

# MONTHLY INSIGHT APRIL 26

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- Page 2** FX Analytics
- Page 18** Oil Market
- Page 20** Gold Market
- Page 22** SP500 Market
- Page 24** EUROSTOXX50

# FX Analytics

## USD INDEX

March 2026 Recap

### Monthly Performance Overview

- March was a directional but volatile month, transitioning from early strength into a failed breakout and bearish continuation.
- The DXY attempted to break 98.00-98.20 resistance, but failed to sustain momentum, reinforcing the medium-term bearish structure.

### Price Action Highlights

- Early month strength driven by short covering and slightly firmer data
- FOMC (25bps cut + dovish guidance) marked the turning point
- Triggered a sharp USD sell-off and break below 97.00
- Late-month stabilization near 96.00-96.30, with range-bound price action

### Fundamental Drivers

- Fed now clearly in an easing cycle, with markets pricing further cuts in 2026
- Inflation and labor data support a controlled slowdown, not recession
- EUR and JPY strength, combined with less USD-centric capital flows, capped upside

### Technical View

- Resistance confirmed: 98.00-98.20
- Support held: 96.00-96.30
- Structure: Lower highs intact
- Momentum remains bearish on higher timeframes

### Conclusion

March 2026 reinforced the broader bearish narrative for the U.S. dollar:

- The failure to break higher early in the month, followed by a policy-driven sell-off, confirms that upside momentum remains limited.
- The Fed's shift into a clearer easing cycle is now the dominant macro driver.
- While support held near 96.00, the absence of a strong rebound suggests downside risks remain active.

The DXY enters April with a fragile structure, where any further macro deterioration could trigger a break toward 95.00 and below, unless a meaningful shift in inflation or Fed rhetoric emerges.



## April 2026 Outlook

### Starting Position After March

The DXY enters April trading around the 96.00-96.80 zone, after:

- A failed breakout above 98.20
- A post-FOMC bearish impulse
- Stabilization just above key support at 96.00

Structure remains:

- Lower highs intact
- Weak recovery attempts
- Increasing pressure on long-term support

*The market is transitioning from consolidation into a potential continuation phase, pending macro confirmation.*

### Core Theme: Follow-Through After Fed Pivot

- This becomes a sustained USD downtrend, or
- The market pauses after aggressive repricing

### Monetary Policy & Fed Expectations

No FOMC meeting in April: data-dependent positioning month

Markets now price:

- High probability of another rate cut in May or June
- Lower terminal rate expectations

### Implications:

- Continuation of dovish expectations leads to USD downside
- Pushback from Fed speakers leads to short-term USD stabilization or squeeze

### Key Economic Data to Watch

#### 1. Non-Farm Payrolls (Early April)

- Critical after recent softening trend
- Weak print: accelerates break below 96.00
- Strong print: triggers rebound toward 97.80+

#### 2. CPI (Mid-April)

- Inflation trajectory remains central
- Below ~2.3% YoY: reinforces easing cycle
- Sticky inflation: delays cuts, supports USD

#### 3. Retail Sales & ISM

- Will clarify whether the slowdown is controlled or accelerating

### Global Macro & FX Flows

- EUR and JPY continue to act as relative beneficiaries of USD weakness
- Risk sentiment remains moderately positive: reduces USD demand
- Any risk-off shock (equities/geopolitics) could still trigger temporary USD strength

However, structurally, USD is no longer the dominant safe-haven it once was.

### Technical Structure

#### Key Levels

- 98.20:** Major resistance (March rejection zone)
- 97.50-97.80:** Short-term rebound zone
- 96.00-96.20:** Critical support (currently being tested)
- 95.30:** January low
- 94.00:** Next major downside target

#### Technical Read

- Market is compressing above key support
- Repeated tests of 96.00 increase probability of a breakdown

Momentum:

- Bearish on weekly timeframe
- No confirmed reversal signals

Key insight: Support is weakening, not strengthening.

### Scenario Matrix - April 2026

**Base case:** mixed data and no Fed pushback keep the DXY in a 95.80-97.50 range.

**Bearish USD scenario:** weak NFP, soft CPI and dovish Fed rhetoric could drive a break below 96.00 toward 95.30 and potentially 94.00.

**Bullish USD scenario:** strong jobs and sticky inflation could trigger a rebound toward 97.80-98.50.

### Executive Summary

- April is a continuation test month for the U.S. dollar.
  - The key question: Does the market follow through on March's bearish break?
  - Without a meaningful shift in inflation or Fed tone, downside remains the path of least resistance.
  - A break below 96.00 would likely trigger acceleration toward 95.30 and potentially 94.00
- Bias: Bearish, unless 97.80 is reclaimed and held.

**Expected range: 94.00 to 98.20, with elevated sensitivity to macro data**

# EUR/USD

## March 2026 Recap

- March marked a clear short-term trend reversal, with sustained downside pressure and a close below key support levels.
- The move was driven by geopolitical risk escalation, reinforcing USD strength and risk-off flows.

### Monthly Performance Overview

- Opening Level: ~1.1780 (gap down)
- High of the Month: ~1.1830
- Low of the Month: ~1.1580
- Closing Level: ~1.1620
- Monthly Change: -1.6% approx.

### Technical Breakdown

- Bearish gap at the start of the month remained unfilled, acting as a distribution zone
- Break below 1.17420 confirmed a short-term bearish structure
- Price moved aggressively toward 1.1640, with lows near 1.1580 approaching structural breakdown.

### Fundamental Drivers

#### Geopolitical Catalyst (Iran)

- Triggered global risk-off sentiment
- Supported USD through safe-haven flows

#### Oil Shock Impact

- Triggered global risk-off sentiment
- Supported USD through safe-haven flows

### USD Strength

- Driven by defensive flows and macro repricing
- Reduced expectations for aggressive Fed easing

### Technical Structure

- Formation of lower highs and lower lows
- Confirmation of a short-term bearish trend

### Key Levels Going Forward

Resistance: 1.1810-1.1825  
 Pivot: 1.17420 (now resistance)  
 Support: 1.1640  
 Downside target: 1.1500

### Outlook vs. Reality

Bearish pressure from gap: Confirmed  
 Break of 1.1740: Confirmed  
 Move toward 1.1640: Reached  
 Risk of deeper correction: Materializing

### Conclusion

March was defined by a macro-driven bearish move, confirming a short-term trend reversal.

Key takeaway:

- The pair is now at a critical decision point
- A break below 1.1640 would likely extend the move toward 1.1500



## April 2026 Outlook

EUR/USD enters April after a clear bearish March, driven by the gap down on March 2, the escalation of the Iran conflict, and USD safe-haven strength. Price action has shifted into a corrective phase, with a break below 1.17420, a test of the 1.1640 structural support, and a close near 1.1620.

This places April at a key decision point between correction and a potential structural trend reversal.

