to cover losses on other positions or to meet margin calls.

2/ The blockade of the Strait of Gibraltar reignited fears of runaway inflation. Markets then priced in the fact that central banks (including the Fed) would maintain high interest rates for longer to contain this inflation, which in theory penalizes gold, as it offers no yield.

3/ In this wartime context, the US dollar acted, as is often the case, as the ultimate safe haven. Since gold is priced in dollars, its mechanical strengthening makes the precious metal more expensive for buyers using other currencies, thus weighing on demand.

4/ Finally, to finance the war effort or support their national currencies weakened by the halt in oil exports, several Middle Eastern countries reportedly carried out substantial sales of their gold reserves.

In this undeniably turbulent, even volatile, environment, our portfolios have ultimately held up rather well. We had accumulated significant gains by the end of February, reduced our risky positions somewhat, and had already been taking the precaution, for several months, of increasing our allocation to the most uncorrelated instruments, whether in the bond, alternative, or commodities sectors.
But what about the coming months? What are the key indicators to monitor? Should we expect further waves of decline?

As we write these lines on Saturday, April 11, tripartite negotiations have begun in Pakistan with a US delegation led by Vice President JD Vance and a large Iranian delegation. Simultaneously, two US warships transited the Strait of Hormuz without incident to begin a mine-clearing mission. Ahead of these historic negotiations, the two sides formalized their respective demands through two separate documents: the United States' 15-point plan (submitted at the end of March) and Iran's 10-point counter-proposal (submitted on April 8), which Donald Trump described as a "viable basis" for discussions.

Regarding the American plan, it aims for the near-total dismantling of Iran's strategic capabilities in exchange for a gradual lifting of sanctions, an immediate halt to all uranium enrichment on Iranian soil, and the dismantling of sensitive infrastructure under strict IAEA supervision. It also calls for the permanent and secure reopening of the Strait of Hormuz under international monitoring, strict limitations on the range and number of Iranian ballistic missiles and drones, and a complete cessation of financial and military support for proxies, notably Hezbollah in Lebanon and the Houthis in Yemen. In return, the United States propose a lasting ceasefire, a massive easing of sanctions, and support for the civilian nuclear program if all conditions are met.

Tehran's counter-proposal, for its part, reflects a position of relative strength following the blockade of Hormuz and demands guarantees of sovereignty. It demands international recognition of Iran's right to enrich uranium for civilian purposes, the maintenance of Iranian control over the Strait of Hormuz, with the possibility of imposing a toll on foreign ships, a formal commitment of non-aggression from the United States and the withdrawal of American combat forces from the region, the immediate and complete lifting of all sanctions and the unfreezing of Iranian assets abroad (estimated at $6 billion), a regional ceasefire with a cessation of hostilities not only against its territory but also against its allies, particularly in Lebanon.

Finally, Iran demands financial compensation for the damages suffered during Operation Epic Fury.

Two points are particularly contentious:

1/ Lebanon: Tehran refuses any agreement that does not include a halt to Israeli airstrikes in Lebanon, while Washington is trying to decouple the two fronts.

2/ Enrichment: The shift from "zero enrichment" (US demand) to "controlled enrichment" (Iran's demand) is at the heart of the current nuclear standoff.

Multiple conflicting timelines make these negotiations particularly difficult to understand. The Iranians have time on their side. They are accustomed to protracted wars of attrition. It's worth remembering that the Iran-Iraq War lasted no less than eight years. For the White House occupant, however, time is working against him.

Did he expect that after six weeks of intensive airstrikes, the Islamist dictatorship, albeit decapitated by the loss of its leaders, would still be standing, with a diminished but still significant capacity to cause harm—enough, in any case, to disrupt global oil trade?

It's difficult to answer that, but one thing is certain: Donald Trump cannot afford to have this conflict on his hands as the midterm elections approach, elections that are not expected to be easy.

Besides the relative resurgence of the Democratic opposition, the Republican camp is facing various internal conflicts within the MAGA base. This Iranian affair is divisive, irritating, and worrying, and some of the president's former supporters, particularly certain influencers with tens of millions of followers, are no longer hiding their disappointment. Trump absolutely must move on to something else, to a more positive phase.

This could, in theory, lead him to accept conditions he wouldn't have accepted under a different timeline. But this is where the Israeli timetable comes into play. For the Jewish state, this war is existential. There's no question of stopping halfway.

They want and must "finish the job," be absolutely certain that Iran no longer has the capability to launch ballistic missiles against them.

How will they manage this balancing act?

The next few days will be crucial and should shed valuable light on whether or not the factors causing concern for global stock markets will persist.

If the Islamabad negotiations were to be successful (which, incidentally, would be a very good deal for JD Vance, who wasn't particularly keen on this deal initially), and the Strait of Hormuz were to fully reopen, oil prices should quickly fall.

Central bankers, less worried about a potential inflationary shock, could once again consider cutting key interest rates, and long-term rates would ease, which would be good for equity markets. In such a scenario, we would reintroduce some risk into our portfolios, increasing the weighting in equities and the duration in bonds. As a result, 2026 could end on a high note, like 2025, with returns exceeding 5% for balanced strategies.

