mirova
Investing in sustainability

mirova

Creating Sustainable Value

MONTHLY MARKET REVIEW & OUTLOOK

April 2026

An affiliate of: NATIXIS INVESTMENT MANAGERS

April 2026

mirova in a nutshell

Key events - March 2026

- **Iran:** The U.S.-Israeli attack launched on February 28 led to the blockade of the Strait of Hormuz. The largest energy disruption in history.
- **Markets:** Stoxx 600 down 8%, S&P 500 down 5%. Strong rotation toward energy and utilities. Rates rise, gold falls 12%, the dollar acts as a safe haven.
- **Central banks:** Fed and ECB in wait-and-see mode. The market anticipated up to three ECB rate hikes and zero Fed rate cuts in 2026.

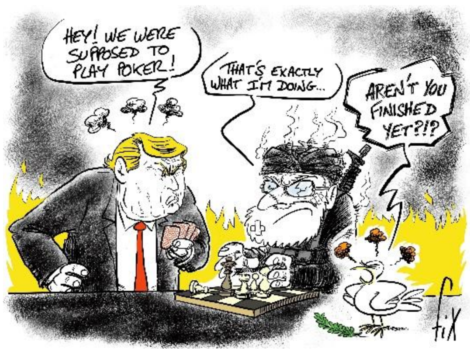
Number of the month[1]

$ 118

Brent closing price at the end of March, up more than 65% over the month.

Macro outlook

- **Iran**: Ceasefire contingent on the reopening of the Strait of Hormuz and developments in Iran's nuclear program.
- **United States**: Macroeconomic indicators remain robust despite the sharp rise in energy costs. Part of the decline in purchasing power will be offset by the tax cuts planned under the Big Beautiful Bill
- **Eurozone**: More vulnerable than the US to rising energy prices. Headline inflation at 2.5% in March year-over-year. German plan as a bulwark against recession.
- **China**: Strong start to the year, industrial production rebounding, PMIs stabilizing around 50.



The Long View

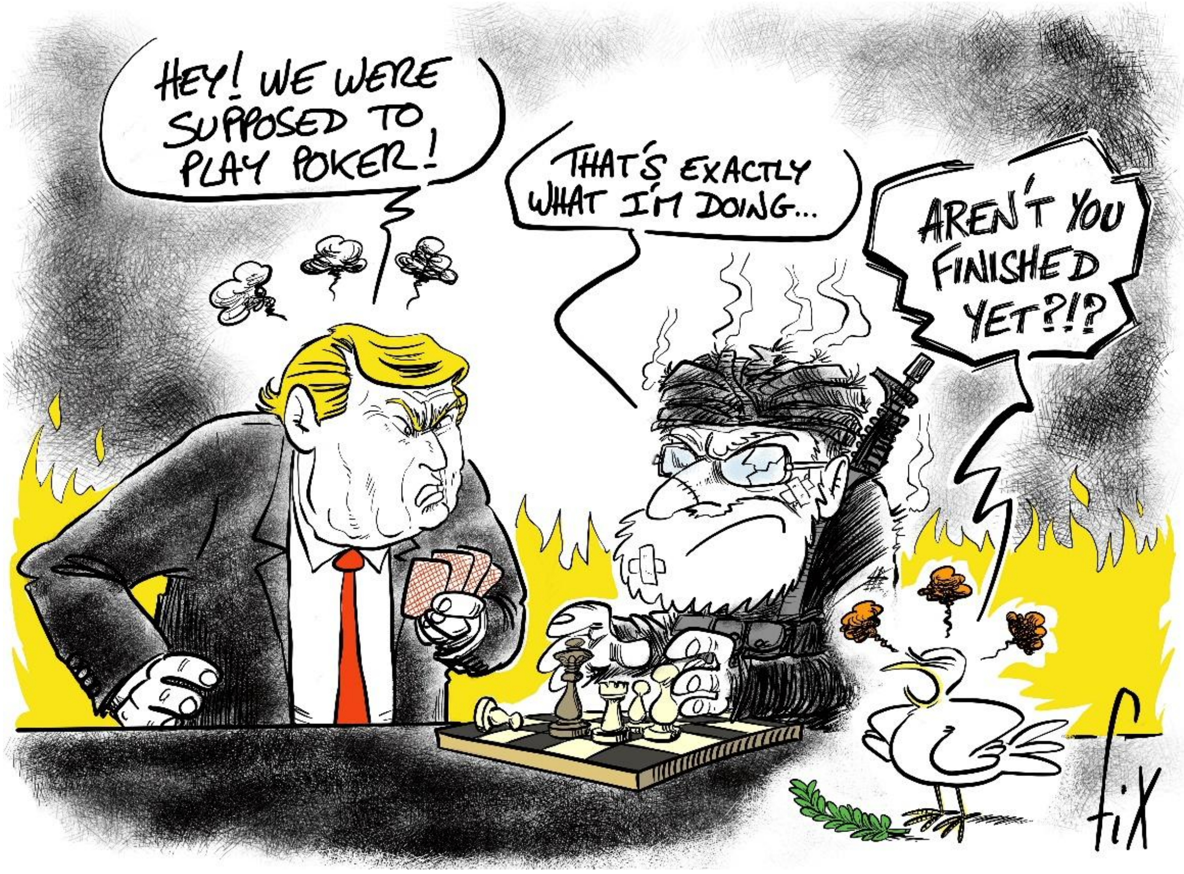
ESG, finally comes into its own right

- A paradoxical past
- ESG becomes a given

[1] Source: Bloomberg, March 2026.

Iran's Strategic Chaos Causes Havoc

March 2026 will be remembered as the month of the greatest disruption to energy supplies ever recorded. The U.S.-Israeli offensive launched on February 28 against Iran triggered a near-total blockade of the Strait of Hormuz, through which nearly 20% of global oil production and an equivalent proportion of natural gas passes. Within a matter of days, oil flows through the strait plummeted by 97%, depriving the market of nearly 17 million barrels per day - a shock 18 times greater, in volume, than the peak disruption caused by the Russia-Ukraine conflict in April 2022. Brent closed the month at $118 per barrel, up more than 65%. Equity markets fell 8% in Europe and 5% in the United States, while monetary policy expectations were sharply recalibrated, with no Fed rate cuts anticipated for 2026 and up to three hikes by the ECB. Interest rates soared, up 38 basis points over the month for the 10-year US Treasury to 4.32%, up 26 basis points for the Bund to 3%, and yield curves flattened. In the credit market, high-yield spreads[1] widened by around 40 to 50 basis points on both sides of the Atlantic. Gold failed to act as a safe-haven asset and fell 12% over the month Conversely, the dollar has resumed its upward trend.