### Geopolitical Risk Still Dominant

The evolution of the Iran conflict remains the primary macro driver:

- Escalation: USD strength, EUR downside
- Stabilization: relief rally in EUR/USD

### Oil remains critical

- Elevated oil prices continue to:
- Pressure the Eurozone economy
- Support USD relative strength
- Any spike in crude reinforces bearish EUR/USD bias

### Federal Reserve Expectations

Markets still expect gradual easing, but:

- March risk events reduced expectations of aggressive cuts

If U.S. data remains resilient:

- USD stays supported

If data weakens:

- EUR/USD may recover

### ECB Positioning

ECB remains on hold, maintaining relative stability

However:

- Growth risks increase if energy prices remain high

This limits EUR upside unless global conditions improve

### Technical Structure

#### **Post-March Setup**

- Short-term trend: Bearish
- Medium-term trend: Bullish structure under pressure
- Market currently testing a critical inflection zone

#### **Key Levels for April**

**1.1740:** Resistance (former support)

**1.1640:** Critical structural support

**1.1500:** Breakdown acceleration zone

**1.1400:** Next major support

**1.1825:** Major resistance / trend recovery level

**1.2000:** Bullish regime recovery

### Scenario Analysis - April 2026

#### **Extended Correction / Bearish Bias**

- Price remains below 1.1740
  - Continued geopolitical tension keeps USD bid
  - Retest of 1.1640, with increasing pressure
- If 1.1640 breaks:

- Acceleration toward 1.1500
- Potential extension to 1.1400

#### **Expected range:**

- **1.1400 - 1.1750**

**Bias:** Bearish

#### **Alternative Scenario - Gap Fill**

If:

- Geopolitical tensions ease
- Oil stabilizes or declines
- U.S. data weakens

Then:

- EUR/USD holds above 1.1640
- Recovery toward 1.1740-1.1825

However:

- Moves above 1.1825 are required to restore bullish structure

#### **Bearish Extension Scenario (Tail Risk)**

If conflict escalates further:

- Strong USD rally
- Clear break of 1.1640
- Fast move toward 1.1500-1.1400

This would confirm a broader corrective phase into Q2.

#### **Technical Reading**

- Formation of lower highs confirmed
- Market transitioning from trend to corrective structure
- ADX likely rising: trend strength returning (bearish direction)
- Risk of full channel breakdown if 1.1640 fails

#### **Strategic Summary**

**Immediate momentum:** Bearish

**Medium-term structure:** Under pressure

**Key support:** 1.1640

**Key resistance:** 1.1740 / 1.1825

**Dominant driver:** Geopolitics and oil

**Main risk:** Conflict escalation

#### Conclusion

April 2026 is shaping up as a confirmation month:

- Either: Correction stabilizes above 1.1640 - trend resumes later
- Or: Breakdown below 1.1640 - deeper bearish

The balance of risk currently favors:

- Continued downside pressure, driven by geopolitics and USD strength

# GBP/USD

## March 2026 Recap

- March unfolded as a high-volatility bearish continuation, triggered by a downside gap and geopolitical escalation.
- The pair failed to reclaim the **1.3500-1.3550 gap zone**, confirming weak buying interest and sustained downside pressure.

### Price Action & Structure

- Break below 1.3430 (February low) confirmed bearish continuation
- Gap remained unfilled, reinforcing a directional move
- Price moved toward 1.3200, the primary downside target
- Structure shifted into lower highs and lower lows

### Technical Structure & Drivers

- Break below 1.3430 (February low) confirmed bearish continuation, triggering momentum selling, trend-following flows, and downside acceleration.
- The March opening gap remained largely unfilled, reinforcing a strong impulsive move rather than a temporary dislocation.
- Structure shifted from a corrective phase (February) into a directional bearish phase (March).

### Macro & Geopolitical Influence

- The Iran conflict drove risk-off sentiment, increased safe-haven demand, and elevated FX volatility.

- GBP underperformed due to risk sensitivity, rising energy prices, and a more complex Bank of England backdrop, with growth risks and inflation uncertainty.

### Key Levels Respected

**Immediate resistance:** 1.3500-1.3550 (strong resistance, gap zone, never reclaimed)

**Breakdown trigger:** 1.3430 (February low)

**Primary downside target:** 1.3200-1.3280 (tested/approached)

**Downside risk level:** 1.3000 (emerging risk)

### Performance Summary

March delivered a clean bearish continuation, exactly in line with the structural setup:

- Failed breakout in February
- Gap-down open
- Geopolitical catalyst

The move validated:

- Trend continuation dynamics
- Importance of gap behaviour
- Sensitivity of GBP to macro shocks

### Conclusion

- Bearish momentum remains dominant
- Failure to reclaim resistance + confirmed breakdown reinforces downside bias
- Market now focused on whether 1.3200 holds or breaks toward 1.3000



## April 2026 Outlook

### Starting Point: Post-March Structure

April begins with a clearly defined backdrop:

- Bearish momentum established in March
- Failure to reclaim 1.3500 (gap resistance)
- Price trading near the 1.3200 support region
- Ongoing geopolitical uncertainty (Iran conflict)

This places the market in a fragile technical position, where downside risks remain dominant unless proven otherwise.

### Technical Structure for April

#### Immediate Implications

- Short-term trend remains bearish.
- Medium-term structure is at risk, but not fully broken (key level: 1.3200).

#### Key Levels

**Immediate Resistance:** 1.3450-1.3500 (sell zone/gap resistance)

**Intermediate Resistance:** 1.3350 (short-term rejection level)

**Major Support:** 1.3200-1.3280 (structural support)

**Breakdown Level:** 1.3200 (loss of medium-term structure)

**Downside Targets:** 1.3000 / 1.2850 (extension zones)

A decisive break below 1.3200 would mark a structural shift from bullish to bearish on the higher timeframe.

### Macro & Geopolitical Dynamics

#### Iran Conflict - Key Driver

April will be highly dependent on how the conflict evolves:

If tensions persist or escalate:

- Continued risk-off flows
- Elevated volatility
- Sustained pressure on GBP

If tensions stabilise:

- Relief rallies possible
- Partial recovery toward resistance zones

#### Energy Impact

- Higher oil prices: inflation pressure in the UK
- Weak growth + rising inflation: stagflation risk

This creates a difficult environment for the Bank of England:

- Limited flexibility for aggressive easing
- Growth concerns remain elevated
- Policy uncertainty increases volatility in GBP

### Monetary Policy Expectations

After the December rate cut (3.75%), the BoE remains cautious.

March price action and inflation risks from energy may:

- Delay further cuts
- Or force a more reactive policy stance

This uncertainty limits strong directional GBP recovery.

### Scenario Framework for April

#### Base Case (Most Likely)

- **Range: 1.3100 - 1.3400**
- Price consolidates below 1.3500
- Repeated tests of 1.3200
- No clear resolution in geopolitical risk

#### Bearish Scenario (High Impact)

- **Range: 1.2850 - 1.3200**
- Break of 1.3200
- Acceleration toward 1.3000
- Market reprices risk and growth outlook

This scenario confirms a full structural breakdown.

#### Bullish Recovery Scenario (Lower Probability)

- **Range: 1.3400 - 1.3600**
- De-escalation of conflict
- Gap resistance partially reclaimed
- Short covering + relief rally

However:

Any rally into 1.3450-1.3500 is likely to face strong selling pressure.

