

## The Week Ahead: Ceasefire uncertainty weighs on outlook; IMF-WB meetings eyed

### ► Global: Energy shock risks in place as truce remains fragile

The market remains focused on the fragile Middle East ceasefire, with energy supply risks and geopolitical uncertainty remaining after failed peace talks between the US and Iran over the weekend. Oil and natural gas prices surged again today, after the US moved to blockade the Strait of Hormuz, re-injecting significant risks to global energy supply. The Strait remains largely closed. The US blockade applies to vessels entering or departing Iranian ports or paying a toll; non-Iranian shipping is exempt, though blocked from the Iranian side. Tanker traffic also remains limited, leaving markets acutely sensitive to signs of escalation or ceasefire slippage in the coming fortnight. The relief rally following the announcement of a two-week US-Iran truce last week has faded somewhat, given the significant gap between the two parties and limited near-term signals of any physical energy supply normalisation.

The energy shock complicates an already fragile global macro backdrop, meaningfully raising stagflation risks. The IMF-World Bank Spring Meetings are likely to reinforce this message, with the upcoming IMF World Economic Outlook expected to downgrade global GDP growth, while raising inflation forecasts. Higher production and transportation costs and longer supply routes raise the risk of broader price pass-through beyond the direct energy impact (i.e. at the pumps), particularly into traded goods inflation. Speeches from key central bank officials will be closely watched ahead of their late-April policy meetings for any shift in tone as they assess the inflation/growth trade-off, particularly for signals on the likelihood of rate hikes versus (ECB and BoE) a greater emphasis on downside risks to activity. Some FOMC members had already indicated a need for rate hikes in March, though our core scenario at this point is for US rates to remain steady.

### ► US: Energy shock pushed March CPI higher

US March CPI underscored the inflationary impact of the Iran-related energy shock, even as core price pressures eased modestly. Headline CPI accelerated at its fastest sequential pace since June 2022 (March: 0.9% m-o-m; February: 0.3%), driven overwhelmingly by the sharp surge in gasoline prices (21% m-o-m), which pushed up CPI to 3.3% y-o-y (February: 2.4%). Core CPI surprised mildly to the downside at 2.6% y-o-y (consensus: 2.7% y-o-y; February: 2.5%), helped by deflation in used cars. Shelter inflation picked up modestly (0.3% m-o-m) and is likely to see mechanical upside in April, reflecting the earlier government shutdown-related data incorporation. This is likely to limit the scope for further near-term core disinflation even as services inflation remains sticky. Moreover, while the energy impulse was largely confined to headline CPI for now, we expect second-round effects via airfares, apparel, and transport to emerge in the coming months, especially if elevated oil prices and freight costs persist. The preliminary April University of Michigan's index of consumer sentiment fell to 47.6, which would be the lowest level in its history if it holds in the final report. Higher energy prices were the key factor weighing on consumer sentiment and counterbalancing tax cuts.

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Meanwhile, February core PCE remained firm (0.4% m-o-m; 3.0% y-o-y), reinforcing the message that policymakers must remain cautious. Taken together, these inflation prints offer little to alter the Fed's higher-for-longer stance.

► **US: New tariffs add to the stronger goods inflation outlook**

The US administration also announced a fresh set of sector-specific tariffs last week, reinforcing trade policy as an additional inflation risk, albeit significantly less than from energy prices. This comes after the US Supreme Court nullified reciprocal tariffs earlier in February. Tariffs of up to 100% on patented pharmaceuticals have been announced, though the near-term impact is expected to be minimal given their phased roll-out from 31 July and extensive exemptions (including generic drugs). In contrast, tariffs on steel, aluminium and copper have been simplified and raised, with duties now applied to the full customs value of imported metals and derivatives. This increased the effective industrial input costs. This contrasts with the earlier tariff regime, in which duties on derivative goods were applied only to metal content, which resulted in loopholes, valuation disputes, and uneven enforcement. Overall, these measures add to upside risks on core goods inflation and complicate the disinflation narrative, even as growth effects are likely to materialise only over the medium term.

► **US: FOMC minutes signal emerging hawkish bias**

The March FOMC minutes struck a cautiously hawkish tone, highlighting rising concerns that progress on disinflation could reverse amid energy-driven supply shocks and elevated geopolitical uncertainty. Most participants indicated that risks to both inflation and employment have risen, with a prolonged Middle East conflict potentially damping growth, while entrenching inflation pressures. Officials agreed that policy remains well-positioned at current levels, but discussions revealed a sharper focus on upside risks to inflation expectations, particularly from persistently high oil prices. Several participants emphasised the need to avoid easing prematurely, warning that renewed cost-push pressures could entrench inflation above the 2% target. Importantly, some policymakers argued for a more explicitly two-sided policy outlook, underscoring that rate hikes could not be ruled out if inflation proves sticky. Indeed, the minutes outlined that “many” participants said that elevated inflation “could call for rate increases”. Several participants pushed out their expected timing of cuts, reinforcing the case for policy to remain restrictive for longer. Markets expect the FOMC to remain on hold in 2026 and in 1H2027.

