



GLOBAL CREDIT

Dispatch from Washington

The Algebris Bullet | April 2026



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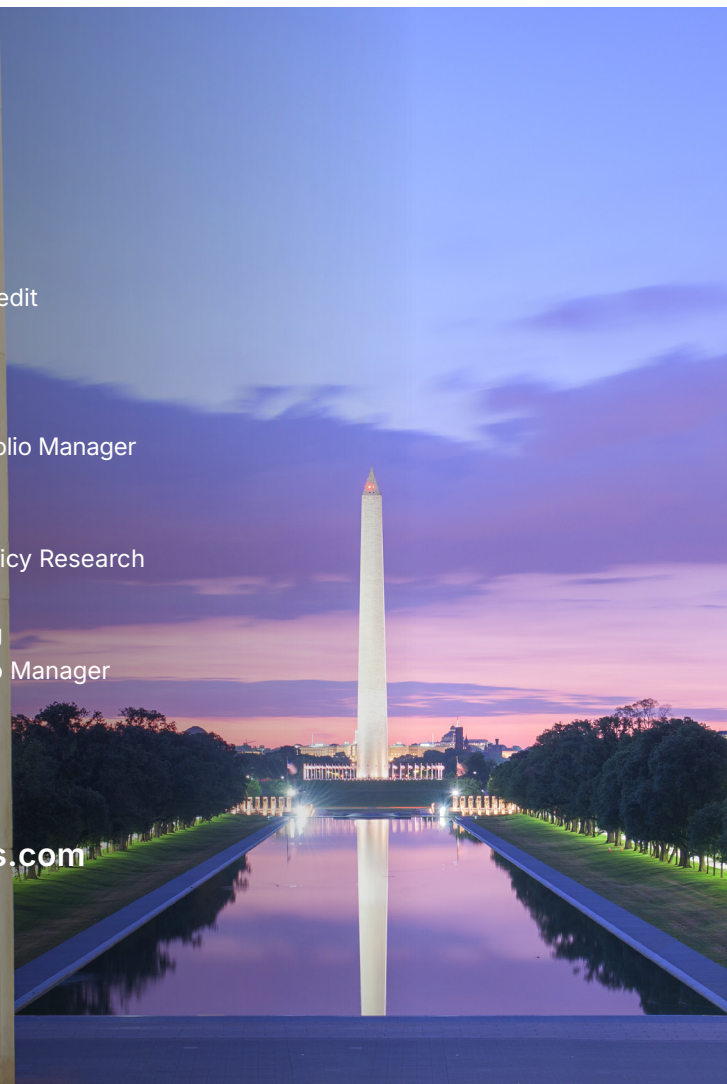
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In this report

This note captures the Algebris global credit team's main takeaways from the IMF meetings this month.

Across both developed and emerging markets, investors remain constructive on risk despite the recent geopolitical shock. The clearest shared views were that energy disruption is still underpriced, defence spending is a lasting structural theme and the US dollar remains vulnerable. In developed markets, attention centred on US fiscal risks, a Fed on hold, and Europe's cautious stance. Sentiment was especially strong in emerging markets, with Latin America standing out and CEE seen as better positioned than in past shocks.

Dispatch from Washington

Risk appetite remains strong

Market participants were very bullish on risk assets, driven by hopes for an Iran conflict resolution, even as policymakers became more concerned about energy disruptions and downside growth risks. Few participants, if any, expect a deal to come as quickly as it appeared at the end of the week, but there was broad agreement that second-round effects from energy remain highly uncertain and deserve the most attention. Across investor feedback, the vast majority expect continued upside for equities, but simultaneously thought oil risks to the upside are underpriced. Views on the impact on growth are mixed, with most describing the likely effects as moderate to significant. The published [IMF World Economic Outlook](#) revised global growth only down by 0.2-0.5% in their reference scenarios, but investors are paying close attention to the adverse and severe scenarios where growth forecasts are lowered by up to 1.3% in 2026.

We generally observed a strong desire to buy the dip across risk assets including EM. The implication for rates markets was much less clear however, as the energy shock is certain to result in inflationary pressures, but inflation spikes are being partially looked through, while growth expectations are not front of mind. EM equities were among the opportunities most frequently discussed. The mood was unmistakably one of FOMO.

Energy markets underprice the disruption

The broad consensus was that energy markets are underpricing the extent of the disruption, with oil forward prices still too low. Even in the best-case scenario of an immediate reopening of Hormuz, it would still take around four months for energy markets to normalize. Commercial inventories are expected to be fully drawn down in May, after which price dynamics could turn non-linear. The physical disruption hierarchy explains why Western markets remain relatively calm: Asia was hit first, while the effect in Europe and the US is yet to be felt. Across a range of speakers, we observed the desire to diversify energy supply further post Ukraine, including strategic reserve restocking, pipeline investments and fuel-substitute decisions. All option for fuel alternatives were seen as on the table, including nuclear, coal and renewables.