Source: Mirova, Bloomberg.
[1] Spread: price difference between the bid and ask prices quoted for an asset.

A conflict that has changed in nature

The initial objective of the operation was to reduce Iran's military capabilities: ballistic missiles, naval fleet, and, to a certain extent, nuclear infrastructure. As we anticipated in our previous Review & Outlook, the goal of decapitating the regime by force has not been achieved. Nevertheless, Iran's leaders have been weakened. At this stage, the population does not appear capable of bringing about an internal regime change.

The conflict took on an entirely new dimension on March 7 and 8, when U.S.-Israeli strikes began targeting Iran's energy infrastructure: storage depots, refineries, and terminals. Tehran's response was as unexpected as it was formidable. Rather than limiting itself to territorial defence, the Iranian regime attacked the energy infrastructure of Persian Gulf countries, including those hosting U.S. military bases. A strategy of chaos, aimed at making the West pay a heavy price and deterring any future aggression. Virtually every country in the region has been affected.

Iran still has two significant leverage points: the ability to block the Strait of Hormuz using its ballistic missiles and drones, and its capacity to prolong the conflict. The regime is fighting for its survival and does not share its adversaries' sense of urgency. For his part, Donald Trump cannot declare victory and as long as the Strait of Hormuz remains blocked and the price of oil per barrel significantly exceeds its pre-conflict level. Negotiating positions exist but remain far apart: Tehran demands the lifting of economic sanctions, offers only 3 to 5 years of freezing its nuclear program while maintaining its enrichment capabilities; Washington demands the unconditional reopening of the strait and the complete end of Iran's nuclear program.

A two-week ceasefire was agreed upon on 7 April under Pakistani mediation. Then the Islamabad negotiations between Vice President Vance and the Iranian delegation ended in failure on April 12, with the U.S. VP acknowledging the absence of a long-term agreement. In the absence of a definitive agreement, the two camps seem on the verge of signing a temporary arrangement in order to avoid a resumption of the war. The situation nevertheless remains volatile and uncertain even if the maximalist scenarios on both sides now seem implausible, de facto reducing the most extreme risks at the macro level and for the markets.

The biggest energy disruption in history

The numbers speak for themselves. Nearly 20 million barrels per day are being blocked at the Strait of Hormuz. Rerouting via pipelines in Saudi Arabia and the UAE is only redirecting 6 million barrels per day, close to their maximum capacity. Qatar has been affected to the tune of 17% of its LNG[3] production, with an estimated 2 to 3 years needed to regain full capacity.

Even if the conflict is resolved quickly, energy prices will remain structurally higher than their pre-crisis levels. Two factors explain this: the physical destruction of oil and gas infrastructure in Gulf countries, which will take time to repair; and the rush to rebuild strategic reserves, which will keep upward pressure on prices. European gas, which was trading around €30 per megawatt-hour before the conflict, could stabilize around €40–50 even in a favourable scenario, while the barrel of oil would fluctuate around 85 USD on average over the rest of the year.

But the truly worrying risk lies in the non-linear nature of the crisis. Commercial and strategic stocks—the IEA has released 400 million barrels—are currently serving as a substitute for production losses. At the current rate, inventories could reach historically low levels by the end of April, or even the end of May. The relationship between stock levels and the price of oil would then become exponential, with a risk of a shift towards a scenario of physical shortages – a scenario that the market is not pricing in at all at this stage. In the event of a prolonged conflict, Brent could reach $150 to $200 per barrel, and European gas €100 to €150 per MWh.

Beyond oil and gas, 30% of global fertilizer exports pass through the Strait of Hormuz: 34% of urea, 23% of ammonia, and 18% of phosphates. The rise in fertiliser prices, which we estimate at 50% year-on-

Source: Mirova, Bloomberg.

year, could lead to food inflation of around 10–15% and add up to 2.5 percentage points of additional inflation in emerging economies. These countries are, in fact, the most vulnerable to this crisis: Asia, the main destination for shipments through the Strait of Hormuz, is already seeing the Philippines, Thailand, and other countries restrict oil consumption, mandate remote work, and limit industrial production.

What past energy shocks teach us

Four major energy shocks provide a framework for investors. Three variables are key to the analysis: the duration of the shock, the fiscal response and the reaction of central banks.

1973: the Arab oil embargo. Between 1973 and 1974, the oil shock caused the price of crude oil to quadruple. The Fed was already in the midst of a rate-hiking cycle and the markets were hit hard: the S&P 500 fell by 30% and valuations collapsed. By contrast, nominal corporate profits weathered the storm, buoyed by inflation. The stock market hit its low point when inflation peaked. The lesson: central banks were slow to react to the inflationary surge, before acting too aggressively, triggering a crash.

1979, the Iranian Revolution. The price of a barrel of oil had risen 2.5-fold After some initial hesitation, Volcker's Fed raised rates well above the inflation rate, triggering a severe recession and a sharp stock market correction. The market had hit its low point not at the peak of inflation but when Volcker shifted gears, as he began to cut rates after having raised them sharply.

1990, the Gulf War. This is perhaps the most relevant analogy in an optimistic scenario. The shock lasted nine months nonetheless; oil prices doubled, and the S&P lost 20%. But unlike in previous episodes, the Fed cut rates against a backdrop of slowing economic activity, viewing the shock as transitory, even though its key interest rates were well above inflation. The market rebounded as soon as oil prices began to fall, coinciding with the ground intervention of US troops in Kuwait and the rapid resumption of production. The current analogy would be a reopening of the Strait of Hormuz, achieved through negotiation or a targeted intervention.

