

Global Market Outlook - The clock is ticking, but Trump may have time to buy

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Markets have decided to look through the Iran conflict with equities reaching new highs, but the Strait of Hormuz remains closed. The longer it takes to re-open, the more challenging it will be for the market narrative to continue.

Markets rebounded strongly in April, with global equities up over 9% in local currency terms over the month. And with US equities now up over 14%, and from a technical standpoint looking very overbought, the question becomes whether this justifies a medium-to-long term bullish stance or should be viewed more as short covering.

We have no foresight when it comes to ending the conflict in Iran. We have stated from the start of this conflict that all eyes will be on the Strait of Hormuz. We need to see the boats pass and the oil flow for us to put this conflict behind us. Any rhetoric or deal that does not see the Strait reopen is not one that helps the global economy. The longer the Strait remains closed, the more energy shortages the world will face, the higher inflation will go, the more consumer spending will be impacted and the higher the chance of a stagflationary shock that rivals 2022.

Each day the Strait is closed, the bigger the downside risk (for some more than others)

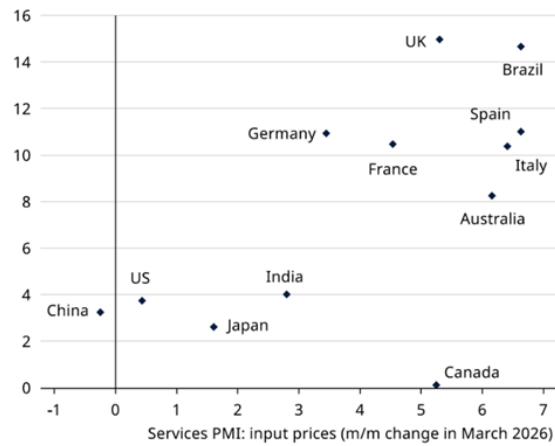
This is not our base case, but the downside risk remains while the Strait remains closed. The longer it remains closed, the more damage will be done. The clock is ticking.

That said, indications that the US and Iran are engaging are positive and the bombs have stopped falling for now. However, the ceasefire is a fragile one, and the two sides continue to play a game of chicken to see who will capitulate first. Iran continues to block the Strait, causing higher energy prices and inflation around the world, damaging Trump's mid-term election odds and putting economic pressure on US allies. But the US is also blocking the Strait, choking off revenue to the regime (US\$500m a day according to Trump) while the US Treasury undertakes Operation Economic Fury, freezing Iranian funds around the world. Reports say that salaries have not been paid in Iran (although hard to verify) showing that the economic pressure is real. Therefore, we believe both are pressured to come to the negotiating table, but time could be on Trump's side.

From a regional perspective, the US is the least dirty shirt. Their relative energy independence puts them above their regional peers. In April, the US exported a record of 5.2 million barrels of oil per day and also hit a new high of liquified natural gas (LNG) exports. While the US has not invested in sustained supply to help keep this trend going, it has shown their resilience and even ability to benefit during this current crisis. While it is incorrect to say the US has no exposure to the Strait of Hormuz (they imported 0.4 million barrels a day through the Strait pre conflict), they will not suffer nearly as much as their European or Asian allies. Even though we have not seen the inflation impact in the data yet, we are seeing input prices rise in both manufacturing and services PMIs, with Europe and Australia being impacted more acutely, whereas the US and China remain somewhat insulated.

Chart 1: Input prices already rising in Europe, plus higher jet fuel prices in Europe

Manufacturing PMI: input prices (m/m changes in March)



Kerosene jet fuel spot price in Amsterdam ARA



Source: LSEG Workspace, Schrodgers Economics Group. LHS 10 April 2026, RHS 24 April 2026.

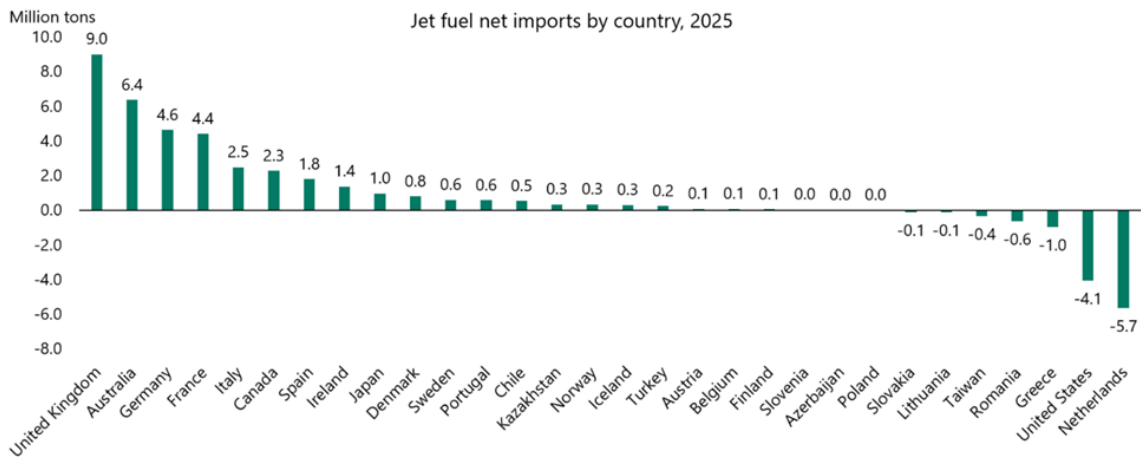
An energy scramble, but not true scarcity....yet

Currently we are seeing a scramble for supply, which is pushing prices higher. But we have yet to see real energy scarcity. For now, rich countries are paying more for supply, but eventually we will see supplies dwindle, no matter the price.

