

Market Update | April 8, 2026

Conflict in the Middle East: Markets react to the ceasefire

Last night's ceasefire announcement delivered an enormous boost to energy and financial market sentiment amid the largest oil supply disruption in history. In the first full day of trading since the announcement, energy and commodity prices plunged and global equity prices surged. For the last six weeks, global markets have experienced notable stress – oil prices climbed by as much as 68%, global bond yields rose over 0.45%, and equities fell 7% in the US and 11-13% in Europe and Asia. While significant, these price moves appeared relatively moderate compared to a disruption to 20% of the world's oil supply and one of the most severe geopolitical risk shocks in decades. The reason, in our view, is that global financial markets never let go of a contained optimism that left investors [looking for good news](#).

We continue to believe long-term investors are best served by staying grounded in their financial plans rather than attempting to time markets around complex, rapidly evolving, and highly uncertain events.

As events evolve in the Middle East, global energy and financial markets will continue to adapt and may experience further volatility. In the meantime, we want to take a careful look at the situation, what has happened, and the outlook for global markets.

Key observations

- After last night's ceasefire, oil markets plunged by 15%, one of the sharpest single-day declines on record. US equities rose 2% as investors repriced a meaningful reduction in downside risk.
- Sentiment has been the driving factor behind these significant market swings. In a best-case scenario, it may still take weeks for energy markets to normalize while geopolitical tensions still simmer.
- For weeks, energy markets have viewed this conflict as temporary and finite despite the severity of the shock. Although physical spot oil prices hit an all-time high yesterday, prices for a barrel of oil in future months have remained moderate.¹
- Although recent news flow has been positive, we would emphasize that tail risk still exists in both directions, and there may be quite a bit of good news that markets still need to see play out in order to substantiate today's major market moves.

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¹ Oil price refers to WTI Crude Oil futures, Global bond refers to Bloomberg Global Aggregate Bond Index, US Equities refers to S&P 500, International & Emerging Markets refers to MSCI EAFE and MSCI EM.

Oil prices plunged by a historic amount after the ceasefire

After last night's ceasefire announcement, oil prices plummeted 18% in just 1 hour of overnight trading before closing the day at -15%. To put that in context, the single largest comparable decline on record came on January 17th, 1991, when Operation Desert Storm began and oil fell 33% in a single day – nearly double today's move.² However, despite today's historic decline, oil prices remain 43% higher than before the conflict began.

Exhibit 1: Crude oil prices fell by 15% in a single day, one of the largest declines on record

