

Insight Matters

Spring 2026

Making sense of markets in motion



In this edition of Insight Matters we cover



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Forces shaping the global market outlook



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Power and politics



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Looking ahead to the end of 2026 and beyond

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The 2026 landscape

Forces shaping the global market outlook

The world in 2026 is changing fast. Nowhere more so than in geopolitics and technology.

Geopolitically, the world appears to be shifting from a *rules-based* to a *power-based* system, where old allegiances and agreements are cast into doubt. This is a world of arbitrary power, of mixed signals and soundbites, that make it difficult for governments to plan. Set against this, pragmatism is driving multilateralism: new trade deals (EU-India, EU-Mercosur, UK-India) and rekindled conversations (UK and EU, 10 years after Brexit).



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In technology, the great promise of artificial intelligence (AI) befuddles and beguiles in equal measure. Existential threat or utopian bonanza? The developments are breathtakingly fast. Businesses will need to gain an edge. Consumers will need to spend. Policymakers will need to keep up. Monetising the revolution may justify and repay its eyewatering downpayment. The size of the prize could be huge, and AI optimism has this year been sustaining markets in times of geopolitical adversity.

For societies, such rapid political and technological change may be uncomfortable and provide a vector to foment nationalism and populism. Politics is indeed splintering. Electorates seem restless and want change, feeling disintermediated or left behind. Many voters are caught between losing the familiar jobs of yesteryear and feeling unprepared for the jobs of tomorrow. How to adapt? Will technology drive social inequality, or help to narrow it? The ire of voters may expel incumbent politicians from office in popular revolts, but their replacements will probably face the same problems.

For investors, these dislocations and fractures present opportunities. But in a hyper-connected world, it's more complicated than ever to manage the risks.

Here, our experts look at some of the key themes.

AI

AI is the epicentre of profound technological change. The new industrial revolution is multi-faceted: pull one string here, something else moves over there. Developments at a company level have the potential to influence macro-economic outcomes, with the boardrooms of an élite cadre of professionals potentially driving significant societal change. The work of so-called Frontier Labs at the leading edge of AI – including OpenAI, Anthropic, Meta and Google DeepMind – is advancing at breakneck speed: redefining how entire industries work, *who* works, and perhaps even rewiring *how we think*. Later this year or next, if companies currently privately-owned, including Anthropic and OpenAI, decide to list publicly, investors may be enticed to buy shares in perhaps the most valuable initial public offerings (IPOs) in history.





Right now, the clamour for more ‘compute’ is most obvious from the explosion in data centres. This is driving infrastructure spending of the traditional kind (pouring concrete and laying cables) and of the more novel (such as semi-conductor chips). Commodities like copper and *rare-earths* are in demand and controlling them is forging economic nationalism and protectionism. They need to cross borders. Tariffs await.

Abundant land, cheap energy supplies, more relaxed copyright laws for text and data mining, and faster permitting, mean the US is currently ahead in the race to build data centres. By these criteria, the UK is arguably not best-placed for the boom. OpenAI recently cited similar reasons for pausing its “Stargate UK” project, but it’s still good news that it will open its first permanent London office at King’s Cross in 2027 – reportedly its largest presence and research centre outside the US.

AI: battle for the consumer

AI is already popular with consumers. Surveys show that close to 80% of them across the US, Europe and China use at least one AI product, with some using many. About a quarter use AI daily; and about half use it at least once a month. The highest-frequency users appear to be in China and the US. But very few are paying for AI today.

OpenAI has said that around only 6% of its global customer base are paid users; that’s likely skewed by consumers in

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emerging markets using the free version, but even in developed markets like the US and Europe, around three quarters of consumers mostly prefer not to pay. Looking at the US, households paying for AI services tend to skew towards the higher income and younger users, which is unsurprising. But it’s still only a very small proportion.

Search, learning and research tend to be the dominant applications, as well as the traditional productivity tasks (summarisation, document creation). But awareness and use of agentic-AI – using an AI agent to help with tasks – is pretty low. Worries around societal harm, trust, privacy, and risk of the AI ‘hallucinating’ are all barriers to its widespread adoption. The implication is that consumers aren’t that comfortable today delegating real-world decisions or transactions, that will involve their hard-earned cash, to autonomous agents.

In the long run, there could be a significant opportunity for AI companies to monetise some of these consumers. But for this to work, consumers will need to see AI as a must-have rather than a nice-to-have.

