



# The Tatton Weekly

**FOMOOP – Fear of missing out on peace**

17 April 2026

**This week's topics:**

Getting back on track

Strong bank earnings show no credit contagion

Middle East war turns up food prices

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*Politics and religion in the Trumpian age, Michael de Adder, 15 April 2026*

## Getting back on track

As we were writing, Iran declared the Strait of Hormuz “completely open” and markets rose sharply. This time, bond yields fell back too. Even before that announcement, equity markets had, more or less, decided that the war is over – thanks to US-Iran talks and the Israel-Lebanon ceasefire. US stocks rose above their late February peak for the first time since the conflict began. Investors are now focussing more on strong earnings growth than geopolitical risks.

Understandably, many remain sceptical. It is unclear how long the Strait will stay open and how quickly shipping traffic can return. Damage has already been done to the world economy and the consequences will not be removed instantaneously.

### **Not yet out of the woods**

Equity traders are clearly optimistic that peace will hold, but oil markets were a little less so. The one-year futures contract for Brent crude is above \$75 per barrel (even after the announcement on Friday afternoon), well below the current price of just below \$90pb, but significantly higher than \$60pb, the level at the start of the year. That implies both a longer-term inflation impact, and perhaps a bigger hit to growth, than stock markets are pricing in. Already, we are seeing knock-on effects from higher energy – as we discuss in a separate article on food prices.

Even \$75pb oil, a year from now, assumes de-escalation continues in the Middle East. That assumption could well be right, but we have seen false dawns before. Before the latest breakthrough, the US was also blocking ships out of the Persian Gulf – putting it in direct opposition to Chinese interests. Neither the US nor China have the appetite for direct conflict, which may have contributed to US-Iran negotiations. If ceasefire talks stall or go backwards from here, though, the greater risk of US-China tensions could re-emerge.

If the optimistic view that the war is all but over is right, what comes next for the Trump administration? A politically bruising war might prompt the president to avoid rocking the boat for a while, but that is not his style. Adventures beyond US borders are becoming less popular with voters, so there is a good chance the administration’s focus will turn back to the domestic agenda.

Already, the banks’ deregulation (centred around freeing up capital) has helped increase lending. The next stage of that deregulation is going quickly through the consultation process, and implementation is likely in the second half of this year.

Kevin Warsh, Trump’s pick for Federal Reserve chair, will soon take the reins at the central bank. With Warsh in place, and with the midterm elections approaching, this might be a good time for Trump to push other deregulation even harder. Markets may well like that.

**Positivity is about liquidity**

Stock markets are positive because the worst-case scenario has become less likely, allowing investors to focus on the upside. That might seem overly optimistic, but investors have become a little numb to political shocks in recent years. Last year’s “Liberation Day” tariffs proved that getting too negative carries a serious risk of missing out.

The good mood is helped by improving liquidity conditions this year. Liquidity was tight into the end of 2025, as the Fed tightened its provision and the US government shutdown sapped money from the system. Those conditions made markets react more negatively than you might have otherwise expected. If the Iran war had happened a few months ago, the selloff probably would have been worse. Since the start of 2026, though, the Fed has shifted from net bond sales to net purchases, easing liquidity conditions (the upwards tilt of the blue line in 2026 in the graph below).

**US Federal Reserve Balance Sheet**  
End of QT, reserve balances grow



Source: Tatton IM, Bloomberg, FRBNY: G2040  
CERBTLC Index (Federal Reserve Total Liabilities & Capital Weekly Level) Fed bal sheet bbg Weekly 01DEC2019-16APR2026 Copyright© 2026 Bloomberg Finance L.P. 17-Apr-2026 13:44:45

When war broke out, leveraged traders (such as hedge funds) were forced to sell stocks. But fully capitalised long-term investors, for the most part, did not. Again, this was helped by improving liquidity conditions and past experience of overreacting to Liberation Day tariffs. Liquidity is now getting even better. This week, the dollar dropped and short-term bond yields fell. It should not be a surprise that market momentum shifted after central banks backed away from their hawkish rhetoric (preferring higher interest rates) in late March.

