



# Weekly Market View

## Inching towards a stalemate

→ US President Trump's plan to end military operations in the Middle East within 2-3 weeks has eased fears of a drawn-out conflict. However, uncertainty remains about a near-term escalation in the conflict and when normal shipping through the Hormuz Strait will resume.

→ Trump stated the responsibility for reopening the strait now falls to Asian and European governments, whose economies depend heavily on Gulf energy supplies. This signals tough negotiations ahead.

→ In this environment, we prefer investments in quality stocks with robust profit margins and earnings moats, especially within technology and utilities sectors.

→ We also see opportunities to secure elevated yields in US government and high-grade corporate bonds. As focus shifts from short-term inflation driven by higher oil prices to medium-term risks for growth and employment, these strategies are expected to outperform.

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Bullish US equities – history shows elevated VIX levels followed by strong returns

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Bullish US aerospace and defence equities – airline recovery, defence spending

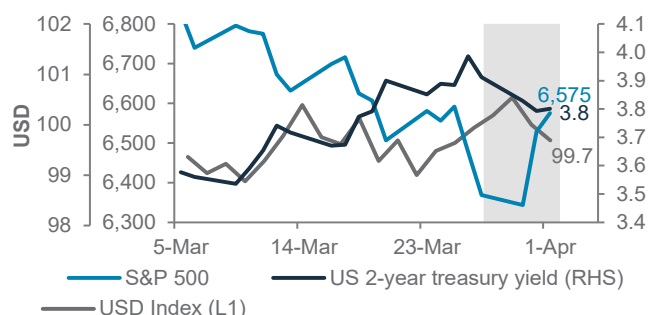
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Bearish USD/JPY – JPY to benefit from BoJ rate hikes to counter inflation pressures

## Charts of the week: Growth vs inflation concerns

Markets starting to price easing stagflation risks (see shaded area LHS) as long-term inflation expectations stay anchored

S&P500 index (up), US 2y yield (down), USD index (down)



US 1-year and 1y1y inflation expectations; Fed inflation target\*



Source: Bloomberg, Standard Chartered; \*2.3-2.5% inflation expectations based on CPI is consistent with the Fed's 2% PCE inflation target

## Editorial

### Inching towards a stalemate

**Strategy summary:** US President Trump's plan to end military operations in the Middle East within 2-3 weeks has eased fears of a drawn-out conflict. However, uncertainty remains about a near-term escalation in the conflict and when normal shipping through the Hormuz Strait will resume. Trump stated the responsibility for reopening the strait now falls to Asian and European governments, whose economies depend heavily on Gulf energy supplies. This signals tough negotiations ahead.

In this environment, we prefer investments in quality stocks with robust profit margins and earnings moats, especially within technology and utilities sectors. We also see opportunities to secure elevated yields in US government and high-grade corporate bonds. As focus shifts from short-term inflation driven by higher oil prices to medium-term risks for growth and employment, these strategies are expected to outperform.

**Inching towards a stalemate:** President Trump's intention to wind down Middle East military operations aligns with our base scenario of a brief conflict. Our 'pain indicator', which combines US equity and bond indices with presidential approval ratings, last week signalled a high likelihood of de-escalation after crossing a key threshold. However, reports of increased US troop deployments sustains the risk of renewed hostilities. The geopolitical situation therefore remains fluid, with escalation still possible, even as official statements lean towards resolution.

**Demand for 'high moats':** Amid heightened uncertainty, we prefer technology and utilities sectors that feature a concentration of high-quality stocks with strong margins and earnings. The US technology sector, in particular, offers attractive valuations. The recent market downturn has reduced the sector's forward price/earnings (P/E) premium to the S&P 500 index to below 5%, its lowest since January 2019 and down from a 35% premium in October 2025. Historical data shows that when the premium falls within the 4-6% range, returns over the next 3, 6, and 12 months have averaged 5%, 13%, and 19.7% respectively. The upcoming US Q2 corporate earnings season may support a recovery, especially if Middle East

tensions ease. A diversified portfolio anchored by these sectors is expected to weather volatility and deliver strong medium-term performance.