Global energy markets

Power and politics

James Tulloch, Senior Investment Specialist, sat down with **Alejandro Velez, Senior Equity Analyst**, to consider how the latest geopolitical disruption has again exposed the fragility of energy supply, and how this - along with ever rising demand for power - might reshape global markets.



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James Tulloch (JT): Alejandro, the conflict in the Middle East has led to significant disruption of shipping through the Strait of Hormuz. Could you explain why this disruption has been quite so meaningful for global energy markets?

Alejandro Velez (AV): The Strait of Hormuz is one of the most critical energy chokepoints in the world. The global economy still consumes more than 103 million barrels of oil every day and historically around 20% of that supply passes through Hormuz.

And it's not just crude oil. Roughly a quarter of global flows of oil derivatives, such as fertilisers, petrochemicals and other refined products also move through the strait, as well as less discussed but equally important products, like sulphuric acid and helium. Any prolonged disruption therefore has immediate consequences across energy, food supply chains and industrial production.

The key point here is that each of those 103 million barrels of oil are needed for something important that keeps the global economy functional. A shortage of a couple of percentage points of this supply is bad but manageable. However,

seeing a fifth of it disappear with significant uncertainty over when it may recover is much more problematic.

JT: Could you explain how those 103 million barrels are used across the global economy day-to-day?

AV: Around two thirds of global oil demand is linked to transportation - diesel and petrol for road vehicles, kerosene for aviation and marine fuels for shipping. Another 20% is used as feedstock for petrochemicals and industrial processes, with the remainder going into heating, power generation and other uses.

If you take the UK as a simple example - there are around 42 million vehicles on the road, and only about 3% are electric or hybrid. Everything else moves on diesel or gasoline. Given the average age of a vehicle in the UK is around 10 years, this structural demand will remain in place for a while. Aviation alone accounts for roughly 10 million barrels of oil demand per day globally. So, despite the energy transition, fossil fuels remain deeply embedded in economic life - and that reality gives Iran significant leverage, hence the shutdown of the Strait of Hormuz.





JT: What other implications are there as far as European energy consumption is concerned?

AV: Europe has been a global leader on decarbonisation, mainly via policies that penalise carbon-intensive fuels and incentivise renewable investment. While well intentioned, this has also eroded domestic fossil fuel infrastructure on the supply side, even though fossil fuels still play a central role in daily life.

As a result, Europe has become more dependent on external suppliers. Jet fuel illustrates this perfectly. Europe produces a little more than one million barrels per day but consumes around 1.6 million. More than two thirds of the shortfall is imported from the Middle East.

Aviation operates on a just-in-time supply model, holding around one month of inventory. Every day that the Strait of Hormuz remains disrupted puts pressure on fuel reserves and on airline operations across Europe, just ahead of the all-important summer season. Some European airlines have already announced flight cancellations in the summer months as they reassess jet-fuel availability.

JT: What about the knock-on effects for gas and power prices, what do you think we can expect to see?

AV: Renewable generation like wind and solar always needs backup for times when weather conditions aren't favourable. In Europe, that backup comes from a mix of energy sources, such as nuclear, hydro, batteries, gas and some coal power.

Power markets set prices by dispatching the cheapest generation first – which is typically solar, wind, hydro and nuclear – with progressively more expensive technologies brought online until demand is met.

Importantly, power markets operate in real-time, demand and supply must be matched at 15-minute intervals, which means prices fluctuate significantly throughout the day to accommodate for variations in weather patterns on the supply side, and consumption on the demand side. In each interval, the last technology required to meet demand – known as the marginal generator – sets the wholesale price for all electricity produced. Whenever gas is needed, it becomes price-setting. And because it carries carbon taxes, it is amongst the most expensive sources.

Since the invasion of Ukraine in 2022, Europe has predominantly replaced Russian pipeline gas with liquefied natural gas (LNG) imports. Qatar produces around 20% of global LNG and mainly supplies countries across Asia. Many of these countries are now looking to replace their expected LNG cargoes with LNG from other sources. This means competition with Europe for cargoes in many cases. This is why attacks on the Ras Laffan LNG complex in Qatar, which is the largest in the world – and its precautionary shutdown – have pushed gas prices higher and increased volatility.

JT: Turning to the make-up of the UK's energy market specifically, there is often much discussion around the North Sea basin. Does the UK not have a ready source of gas in the North Sea which could reduce the reliance on LNG imports?

