

# “The Iran war raises inflation risks”



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## Market outlook

**High yield:** Demonstrating strong resilience

**Equities:** Reducing exposure to small cap stocks

**Interest rates:** Increasing allocation to bonds

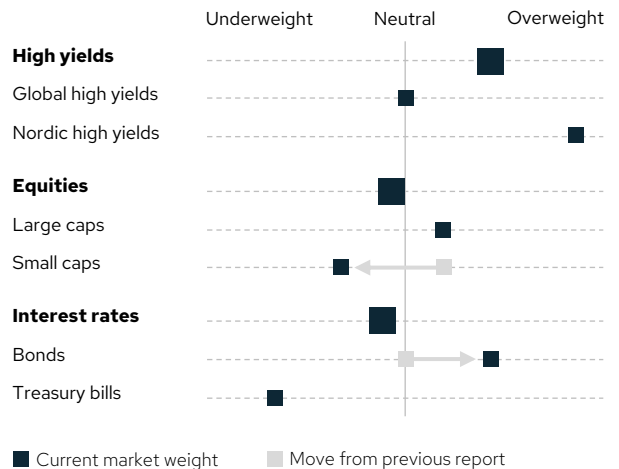
**Megatrends:** Adds to renewable energy

The economic recovery that began in 2025 has encountered renewed headwinds, alongside the impact of Trump’s tariffs. The full economic consequences of the Iran war remain uncertain, but the conflict adds to the risk of a global economy characterised by higher inflation and elevated interest rates. During the first quarter, the portfolio benefited from a significant overweight in Nordic high yield bonds. Floating-rate coupons provide effective protection against rising interest rates. The risk of higher inflation and stagflation is likely to weigh disproportionately on smaller companies. Ahead of the second quarter, we are therefore reducing our exposure to small cap equities while increasing our allocation to bonds.

## The risk of stagflation has increased

Even before the outbreak of the Iran war, the global economy was already grappling with the effects of the deglobalisation trend. Due to geopolitical risks, tariffs and increasingly uncertain supply chains, companies are seeking to reduce vulnerability by shifting production closer to home markets. As a result, production is no longer located where costs are lowest. This dynamic is inherently inflationary and also leads to lower global growth, thereby increasing the risk of stagflation.

The risks associated with the Iran war unfortunately point in the same direction. Higher oil and gas prices are pushing up transportation costs and increasing food production costs through higher fertiliser and energy prices. The war has already damaged energy infrastructure, which will take time to replace. Moreover, it appears unlikely that Trump and Iran will reach a settlement that would materially lower oil prices. As a result, several central banks may be forced to raise interest rates. The Swedish economy enjoys a degree of protection against rising prices, as inflation is already well below the



Riksbank’s target. In addition, the VAT cut will further dampen inflation in April, which should support the Swedish economy in 2026. The Swedish krona has weakened during the Iran war, but we believe it will resume an appreciating trend, underpinned by Sweden’s favourable position in terms of inflation dynamics, public finances and innovation capacity.

Given the rising risk of stagflation, we are reducing exposure to small cap equities and increasing our allocation to bonds following the sharp rise in yields during the Iran war. Should growth slow, interest rates are likely to decline, supporting bond prices. We are also increasing exposure to our renewable energy megatrend, which is well positioned to benefit from persistently high oil and gas prices.

## High yield

Last quarter, we increased our allocation to a substantial overweight in Nordic high yield bonds. The Nordic high yield market had lagged the global market during the fourth quarter. This repositioning proved successful, as high yield levels and floating rate coupons provided resilience during the Iran war. Global high yield markets declined more in value, although they still performed relatively well compared to equities. We believe that the high yield market will continue to deliver attractive relative performance versus equities in an environment characterised by elevated stagflation risk.

## Equities

Equity markets have had a turbulent start to 2026. Stagflation is not a supportive environment for equities. We are reducing our overweight to a neutral position by moving to an underweight in small cap equities. Small caps are the segment of the equity market most sensitive to higher interest rates and weaker growth. The likelihood of M&A activity also declines as financing costs rise. We are reducing exposure to small caps in emerging markets, which are more adversely affected by higher oil and gas prices. Large cap companies tend to be more resilient during periods of market turbulence, and we are maintaining our allocation to this segment.

## Interest rates

Interest rates have risen sharply during the quarter in the wake of the Iran war, prompting us to increase our allocation from underweight to neutral. We have previously held a cautious view on fixed income, as we felt markets were not adequately compensating investors for higher inflation risk. This has improved, not least as the Swedish five-year swap rate has increased from 2.3% to 2.9% during the conflict. We are gaining bond exposure through US investment grade corporate bonds. Interest rates in the US are higher, and we assess that earnings growth for US corporates will remain satisfactory.

