



Iran war triggers sharp changes in asset prices

2026 Q1 review by Jake Winterton, Fund Manager, and Jasper Jogi, Senior Multi Asset Analyst

It has been a volatile start to the year for financial markets as the outbreak of war in Iran triggered major reactions across the month of March across all asset classes. Global equities ended the quarter in negative territory, with the S&P 500 recording five consecutive weekly losses to end the period. Bond prices also fell as investors moved to price in an inflationary shock.

Equity prices were mostly softer in the month of March as war in the Middle East added to concerns around AI and private credit, which were already causing some nervousness with investors at the start of the year. Commodity prices jumped over the period. Agricultural prices rose sharply while oil prices rose close to 100%, the largest quarterly jump since the beginning of the Gulf War in 1990 (Chart 1). This in turn saw investors rapidly move to change their expectations of central bank policy changes for this year. Markets moved from expecting numerous interest rate cuts to pricing in hikes across UK and Europe for 2026 (Chart 2).

Our diversified approach to multi asset investing, including an allocation to real assets and inflation hedges such as commodities and commercial real estate has been beneficial during this period (Table 1). On a tactical level, we moved to an underweight in global equities but continued to hold a preference towards Japan that continues to offer the strongest corporate earnings revisions and the UK which has been more defensive in the current energy price shock, as was the case in 2022. We remain overweight commodities in this backdrop, but have reduced our overweight position in gold that has struggled amid rising yields and stronger dollar. The Investment Clock has been in the disinflationary recovery quadrant, but rapidly changing data could see a move towards overheat or stagflation.

Please see the [Investment Clock blog](#) for our latest views.

