



Jasper Thornton-Boelman
Investment Director

Five things you need to know from April

The US-Iran conflict and disruption to the Strait of Hormuz remains the main driver of sentiment across global markets. Equities appear more confident of a resolution than bonds, with April's returns erasing losses and keeping year-to-date numbers positive.

1 The US-Iran conflict shows little sign of ending

Geopolitical risk dominated the narrative as the conflict entered its third month. Markets saw a short-lived "ceasefire rally" early in the month, but this optimism evaporated as the U.S. moved toward an extended blockade of the Strait of Hormuz. Brent crude prices surged back above \$120 a barrel, hitting their highest levels since 2022. Iran have put forward a counter plan to end the conflict, but a mutually agreeable lasting resolution still feels some way off.

2 BoE holds rates steady at 3.75%

The Bank of England (BoE) kept interest rates at 3.75% in April, balancing weak growth against rising inflation, which ticked up to 3.3% and exceeded forecasts. Governor Andrew Bailey warned that further price increases were "unavoidable" due to rising energy costs linked to Middle East tensions. This decision split the Monetary Policy Committee (MPC), with a minority even pushing for a hike to 4% to pre-empt wage-price spirals - it points to a cautious stance, with policy still focused on keeping inflation under control. Mortgage lenders responded by pulling back some competitive deals, pushing average two and five-year fixed rates even higher.

3 UAE Leaves OPEC in a blow to the cartel

In a surprise move for energy markets, the UAE said it will leave OPEC (Organization of the Petroleum Exporting Countries) from 1 May. Tired of restrictive production quotas that kept output well below its 4.85 million barrels per day capacity, Abu Dhabi has chosen to pursue independent strategic growth. While the immediate impact on supply is limited by the ongoing disruption in the Strait of Hormuz, the exit represents a structural blow to the cartel's influence. In the long term, traders expect this to lead to a more fragmented, "every man for himself" supply environment, potentially lowering prices once regional tensions ease.

4 Corporate earnings come good, again

Despite the macro gloom, corporate America showed remarkable resilience. The Q1 earnings season kicked off in April with the S&P 500 on track for its sixth consecutive quarter of double-digit growth, forecasted at roughly 13%. This earnings strength acted as a "risk floor" for markets, helping prevent a deeper pull back. Earnings expectations in the tech sector increased again, and with prices staying relatively steady, overall price-to-earnings ratios are now looking more reasonable.

5 Kevin Warsh moves closer in Fed Chair race

The path for Kevin Warsh to become the next Federal Reserve (Fed) Chair cleared significantly in April. After the Department of Justice dropped a criminal investigation into current Chair Jerome Powell, a key Senate holdout withdrew his opposition. The Senate Banking Committee then approved Warsh's nomination in a party-line vote. Powell is expected to remain as a Fed Governor rather than fully stepping down, at least while there's still some uncertainty around the investigation's conclusion. Markets expect a more growth-focused policy stance if Warsh takes over in mid-May. However, ongoing tensions in Iran are likely to keep any near-term rate cuts off the table.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	-0.47	-2.21	-2.31	0.33	2.48
ICE BofA Global Corporate	0.16	-1.18	-1.47	3.39	15.51
ICE BofA Global High Yield	-0.06	1.13	0.40	7.34	20.33
FTSE All Share	2.77	2.10	5.25	25.21	44.74
FTSE USA	7.18	4.99	4.12	27.71	65.24
FTSE World Europe ex UK	4.89	0.25	2.84	20.39	41.12
FTSE Japan	5.68	5.11	9.56	28.56	55.25
FTSE Asia Pacific ex Japan	11.12	6.45	12.48	40.95	57.91
FTSE Emerging	7.03	2.42	6.11	28.86	49.67

Source: FE Analytics, GBP total return (%) to last month end

Parmenion

Investment Management

Registered Office: Aurora,
Counterslip, Bristol, BS1 6BX.

Website: www.parmenion.co.uk

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