

Markets rally on ceasefire hopes

Key takeaways

US war rhetoric boosted all markets early last week. Since then, President Trump's threats of visiting further destruction on Iran have once again left markets in 'wait and see' mode.

Waiting to exhale...

Markets were in high spirits early last week, thanks to White House rhetoric suggesting a cessation of hostilities toward Iran. Tuesday saw the S&P 500 Index of US companies enjoy its best day of 2026; it jumped close to 3%. Wednesday also saw strong progress, with oil dropping below \$100 a barrel, before subsequent threats from President Trump to "bring them back to the Stone Ages", sent markets into retreat and oil prices spiralling.

On Monday, Mr Trump threatened another devastating round of attacks, if Iran failed to come to heel by 1.00am tomorrow morning (GMT). This has left markets waiting to exhale as investors hope for news of another 'TACO' (Trump always chickens out). If it comes to pass, it will be the president's fourth deadline extension in three weeks, and markets will breathe a sigh of relief.

UK stock market leads the field

Last week saw UK stocks outperform their peers thanks to the UK's pronounced defensive characteristics, and its heavy weighting to oil and gas, metals and mining stocks – which account for over 20% of the FTSE 100 Index. European stocks were close behind, they enjoyed their best day for a year.

Despite easing last week, the oil price is still up over 80% in 2026 (to 3 April). This has seen UK index heavyweights such as Shell and BP surge ahead by close to 25%. The mining group Glencore has enjoyed similar gains, while BAE Systems, the UK's biggest defence contractor, had also made double-digit gains before its price began to retreat on news of a possible ceasefire. Elsewhere, the UK's flotilla of global pharmaceutical giants is reasonably insulated from the volatility of the Iran war.

Mr Trump's war machine

Amid the whiplash of contradictory news from Iran and the White House, President Trump's \$1.5trn defence budget is due to go before Congress soon. His request to add \$500bn to the budget – in excess of the \$200bn already requested by the Pentagon to fund the war on Iran – while cutting 10% from non-defence spending (in 2027), amounts to the biggest requested increase to defence spending since the Korean war in 1951.

It has aspirations to transform the US defence/industrial base by doubling weapons procurement, with huge spending on a range of immensely expensive platforms, including space-based missile systems and 'Trump class' battleships. Whether such spending materialises could depend on the outcome of November's mid-term elections, leaving Mr Trump little time to salvage something from Iran, and to boost his flagging ratings, before the ballot boxes arrive.



Market moves

Global stock markets jumped 3.3% last week in response to initial US rhetoric suggesting that an end might be in sight for the Iran war.

UK shares outperformed their peers with gains of almost 5%. European shares were close behind; their gains last week left them flat for 2026 so far.

Both UK government bonds (gilts) and US government bonds (Treasuries) made solid progress as investors focused on the weaker growth outlook. Meanwhile, gold gained over 3%.

What to look out for this week

Wednesday brings the latest Halifax UK house price index print followed by the RICS survey on Thursday.

Thursday also sees US PCE data alongside GDP, personal income and spending, and jobless numbers.

On Friday, March's US CPI release gives the first indication of the Iran war's impact on US inflation. US gas prices have already spiked above \$4/gallon prompting expectations that annual CPI inflation could jump to 3.4% in March (from 2.4% in February).



If you have questions about financial markets, or our investment services, please contact the Marketing team:

marketing.hwam@handelsbanken.co.uk

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