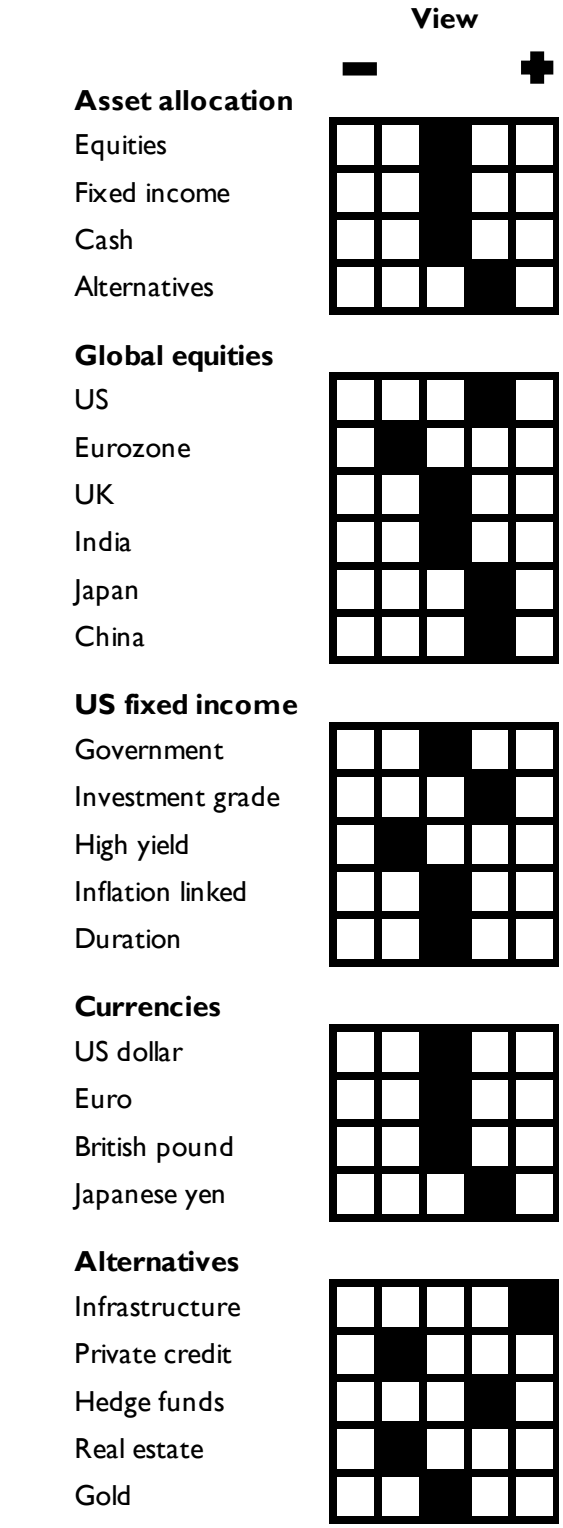
Insights

Investment Outlook: Energy, ceasefire dynamics, and portfolio construction

9 April 2026

Executive summary

- Markets have shifted **from pricing escalation to pricing resolution**. The ceasefire reduces tail risk but does not restore normal conditions in energy markets.
- The key variable is no longer conflict duration alone, but whether **energy flows normalise in practice**. Current evidence suggests they have not.
- This creates a different environment. **Energy is flowing, but at higher cost**. Shipping and insurance frictions are weighing on margins and growth even as immediate risks decline.
- Market behaviour reflects this tension. Relief rallies are occurring alongside **renewed volatility as confidence in the ceasefire fluctuates.**
- **Current pricing does not reflect downside scenarios**. Maintain exposure, avoid adding risk at current levels, prioritise quality, and retain flexibility to deploy capital if markets correct.



What has changed, and what has not

The United States and Iran have agreed a two-week ceasefire, with negotiations expected in Pakistan from Friday, which will determine whether it can be extended. The agreement reduces the likelihood of a sustained closure of the Strait of Hormuz but does not eliminate that risk. Its scope remains contested. The United States and Israel have stated that it does not cover Lebanon, while Iran and European governments have argued that continued Israeli strikes there undermine the truce.

Energy flows have not returned to normal. Transit through the Strait remains low, with vessels waiting rather than moving, passage requiring coordination and approval, and insurance costs elevated. The primary constraint is in transport and access rather than production. Supply is available, but restricted transit, higher insurance costs, and coordination requirements are slowing delivery and increasing its cost and uncertainty.