### Structural Interpretation

April is a decision month:

March created the breakdown setup

April determines whether:

- The market stabilises and consolidates, or
- Enters a deeper bearish trend cycle

The key trigger remains:

> 1.3200 – hold or break

### Final Outlook - April 2026

**Bias:** Bearish to neutral

**Key Level:** 1.3200

**Primary Range:** 1.3100 - 1.3400

**Downside Risk:** 1.3000 / 1.2850

**Invalidation:** Sustained move above 1.3500

### Strategic Takeaway

- Market remains in a sell-on-rallies regime below 1.3500
- Volatility will be headline-driven
- Structural risk is skewed to the downside, unless macro conditions improve

# USD/JPY

## March 2026 Recap

### Price Action Overview

USD/JPY entered March trading near ¥156.08, following February's recovery phase. Early in the month, the pair attempted to extend gains but failed to break above the February high (~¥157.65). As the month progressed, downside pressure increased, with price breaking below the ¥154.50 support zone. Mid-to-late March saw an acceleration lower, with USD/JPY testing the ¥151.80-152.00 support region. The pair ultimately closed the month near ¥152.60, marking a clear bearish monthly performance.

### Key Drivers During March

#### Federal Reserve - Dovish Shift Materializes

- The March 19 FOMC meeting was the defining event of the month.
- The Fed signaled the start of its easing cycle, confirming that rate cuts were likely to begin in the coming months.
- U.S. inflation data (CPI on March 12) came in softer than expected, reinforcing the dovish narrative.
- U.S. yields declined notably, leading to broad USD weakness, particularly against yield-sensitive currencies like JPY.

#### Bank of Japan - Expectations Strengthen

- Japan's spring wage negotiations (Shunto) showed stronger-than-expected results, increasing confidence in sustained inflation.
- While the BoJ did not immediately tighten policy, forward guidance shifted more clearly toward normalization.

- This combination supported JPY appreciation, particularly as markets began positioning for Q2 policy changes.

### Positioning & Flows

- The failure to break ¥158-159 resistance triggered profit-taking and positioning unwinds from long USD/JPY trades built in Q4 2025.
- Carry trade attractiveness weakened as the rate differential narrative started to compress.
- Safe-haven demand for JPY increased slightly during periods of equity volatility.

### Technical Breakdown

**Open:** ~156.08 – upper-mid range positioning  
**High:** ~157.60 – failure below February high  
**Low:** ~151.80 – retest of key structural support  
**Close:** ~152.60 – bearish monthly close  
**Structure:** lower high + lower close – confirms downside shift

### Conclusion

- March confirmed a shift into a bearish corrective phase, following the failure to break higher in February.
- The combination of a more dovish Fed and stronger JPY reinforced downside pressure.
- The ¥152.00 zone is now the key level, with price consolidating near structural support.
- The pair is transitioning from consolidation into a directional move, with downside risks building.



## April 2026 Outlook

### **Overall Bias: Bullish Continuation**

USD/JPY has invalidated the prior bearish scenario and confirmed a structural breakout above the 159.40 level (January high).

This marks a transition from:

- Range-bound structure (152-159)

to

- Trend expansion and price discovery

The market is now trading at multi-year highs, signaling strong underlying momentum.

### **Current Market Context**

- Break above 159.40 = confirmed long-term resistance breakout
- Previous ceiling is now acting as support
- The market has absorbed supply at the top of the range

This is a trend continuation environment, not a corrective phase.

### **Macro Drivers**

#### **Federal Reserve**

- Market expectations for aggressive rate cuts have likely been reduced or delayed
- Recent data (NFP, CPI) likely came in stronger or resilient
- U.S. yields remain elevated supporting USD strength

#### **Bank of Japan**

- The BoJ remains behind the curve
- No meaningful tightening has been implemented
- Policy divergence persists structurally weak JPY

#### **Yield Differential**

- The U.S.-Japan yield spread remains wide
- Carry trade remains attractive
- This continues to be the primary driver of upside in USD/JPY

### **Technical Structure**

#### **Breakout Confirmation**

- 159.00 - 159.50 Former resistance, now key support
- Clean breakout indicates continuation pattern

### **Key Levels**

#### **Primary Support:**

¥158.50-159.50 – breakout zone (support flip)

#### **Secondary Support:**

¥156.50-157.50 – previous consolidation

#### **Upside Target 1:**

¥161.50-162.50 – measured move projection

#### **Upside Target 2:**

¥164.00-165.00 – extension zone

#### **Invalidation Level:**

below ¥156.00 – breakout failure

## **April 2026 Scenarios**

### **Bullish Continuation (Base Case - 60%)**

Range: 159.00 - 163.50

- Breakout holds
- Pullbacks are bought
- Momentum continues higher

### **Pullback / Retest (30%)**

Range: 156.50 - 159.50

- Market retests breakout level
- Healthy correction
- Trend remains intact

### **False Breakout (Low Probability - 10%)**

Range: 152.00 - 156.00

- Requires:
- Strongly dovish Fed shift
- Or unexpected BoJ tightening

### **Key Events**

- U.S. Non-Farm Payrolls (NFP)
- U.S. CPI
- BoJ communication
- U.S.-Japan yield spread movements

### **Conclusion**

- USD/JPY has confirmed a major structural breakout above 159
- The trend is now clearly bullish and expanding
- The market has shifted into a momentum-driven phase

### **Key takeaway:**

159 is no longer resistance – it is now support.

# USD/CHF

## March 2026 Recap

### Overview

USD/CHF in March 2026 transitioned from February's consolidation phase into a directional move lower, confirming a continuation of the broader bearish trend. After repeatedly testing support near 0.7600 in previous months, the pair finally showed increased downside pressure, reflecting sustained USD weakness and continued demand for the Swiss franc.

The month was characterized by volatility expansion following compression, with price action validating the descending channel structure in place since 2023.

### Price Action Summary

- USD/CHF started the month trading near the 0.7700 area, following February's close.
- Early attempts to recover toward 0.7800 were once again rejected, confirming this level as a strong resistance zone.
- Selling pressure intensified mid-month, with the pair breaking below the 0.7600 support area, triggering a new bearish leg.
- The move extended toward the 0.7500 region, marking fresh multi-month lows.
- The pair closed the month near the lower end of its range, reinforcing downside momentum.

### Key Drivers

- 1. Breakdown of Structural Support**  
Break below 0.7600 confirmed continuation of the long-term bearish trend.
- 2. USD Weakness Remains Dominant**  
Dovish Fed expectations limited sustained USD recovery.
- 3. CHF Strength Supported by Stability**  
Safe-haven demand and neutral SNB stance supported CHF strength.

### Structural Interpretation

- Price remains within the long-term descending channel, moving toward its lower boundary.
- Repeated failure to reclaim 0.7800 confirms bearish structure.
- Momentum indicators continue to support trend continuation.