Defence spending is a structural theme

The remilitarization of the world is seen as structurally inflationary and as a defining long-term theme regardless of the Iran outcome. Defence and aerospace remain a preferred asset class in a more fragmented geopolitical world. An interesting datapoint illustrates this: the US fired 800 Patriot interceptors in the first three days of the Iran war, more than Ukraine received in four years and equal to full annual US production. This exposes deep stockpile vulnerabilities and creates a direct conflict between European demand for US equipment for Ukraine and America's own restocking needs. Europe will spend over €1trn on defence in under two years, but the money is still going largely to traditional platforms rather than drones and modern capabilities. The spending is also dangerously fragmented along national lines, risking less interoperability in a decade than today.

Unpredictable Policy: Sell the Dollar

The Fed base case remains on hold, with the vast majority expecting no change as the next move and only a minority looking for cuts or hikes. Among those expecting cuts, disinflation and a soft landing were seen as more likely reasons than recession. At the same time, broad concerns have re-emerged around the US fiscal outlook, following the IEEPA strike-down and rising war-related expenses. Attention is increasingly focused on the 2032 exhaustion of the Social Security trust fund, which would create a very large \$600bn funding gap. The CBO sees interest expense rising faster than tax revenue from higher growth for the first time and the latest Moody's US rating downgrade was highlighted to be the first attributable to worse fiscal conditions. Some very hawkish voices argued that resilient growth and fiscal expansion will ultimately push rates higher with rate hikes possible by year-end.

Unsustainable fiscal deficits, disruptive trade policy and the willingness to weaponize every policy tool are all sending the same message: US policy is unpredictable, so sell and diversify away from the dollar. What stood out was how unanimous this view was, with broad consensus that the dollar should be re-sold after any conflict resolution. Housing affordability also remains a core concern without any obvious solution. On the political side, there was a strong consensus that Democrats will win the House in the midterms, with a significant investor base even believing in "blue wave", whereby Democrats take both the House and Senate. More broadly, political candidates increasingly welcome attacks from Trump given their positive polling impact, as illustrated by JD Vance's presence in Hungary, which ended up working against Orbán, who was ultimately ousted after 16 years, highlighting the administration's limited impact.

A core focus was the ongoing confirmation of Kevin Warsh as the new Fed chair, with Powell's term expiring on 15th May. The view was that a confirmation in time of the deadline is unlikely, amid Senate resistance over the criminal investigations into Powell. In such a scenario, Powell would stay on as chair until the conflict is resolved, with limited policy impact.

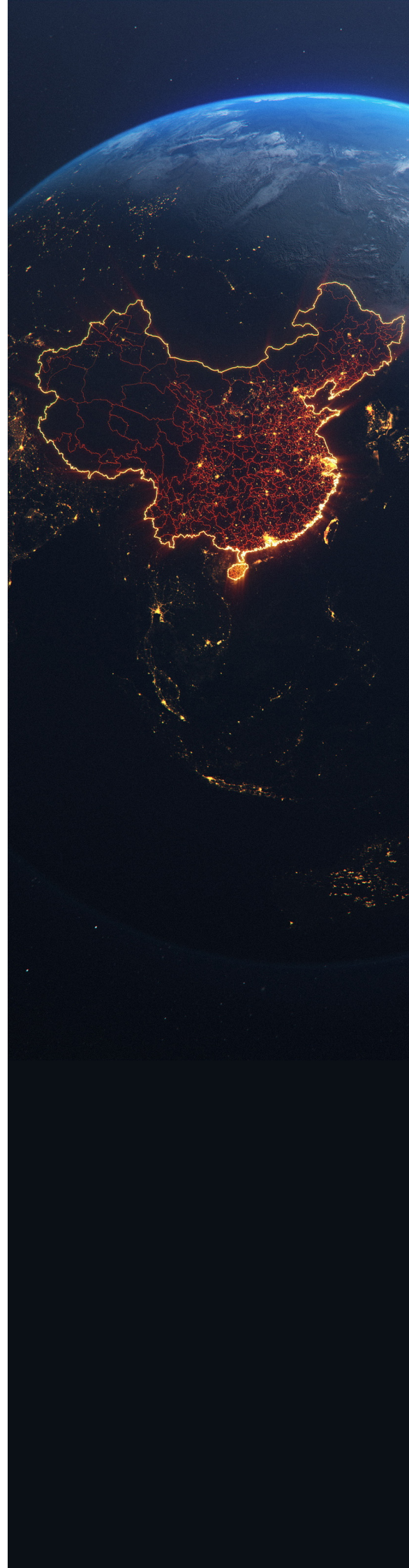
European Central Banks in no rush

Key ECB and BoE policymakers, including Lagarde, Schnabel and Bailey, pushed back against immediate policy action even before last Friday's headlines, effectively taking April hikes off the table throughout the week. There was a stronger consensus among market participants that the BoE can ultimately stay on hold, despite markets still pricing more than one hike. ECB hikes were overall seen as plausible, but only from June onwards. In the meantime, ECB communication is expected to err on the hawkish side to keep markets in check. The European fiscal offset to energy disruptions is worth only around 0.2% of GDP if it expires as planned, but more fiscal support is seen as possible if growth weakens further and energy subsidies need to be maintained for longer. Diverging fiscal space among European countries was top of mind, with pushback against using the general escape clause from EU representatives.

