The Tatton Weekly

Stalemate

24 April 2026

This week's topics:

Resilient equity markets, rising risks

Business sentiment holds strong

Europe gets a Magyar boost

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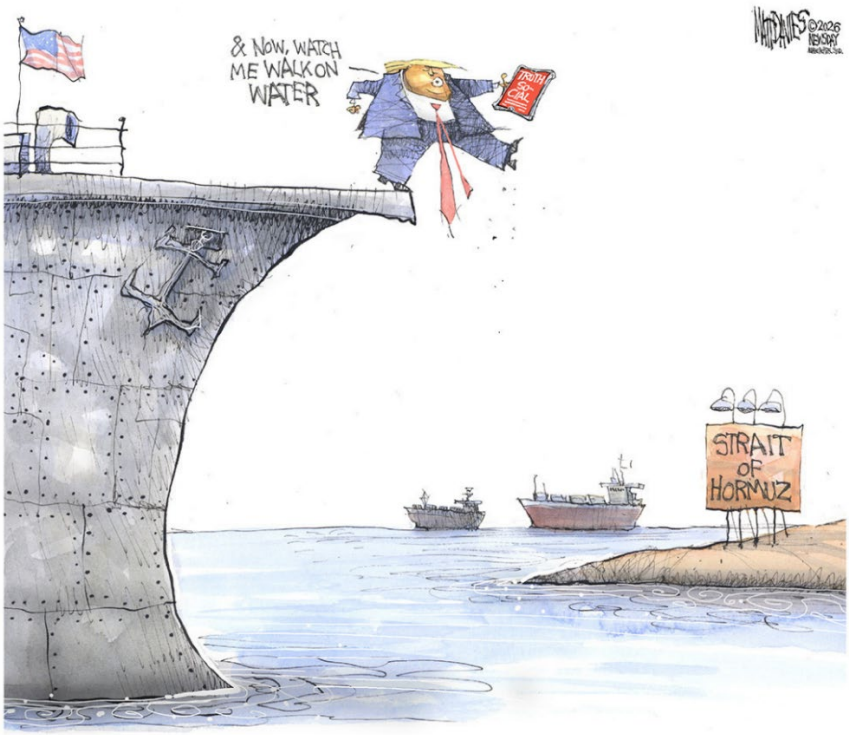


Trumpian diplomacy, Matt Davies, 23 April 2026

Resilient equity markets, rising risks

Risks have risen compared to a week ago, but global stocks are little changed. The Middle East conflict has simmered down into a tense stalemate, with ongoing dialogue but little progress. Global equity indices are in a holding pattern, although US stocks have now outperformed for two weeks. It is an uneasy calm, with oil prices and government bond yields rising back up.

The good news is that the latest economic data covers the period since the start of the Iran war, and they show a relatively resilient global economy. Markets will struggle to get excited without tangible progress toward resolving the oil shock, but underlying growth fundamentals are strong.

Risks creep higher

The ceasefire between the US and Iran has nominally been extended, but the US continues to blockade the Strait of Hormuz and the Islamic Revolutionary Guard Corps [IRGC] is still seizing or attacking ships in the waterway. With a flurry of military activity in the Persian Gulf, it is hard to work out what the current state of play is, let alone what might happen next.

Whether things escalate from here depends on how Tehran responds. If President Trump is right about “infighting” among the Iranian leadership, it could be a while before negotiations can make

any real progress. Iranian politicians, of course, deny any internal power struggle, but it seems pretty clear that the war has made the regime less stable.

That does not necessarily mean there will be a regime change (depending on what you class as a change) and it could result in the IRGC being politically strengthened. US network NBC reports today that some Western diplomatic sources believe they are becoming more stable and hardline. Already uncertain outcomes for Iran's regime are now even less predictable.

In the meantime, oil prices have risen steadily through the week, with a slight respite today. This is the first week since the end of March that Brent Crude has finished trading higher than where it started. That reflects the fact that, for all the talk of ceasefire, the current stalemate is not sustainable for the world economy – and particularly unsustainable for other Gulf states. Time is not on our side, and the risk to equities creeps higher the longer things stay like this.

Growth expectations push up rate expectations

Another risk factor for stocks is the move up in government bond yields, making them less attractive by comparison. The biggest yield moves this week came in short-term bonds, reflecting higher interest rate expectations. That is not just about energy prices: the latest economic data show that businesses and consumers are more resilient than we might have thought. Global growth looks surprisingly strong despite the oil shock – lessening the need for rate cuts. We cover April's business sentiment surveys in a separate article.