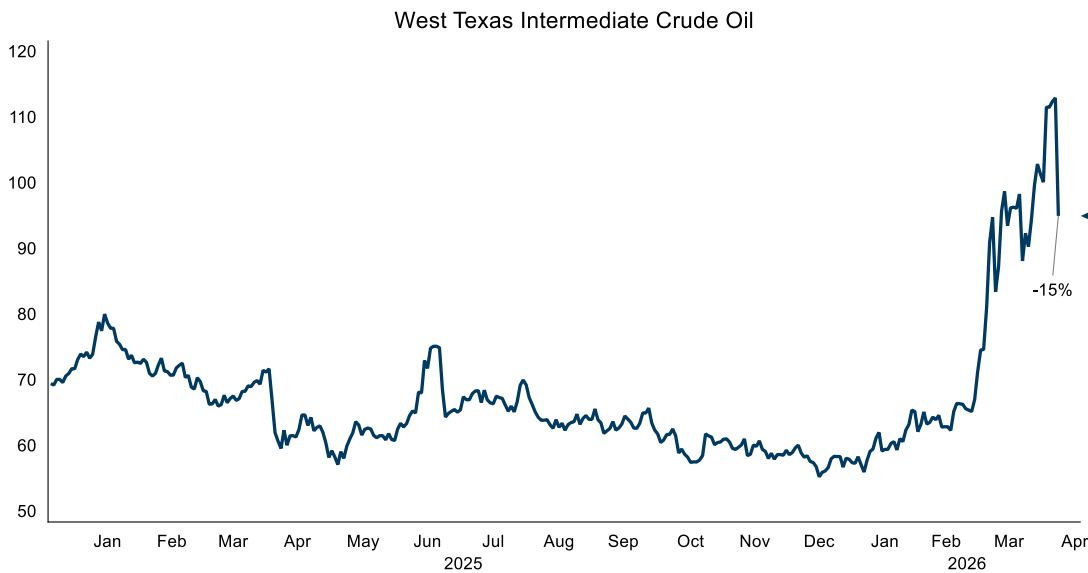
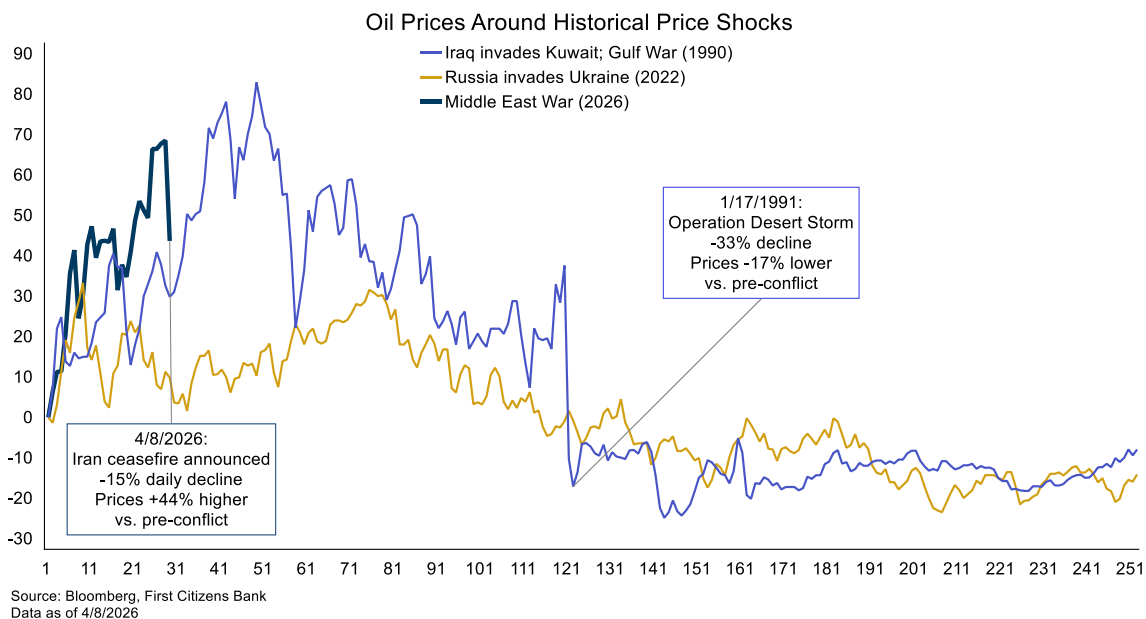


Exhibit 2: Oil prices are still up 43% compared to before the conflict began



² Oil prices experienced larger swings in 2020-2021 during the Covid-19 pandemic.

US equities rallied sharply on the ceasefire news, with the S&P 500 gaining 2% on the day to close at just 1% lower compared to before the conflict began. International equities posted even larger daily gains, with developed and emerging market equities rising 4-6% as global investors repriced a meaningful reduction in tail risk.

Bonds were little changed, however. Treasury yields were flat on the day and are still up by 0.30-0.40% since March 1. Market-implied inflation expectations have risen significantly since the conflict began, with the one-year inflation swap rate up by over 0.50%, but today's drop in oil prices appears to have offered some relief with the implied rate dropping about 0.20% on the day. Markets continue to see Fed rate cuts as unlikely this year, a sharp reversal from expectations prior to the start of the conflict when markets were pricing for 2-3 quarter point cuts in 2026.

