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Iran war update: Ceasefire recharges global equity markets

What's moving markets – overnight and into 1:35 p.m. Central Time

- President Donald Trump announced in a Truth Social post last night an agreement to delay his pledged bombardment of Iran for two weeks, provided Iran would agree to reopen the Strait of Hormuz. Iran agreed several hours later.
- Investors had lightened equity positioning during the day, and so the announcement was a major surprise that sent equity and metals markets higher, the U.S. dollar and crude oil prices lower in overnight trading.
- Today, West Texas Intermediate crude oil futures for May delivery fell from \$99.38 at the April 7 close to \$88.66, at one point intraday, helping drive equities to outperform fixed income securities.
- At the asset class level, the MSCI Emerging Markets and Europe, Australasia and the Far East, and the Russell 2000 Indices have risen, in our view, based on relief at lower oil prices and expected inflation. The former two indices depend heavily on imported Middle East energy flows, and we saw the latter weighed down during March by rising inflation expectations and borrowing costs.
- A partial reversal lower in inflation expectations also are helping narrow the High Yield spread over U.S. Treasury yields.
- In equity sectors, cyclicals and growth have outperformed the S&P 500 Index, with Consumer Discretionary, Information Technology, Industrials and Financials up the most, while Energy and defensives (Utilities, Staples, Health Care and Real Estate Investment Trusts) lagging the S&P 500 composite index.
- Digital assets have rallied alongside other risk assets, with Ethereum and Bitcoin leading the way.

Our perspective

- We are encouraged by the break in the conflict but foresee a fluid situation that could easily flare up again.
- We remain unfavorable on U.S. Small Cap Equities and the commodity and equity Energy sectors, which could have high sensitivity to political decisions about the ceasefire's durability.
- As we wrote in our report published Monday, we favor using the present to reduce Energy commodity and equity sectors on gains, to reallocate into Information Technology and, among the commodity sectors, Cryptocurrencies, Base and Precious Metals.¹

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1. For complete details, please see Wells Fargo Investment Institute, "Adjusting targets, guidance and allocations," April 6, 2026.

Risks Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **Sector** investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. Although **Treasuries** are considered free from credit risk they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. Investing in gold, silver or other precious metals involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

Bitcoin is a decentralized digital asset that allows peer to peer transfer of value over the internet without a bank, using blockchain technology to record transactions.

Ethereum is a decentralized blockchain platform that enables digital payments and programmable transactions through smart contracts, using its native asset, ether (ETH), to power the network.

Digital assets are not a physical currency, nor legal tender. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment, and a potential total loss of their investment. An investor could lose all or a substantial portion of his/her investment. Digital assets have limited operating history or performance. Digital Assets are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not backed or supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies. Virtual or **cryptocurrency** is not a physical currency, nor is it legal tender. Cryptocurrencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not backed or supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies.

Definitions

MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

An index is unmanaged and not available for direct investment.

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