Lamont Pridmore
ASSET & WEALTH MANAGEMENT

Investment Update

APRIL 2026 EDITION

Highlights

- **The month was dominated by the US-Israel-Iran war which, in typical timing by President Trump, began after markets had closed on the final trading day of February.**
- **All major equity markets recorded losses in March, with some of the high flyers at the start of 2026 suffering the sharpest drops.**
- **The Federal Reserve, European Central Bank and Bank of England all had mid-month meetings and left interest rates unchanged. However, except possibly for the Fed, any hope of future rate cuts in 2026 has disappeared.**
- **By mid-March, Brent Crude was settling around $100 a barrel, rekindling inflation fears and driving up government bond yields. Gilts were the worst hit.**
- **Gold failed to benefit from the turbulence and fell 10% over the month.**

Only one story dominated March: the war in Iran. Hopes that the combined US-Israeli attack would be a brief repeat of last year's 12-day war soon evaporated. Similarly, expectations of a quicker resolution faded as the President continued to set and then extend deadlines. A heavily trailed White House address on 1 April, which had buoyed markets in the final days of the month, proved another disappointment, as Trump suggested the US could withdraw whether or not it had a deal with Iran.

United States

By the end of February, the S&P 500 had barely changed from its 2026 starting point. This non-performance hid some AI-related churn, both in terms of capital expenditure and the fate of software as a service (SaaS) companies. The 'going-nowhere market' stopped abruptly in March as investors responded to what Trump described at one point as a 'little excursion'[1]. Over the month, the S&P 500 fell 5.1%, with the Nasdaq down 4.8% and the Russell 2000 index, covering smaller companies, off 5.2%.

While the buildup of forces in the Middle East had been raising concern – Brent was up 19% in the first two months (to $72.5 a barrel) – the timing took nearly everyone by surprise. The exceptions included half a dozen Polymarket prediction market account holders who placed bets on the war's start date of 28 February within hours of the conflict beginning[2], pocketing $1.2 million of winnings. Less prescient investors could take solace from the performance of the US markets over the first quarter. The Russell 2000 and S&P 500 Equal Weighted indices both managed to stay in the black, while the NASDAQ dropped 7.1% and the S&P 500, 4.6%.

The US economy is currently self-sufficient in energy, thanks to shale, but that does not leave it immune from the impact of the war. In 2024, the country imported about 6.6 million barrels of oil a day, mostly from Canada and Mexico, because it needs heavy crude to operate some of its refineries[4]. Oil prices are set globally – as the war has made clear, it is a globally distributed commodity. One consequence is that US energy independence has not spared US motorists $4 a gallon 'gas' (petrol), up a third over March. Diesel prices rose faster, with most states seeing a $1.50 or more increase[4].

Those increases will begin to appear in March's inflation numbers. However, the Federal Reserve's March 'dot-plot', published on 18 March, suggested that the bank had one 0.25% rate cut pencilled in by the end of the year[5]:

6.0%
5.5%
5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
2026
2027
2028
Longer run

The bond markets took a different view: the yield on the rate-sensitive two-year Treasury bond rose from 3.38% to 3.80%. The 10-year Treasury bond yield added 0.35% to 4.31%.

United Kingdom

The month started with what in retrospect looks like an increasingly surreal Spring Forecast on 3 March. The Office for Budget Responsibility (OBR) had crunched all the numbers before Trump's 'excursion' began, but did manage to add one telling sentence to its overview: 'Conflict in the Middle East, which escalated as we were finalising this document, could have very significant impacts on the global and UK economies.'

Reeves' thin speech opened with her only mention of the Middle East[6]. The remainder was focused on the government's economic successes, such as falling interest rates and inflation due to hit its 2% target later in the year. Both looked a hostage to fortune on 3 March and were probably dead in the water by the end of the month. There is a risk that the UK will experience a third consecutive summer/autumn of prolonged Budget speculation.

The gilts market is already anticipating a significant inflationary fallout. Two-year gilt yields ended March at 4.41%, having been 3.52% a month earlier. The benchmark 10-year gilt yield rose from 4.31% to 4.88%. In 2026/27, the government is planning to see about £250 billion of gilts, mostly short- and medium-dated.

UK equities also had a month of price falls. The FTSE 100 fell 6.7%, but was up 2.5% over the quarter, comfortably beating the MSCI World, which declined 1.6% over the first three months. The Footsie was helped by a feature for which it is often criticised – a heavy weighting in 'old economy' multinationals, covering oil, gas, metals and mining. These companies have little to do with the UK economy – witness the more UK-oriented FTSE 250's 10.8% drop in March and -5.6% first quarter performance.