The UK is a case in point. Much of the focus right now is on sharply higher input costs, skirting over the fact that business and consumer confidence is holding up well (although there is a larger-than-usual discrepancy between similar measures). The Bank of England will take note and probably change its somewhat dovish rhetoric (preferring lower rates) in the coming weeks. But this is not the dreaded 'stagflation' of high inflation and low growth. Far from it, some elements of inflation may have moved up *because* growth looks stronger.

Since the war broke out, we have been relatively positive on long-term bonds – as some of the reaction seemed a little overdone or inconsistent. The latest data is a challenge for our view and for bond prices (the inverse of yields), but the challenge comes from better growth fundamentals, rather than higher fiscal risks. If that is right, it should still mean a decent outcome for equities.

Déjà vu of muddling through

Strong business sentiment data is also backed up by the continued improvement in corporate earnings growth. We already knew that was the case for US companies, but this week we have seen a surprising pickup in European earnings growth too. That does not match up with the narrative around Europe's energy vulnerabilities, or the fact that European sentiment data is by far the weakest of the bunch. Business confidence numbers are not great, and today's German IFO business survey was the weakest since the 2020 pandemic collapse.

Earnings results are backwards looking, so we would probably view negative sentiment data as a slightly more accurate guide – but we will watch European earnings closely for more clues.

On a global level, most of the signals suggest that things are not quite as bad as feared. This puts markets more or less back to where they were last summer. Trump's back-and-forth over tariffs led to some panic and plenty of recession predictions a year ago but, in the end, global corporate earnings growth kept ticking along.

Some of the other risks are receding too. Kevin Warsh is now certain to become the Federal Reserve Board Chairman after Trump and the Department of Justice dropped the questionable probe into Jerome Powell. While always a likelihood, the news has helped US bond yields to fall slightly. Earlier in the week, during the Senate Confirmation hearing, Warsh dismissed any claims he would take monetary policy cues from the president. He could hardly say anything else, but his testimony still helped bolster his reputation with markets as a fairly orthodox candidate, not just by Trump's standards.

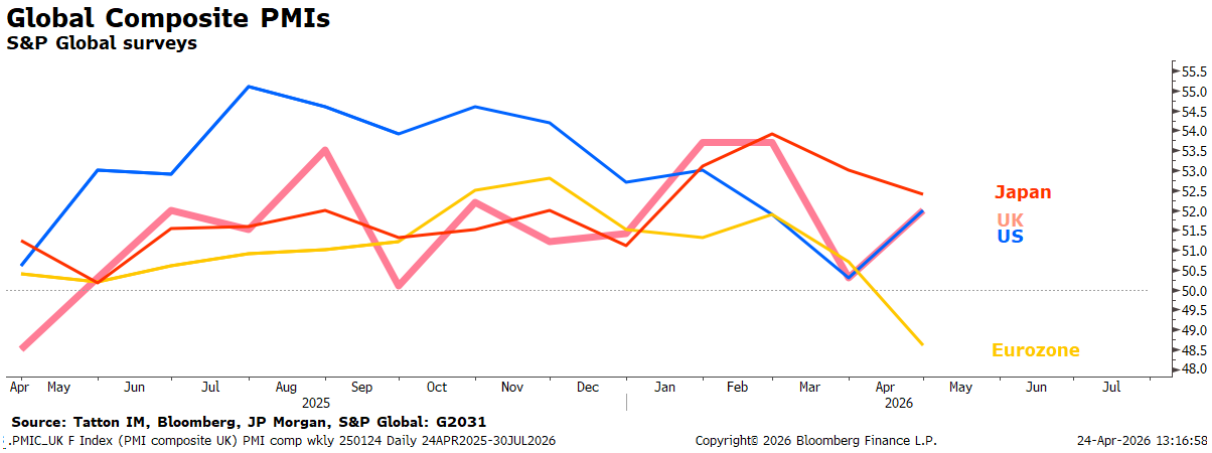
The president has a habit of making big announcements when markets are shut for the weekend – so if everyone is worried about something else come Monday, we should not be surprised. Fortunately, recent history shows that markets and the economy are capable of ignoring the noise and keeping their pace.

Business sentiment holds strong

This week's 'flash' Purchasing Managers' Indices (PMIs) were eagerly anticipated. The PMIs, diffusion indicators of business sentiment, are for the period since the US and Israel began their war on Iran, so give key signals on how the global economy is holding up. The bottom line is that businesses are coping much better than expected. Flash PMIs are taken from the early set of responses and so are always likely to be revised, so we should not get ahead of ourselves. Nevertheless, it is a good sign. Despite all the worries about energy prices, global growth remains positive.

