Marlborough | 40 1985 — 2025

Multi-Asset Investment Solutions

Weekly Market Review

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Date: 13/04/2026

Market recap – global stock markets extend relief rally as risk appetite improves

Global stock markets extended their recovery last week as easing geopolitical fears encouraged investors back into risk assets. European markets were the standout performer, helped by a sharp mid-week relief rally, while technology again drove gains in the US. The **MSCI Europe index (excluding the UK) rose 3.4%**, outperforming as energy prices fell back and banks and industrials rebounded. In the US, the tech-heavy **Nasdaq 100** gained **2.8%**, supported by continued enthusiasm around artificial intelligence (AI) and large technology companies. Meanwhile, the **S&P 500** added **1.9%**, with energy the main laggard as oil prices retreated. The UK market delivered steadier progress, with the **FTSE 100** up **1.7%**, held back slightly by weaker energy stocks but supported by mining and consumer stocks. Asian markets were also up. Japan's **TOPIX** rose **1.1%**, while Chinese stocks rebounded more strongly, with the **MSCI China** up **3.0%**. Overall, the week was characterised by investors seeing worst-case scenarios as less likely and moving back into faster-growing companies and those more exposed to the economic cycle.

Geopolitics – Middle East tensions continue to shape sentiment

The attention of investors remained focused on the Middle East, where the announcement of a **conditional two-week ceasefire** between the US and Iran eased fears of a wider conflict. Investors focused less on political detail and more on the implications for energy supply, shipping routes and inflation. The prospect of **easing disruption in the Strait of Hormuz** helped reduce the geopolitical risk premium that had built up in recent weeks. That said, caution remained, as **negotiations are fragile** and energy infrastructure remains exposed. Share prices appear to reflect a lower probability of escalation, rather than investors expecting a definitive resolution.

Central banks – cautious stance amid energy-driven inflation risks

Central banks' interest rate decisions remain finely balanced. In the US, the Federal Reserve faces **renewed near-term inflation pressure** from higher energy costs, even as economic growth indicators weaken, leaving policymakers wary of cutting rates too quickly. The European Central Bank is contending with **weak growth momentum** alongside persistent services inflation, which complicates the outlook. In the UK, the Bank of England continues to **weigh easing domestic inflation against a fragile consumer backdrop**. Japan's central bank remains alert to rising import prices and wage growth, while in China the authorities are balancing modest upward pressure on prices with the need to support demand and business and consumer confidence.

News – hopes of Middle East de-escalation result in stock market rebound

The dominant market story was the **sharp relief rally triggered by signs of de-escalation in the Middle East**. Shares and other assets rebounded as investors rapidly reversed defensive positioning built up during the escalation phase. **Technology stocks led gains globally**, reflecting both improved risk appetite and ongoing optimism around AI investment and earnings resilience. At the same time, **energy stocks lagged** as falling oil prices weighed on profit expectations. The speed of the rebound highlighted how much uncertainty had already been priced into markets, and how sensitive sentiment remains to geopolitical headlines.

Economic data – resilience, but momentum remains uneven

Economic data painted a **mixed picture across regions**. In the US, **inflation moved higher**, driven largely by energy costs, while underlying measures were more contained, and consumer sentiment weakened noticeably. Growth data continued to point to a slowing but still positive economy. In the UK, **house price growth remained subdued**, reinforcing signs of a cautious consumer. **Across the euro area, business activity data was mixed**, with services weaker in parts of southern Europe and Germany showing only a modest improvement in manufacturing orders. In China, prices paid to manufacturers rose for the first time in several years, but this reflected higher commodity costs rather than a broad-based demand recovery. Meanwhile, consumer inflation eased, underlining the still-fragile domestic economic backdrop.

Commodities

Oil remained around **$95–$100 per barrel** last week, easing from recent highs as the ceasefire reduced immediate disruption risks in the Middle East. The key question is whether prices stay elevated. If they do, inflation pressures are likely to intensify, though spare capacity and strategic reserve releases may help limit the longer-term impact.

Gold edged higher to around **$4,750–$4,800**, supported by geopolitical uncertainty and a weaker US dollar.

Week ahead – what to watch

US: Existing home sales (Mon), producer price inflation (Tue).

UK: February's gross domestic product (GDP) economic growth data (Thu).

Europe: No major data releases scheduled.

Asia: Australia – Westpac consumer confidence survey, National Australia Bank (NAB) business confidence (Tue). China – March trade balance, exports and imports (Tue), first-quarter GDP, March industrial production and retail sales (Thu).

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics

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