US-Iran AGREES *a two-week* CEASEFIRE

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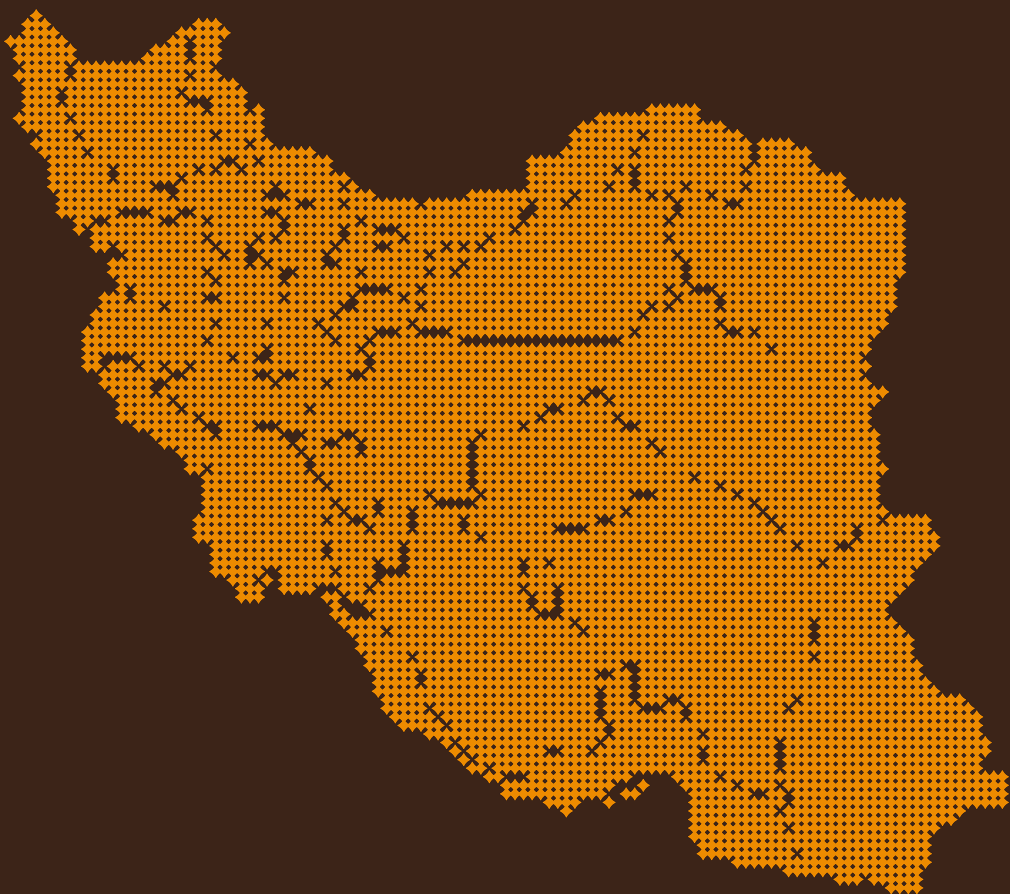

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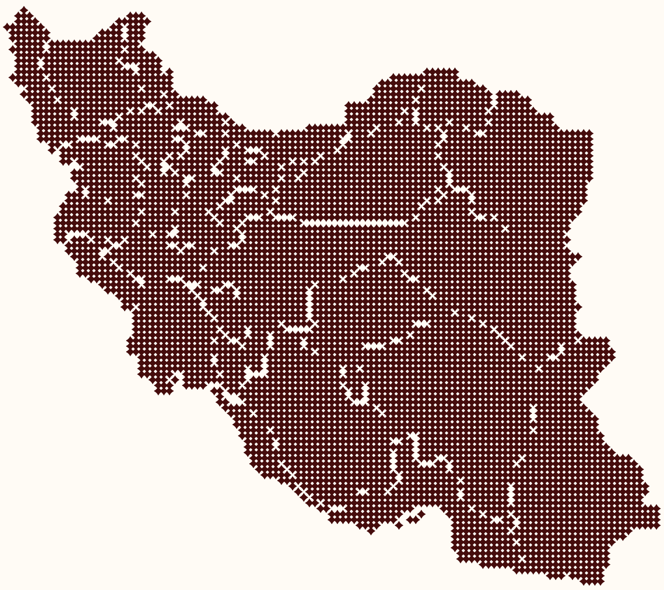
US-Iran AGREES *to a two-week* CEASEFIRE

With just two hours to spare before a deadline set by President Donald Trump, the US and Iran agreed to a two-week ceasefire. The deal, brokered with the support of Pakistan, has eased immediate fears of a wider conflict in the Middle East and has helped lift investor sentiment across global markets.