2022, the war in Ukraine. The situation is fundamentally different. At the time, the economy was benefiting from massive fiscal and monetary stimulus, post-Covid overconsumption of services, and strong wage inflation, whilst Europe was structurally dependent on Russian gas. The S&P 500 fell by 25%. The market low coincided with the peak in inflation. Since then, renewable energy and nuclear power have made significant progress, and dependence on hydrocarbons has decreased. Central banks had raised interest rates very sharply – which is unlikely to happen this time, given a significantly less tight labour market. Systematically, during these periods of energy stress, the energy and utilities sectors outperform, whilst consumer sectors underperform significantly. This is precisely the stagflationary strategy the market played out in March. Furthermore, energy shocks are historically followed by investment super-cycles in alternative energy sources – this was the case in the 1980s with exploration in the North Sea and the Gulf of Mexico. Nuclear power, renewable energy and solutions to improve countries' energy independence (storage, efficiency, etc.) are likely to be the main beneficiaries of this new episode.

Less growth, more inflation: what will central banks do?

The Fed unanimously opted for the status quo, with 11 votes in favour of keeping rates on hold. Jerome Powell felt it was too early to gauge the economic impact of the war. The FOMC appears as concerned about a potential economic slowdown and job losses as it is about inflationary overheating. Crucially, long-term inflation expectations remain firmly anchored, both in surveys and in inflation swaps. Admittedly, the Michigan Survey shows a sharp rise in one-year inflation expectations, but it is known to over-represent Democratic voters in its sample and has not yet been confirmed by other polls. Medium- and long-term inflation expectations remain stable, which is likely to reassure the Fed: should these expectations fail to materialise, this would trigger the risk of an inflationary spiral and necessitate rate hikes.

Source: Mirova, Bloomberg.

With the Fed Funds rate at 3.75%, above inflation (2.4–2.5%) and potential growth, the Fed has room for manoeuvre. For the record, during the Gulf War in 1990, it cut rates sharply whilst inflation stood at 4%. Our view: the Fed will remain in wait-and-see mode for some time yet, before resuming rate cuts later in the year, or even in 2027, either because inflation will have normalised or because the recessionary nature of the shock will lead it to prioritise employment over inflation.

The ECB has also opted for the status quo, whilst incorporating into its projections a rise in headline inflation to 2.6% in 2026, compared with 1.9% at the end of 2025 – an additional 0.7 percentage points of inflation. The latest eurozone inflation figures came in at 2.5%, with the energy component already up by 6%. The market has priced in up to three rate hikes by the end of 2026, including potentially a first one as early as April. We believe this pricing is exaggerated. However, the ECB could prove more restrictive than the Fed, for several reasons: its key interest rate is closer to neutrality at 2%; the German stimulus package is supporting demand; wage indexation mechanisms, particularly in Germany, make it more likely that the rise in energy costs will feed through to core inflation; and above all, the ECB fears repeating its 2022 mistake, when it was slow to react. An initial rate hike by the summer cannot be ruled out if inflation reaches 3.5%, but the ECB is already doing the job by blowing hot and cold: there is no need to raise key interest rates for the rest of the yield curve to remain at high levels and anchor inflation expectations.

The Bank of England sits somewhere in between, with a more hawkish stance than the Fed but an economy far more vulnerable to a stagflation scenario. As for the BoJ, directly impacted by rising import prices, it is likely to delay its rate hikes until the end of the year, whereas the market had anticipated them in the spring.

Over the course of the month, the entire rise in long-term rates has merely reflected changes in monetary policy expectations; the term premium has remained unchanged. This is a factor to monitor closely: in the event of a deterioration in public finances, reduced Treasury purchases by Gulf countries or Asian mistrust, a rise in the term premium could significantly amplify the movement.

Our convictions 2026 isn't 2022

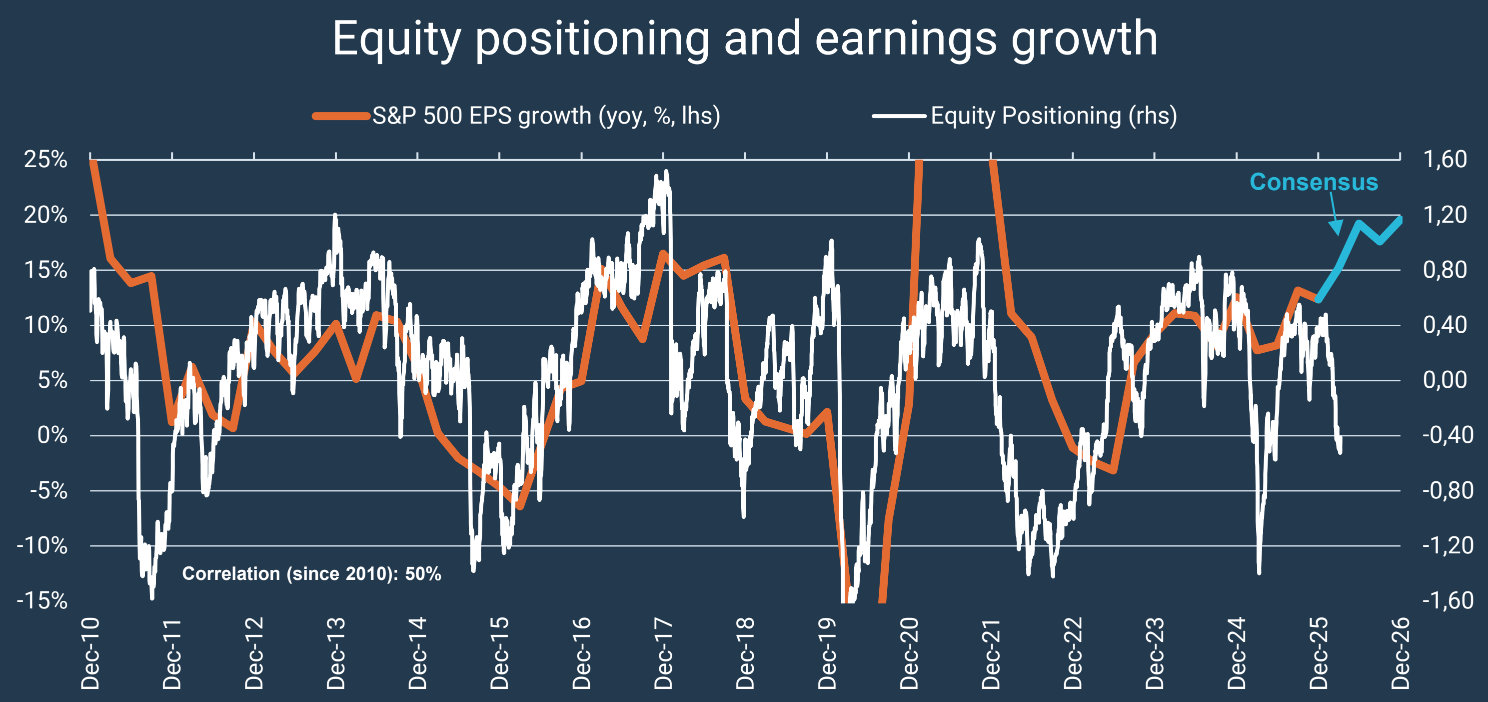
The starting conditions are fundamentally different from those of the 2022 energy crisis. Global fiscal stimulus is virtually non-existent, compared with 2.5% of GDP in 2021–2022. The US labour market is in 'no hire, no fire' mode, with the unemployment rate stabilised at 4.4% and the job vacancy-to-applicant ratio having fallen below 1. The US economy is now growing without net job creation, driven solely by productivity gains. Households have already drawn down their savings reserves, which are now at historically low levels: there is little scope to absorb a further shock. And unlike in 2022, supply chain disruptions are localised – energy, fertilisers – and not widespread as during the Covid crisis, when all manufactured goods and services were affected.