**Chance to lock in elevated bond yields:** There are early signals policymakers and bond markets are starting to focus more on the conflict's impact on economic growth than on inflation. Fed Chair Powell stated this week that the central bank can look past a temporary spike in oil prices as long as inflation expectations are steady. This led to a retreat in the US 2-year government bond yield, which reacts to rate changes. The renewed emphasis on supporting growth strengthens our base case that the Fed will eventually cut rates in H2 to revive the job market. Locking in the currently elevated yields on high-quality bonds offers a favourable risk-reward trade-off.

**Risk of a prolonged shutdown of Hormuz Strait:** Even if the US withdraws its forces from the Middle East this month, Trump's proposal for Asia and Europe to negotiate with Iran about reopening Hormuz Strait traffic may result in protracted talks. Iran's parliament has passed legislation allowing the government to levy tolls on all vessels passing through the strait. With more than 80% of oil and gas shipped via the strait destined for Asian economies (China, India, Japan, South Korea), these nations must work with Iran and Gulf producers to establish a lasting transit agreement. Prediction markets currently give only a 14% chance that shipping traffic will return to normal by the end of April, reflecting ongoing uncertainty.

**Hedging against risk of higher oil and gas prices:** If the Hormuz Strait remains closed for long, energy prices are likely to rise. The strait normally accounts for c. 20% of global oil supply, but rerouting Saudi and UAE crude through alternative pipelines, releasing strategic reserves, and Iran's continued exports have temporarily cut the global shortfall to 8%. Still, without a quick resolution, oil prices are likely to rise as strategic reserves and floating stockpiles dwindle in a few weeks and supply struggles to match demand. To hedge against this risk, oil price-linked structured strategies, energy sector equities and US inflation-protected bonds remain prudent choices.

— Rajat Bhattacharya

## The weekly macro balance sheet

**Our weekly net assessment:** On balance, we see the past week's data and policy as neutral for risk assets in the near-term

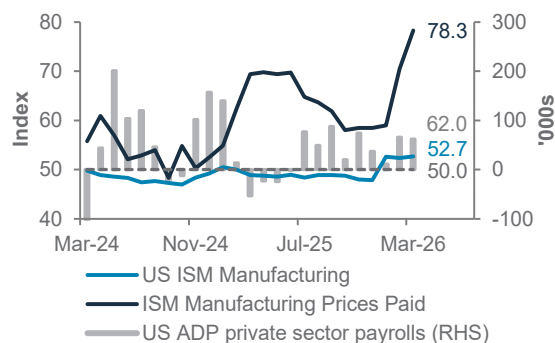
**(+) factors:** Resilient US manufacturing (mfg.) data and China activity; less hawkish Fed; likely easing of conflict