Chart 1: Commodities outperformed equities over Q1

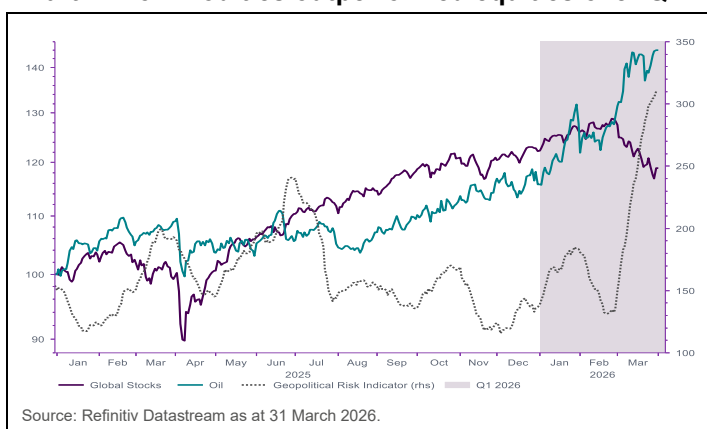


Chart 2: Markets now expect central bank hikes in 2026

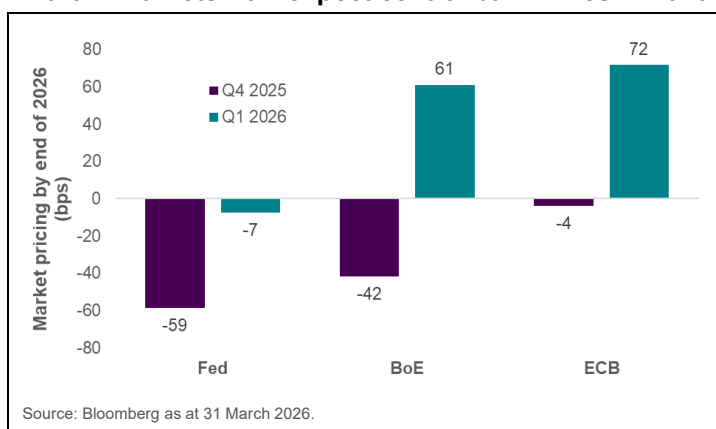


Table 1: Sterling-based annual returns from major asset classes 2019 – 2026 Q1

Year	2019	2020	2021	2022	2023	2024	2025	YTD
1	Global Stocks +22.6%	EM Stocks +15.0%	Commodities +28.3%	Commodities +30.7%	Global Stocks +16.0%	Global Stocks +20.2%	EM Stocks +25.1%	Commodities +26.9%
2	UK Stocks +19.2%	Global Stocks +14.3%	Global Stocks +20.0%	Cash +1.0%	Global Credit +8.0%	EM Stocks +10.0%	UK Stocks +24.0%	UK Stocks +2.4%
3	EM Stocks +14.3%	Gilts +8.3%	Property +19.9%	UK Stocks +0.3%	UK Stocks +7.9%	UK Stocks +9.5%	Global Stocks +14.3%	EM Stocks +1.9%
4	Global Credit +10.6%	Global Credit +7.2%	UK Stocks +18.3%	Global Stocks -7.8%	Multi Asset +6.6%	Commodities +7.3%	Multi Asset +9.5%	Multi Asset +1.2%
5	Multi Asset +9.8%	Multi Asset +5.3%	Multi Asset +7.8%	Multi Asset -8.7%	Cash +4.4%	Property +7.0%	Commodities +7.8%	Property +1.0%
6	Gilts +6.9%	Cash +0.3%	Cash +0.0%	EM Stocks -9.6%	EM Stocks +4.0%	Multi Asset +6.9%	Property +7.1%	Cash +0.9%
7	Commodities +3.5%	Property -1.0%	Global Credit -1.0%	Property -10.1%	Gilts +3.7%	Cash +5.3%	Global Credit +7.0%	Global Credit -0.6%
8	Property +2.1%	Commodities -6.1%	EM Stocks -1.3%	Global Credit -15.3%	Property -0.1%	Global Credit +3.3%	Gilts +5.0%	Global Stocks -1.3%
9	Cash +0.7%	UK Stocks -9.8%	Gilts -5.2%	Gilts -23.8%	Commodities -13.1%	Gilts -3.3%	Cash +4.4%	Gilts -1.9%

Past performance is not a reliable indicator of future results. Source: RLAM, Refinitiv Datastream as at 31 March 2026; property as at 28 February 2026. 'Multi Asset' returns are based on the benchmark weights of Royal London GMAP Balanced Fund. Indices used are FTSE All Share, FTSE World, MSCI Emerging Markets Index, MSCI/AREF UK All Balanced Quarterly Property Fund, Bloomberg Commodity Index, BoAML BB-B Global Non-Financial High Yield Constrained Index, iBoxx Sterling Non-Gilt Index, Bloomberg Barclays Global Aggregate Corporate Index, FTSE Actuaries UK Index Linked Gilts, Bloomberg Barclays UK Government Inflation Linked Bond 1-10 year Index, Bloomberg Barclays World Government Inflation Linked Bond (ex UK) 1-10 year, FTSE Actuaries UK Conventional Gilts Index, JPM Global ex-UK Traded Index, FTSE Actuaries UK Conventional Gilts up to 5 Years Index, SONIA. Total returns in sterling terms.

Markets: Spiking commodity prices weigh on financial assets

- Global equities snapped a 10-month winning streak in March, recording their sharpest monthly decline since 2022 (-6.3%), as the US/Israel war against Iran led to a sharp deterioration in risk sentiment.
- Asia Pacific equities outperformed over the quarter, with strong gains in the first two months more than offsetting March losses. US stocks underperformed over the quarter, despite relative resilience during the Iran conflict due to lower energy sensitivity.
- Energy sectors outperformed amid elevated oil and gas prices, while growth sectors continued to struggle as software stocks saw their worst quarter since the GFC in 2008 amid AI disruption concerns.
- Government bond yields bear flattened, with gilt yields seeing the sharpest move higher as UK 10y spiked from 4.2% to an intra-month high of 5.0%.
- Commodities surged over the quarter as escalating geopolitical tensions culminated in direct military conflict with Iran. Brent crude recorded its largest quarterly gain since the Gulf War in 1990 (+94%).
- US dollar benefited from a terms-of-trade boost as net energy exporter. Australian dollar strengthened following two 25bps rate hikes from the RBA.

FX	1 GBP buys	%chg Q1 (vs GBP)	%chg 2026 (vs GBP)
USD	1.32	1.8	1.8
EUR	1.15	0.1	0.1
CHF	1.06	0.8	0.8
JPY	210.1	0.4	0.4
AUD	1.92	5.0	5.0
CAD	1.84	0.2	0.2

CB rates	Rate (%)	chg in Q1 (%)	chg 2026 (%)
Fed	3.75	0.00	0.00
BoE	3.75	0.00	0.00
ECB	2.00	0.00	0.00
BoJ	0.73	0.00	0.00

Bond Yield	Yield (%)	chg in Q1 (bps)	chg 2026 (bps)
US 10 Year	4.32	15	15
UK 10 Year	4.92	44	44
EU 10 Year	3.00	15	15
JP 10 Year	2.33	29	29