We do not anticipate a wage-price spiral or a sharp acceleration in inflation. The shock, if it persists, is likely to be recessionary in nature – destruction of demand, reduced purchasing power, postponement of investment decisions – rather than inflationary in the broad sense. Headline inflation could quickly rise to 3.5% in the US, but core inflation is expected to remain below 3%, held in check by falling rents, moderate wages, declining drug prices and tariffs set to be eased.

Against this backdrop, we believe there is value at the short end of the yield curves, in both euros and dollars: the market is overpricing the risk of rising policy rates. We believe it makes sense to take a position in US and German 2-year bonds and bet on a resumption of rate cuts later this year or in 2027.

Source: Mirova, Bloomberg.

Graph of the month



Source: *Bloomberg.*

Macro review and outlook

United States: still standing, but not entirely immune

Somewhat surprisingly, despite the sharp rise in energy costs, the war in Iran has so far had no significant impact on the US economy. Job creation was strong in March, and industrial confidence continues to recover, partly offsetting the decline in confidence within the services sector. Household confidence remains low but is not really deteriorating. Part of the decline in purchasing power linked to rising petrol prices may be offset by the tax cuts planned under the Big Beautiful Bill[2]. For the moment, the pass-through to core inflation appears weak (2.6%). The ongoing de-escalation (ceasefire) has also reduced the risk of stagflation by dampening the rise in oil prices and inflation expectations. Part of the decline in purchasing power will be offset by the tax cuts planned under the Big Beautiful Bill. Generally speaking, the US economy, now a net oil exporter, is significantly less dependent on hydrocarbons than it was in the 1970s, and is benefiting from still robust AI investment momentum.

However, the situation is not without risks. Many questions remain unanswered, notably regarding enriched uranium and Iran's nuclear programme, or the ongoing conflict in Lebanon. The ceasefire remains conditional on the effective reopening of the Strait of Hormuz, which is still far from certain. Should equity markets experience a substantial correction, the negative wealth effect would weigh on US household consumption, which is already depleted of savings reserves. Furthermore, the property market is suffering all the more as mortgage rates have risen above 6%.

Eurozone: more vulnerable, but better equipped than in 2022

Europe is inherently more exposed to the energy shock than the United States. Business confidence has deteriorated slightly: the composite PMI index fell by 1.2 points in March to 50.7. Sentiment has fallen in the services sector (-1.7 points) whilst, paradoxically, sentiment is recovering in manufacturing (+0.8 points to 51.6, its highest level since mid-2022), fuelled by front-loading – massive orders in anticipation of price rises and supply chain disruptions, a phenomenon already observed during the war in Ukraine. Headline inflation rose by 1.2 percentage points in March to 2.5% year-on-year, driven mainly by higher petrol prices. By contrast, core inflation remained virtually unchanged (2.3% vs 2.4% the previous month), a sign that the pass-through to non-energy prices remains very limited for the time being.

Nevertheless, we do not anticipate a recession in the eurozone. The German plan, the purchasing power support schemes already rolled out in Italy and Spain, and Europe's significantly lower dependence on gas compared to 2022 – thanks to progress made in renewable and nuclear energy – act as significant buffers. The impact will nevertheless be greater than that felt across the Atlantic.

China and emerging markets: Asia on the front line

In China, the government has set a growth target for 2026 that is the lowest since 1991 (4.5–5%, compared with around 5% for 2025), acknowledging the structural slowdown in economic activity. Industrial output did indeed rebound at the start of the year and PMIs stand out slightly above 50, but as a major importer of oil and gas via the Strait of Hormuz, China is among the regions most exposed in the event of a prolonged conflict.

Source: Mirova, Bloomberg.

[2] Big Beautiful Bill: the Tax Cuts and Jobs Act (TCJA) signed by President Trump.

In the rest of the emerging markets, South Asia has been the hardest hit in industrial terms. Energy supply difficulties have led to a decline in activity in several countries (Vietnam, India, Indonesia, the Philippines), with restrictions on oil consumption and partial closures of production sites. The global composite PMI fell by 2.3 points to 51, in line with a loss of half a point of GDP growth, with Asia being the main driver of this decline.

FOCUS - AI in the event of an escalation of the conflict

The race for artificial intelligence has gained significant momentum, with hyperscalers[3] announcing nearly $600 billion in capital expenditure for data centres by 2026. However, an escalation of the conflict in the Middle East could disrupt this momentum on several fronts.