AV: To an extent, but not completely. The UK consumes the equivalent of around one million barrels of oil per day in gas. The UK North Sea currently supplies about half of that demand, but production has fallen by almost 40% since 2019.

The reasons for this are numerous, but significant amongst them is the fiscal regime, which is complex and has historically been quite volatile. The prevailing headline tax rate for companies

operating in the UK North Sea is 78%, compared to a current corporate marginal tax rate of 25%. This has discouraged exploration and development, especially given limited options to offset large capital investment via accelerated depreciation of fixed assets (an accounting method which would reduce taxable income) or other forms of tax incentive. Most other producing countries offer such incentives given the importance of the energy sector to the economy. Interestingly, around a third of UK gas consumption comes from Norway, whose North Sea fields sit not far from the UK's. The remainder comes via LNG imports, with Qatar representing only a small share of this.

JT: And how plentiful is the potential supply in the North Sea? Is it not largely exhausted?

AV: It is true that the UK's North Sea basin is mature, but it is likely far from exhausted. Its current reserve life is roughly 11 years at today's production rates. But technology is the friend of oil and gas exploration, and the same technologies which have enabled new discoveries in Norway over the last 15 years could be applied to the UK North Sea under a more supportive and stable fiscal framework.



The benefits would go well beyond energy security - lower domestic gas prices, a stabilised (rather than declining) tax base and significant employment gains. The UK oil and gas sector employed almost 500,000 people in 2013; the figure today is less than 200,000. There are also broader research and development spillovers - this is a highly technology driven industry, and innovation doesn't stop at energy.

JT: Given recent crises, and their implications for energy security, should we expect a policy rethink from the UK government?

AV: One would certainly hope so. The infrastructure is in place; gas and oil are still being consumed - and will be for some time to come despite the energy transition. From a policy perspective, it makes sense to capture the ancillary benefits of domestic production rather than importing significant quantities at higher economic and geopolitical cost. A sensible and reliable framework for the development of the North Sea's resources would definitely increase the UK's energy security. If presented properly, I think it could well be something the public supports.

JT: Gas prices haven't spiked as dramatically this time as they did in 2022. Why is that the case?

AV: The scale of exposure this time around is very different. Middle Eastern LNG accounts for only about 4% of Europe's total gas supply today, compared with more than 40% which once came via Russian pipelines.

Gas demand has also declined as prices have risen, and many Asian economies - Japan, South Korea, China and India among them - have switched back to coal fired power generation wherever available. Even Germany and Italy are considering extending coal plant lifespans.

On top of that, new LNG supply from the US has helped mitigate the shock. That said, Europe has entered the spring with very low quantities of gas in storage. Since the start of the conflict, European gas prices have risen by around 50%. This is significant, but to put it in context, at the worst point in 2022, prices were five times higher than that year's lows. European gas storage capacity will need to be refilled ahead of next winter and prices could yet rise further if the situation deteriorates or the 2026-27 winter proves particularly cold.

JT: The UK government has recently announced plans to "break the influence of gas on electricity prices." What does that mean in practice?

AV: UK electricity prices are among the highest in the world, and gas often gets the blame. In reality, gas only sets wholesale prices around 50% of the time, down from more than 90% a few years ago.

Consumer bills also reflect renewable subsidies, grid expansion costs, supplier operating costs and regulated profits. That said, the government promised to lower consumer bills, ahead of the last general election.

The proposal focuses on shifting older renewable assets from Renewable Obligation Certificates (ROCs) to Contracts for Difference (CfDs). CfDs offer fixed prices, whereas ROCs pay a premium on top of the wholesale price. In theory, this should smooth pricing for consumers - but implementing the change during a period of high volatility risks locking in higher-than-ideal prices.

JT: More broadly, structural factors - such as the rapidly rising energy demand linked to AI data centre expansion - were already playing out. How does rising electricity demand alter the outlook for the energy transition in the context of the Middle East crisis?

AV: We know electrification is accelerating - from industrial decarbonisation and electric vehicle adoption to the explosive growth of AI driven data centres. After years of flat or falling demand, electricity consumption is now expected to grow 2-3% per year for the foreseeable future.

This consumption is driving massive grid investment. In the UK alone, electricity networks plan to invest £80bn between now and 2031, which is more than double the pace of the previous five years. Similar expansions are underway across Europe, the US and Asia, creating knock on effects in areas from mining to turbine manufacturing.