Sentiment on Europe remained mixed but selectively constructive. There was broad acknowledgement that Europe has made meaningful progress on energy diversification since Ukraine. Regarding Hungary, there was cautious optimism that the €90bn in Ukraine loans can be disbursed within weeks once the new government is in place.

China keeps going

China's rise continues and investors are looking ahead to a Trump-Xi meeting in May. Geopolitically, the narrative on US vs. China has shifted from strategic competition to strategic accommodation. Economically, China is expected to hit its growth targets, but through another supply-side push in areas such as digital infrastructure, 6G and AI, rather than through the demand rebalancing it needs. The yuan is gradually moving toward a basket peg, with around 5% appreciation seen



as tolerable. Regarding Iran, China appears relaxed due to its own energy supplies. Support for Tehran is therefore expected to be more passive, while avoiding any sacrifice of GCC relationships or direct confrontation with the US. Regarding Taiwan, Beijing still sees time as being on its side, so has no sense of urgency, and Xi's distrust of his own purged military leadership remains a constraint on near-term action.

Cybersecurity key risk, private credit less so

The AI story remains intact, with attention focused on the new Anthropic Mythos model and the resulting cybersecurity risks it creates, though the near-term economic impact remains ambiguous. Arguments for productivity gains are outweighed by arguments for job losses, so the economic impact is seen as neutral.

Private credit featured in our discussions but with less concern. There was a rising consensus that the sector is non-systemic and is expected to move with the broader credit cycle.

Latin America stands out as the clearest winner

Far from the conflict, and with high oil revenues boosting fiscal positions across nearly every country, the region is expected to show very resilient growth. Colombia and Brazil dominated investor conversations. In Colombia, where the next election is seen as the highest-stakes contest in LatAm, concerns about central bank independence remain front of mind, but sentiment improved as investors became more confident that a right-leaning government can win. In Brazil, with the war now over, the focus has shifted back to the cutting cycle and the elections. The presidential race is seen as razor-thin, with momentum currently leaning toward Flavio Bolsonaro, while the Banco Master scandal and Lula's age are viewed as key vulnerabilities. Brazilian equities were a recurring theme, supported by rate cuts and commodity tailwinds.

On USMCA, there was broader optimism that an agreement will be found. The process is being viewed as a review rather than a renegotiation, with sector-by-sector technical talks already under way. Greer is heading to Mexico City next week for the second round. Canada needs to be at the table by June 1 but is not engaging yet. The broad view is that Mexico would receive better treatment than Canada if talks were to derail. Either all parties extend the agreement for 16 years or one side triggers annual revisions over the next decade to wind it down. On Venezuela, optimism was very high: production is roughly at 1m bpd now and the optimistic case is above 3m within a decade, though it still feels like a second-order priority for the Trump administration. Cuba is seen as next. In Peru, election uncertainty remains high and the most feared scenario is Sanchez, associated with Castillo, making the runoff.

CEE looks better placed for a fundamental shock

The starting point in CEE is much stronger than in 2022. Real rates are now meaningfully higher and countries are better prepared to absorb an energy shock than they were then.



That said, fiscal space is more limited and markets are much less willing to fund any fiscal slippage. In Romania, for example, recent political tensions have reinforced concerns that fiscal consolidation next year could be smaller than previously expected. Hungary is at the centre of the story, with optimism around euro accession, fund unlocking and anti-corruption policy. There are still doubts about the new government's delivery capacity, but the optimism is not expected to fade soon. Türkiye is facing a very large shock to reserves and fundamentals, but investors do not particularly worried. The central bank is expected to do everything possible to avoid another crisis.

The Gulf has lost its safe-haven status

Low-debt countries can still survive, but the safe-haven bid is gone. Damage to refineries is still being assessed and transparency remains poor; in Bahrain, for example, there is still uncertainty over oil production capacity. There is significant uncertainty around the endgame. Defence spending is becoming a defining balancesheet item and creative accounting cannot be ruled out going forward. There are also real concerns that reduced GCC FDI into neighbouring countries will become a lasting problem for weaker economies over the coming years.

Still no clear end in sight for Russia-Ukraine

Despite recent headlines suggesting better prospects for a ceasefire, the sense from investors is that Russia still has little incentive to bring the war to a rapid end. The €90bn disbursement will, however, provide relief to Ukraine's ability to survive financially.

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NOTES

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