Exhibit 3: Equities and fixed income posted moderate gains on April 8 after oil prices plummeted

	Level (April 8*)	Today (April 8*)	Cumulative, since conflict began - (April 8*)	YTD through April 8*
Commodities				
WTI Crude Oil	\$96.34	-15%	+44%	+68%
Brent Crude Oil	\$96.42	-12%	+33%	+58%
Natural gas (Europe)	\$45.30	-15%	+44%	+69%
Natural gas (United States)	\$2.73	-5%	-4%	-26%
Global Equities				
S&P 500	6,783	+3%	-1%	-1%
Russell 2000	2,617	+3%	-1%	+5%
International Developed Equities	3,048	+4%	-3%	+5%
Emerging Market Equities	1,547	+5%	-4%	+10%
Fixed Income & Currency				
2-year Treasury yield	3.79%	-0 bp	+41 bp	+31 bp
10-year Treasury yield	4.29%	-0 bp	+35 bp	+12 bp
US Dollar Index	99	-1%	+1%	+1%
June 2026 market-implied CPI print	3.75%	-0bp	+98 bp	+100 bp
1 Year Inflation Swap Rate	3.13%	-13 bp	+62 bp	+89 bp
Federal funds rate: Cuts through Dec. 2026 (basis points)	-14bp		-14bps (Apr. 8)	
Other Assets				
Gold	4,729	+0%	-10%	+9%
Bitcoin	71,400	+3%	+9%	-19%

Source: Bloomberg. Data as of 4:00PM*

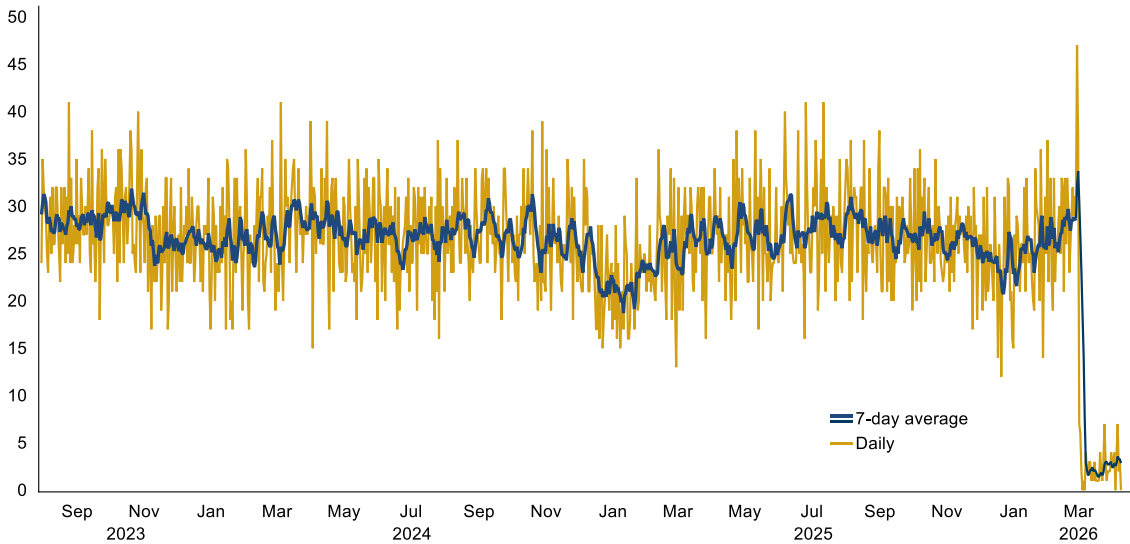
One chokepoint, 20 million barrels of oil

Before the war, about 20 million barrels per day – or 20% of the world's oil – transited the Strait of Hormuz, the 30-mile-wide waterway between Iran and Oman connecting the Persian Gulf to the open ocean. A month ago, that flow effectively stopped, delivering the greatest shock to the global oil market in history. After last night's ceasefire, traffic through this strait will be one of the most closely watched data points in the world. Energy analysts argue that for global oil and gas markets to normalize, tanker traffic through this strait must resume. Early reports suggest the strait was still

blocked on Wednesday, a reminder that the resumption of normal energy flows will not be as easy as the flip of a switch.