The distinction is important. **The question is no longer only whether disruption continues. It is whether energy flows can resume at scale and with reliability.**

The ceasefire reduces the probability of the most extreme outcomes, but it does not restore previous operating conditions for energy markets.

Markets are signalling relief, not resolution

Market behaviour reflects a reduction in perceived downside risk.

Equities initially rallied following the ceasefire announcement, while oil prices fell and bond yields declined. That response was consistent with a lower probability of a severe supply disruption. Markets are pricing a reduction in extreme outcomes, but not fully reflecting the persistence of constraints on energy flows.

The move has not held. Oil has retraced higher as doubts about the durability of the ceasefire and the pace of normalisation in energy flows have re-emerged. Bond yields have moved higher again, and equity markets remain volatile.

This pattern is not consistent with a resolved shock. Markets are responding to political de-escalation but are less clearly pricing the constraints on physical energy flows, where transit remains limited, costly, and uncertain.

Markets are responding to political de-escalation but are less clearly pricing the constraints on physical energy flows, where transit remains limited, costly, and uncertain.

From disruption risk to incomplete normalisation

Previously, the central question was whether disruption would be short-lived or persistent. That remains relevant, but it is no longer sufficient. A temporary ceasefire is now in place, but **the conditions required for normal energy flows have not been restored.**

Three paths follow:

1. **Rapid normalisation**: Energy flows resume at scale within weeks. Prices fall back toward pre-conflict ranges. The impact on growth is limited and temporary.
2. **Ceasefire without normalisation**: Energy continues to move, but with constraints, higher costs, and political control. Prices remain elevated and growth slows more persistently.
3. **Re-escalation**: Negotiations fail or conflict expands. Supply is disrupted again. Energy prices move materially higher and financial conditions tighten.

Current evidence points to the second scenario, incomplete normalisation. Shipping volumes remain low, and insurance, routing, and access constraints continue to limit transit. **The shock has shifted from disruption of supply to higher-cost and less reliable delivery.**

Broader economic implications: From inflation concern to growth pressure

The initial market reaction to higher energy prices was inflation driven. That remains part of the picture, but the effect is shifting.

At current levels, energy acts primarily as a cost. It reduces real incomes and compresses margins, weighing on demand and profitability. The result is increasingly a growth drag rather than a pure inflation shock.

In an environment where labour markets are weakening, fiscal support is limited, and pricing power is narrower, this reduces the ability of companies to pass costs through to consumers.

At current levels, energy acts primarily as a cost. It reduces real incomes and compresses margins, weighing on demand and profitability. The result is increasingly a growth drag rather than a pure inflation shock.

As corporate margins come under pressure, earnings become more variable and cash flows less predictable. This matters because financial conditions are already tight. Credit spreads remain narrow relative to risk, refinancing needs are rising, and leverage in parts of private markets is already elevated - leaving borrowers more exposed to even modest deterioration in corporate earnings.

Capital expenditure - particularly in technology and infrastructure - remains dependent on continued access to funding. Higher costs and tighter liquidity make that funding more selective, slowing investment and increasing the risk of delays, weaker returns, and reduced earnings visibility. This in turn challenges current equity valuations and increases dispersion between companies with and without reliable access to capital.

Implications for portfolio construction

The defining feature of the current environment is that **diversification has been less reliable in the short term**. Equities and bonds have not consistently offset each other, and gold has not provided dependable protection. In practice, liquidity has been the most effective short-term stabiliser.

The defining feature of the current environment is that diversification has been less reliable in the short term. Equities and bonds have not consistently offset each other, and gold has not provided dependable protection.

Period	Correlation	Interpretation
Last 6 weeks	0.68	High correlation
Last 1 year	0.17	Low correlation
Last 5 years	0.22	Low correlation

Figure: Global equity and bond correlations over time
Source: Bloomberg

This reflects the fact that higher energy costs are weighing on growth while keeping inflation risks elevated.
When both forces act at the same time, the usual relationships between asset classes weaken and diversification becomes less effective.

The objective is not to reduce risk indiscriminately, but to ensure it is adequately compensated and that portfolios retain flexibility. For most of our clients, this does not mean increasing cash allocations, as liquidity is already structurally high. The focus instead is on reallocating risk away from areas where compensation remains limited, particularly in more leveraged parts of credit, and toward areas supported by structural demand and pricing power.

