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APRIL 20th, 2026

MONDAY MORNING QUARTERBACK

ENERGY MARKETS CEO BRIEFING NOTE

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Markets are Moving on from TACO Trade
& Moving Straight to IGNORE TRUMP!"*

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ENERGY MARKETS CEO BRIEFING NOTE – April 20th

After 50 Days of War Markets are Moving on from TACO Trade & Moving Straight to IGNORE TRUMP!

What began as a TACO bet, that "Trump Always Chickens Out", has quietly evolved into something more radical. After 50 days of conflict, financial markets are no longer trying to interpret Donald Trump and now just Ignoring the US President.

By Sean Evers, Managing Partner, Gulf Intelligence

At the outset, investors behaved as they have been conditioned to do. Escalation would eventually give way to de-escalation; rhetoric would run hot, but reality would cool. The TACO framework held and markets priced an inevitable climbdown. Yet as the conflict dragged on and messaging became more erratic and hyperbolic rather than clearer, that framework began to break. By the end of the seventh week, the shift was unmistakable. It was no longer about predicting whether Trump would blink, but about accepting that his signals are too inconsistent to price in the first place.

The new trade is simpler: ignore Trump.

Markets are filtering noise, not ignoring risk

This is not flippancy. It is adaptation. Research by Chicago Booth showed that during Trump's first term, markets often failed to react to policy uncertainty because White House messaging was "difficult for investors to interpret". In his second term, that problem has intensified. When signals become contradictory, reacting to them becomes a source of risk rather than insight. Investors are not disengaging from politics; they are filtering it.

That filtering helps explain the most striking feature of the past 50 days: the disconnect between markets and reality. Consider the data. Brent crude is trading around $95 per barrel, having risen steadily from the mid-60s at the start of the year. The chart tells a clear story: a sharp step up through March as the crisis intensified, followed by consolidation just below $100. In nominal terms, that appears elevated. In real terms, it is surprisingly restrained. Adjusted for inflation, oil prices remain well below historic crisis peaks, far from the extremes of 2008 or even the post Ukraine spike in 2022.

Equity markets tell an even more striking story. US indices have continued to push higher, supported by strong earnings and persistent enthusiasm around artificial intelligence. The S&P 500 has held near record highs despite the geopolitical backdrop, suggesting that investors are not only calm but confident.

This is not a market in denial. It is a market making a choice.

Pricing the endgame, not the disruption

Physically, the global energy system is under strain. Gulf crude flows have been disrupted, refining capacity has been impaired, and logistics, from shipping to insurance, have become more complex and expensive. The Strait of Hormuz, through which a significant share of global oil passes, remains constrained and unpredictable. In parts of Asia, the impact is already visible in tighter supply and rising costs.

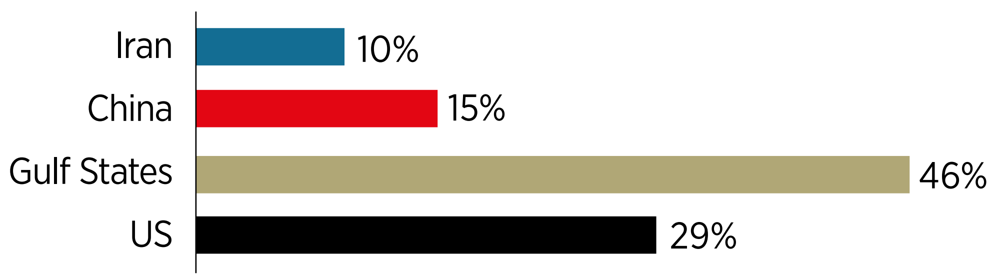
And yet financial markets remain composed because they are not pricing the disruption itself. They are pricing its expected resolution.

The working assumption is that this crisis cannot last. Washington cannot tolerate sustained high energy prices heading into an election cycle. The global economy cannot absorb a sustained supply shock of this magnitude. Somewhere along the line, a deal, formal or informal, will emerge, restoring flows and stabilizing markets. Tehran believes it can outlast all the rest as they have already suffered massively from this war with $250+ billion of destruction.

