

Walking on eggshells...

Key takeaways

While US shares benefitted from reviving AI appetite, stock markets elsewhere declined in the face of renewed antagonism between the US and Iran, and rising oil prices.

Oil prices and inflation expectations jump as US and Iran exchange fire

President Trump used the Ankara Nato summit last week as an opportunity to declare the 60-day ceasefire with Iran over, after the two nations fell into tit-for-tat military exchanges. Following US measures to restrict Iranian oil sales, Iran targeted three tankers. The US responded with extensive bombings of Iranian military and infrastructure targets triggering attacks on US military bases.

Amid the violent disagreement as to who controls the Strait of Hormuz, the price of Brent crude oil jumped 10.6% last week. Bond prices fell (yields rose) as higher oil prices stoked renewed inflation fears. This caused interest-rate expectations to harden. After the latest Middle East spat, bond markets moved to pricing in a 0.25% UK rate hike this year, with similar hikes in Europe by September, and in the US by October.

Double vision: Mr Warsh testifies to US Congress twice this week

The new Chair of the US Federal Reserve (Fed), Kevin Warsh, makes his first outing to Congress this week. On Tuesday, Mr Warsh appears in front of the House Financial Services Committee just after the latest US Consumer Price Index (CPI) numbers are due to land. He repeats the trip on Wednesday, when he's due to testify before the Senate Banking Committee, hot on the heels of the latest US Producer Price Index (PPI) report. The latter, also known as 'wholesale' or 'factory gate' inflation has been the Fed's preferred leading indicator for consumer inflation until now.

After seeking to establish his 'hawkish' credentials (favouring interest-rate increases to fight inflation) when chairing his first meeting of the Federal Open Market Committee (FOMC) last month, this week's testimonies will give US lawmakers the chance to probe the Fed chair as to his stance on interest rates.

US earnings season kicks off

This week sees the start of the second quarter US earnings season, led by the 'Big 6' US banks. JPMorgan, Bank of America, Wells Fargo, Goldman Sachs, and Citigroup report tomorrow, with Morgan Stanley following on Wednesday. Thanks to record IPO activity, and market volatility, investment banking revenues are expected to be especially strong.

Meanwhile, US companies continue to enjoy record levels of earnings growth. Led by chip stocks, and other beneficiaries of the AI buildout, US corporate profits hit a record high of \$442trn in the first quarter, with 85% of companies beating expectations. The coming earnings season is forecast to see 25% quarterly earnings growth for the S&P 500 Index of US companies, with progress spreading beyond the AI sphere. Even so, such stocks could still account for half of this year's overall US earnings growth.

For more in-depth commentary from our investment team, please see our latest [Investment Views](#) article and [Quarterly Outlook](#) video.



Market moves

Global stock markets were virtually flat as modest returns from US shares helped to balance losses in other regional markets.

European shares fell 2.5%. Emerging market shares were close behind with UK stocks also retreating.

UK and US government bonds declined again, leaving both in negative territory for 2026.

Gold eased further to be just under 6% down so far this year.

What to look out for this week

Tomorrow brings a new US earnings season, China trade data, and US Consumer Price Index (CPI) inflation numbers, followed by Kevin Warsh's testimony to Congress.

Wednesday promises Chinese GDP numbers, and US Producer Price Index (PPI) inflation data, followed by a second Kevin Warsh testimony to Congress.

Thursday sees UK GDP and activity data, and US retail sales numbers. The EU publishes CPI inflation numbers on Friday.



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

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