Manufacturing powered by investment

All the data to come out since the Iran war started has told us that the US economy is relatively insulated from a global oil shock April's flash PMIs continue that theme, but they also show resilience in other major economies. The US composite PMI came in at 52, above economists' expectations of 50.6, the UK reported 52, against a 49.8 expectation, and Japan posted a 52.4 (PMIs above 50 suggest expansion, and below 50 suggest contraction). The Eurozone was the only major disappointment, with a 48.6 reading, below the expected 50.1



Improved business confidence was driven by manufacturers. Manufacturing PMIs were positive and well above expectations everywhere – even in the Eurozone. Manufacturers are riding a wave of capital investment. In Europe, this is mainly coming from governments' defence spending while, in the US, AI infrastructure projects are powering the spend. We wrote that these forces would boost global growth in our 2026 outlook, and we are seeing proof of that now.

This is a reversal of what we saw last year, when global growth was mainly sustained through consumer spending. Consumers are still holding up well – considering the oil shock – but public and business spending is now providing the bigger impetus. That is good news, since this investment should be more resistant to rising energy prices.

The UK is doing better than you might think

The UK PMIs are particularly surprising, given the negative coverage of Britain's economy. Both manufacturing and services sectors are expanding, when both were expected to be stagnant. There was a worrying reported increase in input prices – the highest for services on record, and manufacturers' highest since 2022. That is why some commentators think the UK PMIs are implausible, and likely to be revised down when the final data comes through.

That pessimistic view is backed up by the CBI's measure of business confidence, which showed a massive drop in manufacturing sentiment for April. The CBI's numbers paint a vastly different picture from the PMIs (measured by S&P Global), even though they are supposed to measure the same thing. As ever, the truth is probably somewhere in the middle – but we would lean much more on S&P's figures than the CBI's. The CBI has had problems with response rates in recent years, which have impacted their survey accuracy.

Even for the S&P's figures, the media and investment commentary has been surprisingly negative. Commentators have highlighted high input costs, inflation and potentially higher interest rates more than UK growth. While we agree that the Bank of England might feel pressure to raise rates, we

stress that the reason for this is a better-than-expected growth outlook. Yet again, UK economic data looks better than its coverage suggests.

Lagging Europe needs an end to the oil shock

The UK's surprisingly decent numbers look particularly stark compared to the Eurozone. Europe was always likely to be hit harder by the Iran war, given its reliance on energy imports. But even Japan, similarly dependent on imported energy, managed to stay relatively positive. Europe, by contrast, stands out for all the wrong reasons. The Eurozone services PMI posted a dreary 47.4, below expectations of 49.8.

There are a couple of caveats to this. The overall Eurozone numbers are heavily focussed on companies in France and Germany – and these core countries have been the weakest in Europe for a while. Growth has come more from the 'periphery' nations, but these are not as well represented in Europe-wide sentiment surveys.

It is also worth emphasising that the manufacturing PMI was better than expected, 52.2 versus the expected 50.9. This is not enough to counteract weakness in services, but it does suggest that fiscal stimulus – driven by Germany's historic defence spending – is working. For over a year, the bullish case for Europe has been based on defence spending boosting growth. The data tells us that this is happening, even if it is not enough to get over the oil shock right now.

The European economy is fragile. Consumer confidence is understandably weak and services companies are struggling with sharply higher energy costs. The whole world needs a resolution to this energy crisis, but Europe needs it almost as much as some Asian countries. The one silver lining is that, if it comes, there is enough underlying momentum to get growth back on track.

Europe gets a Magyar boost

Viktor Orbán's historic election loss could be a turning point for Europe. It ends 16 years of far-right "illiberal democracy" in Hungary, to use Orbán's preferred phrase. Incoming Prime Minister Péter Magyar has already promised to reverse the defeated Fidesz party's encroachment on the state apparatus – including a fiery interview, telling Hungarian state TV they will be shut down.

Magyar also wants closer relations with the EU, even pledging that Hungary will adopt the euro. This is not just about Budapest and Brussels; Orbán has been a roadblock for the ever-closer union for over a decade. His departure is not a panacea, but it is a positive sign.