Firstly, supply chains. Semiconductor manufacturing relies on Taiwan, South Korea, Vietnam, Thailand and Japan – all countries that require raw materials from the Strait of Hormuz. The case of helium is particularly telling: Qatar accounts for 34% of global helium production, which is essential for chip manufacturing. A prolonged disruption would constitute a major bottleneck. Furthermore, the energy costs of running data centres are rising as gas and electricity prices increase, and not everything runs on nuclear power, particularly in the United States. Financing costs could also rise, with higher interest rates and credit spreads. Finally, if equity markets were to experience a sustained correction, shareholder appetite for funding this sector would automatically diminish.

In the short term, momentum remains intact: corporate earnings in the technology sector are expected to remain robust. But a conflict lasting beyond a few months could break this momentum – a risk to bear in mind.

Private debt: a necessary, but not systemic, shake-out

Rising interest rates, widening spreads and the potential slowdown in AI growth could exacerbate the difficulties faced by the most vulnerable players in the private debt market. The fund run by investors is likely to continue. There will be losses, and some intermediaries could go bankrupt.

However, with outstanding debt of around $1.8 trillion, representing a few per cent of US GDP, we do not believe there is any systemic risk. Outstanding subprime debt in 2008 accounted for up to 70% of US GDP – a completely different scale. Outstanding private debt has certainly grown by 15% a year over the last ten years (compared with 3% for bank loans), but US corporate debt relative to cash flows has fallen sharply in recent years, bearing no resemblance to the excesses of the late 1990s. The most relevant parallel would be the junk bond crisis of the early 1990s: a necessary purge, painful for some, but without systemic contagion.

Post-conflict outlook and investment themes

Whatever the outcome of the conflict, several structural trends are being reinforced. Firstly, a higher floor price for energy commodities: the destruction of infrastructure, the rush to rebuild stocks and the increase of a geopolitical risk premium will maintain sustained upward pressure. Secondly, a super-cycle for renewables, nuclear and alternatives, in line with the massive investment in exploration that followed the shocks of the 1970s. Thirdly, a strengthening of the defence and strategic autonomy theme, amplified by European plans.

Source: Mirova, Bloomberg.

[3] Hyperscalers: large-scale data centres specialising in the provision of computing power and storage (Amazon, Microsoft, Google, Meta, etc.).

We favour a positioning that leans towards producers rather than consumers. Industries, defence, construction, semiconductors, banks and utilities should benefit from this environment, to the detriment of consumer sectors. The theme of structurally higher long-term rates is reinforced by capital expenditure needs in defence, energy infrastructure and public deficits to support purchasing power.

Paradoxically, gold lost nearly 12% over the month, a victim of profit-taking, sales by emerging market central banks seeking to raise dollars, and an environment of sharply rising real interest rates. The dollar, by contrast, has fully played its role as a safe-haven asset, supported by the US's lower vulnerability to the shock.

Our central scenario remains that of a resolution akin to the 1990 Gulf War: a shock lasting a few months, which is temporary, followed by a rebound. But the risk scenario – a prolonged quagmire with oil at $150 or $200 a barrel – would take us back to the dynamics of the 1970s, with the potential for a further substantial fall in equity markets. The duration of the conflict, the response of central banks and that of governments remain the three key variables to monitor closely.

Source: Mirova, Bloomberg.

The Long View

ESG, finally comes into its own right

ESG[4] is entering a new phase in its turbulent history. Derived from SRI[5] , itself derived from ethical finance founded in the 19th century on religious considerations, ESG has so far gone through phases of development following a trajectory that is, in part, fairly conventional: dazzling success, sometimes based on the wrong reasons, followed by a form of disdain, sometimes also based on the wrong reasons, before these episodes gave way, just over a year ago, to a new phase, perhaps the most exciting of those it has experienced to date.

We identify five such phases:

Past phases:

- The heroic age
- ESG emerges from its niche
- ESG becomes fashionable
- ESG falls out of fashion

The current phase:

- ESG becomes a given

A paradoxical past

The beginnings of ESG can be traced back to the invention of its acronym under the auspices of the UN in the early 2000s; although little remained of its religious origins apart from its distant roots, it still required faith. The enthusiasm of its supporters did indeed contrast somewhat with the polite indifference shown towards it by investors.

Then, little by little, institutional investors became aware of what ESG could bring to capital allocation, in terms of diversification, the detection of signals not usually picked up by traditional microeconomic analysis, and transparency. Added to this was a rational calculation: insurers, in particular, realised that financing activities contributing to environmental degradation—and thus increasing risks—made no sense, as it amounted to financing one's own loss, thereby creating a double waste. ESG funds were growing at a now more than respectable rate, and for good reasons, alas: humanity must, as always in its history, adapt to the challenges facing it; and to do so, investment is needed to transform economic infrastructure.

This gradual rise of ESG, which had gradually emerged from its institutional niche and was therefore becoming more visible, gained momentum with the Covid-19 crisis, to the point of taking on the air of a passing fad, whereas by definition, sustainability cannot become a fad. The pandemic thus acted as a powerful catalyst: a search for meaning, massive support from public policy and regulators, an abundance of liquidity… everything combined to make sustainable finance an inevitable step. Conferences, public support, private initiatives, the formation of major ESG teams in banks and asset management firms – everything encouraged people to 'do ESG'. Even those most resistant to the concept suddenly embraced it. Yet, as every fund manager knows, there is something worse than missing a trend: trying to jump on board just as it is showing signs of fatigue.

Like any fad, the ESG trend carried within it the seeds of its own decline. By attributing virtues to it that it had never claimed – systematic outperformance, a moral or even political stance, a universal

[4] Environment, Social, Governance
[5] Socially Responsible Investment

obligation – ESG exposed itself to a form of symmetrical rejection when the climate turned. Many saw it as a sure-fire strategy; others as a noble cause; some even wanted to make it the sole standard. All these interpretations overlooked its fundamental nature: a framework for analysis designed to enrich investment methodologies, not to replace them all or standardise them.