Multi Asset

UK Stocks	2.4	2.4	2.4	2.4
Global ex UK Stocks	-2.6	-2.6	-1.3	-1.3
Gilts	-1.9	-1.9	-1.9	-1.9
UK Cash	0.9	0.9	0.9	0.9
UK Property	1.0	1.0	1.0	1.0
Commodities	24.4	24.4	26.9	26.9

Local Currency		GBP	
Q1	2026	Q1	2026
2.4	2.4	2.4	2.4
-2.6	-2.6	-1.3	-1.3
-1.9	-1.9	-1.9	-1.9
0.9	0.9	0.9	0.9
1.0	1.0	1.0	1.0
24.4	24.4	26.9	26.9

Equity Regions

UK	2.4	2.4	2.4	2.4
North America	-4.3	-4.3	-2.5	-2.5
Europe ex UK	-2.0	-2.0	-2.0	-2.0
Japan	3.3	3.3	3.8	3.8
Pacific ex Japan	10.1	10.1	10.5	10.5
Emerging Markets	-1.1	-1.1	-0.8	-0.8

Local Currency		GBP	
Q1	2026	Q1	2026
2.4	2.4	2.4	2.4
-4.3	-4.3	-2.5	-2.5
-2.0	-2.0	-2.0	-2.0
3.3	3.3	3.8	3.8
10.1	10.1	10.5	10.5
-1.1	-1.1	-0.8	-0.8

Global

Equity Sectors

Consumer Discretionary	-10.3	-10.3	-9.1	-9.1
Industrials	3.5	3.5	4.6	4.6
Financials	-5.8	-5.8	-4.7	-4.7
Consumer Staples	4.1	4.1	5.5	5.5
Utilities	9.3	9.3	10.7	10.7
Healthcare	-3.9	-3.9	-2.5	-2.5
Energy	34.8	34.8	36.5	36.5
Materials	7.5	7.5	8.8	8.8
Communication Services	8.8	8.8	9.8	9.8
Technology	-6.2	-6.2	-4.8	-4.8

Local Currency		GBP	
Q1	2026	Q1	2026
-10.3	-10.3	-9.1	-9.1
3.5	3.5	4.6	4.6
-5.8	-5.8	-4.7	-4.7
4.1	4.1	5.5	5.5
9.3	9.3	10.7	10.7
-3.9	-3.9	-2.5	-2.5
34.8	34.8	36.5	36.5
7.5	7.5	8.8	8.8
8.8	8.8	9.8	9.8
-6.2	-6.2	-4.8	-4.8

Bonds

Conventional Gilts	-1.9	-1.9	-1.9	-1.9
Index Linked Gilts	1.3	1.3	1.3	1.3
GBP Credit	-1.6	-1.6	-1.6	-1.6
Global High Yield	-0.5	-0.5	-0.5	-0.5

Local Currency		GBP	
Q1	2026	Q1	2026
-1.9	-1.9	-1.9	-1.9
1.3	1.3	1.3	1.3
-1.6	-1.6	-1.6	-1.6
-0.5	-0.5	-0.5	-0.5

Commodities

Energy	60.0	60.0	63.2	63.2
Agriculture	8.0	8.0	10.2	10.2
Industrial Metals	4.6	4.6	6.7	6.7
Precious Metals	8.6	8.6	10.7	10.7

Local Currency		GBP	
Q1	2026	Q1	2026
60.0	60.0	63.2	63.2
8.0	8.0	10.2	10.2
4.6	4.6	6.7	6.7
8.6	8.6	10.7	10.7

Note: Standard indices sourced from DataStream and Bloomberg as at 31 March 2026; property data as at 28 February 2026.

Jake Winterton is the fund manager, and Jasper Jogi is the senior analyst within Royal London Asset Management's multi asset team. The team manages portfolios including the Governed Range pension portfolios, the Global Multi Asset Portfolios (GMAPs), Multi Asset Strategies Fund (MAST) which is available on third party platforms and the euro based multi asset funds that form the core of the Royal London Irish pensions offering.

Investment risks – RL GMAP fund range

Investment risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Derivative risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the fund could lose significantly more than the amount invested in derivatives.

EPM Techniques: The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the fund to increased price volatility.

Exchange Rate risk: Changes in currency exchange rates may affect the value of your investment.

Interest Rate risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Emerging Markets risk: Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Fund investing in Funds risk: The fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stock market conditions and the fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the fund itself, may be deferred or suspended.

Liquidity and Dealing risk: The fund invests indirectly in assets that may at times be difficult to value, harder to sell, or sell at a fair price. This means that there may be occasions when you experience a delay in being able to deal in the fund, or receive less than may otherwise be expected when selling your investment.

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