



The **Tatton** Weekly

Some way to go

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This week's topics:

A seasonal central bank pivot

March asset returns review

Markets personified – insight article

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More difficult than thought, Bramhall, 27 March 2026

A seasonal central bank pivot

We start April, and the new quarter, still very much dealing with the consequences of March. Both equity and bond indices' prices are better since last Friday's close as we write but the narrative is as febrile as at any point since the conflict began.

Part of this is because time is not on our side. With less than 10% of the usual shipping flow through the Straits of Hormuz, each day that passes means oil and gas reserves coming under more pressure. This is particularly acute for the usual oil and gas buyers from Asia. Europe's flow of liquefied natural gas appears to be relatively steady, but the flow of refined oil products like diesel is under stress. European diesel prices topped €150 per barrel equivalent for both the current and next delivery months, double February's levels and approaching the 2022 peak.

Beyond the immediacy of the war, there has been some "good" news from our central bankers this week, even if it didn't necessarily sound that way at the time. The Bank of England (BoE) has been perceived to be one of, if not the most hawkish of rate setters in this cost shock environment. Since the war broke out, traders had moved from believing that rates would be cut this year by 0.5% to 3.25%, to believing that rates would be raised by 0.5% to 4.25%. On Wednesday, Andrew Bailey told Reuters that businesses currently have less ability to raise prices and that the Bank of England has to act in a way that doesn't harm the economy or jobs. Regarding the pricing of rate hikes, he said "I would still say that is a judgment markets have to make but I think they're getting ahead of themselves"(!!).

Interestingly, the Decision Maker Panel survey, which questioned businesses throughout the UK in March, said firms wanted to raise prices by 3.7% over the next year, up from 3.4% the month before and the highest figure since October. They also expected overall consumer prices to rise

3.5% compared with an expected 3% in February. Governor of the BoE, Andrew Bailey, must have had known the results beforehand so it seems odd that he should say they won't be able to raise prices now.

The answer is probably that the survey showed wage expectations eased by 0.1 points to 3.4%, the lowest since the BoE started collecting the data in 2022, while employment plans deteriorated further. The Monetary Policy Committee (MPC) will at some point have to make a call on actual inflationary behaviour as opposed to surveyed inflation expectations. Some of the MPC members are noted experts on inflation behaviour and expectations, so Bailey is probably right when he says firms will have less pricing power than they think.

Moreover, the noises coming from western central bankers have generally been less hawkish. Of course, this is because they are telling us they are becoming more worried about growth, which sounds like a reason to be more worried rather than less. However, markets were most under pressure when funding liquidity was particularly tight at the start of last week (before the central bank statements) as hedge funds appeared to be offloading risk positions. The situation seems to have eased a little, with US and European high yield credit spreads some 30 basis points (0.30%) lower than the March peak, and relatively stable at the moment.

Another aspect of the current situation is that the majority of financial market commentators appear to be bearish.

Geopolitics dominates our news, and many tell us that forces are unstoppable in driving us towards yet greater conflict. With that view in mind, one can make a very bearish case for investments in the current environment. As we say in the review of the March's asset class performance, global equities were the bottom decile of monthly outturns since 1970 but only just. Bears say that this is complacency, an unwillingness to accept the inevitable path towards an energy crunch and stagflation.

At Tatton, we do not pretend to be geopolitical experts. Such experts need to have superhuman foresight, insider-links to the most important people (and currently have the ability to know how those people may change their mind in the days ahead). And then, even when armed with high probability scenarios, linking these to market performance is really difficult.

Despite our tendency to personify markets (and we have an article which touches on an aspect of this below), economic or financial system outcomes tend to be structural, especially in free market economies. For example, the financial crisis of 2008-9 came about because of leverage in the system built up over at least a five-year period, and as a consequence of the diffuse decisions of many people and institutions. We would see politics as much more human. Political outcomes derive from a relatively small number of decisions, and those decisions can change quickly. While our leaders can be self-serving and deliberately make damaging decisions, most will be good

public servants and try to effect change which is ultimately beneficial, if only to further their chances of re-election.