If, however, the negotiations that began today in Pakistan were to collapse, if the bombings were to resume, the Strait to remain closed, Iranian strikes on the Gulf monarchies to resume, and above all, if the price of oil were to remain persistently above $100 a barrel, the behavior of central banks would be entirely different, and further waves of declines would be likely on the stock market.

In this case, it would be advisable to maintain readily available cash to average out equity positions when the time comes, avoid excessively long durations in the bond portfolio, and maintain adequate exposure to decorrelation instruments capable of providing positive performance even in the event of a market downturn.

The entire 2PM team is, of course, fully mobilized to closely monitor all these parameters and the global geopolitical situation.

For 20 years, our portfolios have proven resilient during periods of crisis, and there is no reason to believe this will change. Controlling drawdowns and volatility in our portfolios remains a constant concern for us.

Christophe Carrafang

Macro Q12026: The First Effects of the Middle East Conflict

Inflation: A Change of trajectory

- In the Euro Zone, inflation is rising, increasing from 1.9% to 2.5% in March. The ECB is expected to raise interest rates by the end of April.
- In the US, the effects are not yet known and could be less pronounced due to lower energy dependence. Note the increase in the ISM Manufacturing PMI from 70.5 to 78.3 in March.
- In China, inflation is back; it rose to 1.3% in February, good news for the central bank.

Manufacturing activity: A positive trajectory since the beginning of the year

- The overall indicator rose from 50.4 in December to 51.3 in March.
- The ISM in the United States has remained above 52 for the past three months.
- The same phenomenon is observed in the Euro Zone, with the indicator increasing from 48.8 to 51.6 in three months.
- Chinese indexes reflect a stabilization around the growth level.

Services Sector Activity: Already Slowing Down

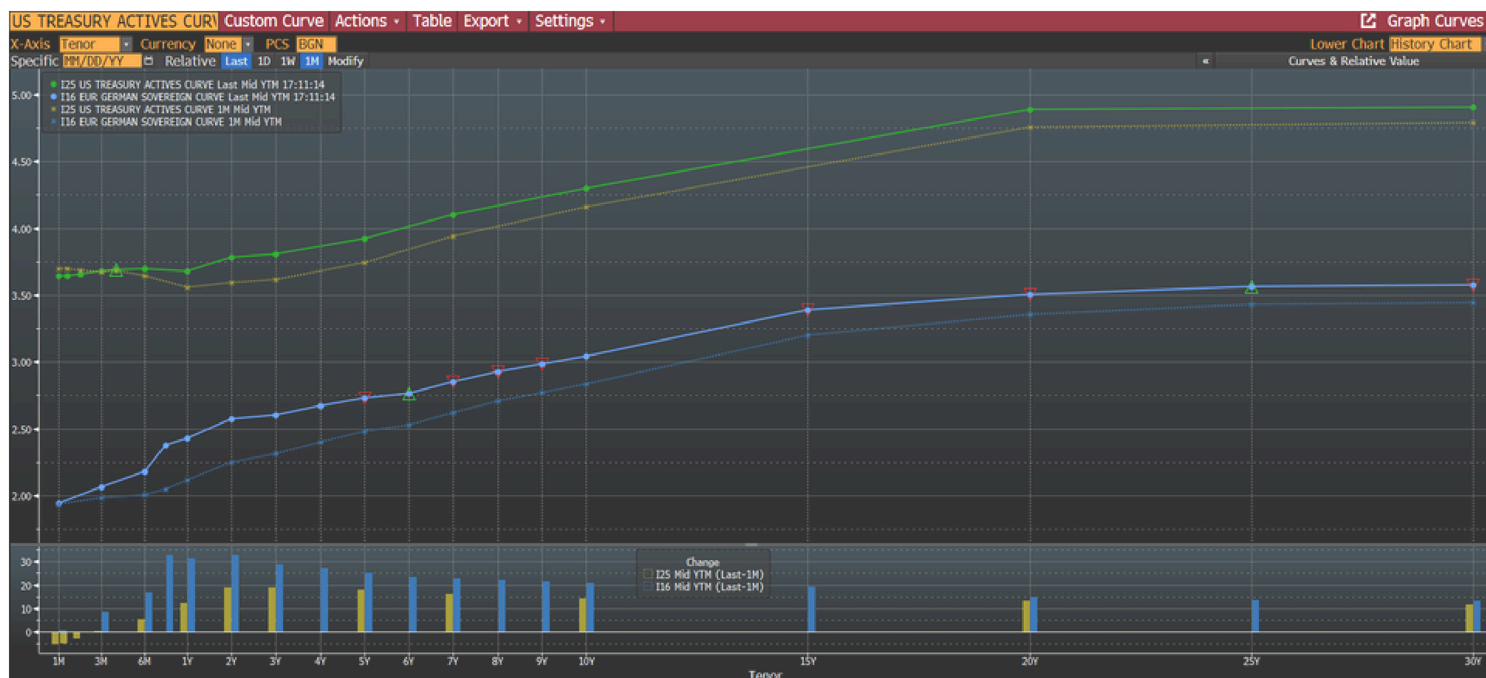
- A general slowdown in the services sector; the overall index fell 2.6 points to 50.8.
- In the US, the ISM Services Index declined 2 points to 54; new orders increased, as did the level of prices paid.
- In the Euro Zone, the decline was similar, to 50.2.
- Chinese indicators remain positive; the official indicator rose slightly from 49.5 to 50.1 in March.