The objective is not to reduce risk indiscriminately, but to ensure it is adequately compensated and that portfolios retain flexibility.

Our asset allocation views: maintaining exposure, not increasing risk

Equities

We maintain full strategic exposure to equities, as the medium-term case remains intact. Nominal growth continues to support revenues across most sectors, and structural drivers - particularly investment in technology, infrastructure and energy - remain in place.

However, the near-term environment is less supportive. Higher input costs and elevated discount rates are weighing on margins and valuations, and while the ceasefire reduces immediate downside risk, it does not remove the cost pressures associated with constrained energy flows. As a result, markets are not pricing a severe downside scenario, but nor are they sufficiently dislocated to justify increasing exposure.

The appropriate stance is therefore to remain invested, with a continued emphasis on quality and resilience, while retaining the flexibility to add risk if valuations adjust to reflect a more challenging growth environment.

Fixed income

Fixed income markets have repriced materially, with yields now providing meaningful income and the potential for capital appreciation if growth slows. The ceasefire supports this view by reducing the risk of a renewed inflation shock that would require further policy tightening.

However, bonds are not yet functioning as a consistent hedge. Ongoing uncertainty around inflation and supply dynamics continues to drive volatility, limiting their reliability in the short term.

Bonds are not yet functioning as a consistent hedge. Ongoing uncertainty around inflation and supply dynamics continues to drive volatility, limiting their reliability in the short term.

In this environment, quality remains critical. **Government bonds** provide the most reliable exposure to a weaker growth outcome, while **investment grade** credit offers improved value but requires selectivity. **High yield** remains less attractive, as spreads do not adequately compensate for the risks associated with slower growth and rising refinancing pressure.

Alternatives

Alternatives are becoming **more central to portfolio construction** rather than simply complementary, reflecting an environment where traditional diversification is less reliable and returns are increasingly driven by dispersion rather than market direction.

The current backdrop favours assets and strategies supported by structural demand and pricing power. **Energy and infrastructure** remain well positioned in this context, underpinned by long-term supply constraints and sustained investment requirements, which support more durable cash flows.

Certain **hedge fund** strategies are also more relevant, particularly those able to exploit volatility and dispersion, as outcomes across markets, sectors, and securities become less aligned and more dependent on access to capital and balance sheet strength.

Private markets, by contrast, require greater caution. Higher financing costs and slower growth increase sensitivity to leverage and refinancing risk, making outcomes more dependent on capital structure and access to liquidity. Selectivity is therefore critical, particularly in **private credit**, where spreads do not always fully reflect these risks. In addition, outcomes in private credit are becoming more dispersed, reflecting differences in underwriting quality, leverage, and liquidity structures, with some managers more exposed to refinancing delays and constraints on returning capital.

Outcomes in private credit are becoming more dispersed, reflecting differences in underwriting quality, leverage, and liquidity structures, with some managers more exposed to refinancing delays and constraints on returning capital.

Regional equity preferences: energy exposure drives divergence

The impact of the current environment is uneven. The **United States** remains the most resilient market. Its lower dependence on imported energy reduces the direct transmission of higher costs into corporate margins. Committed spending on infrastructure, energy, and technology is continuing to flow through into revenues, supporting earnings in sectors exposed to these areas.

Europe is more exposed. Energy costs feed more directly into the economy, compressing margins and limiting central bank policy flexibility.

Europe is more exposed. Energy costs feed more directly into the economy, compressing margins and limiting central bank policy flexibility. This remains a constraint if elevated energy prices persist.

The **UK** sits between these outcomes. Commodity exposure provides some support, but domestic sensitivity to rates and energy limits the upside.

In **Asia**, energy dependency is a key differentiator. **Japan** and **South Korea** are more exposed to disruption in Middle Eastern energy flows. Japan continues to benefit from improving corporate dynamics, but energy remains a constraint.

China remains mixed. Policy support and industrial investment provide a foundation, but consumption and geopolitical risk limit the outlook. **India** remains structurally strong, driven by domestic demand and investment. However, valuations reflect much of this strength.

