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PUBLIC RESEARCH PAPER

Hormuz Stalemate & Stagflation Shadow

Four Central Banks on Active Hold — BoJ Intervenes — Iran Softens — US Payrolls in Focus

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KEY TAKEAWAYS

1. Four G10 central banks (Fed, ECB, BoE, BoJ) held rates this week in 'active holds' — hawkish bias dominant across all institutions.
2. BoJ confirmed FX intervention estimated at USD 35bn+ pushing USD/JPY from 160.5 to 155.5. Finance Min. Katayama: 'Decisive action' remains available.
3. Brent crude surged to \$111/bbl mid-week before retreating below \$108 on Iran's late-Friday diplomatic proposal submitted to Washington (WSJ).
4. FOMC: 3 hawkish dissents — highest count since 1992. Powell retains Governor seat blocking Miran. Warsh confirmed as incoming Chair. Next cut Dec 2026 at earliest.
5. ECB: Unanimous hold. Lagarde tees up June 25bp hike. 'Six weeks crucial.' ECB moving away from March baseline scenario. ~75bp priced for 2026.
6. BoE: 8-1 vote for hold. Huw Pill sole hike advocate. MUFG upgraded to 50bp tightening forecast for 2026. June hike likely if second-round effects persist.
7. US Q1 GDP 0.5% QoQ (vs 2.4% consensus) — Hormuz supply-shock distortion. Solid private consumption. ISM Manufacturing April 52.7. Core PCE 0.27% MoM.
8. Equities hit multi-year highs: S&P 500 +10.42% in April (5th consecutive weekly gain). 81% of S&P 500 companies beat Q1 estimates.
9. 7 OPEC+ nations reached agreement in principle to raise output quotas for June by ~188,000 bpd — bearish oil signal if Hormuz resolution materialises.
10. US estimates Hormuz blockade has cost Iran \$4.8bn (Axios). Iran submitted new proposal; differences remain on nuclear program and Hormuz reopening.

GEOPOLITICAL SITUATION: HORMUZ STANDOFF ENTERS NEW PHASE

Diplomatic Track: Iran Softens Conditions

The week's most significant late-breaking development was Iran's submission of a new proposal to Washington, reported by the WSJ on May 1 evening. Iran signaled a willingness to engage in diplomacy 'if the US shifts its stance,' with Trump publicly acknowledging Tehran 'wants a deal but noted key disagreements remain.' Iranian FM Araghchi held a phone call with Russian FM Lavrov on May 1 to discuss Iran's latest peace efforts, with Moscow continuing to offer its Oman back-channel mediation services.

Despite these diplomatic hints, Trump's public remarks remained hardline: 'Iran not coming through with deal we have to have. We will get this thing done properly.' He added: 'We will not leave early and have the problem arise again.' CENTCOM confirmed 45 commercial vessels have been redirected at Hormuz, with an estimated 400+ ships effectively locked up in the Persian Gulf.

Key distinction: Iran's new proposal represents a softening of conditions rather than a fundamental concession. The two sides remain far apart on the substantive issues of Hormuz reopening and Iran's nuclear program. The diplomatic track is active but fragile.

Naval Situation

- **Blockade Status:** US CENTCOM: 45 commercial vessels redirected. Brent surged to \$111/bbl before retreating as intervention optimism grew late week.
- **Mine-Clearing Timeline:** Pentagon estimates 6 months to clear mines — confirmed again this week. Economic disruption could extend well into 2026 even if a deal is struck soon.
- **Second Carrier:** Secretary Hegseth's second aircraft carrier deployment described as 'ironclad going global' remains in place.
- **Iran's IRGC:** IRGC announced 'new Persian Gulf management rules set to be implemented under supreme leader's historic command,' signaling Iranian intent to maintain strategic leverage over the strait.
- **UAE Development:** UAE civil aviation authority reported air traffic returning to normal after temporary safety measures were lifted — a modest but positive de-escalation signal (May 2).
- **OPEC+ Signal:** Seven OPEC+ nations reached agreement in principle to raise June output quotas by ~188,000 bpd. This is a bearish medium-term oil signal and may reflect internal pressure to moderate prices ahead of diplomatic resolution.

