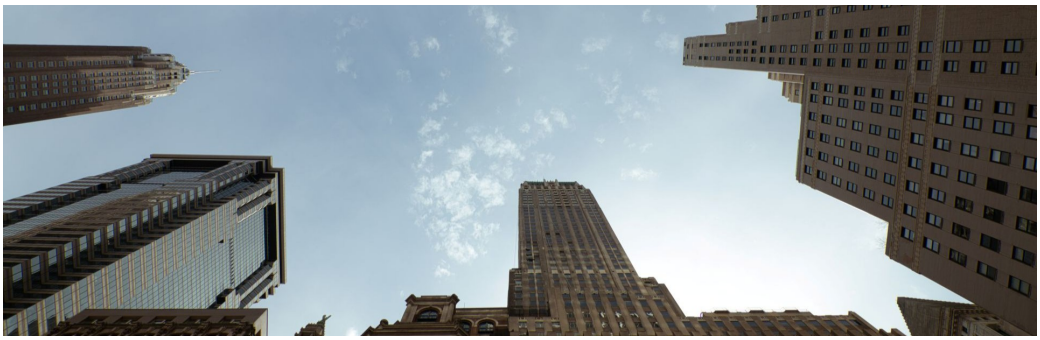
April 20, 2026

Weekly Investment Insights



MARKET SNAPSHOT

On Friday, equity markets celebrated the opening of the Strait of Hormuz to commercial shipping during the ceasefire. US equity markets posted strong gains with major indices reaching new highs amid signs of de-escalation of the conflict in the Middle East and some upbeat earnings results. In Europe, major indices also ended the week in green as optimism grew that the conflict could be nearing an end.

Brent crude prices fell to around $90 per barrel following Iran's foreign minister announcement on Friday that the Strait of Hormuz was "completely open" to commercial shipping. However, volatility in oil markets persisted on Monday, with prices jumping after the US Navy seized an Iranian vessel accused of breaching its naval blockade of the Strait.

Despite last week's optimism, it remains unclear whether new peace talks are set to begin. Washington and Tehran have issued conflicting statements: while the US has indicated that talks could start this week, Iran has denied this, citing ongoing US restrictions on Iranian ports.

	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	4,54	9,15	4,10
Nasdaq Composite	6,84	13,33	5,28
EuroStoxx 50	1,28	7,38	3,27
CAC40	1,27	6,70	2,34
DAX	2,64	7,44	-0,50
CSI 300	2,40	6,91	2,75
US 10 Year Yield (%)	-0,75	-1,29	2,25
Germany 10 Year Yield (%)	-3,27	-0,43	4,76
Gold Spot ($/Oz)	1,14	2,70	10,99

Source: Bloomberg, BIL as of April 20

IMF cuts global growth forecasts amid Middle East conflict

The International Monetary Fund (IMF) last week warned that the global economy is at risk of growing at the slowest pace since the pandemic if oil prices remain at $100 per barrel for the rest of the year. The IMF predicts the global economy to grow by just 2.5% in 2026, and inflation to soar by 5.4%, in an "adverse scenario" in which the conflict in the Middle East causes oil prices to remain at their current level throughout the year. In a "severe" scenario, growth could slow to as little as 2% and inflation could rise to 5.8%. While the fund's baseline scenario forecast growth of 3.1% this year and inflation of 4.4%, the projections were prepared before the recent ceasefire talks failed and assume a swift end to the conflict, with oil prices returning to around pre-crisis levels. With the latest developments in mind, the IMF hinted that their "adverse scenario" is becoming increasingly realistic.

Chinese economy grows by 5% in Q1

China's export strength pushed economic growth higher in the first quarter of the year, with GDP growth accelerating to 5% year on year, up from 4.5% in the previous quarter. Increased domestic demand during the Lunar New Year holiday also helped push growth higher. The Chinese economy has, so far, managed to absorb most of the shock from the conflict in the Middle East thanks to significant oil reserves, a diversified energy mix, and state controls to contain price volatility. However, underlying momentum in the economy continues to be uneven, with industrial output growing more than expected in March, while retail sales missed expectations.

Factory output grew by 5.7% YoY in March, slowing from the 6.3% rise in the combined January-February period, but above expectations of a 5.5% rise. Activity was hit by the war in the Middle East, with activity moderating across the major sectors such as mining, manufacturing, and utilities, electricity, heat, gas, and water. Meanwhile, retail sales activity slowed to 1.7% YoY, down from 2.8% in the previous period as consumers slowed their spending following the Lunar New Year holiday earlier this year.

Despite the strong start to the year, rising energy prices stemming from the conflict in the Middle East are expected to begin weighing on the Chinese economy. While higher costs are likely to further suppress domestic demand, they may simultaneously support demand for China's green-technology exports. As a result, the growing divergence between externally driven growth and weak domestic activity is likely to become even more pronounced.