The “narrative” is a way of us putting forward potential outcomes. These tend to be problems, or bad outcomes. Faced with bad potential outcomes, we work hard to prevent them. Thus, the narrative will tend to be a set of “worse-and-worser” cases and only realised when our problem-solving fails.

Investors have had to face a number of big problems in the past twenty years – the Financial Crisis, the Euro Crisis, the Pandemic, the Russia-Ukraine war, the Tariff imposition and now the US-Israel-Iran conflict. Perhaps investors have not become complacent, they might be less likely to be scared, more realistic about the inherent positive skew in the longer-term scenario paths.

Heightened geopolitics tends to provide a particularly difficult near-term investment environment. The risks are all the more evident, risk premia will rise and yet the decisions made can swing markets from optimism to pessimism and back again, in a few days - and even a few seconds. We applaud those that can judge the probabilities well enough to know when to get out and when to get back in again. However, we also know from decades of experience, that there is very little consistency of any one individual or process in achieving this aim, while the long-term return path has been quite consistent, even if volatile over the shorter term.

Using the MSCI Developed World Index data since 1970, we can see that a fall of 5% in one month has happened 61 times in Sterling terms. The following periods have been generally quite volatile but not negatively so. In the following six months, 42 periods have averaged a return of about +11.5% while 19 of the six-month periods have fallen, again with an average of -11.5%. The total return for all occasions is an average of +4.3%.

Looking ahead, markets are generally closed tomorrow on Good Friday. The US will be open on Easter Monday but the UK & Europe will be hopefully enjoying some sunshine. We wish you all a happy and undisturbed long weekend.

March asset returns review

Overall, March will rank as a bad month for both bonds and equities. Using the MSCI World Index as a guide, the month's global equity performance of -5.4% ranks it in the bottom 10% of months since 1970, although 61 months out of the 663 months have been worse. Global bonds provided some offset within a portfolio mix but still did not have a great month.

| Asset Class | Index | March | YTD | 12 months | 2025 | 3-yr | 5-yr | 10-yr |
|--------------|---|-------|-------|-----------|-------|--------------------|--------------------|--------------------|
| | | | | | | rolling annualised | rolling annualised | rolling annualised |
| Equities | UK Large Cap | -6.2 | 3.4 | 22.6 | 25.8 | 14.1 | 12.7 | 9.2 |
| | UK Ethical Large Cap | -7.7 | 0.5 | 13.9 | 18.8 | 9.0 | 8.1 | 5.3 |
| | Europe ex-UK | -8.8 | -2.3 | 14.8 | 26.2 | 9.8 | 8.7 | 9.5 |
| | US Large Cap | -3.1 | -2.4 | 15.3 | 9.8 | 15.8 | 13.1 | 15.1 |
| | US Technology Large Cap | -2.8 | -5.1 | 22.9 | 12.8 | 19.2 | 12.1 | 18.1 |
| | Japan | -10.7 | 3.4 | 23.2 | 16.0 | 13.3 | 7.5 | 9.4 |
| | Global Stocks | -5.4 | -1.3 | 17.5 | 13.9 | 14.1 | 10.5 | 12.3 |
| | Emerging Markets | -11.4 | 1.8 | 26.8 | 24.4 | 12.4 | 4.6 | 8.7 |
| | China | -6.3 | -5.6 | 4.5 | 22.6 | 4.6 | -3.4 | 6.4 |
| Bonds | UK Gilts All Stocks | -4.0 | -1.9 | 2.5 | 5.0 | 0.4 | -4.3 | -0.7 |
| | £-Sterling Corporate Bond Index | -3.3 | -1.9 | 4.8 | 7.3 | 4.9 | -0.5 | 2.3 |
| | Global Aggregate Bond Index | -1.8 | -0.2 | 3.3 | 4.8 | 3.7 | 0.3 | 1.3 |
| Commodities | Commodity Index | 27.0 | 42.8 | 40.0 | -0.3 | 15.7 | 20.6 | 10.9 |
| | Brent Crude Oil Price | 45.5 | 74.3 | 36.1 | -24.1 | 6.9 | 11.6 | 10.9 |
| | Spot Gold Price | -10.3 | 7.8 | 42.9 | 53.6 | 29.2 | 23.1 | 14.9 |
| | Spot Silver Price | -17.6 | 3.0 | 108.9 | 131.9 | 41.8 | 25.9 | 17.8 |
| Inflation | UK Consumer Price Index (% Chg for period)* | 0.4 | 0.0 | 2.6 | 3.4 | - | - | - |
| Cash rates | SONIA 3-Month | 0.3 | 0.9 | 4.2 | 4.5 | 4.8 | 3.3 | 1.9 |
| Property | Global REITs | -5.9 | 2.8 | 4.8 | 0.3 | 4.4 | 3.8 | 4.1 |
| Alternatives | Multi-Strategy Liquid Alternatives | 0.5 | 4.2 | 6.5 | 0.3 | -N/A | -N/A | -N/A |
| | Bitcoin | 5.4 | -22.6 | -20.2 | -13.5 | - | - | - |

