



# MARKET UPDATE

## March 2026

# The Minster Partnership

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Overall global markets remained resilient in 2025 despite an uncertain first few months, primarily because of President Trump's "Liberation Day" announcements in early April which led to a sharp fall in markets, initially as a result of rising fears over the potential impact on inflation, the global economy, and the real prospect of full-blown trade wars. Trump's policies on imposing tariffs are undoubtedly inflationary, and he initially introduced these more aggressively than most expected however, since then, the Supreme Court decision and pressure from the US bond market yields rising have meant Trump has been forced to reconsider the level and basis of tariffs, a process which is ongoing today. Generally, the latter part of 2025 saw an expectation of falling interest rates as inflation fell gradually around the world with UK CPI (Consumer Price index as a measure of inflation) standing at 3.2% over one year to January 2026, moving gradually closer to the Bank of England's 2.0% target.

However, at the start of 2026, after an overall positive first few weeks, the geopolitical landscape changed with rising tensions and escalations in the Middle East. Events have been fast moving since the US and Israel launched attacks on Iran at the end of February killing Iran's supreme leader and hitting both military and nuclear sites. Following this, Iran retaliated with missile and drone attacks across the Middle East and declared the Strait of Hormuz effectively closed, a situation which remains unchanged today, albeit some shipping is being allowed through on Iran's terms for its own interests. The Strait of Hormuz remains a critical waterway for global energy supplies, carrying around a fifth of global seaborne oil and liquefied gas shipments. As a result of the effective closure, energy prices have risen sharply since the initial attacks as the supply of oil disruption escalates and this has been further escalated today with Iran launching attacks on shipping in the Persian Gulf.

The disruption in the supply of oil has led to oil prices rising and remaining volatile as they react to events as they happen and the effect of this has already been seen at petrol pump prices in the UK and US since the conflict began. As with previous conflicts which involve oil supply, such as the Russia and Ukraine conflict which remains ongoing, we are likely to see inflation drifting higher which is then likely to limit central banks' ability to reduce interest rates in the

near term despite previous expectations of rate cuts in the next year, especially in major western economies.

There has been much rhetoric with regard to how long a conflict may last and it has been widely reported that many countries including the Gulf states are applying pressure for a de-escalation. While the conflict remains ongoing, financial markets have been volatile and this is likely to persist in the short term while the conflict continues. Company share prices tied to travel, airlines and hospitality have weakened due to major disruption while energy and defence shares have risen as investors move towards these sectors seen as beneficiaries of higher oil prices and elevated geopolitical risk.

Overall markets are behaving in line with previous geopolitical stress events, particularly those involving escalating oil, with a sharp initial reaction followed by periods of volatility and stabilisation as investors assess the ongoing situation. Aside from a material widening of the conflict, history shows us that recovery is often seen in the weeks that follow.

With markets likely to remain volatile, this is best navigated by holding a suitably diversified portfolio. Volatility is always the price paid for the prospect of higher long-term returns and 2025 demonstrated the importance of remaining invested in times of turbulence. With interest rates available on cash already lower than a year ago many investors will continue to rely on risk assets to drive long term income and growth potential.

Despite the intense uncertainty and geopolitical events of recent years, historical performance across all periods remains very attractive for most investors. The acceptance of risk has provided superior returns to both cash and inflation over the medium and longer term, demonstrating how investor patience can be rewarded over time.