Israel-Lebanon: Ceasefire Fragile

The Israel-Lebanon ceasefire was extended for three additional weeks ahead of Sunday's expiry. Netanyahu has instructed the military to 'forcefully attack Hezbollah' but formal military action has been restrained within ceasefire parameters. A US arms sale to Israel valued at \$992.4 million (advanced precision kill weapon system) was approved by the State Department on May 2, signaling ongoing US support but not an escalation signal per se.

ENERGY & COMMODITIES

Oil: Volatility Defines the Week

Brent crude posted its second consecutive weekly gain, rising above \$111/bbl on April 30 before closing the week around \$108.17/bbl following Iran's late diplomatic softening. WTI settled near \$101.94/bbl — a significant pullback from the \$106/bbl mid-week highs. The intraweek swing reflected the market's sensitivity to diplomatic headlines: the WSJ report of Iran's revised proposal triggered a 2%+ crude sell-off in the final session.

Physical markets remain severely dislocated despite futures price volatility. Chevron's CFO stated: 'Oil markets are running down storage buffers' — a critical warning that even modest diplomatic progress may not immediately ease physical tightness. ARA refined products stocks remain at their lowest since June 2022 (4.9mt) and Singapore onshore stocks are at their lowest since January (47.1mb). Saudi crude loadings from Yanbu fell 17% to 3.5m bpd in mid-April.

Natural Gas & Downstream

- **TTF:** European gas benchmarks remain elevated. Maersk continues to describe the Strait as 'firmly closed' for commercial purposes.
- **Shell:** All European Shell refineries maximizing jet fuel output — confirming downstream cascade effects from crude tightness.
- **GECF Warning:** The Gas Exporting Countries Forum secretary general warned that if the crisis extends six months, demand destruction could become 'systemic' — a permanent structural shift in global energy trade routes.

Gold

Gold edged higher to approximately \$4,630/oz, supported by a sharp USD decline following BoJ intervention. The rebound reverses some of the recent weakness driven by the ongoing conflict. Gold remains down approximately 12% since the Iran war began, as higher real yields and firmer dollar have partially de-correlated bullion from war-driven inflation fears. Central bank demand (China added ~5 tonnes in March) continues to provide a structural floor.

CENTRAL BANK WEEK: FOUR 'ACTIVE HOLDS'

The week of April 28-30 will be remembered as the most significant central bank week of 2026 to date. All four major G10 central banks held rates, but each meeting carried unmistakably hawkish undertones that signal a tightening cycle ahead. BNP Paribas summarized the consensus view: 'Four Central Banks on Active Hold — hawkish hawks have made their dissent heard while still in the minority, but they are no longer in passive wait-and-see mode.'

Federal Reserve — April 28-29 FOMC

The FOMC held the federal funds rate at 3.50-3.75% in what proved to be Chair Powell's penultimate meeting as Chair. The headline macro data was clear: three regional Fed presidents voted against maintaining the easing bias — the highest dissent count since 1992. Governor Miran dissented on the other side, advocating a 25bp cut, but Powell's statement that the committee was 'close to changing the guidance' and 'in a good place to move in either direction' effectively acknowledged the de facto two-sided stance.

Crucially, Powell confirmed he would retain his seat on the Board of Governors after handing the Chair role to Kevin Warsh 'for an indefinite period of time.' This blocks Governor Miran — the most dovish FOMC member — from stepping down to allow Warsh to take over, as Miran would need to vacate the Board seat. Warsh's emphasis on a smaller Fed footprint, skepticism toward forward guidance, and preference for interest rates over the balance sheet sets the tone for the new regime.