Air travel is already feeling the pinch, with jet fuel prices surging. This is most acute in Europe and Australia. These countries rely on net imports of jet fuel, whereas the US is a net exporter. The surprise has been China who have been relatively insulated through the strategic rebuilding of their oil reserves, the build out of their renewable and nuclear capacity and the ability to burn coal when push comes to shove.

While we prefer the US, select emerging market currencies are expected to hold up as well, either given their preparation (China) or their energy or commodity exposure (Latin America). Asian economies that have a tilt towards technology (Taiwan, Korea and Japan, say) are so far benefitting from the market rally, but if the Strait remains closed, these economies could face severe energy shortages that could up-end the positive narrative. Taiwan, Korea and Japan used to import around 2 million barrels a day through the Strait of Hormuz. The South Korean president has even mentioned that the energy crisis is "worse than you think" and is keeping him "up at night". The closure of the Strait is also limiting helium supply, which other than party balloons, is a key component of semiconductor manufacturing. The Nikkei, Kospi and Taiex have all hit new all-time highs this month.

Chart 2: UK, Australia and Europe most at risk from higher jet fuel prices



Source: Apollo. 27 April 2026.

The US economy also entered this conflict from a position of strength

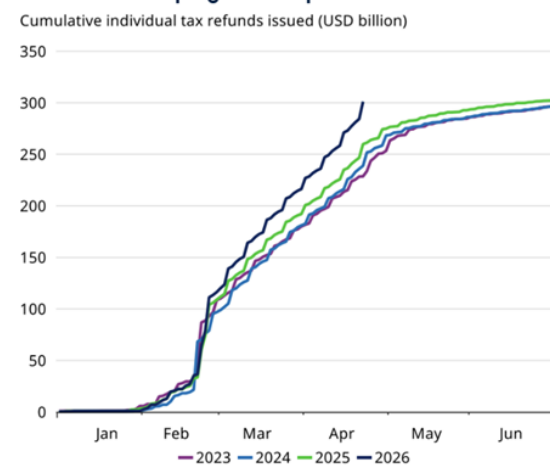
Looking through the government shutdown distortions, US GDP has been strong. Recent retail sales beat expectations, surging 1.7% in March versus expectations of 1.4%. While higher gasoline prices helped push this number higher, there was broad strength across components even when excluding autos and gas. We're also seeing an improvement in job numbers, with non-farm payrolls unexpectedly surging 178k versus expectations of 60k. Both initial claims and continuing claims are falling, which is a positive sign for the job market. Looking at the ADP weekly labour-market pulse, intentions to hire continue to rise despite the conflict. Trump's One Big Beautiful Bill is providing excessive tax refunds in 2026, which is helping consumers spend despite higher prices. This combination of an improving market and government handouts, coupled with better energy security, all bode well for the US, relatively speaking.

Chart 3: Higher prices are being offset by an increase in tax refunds and improving job market, allowing US consumers to keep spending

Intention to hire continues to rise despite the conflict



Tax refunds keeping consumption solid



Source: Macrobond, Schroders Economics Group. 24 April 2026.

However, we are not complacent. As we keep reiterating, the longer the Strait remains closed, the more damage that will be done to the global economy. For now, we prefer the US and emerging markets, but want to see concrete proof that the Strait has reopened before we start improving our outlook elsewhere. If the Strait remains closed for an extended period, even the US economy will start to come under pressure. Tick tock.

South Africa – local macro implications, Phil Robotham, Head of Client Group, Schroders South Africa

"From a South African perspective, the macro dynamics outlined above have translated into a familiar but challenging local policy mix. Higher global energy prices are feeding directly into domestic fuel costs, transport inflation and electricity input costs at a time when the economy remains highly growth-constrained.

While the Rand has benefitted intermittently from the weaker US dollar and South Africa's exposure to bulk commodities, this support remains fragile and highly sensitive to global risk sentiment and oil prices.

Inflation pressures linked to fuel and food constrain the South African Reserve Bank's ability to ease policy meaningfully, keeping real interest rates restrictive and domestic demand subdued.

On the positive side, elevated commodity prices support fiscal revenues and the current account at the margin, helping to offset structural challenges. However, if the Strait of Hormuz remains closed for a prolonged period, the risk for South Africa is a squeeze on consumers via higher fuel and food prices, slower real activity growth and renewed pressure on the currency, reinforcing the country's vulnerability to global stagflationary shocks rather than insulating it from them." - Phil Robotham, Head of Client Group, Schroders South Africa