FOUNDED IN	EMPLOYEES	LOCATED IN	ASSETS DIRECTLY UNDER MANAGEMENT	ASSETS HELD BY INVESTEE & AFFILIATED COMPANIES
1988	**80+**	**10+** COUNTRIES	**USD 1.4** BILLION	**USD 44.5** BILLION

ICM Monthly Outlook

APRIL 2026

Market Review

Global equity markets are back to their winning ways, making new all-time highs day after day, again. The MSCI World index reached a new all-time high on 17 April, and U.S. equity indices are making new all-time highs daily. Given the circumstances, the market is staging an impressive rebound since the impulsive, yet orderly, risk-off reaction to the war with Iran. Year to date, the S&P index is up 4.34% in U.S. dollars, or 3.8% in euros. The Nasdaq is up 5.65% in U.S. dollars, or 5.15% in euros. The Euro Stoxx is up 1.1% year to date but has yet to reach record levels.[1]

It is an impressive rebound, given that Q1 2026 was the S&P 500's weakest quarter since 2022, with the index falling 7.3% at its lowest, reflecting the oil-driven macro shock rather than earnings deterioration.[2] For now, at least, the equity market drawdown bottomed out in March. Since the end of March, equity performance has been nuanced; energy and materials stocks have been notable outperformers, while growth-oriented and duration-sensitive sectors have underperformed.

So, what has changed? The U.S. President went to the brink and blinked. Yet again, one threat after another feebly falls into a bucket of derision. Regardless, the U.S. and Iran have agreed to a fragile, indefinite ceasefire, which we welcome.[3] (As an aside, who do you trust more now, the U.S. and Israel, or Iran? We believe it is impossible that Iran would agree to any ceasefire that excluded Lebanon.)

Market Outlook

The rebound suggests that equity investors are no longer pricing in a catastrophe but are expecting de-escalation, that Central Bankers will ultimately look through a temporary energy-led inflation spike, earnings will remain resilient, and the U.S. consumer will continue to spend.

Unlike equity investors, bond investors have yet to fully remove the war premium embedded in yields. Government bond yields remain elevated relative to pre-war levels, underscoring that the inflation impulse has not been fully unwound and that central banks remain constrained.

The oil price remains range-bound between $90 and $110, suggesting the market continues to believe there is a reasonable probability of further disruption, having jumped from $70 on panic pricing at the end of February.[4] During April, oil's price action was headline-driven in both directions, with headlines about partial reopenings, intermittent ceasefires, and negotiation talks. Like Government bond yields, oil prices remain above pre-conflict levels, reflecting a persistent geopolitical risk premium and limited effective spare capacity, even after accounting for logistical constraints. We believe the interest rate market demonstrates the clearest expression of the macro tension. Investors are pricing in a 30% probability of a rate cut in Q3 2027, reflecting a low-conviction expectation a long way off.[5]

We have long been proponents of buying the dip. Regular readers may remember various letters (most recently in Dec 2025) extolling the virtues of buying the dip over the longer term.[6] An equally valuable discipline is not selling assets cheaply before the rebound. Investors who held their nerve ahead of President Trump's threats of "wiping out a civilisation"[7] benefited greatly from saving unnecessary losses before buying the dip. In the days leading up to that latest TACO, Scott Bessent met with top Wall Street executives to explain why they should not sell risk assets ahead of the ceasefire, essentially because the war would soon be over and prices would rally. These conversations took place privately during emergency meetings ostensibly called to warn top Wall Street CEOs of AI-related systemic cyber risks. However, the Financial Times reported that the key takeaway from the meetings was to hold risk assets, as the war would soon subside.[8] Two days later, the two-week ceasefire was agreed and has since been extended indefinitely, and markets rallied. Another great TACO trade.

These were very important meetings, with implications beyond short-term benefits. If the Financial Times is correct, Secretary Bessent has instilled a new mindset among large U.S. asset gatherers: that the U.S. Government has their back and will do whatever it takes to protect the stock market and valuations.