US Fixed income: where risk remains mispriced

Differentiation within fixed income remains critical. **US Treasuries** offer attractive yields and remain the core defensive asset, particularly in a weaker growth scenario. **Investment grade credit** is more attractive than it has been, supported by relatively strong balance sheets. However, spreads remain tight relative to the risks associated with slower growth. **High yield** remains vulnerable. Refinancing pressure is increasing, and spreads do not sufficiently compensate for that risk.

Inflation-linked bonds remain a useful complement, providing direct exposure to energy-driven price dynamics. **Duration** should be approached selectively. There is no strong case for a broad directional position, but opportunities will emerge as markets oscillate between inflation and growth concerns.

Conclusion: positioning in an environment that has not normalised

The ceasefire has changed the environment by reducing the probability of extreme outcomes, but it has not restored normal conditions. Energy is no longer as abundant and frictionless. It is tighter, more controlled, and more exposed to geopolitical influence, with constrained flows raising delivery costs and increasing uncertainty.

The ceasefire has changed the environment by reducing the probability of extreme outcomes, but it has not restored normal conditions.

The central question is no longer simply how long the conflict lasts, but whether energy flows return to normal in practice. At present, there is little evidence that they have.

In that context, portfolio decisions should remain disciplined:

- Maintain exposure to long-term assets
- Avoid adding risk prematurely
- Reallocate away from areas where compensation does not reflect refinancing and liquidity risk
- Retain flexibility to act as conditions evolve

The objective is not to predict the outcome, but to ensure portfolios remain robust across a range of scenarios, including those where resolution is partial and conditions do not fully normalise.

About the author

Nick Perryman is Vice Chairman at InCred Global Wealth Limited and Chairman of its Investment Committee. He has over 25 years of investment and wealth management experience, holds advanced qualifications in investment management, financial planning and psychology, and was previously a managing director at UBS where he was head of its international business in London and before that head of investment products and services. He is a doctoral researcher at Durham University and an honorary fellow of Royal Holloway, University of London. He is co-author of the book, "Leadership in Wealth: Mastering the opportunities of wealth in your family, firm and society"

Nick Perryman
Vice Chairman
nick.perryman@incredwealth.uk

Important information

InCred Global Wealth Limited is a Private Limited Company registered in England and Wales (Company number 14019047), authorised and regulated by the Financial Conduct Authority (FCA number 998961). Registered office: 5 -10 Bolton Street, London, W1J 8BA, United Kingdom.

All information contained in this document is confidential. Redistribution or reproduction is prohibited without written permission. This document is not intended to provide personal investment advice, and it does not consider the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek independent financial advice regarding the suitability and/or appropriateness of making an investment or implementing the investment strategies discussed in this document and should understand that statements regarding prospects may not be realized. Past performance is not necessarily indicative of future results. This document may contain forward-looking statements or forecasts; such forecasts are not a reliable indicator of future performance.

This document is not intended to, and does not, constitute an offer or solicitation to buy and sell securities or engage in any investment activity. This document is for informational purposes only. This document is not to be construed as a recommendation with respect to any particular investor or type of investor. Investments involve risk. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and this material is not intended for any specific investor and does not consider an investor's particular investment objectives, financial situations or needs. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Investors should note that income from such investments, if any, may fluctuate and that the value of such investments may rise or fall. Accordingly, investors may receive back less than they originally invested. Investors should seek advice concerning any impact an investment may have on their personal tax position from their own tax advisor.

Please note the publication date of this document. It may contain specific information that is no longer current and should not be used to make an investment decision. Unless otherwise indicated, there is no intention to update this document. Without limiting the generality of the foregoing, the recipient also agrees that photocopying or other duplication of the document and the data provided without prior written consent of InCred Global Wealth Limited is strictly prohibited.

Neither InCred Global Wealth Limited, nor its shareholders, nor any of their respective officers, directors, employees, affiliates, agents, or representatives, makes any representation or warranty, expressed or implied, as to the accuracy or completeness of this document or any of its contents, and no legal liability is assumed or is to be implied against any of the aforementioned with respect thereto save as required under applicable law and regulation in the UK. Accordingly, there can be no assurance, and no representation or warranty can be or is made as to the accuracy or attainability of such estimates and projections or other forward-looking statements. InCred Global Wealth Limited does not expect to and assumes no obligation to update or otherwise revise this document or any information contained herein.

Copyright © 2026 InCred Global Wealth Limited