### Summary

Trend: bearish continuation  
 Key Event: break below 0.7600  
 Resistance: 0.7800 (unchanged, strongly respected)  
 Support Tested: ~0.7500  
 Market Bias: CHF favored, USD under pressure  
 Volatility: expansion after February compression

### Final Take

March confirmed that February was a pause within a broader downtrend. The break of 0.7600 marks a structural shift, keeping downside risks dominant unless higher resistance is reclaimed.



## April 2026 Outlook

### Context Overview

USD/CHF enters April 2026 after a decisive breakdown below the 0.7600 level in March, confirming continuation of the long-term bearish trend. The pair is now trading near the lower boundary of the multi-year descending channel, with momentum clearly tilted to the downside.

The failure to reclaim 0.7800 over multiple months, followed by the structural break in March, signals that market positioning remains aligned with USD weakness and CHF strength.

### Key Drivers for April

#### 1. Federal Reserve Expectations

- Markets remain focused on the timing and magnitude of rate cuts in 2026.
- Any confirmation of easing from the Fed will continue to pressure the USD.
- A more cautious or hawkish tone could trigger a temporary corrective rebound.

#### 2. U.S. Economic Data

Key releases include:

- Non-Farm Payrolls (early April)
- CPI (mid-April)
- Retail sales and PMIs
- Weak data would reinforce downside continuation.
- Strong data may lead to short-term retracements but unlikely to reverse the trend unless significantly above expectations.

#### 3. Swiss Franc Positioning

The SNB remains passive, with no indication of concern regarding CHF strength.

CHF continues to benefit from:

- Safe-haven demand
- Low inflation environment
- Structural macro stability

### Technical Outlook

**0.7500** - Immediate Support: recently tested zone

**0.7400** - Target Support: channel extension level

**0.7600** - Resistance: former key support (now resistance)

**0.7800** - Major Resistance: structural ceiling

### Technical Observations

- The break below 0.7600 shifts the structure into a new lower trading regime.
- Price is now operating near the lower channel boundary, where reactions (either continuation or temporary bounce) are likely.
- Momentum remains bearish, but short-term oversold conditions may trigger corrective rallies.

### Scenario Framework

#### Scenario 1: Bearish Continuation (Base Case)

- Continued USD weakness and stable CHF demand.
- Sustained trading below 0.7600.
- Downside extension toward 0.7400, potentially 0.7300 if momentum accelerates.

#### Scenario 2: Technical Pullback

- Profit-taking or stronger U.S. data triggers a rebound.
- Move back toward 0.7600-0.7700.
- Likely to be corrective unless 0.7800 is reclaimed.

#### Scenario 3: Reversal Attempt (Low Probability)

- Strong upside surprise in U.S. inflation or Fed shift.
- Break above 0.7600, with extension toward 0.7800.
- Would require a structural shift in macro expectations.

### March 2026 Bias Summary

**Primary Bias:** bearish below 0.7600

**Breakdown Confirmation:** March move below 0.7600

**Next Target Zone:** 0.7400

**Recovery Trigger:** sustained move above 0.7600

**Macro Alignment:** CHF favored vs USD

**Volatility Outlook:** elevated vs previous months

### Strategic View

April is expected to be a trend continuation month, following March's structural break.

- The market has shifted into a lower pricing regime,
- With downside risk dominating unless a clear macro catalyst reverses USD sentiment.

Any upward movement should be treated as corrective within a broader bearish framework unless key resistance levels are reclaimed.

# USD/CAD

## March 2026 Recap

### Monthly Overview

March was characterized by continued consolidation with a mild USD recovery bias, following February's stabilization phase.

The pair remained within a moderate range, holding above the key 1.3500 support zone, with limited downside follow-through, confirming that February lows were being defended.

By month-end, USD/CAD traded closer to the upper half of the range, reflecting a gradual improvement in short-term sentiment.

### Macro & Fundamental Drivers

The USD stabilized after previous weakness, supported by data that came in mixed but slightly more resilient, leading to:

- Partial repricing of aggressive Fed cuts
- Stabilization in U.S. yields

On the other side, the CAD remained relatively stable but lacked strong drivers:

- Oil prices stayed subdued, limiting upside
- The Bank of Canada maintained a neutral stance

The absence of a strong commodity tailwind contributed to the range-bound behaviour of the pair.

### Technical Positioning

By the end of March, USD/CAD was:

- Holding above support (1.3500)
- Trading below resistance (1.3750)

Momentum indicators flattened, confirming a neutral short-term structure.

### Summary & Implications

March can be defined as a transition and consolidation phase:

- The prior downtrend lost momentum
- The market moved into a balanced environment
- A potential short-term base is forming, but not yet confirmed

A confirmed recovery requires a break above 1.3750, while a move below 1.3500 would signal renewed downside.

### Conclusion

March did not produce a directional breakout but instead confirmed a structural pause within the broader trend.

The defense of the 1.3500 support and repeated rejection near 1.3750 resistance reinforce a range-bound environment, with no clear dominance between USD and CAD.

The market now enters April at a decision point:

- A break above 1.3750 would confirm short-term recovery
- A move below 1.3500 would reestablish downside continuation

Until then, price action remains neutral, with consolidation as the dominant regime.



## April 2026 Outlook

### **Fundamental Shift - WTI Above \$112**

With oil at these levels, we are no longer in a neutral commodity environment. Instead:

- This reflects a high commodity / supply-stress regime
- Canada benefits directly: strong structural support for CAD
- The CAD-oil correlation becomes a dominant driver again

This fundamentally shifts USD/CAD dynamics:

- CAD is no longer driven mainly by rates
- It is now supported by a major macro tailwind (energy)

### **Revised 2026 Outlook**

#### **Oil Regime Change**

WTI above \$112 implies:

- Strong improvement in Canada's terms of trade
- Increased capital flows into commodity-linked currencies
- Higher resilience in the Canadian economy

This creates a structural bearish bias for USD/CAD

### **Updated Strategic View**

#### **Base Case**

Range: 1.2800 - 1.3500

- CAD strongly supported by oil
- Fed expected to ease policy
- BoC relatively more stable

#### **Bearish Extension Scenario (More likely with elevated oil)**

Range: 1.2500 - 1.2800

- Oil remains above \$100
- Strong global commodity flows
- USD loses relative dominance

#### **Bullish USD Scenario (Lower probability)**

Range: 1.3500 - 1.4000

- Would require:
- Sharp drop in oil
- Fed turning more hawkish
- Or a strong global risk-off environment

### **Technical Implications**

The 1.3500 level becomes a major macro pivot, not just technical support

A sustained break below 1.3500 could:

- Trigger accelerated downside momentum
- Lead to structural repricing rather than simple continuation

### **Conclusion**

With WTI above \$112:

- The outlook shifts from neutral/bearish USD to clearly bearish USD/CAD
- The CAD becomes one of the strongest G10 currencies from a macro perspective
- The dominant risk for 2026 is no longer consolidation – but downside expansion in USD/CAD

# AUD/USD

## March 2026 Recap

### Performance Overview

AUD/USD experienced a volatile and corrective month in March 2026, following the strong bullish momentum observed in January and February. The pair began the month with a bearish gap on March 2, triggered by the geopolitical conflict that erupted on February 28, which led to a sharp shift in market sentiment toward risk aversion.