Source: Morningstar Direct as at 31/03/26. * to end of previous month (28/02/26). All returns in GBP.

Almost everything changed in the world's investment landscape on the day after February markets closed. Israel and the US began the Iran campaign during the month's last weekend, and so both equity and bond markets opened March trading on March 1st with an immediate fall.

The pattern of major weekend US-Israeli actions was repeated throughout the month, leaving investors especially nervous on Fridays.

Initially, investors suspected that this action could be similar to the bombing of the Isfahan nuclear facility at the end March 2024 – now referred to as the 12-day war. If so, the impact would be felt over a few days with Iran having limited capacity to respond.

However, Iran's resilient ability to reestablish command structures, halt shipping in the Straits of Hormuz, and launch damaging attacks on Gulf infrastructure, changed perceptions continually through the next three weeks.

Oil and especially natural gas prices surged to the month's peak on the 19th after the allies hit an Iranian oilfield, with a meaningful response against a Qatari liquid natural gasification facility. Subsequently, both sides backed off the strategy of creating longer-term damage to each other somewhat. However, the threat remained clear and present, with energy prices moving back up when bellicose rhetoric returned.

Despite a clear move in the second half of March from Trump's administration to look for some form of negotiated exit, it was only at the close of the month that investors began to sense that there was a shorter-term path to the end of hostilities and, most importantly, a resumption of oil and gas tanker shipments. Trump's assertion that he might declare victory and leave before the Straits were reopened actually suggested that others, particularly China, might be able to take up negotiations and bring calm.

In some senses, markets fared better than one might expect. Initially, investors focussed on the inflationary consequence. Risk assets did not behave as if there was much likelihood of long-term growth impairment. That meant that bond yields rose quite sharply with the biggest impact being felt in UK gilts, with traders suspecting that the UK was both more inflation-prone and fiscally more damaged by energy price rises than others. Yields rose in the expectation that the Bank of England would have to raise rates possibly by as much as 0.5% by the end of the year. Similar moves were seen in Europe. The US was seen as having less consequent inflation. Oil price rises would be unhelpful but natural gas prices remained contained, keeping electricity prices also contained.

The major central banks kept rates unchanged in their meetings but were deemed to be somewhat hawkish in an attempt to constrain consumer inflation expectations. However, that worsened the markets' tightening trading liquidity. Indeed, the most active investors throughout the month were hedge funds. Their overall positioning was large (both long and short) which required a lot of borrowing. Thus, as borrowing costs rose, positions were reduced, whether or not they were in profit.

US equities fell much less than in other regions, having experienced the opposite in January and February – i.e. very little improvement while other regions surged. The US dollar also rose although perhaps much less than one might have expected based on historic precedent. The more defensive, tech-related stocks found supporters as the more aggressive AI theme took a bit of a backseat.