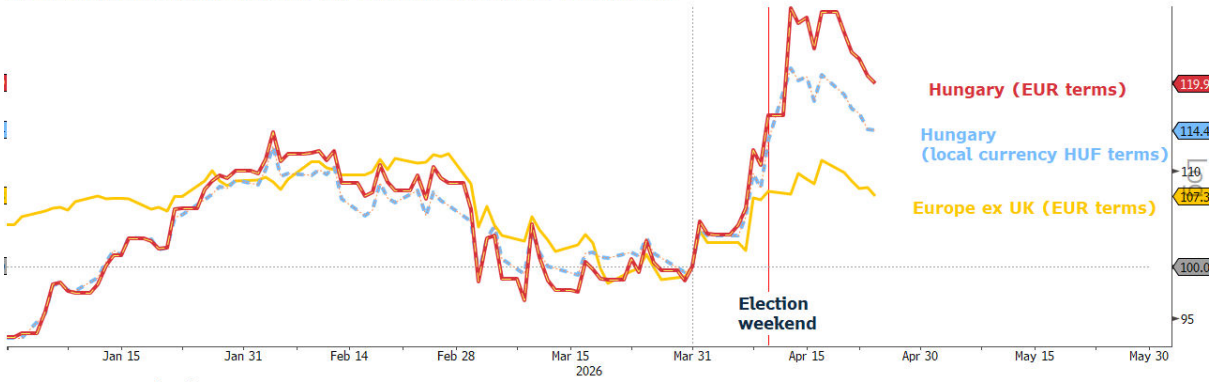
Markets positive on Hungary but cautious on Europe

Magyar's Tisza party won a parliamentary super-majority in an electoral system designed to favour Orbán's Fidesz. The historic victory was helped by the centrist and left-wing parties' voluntary withdrawal, hoping that constitutional reform will mean a more level playing field in future elections.

Markets clearly approve. Hungary's forint rose sharply against the euro and remains at its highest level since 2023. Hungarian stocks shot up and have only slightly fallen back since. Magyar's priority is unlocking the €17bn in EU funds which had been frozen due to rule of law concerns. They would be a major boost for Hungary's economy.

The wider market reaction was a little more muted. The euro gained against the dollar last week and European equities rose, but the latter had more to do with easing tensions in Iran. Both the euro and European stocks lost some of those gains this week.

Hungary and Europe equities
Bloomberg indices, large and mid cap total returns, rebased to March end



Source: Tatton IM, Bloomberg: G2560
KRL Index (Bloomberg South Korea Large & Mid Cap Price Return Index) Hungary equity YTD Daily 31DEC2025-30MAY2026 Copyright© 2026 Bloomberg Finance L.P. 24-Apr-2026 11:39:11

European prospects are beset by competing global forces, so it is hard to say how the election specifically impacted Europe's market. We suspect investors took it as a mild positive; they certainly did not take it as a negative. With so many issues to iron out over Hungary's relationship with the EU, investors are cautious not to overreact.

No magic cure for European integration

Markets' reactions are justified. From Hungary's point of view, this is a clear positive. Fidesz's corruption and opposition to Brussels have contributed to Hungary's stagnant economy and growing public debt (the exact message Magyar campaigned on). Hungarian stocks trade at consistently lower price-to-earnings valuations than peers in Poland and Czechia. More EU funds and potential governance improvements bring significant upside for Hungarian companies.

A more cautious reaction for broader European markets makes sense too. If Orbán's departure leads to deeper European integration, it will benefit Europe's economy – but significant barriers remain. No sooner had Orbán been defeated than the openly pro-Russian Rumen Radev won a snap election in Bulgaria. Meanwhile, Poland – which has considerably improved its relationship with Brussels since 2023 – has no plans to join the euro in the foreseeable future. That is understandable, given Poland's strong economic growth, but it shows that European realignment can be complicated.

Antagonistic leaders in Serbia and Bulgaria are by no means the only barriers to European integration. We wrote in February that closer cooperation among the so-called E6 (Germany, France, Italy, Spain, the Netherlands and Poland) could accelerate the all-important Savings and Investment Union (a rebrand of the Capital Markets Union), but progress has been slow. German Chancellor Friedrich Merz hit out at UniCredit for its attempted takeover of Commerzbank this week, showing that national interests are still entrenched. Removing fringe troublemakers will not change the fact that core nations disagree.

Incremental improvement means long-term benefit

Magyar's incoming government is making changes at the European level – such as the €90bn in aid for Ukraine, which was finally approved yesterday. The Ukraine package has no direct economic benefit for Europe, but it is symbolic. Alignment on European defence spending allows for alignment in other areas and has downstream effects on growth. That is why the requirement for unanimity in EU foreign policy – that effectively gave Orbán a veto – is still an economic issue, despite the fact that most economic policies are still decided by qualified majority voting.

The symbolism around Orbán's departure is not straightforwardly about right-versus-left politics. Tisza is a right-wing party that largely maintains Orbán's policies on immigration, and Magyar himself is a former Fidesz member. What it does show, however, is that Orbán's particular brand of right-wing populism – pro-Russian and anti-European – is becoming less viable on the continent. We see this already with Italy's Georgia Meloni, who combines fairly standard EU fiscal and foreign policy stances with right-wing causes at home. Whatever your views about this political cocktail, it is more conducive to European growth than Orbán's.