Despite attempts to stabilize, AUD/USD traded under pressure for most of the month, reflecting a combination of safe-haven USD demand, geopolitical uncertainty, and position unwinding after the prior rally.

### Key Drivers

#### Geopolitical Shock & Risk-Off Dynamics

- The escalation in geopolitical tensions triggered a global risk-off environment
- Safe-haven flows into USD intensified
- Risk-sensitive currencies like AUD came under pressure
- Geopolitical premium remained embedded throughout the month

#### USD Strength - Safe Haven Demand

- USD strengthened during periods of uncertainty despite easing expectations
- Safe-haven demand temporarily overrode rate-driven narratives
- Limited sustained downside in USD

### Australia & External Sensitivity

- The RBA maintained a neutral stance, with no policy changes
- AUD remained vulnerable to:
- Global risk sentiment
- Commodity flows and China-related developments
- Weakness in global demand amplified downside pressure

### Technical Overview

**0.7100-0.7120:** Strong resistance (gap origin)

**0.7000:** Key psychological pivot level

**0.6940-0.6900:** Structural support zone

**0.6800-0.6850:** Deeper correction zone

The failure to reclaim 0.7100 confirmed a loss of upward momentum. The 0.7000 level became a battleground, with repeated tests but no sustained recovery.

Importantly, the pair remained above 0.6900, indicating that the broader bullish structure is weakened but not invalidated.

### Conclusion

March 2026 marked a clear inflection point for AUD/USD.

The prior bullish momentum weakened, with the pair transitioning into a corrective and consolidation phase, driven by geopolitical risk and renewed USD strength. The failure to reclaim the 0.7100 resistance zone confirms loss of upside momentum, while repeated tests of 0.7000 highlight a lack of directional conviction. Although the broader structure remains intact above 0.6900, the balance of risks has shifted, with downside pressure increasing under persistent risk-off conditions.



## April 2026 Outlook

### Executive Summary

AUD/USD enters April 2026 in a fragile but structurally intact bullish framework, following the corrective and volatile price action seen in March. The bearish gap from early March remains unfilled, highlighting persistent geopolitical risk and continued demand for USD as a safe haven.

However, the pair has held above the critical 0.6900 support zone, suggesting that the broader uptrend initiated in January has not been invalidated. April is expected to be a decision month, where the market will determine whether to resume the bullish trajectory or transition into a deeper corrective phase.

### Key Macro Themes

#### **1. Geopolitics - Primary Market Driver**

The ongoing conflict that began on February 28 continues to dominate sentiment.

Markets remain highly sensitive to:

- Escalation risks
- Ceasefire or de-escalation headlines

A stabilization scenario would likely reduce safe-haven demand for USD and support a recovery in AUD/USD. Conversely, any escalation could reinforce risk-off flows, keeping pressure on the pair.

#### **2. Federal Reserve - Data vs Safe-Haven Demand**

The market continues to price Fed rate cuts in 2026, but this narrative has been partially overshadowed by geopolitical risk.

Key focus in April:

- US CPI (mid-April)
- US labour market data (NFP)

If US data confirms disinflation and economic softening, USD could weaken, allowing AUD/USD to recover. However, in a risk-off regime, USD strength may persist regardless of macro softness.

#### **3. RBA - Stability with External Dependence**

The RBA is expected to maintain its policy stance, with no immediate rate changes.

Domestic conditions remain relatively stable, but the AUD's direction is increasingly driven by external factors:

- Global risk sentiment
- Commodity prices
- China's economic trajectory

#### **3. China - Critical Swing Factor**

China remains central to AUD performance.

Any improvement in:

- Industrial production
- Credit growth
- Trade activity

would provide a tailwind for AUD.

Weak data, particularly in property or exports, would reinforce downside pressure.

### Technical Outlook

**0.7100-0.7120:** Key resistance (gap origin / unfilled gap)

**0.7000:** Psychological pivot

**0.6940-0.6900:** Critical structural support

**0.6800-0.6850:** Downside extension zone

### Technical Assessment

- The pair remains in a corrective consolidation phase following the March gap.
- The unfilled gap near 0.7100 acts as a magnet but also a strong resistance barrier.
- Holding above 0.6900 keeps the medium-term bullish structure intact.
- A break below 0.6900 would signal a transition into a deeper corrective trend.

### Scenario Framework April 2026

Geopolitical de-escalation: Gap fill, move toward 0.7100-0.7200

Continued uncertainty (base case): Range trading between 0.6900-0.7050

Escalation / risk-off intensifies: Break below 0.6900, 0.6800 test

Weak US data (CPI/NFP): USD softens, supports upside recovery

Strong US data + risk-off: Reinforces downside pressure

### Strategic View

April is likely to be range-driven with directional break potential.

The market is currently balancing:

- Structural bullish momentum from Q1
- Against geopolitical and macro uncertainty.

### Key inflection levels:

Above 0.7100 - bullish continuation confirmed

Below 0.6900 - corrective phase deepens

### Conclusion

AUD/USD enters April in a neutral-to-bullish configuration, but with elevated uncertainty. The broader trend remains constructive, yet fragile.

- The unfilled gap remains the primary upside target
- The 0.6900 level is the critical downside threshold

April will likely determine whether the pair:

- Resumes its post-breakout uptrend, or
  - Transitions into a medium-term corrective cycle
- Volatility is expected to remain elevated, with geopolitical headlines acting as the dominant catalyst.

# NZD/USD

## March 2026 Recap

### Performance Overview

March 2026 was characterized by range-bound price action with a slight constructive bias, as NZD/USD consolidated above the key structural support established after January's breakout.

The pair traded within a controlled range, reflecting a market in equilibrium between improving global risk sentiment and lingering macro uncertainty, with no strong momentum to extend higher.

### Macro & Fundamental Drivers

#### Federal Reserve

U.S. data remained mixed but stable, with the Fed maintaining a gradual easing path. As a result, USD lacked a strong directional catalyst.

#### New Zealand Economy

Domestic data stayed mixed, with inflation stabilising and the RBNZ maintaining a neutral stance, limiting NZD upside momentum.

#### Global Risk Environment

Risk sentiment remained constructive, supported by stable equities and lower volatility, providing underlying support for NZD, but not enough to drive a breakout.

### Technical Structure & Market Behaviour

- NZD/USD held above the 0.5980-0.6000 structural support, confirming its role as a key pivot.
- Repeated tests of the 0.6070-0.6100 resistance zone failed, highlighting limited upside momentum.
- The broader structure continues to show higher lows, but with flattening momentum, reinforcing a consolidation phase.

### Key Technical Levels

- **0.5980-0.6000:** Structural support / accumulation zone
- **0.6070-0.6100:** Near-term resistance
- **0.5920-0.5930:** Downside trigger
- **0.6240:** Medium-term upside target

### Executive Summary

March 2026 confirmed a consolidation phase for NZD/USD following January's breakout, with price holding above the 0.5980-0.6000 support zone. The absence of strong macro catalysts resulted in contained price action, as the market shifted from directional momentum into a range-bound environment. Importantly, the broader structure remains intact, with higher lows supporting a constructive medium-term bias. However, repeated failures near 0.6070-0.6100 highlight limited upside conviction. As long as support holds, the outlook favours a gradual move higher, but a confirmed break above resistance is required to re-establish bullish momentum.