In the United States, this backlash took on spectacular proportions. The so-called 'anti-woke' rhetoric of Mr Trump and Mr DeSantis translated into political and legal attacks, culminating in a series of lawsuits targeting asset managers, accused by some of greenwashing and by others of breaches of their fiduciary duty. ESG thus became an ideological symbol, crystallising debates largely disconnected from the operational reality of ESG approaches, which were, after all, designed as simple tools for analysis and capital allocation.

Another factor, less ideological but just as decisive, explains the end of the ESG fad: the sharp rise in interest rates. Contrary to a widespread belief, ESG can cope very well with high rates; however, rising rates do have an impact, and the end of cheap money brought an end to an environment where everything could be financed indiscriminately. German ten-year rates, which were negative at the end of December 2021, were hovering around 3% less than two years later. Over the same period, US ten-year yields rose from 1.5% to nearly 5%. Inevitably, capital-intensive companies with distant cash flows – and therefore long durations – saw their valuation multiples collapse and their access to debt markets become more expensive.

This new environment acted as a filter, weeding out free riders and serving as a reminder that sustainable finance does not exempt companies from risks or the cost of capital. Naturally, those who had only joined the ESG movement under pressure from their clients, or even reluctantly, turned their backs on it as soon as they could. The ESG fad was passing. So much the better. From the outset, sustainable finance has set itself serious, long-term objectives – the very opposite of a fad, therefore.

Regulation has accompanied this phase: in Europe, the accumulation of legislation has helped to structure the market, though sometimes at the cost of increasing complexity and a certain degree of operational discouragement. Recent revisions, whether the so-called omnibus approach or the review of the SFDR framework, point to a shift: regulation played a driving role in the past, but it is no longer the main driver of the ESG revival today.

This phase of decline has highlighted a reality that is often overlooked: ESG has never been a homogeneous bloc. The debates currently taking place within the operational sphere – short-term versus long-term, sovereignty versus universality, financial materiality versus more diffuse impacts – are not signs of weakness but the natural expression of the diversity of ESG approaches. Far from undermining ESG, this diversity serves as a reminder that it is, above all, a framework for analysis – adaptable to economic, geographical and sectoral contexts – rather than a single prescriptive model.

A promising present

The ESG craze has passed; the craze for ESG bashing has too… such is the nature of crazes. And it has given way to a genuine, structural groundswell. What we have been observing since 2025 is the resurgence of ESG for the right reasons: to finance the resilience of our economies in a world that various changes are making increasingly unstable.

For while ESG critics were criticising ESG – or, more accurately, while they were criticising the false impression they had of it – the very trends it has sought to counter since its inception were gathering momentum. Moreover, the resurgence of a very short-termist approach to economic decision-making, particularly evident in the United States, does not reduce these risks; it merely postpones them. Yet the longer a risk is ignored, the more likely it is to manifest itself abruptly, making it all the more necessary to factor them in at an early stage in ESG analysis.

Extreme weather events, particularly in the United States – such as the current heatwave, with temperatures exceeding 40°C in the middle of March – ultimately create problems whose predictable recurrence makes any appearance of unpreparedness on the part of the relevant authorities increasingly unacceptable. This litany of climate events, whilst not new in itself, is occurring at ever-shorter intervals and has long convinced a growing number of investors that action is needed, whilst others remain indifferent. This awareness is growing, albeit at a rather slow pace.

What has been fuelling interest in ESG for nearly a year now stems from current geopolitical events. The war in Iran has acted as a catalyst for an already established trend: who does not realise that relying on a significant proportion – without going as far as 100% – of renewable energy in one's energy mix makes it possible to avoid dependence on the upheavals in the Middle East and thus on oil? Who is still unaware that most motoring needs are very well met by electric vehicles – and far better for urban journeys – than by their combustion-engine equivalents, whose fuel prices can skyrocket in a matter of days? By 2025[6] , the global fleet of electric vehicles had helped avoid the use of no less than 1.7 million barrels per day. Spain, which derives around half of its energy from renewables – albeit with the constraints this places on its grid – is weathering the Iranian crisis without any real disruption for the time being.

Whether we are talking about the UK, the EU, Singapore, Japan or India, there is now an unshakeable consensus on the imperative need for a minimum degree of self-sufficiency in terms of access to economic resources. We are not talking about protectionism, which by definition stifles economic activity, but about maintaining a minimum level of autonomy to make economies more resilient in the face of external shocks in a globalised world where Ricardian mechanisms of comparative advantage no longer function, given that China now ranks first in virtually every productive sector. The United States is not exactly in the same position as Europe or South-East Asia: Washington's ability to finance its budgets relies in part on the fact that 80% of carbon-based energy is still priced in dollars. If the world needs less oil and gas, it will immediately need fewer dollars, and consequently have less need to reinvest them in US Treasury notes. The spendthrift Trump administration's reluctance towards ESG appears less dogmatic when viewed from this budgetary angle. A Europe and Asia less dependent on hydrocarbons will not make it any easier for the US to refinance its deficits.

ESG in the future: back to basics

Mirova was founded with the aim of avoiding a repeat of the pitfalls that led to the 2008 crisis, where the mechanisms for transmitting risks across all sectors of the economy included a lack of transparency and a failure to account for the negative externalities generated by allocations to certain assets – assets that were profitable over short periods for a few players, before triggering a crisis from which everyone suffered. Nearly twenty years later, the aim remains unchanged: to identify, measure and contain systemic risks by adopting a comprehensive approach to analysing investments and their impact, and then to invest in those that offer the most balanced opportunities for development.

[6] Source: EMBE

# of Market views

	Summary			
ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
EQUITY	○—●—○	●	=	• Global growth remains solid. Nevertheless, the war in Iran has created a stagflationary shock, the duration and magnitude of which are yet to be determined. • Ceasefire announcement brings relief, likely ending the military escalation.
CREDIT	○—○—●	●	=	• Fairly resilient macro-financial fundamentals (low default rate, high corporate profitability). • Robust across different scenarios. • Potential risk linked to private debt market.
DURATION	○—○—●	●	↑	• Slightly long duration overall. • A rise in breakeven inflation rates and an increase in policy rate expectations with the sudden rise in energy prices. • Should gradually normalize with the negative impact of the Iranian conflict on growth.
CASH	○—●—○	●	=	• Defensive interest in cash if the stagflationary shock were to persist.