Europe, developed Asia and especially emerging markets stocks were all under more pressure. Part of this appears to be that these areas had been more favoured by hedge funds in Jan/Feb (as gilts had been in the bond world). However, there is no doubt that the greater fossil-fuel supply sensitivity is a fundamental reason for this environment to present much more risk.

The month closed on a slightly more positive note (of sorts). Having displayed hawkishness after the rate meetings, the US, European and UK central bankers indicated that they believed consumer and business inflation expectations would be “anchored”. This is another way of saying “transitory” without using the term for which they were much derided in 2022. However, the counterpart to this is that they are more worried about second-round growth impacts than previously thought. This helped bond yields to fall back somewhat.

Gold, which had performed so well as geopolitical risks were rising, actually fell as the risks became a form of reality. Many considered this to be counter-intuitive, and perhaps a sign that the gold price had become its own risk, possibly with leveraged speculation driving the price above \$5000 per troy ounce. Given that other assets were being moved by a removal of hedge fund leverage, this is likely to be a part of the story. However, there was also rumoured to be some need for liquidity from Middle Eastern sovereign wealth funds – which is of course why such institutions hold a safe haven. The gold price stabilised at around \$4500 but some of the shine appears to have been dulled.

Economic data showed that global growth remained in reasonable shape before the Iran conflict began, with labour markets showing some better stability. Of course, the path of current events completely negated any impact that such data could have. Subsequent survey data, both for households and businesses showed a deterioration as one would expect. Economic data will continue to have only marginal impact in this environment.

Markets personified – insight article

Investment professionals often talk about capital markets as though they are people, with beliefs, expectations and even desires. Markets might “expect” or even “want” lower interest rates, and they sometimes get “excited” about fiscal stimulus. The personification of markets is ubiquitous in financial media, and it impacts the way that individual investors might react to certain price movements. This is not just a quirk. In the words of philosophers George Lakoff and Mark Johnson, it is one of the “Metaphors We Live By” in the investment industry. So, why do we personify markets?

Just an analogy?

One famous example of personifying markets comes from Ben Graham’s 1949 book *The Intelligent Investor*. Graham likens buying and selling stocks to dealing with a manic-depressive business

partner called Mr Market. In his manic episodes, Mr Market wants to buy your shares and is willing to pay a premium. In his depressive episodes, Mr Market is willing to sell his shares at a discount. The calm investor can make good money out of Mr Market's mood swings.

By analogy, we often say that stocks are 'overbought' or 'oversold' – and investors can prosper by focussing on fundamental asset values rather than following trends. It is common to think this is *just* an analogy. Perhaps it is a useful one if the actions of market participants are strongly correlated, but perhaps it is less useful if different buyers and sellers are going off different information. Some people even think the analogy could be socially or politically harmful, by removing autonomy from individual people in favour of some amorphous will of the market.

Undoubtedly, language impacts the way we think about things. A 2012 article in the *Journal of American Studies*, for example, suggests that the financial section of one gossip magazine in the late 19th century was instrumental in changing the way Americans perceived of capital markets, making markets seem like something beyond the control of any individual or even government.

The impacts of language notwithstanding, it would be wrong to think that the personification of markets is *just* an analogy – in the sense of markets' beliefs or desires being a mere fiction.

Applying *The Intentional Stance* to markets

Markets are dynamic information processing systems. This is one of the famous ideas of Austrian economist Friedrich Hayek: individual market participants have local and limited knowledge that impacts their buying or selling, and market prices reflect the aggregate of all this knowledge together through a process of "spontaneous order" (the emergence of social structure through individual actions rather than top-down decree).