BNPP: 'This, alongside our growth and inflation outlook, strengthens our call of a steady policy rate through end-2027, with growing tail-risk of a hike as next move.' Economist surveys: 56 of 103 expect Fed on hold through September; 71 of 103 expect at least one cut this year. The market's bull-bear divide on the Fed has never been wider.

ECB — April 30 Decision

The ECB held rates unanimously at 2.00%/2.15%/2.40% in a meeting characterized by what Natixis termed a 'Missed Opportunity' to signal more forceful tightening. Lagarde confirmed the decision included 'debating at length, and in depth, all policy options including hiking rates.' The unanimous hold reflected the ECB's preference for 'more information, especially regarding the risk of second-round effects via wages.'

The forward guidance was the key element: Lagarde explicitly stated 'I know directionally where we are heading' and identified the next six weeks as 'crucial' — constituting the clearest pre-commitment to a June hike yet. Updated ECB staff forecasts will be available at the June 11 meeting, providing the framework to justify 'some measured adjustment of policy.' April flash HICP for the Eurozone printed at 3.04% YoY (up from 2.55% in March), with energy contributing 1 percentage point.

Nordea, MUFG, Natixis, and Nordea all forecast a June 25bp hike. MUFG forecasts 50bp of total ECB tightening for 2026, while market pricing currently implies ~75bp. The discrepancy reflects tail-risk pricing of the 'severe scenario' in which energy price shocks prove non-transitory and require more forceful policy normalization.

Bank of England — April 30 Decision

The BoE's meeting was the most consequential for sterling trajectory. The 8-1 vote (Pill for hike) was slightly less hawkish than anticipated by MUFG (who expected 7-2), but the three inflation scenarios presented — particularly Scenario C projecting CPI peak above 6% — and the near-universal readiness of MPC members to tighten if data supports it constitute a clear tightening signal.

MUFG upgraded its 2026 UK rate forecast to 50bp (from 25bp), with June now viewed as the most likely timing for the first hike. 'By then,' MUFG writes, 'there will likely be further evidence of energy price pass-through and associated second-round risks, so the argument for patience will become less tenable.' Key members to watch: Pill (already voting for hike), Greene, and Mann are viewed as the initial tightening bloc, with Lombardelli and Breeden data-dependent wildcards.

MUFG caution on GBP: 'Raising rates in circumstances of weak economic conditions can undermine currencies.' Sterling's ability to sustain gains above 1.36 is contingent on the June hike materialising and not being perceived as a policy error.

Bank of Japan — April 28 Decision

The BoJ held rates at 0.75% for the third consecutive meeting — but the internal dynamics have shifted materially. Three of nine Policy Board members voted for an immediate 25bp hike, with the majority (including the executive members more aligned with the Takaichi government) voting to hold. CACIB frames this as a 'dual mandate imposition': the Takaichi administration requires the BoJ to balance 'strong

economic growth' alongside 'stable price increases,' making a hike politically difficult when real GDP growth has been revised down to 0.5% for FY26.

The BoJ's hold was soon followed by what markets widely assessed as JPY-buying FX intervention of approximately USD 35bn, with Vice Finance Minister Mimura issuing his 'final warning' shortly before USD/JPY fell five figures from 160+ to 155.5. ING notes that 'unless Washington gets involved, there will be good demand for USD/JPY near 155' given the structural interest rate differential. CACIB and ING both forecast a June BoJ hike of 25bp when inflation data confirms the above-2% trajectory.

