

Global Fixed Income Team

Outlook & Strategy

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Market Recap & Outlook

An announced two-week cease-fire in the US-Iranian war has been greeted with joy by global risk markets. All equities are up, and European and Asian markets are out-performing the US. We see this as a relief rally as these countries were seen as the biggest losers in a world of higher oil prices and lower volumes. Global bonds have rallied and non-US currencies are broadly stronger.

Much uncertainty persists, particularly with respect to the resumption of normal shipping through the Strait of Hormuz. Markets seem to think that this issue can be resolved, possibly at a price, as the Iranians may be able to extract some tolling revenue in exchange for passage. We do not expect oil prices to fall to pre-war levels. First, the war may not be over but merely paused. Second, even if there is a way forward towards a more durable peace via negotiation, oil volumes will be depressed for some time while physical damage to regional infrastructure is repaired. In addition, oil demand is likely to increase. Many countries found that their oil and gasoline reserves were insufficient to bridge a disruption in supply, and inventories have been run down. An inventory rebuild demand hike is a forgone conclusion.

Higher prices from the oil supply shock and associated disruptions in helium, urea, aluminum and sulfur supplies will all add to upward price pressures. We see these as persisting through most of the year. Headline inflation is set to rise nearly everywhere. This may keep central banks cautious until they can see the inflation effects more clearly. If this truce really does mark the beginning of the end of the war, the negative shock to global growth and the positive shock to global inflation are likely to be moderate, in our view.



DAVID ROLLEY, CFA
Portfolio Manager

Will the Hedge America trade revive? As we analyze the events at hand, if the Straits re-open in some fashion, oil prices will likely be capped, and investor attention will shift to other themes. First, global EV demand is expected to boom. These cars are not just more economic but now command a new resilience risk premium. Chinese exports of their EV/solar/battery complex may accelerate further. This is CNY bullish. Second, electric power infrastructure capital expenditure is also likely to be boosted. The EV plus AI demand bids join the air conditioning bid across the Global South. Nuclear power should have a robust future across the globe.

Our Strategy

In the US, erratic monthly payroll releases show an average of 68,000 new jobs monthly in the first quarter of 2026. This pace is in line with a stable unemployment rate, given slower labor force growth. Separately, we see weaker private consumption growth from both slower job and household formation growth as well as higher inflation pressures on purchasing power. The AI boom proceeds, as does the utility cap-ex boom, but these may do little to limit the creaking sounds from private credit portfolios. Earnings prospects remain relatively buoyant for most US industries for now. We see the Federal Reserve on hold for the next several months and Treasuries range-bound. In this world, there seems no rush to Hedge America, but global portfolio rebalancing away from overweight US positions is expected to gradually revive. In turn we are inclined to revive our USD underweight bias.

Important Disclosure

Key Risks:

Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Derivatives Risk, Leverage Risk, Counterparty Risk, Prepayment Risk and Extension Risk. Investing involves risk including possible loss of principal.

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About the Team

Our strength is rooted in decades of honing our research and investment processes to consistently navigate ever-changing global markets.

1986

Global Bond Portfolio Established

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Institutional Accounts & Commingled Vehicles

\$37.3

Team Assets Under Management* (Billion USD)

As of 3/31/2026