This idea was highly influential on the so-called Efficient Markets Hypothesis, which states that it is exceptionally hard (or impossible, depending on the exact formulation of the EMH) for individuals to consistently 'beat the market' – because the market itself already reflects all available information. The EMH is often criticised (even in its weakest form) for failing to account for things like information bottlenecks or irrational behaviour from market participants. But, even if markets are not fully efficient, they still reflect aggregate probabilities of outcomes by individual buyers and sellers. Indeed, calm investors can make money out of Mr Market *because* he is inefficient.

Whether or not markets really have beliefs or intentions depends partly on what you think beliefs and intentions are. The philosopher Dan Dennett famously argued that whether or not a system has mental properties is a question of applying "*The Intentional Stance*". We can describe the behaviour of any system *as if* it has beliefs and desires – even a thermostat – but this description will be much more useful, in terms of predicting future behaviour, for certain systems rather than others. For certain systems, like humans, animals, governments or computers, the intentional stance is so predictively useful that we have to use it.

Other authors, myself included, have applied the intentional stance to economic systems. The basic idea is that viewing markets as made up of (mostly) rational economic agents typically makes predicting how those markets will behave much more tractable. I worked on this idea in my PhD thesis and, in the original draft, called it “the market lens” (later changed to “the scarcity lens” for technical reasons). Basically, viewing certain markets – particularly financial markets – as having beliefs (based on aggregate probabilities of future outcomes) is a very good way of predicting how they will react to new information.

How good is the analogy?

Whether or not we should personify markets essentially comes down to how predictively useful it is – so how useful is it? This is a complicated question to answer in scientific terms. The empirical track record of the EMH, for example, is mixed at best.

The more practical question is whether it is useful for us as investors. In that respect, the answer is clearly yes. All asset markets are made up of various buyers and sellers, with their various beliefs and goals, but price movements are always driven by the marginal buyers or sellers. When new information suggests there is money to be made by trading a certain asset, we can be pretty confident that the marginal traders will try and do so. That is what we mean when we say something is ‘priced in’, and the act of pricing in reflects a change in what the market thinks.

Again, that does not mean that what the market ‘thinks’ is always fully rational or consistent. There can be inconsistencies in what the market tells us – like between what relative bond pricing says about future inflation and growth, for example. But to follow the analogy through, are people any different? We try to make sure our beliefs and goals are consistent, but we make mistakes and often change our minds. That we do so does not change the fact that most people predictably behave according to what they want and believe most of the time, and the same is true for markets, given their dynamics reflect the aggregate wants and beliefs of the very same people at a given point in time.

| Global Equity Markets | 02-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 | 10375 | +4.2 | +4.2 | → ↗ | 3.1 | 15.0 | 13.2 | 12.7 |
| UK FTSE 250 | 21499 | +2.2 | +2.2 | ↘ → | 4.2 | 11.2 | 11.1 | 13.4 |
| UK FTSE All-Share | 5533 | +3.9 | +3.9 | → → | 3.2 | 14.7 | 13.0 | 12.8 |
| FTSE Small x Inv_Tsts | 5977 | +0.9 | +0.9 | ↘ → | 4.6 | 14.1 | 9.3 | 10.0 |
| EU STOXX ex UK | 748 | +2.9 | +3.5 | ↘ → | 3.0 | 17.0 | 15.1 | 15.1 |
| France CAC 40 | 7903 | +2.6 | +3.1 | ↘ → | 3.4 | 16.9 | 14.7 | 14.1 |
| Germany DAX 40 | 22893 | +2.7 | +3.3 | ↘ → | 2.6 | 16.8 | 14.5 | 13.3 |
| US S&P 500 | 6521 | +1.5 | +1.7 | ↘ → | 1.2 | 23.7 | 19.6 | 19.0 |
| US NASDAQ comp | 21580 | +2.0 | +2.3 | ↘ → | 0.6 | 60.3 | 22.5 | 26.1 |
| Japan Nikkei 225 | 52463 | -1.7 | -0.8 | → ↗ | 1.5 | 21.5 | 20.7 | 18.6 |
| World Bloomberg | 2283 | +1.4 | +1.6 | ↘ → | 1.7 | 20.7 | 17.1 | 16.6 |
| China Bloomberg | 1283 | -0.1 | +0.1 | ↘ ↘ | 2.2 | 14.3 | 12.2 | 12.4 |
| Emerging Bloomberg | 1556 | -0.2 | +0.0 | ↘ ↗ | 2.3 | 16.2 | 11.8 | 12.5 |