Exhibit 4: Markets will be closely watching tanker traffic through the Strait of Hormuz

Number of Crude Oil Tankers Crossing the Strait of Hormuz



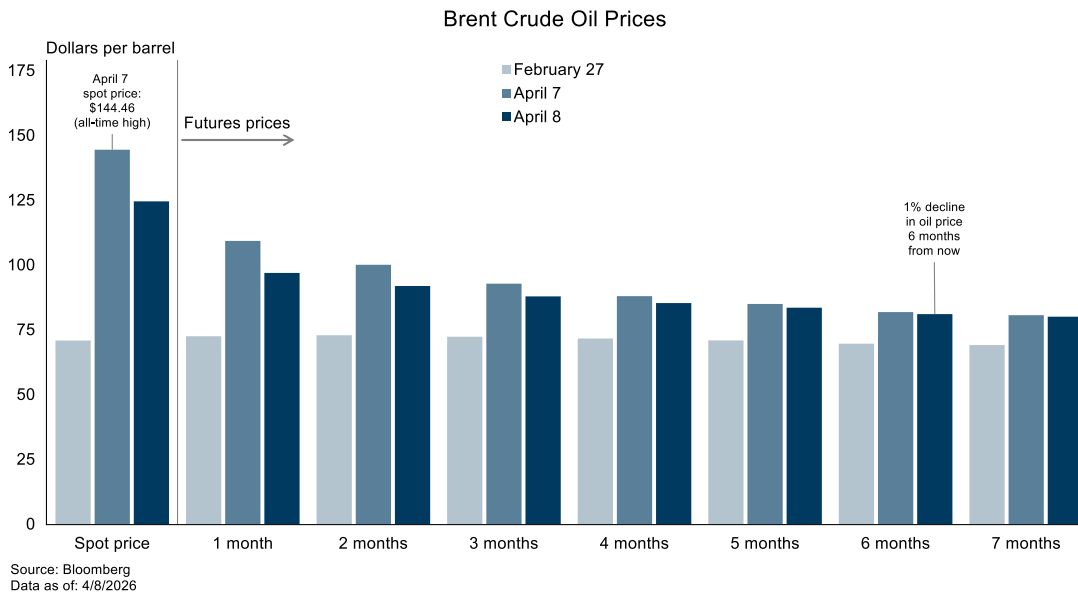
Source: Bloomberg, First Citizens Bank
Data as of 4/8/2026

Over the last few weeks, the world’s emergency energy backstops have kicked into action. The International Energy Agency began releasing 400 million barrels of oil from its stockpiles into the global market, attempting to keep prices down by raising supply. Similarly, the United States announced sales from its Strategic Petroleum Reserve. Saudi Arabia, which exports much of its oil from its eastern coast on the Persian Gulf and through the Strait of Hormuz, has begun moving millions of barrels of oil through its “east-to-west” pipeline, to be exported via the Red Sea. The United Arab Emirates has engaged a similar pipeline but with a more limited capacity.

However, even with the drawdown of emergency stockpiles, emergency pipelines, and other mitigation strategies, it is likely that about 10-15 million barrels of oil per day are still disrupted. So in order for global oil markets to return to normal, energy analysts generally believe oil flows will need to resume through the Strait of Hormuz. Global investors will be watching these developments closely.

Markets continue to show an optimistic outlook for oil prices

The latest oil futures curve, showing the price for oil today as well as at each of the next several months, shows us the market has viewed the ongoing supply shock as finite and temporary. Spot prices – the price paid for an immediate physical barrel – hit all-time highs yesterday, reflecting extreme tightness in the market with significant supply-demand mismatch. However, even yesterday, the price for a barrel of oil a few months from now was only modestly higher than it was on February 27.

Exhibit 5: Oil prices declined massively today in near-term months but by little for later this year


The upshot is that quite a bit of good news was likely already priced into energy and financial markets yesterday before the ceasefire. After today’s historic decline in oil prices, financial markets will be on the lookout for further substantive, positive developments to support the good news reflected in today’s market prices. Specifically, we think oil markets and global investors will pay close attention to the resumption of oil and gas flows through the Strait of Hormuz.



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