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MAKING SENSE OF *THIS* WORLD

20 April 2026



R&R Weekly Column
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Markets Versus Policymakers: The Disconnect at the Spring Meetings

Last week the Spring Meetings of the IMF and World Bank took place in Washington DC; they opened shortly after the two-week truce between the United States and Iran was announced on 8 April, halting forty days of US–Israeli attacks that had pushed the region to the brink of a wider war, and while they were under way the Israel–Lebanon cessation of hostilities also materialised, for an initial ten-day period, as a gesture of goodwill intended to enable good-faith negotiations towards a permanent security and peace agreement. Towards the end of the meetings the Strait of Hormuz was also partially reopened. This succession of good news, combined with the expectation of a more permanent deal between Washington and Tehran, propelled risky asset prices to new highs, completely reversing the losses sustained since the onset of the US–Israeli attack on Iran on 28 February.

Thus the market was displaying remarkable resilience — indeed, outright optimism — at the very moment when policymakers from the IMF, the World Bank, other multilateral organisations, central banks and finance ministries were uniformly counselling prudence and caution. While a short-term respite was certainly welcome, the official chorus was warning market participants that a more prolonged conflict, or the more lasting economic consequences stemming from higher oil, gas and fertiliser prices, along with the damage inflicted on Middle Eastern energy infrastructure, had by no means been priced in.


The IMF itself set the tone: assuming that the conflict remains limited in duration and scope, global growth is projected to slow to 3.1 percent in 2026 and 3.2 percent in 2027, with global headline inflation projected to rise modestly in 2026 before resuming its decline in 2027, and with downside risks dominating the outlook. More starkly still, if oil prices on average hover around \$100 a barrel, as they have in recent weeks, the IMF forecasts global growth to fall to 2.5 percent this year, and in the worst-case scenario — in which supply disruptions persist into next year — global growth is projected to fall to around 2 percent, which the Fund itself characterises as "a close call for a global recession".


So the Spring Meetings laid bare a massive disconnect between what policymakers were saying and what the market was doing, leaving both sides extremely perplexed. How, therefore, can one reconcile these divergent readings of the same reality? One plausible explanation is the following. Markets may simply be focused on short-term developments; and clearly, signs are building up that the conflict with Iran is edging closer to some form of standstill. This would account for the immediate optimism, not least because the policy implication is that central banks will not have to raise interest rates in the near term and can instead concentrate on supporting growth, potentially opening space for rate cuts in the coming weeks and months — an outcome that would be unambiguously supportive of risky asset prices.

Policymakers, on the other hand, are focused on longer-horizon developments; and they are probably right to highlight that markets are likely underestimating a substantial residual risk, both geopolitically and in its economic implications. Thus markets may prove correct in the immediate future, while policymakers may prove correct in the medium to long run. Clearly things may evolve in a quite different direction: bad news may emerge on a daily basis — such as Trump's declaration that the US naval blockade on Iran will continue even after Tehran reopened the Strait of Hormuz, or an Iranian retaliation closing the Strait once again — and such developments could trigger sudden market reversals. Equally, policymakers may yet be surprised on the upside by the resilience of the global economy to these shocks.

One further element must be factored in: the United States is on an expansionary campaign — the Phase 1 of the "Don-Roe Doctrine" discussed in our recent publications — and new military operations may materialise sooner than currently anticipated. The "Donroe Doctrine" has already led to the toppling of the government in Venezuela and a framework deal to bolster the US presence in Greenland, and President Trump has in recent days declared that Cuba is "ready to fall" and that the Colombian president's days in office are numbered. First and foremost, therefore, operations in Cuba, Colombia and, most likely, again in Greenland may follow. If this scenario were to materialise, further volatility should be expected in coming weeks. Equally, the economic effects of the war in Iran have not yet been fully felt; but as soon as the extent of the damage is properly estimated, a reassessment of the strength of the global economy will be warranted, with all the obvious implications for asset prices.