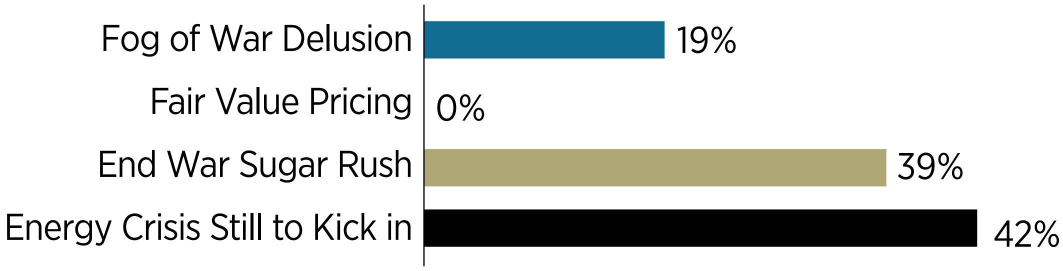
Financial markets are pricing that outcome today.

This divergence between physical stress and financial calm reflects different time horizons. Physical markets deal with present constraints, while financial markets deal with expected futures. The

Who will be the biggest loser from US blockade of Iran?



How do you explain Oil & Gold up with Stocks soaring as double-lock still on Strait of Hormuz?



As we reach half-way through ceasefire - what is most likely in THIS week?

The hot War on Iran is over whether a deal is reached or not?

(*nb. Polling conducted April 13th-16th with 100+ Energy Market Stakeholders)

oil price chart captures this dynamic clearly: the surge into March reflects real disruption, while the subsequent plateau around $95 reflects confidence that the situation will normalize.

The gap is also structural. A significant share of today's market is passive, with a long-term investment horizon. These investors are not attempting to interpret geopolitical developments in real time. They are tracking indices, allocating capital to themes, and riding structural trends. Their presence dampens volatility and reduces the market's sensitivity to short-term shocks.

At the same time, powerful thematic drivers continue to dominate capital flows. The artificial intelligence boom has created a gravitational pull towards a small group of mega cap companies whose earnings outlook remains strong and largely insulated from energy market disruption. As long as this narrative holds, it offsets concerns elsewhere and supports broader equity markets.

Investors, in effect, are choosing what to focus on. They are discounting what they cannot interpret, Trump's messaging, and prioritizing what they can model: earnings, growth, and long-term structural change.

The risks of selective attention

There is also an element of learned behavior at work. Over the past decade, markets have repeatedly been cushioned from extreme outcomes. Central banks have intervened during financial crises, and governments have deployed strategic reserves during energy shocks. Investors have learned that systems bend but rarely break. This experience has created a bias towards looking through disruption rather than reacting to it.

Underlying this is a deeper assumption: that the system will not be allowed to fail.

That assumption may prove correct, but it introduces several risks. The first is timing. Much of the current disruption is being felt in Asia, where dependence on Gulf energy flows is highest. Europe is beginning to experience the effects, while the United States remains relatively insulated for now. This creates a delay in how the crisis is reflected in global markets. By the time the full impact reaches Western economies, investors expect that the situation will already be improving.

However, if the disruption persists, that timing could be inverted. The economic impact could arrive before any meaningful resolution, forcing markets to adjust more abruptly than they currently anticipate.

The second risk lies in the physical realities of energy systems. Restarting production is not instantaneous. Oil fields that have been shut in take time to recover, infrastructure requires repair, and shipping routes need to normalize. Even if a political agreement is reached quickly, the physical system may take months to rebalance. During that period, supply will remain constrained and inventories will be under pressure.

A third risk is emerging downstream. The focus on crude oil obscures a more complex issue in refined products. Diesel, jet fuel and petrochemical feedstocks are already tighter than crude, and unlike oil, they are harder to store and substitute. Disruptions in refining capacity can therefore have longer lasting effects, feeding into inflation and industrial costs.

Finally, there is the risk inherent in the "ignore Trump" strategy itself. While filtering noise is rational, it can also lead to the dismissal of meaningful signals. In a system where communication is inconsistent, the temptation is to discount everything. Yet not all signals are noise. The challenge for investors is to distinguish between the two, and that task has become significantly harder.

For now, markets have made their choice. They are not attempting to decode every headline or anticipate every policy shift. Instead, they focus on what they can understand and model, while assuming that the rest will eventually resolve itself.

This is a pragmatic response to an unpredictable environment, but it is also a bet. It is a bet that political and economic forces will ultimately drive de-escalation, that disruption will be temporary, and that the system will hold together.

For the past 50 days, that bet has looked reasonable. Brent crude stabilizing around $95 and equity markets near record highs both reflect confidence in containment rather than escalation.

The question now is whether that confidence is justified, and how long it can be sustained if reality proves more persistent than markets expect. ■

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