

Investors seek shelter from war

Key takeaways

Global stock markets suffered relatively modest losses, considering the geopolitical backdrop. But it was another tough week for government bonds and gold.

Magnificent 7 rides to the rescue

Despite a retreat by the broader market, US technology sector stocks, which had suffered a rout prior to the onset of the Iran war, now stand out as the best performing US sector since the start of hostilities, and the only one to be in positive territory so far.

The Magnificent 7 has been especially notable. Investors have treated this cohort of US mega-caps – Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla – as ‘safe haven’ assets thanks to their giant balance sheets and competitive ‘moats’, and the fact that they offer dollar exposure at a time when the US currency is strengthening. After falling around 6% in January and February, the Magnificent 7 has gained over 1% since the start of the war in the Middle East thanks to a classic ‘flight to quality’ by investors.

Avalanche on the high street

Last week witnessed an avalanche of over 500 mortgage products being withdrawn by UK high-street lenders, thanks to the sudden change in UK inflation and interest-rate expectations brought about by the Iran war. The last time the mortgage market saw such upheaval was in the aftermath of the Truss mini-Budget in September 2022.

Average mortgage rates are already rising, and in a sharp reversal of previous expectations, no UK interest-rate cut is now expected from the Bank of England when it meets this week, despite the latest round of anaemic UK economic data. British house price forecasts are already feeling the strain. After a brief improvement at the start of the year, sentiment cratered as oil and gas prices rose, according to the latest RICS (Royal Institution of Chartered Surveyors) survey.

The fortunes of war

Last week, the S&P 500 Index of US shares declined for a third consecutive week – to bring up its longest losing streak for a year – while the technology-heavy Nasdaq Index suffered its eighth weekly drop in nine.

With oil prices above \$100 a barrel, despite the promised release of record reserves, both share and bond markets have been buffeted by fears of another inflation spiral caused by higher energy costs. Since the Iran war commenced, market expectations of two US interest-rate cuts this year have dissipated.

Meanwhile, US investors have rotated, transforming former winners into losers. At the start of 2026, smaller companies, value and cyclical stocks (those most sensitive to the economy) led the market. Since the war, defensive, growth and energy stocks have flourished with sectors such as IT services, semiconductors (chips) and software making particularly strong progress.



Market moves

Global stock markets retreated marginally as all major regional markets suffered minor losses in the second week of the US/Israel war on Iran.

UK shares were the top performers – they fell just 0.1%. Japanese shares were down over 2% while Pacific and emerging markets shares declined by just over 1%.

UK government bonds (gilts) suffered further losses. US government bonds (Treasuries) also retreated slightly as did the price of gold.

What to look out for this week

There are four central bank rate decisions this week. The Federal Reserve announces on Wednesday; the Bank of England, Bank of Japan and the European Central Bank follow suit on Thursday.

Monday brings US manufacturing and industrial production data. Redbook numbers follow on Tuesday with Producer Price Index (PPI) and factory order numbers on Wednesday. US jobless data are due Thursday.

The UK publishes unemployment and average earnings numbers on Thursday.



If you have questions about financial markets, or our investment services, please contact the Marketing team:

marketing.hwam@handelsbanken.co.uk

Important Information

Handelsbanken Wealth is a trading name of Handelsbanken Wealth & Asset Management Limited which is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment and protection business, and is a wholly-owned subsidiary of Handelsbanken plc. For further information on our investment services go to wealthandasset.handelsbanken.co.uk/important-information. Tax advice which does not contain any investment element is not regulated by the FCA. Professional advice should be taken before any course of action is pursued.

- Find out more about our services by contacting us on 01892 701803 or visiting our website: wealthandasset.handelsbanken.co.uk
- Read about how our investment services are regulated, and other important information: wealthandasset.handelsbanken.co.uk/important-information
- Learn more about wealth and investment concepts in our Learning Zone: wealthandasset.handelsbanken.co.uk/learning-zone/
- Understand more about the language and terminology used in the financial services industry and our own publications through our Glossary of Terms: wealthandasset.handelsbanken.co.uk/glossary-of-terms/

All commentary and data is valid, to the best of our knowledge, at the time of publication. This document is not intended to be a definitive analysis of financial or other markets and does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned.

The value of any investment and income from it is not guaranteed and can fall as well as rise, so your capital is at risk.

We manage our investment strategies in accordance with pre-defined risk objectives, which vary depending on the strategy's risk profile.

Portfolios may include individual investments in structured products, foreign currencies and funds (including funds not regulated by the FCA) which may individually have a relatively high risk profile. The portfolios may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity. Changes in exchange rates between currencies can cause investments of income to go down or up.

This document has been issued by Handelsbanken Wealth. For Handelsbanken Multi Asset Funds, the Authorised Corporate Director is Handelsbanken ACD Limited, which is a wholly-owned subsidiary of Handelsbanken Wealth, and is authorised and regulated by the Financial Conduct Authority (FCA). The Registrar and Depositary is The Bank of New York Mellon (International) Limited, which is authorised by the Prudential Regulation Authority and regulated by the FCA. The Investment Manager is Handelsbanken Wealth, which is authorised and regulated by the FCA.

Before investing in a Handelsbanken Multi Asset Fund you should read the Key Investor Information Document (KIID) as it contains important information regarding the fund including charges and specific risk warnings. The Prospectus, Key Investor Information Document, current prices and latest report and accounts are available from the following website: wealthandasset.handelsbanken.co.uk/fund-information/fund-information/, or you can request these from Handelsbanken Wealth or Handelsbanken ACD Limited: 25 Basinghall Street, London EC2V 5HA or by telephone on +44 01892 701803.

Registered Head Office: 25 Basinghall Street, London EC2V 5HA. Registered in England No: 4132340

wealthandasset.handelsbanken.co.uk