

Weekly Market Snapshot

Iran conflict reignites debt and inflation risks

Weekly Recap

- The Fed Chair nominee, Kevin Warsh, had his confirmation hearing on Tuesday before the Senate Banking Committee.
- US President Donald Trump extended the ceasefire in place with Iran indefinitely while keeping the blockade in the strait of Hormuz, noting that the peace talks between the two countries planned for yesterday were called off.
- **UK Economy:** Inflation rose to **3.3% in March 2026**, largely driven by rising energy prices.
- Apple CEO Tim Cook announced his departure for September 2026, with John Ternus set to succeed him.

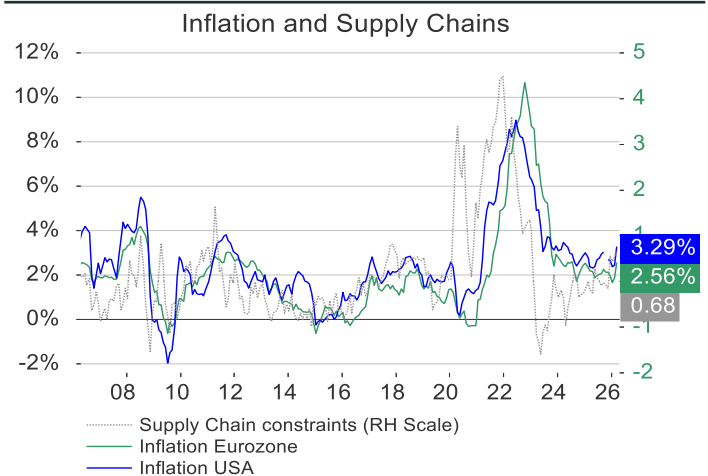
Snapshot

Inflation is the primary economic risk associated with the Iran strikes. The origins of the pressure and the resulting vulnerabilities differ markedly across regions. Before the strikes, inflation was on a global down-trend, with the notable exception of the United States. Trade-tariff effects were becoming increasingly visible, although the overall impact on prices was smaller than initially anticipated. Higher tariffs produced a delayed inflationary response because many firms were reluctant to pass cost increases on to consumers. U.S. inflation has fallen from its 2022 peak but remains stuck above 3%. The main vulnerabilities stem from reliance on external energy supplies. The United States enjoys the advantage of being a net energy exporter and faces no export constraints. By contrast, the euro-area and most Asian economies are highly exposed: they generate little domestic energy and, in several cases, import oil and gas from the Middle East via the Strait of Hormuz.

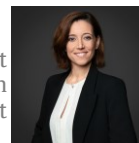
Consequently, the key questions are: how likely is a sustained rise in inflation, and what will be its impact on overall economic activity?

Market	21/04/2026	% Chg 1 Wk	Return Trend	
	Level		1 Month	1 Year
Stocks				
S&P 500	7064	+1,4%	↗	↗
Euro STOXX 50	5930	-0,9%	↗	↗
FTSE 100	10498	-1,0%	↗	↗
Nikkei 225	59552	+2,4%	↗	↗
MSCI EM	1615	+2,0%	↗	↗
Bonds				
	Yield			
US 10Y	4,3	+0,1%	↗	↗
Gm 10Y	3,0	-0,7%	↗	↘
UK 10Y	4,9	+2,2%	↗	↗
JP 10Y	2,4	-0,7%	↘	↘
IG Credit				
	Yield			
US	5,2	+1,0%	↗	↗
EU	3,5	-1,3%	↗	↗
UK	5,6	+1,3%	↗	↗
Alternatives				
Gold	4764	-0,6%	↗	↗
Copper	6,0	-0,6%	↗	↗
S&P Global Infra	3830	-1,0%	↗	↗
EU REITs	1670	+0,4%	↗	↗
BBG Hedge Fds	1811	+0,1%	↘	↗

CHART 1: GLOBAL INFLATION TRENDS



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What are the risks of Stagflation?

Stagflation is a scenario of low growth combined with high inflation. In the 1970s and 1980s when stagflation was prevalent, central banks were not even independent of sovereign governments. Currently, for countries with independent central banks that pursue explicit inflation targets, this outcome is relatively unlikely.