While the pause does not eliminate longer-term geopolitical risks, it reduces the likelihood of a near-term shock. For investors, the ceasefire underscores both the upside potential for risk assets and the importance of staying diversified.



What's in the ceasefire agreement?

The ceasefire, which began on 7 April, halts direct military action for two weeks. The US will pause attacks on Iranian installations, while Iran will stop launching missiles and drones linked to the confrontation.

Most important for markets, Iran has confirmed that it will allow ships (including oil tankers) to pass freely through the Strait of Hormuz during the ceasefire. This narrow waterway carries roughly one-fifth of global oil supply, and even a brief disruption typically sends energy prices sharply higher.

Iran's foreign minister, Abbas Araghchi, also confirmed that talks between Washington and Tehran will take place in Islamabad during the ceasefire. Iran has put forward a broader 10-point peace proposal, calling for an end to fighting across parts of the Middle East, the release of Iranian funds frozen overseas, and financial support to rebuild damaged areas.

However, core issues such as sanctions and nuclear policy have been deliberately excluded from the temporary agreement. These topics will be addressed later. Israel has backed the ceasefire, although fighting in Lebanon is not included and will probably continue.

Markets are reacting positively

Lower oil prices help ease inflation pressures, which is positive for consumers and central banks alike. Energy feeds directly into fuel, transport and food costs. When oil prices rise sharply, inflation tends to follow, increasing the risk that interest rates stay higher for longer. The recent pullback in crude oil prices reduces the impact of an inflation shock, supporting bond markets and equity valuations.

A geopolitical angle beyond the Middle East

The ceasefire may also have implications beyond the region. If it holds through to Trump's planned meeting with Chinese President Xi Jinping in Beijing on 14–15 May, it could strengthen the US negotiating position.

By reducing tensions with Iran, Washington may feel less pressure to offer concessions to China to secure its influence in Tehran. Removing a major geopolitical flashpoint could make it easier for the US and China to focus more directly on other issues, including technology restrictions and trade tariffs.

Aside from geopolitics, domestic politics are also a consideration for Trump. US gasoline prices have risen above $4 a gallon, their highest levels since shortly after Russia's invasion of Ukraine in early 2022. High fuel prices are unpopular with voters, and Trump will be acutely aware of his standing in opinion polls ahead of November's mid-term elections, when control of Congress is at stake.

Energy prices, growth, and inflation risks

Despite the recent decline in oil prices, risks remain. If energy costs stay elevated for an extended period, US economic growth could slow. For now, it is too early to judge the full impact. As it stands, US data remains resilient, with indicators such as the Atlanta Fed's GDP tracker still pointing to growth of around 2%.

Current inflation pressures look more contained compared with the post-pandemic stimulus surge and the period following Russia's invasion of Ukraine, suggesting that any energy-related inflation impact may be limited.

Investing beyond the near term

Equity markets have held up remarkably well, supported by strong company earnings. The US earnings season starts next week, with analysts expecting first-quarter 2026 earnings per share for the S&P 500 to grow by more than 13%.[1] For the full year, earnings growth of roughly 17% is also expected.[2]

Even so, this is not an environment for complacency. A temporary ceasefire does not remove geopolitical risk. Investors should maintain well-balanced portfolios, including exposure to energy stocks, the US dollar, inflation-linked bonds, short-duration government bonds, and gold. These assets can help cushion portfolios if volatility returns, while still allowing participation in market upside.

In short, the ceasefire offers breathing space, not certainty. For investors, discipline and diversification remain the most reliable strategy.

Speak to us

Sources

[1] Factset
[2] Evelyn Partners/Refinitiv

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