### The green shoots are growing

Investors have plenty of decent data to focus on. The US first quarter earnings season started this week with some reasonably good results from the big banks (as discussed in a separate article). Earnings reports showed that US consumers are still spending, despite discontent about higher prices at the pump. This is helped by a stable labour market – contrary to headlines about tech layoffs. As many suspected, the US economy as a whole looks relatively insulated from higher energy prices. Higher consumer prices are merely resulting in a flow of money to US oil producers, rather than a flow abroad, like in Europe and Asia.

UK growth also came in higher than expected, with a 0.5% month-on-month expansion in February, versus expectations of 0.1%. The data is from before the oil shock, so we should not get ahead of ourselves. But it shows the UK was in a decent place heading into this latest crisis, at least.

Given strong US growth, it is slightly odd that the dollar fell back this week. Strangely enough, the strongest currency has been China’s renminbi – climbing to a three-year high against the dollar – despite weak domestic growth and a sluggish equity market. The Chinese government has been guiding its currency stronger for a while now, and the Iran war has not knocked that trend.

## China Renminbi / US\$

CFETS is the official daily fixing rate, CNH is offshore rate



Source: Tatton IM, Bloomberg: G759

CNY Currency (China Renminbi Spot) CNY CNH China Daily 19APR2016-17APR2026

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17-Apr-2026 13:57:13

The euro also gained this week. The prospect of lower energy prices undoubtedly played a big part, but we suspect that some of the gain was down to populist Viktor Orbán's election loss in Hungary. Orbán has seriously stifled European cohesion over the last decade, often to the detriment of the wider European economy. Politics might get a little less disruptive on the continent from now on. Markets think the same is true for the world.

## Strong bank earnings show no credit contagion

US banks had a decent start to 2026. The big banks are always the first to report quarterly earnings, and the results for the first quarter of the year look good: Morgan Stanley profits jumped 30%, Citigroup profits rose 42% year-on-year, and JPMorgan reported a larger-than-expected 13% jump. The earnings reports show that, yet again, US consumers are more resilient in the face of economic shocks than some people think.

Some investors still have a niggling feeling though that private credit problems could drag down the banking system. Thankfully, nothing in these latest results backs up those fears.

### **Banks grow earnings – but markets react mildly**

Bank earnings are an important health check for the US economy, giving us some insight into how consumers are feeling. Confident consumers borrow more, reflected in better bank profits. These results show US consumers are still spending despite worries about gas prices. JPMorgan's results put growing consumer spending down to a healthy US labour market and tax refunds, while Citi reported a 5% increase in consumer credit card spending.

Interestingly, geopolitical shocks through Q1 led to an increase in trading revenues – as traders bet on volatile commodities or changing interest rate expectations. That increased trading profits for the likes of Morgan Stanley in particular.

Still, banks are concerned about the future impact of higher energy prices. Citi highlighted the negative growth impact from higher inflation, echoed by Goldman Sachs. Going against the consumer-positive grain somewhat, Wells Fargo also noted in their report that consumer spending had become increasingly split between the haves and have-nots, essentially continuing the 'K-shaped economy' theme commentators talked up last year. The richer prong of the K-shaped economy is not totally insulated against the Iran war either; JPM suggested that corporate activity (like mergers and acquisitions) could become strained by geopolitical uncertainty in 2026.

Investors took the results well. Bank stocks rallied in aggregate – some more sharply than others. We should note, however, that US bank stocks actually underperformed non-financial large-cap US stocks this week. Markets approved, but do not think everything is rosy.

**All eyes on private credit**

Markets are slightly apprehensive about banks because there is a private credit-shaped elephant in the room. Several retail-focussed private credit funds halted redemptions earlier this year, after concerns grew over potential defaults and investors rushed to exit. Comparisons to the 2008 global financial crisis (GFC) have been made by many commentators.

The biggest concern is that private credit firms may have disguised their debt leverage. Last month, the Financial Times wrote that private credit firms may have distorted their EBITDA (earnings before interest, taxes, depreciation and amortisation) metrics, making their debt leverage – as a percentage of earnings – look better than it really is. This kind of misreporting is different, though related, to an even graver concern: that private credit firms might literally be hiding certain debts from their balance sheets.

Everyone has been waiting to see what the banks will tell us in their reports. Virtually all have said private credit woes are not a systemic problem. JPM, whose outspoken boss Jamie Dimon has been critical of private credit, pointed out that the private credit market is just a fraction of the outstanding value of publicly traded corporate bonds. Others point to protections in the way many of the loans are structured. Much of the money lent by private credit firms comes from end investors, rather than bank loans.

