



This update reflects market and geopolitical conditions at the time of writing. Because global developments are constantly unfolding, conditions may change after publication.

The first concept of an escalator-like machine (revolving stairs) was patented in 1859 by Nathan Ames, a patent attorney from Saugus, Massachusetts. The first actual escalator was installed at Coney Island around 1896 as an attraction, and it only went in the "up" direction. Today's escalators "escalate" and "de-escalate".

Last week in the markets, the theme of "de-escalation" in the Iran/U.S. conflict provided a positive catalyst to take equity markets back to new highs and even beyond in some cases. However, developments over the weekend have introduced new uncertainty into the situation. The U.S. Navy seized an Iranian cargo ship attempting to run the blockade near the Strait of Hormuz. Iran responded by reimposing restrictions on the Strait. As a result, energy prices have reversed course and are rising again.

While the initial period of de-escalation was welcomed in the near term, an important consideration for investors in the medium term will be assessing any longer-term impact on energy supply as a result of shutdowns that occurred across oil, natural gas, and refineries. It takes weeks, even months, to restart key production facilities.

With geopolitical risks re-emerging and energy prices moving higher again, investors will turn their full attention to Q1 earnings in the U.S., which kicked off last week, led by major financial companies that reported mixed results. The key focus in financial earnings reports was the exposure that banks have to the private credit space, given ongoing concerns about AI disruption in the software sector.

Looking forward, investors are expecting 12% year-over-year earnings growth in Q1 (see the chart of the week below). With the sudden increase in energy prices, management commentary related to profit margins will be a key element for markets to pay attention to.

Should commentary indicate a continued upward trajectory of earnings growth, markets can be expected to "escalate." That said, renewed geopolitical volatility could temper any near-term "escalation" in risk appetite.

Q1 Earnings Move into Focus

[DOWNLOAD THE CHART](#)

What Happened

Iran/U.S. Conflict - Last week saw a temporary de-escalation with Iran briefly agreeing to reopen the Strait of Hormuz. However, over the weekend, the U.S. Navy seized an Iranian cargo ship attempting to run the blockade, prompting Iran to reclose the Strait.

U.S. Producer Prices - Producer prices for March came in at 0.5% vs. estimates of 1.1% on a month-over-month basis for final demand goods (*Source: Bloomberg Economic Calendar*).

U.S. Import Prices - Import prices for March came in at 0.8% vs. estimates of 2.3% on a month-over-month basis (*Source: Bloomberg Economic Calendar*).



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Source: Bloomberg

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