Central Bank Policy Matrix — Post-Meeting Update

Central Bank	Rate	Meeting / Action	AperonFX Assessment
Federal Reserve	3.50-3.75%	28-29 Apr (HOLD)	Hold confirmed. 3 hawkish dissents. Warsh becoming Chair. Next cut Dec 2026 earliest. PCE 0.27% MoM supports extended pause.
ECB	2.00% (depo)	30 Apr (HOLD)	Unanimous hold. Lagarde: 'I know directionally where we are heading.' June 25bp hike broadly signaled. ~75bp priced for 2026.
Bank of England	3.75%	30 Apr (HOLD)	Active hold. 8-1 vote (Pill for hike). 50bp of tightening now MUFG forecast. June hike likely if second-round effects mount.
Bank of Japan	0.75%	28 Apr (HOLD)	Third consecutive hold. 3 Board members voted to hike. Confirmed FX intervention ~USD35bn. June 25bp hike expected (CACIB/ING).
RBA	4.10%	5 May (exp. HOLD)	Hold expected at 4.35% (after Mar hike). Watch guidance language. Hawkish backdrop maintained per Westpac/ING.
Riksbank	1.75%	7 May (exp. HOLD)	Hold widely expected. SEK portfolio rebalancing largest monthly need in 5+ years. Swedish April CPI key input.

G10 FX: INSTITUTIONAL VIEWS & APERONFX ASSESSMENT

The table below synthesizes directional views from institutional research published during the week of April 28 - May 2, 2026 from ING, MUFG, CACIB, Danske Bank, Westpac, Scotiabank, Natixis, SEB, Nordea, and BNPP.

Pair	Bias	Institutional Rationale	Sources
EUR/USD	Bearish	Heavy below 1.17. EZ PMI composite 48.6 (17-mth low). Dual headwinds: energy vulnerability + ECB policy misstep risk. 1.1500 near-term support; MUFG Q2 target 1.15.	ING, CACIB, MUFG
USD/JPY	Bullish USD / Bearish near-term on intervention	Intervention confirmed ~USD35bn. 160 defended as ceiling. ING: structural demand near 155 given high energy prices. MUFG: 12M target 152 (short USD/JPY).	ING, MUFG, CACIB
GBP/USD	Bullish	Near 1.36. PMI composite 52.0 (beat). BoE 50bp of tightening forecast. UK CPI 3.3% YoY. PPI input +5.4% YoY. June hike likely. 1.3700 achievable on USD weakness.	MUFG, CACIB
AUD/USD	Neutral/Bearish	Near 0.7183. RBA hawkish supports vs NZD. AUD/NZD near highs ~1.22. Energy exporter structural hedge. Risk-off still dominant overhang. MUFG Q2: 0.71.	ING, Westpac, MUFG

Pair	Bias	Institutional Rationale	Sources
USD/CAD	Neutral (CAD Supported)	Near 1.38. CAD terms-of-trade benefit from Brent \$108-111/bbl dominant. USMCA 'rules of origin' risk is primary downside for CAD. MUFG Q2: 1.37.	ING, Scotiabank, MUFG
NOK/SEK	NOK outperformer on de-escalation	NOK well-positioned for de-escalation scenario with sticky energy. SEK: large April rebalancing need. Riksbank holds 7 May. Norges Bank to hike 25bp.	ING, SEB
USD (broad)	Bullish	DXY support at 98.00; can gravitate 98.50. Gulf uncertainty + 5Y5Y inflation swap at 2.50% keeps USD firm. Upside bias to 99.15/20; gap fill to 99.50 possible.	ING, CACIB

GLOBAL MACRO SIGNALS

United States

Q1 GDP printed at 0.5% QoQ annualized — sharply below the 2.4% consensus, driven by government sector restraint following the partial reopening of public services. Private consumption remained solid. The GDP miss is broadly attributed to Hormuz-driven supply disruptions rather than organic demand weakness. ISM Manufacturing for April came in at 52.7 (vs. 52.0 consensus), supported in part by AI-driven capital expenditure demand for telecom equipment. Apple, Meta, Alphabet, Amazon, and Microsoft all confirmed capital expenditure plans exceeding \$700bn combined for 2026, with AI investment as the primary driver. About 81% of reporting S&P 500 companies beat Q1 estimates.