**(-) factors:** Weak US job data; likely BoJ hike; Hormuz strait uncertainty

	Positive for risk assets	Negative for risk assets
Macro data	<ul style="list-style-type: none"> <li>US ISM manufacturing PMI and Conference Board consumer confidence rose unexpectedly in March</li> <li>US ADP private payrolls rose more than expected by 62,000 in March</li> <li>Euro area headline and core consumer inflation rose less than expected</li> <li>China mfg and non-mfg PMIs rose unexpectedly</li> </ul>	<ul style="list-style-type: none"> <li>US ISM manufacturing prices paid index rose more than expected to 78.3</li> <li>US JOLTS job openings fell more than expected to 6.88m</li> <li>Euro area economic confidence came in slightly below estimates</li> <li>Euro area unemployment rate increased to 6.2%</li> </ul>
	<p><b>Our assessment: Neutral</b> – Resilient US manufacturing and China activity data vs. weak US job openings, rising mfg. costs</p>	
Policy developments	<ul style="list-style-type: none"> <li>Fed Chair Powell signalled no rate hike as long as long-term inflation expectations remain well-anchored</li> <li>China's central bank signalled maintaining appropriately loose monetary policy</li> </ul>	<ul style="list-style-type: none"> <li>Fed's Williams said monetary policy is well positioned amid uncertainty</li> <li>BOJ's March meeting summary reflected a hawkish tilt, with debate on size of rate hike</li> </ul>
	<p><b>Our assessment: Neutral</b> – Less hawkish Fed vs. potential BoJ hike</p>	
Other developments	<ul style="list-style-type: none"> <li>President Trump, while warning of a near-term escalation in the Iran conflict, said the US could end the conflict in two-to-three weeks</li> <li>Iran's president said Iran has necessary will to end conflict if guarantees prevent repeat attacks</li> </ul>	<ul style="list-style-type: none"> <li>Trump said the US will leave it to other nations to negotiate free flow of Hormuz shipping traffic</li> <li>US Secretary Rubio warned US may reassess NATO ties over lack of support during US-Iran conflict</li> <li>China launched two trade investigations against the US, followed by probes initiated earlier by the US</li> </ul>
	<p><b>Our assessment: Neutral</b> – Likely easing of Middle East conflict vs. Hormuz strait uncertainty</p>	

### US ISM manufacturing PMI strengthened in March, while the prices paid sub-index rose to the highest level since June 2022, signalling accelerating input cost inflation

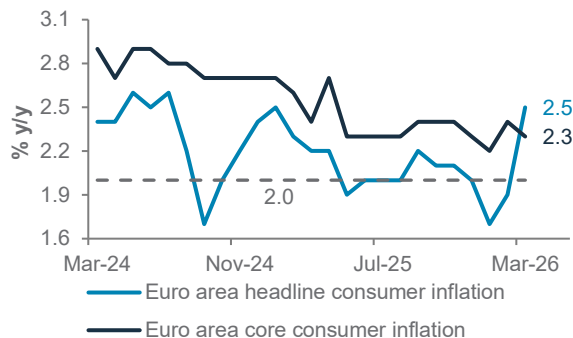
US ISM manufacturing and manufacturing prices paid indices, US ADP private sector payrolls



Source: Bloomberg, Standard Chartered

### Euro area headline inflation accelerated to 2.5% y/y in March, driven by a sharp rise in energy prices

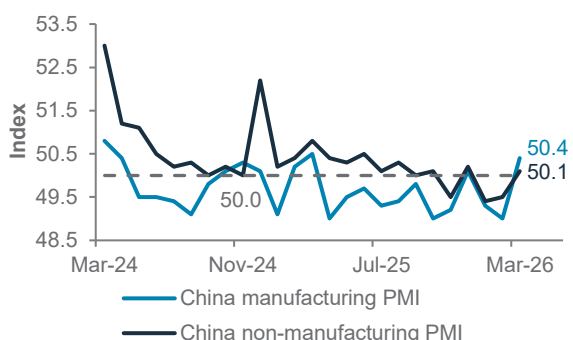
Euro area headline and core consumer inflation



Source: Bloomberg, Standard Chartered

### China's factory activity growth returned to positive territory, with manufacturing and non-manufacturing PMIs rising above expectations

China manufacturing and non-manufacturing PMIs



Source: Bloomberg, Standard Chartered

## Top client questions

**Q** What are EU CPI and comments from Fed Chair Powell this week telling us about the likely ECB and Fed policy pathways?

**Our view:** *Given our base-case view of a relatively short period of high oil prices, we expect the ECB to keep rates unchanged but hold a hawkish bias. We see the Fed resuming policy rate cuts in H2 2026 as it refocuses on labour-market weakness.*

**Rationale:** The Eurostat flash estimate showed Euro area headline inflation rising to 2.5% y/y in March, from 1.9% in February. This increase was driven by a 4.9% surge in energy prices, directly linked to the Middle East conflict. While we anticipate the ECB will keep policy rates on hold through 2026, the key risk scenario is an extended conflict that keeps energy prices elevated for several months and pushes inflation towards 4%. Given a tight labour market, this could force the ECB to hike rates. That said, **any energy-price-driven inflation spike is likely to be self-limiting**, as it ultimately erodes disposable incomes and weighs on growth.

