

Erste Insights 2026 report Update: In light of the developing conflict in the Middle East

A. What exactly happened

On April 7, 2026, after more than 5 weeks of intense conflict, the United States of America, Israel and Iran announced a short, two-week ceasefire to pause hostilities and allow talks. A key issue was Iran's pledge to re-open the Strait of Hormuz - a vital route for global oil and gas shipments. Over the weekend, negotiations ended without a deal, with Hormuz access remaining the main sticking point, while the U.S. also signaled a tougher line by preparing steps to obstruct Iranian oil shipments - an escalation in pressure even if not a return to full-scale conflict.

The constructive takeaway is simple: any ceasefire - and especially any improvement in shipping through Hormuz - reduces the risk of a major energy supply shock. When that risk seemed to ease, oil prices fell and markets generally stabilized, reflecting lower immediate fears of prolonged disruptions.

The key risks remain that the ceasefire is fragile and the underlying disputes are unresolved. Even without renewed fighting, measures such as blocking tankers can quickly raise tensions and interrupt supply, lifting prices - particularly for diesel and jet fuel. And even if politics improve, practical frictions (e.g. rerouting, safety and insurance constraints, or infrastructure damage) could delay a full return to normal shipping and production.

B. What it means for investors

In a period where geopolitics can shift rapidly and markets can react to headlines within hours, it is unusually difficult to draw clean, stable conclusions by asset class.

Against that backdrop, it is reassuring that our latest adjustments to the outlook¹ continue to hold up, and our House View can be summarized as follows:

Scenario 1: The situation calms down - effects fade away

Calming down would mean a supportive environment for equities (in particular in Europe), easing interest rates and yields as inflation concerns would fade and fewer interest rate hikes by central banks would become necessary.

Among alternative investments, energy commodities would lose part of their "crisis premium", whereas industrial metals could benefit if growth outlook would remain intact.

Scenario 2: The situation remains tense - effects continue

This could happen as, on one side, the positions of important actors (e.g. the USA, Israel, Iran) are far apart on key negotiation points and, on the other side, the ceasefire is limited in time.

Continued tensions would mean more pressure on equities (especially in Europe, more dependent on energy imports than the USA), European government bonds (if inflation increases), corporate bonds and Emerging Market bonds which would typically weaken as investors would demand a higher risk premium.

Among alternative investments, gold and energy commodities would likely be in greater demand (acting as "security" or "crisis" building blocks), while industrial metals could be less in demand due to the growth prospect deterioration.

C. Disciplined investment behavior is key

When headlines change quickly, markets can move quickly too, and it is tempting to react. Yet, long-term success in investing typically comes from defining a clear strategy - built around your goals, timeframe, and risk capacity - and following it consistently.

If your strategy hasn't changed, stay the course with a diversified portfolio and avoid emotion-driven decisions.

If you're unsure, consult your advisor and define a strategy you can adhere to, regardless of the noise.

1. Erste Insights 2026 Update: The impact of the war in the Middle East on our markets outlook (17.03.2026)

Forecast overview

Asset classes	Market commentary
Global Stock Markets	Despite increased economic uncertainty from the war in the Middle East, analysts' overall earnings expectations for the global stock index have not deteriorated, with 2026 profit growth still forecast at about +15% year-on-year. However, sector-level estimates are diverging, as Consumer Discretionary (cyclical) earnings forecasts are being revised downward due to expected weaker spending, while Energy earnings forecasts are being revised upward, leaving the aggregate picture of strong global earnings growth intact and implying the global stock index could edge slightly higher in April.
US Stock Markets	Analysts' consensus expects US index earnings to grow about +16% year-on-year this year, mainly driven by the Technology sector, where profits are forecast to rise around +30% year-on-year. For the Q1 reporting season, earnings are projected at +12.9% year-on-year, with slightly faster growth expected in Q2.
EU Stock Markets	European earnings are growing more slowly but are expected to pick up, with profits forecast at +4% year-on-year in Q1 and +12% year-on-year in Q2, while the 2026 consensus still points to +9.5% year-on-year growth. Importantly, analysts have recently revised Europe's earnings estimates upward, supporting expectations of slight stock-index gains in April.
Emerging Market Stock Markets	Despite being more exposed to higher oil and gas prices - seen in the Emerging Market Index's -11% drop in EUR in March - earnings estimates remain positive: revenue growth is projected at 6.4% year-on-year, and earnings are expected to increase by 9.5% year-on-year this year, according to consensus estimates. The 2026 expected P/E is 11.6x (lower due to higher risks), and after the March fall a moderate rebound is expected in April.
Eurozone Bond Markets	In March, German bond yields moved with shifting expectations about the economic impact and duration of the Iran war: short-term yields rose the most as markets priced ECB rate hikes of up to ~75 basis points (0.75%), while long-term yields also rose but only moderately versus January. Erste Group Research expects short-term yields to fall because the ECB likely won't hike as much as priced, and long-term yields to stay broadly unchanged over the year, though uncertainty remains high.
US Bond Markets	In March, the Iran war and higher fuel prices led US markets to drop expectations for two rate cuts totaling 50 bps (0.50%), pushing short-term bond yields sharply higher. Long-term yields also rose but are only slightly above January after an earlier "safe-haven" dip, and while volatility should stay high, the outlook is slightly higher long-term yields over the year and slightly lower short-term yields.
EUR/USD Currency Development	After the Iran war began, the USD initially strengthened, but the euro only briefly fell below 1.15 USD and repeatedly rebounded, so the EUR has weakened only moderately overall. Erste Group Research expects the dollar to weaken later this year as its interest-rate advantage likely narrows, while rising US public debt and erratic US presidential policy add further downward pressure.
Gold	Gold fell -9.8% in EUR in March and ETF investment demand dropped sharply amid high volatility, triggering the largest gold-ETF outflows since Q4 2023. Central banks still bought gold in the first two months but much less (25 tonnes, -50% year-on-year), and with geopolitical/economic uncertainty still elevated, a moderate rise in the gold price is expected in April.

Forecasts are estimates

Source: Marktkommentar April 2026, Erste Group Research

Forecasts are not a reliable indicator of future performance.

About us & Contact

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Today, the banking group serves around 23 million customers in eight core markets: Austria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia. Erste Group offers private, corporate, and institutional clients a broad range of banking and financial services – from retail and private banking to corporate and transaction banking, as well as asset management. In doing so, the Erste Group combines digital innovation with a strong branch network.

For the 2025 financial year, the group reported a net result of 3.5 billion euros, while its CET1 ratio stood at 19.3%. More than 55,000 employees contribute to the banking group's success. Its total assets amounted to 368.6 billion euros.

The Erste Group Chief Investment Office (CIO) provides an integrated investment perspective combining research, asset management and capital-markets expertise to guide investors through complex market environments - distinguishing temporary disruptions from structural economic forces.

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Last updated: April 2026