**No sign of systemic stress**

We have long argued that private credit defaults will not lead to another GFC, for similar reasons. Private credit firms cannot create money in the way that banks can. Losses at private credit firms are therefore mostly investment losses, well before they amount to money destruction. Capital losses will hurt investors in private credit firms, but the house of cards only comes tumbling down when bank-issued credit, backed by deposits, gets destroyed.

Of course, the caveat to that story is that banks themselves lend to private credit firms. JPM reports its private credit exposure at \$50bn, with other notable exposures from Wells Fargo (\$36.2bn) and Citigroup (\$22bn). However, the structure of these exposures means that private credit firms and their end investors take the initial hit, and banks only get punished if the underlying loans really default en masse in the end (equivalent to a 40% default rate, which would be a historical outlier). That is why Jamie Dimon said you will have to see very large private credit losses before they become a major problem for US banks.

In any case, banks also reported increased loan loss provisions (essentially setting money aside for defaulting loans), much of it related to private credit. It would be wrong to think of that as a warning sign for the financial system. If anything, it is a healthy sign of money being stored away to protect against systemic issues.

To be clear, we are not saying everything is fine in private credit. Analysts will comb over the reports in the coming weeks, and they might well find more private credit problems to worry about.

Banks' loan loss provisions are unlikely to affect other lending to the real economy but they could. That would be a mild headwind for growth, as will be the slight credit tightening from the falling out of favour of private credit funds with investors. The private credit story will keep running for a while, but there is nothing in these reports to vindicate the doomsayers.

### Middle East war turns up food prices

Oil and gas get most of the focus in coverage of the Iran war, but the conflict has inflationary impacts beyond energy prices alone. According to the UN Food and Agriculture Organization (FAO), global food prices rose 2.4% in March, compared to February. The FAO explicitly put this down to knock-on effects from the energy shock. Things could get even worse in the coming months, thanks to tight supplies of fertiliser. Higher food prices might not disrupt capital markets – since they tend not to create inflation spirals – but they will hurt consumers all the same.

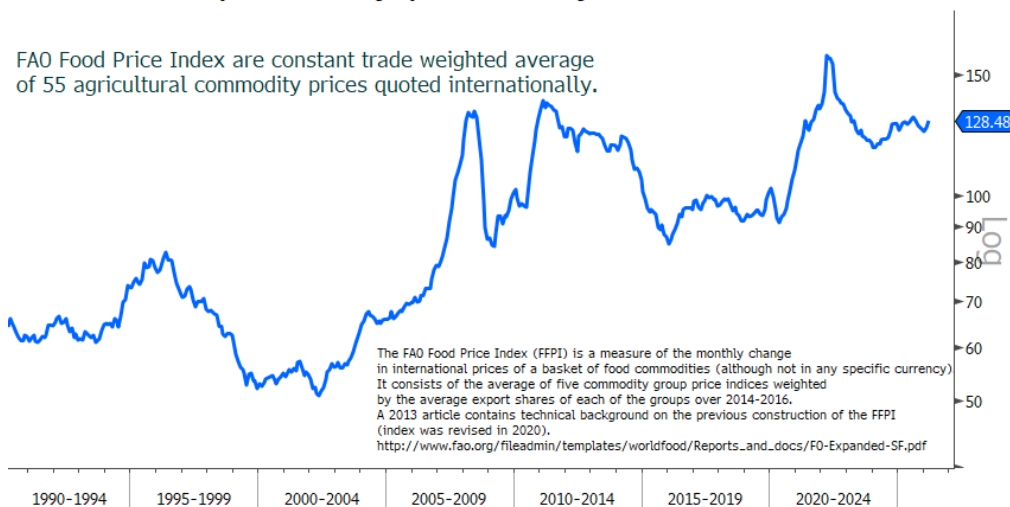
#### Markets might be too optimistic about food prices

The FAO reported a broad increase in all subgroups of their food price index (FFPI) for March – for the second consecutive month. As is always the case in global food production, disparate weather-related factors hurt certain regions (an ever-worsening problem in the age of climate change). Higher energy prices raised costs across the board, though.