Meanwhile, in the US, Fed Chair Powell’s 30 March remarks at Harvard noted that the Fed is in a “good place” to “wait and see” how the Iran crisis affects the economy and inflation. He said that **policymakers can “look through” temporary oil-price shocks**. This reinforces our view that the Fed will remain on hold in H1 2026, despite inflation remaining above target. We expect the Fed to resume policy rate cuts in H2 2026 as the Middle East conflict de-escalates and attention shifts back to labour-market weakness.

— Ray Heung, Senior Investment Strategist

**Q** How would an extended Middle East conflict affect your Overweight views on Emerging Market (EM) government bonds and Developed Market High Yield (DM HY) bonds?

**Our view:** *While not our base case, an extended Middle East conflict scenario would pose a downside risk to EM gov. bonds (both local-currency and USD) and DM HY corporate bonds.*

**Rationale:** While not our base case, a prolonged Middle East conflict scenario would generate **higher inflationary pressures and slow global economic growth**. Higher commodity costs would strain external balances, currencies and fiscal positions in oil-importing EM economies. While individual EMs may still do well in this scenario, a broad EM overweight view would face downside risk. DM HY corporate bonds would face similar headwinds, as elevated energy costs compress margins (particularly in cyclical and consumer-facing sectors), raising default risks amid slowing growth. Although the energy sector may benefit, it represents less than 10% of the overall DM HY universe. In a risk-off environment, DM HY yield premium spreads would likely widen.

— Ray Heung, Senior Investment Strategist

### Markets have repriced policy rate expectations higher in the US and the Euro area since the Middle East conflict began

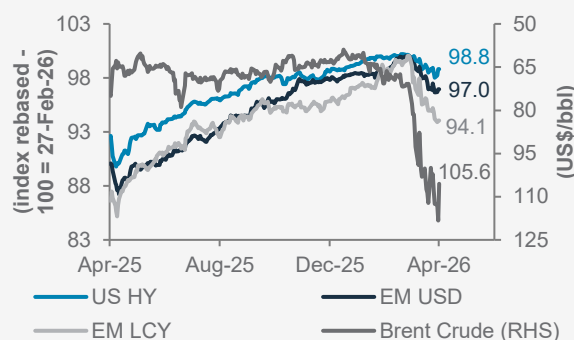
Market-implied policy rates for the US and Euro area by year-end 2026



Source: Bloomberg, Standard Chartered

### EM USD & local currency (LCY) government bonds, US HY bonds have fallen since the onset of the Middle east conflict

Total index return of US HY corporate bonds and EM USD and LCY government bonds, rebased. Brent crude oil price (inverted)



Source: Bloomberg, Standard Chartered

## Top client questions (cont'd)

**Q** What drove US aerospace & defence (A&D) equity weakness? What are the key sector catalysts and risks?

**Our view:** *A&D sector consolidation provides an opportunity to add amid supportive fundamentals.*

**Rationale:** The retreat in the A&D sector since March has been largely driven by three factors. First, the prolonged conflict has forced US airlines to **scale back Middle East operations**, a critical global transport hub routing approximately 30% of Asia-Europe air cargo. Second, the spike in oil prices is expected to **compress profit margins** across major airlines, as most US carriers have abandoned fuel hedging. Third, much of the short-term anticipated upside from rising military equipment demand linked to the Middle East conflict appears to have been priced in.

That said, we retain a positive view on the sector. Our base case remains for the conflict to de-escalate in a few weeks, supporting a recovery in commercial aerospace activity and easing oil prices. In addition, geopolitical developments since 2026 suggest a potential ramp-up in US diplomatic engagement ahead of the midterm elections and renewed focus on defence priorities. President Trump announced military spending of USD 1.5trn for 2027, a 50% increase from this year's budget. 12-month forward earnings growth of over 40% also provides a strong tailwind for a sustained sector recovery.