| FTSE100 Top 6 | | S&P Global Top 6 (GBP terms) | | Global Sectors (GBP terms) | | | |
|------------------|-------|------------------------------|-------|----------------------------|------|-------------|------|
| Company | % | Company | % | Sector | % | Sector | % |
| 3i | +13.5 | Northern Star Resources | +18.9 | Tech | +3.0 | Staples | +1.0 |
| BAE Systems | +10.8 | FactSet Research Systems | +14.9 | Financials | +3.2 | Energy | -2.7 |
| Babcock Int'l | +10.3 | Rheinmetall | +14.9 | Health | +3.5 | Materials | +4.2 |
| SSE | +9.0 | Intel | +14.2 | Discretionary | +2.6 | Utilities | +3.2 |
| Endeavour Mining | +8.8 | 3i | +13.5 | Industrials | +3.4 | Real_Estate | +3.0 |
| Rio Tinto | +8.5 | Lumentum | +13.3 | Communications | +4.9 | | |

| FTSE 100 Bottom 6 | | S&P Global Bottom 6 (GBP terms) | | Fixed Income | | |
|-------------------|------|---------------------------------|-------|-------------------|--------|----------|
| Company | % | Company (GBP terms) | % | Govt bond | %Yield | 1 wk chg |
| Berkeley | -8.1 | NIKE | -14.8 | UK 5yr Gilt | 4.37 | -0.16 |
| Unilever | -6.7 | SK Square | -13.4 | UK 10yr Gilt | 4.82 | -0.15 |
| Games Workshop | -2.5 | Texas Pacific Land | -12.3 | UK 15yr Gilt | 5.19 | -0.17 |
| Diageo | -0.7 | Sysco | -12.2 | US 10yr Treasury | 4.29 | -0.13 |
| IMI | -0.4 | Nexon | -10.4 | France 10yr OAT | 3.68 | -0.15 |
| Airtel Africa | -0.3 | EQT | -10.1 | Germany 10yr Bund | 2.99 | -0.11 |
| | | | | Japan 10yr JGB | 2.38 | +0.00 |

| Currencies | | | Commodities | | | UK Mortgage Rate Estimates | | |
|-----------------|--------|------|-----------------|--------|------|----------------------------|--------|--------|
| Pair | last | %1W | Cmdty | last | %1W | Rates (LTV c.75%, no fee) | 02-Apr | 03-Mar |
| USD per GBP | 1.322 | -0.7 | Oil Brent \$:bl | 108.27 | -2.4 | UK BoE base rate | 3.75 | 3.75 |
| GBP per EUR | 0.872 | +0.7 | Gold \$:oz | 4646 | +3.0 | 2yr fixed | 5.00 | 3.97 |
| USD per EUR | 1.153 | +0.0 | Silver \$:oz | 71.43 | +1.4 | 3yr fixed | 5.06 | 3.94 |
| JPY per USD | 159.47 | -0.3 | Copper \$:lb | 557.6 | +1.2 | 5yr fixed | 4.88 | 4.01 |
| CNY per USD | 6.897 | -0.3 | Alumnm \$:mt | 3596 | +9.2 | 10yr fixed | 5.34 | 4.48 |
| USD per Bitcoin | 66,256 | +0.1 | Agriculture BBG | 56.78 | -1.1 | Standard variable | 6.59 | 6.59 |

Where possible, prices taken levels at 14:45 today and 14:45 previous 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.

Please note: Data used within the Personal Finance Compass is sourced from Bloomberg/FactSet and is only valid for the publication date of this document. The value of your investments can go down as well as up and you may get back less than you originally invested.

Lothar Mentel