Because of the scale of the demand, supply bottlenecks were already emerging before the latest Middle East conflict erupted. So, the bigger question now is whether governments are designing energy policies robust enough to withstand future geopolitical shocks - because energy security is very much back at the top of the agenda.


Market implications

No pause on politics

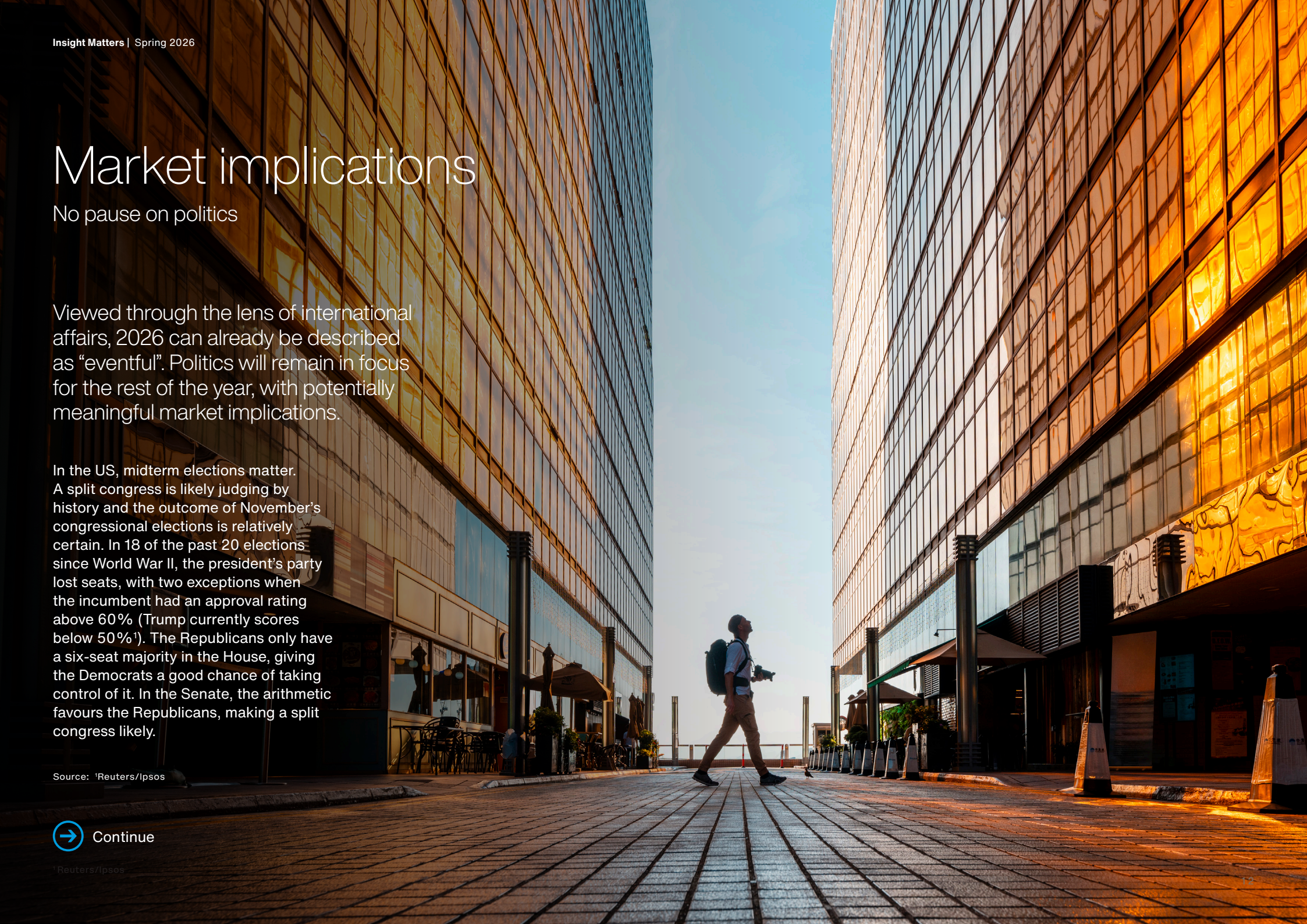
Viewed through the lens of international affairs, 2026 can already be described as “eventful”. Politics will remain in focus for the rest of the year, with potentially meaningful market implications.