## NZD/USD

### April 2026 Outlook

#### **Macro Landscape & Policy Drivers**

April will be a decisive month for directional confirmation, as markets assess whether NZD/USD resumes its post-breakout uptrend or extends its consolidation phase.

#### **Federal Reserve**

Following the March FOMC, the Fed remains data-dependent, with markets still pricing the first rate cut around mid-2026.

Key focus will be on:

- U.S. CPI and PCE inflation data
- Labour market resilience

A continued disinflation trend would reinforce expectations of easing, putting downward pressure on the USD. Conversely, any upside surprise in inflation could delay rate-cut expectations and support the dollar.

#### **Reserve Bank of New Zealand**

The RBNZ remains in a neutral-to-dovish stance, balancing stabilising inflation with weak growth dynamics. April data releases will be important to determine whether:

- The economy is stabilising
- Or if downside risks re-emerge, reviving easing expectations

The NZD is likely to remain data-sensitive, particularly to activity and inflation indicators.

#### **Global Risk Sentiment**

NZD continues to behave as a pro-cyclical currency, highly sensitive to:

- Equity market performance
- Chinese macro data
- Commodity trends

A stable or improving global backdrop would favour NZD strength, while any risk-off shift would support USD demand.

#### **Technical Structure & Key Levels**

NZD/USD enters April maintaining a constructive structure, but still capped below key resistance.

#### **Key Levels**

- **0.5980-0.6000:** Structural support / key accumulation zone
- **0.6070-0.6100:** Immediate resistance / breakout trigger
- **0.5920-0.5930:** Short-term downside trigger
- **0.6240:** Medium-term upside target

#### **Assessment:**

Structure remains constructive with higher lows. Momentum is flattening, indicating consolidation. A break above 0.6100 is required to confirm continuation.

#### **Institutional Positioning**

Institutional positioning remains moderately long NZD but with reduced conviction, with the 0.5980-0.6000 zone acting as a key demand area for re-engagement. A breakout above resistance would likely trigger CTA inflows and momentum positioning, while a failure below 0.5980 could lead to short-term de-risking and rotation back into USD exposure.

#### **Scenario Map - April 2026**

- **Bullish continuation:** 0.6100 to 0.6150 to 0.6240
- **Range extension:** 0.5980-0.6100 range
- **Bearish pullback:** 0.5980 to 0.5920 to 0.5850

### Executive Summary

NZD/USD enters April 2026 in a constructive but range-bound phase, following March consolidation. The broader bullish structure remains intact above the 0.5980 support zone, but a decisive breakout above 0.6100 is required to confirm continuation toward 0.6240. The macro environment remains balanced, with USD direction driven by inflation dynamics and NZD dependent on domestic stability and global risk sentiment. Institutional bias remains cautiously constructive, with a preference to re-engage on dips or confirmed breakout signals.

# Oil Market

## March 2026 Recap

March marked a structural shift in the oil market, with WTI sustaining levels above \$100/bbl for the first time since 2022.

The move was driven by geopolitical escalation involving Iran, introducing a persistent supply risk premium and shifting the market from oversupply concerns to disruption-driven pricing.

### Price Performance

WTI opened with a bullish gap and broke through key resistance levels (\$75-\$90), entering a high-volatility breakout phase.

Prices held consistently above \$100/bbl, reaching the \$105-110 range, with limited retracement, confirming strong demand linked to supply risk hedging.

### Key Drivers

#### 1. Geopolitics & Supply Risk

Iran-related tensions increased disruption risk in key supply routes, tightening effective supply and embedding a crisis premium.

#### 2. Physical Supply & OPEC+

Logistical constraints, declining exports, and delayed OPEC+ response reinforced tighter conditions.

#### 3. Technical Confirmation

Demand remained resilient despite high prices, while hedging, speculative flows, and CTA buying amplified upside and volatility.

## Market Structure & Technical Context

The move above \$100/bbl confirms a new pricing regime, with prior resistance levels now irrelevant.

Structure reflects:

- Strong uptrend
- Elevated volatility
- Event-driven pricing

## Executive Summary

March confirmed a transition into a crisis-driven oil market, with prices sustained above \$100/bbl due to persistent supply disruption risk.

The market is now pricing tail-risk scenarios and supply security, with direction dependent on geopolitical developments, OPEC+ response, and demand resilience at elevated price levels.



## April 2026 Outlook

WTI enters April 2026 firmly within a crisis-driven pricing regime, sustaining levels above \$100/bbl following the geopolitical escalation involving Iran. The anticipated further escalation of the conflict materially increases the probability of physical supply disruptions, particularly in the Persian Gulf and the Strait of Hormuz. As a result, the market is transitioning from a risk-premium environment to a supply shock pricing framework, where price formation is increasingly dictated by worst-case scenarios rather than base-case fundamentals.

### Expected Price Range

- Base Case (Escalation Continues): \$100 - \$115 per barrel
- Bullish Scenario (Supply Disruption / Hormuz Impact): \$115 - \$130+ per barrel
- Downside Scenario (Temporary De-escalation / Intervention): \$90 - \$100 per barrel

Price action is expected to remain highly volatile, with sharp intraday swings driven by geopolitical headlines.

### Supply-Side Risk - Central Driver

#### Iran & Strait of Hormuz

Iran's direct involvement increases the probability of:

- Disruptions to its own exports (~3 mbpd)
- Threats to the Strait of Hormuz (~20% of global oil flows)
- Increased insurance and shipping constraints, effectively reducing available supply

Even without a full blockade, partial disruptions and logistical friction are sufficient to tighten the market significantly.

#### OPEC+ Response Function

OPEC+ (notably Saudi Arabia and UAE) holds spare capacity but is expected to:

- Delay intervention initially, allowing the market to stabilise at higher levels
- Potentially increase output only if prices spike disorderly above \$120-130

The group faces a trade-off between:

- Stabilising the market
- Benefiting from elevated price levels

#### OPEC+ Response Function

U.S. shale remains constrained in the short term (~13.4 mbpd). A sustained price above \$100 will incentivise:

- Increased hedging
- Gradual production response (lagged effect into Q2/Q3)

### Demand & Considerations

Short-term demand remains inelastic, supporting elevated prices:

Industrial consumption and transportation demand show limited immediate response.

However, at sustained levels above \$110-120:

- Demand destruction risks increase, particularly in emerging markets.

Strategic stockpiling by major importers (China, India) may amplify demand in the near term, further tightening balances.

### Geopolitical Landscape

The conflict escalation introduces:

- Higher probability of regional spillover (Gulf states, shipping routes)
- Increased military presence and strategic positioning by global powers

Market sensitivity to headlines will remain extreme, with:

- Volatility spikes on escalation signals
- Rapid repricing on any diplomatic developments

### Technical Structure

WTI remains in a strong uptrend, with price discovery above historical resistance zones.

