



Monthly Macro Insights — April 2026



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The military conflict between the US, Israel, and Iran has crossed a decisive economic threshold. The closure of the Strait of Hormuz has transformed a geopolitical risk into a global supply shock affecting energy markets, supply chains, inflation dynamics, and monetary policy worldwide. The resulting environment could evolve into one of elevated inflationary pressure with weakening growth, increasing the likelihood of slowflation and raising the tail risk of stagflation.

The Strait of Hormuz: an underappreciated binding constraint

Roughly one fifth of global oil consumption and a significant share of liquefied natural gas (LNG) exports normally transit the Strait of Hormuz. With the strait closed, physical supply constraints have become binding. Although alternative export routes—pipelines across Saudi Arabia or the UAE— offer a way to offset the disruption, infrastructure rigidity severely limits substitution.

For households, higher energy prices act as a tax on real income, compressing purchasing power and weakening consumption. For firms, rising input costs erode margins and encourage price pass through, particularly where pricing power exists. The result is an

inflationary impulse occurring alongside a deterioration in real economic momentum—a configuration that is inherently challenging for policymakers.

Beyond energy prices, the closure of the Strait of Hormuz is exerting powerful effects through global trade and supply chains. Indeed, the strait is a critical artery for crude oil and LNG, but also for a range of intermediate and strategic commodities whose disruption has global repercussions.

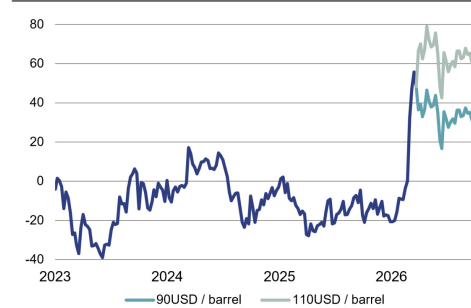
For instance, nitrogen based fertilizers rely heavily on natural gas as both a feedstock and an energy input, while phosphate markets are highly geographically concentrated. Disruptions to gas supply and maritime logistics in the Gulf have therefore constrained fertilizer availability and pushed prices higher. These effects could propagate rapidly into global food systems: higher fertilizer costs raise agricultural production expenses, reduce yields in some regions, and ultimately translate into higher food prices. This energy–fertilizer–food nexus amplifies inflationary pressures while disproportionately affecting lower income households and food importing economies.

Another critical, though less visible, vulnerability is helium. Helium is an essential input for semiconductor manufacturing, aerospace applications, and advanced scientific research. With gas production and logistics disrupted, helium shortages have intensified.

LNG markets are structurally rigid, characterized by long term contracts and limited spare regasification capacity. The closure of Hormuz has therefore translated into acute stress in energy importing regions such as Europe and parts of Asia, raising electricity prices and threatening the viability of energy intensive industrial activity.

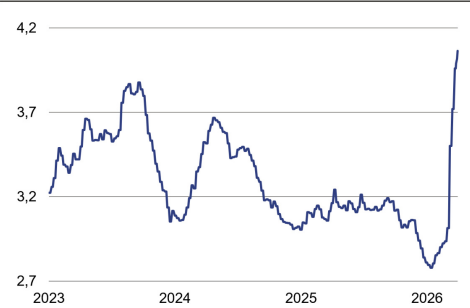
More broadly, higher shipping costs, elevated insurance premia, and logistical bottlenecks are disrupting global value chains. Delays in intermediate goods deliveries undermine just in time production models, reduce capacity utilization, and discourage investment. The result is a drag on global output that extends well beyond the energy sector.

World - Brent
in %, y/y



Source : Macrobond, Rothschild & Co Asset Management, March 2026.

US - Gasoline price
in USD/ Gallon



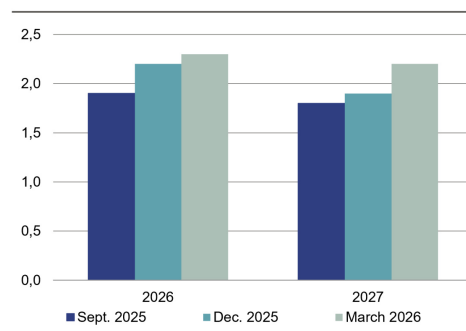
Source : Macrobond, Rothschild & Co Asset Management, March 2026.

From slowflation to stagflation risks

Taken together, these dynamics significantly increase the risk of slowflation—characterized by weak growth combined with inflation that remains above central bank targets—which appears increasingly plausible under a prolonged Hormuz closure.