— Michelle Kam, CFA, Investment Strategist

**Q** Has Japan's recent soft data changed your Bank of Japan (BoJ) policy rate expectation? What is your view on USD/JPY?

**Our view:** *Recent data has not altered our expectation that BoJ rates are likely to reach 1.25% by 2026 year-end. We remain bearish on USD/JPY.*

**Rationale:** Tokyo's March inflation cooled slightly to 1.4% y/y, its slowest pace in nearly two years, driven primarily by a moderation in food costs. Consumer prices, excluding fresh food, rose by 1.7% y/y, marking the smallest increase since April 2024. However, the BoJ has indicated that this slowdown is likely temporary, with the Middle East conflict, in particular, posing inflationary risks. We see BoJ rates reaching 1.25% by year-end 2026.

Meanwhile, we expect USD weakness to resume, especially if President Trump indeed follows through on his comments to end the conflict soon. Additionally, US consumer confidence unexpectedly rose to 91.8 in March, from 91.0, but the measure of expectations for the next six months fell.

Technically, USD/JPY is forming a significant resistance zone at 160-161. We see the pair facing downside risk, with support at 155.9 (200-day moving average) in the coming week.

— Iris Yuen, Investment Strategist

### Aerospace & Defence sector equities likely to gain, driven by solid earnings growth

US Aerospace & Defence Index and its 12-month forward earnings growth



Source: FactSet, Standard Chartered

### USD/JPY is exposed to downside risk

USD/JPY and technicals



Source: Bloomberg, Standard Chartered

## Top client questions (cont'd)

**Q** How significant a risk is helium supply for the semiconductor sector? What are the likely catalysts for a turnaround in sector sentiment?

*Our view: We see helium supply as a manageable risk in the near term. We remain positive on global semiconductors, driven by sustained AI capital expenditure (capex), which should be reiterated in the Q1 2026 earnings season.*

**Rationale:** Helium is essential in semiconductor manufacturing processes, primarily due to its cooling properties. The ongoing closure of the Strait of Hormuz is significantly disrupting global helium supply, given Qatar accounts for 25% of global reserves. Our supply-chain checks for the semiconductor industry suggest that there is sufficient inventory for about 3-6 months, limiting the risk of severe near-term disruptions. The most immediate impact is likely via price escalation. Helium accounts for about 0.3% of a semiconductor wafer's cost. During the Russia-Ukraine conflict, neon prices surged nearly 10x in early 2022, so a similar price spike in helium would erode profit margins for semiconductor producers.

A reopening of the Strait of Hormuz would be a positive catalyst for the chip industry, as supply chain concerns would ease. In addition, we expect the upcoming Q1 2026 earnings season to reiterate strong AI capex plans, which would be a fundamental catalyst for the semiconductor industry to move higher.

— **Fook Hien Yap**, Senior Investment Strategist

**Q** How have US equities performed historically in the ensuing 12 months after the Volatility Index (VIX) hit 30, 40 and 50+?

*Our view: The VIX closing above 30 signals market stress, but such episodes have historically been short-lived, preceding strong recoveries – with S&P500 forward 12-month returns averaging 29%, far above the 14% long-term average.*

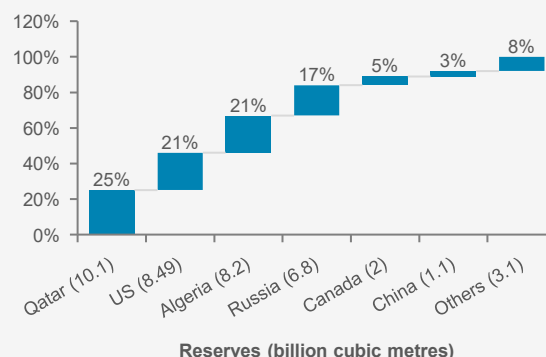
**Rationale:** The CBOE VIX closing above 30 last week rekindled market volatility concerns. Historically, the 30-level threshold signalled market dislocation; since 2016, the VIX has closed above 30 on around 6% of trading days, primarily during the 2020 pandemic and the 2022 inflationary drawdown. That said, it is important to note that such episodes of heightened uncertainty have historically proven short-lived, absent extreme macroeconomic conditions.