Eurozone

The Eurozone is in the early stages of stagflation. Q1 GDP came in at 0.1% QoQ — France contracted and Irish data distorted the aggregate. Flash April HICP rose to 3.04% YoY (from 2.55%), with energy contributing a full percentage point. The Composite PMI at 48.6 is now at a 17-month low, with Services at 47.4 — a 62-month low. German IFO at 84.4 represents pandemic-era lows. Gas reserves are at five-year seasonal lows. The Bundesbank acknowledged 'higher energy costs and weaker confidence will weigh on Q2.' S&P affirmed Germany's AAA/A-1+ rating, providing minimal relief.

United Kingdom

The UK continues to materially outperform Eurozone peers. PMI Composite 52.0 (beat 49.8 consensus). CPI 3.3% YoY (March). BoE Decision Maker Panel firms plan to raise prices 4.4% over the next year. 1-year inflation expectations rose to 4% in the MUFG BoE survey. MUFG forecasts UK CPI to peak slightly above 4% at end of 2026. The combination of resilient labor markets, expansionary activity data, and rising inflation expectations creates the clearest domestic case for rate hikes among G10 economies, supported by the BoE's active hold framework.

Japan

Tokyo core CPI (ex-food and energy) rose +0.9% YoY in April — well below the 2% target — reflecting weak domestic demand. However, the broader inflation trajectory is upward: April fiscal year price adjustments and shunto wage growth above 5% are expected to push both headline and core above 2% from May onwards. Manufacturing PMI flash surged to 54.9 (from 51.6 in March). Industrial production declined 0.5% MoM in March, with the METI forecast index for April also negative — raising the risk of a Q2 production decline. PM Takaichi reiterated that approximately 60% of May crude imports will bypass the Strait of Hormuz.

China

China's coal-heavy energy mix (>50% of the grid) provides a structural competitive buffer versus Europe's oil-and-gas dependence (~65%). CNY is at its strongest level since 2023. PBOC held the LPR at 3.00% (1-year) and 3.50% (5-year). Urban unemployment unexpectedly rose to 5.4% in March. US Treasury sanctioned Chinese 'teapot' refinery Hengli Petrochemical for purchasing Iranian oil — a key escalation in the US-China oil sanctions enforcement regime. A Trump-Xi summit is being planned for May around trade stability and non-sensitive goods flows. China is lifting retaliatory measures against two EU banks in a parallel diplomatic channel.

RISK SCENARIO FRAMEWORK

AperonFX presents four scenarios for the Hormuz conflict evolution over the next 4-8 weeks, with associated probability estimates and FX impact assessments. Probabilities informed by MUFG, ING, Danske Bank, and SEB scenario frameworks.

Scenario	Description	Prob.	Key FX Impact
Base Case ~45%	Diplomacy via Muscat/Oman back-channel; ceasefire holds. Gradual Q2 Hormuz resolution. Brent \$100 Q2 / \$85 Q3.	USD mild bid	EUR/USD 1.15-1.17; JPY vulnerable; ECB hikes Jun/Jul. Fed on hold through Sep.
Bull Case ~25%	Oman back-channel succeeds; Hormuz reopens late Apr/May. Oil normalises toward \$80-85. Global risk-on.	USD weaker	AUD/NOK outperform sharply; EUR/USD rebounds 1.18-1.20; Fed resumes cuts earlier.
Bear Case ~25%	Talks fail; Iran deploys more mines; second carrier escalates. Brent >\$120. Stagflation deepens in Europe.	USD/JPY/CHF bid	EUR sold sharply; ECB policy misstep risk (Jul 2008 parallel). EM FX under severe pressure.
Tail Risk ~5%	US military strikes Hormuz defenses; China weapons to Iran; Lebanon ceasefire collapse.	Extreme vol	Oil \$150+; Global recession risk; coordinated CB emergency response.