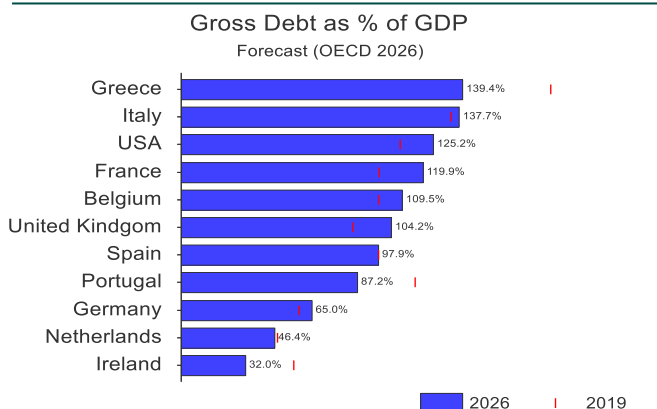
Consider the European Central Bank (ECB), which did not even exist prior to 1998, it has a clear 2% inflation target. If policymakers detect a persistent risk of inflation rising above that level, they will raise the policy rate to dampen demand and bring price growth back down. The trade-off would be a slowdown in activity—potentially a recession—and a temporary uptick in unemployment. Consequently, a stagflation episode is very unlikely for the euro-area and for other jurisdictions that adhere to an explicit inflation target, such as the United Kingdom.

In the United States the situation differs. The Federal Reserve operates under a dual mandate: price stability and maximum employment. The relative weight given to each objective can shift over time, making it more plausible for inflation to stay above 2% for an extended period. The Federal Reserve only formally adopted its 2% inflation (PCE) target in 2012. A further source of uncertainty is the potential erosion of central-bank independence; while this risk is modest in the near term, it could become more material later. Bottom line: Stagflation remains a low-probability scenario for most advanced economies, but the risk is higher for the United States than for regions with strict, single-objective inflation targeting.

What are dynamics around public debt?

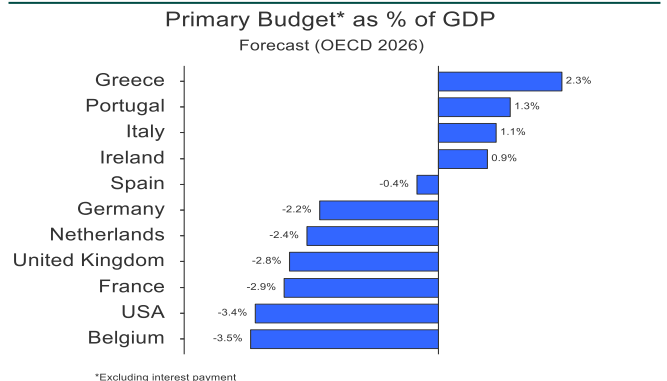
The public debt and deficits surged sharply during the Covid period. As can be seen in chart 2, only a handful of countries have managed to bring debt down in the last few years, and they are the exception rather than the rule. As a rule of thumb, debt tends to remain stable when economic growth exceeds the government's borrowing cost, and no new primary deficits are generated. For simplicity, the borrowing cost is often represented by the current yield to maturity of a 10-year government bond. A more precise measure would calculate a weighted coupon on all outstanding bonds. This lowers the effective borrowing cost because a large share of existing debt was issued when rates and coupons were historically low. Using this more precise measure, almost all countries have a positive value (see chart 4). Several Southern European economies are currently running a budget surplus (see chart 3). For many other jurisdictions, the key challenge remains to narrow the primary deficit toward zero.

CHART 2: PUBLIC DEBT AS A % OF GDP



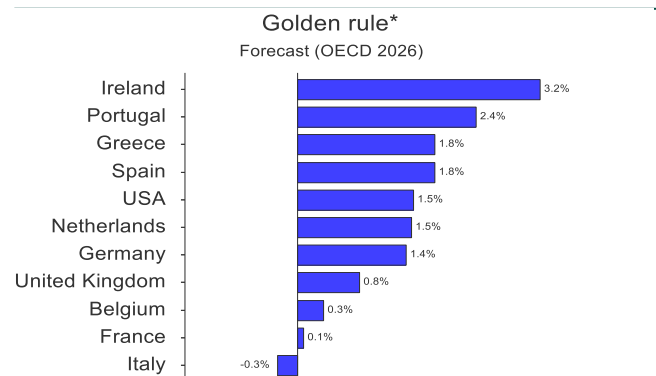
Source: LSEG Datastream, 30/06/2026

CHART 3: PUBLIC DEFICIT AS A % OF GDP



Source: LSEG Datastream, 30/06/2026

CHART 4: GOLDEN RULE



*Difference between the nominal GDP growth and the weighted fixe coupon (Bloomberg)

Source: LSEG Datastream, Bloomberg, 26



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