In the US, midterm elections matter. A split congress is likely judging by history and the outcome of November’s congressional elections is relatively certain. In 18 of the past 20 elections since World War II, the president’s party lost seats, with two exceptions when the incumbent had an approval rating above 60% (Trump currently scores below 50%¹). The Republicans only have a six-seat majority in the House, giving the Democrats a good chance of taking control of it. In the Senate, the arithmetic favours the Republicans, making a split congress likely.

Source: ¹Reuters/Ipsos

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¹Reuters/Ipsos



The midterms matter for three reasons. Firstly, in a split congress, the government's ability to bypass Democratic support for federal spending via "reconciliation" evaporates. This is a specialised congressional procedure that allows congress to pass legislation with a simple majority vote in the Senate. Republicans had hoped to use reconciliation to address policy priorities such as border security, energy, and tax changes. Secondly, oversight of government, including relationships with private companies, is likely to be more onerous. This could improve overseas perceptions of the US and investor sentiment.

Lastly, and perhaps most importantly for markets, a divided congress suggests both parties have less leverage for negotiation. At its worst, this may cause difficulties in executing essential policy, such as raising the Debt Ceiling, that can worry the bond market. However, divided government also narrows the pathway for large, *debt financed* stimulus or tax packages, arguably removing a greater source of concern.

While divided government can reduce policy uncertainty, as legislative change is harder to achieve, a number of market-moving policy areas sit within the scope of the executive rather than the legislature, meaning the president does not need the support of congress to act. This includes

foreign policy, tariffs, de-regulation and immigration. Indeed, over the last year-and-a-half, executive actions have been the main driver of market volatility.

Overall, the midterm elections are expected to provide a relatively constructive backdrop for markets and may provide an additional fillip in advance of voting day. The government is likely to take action to support the economy in the run up to the election, especially if higher energy prices begin to weigh on activity.

UK – Labour must remember to mind the bond market

While the UK government doesn't face an imminent parliamentary election, politics is beginning to cast a shadow on bond markets. The current executive has successfully managed to maintain sufficient credibility to calm bond investors, but global events are making that more difficult, exacerbated by domestic affairs.

Last autumn's budget sought to make clear the government's commitment to fiscal probity, with the spring statement a "no news is good news" event. By increasing fiscal headroom, the chancellor intended to dial down the drama surrounding the sustainability of UK borrowing, but the sharp move in energy prices seen since February does erode some of that breathing space.

That headroom has been cut by two factors. First, the rise in energy prices has pushed up inflation expectations, with the direct effect of increasing the interest burden on inflation-linked debt. Second, this has the indirect effect of increasing expectations that the Bank Rate will move higher, sending bond yields skyward, and raising borrowing costs. Futures markets have been volatile over recent weeks, but currently indicate three rate hikes over the next twelve months, having priced in two cuts as recently as February. These assumptions now look somewhat extended, and may recede as focus shifts from the impact on inflation from energy prices to the impact on growth from energy scarcity.

However, global factors are not the only consideration and bond investors also have an eye on the domestic political landscape. While Labour won a decisive majority in 2023, the party remains somewhat divided and the press has speculated as to Prime Minister Starmer's longevity as leader. Should Starmer be replaced by a leader from the left of the party, the bond market may question the new executive's commitment to financial stability. Where we may find reassurance is in the bond market's own demonstrable ability to make chancellors reconsider an unwelcome fiscal expansion. There is also the role of the Civil Service, uncharitably named "the blob". What some prime ministers have viewed as intractable

bureaucracy may also serve as a useful check on policy actions that might have dramatic market consequences.

Market reaction and valuations

Markets have been more *barrel-half-full* than *barrel-half-empty* during the Iran crisis. Volatility in equity and bond markets has spiked occasionally, but at the time of writing, no major equity market has slid more than -10% into correction territory. The energy-supply shock is amplifying a regional conflict, but equities have been relatively underwhelmed and insensitive to it. Indeed, an occasional market-watcher seeing equity markets making new all-time highs – including in the US, Japan, Brazil and Israel recently – might even ask: *what war?*

This sanguine response is partly conditioned on the Iran crisis being a transitory blip after which policymakers can get back to their pre-war playbooks. But it's also predicated on AI. Investors are looking ahead. They know that current earnings per share (EPS) growth for the S&P 500, for this year and next, is currently forecast to be strong. If this materialises, then current equity valuations – which are indisputably high compared to long-term averages across major markets – may prove justifiable. They may even be *under-baked*: investors may be downplaying the monetisation of AI and the impact on the bottom-line.