Before February, food prices had been coming down. The FFPI showed a marked decline into the end of 2025, driven by plentiful supplies of grains and sugar, as well as easing supply constraints in dairy, meat and vegetable oil production. All in all, the world started 2026 with decent food supplies, historically speaking.

#### UN FAO food price index Devised to be independent of any specific currency

FAO Food Price Index are constant trade weighted average of 55 agricultural commodity prices quoted internationally.



Source: Tatton IM, Bloomberg, UN FAO: G2553  
 FAOFOODI Index (UN Food and Agriculture World Food Price Index) UN FAO food prices Monthly 31MAR1990-31MAR2026 Copyright© 2026 Bloomberg Finance L.P. 17-Apr-2026 13:05:46

That pre-existing supply is one of the key reasons that prices of futures contracts for soft commodities (i.e. food) have not reacted as sharply to the US and Israel's war on Iran as the extreme movements in oil, gas and even metals. If Iran's recent declaration that the Strait of Hormuz is "completely open" marks a genuine end to the war, food production and shipping should gradually normalise. Assuming there has not been excessive damage to long-term production, there should be enough food supplies to see us through.

Markets have subscribed to that short-and-sharp view all through the war. It might be overly optimistic and, even if it is right, time is not on our side. If ongoing ceasefire talks fail again, the Strait could close again. Every day it is closed eats into global food supplies.

### **Fertiliser supplies are crucial**

Energy prices alone are a problem for food supplies, without even mentioning the biggest problem: fertiliser. Around 30% of global fertiliser exports transited through the Strait of Hormuz in 2024, along with 20% of the world's liquefied natural gas (a key feedstock for nitrogen-based fertiliser). The Persian Gulf is particularly important for supplies of ammonia and urea, the two most common nitrogen-based fertilisers.

Fertiliser prices were already elevated at the start of 2026. There are reports of US farmers getting "blindsided" by the sudden increase. Many had been waiting for prices to come down ahead of the spring planting season – only to be hit with massive price spikes.

Even if the Strait of Hormuz stays open for good, supply problems will not get fixed overnight. It will take months for Middle Eastern fertiliser production to return to normal levels, and farmers that have already laid their crops will look to pass on the higher prices already paid. So, even under optimistic assumptions, food price inflation will likely stay high until the end of 2026 at least.

The worst-hit region is likely to be sub-Saharan Africa, which imports around 90% of its fertiliser. India is also at great risk, because it imports so much nitrogen-based fertiliser from the Persian Gulf. The UN has already warned about likely humanitarian crises coming about from this, asking the US and Iran to make special humanitarian allowances for fertiliser exports through the Strait.

### **Food inflation probably won't create a price spiral**

Needless to say, a spike in food prices is bad news for consumers. But food price inflation over the next few months is not necessarily *inflationary* over the long-term, strange as that might sound. An increase in food prices, over a few months, will likely reduce consumer demand – as the recent softness in labour markets will probably short-circuit any wage-price spiral. That is what the current signals suggest at least: businesses want to pass on higher costs but are struggling to find enough demand to do so. This could be why markets do not seem as worried about food prices as they are energy – judging by relative futures pricing.

Of course, 'one-off' shocks can morph into inflation spirals, as we saw after the pandemic. The difference between now and then, however, is that we entered 2022 with huge amounts of central bank easing. The money central banks had pushed into the system provided the fuel for an inflation spiral, and the Ukraine war prolonged the pain.

Things are different this time. Central banks suggested they might have to raise interest rates – despite signalling cuts just a few months ago – but that occurred in the immediate aftermath of the conflict. We suspect that this hawkishness was at least partly designed to warn governments against spending their way through the cost shock, easing consumers' pain but adding to longer-term inflation. Whatever the case, despite being on an easing path, monetary policy has continued to remain restrictive into 2026.

Of course, none of this will ease the concerns of consumers. Markets are not as worried because they tend to be more concerned with interest rates and price spirals. Consumers worry about heating and eating. Iran's declaration on Friday afternoon that the Strait of Hormuz is "completely open" was welcome news in that regard. Consumers will hope it stays that way.