Chinese exports slow amid Middle East turbulence

China's trade surplus narrowed in March to its smallest level since February 2025, as export

growth slowed sharply while imports surged. Exports rose 2.5% year on year, a significant deceleration from the 39.6% surge recorded during the combined January–February period. While a moderation was widely expected following the Lunar New Year distortions earlier in the year, the slowdown was more pronounced than analysts had anticipated.

One notable exception was refined oil products, exports of which rose 20.5% month on month. The increase reflects elevated energy market pressures from the ongoing conflict in the Middle East, which has boosted global demand for refined fuels.

Imports, meanwhile, expanded strongly, rising 27.8% year on year, well above expectations and accelerating from 19.8% growth in the previous period. The surge was largely driven by higher demand for technology sector-related inputs such as chips.

Exports played a central role in supporting China's economic growth last year and are expected to remain a key pillar in 2026, despite official commitments to strengthen domestic consumption as well. However, as the effects of Middle East instability begin to filter through global inflation and economic activity, China's export-led growth model may face increasing headwinds. Higher energy prices are squeezing household purchasing power worldwide, making consumers more price sensitive. As a result, Chinese manufacturers may struggle to pass on rising input and energy costs to end consumers without damaging demand.

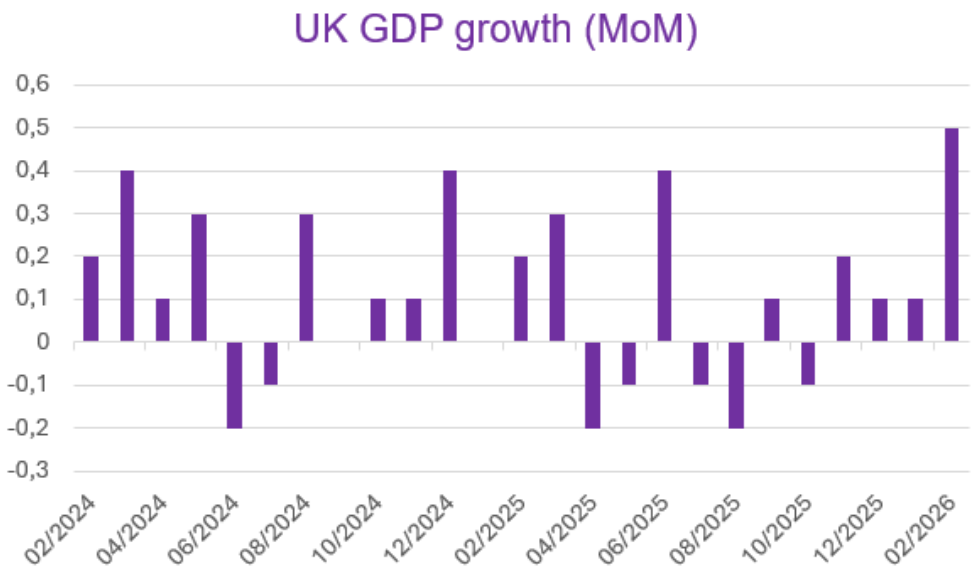
Despite the near-term slowdown, China's exports are expected to remain resilient in the coming months, supported by solid global demand for semiconductors, electric vehicles, and other green technologies.



Source: Bloomberg, BIL

UK economy showed unexpected resilience in February

The UK economy expanded by 0.5% month on month in February, accelerating from January's 0.1% increase and surpassing expectations. This was the strongest monthly growth since January 2024, driven primarily by a robust performance in the services sector. Both services and production grew by 0.5% in February, while construction output rose by 1%.



Source: Bloomberg, BIL

Although this data predates the escalation of the conflict in the Middle East, it offers some reassurance that the UK economy entered the subsequent energy shock from a stronger position than anticipated. However, as a net energy importer, the UK remains highly exposed to global energy supply disruptions and rising prices. Higher energy costs are therefore expected to push inflation higher over the course of the year, undermining both consumer and business confidence. As a result, the pickup in growth seen in February is unlikely to be sustained.

Earlier last week, the IMF cut its growth forecast for the UK to 0.8% for 2026 and warned that Britain would be negatively affected by higher energy costs. This represented the largest downward revision among G7 countries.

Calendar for the week ahead

Monday – Germany PPI (March).

Tuesday – Japan & Switzerland Balance of Trade (March). UK Unemployment Rate (February), Average Earnings (February). ZEW & Germany Economic Sentiment (April). US Retail Sales

(March).

Wednesday – UK Inflation Rate (March). Eurozone Consumer Confidence Flash (April).

Thursday – Eurozone New Car Registrations (March). Eurozone, UK & US Composite, Manufacturing & Services PMI (Flash, April). US Jobless Claims.

Friday – Japan Inflation Rate (March). UK Retail Sales (March). Germany Ifo Business Climate (April). US Michigan Consumer Sentiment (Final, April).

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