When the VIX closed above 30, the S&P500 has historically delivered average 12-month forward returns of 29%. This rises to 52% and 57% when the VIX surpasses 40 and 50, respectively – well above the unconditional 10-year average of 14%.

— **Jason Wong**, Senior Equity Analyst

**Qatar holds the largest reserve of helium globally, but we expect inventory levels to be sufficient to cope with near-term supply disruptions**

Distribution of helium reserves globally



Source: USGS, Bloomberg Intelligence, Standard Chartered

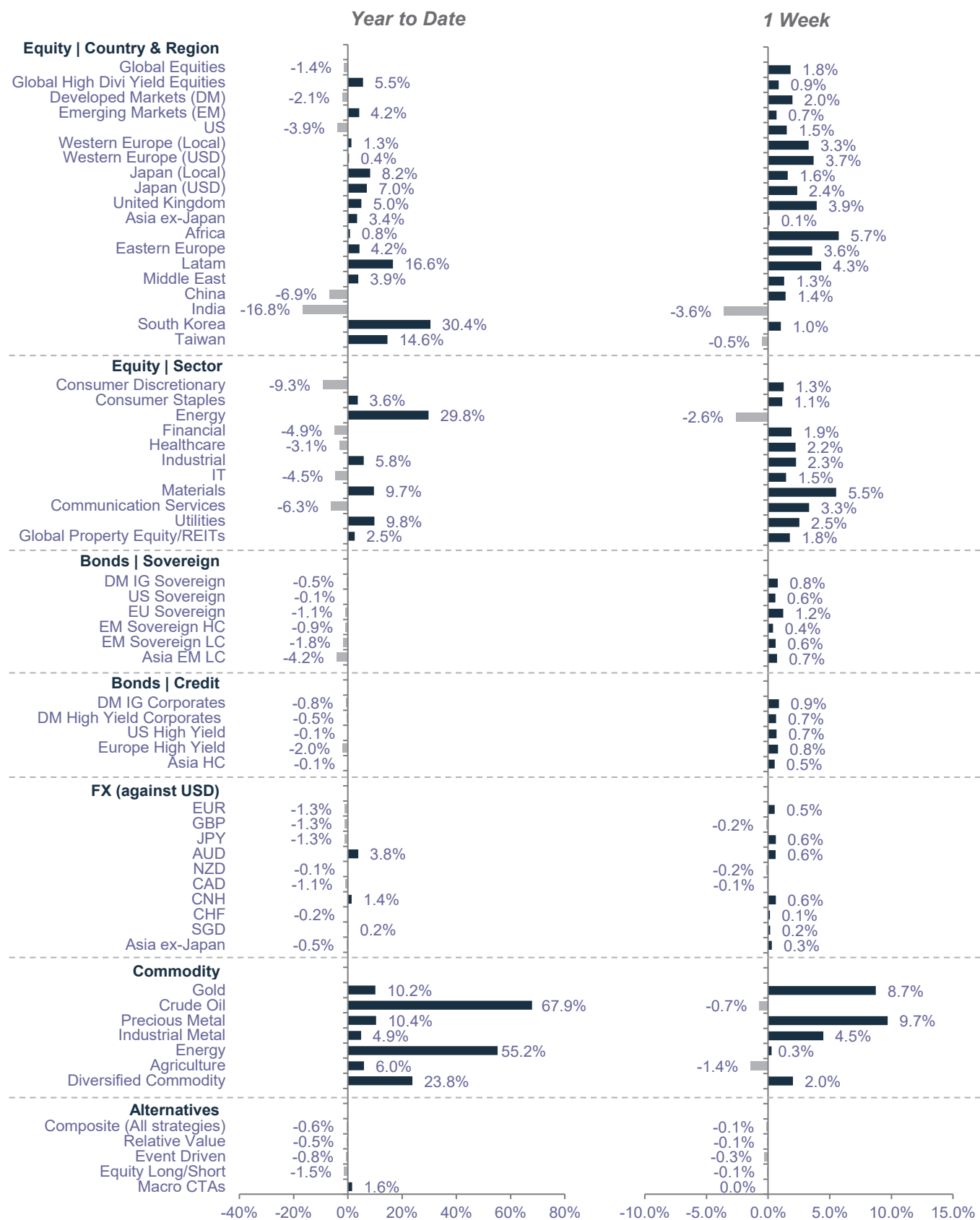
**The S&P500 VIX index closing above the 30 level has historically been short-lived and has preceded strong recoveries**