Market views

○—○—● Very positive

○—○—● Positive

○—●—○ Neutral

●—○—○ Negative

●—○—○ Very negative

Evolution of market views compared to the previous month.

↑ Reinforcement

= Maintenance

↓ Easing

EQUITY				
ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
US	○–●–○	●	=	• Correct growth and still attractive EPS dynamics. • The US economy is less at risk in case of sustainably higher energy prices (net oil exporter). • However, aggregate valuation and positioning levels are less favorable.
EURO	○–○–●	●	=	• Temporary shock from the Iran war on growth, offset by the German plan. • Supported by diversification trades and attractive relative valuation. • Sense of relief following the ceasefire announcement.
UNITED KINGDOM	○–●–○	●	=	• Defensive bias and high dividend yield. • Opportunities within domestic stocks.
JAPAN	○–●–○	●	=	• Expansionary fiscal policy and favorable governance reform. • Attractive valuation within the financial sector, in a context of monetary normalization. • Upside potential is limited after YTD outperformance. Strong dependence on energy exports from Gulf countries.
EMERGING MARKETS	○–○–●	●	↑	• Proper valuation and dynamics of EPS, search for geographical diversification. • Sense of relief following the ceasefire announcement.
GROWTH VS. VALUE	●–○–○	●	=	• Maintained global preference for value companies with a positive earnings revision dynamic. Marked rotation over the past six months in favor of tangible asset stocks. In parallel, a tactical overweight of US Tech, whose valuation is now attractive.
QUALITY VS. HIGH VOLATILITY	○–●–○	●	=	• Balanced positioning. The recent outperformance of low-volatility stocks is expected to fade with the prospect of a negotiated solution in Iran.
SMALL VS. LARGE CAPITALIZATIONS	○–●–○	●	=	• Valuation of small caps remains attractive on a relative basis (vs large caps, vs historical levels and macroeconomic conditions). • They should nevertheless suffer in the short term from the rise in uncertainties surrounding growth.
CYCLICAL VS. DEFENSIVE	○–●–○	●	=	• Overall balanced positioning. Tactical strengthening in banks and some cyclical sectors due to their recent underperformance.

ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
CREDIT				
INVESTMENT GRADE US	○—●—○	●	=	• Preference for IG EUR in terms of valuation. • Lack of dispersion of the US IG index.
HIGH YIELD US	●—○—○	●	=	• Stress on private credit is negative for sentiment.
INVESTMENT GRADE EURO	○—○—●	●	=	• Quality assets at reasonable prices. • Low banking risk. Preference for short-duration products.
HIGH YIELD EURO	○—●—○	●	=	• Tight spreads, consistent with low recession pricing. • Potential for tightening on B-rayed issuers
DURATION				
2 YEARS US	○—○—●	●	↑	• The Fed is expected to favor a short-term status quo to assess the lasting nature of the energy shock. Risk of de-anchoring of inflation expectations low at this stage. • We anticipate a rate cut in 2026 following the arrival of Kevin Warsh.
10 YEARS US	○—●—○	●	=	• Rise in inflation breakevens and real rates (repricing of Fed policy, expected increase in the budget deficit). • The ceasefire limits this movement, especially as nominal GDP growth is expected to be revised downwards.
2 YEARS GERMAN	○—○—●	●	=	• The market is pricing in two rate hikes from the ECB by the end of the year. We consider this excessive. • Employment and domestic demand remain weak in the Eurozone, and the inflationary shock is contained within headline inflation.
10 YEARS GERMAN	○—●—○	●	=	• Inflation breakevens have risen significantly, while real rates have stabilized (Downward growth perspectives). • In parallel, there is upward pressure due to rising energy prices, the German budget spending plan, and the overhaul of the Dutch pension system).
PERIPHERAL DEBT EUROPE	○—●—○	●	=	• Unfavorable environment due to the energy shock. • Taking profits on Italy, maintaining overweight on Spain.
UNITED KINGDOM	○—●—○	●	=	• Attractive carry but upward risk linked to the energy shock.
JAPAN	○—●—○	●	=	• Sharp rise in rates. The market appears to be anticipating a "behind the curve" scenario for the BoJ, as inflation and wages are coming in above expectations.
EMERGING MARKETS	○—●—○	●	=	• Sustained high oil prices continue to penalize the solvency of some countries.
CASH				
EUR/USD EXCHANGE RATES	○—○—●	●	↑	• Outlook for the dollar is bearish in the medium/long term. In the short term, potential for euro rebound. Positioning is quite neutral and the ECB is expected to maintain a rather aggressive tone.