Markets are right to be cautious about what Magyar's election means, but we should not read this caution as ambivalence or defeatism. Improved relations between Brussels and Budapest will benefit the European economy, but the improvements will be incremental. Over time, incremental benefits can make a big difference.

Tatton Investment Management

24 April 2026

Global Equity Markets	24-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	10406	-2.3	-2.3	↗ ↗	3.1	15.0	12.9	12.8
UK FTSE 250	22599	-2.3	-2.3	→ →	4.0	11.8	11.9	13.3
UK FTSE All-Share	5579	-2.3	-2.3	→ ↗	3.2	14.7	12.8	12.7
FTSE Small x Inv_Tsts	6221	-2.9	-2.9	↘ →	4.4	18.5	9.8	10.0
EU STOXX ex UK	776	-2.4	-2.7	→ ↗	3.0	17.6	15.4	15.1
France CAC 40	8166	-3.1	-3.4	→ →	3.2	17.4	14.7	14.1
Germany DAX 40	24156	-2.0	-2.4	→ →	2.5	17.7	15.1	13.3
US S&P 500	7124	+0.2	+0.4	→ →	1.1	25.6	20.7	19.0
US NASDAQ comp	24572	+0.8	+1.0	→ →	0.6	36.1	24.7	26.1
Japan Nikkei 225	59716	+2.1	+1.6	↗ ↗	1.4	24.4	23.2	18.6
World Bloomberg	2474	-0.4	-0.3	→ →	1.6	22.3	17.8	16.6
China Bloomberg	1350	-0.8	-0.7	↘ →	2.2	15.1	12.7	12.5
Emerging Bloomberg	1731	+0.3	+0.4	↗ ↗	2.1	18.1	12.1	12.5

FTSE100 Top 6		S&P Global Top 6	(GBP terms)	Global Sectors			(GBP terms)
Company	%	Company	%	Sector	%	Sector	%
Compass	+6.6	Ibiden	+35.2	Tech	+2.3	Staples	+0.8
SSE	+6.4	SoftBank	+31.1	Financials	-2.6	Energy	+2.9
Centrica	+5.7	MediaTek	+27.0	Health	-3.5	Materials	-2.5
BP	+5.7	United Rentals	+24.7	Discretionary	-1.9	Utilities	+0.4
British American Tobacco	+4.8	Advanced Micro Devices	+23.2	Industrials	-1.0	Real_Estate	-0.8
London Stock Exchange	+4.6	Intel	+21.6	Communicatic	-1.8		

FTSE 100 Bottom 6		S&P Global Bottom 6	(GBP terms)	Fixed Income		
Company	%	Company (GBP terms)	%	Govt bond	%Yield	1 wk chg
Rolls-Royce	-13.2	Cochlear	-42.4	UK 5yr Gilt	4.49	+0.25
Melrose Industries	-11.3	MTU Aero Engines	-16.4	UK 10yr Gilt	4.97	+0.20
Mondi	-11.1	Sartorius Stedim Biotech	-16.2	UK 15yr Gilt	5.37	+0.19
Fresnillo	-11.0	Tractor Supply	-15.8	US 10yr Treasury	4.33	+0.10
BAE Systems	-9.8	Daiichi Sankyo	-15.4	France 10yr OAT	3.66	+0.09
Endeavour Mining	-9.0	Freeport-McMoRan	-14.1	Germany 10yr Bund	3.01	+0.05
				Japan 10yr JGB	2.43	+0.02

Currencies			Commodities			UK Mortgage Rate Estimates		
Pair	last	%1W	Cmdty	last	%1W	Rates (LTV c.75%, no fee)	24-Apr	25-Mar
USD per GBP	1.350	-0.6	Oil Brent $:bl	105.36	+18.5	UK BoE base rate	3.75	3.75
GBP per EUR	0.867	-0.5	Gold $:oz	4713	-3.5	2yr fixed	4.91	3.97
USD per EUR	1.171	-1.1	Silver $:oz	75.77	-8.0	3yr fixed	5.02	3.94
JPY per USD	159.60	+0.9	Copper $:lb	609.3	-1.1	5yr fixed	4.85	4.01
CNY per USD	6.835	+0.3	Alumnm $:mt	3692	+0.9	10yr fixed	5.24	4.48
USD per Bitcoin	78,093	+0.9	Agriculture BBG	57.12	+2.2	Standard variable	6.59	6.59

Where possible, prices taken levels at 24 April 2:45 PM (today) and 17 April 2:45 PM. 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