In a more adverse scenario, supply disruptions would persist and second round effects could emerge through wages, pricing behaviour, and inflation expectations. Economies could then face stagflation, with rising unemployment alongside entrenched inflation—a combination that would severely constrain policy options and echo the most challenging episodes of past energy crises.

Eurozone – Core inflation forecasts
in %, ECB



Source : ECB, Rothschild & Co Asset Management, March 2026.

Eurozone – Consumer confidence
index



Source : Macrobond, Rothschild & Co Asset Management, March 2026.

Diverging central bank responses

For central banks, the challenge is acute. They cannot repair supply chains or reopen shipping lanes. In principle, a negative energy shock can be looked through if it is temporary and inflation expectations remain anchored. That calculus changes, however, when the shock risks evolving into a lasting inflationary regime.

While both the Fed and the ECB face the same external shock, their policy responses reveal important contrasts rooted in economic structure and energy dependence.

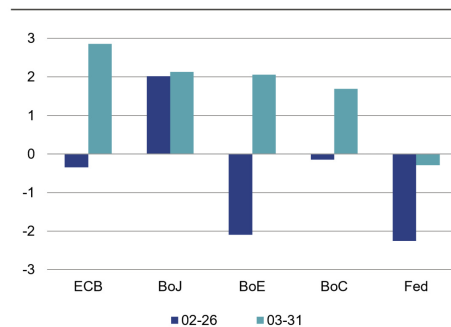
The Fed faces a complex trade off between inflation control and employment stabilization inherent in its dual mandate. On the one hand, energy prices are rising, while tariffs are also contributing to inflationary pressures. Following the Supreme Court ruling striking down most of Trump's tariffs, the administration imposed new ones under Section 122, which are legally limited to 150 days and are set to expire in late July. In parallel, the administration launched, in early March, Section 301 investigations into 16 trading partners, explicitly including the European Union, with the aim of replacing the temporary Section 122 tariffs with more durable—and likely sector specific—measures. As a result, the risk of new tariffs being introduced around mid year is high, prolonging tariff related inflation uncertainty even if energy prices stabilize.

On the other hand, the US benefits from a high degree of energy self sufficiency, which limits the direct pass through from higher oil prices to domestic activity. As a result, the Fed has adopted a wait and see stance.

By contrast, the ECB has emphasized vigilance. Europe’s recent experience with high inflation following the 2022 energy crisis may accelerate pass through and second round effects, making firms and workers quicker to adjust prices and wages. This “inflation memory,” combined with Europe’s high energy dependence and weaker growth backdrop, places the ECB’s focus squarely on inflation persistence rather than headline inflation alone.

Looking ahead, Trump has floated the idea of ending the war by mid April without making the reopening of Hormuz a precondition, while the Iranian president has signalled openness to negotiations. Yet, it remains unclear how firm Trump’s timeline is, as he has constantly vacillated between claiming progress in diplomatic talks and threatening further escalation. Indeed, the US has significantly increased troop deployments in the region, preserving the option of additional military action. One thing, however, is clear: under a Hormuz driven supply shock, the global economic outlook has become profoundly uncertain.

World – Policy rate changes in 2026
in 25 bps increments, swap/futures



Source : Bloomberg, Rothschild & Co Asset Management, March 2026.

World – Long term sovereign yield
in %



Source : Bloomberg, Rothschild & Co Asset Management, March 2026.

Performance of the indices and interest rate levels

	Price as of 03/31/2026	1 month % change	2026 % change
Equity markets			
CAC 40	7 817	-8,9%	-4,1%
Euro Stoxx 50	5 570	-9,3%	-3,8%
S&P 500	6 529	-5,1%	-4,6%
Nikkei 225	51 064	-13,2%	1,4%
Currencies			
EUR/USD	1,16	-2,2%	-1,6%
EUR/JPY	183,4	-0,5%	-0,3%
Interest rates			
	Level as of 03/31/2026	1 month change bp ⁽¹⁾	2026 change bp ⁽¹⁾
3 month			
Eurozone	2,20%	19	9
United States	3,67%	2	5
10 years			
Eurozone	3,00%	36	15
United States	4,32%	38	15

(1) Basis point.

Source: Bloomberg, data as of 31/03/2026. Performances in local currency.

Past performance is not a reliable indicator of future performance and is not constant over time. Index's performance is calculated on the basis of net dividend reinvested

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(1) Source: Rothschild & Co Asset Management, 31/12/2025.

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