Global Equity Markets			17-Apr		Technical		Valuations		
Market	Level	% 1 Week	% 1 Week (GBP)	Short Medium		Div YLD %	LTM PE	NTM PE	10Y AVG NTM PE
UK FTSE 100	10646	+0.3	+0.3	↗	↗	3.1	15.3	13.3	12.8
UK FTSE 250	23167	+3.6	+3.6	→	→	3.9	11.9	12.0	13.4
UK FTSE All-Share	5709	+0.6	+0.6	↗	↗	3.2	15.0	13.2	12.7
FTSE Small x Inv_Tsts	6410	+2.7	+2.7	↘	→	4.3	20.4	10.0	10.0
EU STOXX ex UK	796	+1.8	+1.8	→	→	2.9	17.9	15.8	15.1
France CAC 40	8432	+1.9	+1.8	→	→	3.2	17.5	15.1	14.1
Germany DAX 40	24700	+3.3	+3.3	↘	→	2.5	17.9	15.4	13.3
US S&P 500	7115	+4.1	+3.2	→	→	1.1	25.4	20.7	19.0
US NASDAQ comp	24388	+6.4	+5.4	→	→	0.6	35.4	24.8	26.1
Japan Nikkei 225	58476	+2.7	+2.7	↗	↗	1.4	23.9	22.7	18.6
World Bloomberg	2488	+3.6	+2.7	→	→	1.6	22.2	17.9	16.6
China Bloomberg	1361	+2.5	+1.6	↘	↘	2.1	15.2	12.8	12.5
Emerging Bloomberg	1727	+3.3	+2.4	↗	→	2.2	17.9	12.3	12.5
FTSE100 Top 6		S&P Global Top 6		(GBP terms)		Global Sectors		(GBP terms)	
Company	%	Company	%	Sector	%	Sector	%		
Intertek	+31.4	Intertek	+31.4	Tech	+6.6	Staples	-1.5		
Entain	+18.8	Robinhood Markets	+30.6	Financials	+2.5	Energy	-5.9		
Sage	+13.8	Oracle	+29.5	Health	+0.1	Materials	+0.9		
ICG	+12.5	Delivery Hero	+27.3	Discretionary	+4.9	Utilities	-3.0		
Experian	+12.1	WiseTech Global	+24.1	Industrials	+1.7	Real_Estate	+2.2		
Metlen Energy & Metals	+11.7	Coinbase Global	+22.8	Communicati	+4.4				
FTSE 100 Bottom 6		S&P Global Bottom 6		(GBP terms)		Fixed Income			
Company	%	Company (GBP terms)	%	Govt bond	%Yield	1 wk chg			
SSE	-11.7	Alstom	-30.3	UK 5yr Gilt	4.22	-0.14			
Imperial Brands	-10.9	Barry Callebaut	-18.8	UK 10yr Gilt	4.74	-0.09			
Centrica	-8.9	Saputo	-15.1	UK 15yr Gilt	5.15	-0.08			
Airtel Africa	-7.9	APA	-13.0	US 10yr Treasury	4.23	-0.08			
Shell	-6.6	SSE	-11.7	France 10yr OAT	3.57	-0.13			
National Grid	-6.3	Devon Energy	-11.6	Germany 10yr Bund	2.96	-0.10			
				Japan 10yr JGB	2.41	-0.02			
Currencies			Commodities			UK Mortgage Rate Estimates			
Pair	last	%1W	Cmdty	last	%1W	Rates (LTV c.75%, no fee)	17-Apr	18-Mar	
USD per GBP	1.358	+0.9	Oil Brent \$:bl	88.37	-8.1	UK BoE base rate	3.75	3.75	
GBP per EUR	0.871	-0.0	Gold \$:oz	4873	+2.2	2yr fixed	5.00	3.97	
USD per EUR	1.183	+0.8	Silver \$:oz	82.51	+8.4	3yr fixed	5.06	3.94	
JPY per USD	157.88	-0.8	Copper \$:lb	615.9	+3.7	5yr fixed	4.88	4.01	
CNY per USD	6.811	-0.2	Alumnm \$:mt	3678	+4.3	10yr fixed	5.24	4.48	
USD per Bitcoin	77,509	+7.5	Agriculture BBG	55.87	+0.4	Standard variable	6.59	6.59	

Where possible, prices taken levels at 15:15 today and 14:30 last Friday. Mortgage estimates from moneyfacts.co.uk  
LTM PE is the index price as a ratio of last 12 months earnings. NTM PE is next 12 months earnings.

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Lothar Mentel