VIX and S&P500 Index 12-month forward return

Year	Number of days VIX closed > 30	S&P500 12m forward return
2016	0	–
2017	0	–
2018	5	22.0%
2019	0	–
2020	80	44.6%
2021	6	8.7%
2022	47	5.6%
2023	0	–
2024	1	21.5%
2025	12	–
2026	2	–
Since 2016	153	28.9%

Source: Bloomberg, Standard Chartered

## Market performance summary\*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

\*Performance in USD terms unless otherwise stated, 2026 YTD performance from 31 December 2025 to 1 April 2026; 1-week period: 26 March 2026 to 1 April 2026

### Our 12-month asset class views at a glance

Asset class	
<b>Equities</b> ▲	<b>Preferred Sectors</b>
US ▲	US Technology ▲
Europe ex-UK ▼	US Healthcare ▲
UK ▼	US Utilities ▲
Asia ex-Japan ▲	Europe ex-UK Financials ▲
Japan ◆	
Other EM ◆	China Communication ▲
	China Technology ▲
	China Healthcare ▲
<b>Bonds</b> ▼	
<b>Credit</b>	<b>Alternatives</b> ◆
Asia USD ◆	
Corp DM HY ▲	
Govt EM USD ▲	<b>Gold</b> ▲
Corp DM IG ◆	
<b>Govt</b>	
Govt EM Local ▲	
Govt DM IG ▼	

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

### The S&P500 has next interim resistance at 6,879

Technical indicators for key markets as of 1 Apr close

Index	Spot	1st support	1st resis- tance	12m forward P/E (x)	12m forward dividend yield (%)
S&P 500	6,575	6,294	6,879	19.6	1.3
STOXX 50	5,733	5,377	6,087	15.0	3.2
FTSE 100	10,365	9,720	10,960	13.2	3.5
TOPIX	3,671	3,446	3,897	16.8	2.4
Shanghai Comp	3,949	3,763	4,166	13.2	3.0
Hang Seng	25,294	24,197	26,397	10.9	3.4
Nifty 50	22,679	21,646	24,351	17.2	1.7
MSCI Asia ex-Japan	942	879	1,022	11.7	2.4
MSCI EM	1,458	1,363	1,576	11.2	2.9
Crude oil (WTI)	100.1	73.1	123.3	na	na
Gold	4,759	4,099	5,419	na	na
UST 10Y Yield	4.32	4.00	4.56	na	na

Source: Bloomberg, Standard Chartered

Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

### Economic and market calendar

	Market	Event	Period Expected	Prior
MON	USD	ISM Services Index	Mar	54.9 56.1
TUE	EUR	Sentix Investor Confidence	Apr	- -3.1
	USD	Durable Goods Orders	Feb P	- 0.0%
WED	NZD	RBNZ Official Cash Rate	8-Apr	- 2.3%
	IND	RBI Repurchase Rate	8-Apr	- 5.3%
	EUR	PPI y/y	Feb	- -2.1%
	EUR	Retail Sales y/y	Feb	- 2.0%
THU	USD	Personal Income	Feb	- 0.4%
	USD	PCE Price Index y/y	Feb	- 2.8%
	USD	Core PCE Price Index y/y	Feb	- 3.1%
	USD	GDP Annualized QoQ	4Q T	- 0.7%
FRI/SAT	CNH	PPI y/y	Mar	- -0.9%
	CNH	CPI y/y	Mar	- 1.3%
	USD	CPI y/y	Mar	- 2.4%
	USD	Core CPI y/y	Mar	- 2.5%
	USD	U. of Mich. Sentiment	Apr P	- 53.3