Key technical levels:

- **Support:** \$100 / \$95
- **Intermediate Resistance:** \$115
- **Breakout Zone:** \$120+
- **Extreme Extension:** \$130+

Market conditions are overbought but structurally supported, typical of early-stage commodity shocks.

### WTI Outlook - April 2026

**Expected Price Range:** \$100-\$115 (base case)

**Upside Scenario:** \$115-\$130+ (supply disruption)

**Downside Scenario:** \$90-\$100 (temporary de-escalation)

**Primary Driver:** Iran conflict escalation

**Supply Conditions:** Tightening; disruption risk elevated

**Demand Conditions:** Resilient short-term; destruction risk at higher levels

**OPEC+ Strategy:** Reactive; intervention only at extreme price levels

**Market Structure:** Crisis regime; event-driven

**Volatility:** Extremely high

### Strategic Conclusion

April 2026 is expected to be a high-volatility, geopolitically driven month, with oil prices anchored above \$100 and skewed to the upside. The market is no longer driven by marginal supply-demand balances, but by supply security concerns, tail-risk pricing, and strategic positioning from both producers and consumers.

Key inflection points include whether physical supply disruptions materialise, the response from OPEC+, and early signs of demand destruction at elevated price levels.

# Gold

## March 2026 Recap

### Performance Overview

March 2026 was marked by high volatility and continued upside in gold, driven by geopolitical escalation following the Iran conflict on February 28. Building on February's strong close near \$5,280, gold extended its rally early in the month on safe-haven demand and maintained elevated levels despite intermittent pullbacks, confirming a strong macro-driven bullish trend.

- Sustained safe-haven inflows
- Strong resilience despite rising yields and USD strength
- Structural demand supporting price stability

### Key Levels

- Support: \$5,000 (structural pivot)
- Intermediate: \$5,200-\$5,300 (recent holding zone)
- Resistance: \$5,400-\$5,500 (stress highs)

### Aggressive Bullish Continuation

- Geopolitical tensions triggered strong risk-off flows into gold
- Oil-driven inflation concerns reinforced hedging demand
- Structural demand (central banks + institutions) supported the move

### Technical Perspective

- Gold held firmly above the \$5,000 psychological level, now acting as structural support
- Upside extensions toward \$5,400-\$5,500 during peak stress
- Pullbacks remained shallow and quickly absorbed

### Institutional Commentary

*"March reinforced gold's role as a primary geopolitical hedge. Despite rising yields and policy uncertainty, sustained elevated price levels highlight the strength of underlying structural demand and continued capital allocation into gold."*

### Strategic Conclusion

March confirmed gold's transition into a geopolitically driven market environment, with the structural bull trend reinforced by rising geopolitical risk. The \$5,000 level is now established as key support, while safe-haven flows increasingly dominate traditional macro drivers.

Volatility remains elevated but constructive, with structural demand and external shocks continuing to support elevated prices and reinforce gold's role as a core asset in uncertain market conditions.



## April 2026 Outlook

### Executive Summary

Gold enters April 2026 under corrective pressure, currently trading near \$4,675/oz, marking a significant pullback from the March highs above \$5,400. This shift reflects a clear transition in market regime – from a momentum-driven rally fueled by geopolitical shock, to a phase of macro repricing and positioning adjustment. While the long-term structural bull case remains intact, the short-term environment is now dominated by:

- Rising real yields
- U.S. dollar strength
- Deleveraging after an overextended rally

April is expected to be a two-sided, high-volatility month, rather than a continuation of the prior trend.

### Key Drivers Behind the Shift

#### **Repricing of Rate Expectations**

Markets have reassessed the pace and timing of Federal Reserve rate cuts:

- Real yields have moved higher
- The U.S. dollar has strengthened
- Financial conditions have tightened

This combination creates direct headwinds for gold, particularly after an extended rally.

#### **Positioning Unwind**

The move from January to March was exceptionally aggressive:

- Gold rallied over \$1,000 in a short period
- Systematic strategies (CTAs, trend-followers) likely reduced exposure
- Institutional profit-taking accelerated the correction

This is not a temporary fluctuation – it represents a positioning reset phase.

#### **Geopolitical Premium Normalization**

The Iran-related conflict, which initially drove a strong safe-haven bid:

- Is now partially priced in
- Has shifted from panic-driven flows to more measured risk assessment

As a result, gold has lost part of its geopolitical risk premium, at least in the short term.

### Technical Structure

#### **Updated Key Levels**

After February's bullish reversal candle:

- **Immediate resistance:** \$4,800 - \$4,900
- **Pivot zone:** \$4,650
- **Support zone:** \$4,400 - \$4,500
- **Major structural support:** \$4,200

At current levels (~\$4,675), gold is:

- Trading below previous breakout zones
- Positioned within a corrective channel
- No longer in a clean trending phase

### **Market Regime Shift**

- Trend Acceleration (Jan-Feb)
- Geopolitical Spike (March)
- Repricing & Consolidation (April)

This is characteristic of a move from momentum-driven conditions to a distribution and rebalancing phase.

### Scenario Analysis - April 2026

**Base Case (Consolidation):** Mixed macro signals and stabilizing flows are expected to keep gold trading within the \$4,500-\$4,800 range.

**Bearish Extension:** A stronger USD combined with rising real yields could push gold lower toward the \$4,200-\$4,500 range.

**Rebound Scenario:** Renewed geopolitical escalation may drive a recovery, with gold moving toward the \$4,800-\$5,100 range.

### Institutional View

*"Gold has transitioned from a momentum-driven rally into a necessary correction phase. While the structural bull case remains intact, the market is undergoing a repricing of macro expectations and positioning. Near-term direction will depend less on geopolitics alone and more on real yields, USD dynamics, and liquidity conditions."*

### Strategic Takeaways

- The long-term bullish structure remains intact
- The market is currently in a reset and consolidation phase
- April is unlikely to deliver a clean trend – expect range-bound volatility
- Corrections should be viewed within the context of a broader structural uptrend

# S&P 500

March 2026 Recap

## Executive Overview

March 2026 marked a clear inflection point for the S&P 500, as the market shifted from consolidation into a geopolitically driven correction. The index closed near 6,570, with downside pressure accelerating as sentiment deteriorated following the escalation of tensions involving Iran.

## Geopolitical Impact (Iran Conflict)

The escalation involving Iran triggered a broad repricing of risk across global markets, primarily through the energy channel. The surge in oil prices reignited inflation concerns and pushed rate cut expectations further out, leading to a broad de-risking across equities. At the same time, a geopolitical risk premium re-emerged, driving more defensive positioning and reducing overall risk appetite.

## Market Behaviour & Structure

The market reaction was decisive rather than gradual, with the failure at highs evolving into a directional move lower as key technical levels were lost. Investor behaviour shifted from buying dips to selling rallies, while the correction remained broad-based, signaling a systemic adjustment in risk exposure rather than sector rotation.

