

Garry White, Chief Investment Commentator, Charles Stanley

Market Snapshot

Published 27 March 2026

Donald Trump raised hopes on Monday that an off-ramp for the current conflict in the Middle East might be within reach, after a deadline passed for Iran to open the Strait of Hormuz. With tensions running high and military planners braced for escalation, the US president opted to hold back from launching retaliatory strikes on Iran's infrastructure, a move that surprised some advisers and international observers. His decision to pause the response was seen by diplomats as an attempt to give negotiations more time and to avoid triggering a broader regional confrontation, even as pressure mounted from within Washington to demonstrate resolve. However, the conflict continues with no sign of a conclusion soon, hitting market sentiment.

Monday's open incorporated the quarterly reshuffle of the FTSE indices. Banking group **Lion Finance** becomes the first Georgian company to join the blue-chip FTSE 100, alongside **IG Group**. Leaving the index were **easyJet** and **Hikma Pharmaceuticals**. **CVS Group** and The **Schiehallion Fund** entered the FTSE 250, while media group **Future** and car software provider **Pinewood Technologies** dropped out.

The FTSE 100 was -0.1% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading -1.1%.

Middle East

Iran further squeezed traffic through the Strait of Hormuz – the transit route for roughly 20% of global oil flows – compounding the most severe energy supply disruption since the 1970s. Brent crude surged past \$106–\$110 a barrel, up 40%–50% from pre-war levels, after fresh missile strikes, tanker attacks and liquified natural gas (LNG) shutdowns rippled through global supply chains.

Early in the week, markets staged a brief relief rally after Washington announced a temporary pause in escalatory strikes – but the rebound quickly reversed when Tehran denied any negotiations were under way. Oil prices stayed near triple digits, LNG prices remained roughly 60% higher than before the conflict, and supply-chain strains deepened as

shipping insurers widened exclusion zones around the Gulf.

The Organisation of Economic Co-operation and Development's (OECD's) updated global outlook this week warned that the Middle East conflict has upended what had briefly looked like a strengthening world economy, derailing the boost from supportive financial conditions and AI-driven investment. The organisation said renewed energy and commodity price shocks have revived inflation and rattled financial markets, forcing it to hold its 2026 global growth forecast at 2.9% rather than revise it higher as previously expected, while trimming its 2027 projection and sharply raising inflation forecasts across major economies. The interim report stressed that prolonged disruptions to Middle Eastern exports could trigger sharper price spikes, weaken private demand and heighten financial stability risks, urging governments to keep any energy-support measures tightly targeted and temporary, and calling on central banks to stay vigilant as the inflation path becomes more uncertain.

The UK is facing the biggest hit to growth out of the G20 major economies, according to the OECD. Economic growth in the UK this year is forecast to be 0.7%, down from its previous forecast of 1.2%. Inflation is also predicted to be higher than expected. Among G7 countries, only the US is predicted to have higher inflation than the UK in the forecast, while only Italy is expected to see weaker growth. The G7 is made up of the US, UK, Canada, France, Germany, Italy and Japan.

Economics

UK inflation data offered little respite for policymakers at the Bank of England, with February's data showing the Consumer Price Index (CPI) stuck at 3.0% and underlying price pressures proving stubborn as higher energy and goods costs continue to filter through. Clothing and housing-related expenses pushed inflation up, even as food and transport costs eased slightly, leaving the Bank of England facing a difficult balancing act in the face of renewed geopolitical uncertainty and rising energy prices. On

the producer side, core factory-gate prices remained elevated, with core producer prices slipping only marginally to 141.5 from 142.6, highlighting persistent cost pressures within supply chains that risk keeping consumer inflation sticky in the months ahead.

UK retail sales data out today show that sales volumes fell 0.4% in February, a smaller drop than economists had expected. At the same time, consumer confidence has taken a marked downturn, with GfK's index slipping to -21 in March, its weakest level in nearly a year, as concerns over inflation and the broader economic outlook deepened and households became less willing to make major purchases.



Companies reported lost business owing to heightened risk aversion, higher energy prices, tighter financial conditions and travel and supply chain disruptions linked to the conflict in the Middle East.

This week's S&P Global PMI figures painted a picture of uneven global momentum, with manufacturing showing pockets of resilience while services softened under mounting cost pressures. Flash data showed the eurozone's manufacturing sector unexpectedly surging to a 45-month high as firms ramped up panic-buying ahead of potential supply disruptions, even as services activity slipped sharply amid weakening consumer confidence and rising input costs. In the US, manufacturing expanded to a five-month high – but services growth eased to its lowest level since April 2025, with companies citing falling orders, weaker confidence and sharply higher input prices linked to the conflict in the Middle East. Meanwhile, broader global PMI signals from regions including India and China pointed to slowing growth and intensifying inflationary pressures, underscoring the fragile backdrop facing policymakers and businesses as geopolitical tensions continue to reshape demand, supply chains and cost structures worldwide. UK PMI figures showed a clear loss of momentum across the private sector, with both manufacturing and services slowing as geopolitical tensions and rising costs weighed on demand. The flash UK Manufacturing PMI slipped to 51.4 from 51.7 – a three-month low – as output growth weakened, supply chains lengthened and input costs surged at the fastest pace since October 2022, driven by shipping disruptions and Middle East-related

supply issues. Services activity also cooled sharply, with the flash Services PMI falling to 51.2 from 53.9, dragging the composite index down to 51.0 from 53.7 as companies reported lost business owing to heightened risk aversion, higher energy prices, tighter financial conditions and travel and supply chain disruptions linked to the conflict in the Middle East.