Source: Bloomberg, Standard Chartered

Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated

P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

### Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 1 Apr close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	●	↑	2.69
Global Equities	●	↑	1.76
Gold	●	↑	1.59
<b>Equity</b>			
MSCI US	●	→	1.56
MSCI Europe	●	↑	2.47
MSCI AC AXJ	●	↑	1.78
<b>Fixed Income</b>			
DM Corp Bond	●	↑	1.94
DM High Yield	●	↑	1.85
EM USD	●	↑	1.72
EM Local	●	↑	1.64
Asia USD	●	↑	2.17
<b>Currencies</b>			
EUR/USD	●	↑	1.61

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

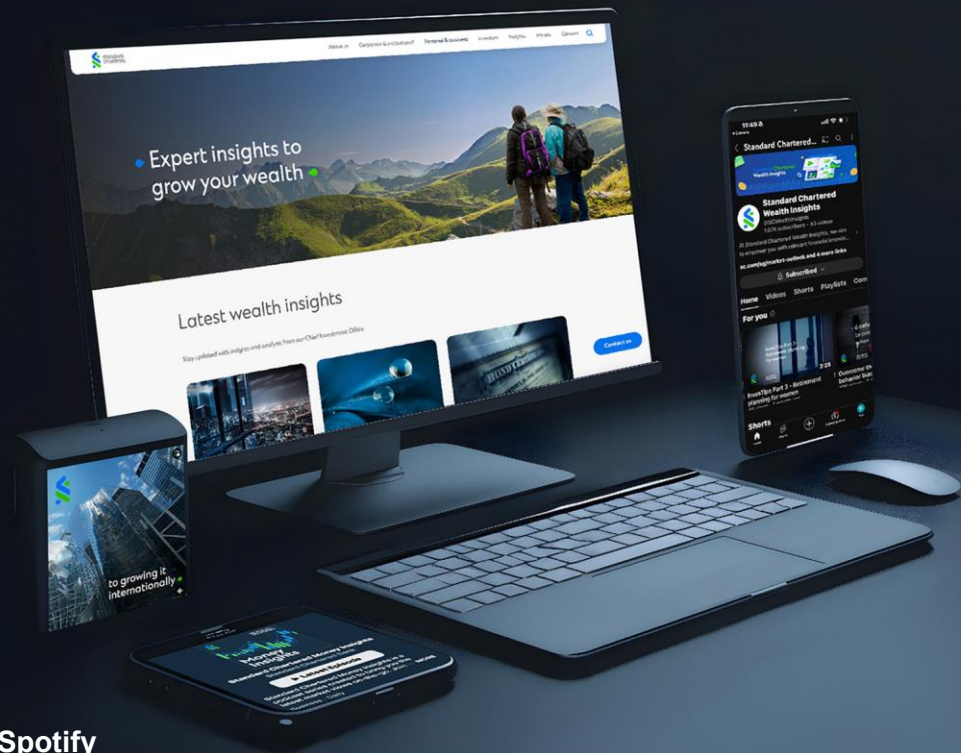
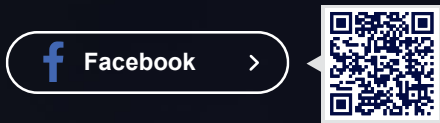
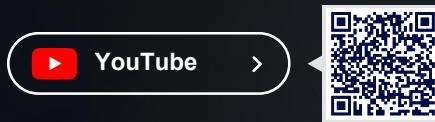
Legend: ● High | ● Low to mid | ○ Critically low

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## Market views on-the-go



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