Our Recent Publications

 [*Panama and Beyond: The Geopolitics of Ports*](#), by Lāsma Kokina, 15 April 2026

 [*International North-South Trade Corridor and the New Eurasian Order*](#), by Nato Balavadze, 17 April 2026

 [*Will the China and US Battle Spill Into APAC*](#), by Mirko Giordani, 14 April 2026

 [*Global LNG Shock and Europe's Growing Vulnerability*](#), by Nato Balavadze, 9 April 2026



Looking Ahead

The Week Ahead: US Consumer Sentiment To Fall; UK Headline Inflation To Increase, While Core Is Set to Remain Unchanged

In the US, in April, Michigan Consumer Sentiment is seen falling to 47.6 (*p*: 53.3).

In the UK, in March, headline inflation rate is likely to increase to 3.3% y-o-y (*p*: 3.0%), while core inflation rate is seen remaining at 3.2%. In February, unemployment rate is expected to remain at 5.2%. In March, retail sales are likely to increase by 0.2% m-o-m (*p*: -0.4%).

The Quarter Ahead: Netflix Shares Drop; IMF Cut Eurozone Growth Forecasts; Iran Re-Closes Strait Of Hormuz, Citing US "Piracy"

Netflix shares fell 9% after hours despite strong earnings. The company beat expectations on revenue and nearly doubled profit, boosted by a \$2.8B breakup fee from its abandoned deal with Warner Bros. Discovery. However, Netflix kept full-year guidance unchanged, disappointing investors. It also announced that co-founder Reed Hastings will step down from the board in June.

IMF cut eurozone growth to 1.1% (from 1.4%) as momentum weakens. The downgrade reflects fallout from the Iran conflict, which has disrupted energy markets, especially via the Strait of Hormuz, pushing global inflation expectations up to 4.4% and stalling recovery. Europe is particularly exposed, with energy costs projected to rise 19%, weighing on industry. The IMF warns that prolonged conflict could tip the global economy toward recession.

Conflicting signals deepen uncertainty over the Strait of Hormuz. Iran said it would close the strait in response to the ongoing US blockade of its ports, while earlier both Tehran and Trump had claimed the waterway would remain open during a ceasefire. In reality, the situation remains unclear, with mixed official statements and data showing some tankers still transiting the strait. Iran also rejected U.S. claims that it agreed to concessions, including removing enriched uranium.

Last Week's Review

Real Economy: Headline Inflation Rose In EZ, France And Italy; YoY IP Rose In US And Shrank In UK

In the US, in March, IP shrank by 0.5% m-o-m (*c*: 0.1%; *p*: 0.7%) and increased 0.7% y-o-y (*p*: 1.2%).

In the EZ, in March, headline inflation rate increased to 2.6% y-o-y (*c*: 2.5%; *p*: 1.9%), while core inflation rate eased off slightly to 2.3% y-o-y (*p*: 2.4%) as expected. In March, according to final estimates, headline inflation rate: *i*) increased by 1.7% y-o-y (*c*: 1.7%; *p*: 0.9%) in France; *ii*) increased by 1.7% y-o-y (*p*: 1.5%) in Italy as expected.

In the UK, in March, IP rose by 0.5% m-o-m (*c*: 0.2%; *p*: -0.1%) and shrank by 0.4% y-o-y (*c*: -0.9%; *p*: 0.5%).

Financial Markets: Stocks Rose; Yields Edged Down; US Dollar And Oil Prices Fell; Gold Prices Were Up

Market Drivers: Middle East de-escalation lifted market sentiment. US equities rose for a third straight week, with major indexes hitting record highs on easing geopolitical tensions, strong bank earnings, and solid economic data, especially resilient consumer spending. US Treasuries also gained, with yields falling toward week's end after Iran signaled the Strait of Hormuz would remain open. Europe followed suit, as markets reacted to earnings and easing tensions.

Global Equities: increased *w-o-w* (MSCI ACWI, +3.9%, to 1,074.76). The US S&P 500 index increased (+4.5% *w-o-w*, to 7,126.06). In the EZ, share prices increased (Eurostoxx 50, +6.5% *w-o-w*, to 6,061.85) In EMs, equity increased (MSCI EMs, +1.4%, to 1,597.13) Volatility is declined to 20.40 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: *w-o-w*, the 10-year US Treasury yields were down (-8 bps to 4.24%). The 2-year US Treasury yields fell (-10 bps to 3.70%). The German 10-year bund yields decreased (-7bp to 3.98%).