Markets are effectively peering through the fog of war and trying to focus on company fundamentals. It's an uneasy balancing act. Evidence of economic harm may be mounting. But EPS growth is not being driven solely by AI; the boost is more widespread, with other industries and businesses also expectant. Market returns have been broadening. So, investors will hope that the gap between economic crisis and business-as-usual can be bridged soon, lest uncertainty drags on confidence.

Bond markets could derail this scenario, on two fronts. First, if inflation expectations do not remain anchored during the Iran crisis, then a consequent move up in bond yields (as their prices fall) would need to be absorbed by equity markets. Until now, such moves have been positively correlated to oil prices: higher oil has stoked inflation fears which has sent yields up.

Second, the road to various elections is littered with political banana skins. In the UK, any political challengers – within or outside the Labour Party – would be wise to show fiscal restraint. If not, they might spook the bond markets with chatter of unfettered and unfunded spending. In the US, President Trump has put the 'affordability crisis' front-and-centre of November's midterm election campaigning. Higher-for-longer interest rates hinder credit, feeding negatively into mortgage rates, car loans and other index-linked payments. So far, tax credits and refunds from *Trump's One, Big, Beautiful Bill Act* have helped consumers to swallow \$4-a-litre gasoline prices



triggered by the Iran war energy shock. That well will run dry sooner or later.

All that said, many bonds offer a good starting yield. UK gilts, US treasuries and German bunds now look fair-to-good value. For instance, 10-year gilts are paying north of 4.8%, as we write. But gilts have been very volatile as geopolitical uncertainty is compounding domestic fiscal considerations. In corporate bonds, credit spreads – the additional yield a bondholder might expect for lending to companies rather than governments over the same term – remain near historically 'tight' levels, offering a meagre premium to buffer against negative news-flow and a worsening economic outlook, especially if it turns more recessionary. That said, yields above those available on government bonds are available with astute risk/reward management.

Alternatives continue to offer a range of possibilities to supplement equities and bonds. Options include commodities, infrastructure, real estate and absolute return funds. Cash or near-cash investments, which may variously include liquid short-dated government bonds and money market funds, give investment managers the firepower to selectively add to holdings during any sell-offs.

As a tried-and-tested hedge against geopolitical and inflation risks, it's been curious to see gold go up on good news and down on bad. Several factors may explain this:

- A lot was in-the-price pre-Iran war, with gold giving blistering returns. Some of the fervour for real assets had also earlier spread to silver, with some unwinding of speculative retail investors' 'meme-stock' buying

- The Iran war has caused bouts of illiquidity, with some investors perhaps selling-what they could, rather than what they needed to, to cover shortfalls
- Many countries, especially in Asia, are net importers of oil, and as their currencies have come under pressure to devalue, central banks have intervened to sell gold (in dollars) to buy home currencies. Turkey's central bank did so to defend the lira

Longer term, it's possible that sovereign wealth funds in the Middle East may seek to deploy capital on reconstruction efforts, at the marginal expense of gold. Time will tell. Nonetheless, while not all funds or portfolios hold gold, for those that do, the structural arguments for doing so appear to be intact.

Looking ahead

Intellectual flexibility, disciplined processes, humility

Although at times uncomfortable, volatility causes dislocations in the markets and that aids price-discovery. Active investment management plays a key role here; the ability to act nimbly when opportunities arise. Today, mixed messages and stray soundbites abound.

They may distract as much as they inform. During a 24-hour rolling news cycle, often a lot happens, but little changes. To make sound decisions in a hyper-connected and hyper-reactive world, investors therefore need intellectual flexibility, disciplined processes and humility. And the conviction at times – after weighing it all up – to do nothing.

Regardless of the way ahead, we believe investors will be best served by focusing on tried and tested methods: *time-in-the-market, not timing the market*; diversification; and sticking to a long-term plan. Our investment team remains laser-focused on fundamental analysis and assessing the investments we believe offer the best *risk-reward* for our clients.

To continue the debate and get more service-specific views, we recommend that you speak with your TrinityBridge contact and teams to hear about how the risks and opportunities may impact the investments you entrust to us. More general market commentaries are available on the [Insights page](#) of our website.

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