Investors are long familiar with the concept of a Fed Put - the action when the U.S. Federal Reserve Bank cuts interest rates to support a weakening economy and financial markets. Investors can now take solace in the concept of a Fiscal Put by the U.S. Government. The U.S. Government will make decisions primarily to support financial markets. We believe that President Trump is obsessed with the value of stock markets. A slump in equity markets would not be good for President Trump's mid-term election campaign. So, to insulate against such a situation, the U.S. Government appears ready to do whatever it takes to protect investors. This behaviour is akin to that of a Dictator of a Frontier economy, or King Cnut, rather than a leader of capitalism and the free world.

Of course, Fiscal Puts are not new departures for Global governments to backstop the economy. The COVID-19 pandemic was the last good example. Arguably, the pandemic was a more justifiable rationale than this current unnecessary war - a war orchestrated by President Trump to rip up President Obama's 2015 Iran deal because his name was not on the deal. We fear the world will now end up with a worse deal, based purely on narcissism.
At its simplest, a Fiscal Put backstops today's economy at the expense of the next generation. It's another opportunity to kick financial mismanagement down the road, which will only get worse. President Trump has requested a bigger defence budget, which will be debt funded. In broad terms, the U.S. government wants to increase defence spending from USD 860 billion in 2025 to USD 1.5 trillion in 2027, with the increase needed to fund the "Golden Dome" missile defence, more warships, more AI and drone spending, and the replacement of munitions used in the war in Iran. Not to mention the cost of the current war.[9]

Mr. Bessent is obsessed with bond yields and the cost of funding the U.S. balance sheet. He is right to be obsessed with yields if the current impasse and energy price crisis doesn't end soon. Today, the U.S. 10-year Treasury bond yields 4.20%,[10] which feels too low if the deficit widens considerably. One possible consequence is that higher fiscal spending globally might lead to higher inflation.

We feel that Mr. Bessent is scrambling and must surely recognise the futility of trying to control human nature for too long. For the time being, we do not expect anyone to challenge Secretary Bessent's authority, but it only ever takes one to break ranks. Scary version: investors lose confidence in Secretary Bessent and incoming Federal Reserve Chairman Warsh, leading to a higher risk-free rate, lower bond prices, and a weaker U.S. dollar, which is not unthinkable given that U.S. government debt is already over 100% of GDP.[11] The market is staying calm while hopes of a peaceful near-term resolution remain the central case.

As an aside, but related, since the latest TACO, U.S. investment banks and asset managers have reported record earnings. Who does not love a bit of war-induced volatility!?

While the Straits of Hormuz remain blocked on both sides and negotiations remain at an impasse, pressure on society will continue to mount due to shortages of many goods, most significantly fertiliser, oil, and gas. Airlines are cutting flights and warning of dwindling aviation fuel supplies.[12]

As with most first-order global macro shocks, emerging and frontier economies are most affected by shortfalls in fuel and fertiliser for next season's harvest. Last month, we noted the rising cost of fertiliser. This month, we highlight the broader supply chain impact on data centres, many of which rely on LNG for power and helium for cooling. We believe the market is slightly complacent about the consequences of these disruptions, assuming there are sufficient stockpiles.

Conclusion

In summary, risk assets are showing remarkable resilience (again this year) on the expectation that this situation will be resolved relatively soon. We still see a path, albeit narrowing, for global growth to continue and remain resilient, as it has several times in recent years.

The key risks remain persistent inflation and a U.S. government foreign policy-induced global slowdown, with energy prices holding the casting vote. On the one hand, higher oil prices are pushing inflation higher in the near term, warranting restrictive monetary policy. On the other hand, a global slowdown (and A.I.-related redundancies) will negatively impact the global labour market, supporting policy easing. Central banks cannot credibly respond to both at once; that is a difficult equilibrium to maintain.