► **Egypt: March CPI accelerates on fuel, food and EGP pass-through**

Inflation surged in March, reversing the disinflation trend seen since mid-2025. Headline CPI rose to 15.2% y-o-y (February: 13.4%; ADCB estimate: 15.5%), driven by the initial pass-through from c.17% domestic fuel price hikes, firmer food prices and EGP weakness. On a sequential basis, prices rose 3.2% m-o-m – the strongest monthly increase since the 2024 EGP float – led by sharp gains in transport (9.8% m-o-m), food (4.7% m-o-m) and utilities (3.3% m-o-m). Food inflation was lifted mainly by perishables (particularly vegetables), though broader food items also rose, pointing to a widening cost-push impulse. Importantly, the transport response was modest relative to the size of the fuel hike, reflecting the mid-month implementation and implying further pass-through into April. This is set to be reinforced by additional increases in metro and railway fares, as well as higher electricity tariffs for higher-use households and commercial segments, both implemented in April. With inflation pressures building and external conditions still fragile, the bar for near-term easing remains high. We therefore continue to expect the CBE to delay rate cuts until 2H2026, and maintain a cautious, back-loaded easing cycle. For further details, please see our report – **Egypt Economic Update: CBE adopts a wait-and-see approach amid rising inflation pressures and EGP risks**, published on 3 April 2026. Keeping policy tight is also critical to stabilise the EGP and

contain capital outflow risks, implying that any eventual easing will be gradual and contingent on clear improvement in inflation and external conditions.

► **India: RBI keeps policy rates on hold; energy risks flagged**

The RBI kept the policy repo rate unchanged at 5.25% last week, delivering a unanimous hold while signalling heightened vigilance amid rising external and inflation risks. While the policy stance remains formally neutral, there was a clear shift in the macro assessment. The growth forecasts were revised lower and inflation projections marked higher, reflecting the impact of elevated energy prices, geopolitical uncertainty and supply disruptions. The FY2026-27 (Apr. to Mar.) CPI forecast was raised to 4.6% (4.2% earlier), with Governor Sanjay Malhotra highlighting upside risks from higher energy prices, supply disruptions, and El Niño-related weather hazards. Importantly, the RBI published a core inflation forecast for the first time (4.4%), close to the headline CPI projection, suggesting concern that inflation pressures may prove broader and more persistent than the energy and food shocks. The RBI also emphasised downside risks to growth from weaker external demand and tighter financial conditions, reinforcing its preference for caution over pre-emptive tightening. The governor reiterated that the RBI's FX intervention aims to curb excessive volatility rather than influencing direction, noting that recent measures to curb INR speculation – including restrictions on NDF activity – are likely temporary. The INR has since found some support, appreciating to c.92-93 against the USD after breaching 95 in late-March. The policy messaging suggests the RBI is prepared to tolerate inflation moderately above the 4% target within the 2-6% band, so long as the price pressures remain supply-driven. We expect the RBI to remain on a prolonged pause, though we acknowledge the risk of hikes if energy disruptions intensify.

► **China: Cost-push reflation emerges; domestic demand stays soft**

China's March inflation data points to early signs of an exit from deflation, though driven by imported cost pressures rather than a recovery in domestic demand. Producer prices rose 0.5% y-o-y in March, the first positive print in over three years, as higher global energy prices and imported input costs fed through to factory-gate prices. In contrast, CPI remained subdued at 1% y-o-y, easing from February (1.3%) and undershooting consensus expectations (1.1%), underscoring still-weak household demand following the seasonal Lunar New Year boost. The narrowing CPI/PPI divergence suggests rising costs are squeezing producer margins rather than lifting pricing power or nominal growth. While exiting deflation is directionally positive for policymakers, the composition of inflation – energy-led and externally driven – complicates stimulus calibration. China's reflation outlook remains fragile and partial, with upstream cost-push pressures outpacing any meaningful improvement in domestic demand.

Chinese activity data is due this week, with consensus expecting 1Q2026 GDP growth to pick up modestly to 4.8% y-o-y (4Q2025: 4.5%), buoyed by policy support and resilient upstream manufacturing. However, growth momentum is likely to remain modest, with the recovery still reliant on supply-side support rather than a broad-based pickup in domestic demand. March activity data (industrial production, retail sales and fixed asset investment) should offer a more granular picture of this dynamic. Industrial production is expected to remain relatively firm (5.3% y-o-y), supported by energy and commodity-linked sectors. Retail sales are likely to soften as the Lunar New Year boost fades (2.4% y-o-y), reinforcing signals of cautious household spending. Fixed asset investment should continue to be underpinned by infrastructure and public-sector capex, but private investment momentum is likely to remain uneven.

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