Geopolitics

Nato secretary-general Mark Rutte's 2025 annual report portrays an alliance hardening its defences amid what he calls the most dangerous security environment in decades, driven above all by an increasingly aggressive Russia. The report details a major shift in Nato's posture, including a new long-term spending framework agreed at the 2025 summit in The Hague, under which allies will lift defence investment to 5% of GDP by 2035, with 3.5% dedicated to core military capabilities and 1.5% to wider resilience measures. Rutte highlights a steep rise in defence outlays – European allies and Canada boosted spending by 20% in real terms in 2025 to reach a combined USD 574bn – alongside new deterrence initiatives such as the Baltic Sentry and Eastern Sentry operations responding to airspace violations, sabotage and cyberattacks attributed to Russia. The report stressed that support for Ukraine remained central to Nato strategy, with expanded command structures and enhanced readiness across land, sea and air designed to reinforce the alliance's eastern flank in an increasingly unstable geopolitical landscape.

Company news

Speculation over a **SpaceX** IPO has reached fever pitch, with multiple reports suggesting the company is preparing to file confidential paperwork for a listing, potentially paving the way for a June 2026 debut. Analysts say the offering could target a record valuation of around \$1.75tn, driven by booming revenue from the Starlink satellite network, the recent merger with Elon Musk's xAI, and SpaceX's dominance in the global launch market. While no official confirmation has been issued, investor excitement is being fuelled by indications that the company is shifting from considering a Starlink spin-off to pursuing a unified "mega-IPO" that integrates its launch, satellite broadband and AI operations.

High street stalwart **Next** posted a full-year profit that exceeded forecasts and flagged an "encouraging" start to the year, despite heightened geopolitical tensions. The retailer saw total group sales jump 10.8% in the 52 weeks to end-January, to £7bn, while pre-tax profits were 14.5% stronger at £1.16bn, ahead of analyst expectations for £1.15bn. Driving trade was

a strong online performance. Retail stores group sales sparked 2.4% at £1.89bn, while UK online sales surged 10.2% at £2.8bn. Next said it had seen a boost from an improved product offering as well as growth in its international business.

Kingfisher reported a strong full-year performance, with like-for-like sales up 1.4% and total sales rising to £12.9bn, supported by volume growth, market-share gains across the UK, France and Spain, and double-digit increases in both trade and e-commerce revenue. Adjusted profit before tax increased 6% to £560m enabling the completion of a £300m share buyback and the launch of a new programme, alongside maintaining a 12.4p dividend. The group highlighted particularly robust trading at B&Q and Screwfix, where sales grew 3.9% and 4.5% respectively, underpinned by strong demand from trade customers and rapid expansion of its digital marketplace. Despite a mixed consumer environment and softer conditions in France and Poland, Kingfisher said it is well-positioned for the year ahead, with guidance for adjusted pre-tax profit of £565m–£625m.

Bellway delivered a robust interim performance, completing 4,702 homes – a 2.7% increase – and lifting its average selling price to about £322,000, while underlying operating profit edged up 1.5% to £159m despite margins narrowing to 10.5%. The housebuilder reported improved customer demand since the start of the year and said the conflict in the Middle East had not yet materially affected trading, though it warned of renewed mortgage-market volatility and potential inflationary pressures. Bellway strengthened shareholder returns with a higher interim dividend of 23p and continued progress on its £150m share buyback. The group maintained full-year profit guidance of £320m–£330m and said it remains well-positioned to deliver volume growth under stable market conditions.

Fever-Tree reported a challenging full year, with annual profit down 16% after a one-off £2.8m packaging-levy charge and margin pressure linked

to its new US partnership with Molson Coors. Despite this, brand revenue grew 4% at constant currency – accelerating to 5% in the second half – supported by strong momentum in the US, where revenue rose 6%, and continued growth in Europe and the Rest of the World. The mixer maker is also diversifying beyond tonic, with 45% of revenue now coming from products such as ginger beer, premium sodas and non-alcoholic ready-to-drink options.

H&M reported a mixed first quarter, with operating profit rising more than expected to 1.51bn Swedish crowns thanks to tighter cost controls and stronger margins, even as local-currency sales dipped 1% amid weaker December demand and a reduced store footprint. The retailer said well-received spring collections helped lift sales toward the end of the period, with March expected to show a 1% increase. Management highlighted improving profitability, with the operating margin rising to 3.0% from 2.2% a year earlier, supported by supply-chain efficiencies and fewer markdowns. However, overall sales momentum remained soft, reflecting cautious consumer spending and the impact of running about 4% fewer stores than last year.

Powered by

**CHARLES
STANLEY** 

The value of investments can fall as well as rise. Investors may get back less than invested. Past performance is not a reliable guide to the future. This article is not personal advice based on your circumstances. No news or research item is a personal recommendation to deal. Charles Stanley is a trading name of Raymond James Wealth Management Limited, which is authorised and regulated by the Financial Conduct Authority.