FX: *w-o-w*, the US Dollar Index declined (DXY, -0.6%, to 98.10; EUR/USD +0.4%, to 1.18). In EMs, currencies rose (MSCI EM Currency Index, +0.3% *w-o-w*, to 1,874.05).

Commodities: *w-o-w*, oil prices declined (Brent, -5.1% to 90.38 USD/b). Gold rose increased *w-o-w* (+1.9% to 4,879.60 USD/Oz).



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Abbreviations, Acronyms and Definitions

| | | | |
|-------|---------------------------------------|---------|---|
| a | Actual | LN | Northern League, Italy |
| AKP | Justice and Development Party, Turkey | M5S | Five Star Movement, Italy |
| ann. | annualized | m-o-m | Month-on-month |
| ARS | Argentinian Peso | mb | Million barrels |
| avg. | Average | mb/d | Million barrels per day |
| bn | Billion | MENA | Middle East and North Africa |
| BoC | Bank of Canada | MHP | Nationalist Movement Party, Turkey |
| BoE | Bank of England | mn | Million |
| BoJ | Bank of Japan | MPC | Monetary Policy Committee |
| bpd | Barrels per day | NAFTA | North-American Free Trade Agreement |
| bps | Basis points | NATO | North Atlantic Treaty Organization |
| BS | Balance sheet | OECD | Organization for Economic Cooperation and Development |
| c | Consensus | Opec | Organization of Petroleum Exporting Countries |
| C/A | Current account | p | Previous |
| CB | Central bank | P2P | Peer-to-peer |
| CBB | Central Bank of Bahrain | PBoC | People's Bank of China |
| CBK | Central Bank of Kuwait | PCE | Personal Consumption Expenditures |
| CBT | Central Bank of Turkey | PE | Price to earnings ratio |
| CDU | Christian Democratic Union, Germany | PM | Prime minister |
| CNY | Chinese Yuan | PMI | Purchasing managers' index |
| CPI | Consumer Price Index | pps | Percentage points |
| DJIA | Dow Jones Industrial Average Index | pw | Previous week |
| DIEM | Dow Jones Emerging Markets Index | QCB | Qatar Central Bank |
| d-o-d | Day-on-day | QAR | Qatari Riyal |
| DXY | US Dollar Index | QE | Quantitative easing |
| EC | European Commission | q-o-q | Quarter-on-quarter |
| ECB | European Central Bank | RE | Real estate |
| ECJ | European Court of Justice | RBA | Reserve Bank of Australia |
| EIA | US Energy Information Agency | RRR | Reserve Requirement Ratio |
| EM | Emerging Markets | RUB | Russian Rouble |
| EP | European Parliament | SWF | Sovereign Wealth Fund |
| EPS | Earnings per share | tn | Trillion |
| EU | European Union | TRY | Turkish Lira |
| EUR | Euro | UAE | United Arab Emirates |
| EZ | Eurozone | UK | United Kingdom |
| Fed | US Federal Reserve | US | United States |
| FOMC | US Federal Open Market Committee | USD | United States Dollar |
| FRB | US Federal Reserve Board | USD/b | USD per barrel |
| FX | Foreign exchange | UST | US Treasury bills/bonds |
| FY | Fiscal Year | VAT | Value added tax |
| GCC | Gulf Cooperation Council | VIX | Chicago Board Options Exchange Volatility Index |
| GBP | British pound | WTI | West Texas Intermediate |
| GDP | Gross domestic product | WTO | World Trade Organisation |
| IMF | International Monetary Fund | w | Week |
| INR | Indian Rupee | w-o-w | Week-on-week |
| IPO | Initial public offering | y | Year |
| IRR | Iranian Rial | y-o-y | Year-on-year |
| JPY | Japanese yen | y-t-d | Year-to-date |
| k | thousand | ZAR | South African Rand |
| KSA | Kingdom of Saudi Arabia | 2y; 10y | 2-year; 10-year |

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