Contributors

DAVID BELLOC, CFA®

Portfolio Manager,
Strategist

HERVÉ GUEZ

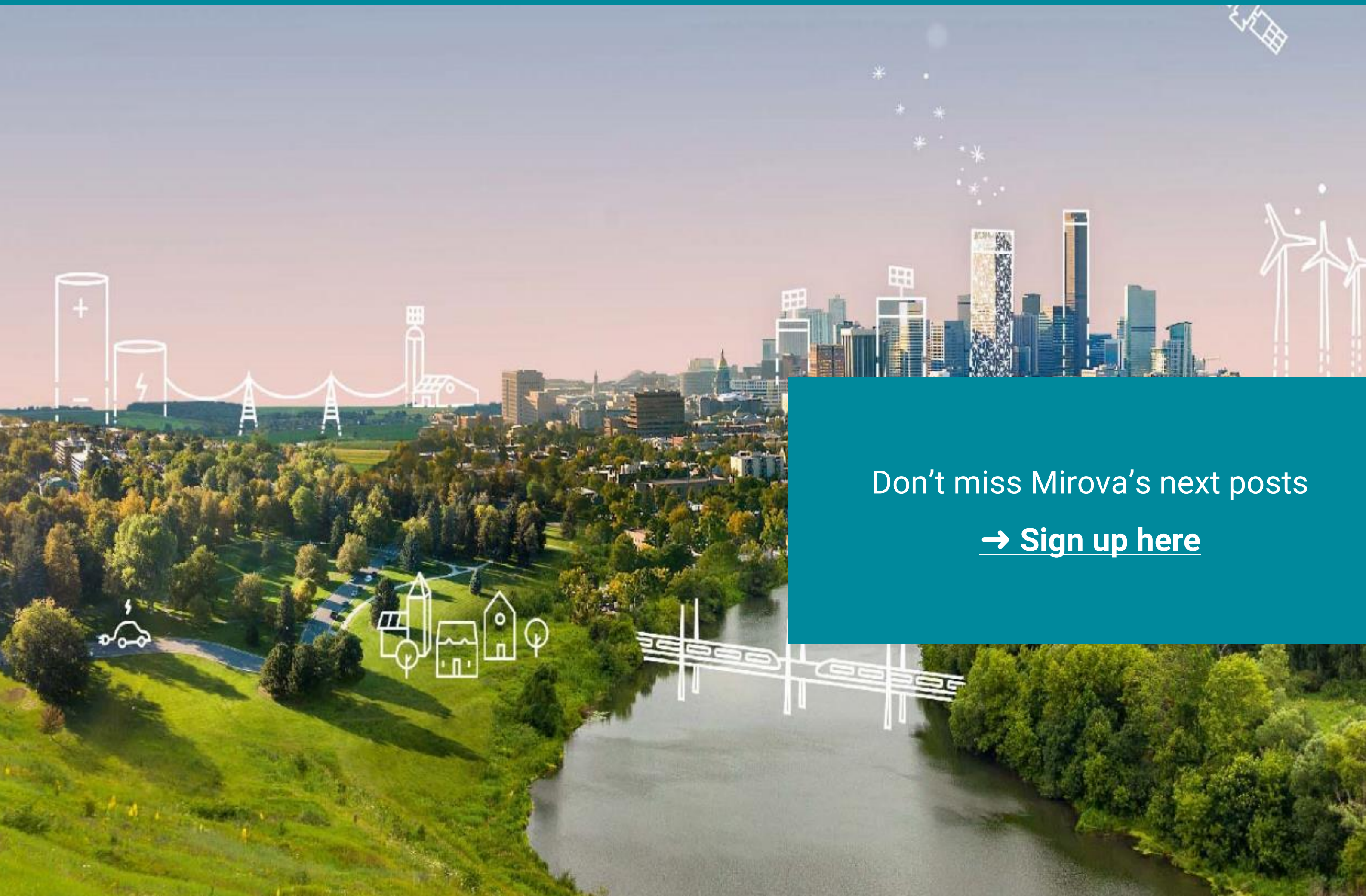
Deputy General Manager
Listed Assets BU Head

BERTRAND ROCHER

Head of Fixed Income

With the participation of: **LUCIE VANNOYE, CFA®**

Portfolio Manager,
Analyst



Don’t miss Mirova’s next posts

→ Sign up here

LEGAL MENTION

Mirova aims, for all its investments, to propose portfolios consistent with a climate trajectory of less than 2°C defined in the Paris Agreements of 2015, and systematically displays the carbon impact of its investments (excluding Impact private equity, Social impact and Natural Capital funds), calculated from a proprietary methodology that may involve biases.

ESG INVESTMENTS – RISK AND METHODOLOGICAL LIMITS

By using ESG criteria in the investment policy, the relevant Mirova strategies' objective would in particular be to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using Mirova’s proprietary models, third party models and data or a combination of both. The assessment criteria may change over time or vary depending on the sector or industry in which the relevant issuer operates. Applying ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, irrespective of market opportunities available. ESG data received from third parties may be incomplete, inaccurate or unavailable from time to time. As a result, there is a risk that Mirova may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in the portfolio of a Fund. For more information on our methodologies, please refer to our Mirova website: a risk that Mirova will incorrectly evaluate a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in a Fund’s portfolio. For more information on our methodologies, please visit our Mirova website: https://www.mirova.com/en/sustainability

ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had €34.2 billion in assets under management as of March 31, 2026. Mirova is a mission-driven company, labeled B Corp*.

**References to a ranking, award or label have no bearing on the future performance of any fund or manager. Certified since 2020, Mirova reapplies for the B Corp Certification every three years. The annual fee for maintaining the certification is €30,000 as well as a €250 for a submission fee. Support from Nuova Vista is €15,450. To find the complete B Corp certification methodology, please visit the B Corp website.*

MIROVA
Portfolio management company - French Public Limited liability company
RCS Paris No.394 648 216
AMF Accreditation No. GP 02-014
59, Avenue Pierre Mendes France 75013 Paris
Mirova is an affiliate of Natixis Investment Managers.
Website – LinkedIn

NATIXIS INVESTMENT MANAGERS
A simplified joint-stock company (société par actions simplifiée – SAS)
RCS Paris n°453 952 681
Registered Office: 59, avenue Pierre Mendès-France 75013 Paris
Natixis Investment Managers is a subsidiary of Natixis.

MIROVA US LLC
888 Boylston Street, Boston, MA 02199; Tel: 857-305-6333
Mirova US LLC (Mirova US) is a U.S.-based investment advisor that is wholly owned by Mirova. Mirova is operating in the U.S. through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova US then combines with its own expertise, and services when providing advice to clients.

MIROVA UK LIMITED
UK Private limited company
Registered office: 60 Cannon Street, London, EC4N 6NP
The services of Mirova UK Limited are only available to professional clients and eligible counterparties. They are not available to retail clients. Mirova UK Limited is wholly owned by Mirova.

MIROVA KENYA LIMITED
A company incorporated with limited liability in the Republic of Kenya
KOFISI,
c/o Sunbird Support Service Kenya Limited,
Riverside Square, 10th Floor, Riverside Drive,
P.O. Box 856-00600
Nairobi, Kenya
Mirova Kenya Limited is licensed as an Investment Advisor by the Capital Markets Authority (CMA) under the provisions of the Capital Markets Act (Cap 485A of the Laws of Kenya).
Mirova Kenya Limited is a subsidiary of Mirova Africa Inc.