## Megatrender

**Finance:** Sentiment is overly negative

**Defence:** The Iran war is further increasing demand

**AI:** Major IPOs expected in the near term

**Renewable energy:** We are increasing exposure

## Finance

Banks have underperformed the broader market during the early part of the year. This reflects a negative combination of concerns around systemic risk related to private credit markets and deteriorating growth prospects driven by the Iran war. We believe the market reaction has been excessive. The private credit market is not large enough to pose a meaningful threat to the banking system, and we do not see the Iran war having a more negative impact on banks' earnings than on the broader market. In contrast to the prevailing market view, we see improved earnings potential for the banking sector in an environment of higher interest rates.

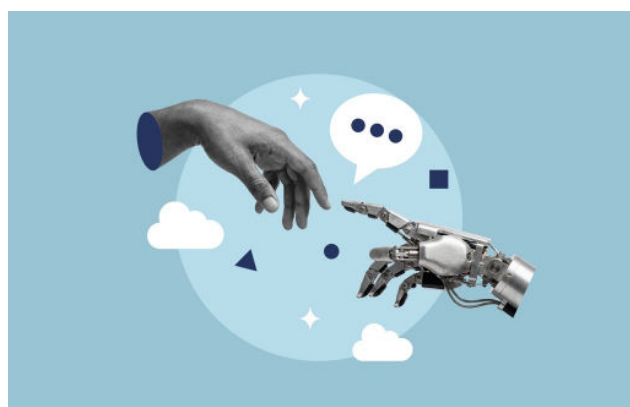
## Defence

Demand for defence equipment continues to rise amid a deteriorating global security environment. Trump's confrontational stance towards several Latin American countries, Europe and other allies is increasing the need for countries to strengthen their defence capabilities. During the Iran war, countries in the Middle East have been reminded of the importance of being able to defend against an aggressive neighbour. The main constraint remains public finances. We believe many countries will follow Sweden's example and finance defence

spending through borrowing, which should support the sector going forward.

## AI

AI continues to develop at an extraordinary pace. The sharp sell-off in software companies on concerns that AI may disrupt their earnings power is a clear signal of investors' conviction in the strength of AI development. Nvidia has outperformed the "Magnificent Seven" since the start of the year. We are approaching a period of revenue acceleration for AI companies. Platforms such as ChatGPT have only just begun to monetise their services, and the potential for advertising revenues is substantial. Several major IPOs are also approaching, including SpaceX, OpenAI and Anthropic PBC.



## Renewable energy

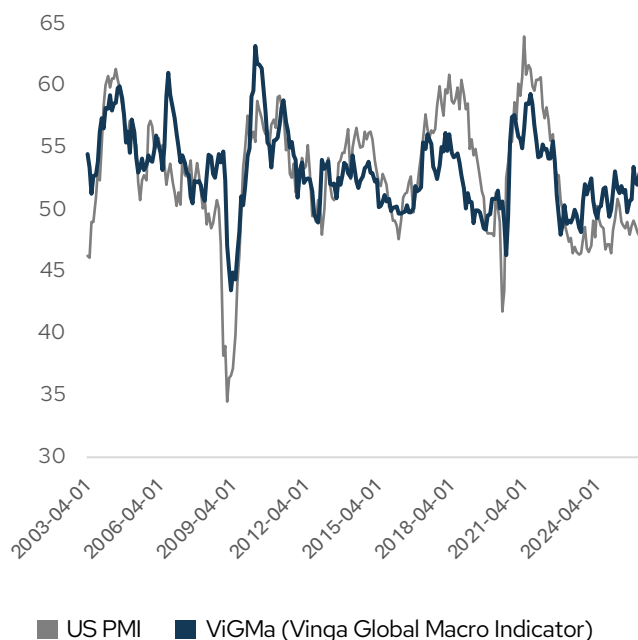
The sector has outperformed the broader market in recent quarters despite a political trend towards scaling back sustainability ambitions. Behind the political narrative, however, industry players must continue to comply with regulation and respond to strong consumer demands for corporate responsibility. We believe renewable energy will receive further support as a consequence of the Iran war. The conflict has highlighted that fossil fuels carry significant geopolitical risks in addition to sustainability concerns. We are therefore increasing our exposure to the sector.



### Makroindikator ViGMa

Vinga’s global macro indicator rises to just above 55 in the second quarter, continuing to signal favourable conditions for growth. Signals from macroeconomic data, fixed income markets and commodity prices all support a cautiously more constructive view of the economic outlook heading into the summer.

The Vinga Global Macro Indicator (ViGMa) reflects expectations for overall economic activity in the coming quarters and is based on information from multiple sources. ViGMa combines information from the regular publication of a wide range of macro data, and from pricing in both bond and commodity markets. The indicator provides important support for assessments of the economic situation and for returns and risk in the markets.



