NEWS FLASH

Groupama ASSET MANAGEMENT

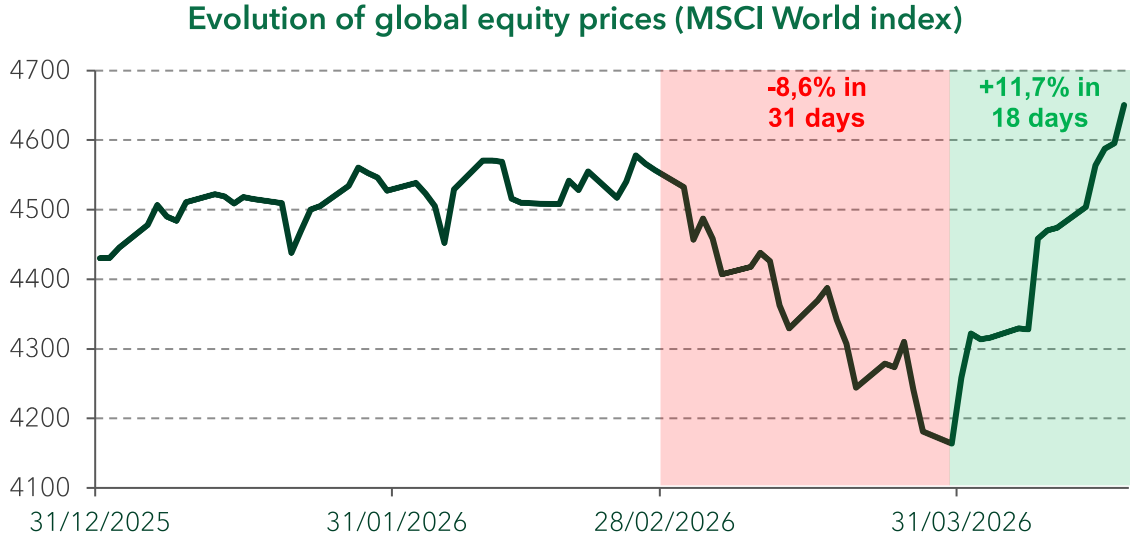
Asymmetries

Since the start of the conflict in the Middle East, which has disrupted oil and gas production and transportation, markets have experienced sharp volatility driven by announcements regarding the opening or closure of the Strait of Hormuz.

That said, during this period we have observed a strong sense of calm among investors in risk asset markets. This asymmetry has a name: FOMO, or *Fear of Missing Out*; investors fear regretting not being invested if markets rebound.

As a result, market rallies following announcements deemed positive tend to be stronger than declines triggered by negative news.

This is precisely what has occurred since late March, with a very strong market rebound as negotiations appeared to make progress. The global equity index has thus returned to its all-time high after a rise of +11% over 18 days.



Source : Bloomberg, 20/04/2026

How should we assess current market levels?

The oil market remains extremely tight. Brent crude is trading at USD 94 per barrel this Monday, April 20 (2:00 p.m.), around USD 30 higher than before the intervention. While the oil market previously faced an oversupply of 3 million barrels per day, it is now running a deficit of 7 million barrels per day. Should the Strait of Hormuz remain blocked for a prolonged period, the oil shortfall could reach 17 million barrels per day, potentially pushing Brent prices into the USD 150–200 range and significantly weighing on global growth.

Turning to equities, earnings growth expectations for 2026 stand at +14% in Europe and +12% in the United States[1]. While these forecasts appear credible in the U.S., given investment plans related to artificial intelligence, they seem overly optimistic in Europe. This reflects the lack of German investment (which is nevertheless expected) and France’s complex economic situation, marked by limited fiscal capacity and challenges in the luxury sector (see Hermès).

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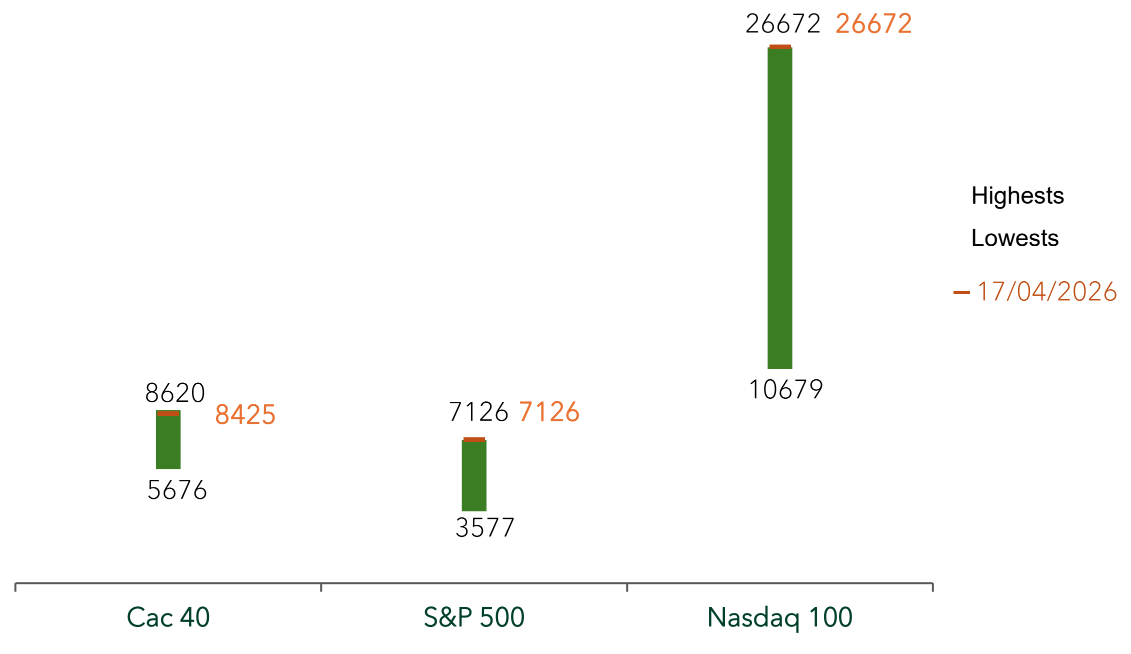
Credit markets are also holding up well, largely supported by clearly positive technical factors, with demand for risk assets significantly exceeding available supply.

In government bond markets, short maturities (< 2 years) have already corrected sharply as investors revised their expectations for central bank policy rates, now anticipating 2 to 3 rate hikes from the European Central Bank to counter a potential resurgence of inflation. As for longer-dated bonds, the market remains stable, caught between the risk of renewed inflation and the equally plausible slowdown in economic growth.

In summary, both bond and equity markets are holding at, or even exceeding, their historical highs, driven largely by investor behavior. Investors fear missing out on a rebound and therefore remain heavily invested in risk assets. This optimism is not irrational either, as economic conditions remain broadly solid, supported by investment spending.

Equity index levels as of April 17, highest and lowest points over the past 5 years



Source : Bloomberg, 20/04/2026

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