For now, the Central Banks are choosing to be patient, taking a wait-and-see approach. Notwithstanding our earlier comments about the U.S. Government jawboning U.S. equity markets, investors will be less patient.

For now, investors are assuming that amid all the noise and haste of geopolitics, fiscal largesse, and oil supply chains, the ceasefire will hold, that oil prices will drift lower, and that central banks will be able to ease policy. We have said many times that markets are forward-looking and adaptive. That remains true.

The U.S. government remains the lynch pin in this outcome. But it leaves little time for error. If oil remains elevated for longer, or if the labour market in the U.S. weakens more meaningfully, the current balance breaks, an undesirable outcome for risk assets at today's valuations.

For the time being, we are not expecting a sharp downturn, nor are we chasing this rally. We'll remain disciplined. There will be a time to lean in more aggressively. That time typically comes when uncertainty is higher, not lower, and when valuations better reflect the risks.

We have been here before. Periods of geopolitical stress, followed by policy reassurance, followed by relief rallies. They often feel convincing. They often go further than expected. But they can often reverse when the underlying constraints - energy, inflation, or growth - reassert themselves.

Patience is wisdom, and patience is often an underappreciated virtue.

And finally, true greatness rarely travels alone.

I like to say that "Life's a marathon, not a sprint." Except last Sunday, when the London marathon became a sprint. Sebastian Sawe (Kenya) and Yomif Kejelcha (Ethiopia) made history by becoming the first official sub-two-hour marathon runners ever, etching their names into sporting folklore. Sawe, nicknamed "The Silent Assassin," ran 1:59.30, including a negative split by increasing his speed all the way to the finish line. Kejelcha, in his first-ever marathon, finished 11 seconds later. That is a hell of a debut![13]

To put those times into perspective for those who have previously heroically interpreted marathon running, Sawe ran 2 minutes 50 seconds per kilometre, or 21.15 kilometres per hour. It is not really running; it is low-level flying.

Kind regards,

Conor Spencer

30 April, 2026

Source Data: ICM, Bloomberg as of 31 March, 2026.
[1] YTD index returns (S&P 500, Nasdaq, Euro Stoxx, MSCI World) and the 17 April MSCI World all-time high: Bloomberg, ICM, total return basis.
[2] Q1 2026 S&P 500 performance and intra-quarter drawdown of 7.3%: Bloomberg / S&P Dow Jones Indices, as at 31 March 2026.
[3] U.S. - Iran two-week ceasefire announcement (subsequently extended): NBC News, "Trump announces 2-week Iran ceasefire after he'd warned 'a whole civilization will die tonight'," 7 April 2026.
[4] Brent crude price range and end-February move: Bloomberg/ICE Brent front-month.
[5] Implied probability of a Q3 2027 Federal Reserve rate cut: CME FedWatch/Bloomberg WIRP.
[6] ICM Monthly Insights, "Buying the Dip" commentary: December 2025. Available in the ICM Insights archive at www.icm.limited.
[7] President Trump's threat that "a whole civilization will die tonight, never to be brought back again" was posted on Truth Social - see TIME, "Trump Says a 'Whole Civilization Will Die Tonight' If Iran Misses Deal Deadline," 7 April 2026.
[8] Fortune, "Bessent and Powell convened Wall Street CEOs to address Anthropic's Mythos model," 10 April 2026
[9] CNN, "White House seeks massive increase in defense spending...," 3 April 2026.
[10] U.S. Department of the Treasury Daily Treasury Par Yield Curve/Bloomberg.
[11] U.S. Treasury Fiscal Data and Congressional Budget Office, "The Budget and Economic Outlook," most recent edition.
[12] CNN Business, "Airlines are about to run out of jet fuel because of the Iran war," 20 April 2026
[13] London Marathon results, 26 April 2026: Results | London Marathon Events

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