## Macro Interpretation

March reflected a clear macro reset, as the market moved away from a soft-landing and imminent easing narrative toward renewed inflation risk and policy uncertainty. This shift in expectations explains both the speed and magnitude of the correction.

## Key Market Metrics - March 2026

- **Close:** ~6,570
- **Direction:** downside correction
- **Structure:** breakdown from consolidation
- **Volatility:** elevated
- **Sentiment:** risk-off

## Conclusion

March confirmed a regime shift in equities, driven by geopolitical risk and macro repricing. The S&P 500 exited its prior uptrend and entered a more fragile, macro-sensitive environment, with inflation expectations, monetary policy uncertainty, and geopolitical developments now acting as the primary drivers of direction.



## April 2026 Outlook

### **Executive Overview**

The S&P 500 enters April 2026 at 6,570, following a decisive correction in March that marked a clear shift in market regime. What was previously a structurally supported uptrend has transitioned into a macro-sensitive environment, driven by geopolitical risk and renewed inflation uncertainty.

April is expected to be a stabilization and decision phase, where markets will assess whether March's move was a temporary repricing or the beginning of a broader correction cycle.

### **Geopolitical Framework - Iran as the Central Variable**

The escalation involving Iran remains the dominant macro driver.

Its impact is not linear, but conditional:

- If tensions stabilize, the geopolitical premium embedded in markets may begin to fade, allowing risk assets to recover.
- If tensions escalate further, particularly with implications for oil supply, the market will likely face continued pressure.

The key transmission mechanism remains energy prices:

- Sustained oil strength keeps inflation expectations elevated
- This directly constrains the Federal Reserve's ability to pivot
- And reinforces a "higher for longer" policy environment

As such, April will largely depend on whether geopolitical risk transitions from event-driven to systemic.

### **Monetary Policy & Inflation Dynamics**

Following March, the market has already repriced expectations:

- Rate cuts have been pushed further into the year
  - The Fed is now perceived as reactive, not proactive
- April becomes critical for validation:

- If inflation shows signs of stabilizing despite energy pressure, markets may regain confidence.
- If inflation remains elevated, the current repricing may deepen.

The market is no longer trading on expectations of easing – it is now trading on uncertainty around constraint.

### **Market Behaviour & Positioning**

The behavioral shift observed in March is expected to persist:

- Investors are likely to remain defensive and selective
- Rallies may be treated as opportunities to reduce exposure, rather than chase momentum
- Volatility is expected to remain structurally higher than in Q4 2025

Importantly, this is not yet a panic phase – it is a controlled de-risking environment.

### **Scenario Framework - April 2026**

#### **1. Stabilization Scenario (Base Case)**

- Geopolitical tensions plateau
- Oil prices stabilize
- Inflation does not re-accelerate meaningfully

#### **Market behavior:**

- Range-bound price action
- Gradual rebuilding of confidence
- Attempt to form a short-term base

#### **2. Recovery Scenario (Bull Case)**

- De-escalation in Iran
- Inflation data improves
- Fed communication softens

#### **Market behavior:**

- Reclaiming of prior breakdown zones
- Rotation back into growth
- Re-engagement of risk appetite

#### **3. Escalation Scenario (Bear Case)**

- Conflict intensifies
- Oil continues higher
- Inflation expectations rise further

#### **Market behavior:**

- Continued downside pressure
- Expansion of risk premium
- Broader deleveraging across equities

### **Strategic Interpretation**

April is unlikely to be a trending month – it is more likely to be a diagnostic phase for the market.

The key question is no longer:

*"How fast will the Fed cut?"*

But rather:

*"Can the Fed cut at all under current conditions?"*

This shift in narrative is fundamental.



## April 2026 Outlook

### **Market Overview**

European equities enter April 2026 in a fragile but resilient state, following a March dominated by geopolitical escalation in the Middle East. The STOXX Europe 50 remains structurally supported, but short-term direction is now highly dependent on external risk factors, particularly the evolution of tensions involving Iran and the broader regional dynamics.

The market has transitioned into a headline-driven environment, where geopolitical developments are exerting a stronger influence than traditional macroeconomic indicators.

### **Geopolitical Framework: Middle East as Primary Driver**

The conflict in the Middle East remains the central variable for April, with markets focused on three key transmission channels:

- **Energy Prices:** Any disruption to supply routes or escalation rhetoric continues to create upward pressure on oil prices, directly impacting European inflation expectations.
- **Risk Sentiment:** Elevated geopolitical uncertainty sustains a higher risk premium across equities.
- **Policy Implications:** A sustained rise in energy prices could complicate the European Central Bank's (ECB) disinflation trajectory and delay potential rate cuts.

Given Europe's structural dependence on energy imports, the STOXX Europe 50 remains particularly sensitive to developments in this region.

### **Scenario Analysis**

#### **Base Case - Controlled Tensions (Most Likely)**

If tensions remain elevated but contained:

- Oil stabilizes at moderately high levels
- Inflation stays slightly above trend but manageable
- ECB remains cautious without changing its broader stance

#### **Market Impact:**

- Range-bound trading with a defensive bias
- Rotation into Healthcare, Utilities, and quality large caps
- Limited upside without systemic risk-off

#### **Bullish Scenario - De-escalation**

If geopolitical tensions ease:

- Oil prices decline, reducing inflation pressure
- Soft-landing narrative regains traction
- ECB rate cut expectations become clearer

#### **Market Impact:**

- Renewed upside momentum
- Cyclical sectors (Industrials, Consumer Discretionary, Financials) outperform
- Potential continuation toward higher levels

#### **Bearish Scenario - Escalation**

If tensions intensify and disrupt supply:

- Oil spikes sharply
- Inflation re-accelerates
- ECB outlook shifts toward prolonged restrictiveness

#### **Market Impact:**

- Broad risk-off environment
- Rotation into defensives and energy
- Corrective pressure from margin and valuation compression

### **Sector Positioning**

April is likely to see continued divergence across sectors:

- **Energy and Defense:** Structural beneficiaries of elevated geopolitical risk.
- **Healthcare and Utilities:** Continued demand as defensive allocations increase.
- **Industrials and Consumer Discretionary:** Most exposed to higher input costs and demand uncertainty.
- **Financials:** Sensitive to both rate expectations and broader risk sentiment.

Investors are expected to prioritize resilience, cash flow visibility, and balance-sheet strength.

### **Market Outlook**

April 2026 is expected to be a scenario-driven month, with market direction closely tied to geopolitical developments.

- **Base case:** Range-bound, defensive positioning.
- **Upside potential:** Conditional on de-escalation and energy price stabilization.
- **Downside risk:** Linked to escalation and inflation re-pricing.

Volatility is expected to remain elevated relative to early Q1, reflecting ongoing uncertainty.

### **Conclusion**

April represents a critical inflection point for European equities. While the underlying structure of the STOXX Europe 50 remains constructive, the market is now operating under a geopolitical risk regime, where external shocks can override macro fundamentals. The key determinant for the month will be the trajectory of the Middle East conflict and its impact on energy markets.

Until greater clarity emerges, investors are likely to maintain a defensive and flexible positioning, awaiting confirmation of either stabilization or further escalation.

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