Labor Market: Lagging

- Job creation in the US rebounded in March after a very negative February. The unemployment rate fell slightly from 4.4% to 4.3%.
- However, the leading employment indicator of the ISM Services Index moved into contraction territory, falling to 45 in March from 51 the previous month.
- In the Euro Zone the unemployment rate has risen slightly to +6.2%, which remains historically low, with quite different local realities: +7.9% in France, +6.3% in Germany, +5.7% in Italy and +10.1% in Spain.

Damien Liegeois

The Evolution of US and EU Interest Rate Curve



The Big Picture

Will China intervene to reopen the Strait of Hormuz ?

The rising tensions around the Strait of Hormuz pose a major risk to global financial markets. A transit point for approximately one-third of maritime oil shipments, this corridor concentrates energy, industrial, and macroeconomic issues whose implications extend far beyond regional geopolitics.

A prolonged blockade of the strait would trigger an immediate supply shock to several critical raw materials:
·Oil and liquefied natural gas (LNG): a sharp rise in prices, with a direct impact on global production and transportation costs.
·Fertilizers: with exports from the Gulf disrupted, agricultural prices would come under upward pressure, reigniting food insecurity.
·Helium and other industrial gases: essential for semiconductors and healthcare, their scarcity would amplify industrial disruptions.

This multi-commodity supply shock would inevitably lead to a return of inflation, forcing central banks to maintain restrictive financial conditions for longer than anticipated. The stagflation scenario—weak growth combined with high inflation—would once again become central.

Iran's role is crucial here. Oil exports constitute the regime's main source of revenue. A prolonged disruption would severely weaken its domestic economy. Conversely, maintaining trade flows to China appears to be a condition for economic survival.

Until now, China has positioned itself as a relatively passive actor, anticipating a transitory shock. However, a prolonged blockade of the Strait would radically alter this stance. As the world's largest oil importer and a major industrial exporting power, China is doubly exposed:

1/ A global recession would directly impact its exports of goods and services, which are the core of its economic model.
2/ Followed by a slowdown in domestic growth, pressures on industrial employment, and an increased risk of social discontent.

In this context, China is becoming a key player in crisis resolution. Its economic relationship with Iran gives it strategic leverage: while Chinese crude oil purchases are indeed vital for the Iranian regime, Beijing has a credible means of exerting pressure to encourage the reopening of the Strait of Hormuz.

The question of Chinese intervention in the Strait of Hormuz crisis must be analyzed primarily from an economic perspective. Beijing does not necessarily have an interest in military intervention, especially since, for the time being, Chinese ships are navigating freely through the strait. But above all, it possesses a decisive economic lever.

The central scenario remains that of a resolution through the alignment of economic interests, with China acting as an implicit stabilizer of the global energy system. For the markets, the key lies in the timing of this intervention: the later it is, the higher the macroeconomic cost—inflationary and then recessionary—will be.

Damien Beasse

Special Topic

Central Banks' Pain in the Neck

After the inflationary shock of 2021/2022, central bankers were regaining some composure. Thanks to their interventions, they had managed to trigger a period of disinflation starting in 2023, and were entering the current year with macroeconomic visibility and inflation close to the 2% target.

However, for the past month, the central scenario for the year has been shattered, and the specter of an inflationary shock has resurfaced. While historically, the worst-case scenario remains deflation, periods of stagflation are also difficult to manage. The economy is facing an external shock that is putting strong upward pressure on energy prices and certain raw materials. Moreover, this shock is caused by a conflict of unknown duration. It is therefore difficult to know whether it will just cause a short-term spike in inflation or whether it will persist and be passed on to the prices of all goods and services.

Since the mandates of central banks don't allow them the luxury of letting inflation take hold, they must act quickly and raise key interest rates; a double blow to growth, already hampered by the energy shock. Logically, this shock should, on its own, slow demand and lower inflation; so is such a rapid increase in short-term rates truly necessary? Bond markets quickly anticipated this scenario, and yield curves adjusted sharply, with a greater impact on the Euro Zone and Asia. Indeed, both suffer from increased energy dependence, with oil and gas supplies particularly disrupted by this conflict. According to new estimates, the Fed is no longer expected to lower rates in 2026, while the ECB is expected to raise rates three or four times this year! These expectations seem rather excessive.

Thus, bond markets are anticipating the worst: a long and impactful conflict, as hopes for a short-term conflict have faded with each passing week. The ECB expects the first rate hikes as early as the end of April, with an initial increase of 0.25%.

The announcement of a two-week ceasefire, with a gradual reopening of the Strait of Hormuz, could change the situation. If this leads to lasting peace and the full reopening of maritime traffic, expectations of rate hikes could disappear as quickly as they arose: perhaps wishful thinking?

Damien Liegeois

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