Allspring

APRIL 2026

Allview: Market Risk Monitor

ALLSPRING INVESTMENT ANALYTICS TEAM

APRIL UPDATE

This is the second month with the Iran war concern at #1. We've started to adjust additional market risks in response to higher energy prices and continued supply disruptions. Even if a peace deal is agreed upon immediately, it could take weeks or months for Middle Eastern oil and natural gas production to return to prewar levels.

Risk	POTENTIAL IMPACTS (– OR +)	PROBABILITY	GLOBAL IMPACT
1 SUSTAINED CONFLICT WITH IRAN War has broken out in the Middle East. A prolonged conflict between the U.S. and Iran could drive global energy prices higher, especially with energy infrastructure and transportation continue to be targeted.	+ Energy companies + Defense companies – Companies that consume large amounts of energy	Very high	High
↑ **2 RETURN OF THE BOND VIGILANTES** U.S. government debt levels exceeding $39 trillion coupled with higher energy prices caused by the Iran war could rattle bond markets. Foreign and domestic bond vigilantes could respond by refusing to buy additional Treasury securities, resulting in a dramatic spike higher in yields.	– U.S. fixed income portfolios overweight duration	High	High
3 EXPANSION OF CHINESE CONTROL China's desire to expand its influence in the South and East China Seas, especially regarding Taiwan, is elevating the probability of a military conflict or a military-led embargo.	– Asian equities – IT hardware companies	Medium	Very high
4 RUSSIAN MILITARY CONFLICT WITH NATO Russia's lengthy war with Ukraine may spill over into other Eastern European countries, especially if Russia resorts to using tactical nuclear weapons.	– High-beta companies + Defense companies	Medium	Very high
5 DEFAULTS OF NON-DEPOSITORY FINANCIAL INSTITUTIONS The rapid growth of private credit providers and other nontraditional lenders is increasing the probability of defaults in the sector. Many are relatively new institutions that are loosely regulated, with limited experience navigating economic downturns.	– Fixed income portfolios overweight to speculative lenders or private credit	High	Medium

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POTENTIAL IMPACTS (− OR +)

PROBABILITY

GLOBAL IMPACT

↑ 6 GLOBAL RECESSION

A prolonged rise in energy prices could push the global economy into contraction.

− Companies in consumer cyclical, industrials, financials, & IT sectors

Probability: Medium

Global impact: High

7 DIGITAL CURRENCY SHAKEOUT

History shows that new, rapidly growing industries often experience a painful shakeout period, during which only a few winners emerge.

− Equity portfolios heavily leveraged to digital currency companies or the IT hardware industry

Probability: Very high

Global impact: Low

↑ 8 “BLUE WAVE” IN U.S. MID-TERMS

Mid-term elections in the U.S. typically result in a shift in power away from the party holding the White House, especially in times of turmoil.

+ Health care companies

− Defense companies

− Oil-related energy companies

Probability: Very high

Global impact: Low

↑ 9 CIVIL UNREST IN DEVELOPING NATIONS

The war with Iran is moving energy and fertilizer prices materially higher. Food price inflation and famine could lead to unrest in the Middle East, Africa, developing Asia, Central America, and South America.

− Portfolios overweight any countries affected by significant civil unrest

Probability: Medium

Global impact: Medium

10 EROSION OF FED INDEPENDENCE

If new appointments to the Federal Reserve (Fed) are viewed as prematurely lowering rates, investors could respond by buying shorter-maturity bonds and selling longer-maturity bonds.

− U.S. fixed income portfolios overweight duration

+ U.S. fixed income portfolios underweight duration

Probability: Low

Global impact: Medium

PROBABILITY LEGEND:

Very high: an event that we believe has a 50% to 100% probability of occurring; an event that is widely accepted as the most likely outcome by market participants

High: an event with a 25% to 50% probability of occurring; an event that is not fully priced into markets

Medium: an event with a 10% to 25% probability of occurring; an event that is not priced into markets and that is viewed by most market participants as an unlikely outcome

Low: an event with a less than 10% probability of occurring; an event that is not priced into markets and in some cases is not on the radar of most analysts

GLOBAL IMPACT LEGEND:

Very high: an event for the history books that drives most correlations toward one; global equity markets down more than 20% with some regions down as much as 50%; severe dislocations in fixed-income and currency markets

High: an event that could push global equity markets into a 10% correction, with some regions down 20% or more; fixed-income and currency markets moving similar amounts

Medium: an event that could cause a modest sell-off in global equity markets, with some regions correcting 10% or more; fixed-income and currency markets moving less

Low: an event that might create acute problems in one sector, region, country, or currency; limited impacts on global equity and fixed-income markets

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