### The credit clock is four

The clock struck four already at the beginning of 2025 and has remained there since. This represents a supportive environment for both credit and equity markets. We currently see a bifurcated market, where parts of the equity and credit markets are showing signs of overheating, while other segments remain relatively subdued. Private credit and large technology companies are examples of areas displaying overheating tendencies, whereas IPO and M&A markets remain muted. We would like to see signs of overheating across a broader set of markets before concluding that the credit clock has struck six—at which point greater caution towards credit exposure would generally be warranted.

Most companies remain in a consolidation phase, with relatively limited and cautious expansion plans.

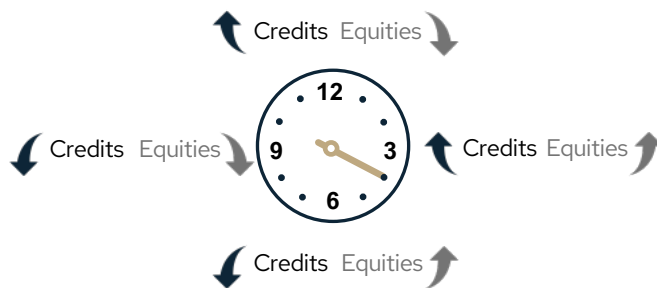


Figure: The credit clock (credit/stock cycle)

The credit clock or credit/equity cycle is a powerful model that takes into account the risk behaviour of corporate managers during different phases of the business cycle. When both credit and equity markets are falling, the credit clock is nine. In the next phase, when the clock is twelve, company managements take measures (new issues, cancelled dividends, etc.) to ensure their survival, which is positive for the credit market but worse for the stock market.

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### Business proposal: Vinga Active Trend

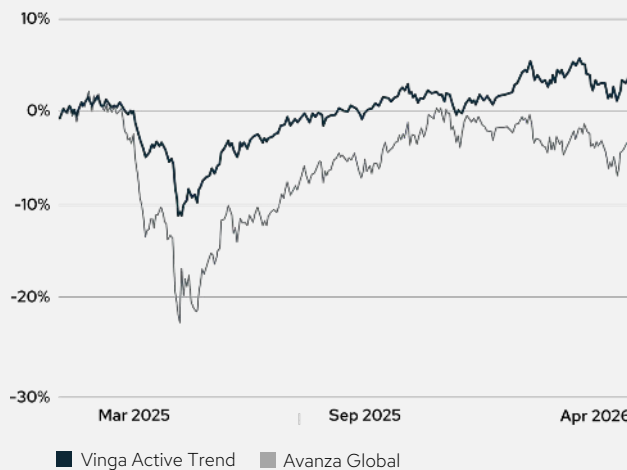
The Vinga Active Trend allocation lists the funds that best reflect the current market view and the percentage weight assigned to each fund. It also details the weight changes that have taken place since the last portfolio strategy and the performance of the funds since they were added. The funds are selected on the basis of a few key criteria and are often a mix of longer-term investments to capitalise on megatrends, and shorter-term opportunistic investments. Past performance is no guarantee of future returns.

If you would like to know more about Vinga Active Trend or receive a business proposal, our sister company Vinga Wealth Management can provide this based on each potential investor's circumstances. Contact our wealth advisors at:

#### Vinga Wealth Management

info@vingawealth.se  
vingagroup.com/wealth

### Performance 20250101 - 20260408



### Fund allocation

<b>High yields</b>	Nordea US high yield HB SEK
	Vinga Corporate Bond
	Case högräntefond
	Nordea European High Yield HB SEK
<b>Equities</b>	Storebrand Global multifactor A SEK
	Handelsbanken Sverige 100 Ind Cri AI SEK
	AMF Aktiefond Europa
	Swedbank Robur Small Cap USA
<b>Interest rates</b>	Simplicity likviditet
	Danske Invest Tillväxtmarknadsobligation SEK
	Nordea US Corporate Bond HB SEK
<b>Megatrends</b>	DNB Finans S
	Finserve Chelverton Global Tech Fund
	DNB Renewable Energy B SEK
	Finserve Global Security Fund
	Handelsbanken Hållbar Energi (AI SEK)

### Allocation label

	Current weight	Change
GLOBAL HIGH YIELD	10,0%	0 %
NORDIC HIGH YIELDS	30,0%	0 %
LARGE COMPANIES	20,0%	0 %
SMALL COMPANIES	5,0	-7,5% ▼
BONDS	10,0%	+5% ▲
TREASURE BILLS	2,5%	0 %
DEFENCE	5,0	0 %
FINANCE	5,0	0 %
AI	5,0	0 %
RENEWABLE ENERGY	7,5%	+2,5% ▲