Critical asymmetry: The bull case (25%) and bear case (25%) are symmetric in probability but highly asymmetric in FX impact. A Hormuz reopening would generate a sharp and sustained risk-on rally (USD -3 to -5%), while a military escalation scenario would likely trigger a controlled risk-off move (USD +2 to +4%) with the more severe impact falling on European and Asian EM currencies.

WEEK AHEAD: 4–8 MAY 2026

High-Impact Events

- **5 May: RBA Rate Decision:** Hold expected at 4.35%. Focus on guidance language — any softening would weigh on AUD; any hawkish reinforcement supports AUD/NZD.
- **7 May: Riksbank Rate Decision:** Hold expected at 1.75%. April CPI data (Wed) will be the key input. Large SEK rebalancing flows (SEB: largest monthly need in 5+ years) provide technical support.
- **7 May: Norges Bank Rate Decision:** Hike of 25bp to 4.25% expected — first G10 hike of the week. NOK well-positioned for de-escalation; strong energy terms-of-trade underpins.
- **8 May: US April Nonfarm Payrolls:** First payrolls under Warsh's shadow. Consensus ~+185k, unemployment 4.2%. Upside surprise: reinforces 'no cut 2026' narrative, USD bullish. Miss: opens door to December cut speculation, USD negative.
- **8 May: Canada Employment Report:** Watch for first signs of Hormuz energy cost transmission into Canadian hiring. CAD sensitive to any deterioration in domestic demand signals.
- **Ongoing: Hormuz Diplomatic Track:** Iran's new proposal is under Washington review. Any credible breakthrough or breakdown announcement would be the week's dominant FX driver, overriding all macro data.
- **May 25: USMCA Bilateral Round:** First formal USMCA renegotiation session in Mexico City. CAD traders will begin positioning ahead of this event; any early signaling of rules-of-origin enforcement would be CAD-negative.

EQUITIES & RISK SENTIMENT

US equities delivered exceptional performance in April and continue to show resilience heading into May. The S&P 500 gained 10.42% in April — the index's largest monthly gain since the post-COVID recovery. The Nasdaq rose 15.29% in April. The DJIA is up 7.14%. Approximately 81% of S&P 500 companies

reporting have beaten Q1 estimates. The fundamental underpinning: AI capital expenditure. The 'Mag 7' combined capex is now projected to exceed \$700bn in 2026 (up from ~\$600bn previously), with Google/Alphabet leading on cloud and custom chip demand. Google committed \$10bn cash plus up to \$30bn contingent to Anthropic, alongside 5 GW of compute capacity.

European equities underperformed, with the Stoxx 600 declining 0.8% in the final session as Middle East war long-term consequence concerns grew. Consumer-facing sectors were the hardest hit. UBS Global Equity Strategy maintains a 1100 MSCI AC World year-end target (+10% upside from current levels), assigning a 40% probability of entering bubble territory if a lasting ceasefire materialises. US equities are expected to outperform Europe even in a ceasefire scenario, given sharper European GDP downgrades and the limited fiscal response capability (~0.5% of GDP vs. ~3% post-Ukraine).

SOURCES & DISCLAIMER

Sources

This report synthesizes and references institutional research including: ING FX Daily (Turner, Pesole, Taborsky), MUFG FX Daily Snapshot, MUFG FX Focus ECB & BoE Reviews, MUFG Monthly FX Outlook (May 2026), MUFG Middle East Daily, CACIB FX Weekly (Marinov, Forrester, Dolci), CACIB Japan Economics Focus (Aida, Matsumoto), Danske Bank Weekly Focus, Scotiabank Daily Points (Holt), LSEG The Day Ahead, BNP Paribas EcoFlash, Natixis EMEA Macro Snapshot, Nordea ECB Watch, SEB Scandinavian Focus. News wire data synthesized from news_summary.pdf (April 26 – May 2, 2026).

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