Weekly Roundup - Hormuz whipsaws markets, China's imbalanced trade, the 60/40 portfolio and more

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This Weekly Roundup highlights the latest on the Middle East conflict, China's trade imbalance, the overstated economic impact of defence spending, alternative property sectors and more.

1. The reclosure of the Strait of Hormuz has swiftly stalled the market rally fueled by hopes for peace. While Friday's brief reopening initially aligned with our baseline conflict scenario, the deep divide between combatants means our adverse scenario remains a distinct possibility. Our dedicated page remains the go-to source for the latest analysis, including recent work on non-energy supply chains, UK loan arrears and, ahead of today's reopening news, alternative routes for oil flows beyond the Strait.

2. Global imbalances were a talking point at last week's IMF Spring Meetings, not least China's current account surplus. While most – including IMF economists – expect it to narrow, we explained earlier this year why we think the trade surplus behind it will keep rising. That's a big problem for Europe, as we'll discuss in a Drop-In briefing this coming Thursday. There's more on global imbalances in this week's podcast.

3. Defence spending has been another focus of the Spring Meetings. The IMF's analysis supports our view outlined a year ago: it won't turbocharge growth. There is new evidence of a strong rise in military output in Europe, but the gains will generally be modest given fiscal constraints, delays, import leakage and capacity bottlenecks. Critically, any boost to long-run potential would take decades and isn't guaranteed.

4. The sharp rebound in US equities has been led by large-cap technology stocks most closely tied to AI enthusiasm. This dynamic was anticipated in a recent report by Senior Markets Economist James Reilly, which outlines why we believe the tech-driven rally still has room to run, even if pre-war forecasts for the S&P 500 may no longer be achievable.

5. Our commercial real estate Drop-In briefing last week concluded with a discussion on how alternative sectors are set to take a larger share of portfolios over the coming years. We're continuing to expand our coverage of alternatives, with this week's note on opportunities in life sciences and an upcoming report on hotels.

6. The 60/40 portfolio rule, combining equities for returns with bonds as a hedge, has come under pressure as both have sold off together in recent bouts of market volatility. But Megan Fisher explains how bonds still offer protection, how they look more attractive than they have in a while, and how they remain a useful addition for investors worried about a potential AI bubble.