Europe

After a good start to the year, European markets had a poor March, given their dependence on oil and gas from the Middle East. The Euro Stoxx 50 fell by 9.3%, taking its first-quarter return to -3.9%. The Dax in Germany fell 10.3% over the month and 7.4% over the first quarter. In France, the CAC 40 lost 8.9% in March and 4.1% over the quarter. The Iberian markets both fell, with Spain's IBEX 35 down 7.1% and Portugal's Portuguese Stock Index (PSI) off only 1.6%. The PSI remained 10.5% up on 2026 by the end of March, helped by strong capital inflows and an alternative energy focus[7].

European bond yields followed the pattern elsewhere, with German Bund two-year yields rising by 0.61% and the 10-year by 0.35%. Although the European Central Bank (ECB) held rates in mid-March, later in the month, the ECB's president pointed to future rises. At an ECB press conference, she said: *"To leave such an [inflationary] overshoot entirely unaddressed could pose a communication risk: the public may find it difficult to understand a reaction function that does not react."* [8] As if on cue, the end of the month arrived with a flash estimate for March Eurozone inflation of 2.5%, up from February's 1.9%[9].

Asia

After February's election-driven 9.8% jump in the Nikkei 225, in March, Japan's markets retraced most of their gains by falling 9.1%. Nevertheless, the Nikkei posted a 5.7% gain over the quarter. Japanese government bond yields rose in March, although the increases were smaller than elsewhere – the two-year added 0.12% and 10-year, 0.24%. The Japanese central bank may welcome an increase in energy-induced inflation, given that February's reading fell to a near four-year low of 1.3% [10].

Hong Kong's Hang Seng fell by 7.0% in March, taking its quarterly return to -3.3%. The Taiwan stock market, which had posted strong gains in the first two months, declined 8.2% in March, but still recorded a gain of 12.3% over the quarter.

Emerging Markets

The MSCI Emerging Markets Index fell by 13.3% over the month in dollar terms, with a rising dollar (up 2.4% on a trade-weighted basis) not helping. Over the quarter, the index was down 0.5%. The Shanghai Composite fell 6.5% across the month, and 1.9% over the quarter. China's February inflation reading of 1.3% was higher than expected.

By the end of February, the surge in the Korea Composite Stock Price Index (KOSPI) looked vulnerable to a retrenchment, which the Iran war duly delivered. The index was down 19.1% over the month, but still up almost 20% over the quarter.

India continued to disappoint, with the Bombay Stock Exchange Sensitive Index (BSE Sensex) falling 11.5% in March. Over the quarter, it is down 15.6%. The Indonesian market experienced a larger fall (-14.4% on the month and 18.5% over the quarter on the Jakarta Composite).

And also...

It was not only the Spring Forecast that arrived at an unfortunate time for the Chancellor. Her frequent exhortations to increase investment in private assets have encountered two problems:

- **Pension Schemes Bill:** This bill, which has already spent ten months on its way through Parliament, has hit an obstacle in the House of Lords. The bill contains provisions, which would allow the government to introduce regulations setting a mandatory minimum investment level in 'qualifying assets'. The bill does not explicitly define these, but helpfully says that they:

  "...may for example be—

  (a) private equity; (b) private debt; (c) venture capital; or (d) interests in land,

  but...may not be securities listed on a recognised investment exchange."[11]

In effect, the government is reserving the power to force default funds in workplace pension schemes to comply with voluntary private asset investment levels, as agreed with 17 pension managers last year in the 'Mansion House Accord'.

At the third reading, the Lords threw out the relevant legislation on a 217–113 vote. The bill will now be reconsidered by the House of Commons when it reconvenes later this month. Meanwhile, many pension groups are hoping that the proposal will not be resurrected, although that seems unlikely given how wedded the Chancellor is to stimulating private investment.

- **US Private Credit:** In the US, there are a range of unlisted funds targeted at retail investors from big-name managers, such as Apollo and BlackRock HTS, that invest in private assets. Until recently, the hot sector was private credit, but since several credit blow-ups, including MTS in the UK, investors have been trying to exit these funds.

  Those who entered early requests have escaped, but later investors have encountered a gate: the funds generally limit total quarterly withdrawals to 5% of value. Suddenly, this attractive sector has become a millstone for investors, trapped in funds where valuations are increasingly being questioned.

The transatlantic experience is a reminder that private assets are private for a reason: managers need to control liquidations.

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