



US and Iran Agree to a Two-Week Ceasefire

Important Progress Despite Ongoing Negotiation Uncertainty

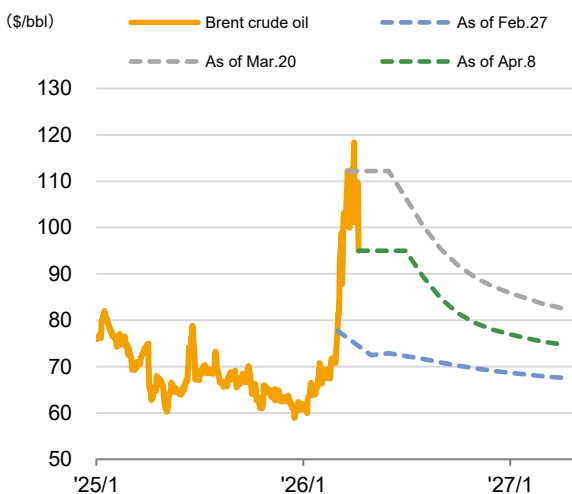
Japanese Stocks Surge; Nikkei 225 Recovers the 56,000-Yen Level

With the deadline set by US President Trump for Iran—8:00 p.m. on April 7 (US time)—looming, the US and Iran have accepted a two-week ceasefire proposal brokered by Pakistan. The ceasefire takes effect immediately. Iranian Foreign Minister Araghchi stated that safe passage through the Strait of Hormuz will be ensured for the next two weeks. Following the two-week ceasefire agreement, crude oil prices plummeted, the USD/JPY exchange rate fell, long-term interest rates declined, and the Nikkei Volatility Index dropped, marking a significant market reversal not seen since March. Japanese stocks rebounded sharply, with the Nikkei 225 recovering to the 56,000-Yen level for the first time since March 5. Cyclical stocks and momentum stocks—which had been hit hardest during the downturn (stocks that had shown notable gains in the months leading up to February)—are leading the rebound.

Although it is a temporary ceasefire, the fact that the US and Iran—both of which had previously adopted an uncompromising stance—have agreed to a ceasefire, albeit temporary, and will enter negotiations toward a comprehensive agreement is significant. While uncertainty regarding the outcome of these negotiations remains high, we view this as an important development that could serve as a turning point for markets that have been heavily influenced by developments in the Middle East. Furthermore, the resumption of shipping through the Strait of Hormuz—even if only temporary—is a welcome relief for sectors where the risk of supply constraints had been mounting. It is important to note that shipping had already been gradually resuming under Iranian supervision even before the ceasefire agreement. Extreme pessimism regarding transportation is beginning to ease.

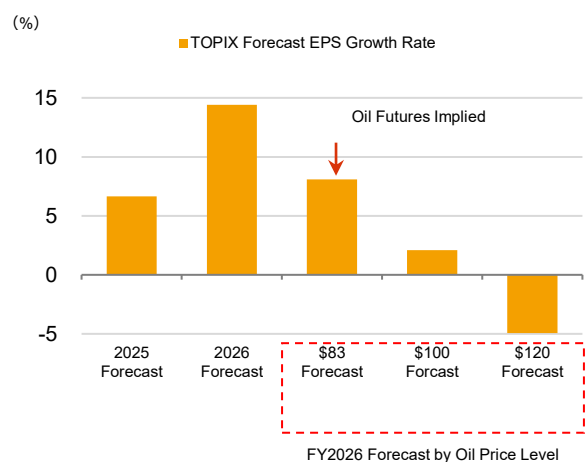
Brent crude oil has fallen to \$95/bbl, and the future prices priced into the crude oil futures market have shifted downward overall; the average price for FY 2026 based on the forward curve stands at \$83/bbl. Based on our sensitive analysis, at this level, TOPIX constituent companies are expected to secure an approximately 8% year-on-year increase in earnings for FY 2026.

Oil Price Outlook Implied by the Futures Market



※ The most recent actual figure is as of April 8, 2026
Source: Bloomberg; Compiled by Daiwa Asset Management

Brent Crude Forward Curve Implies 8% EPS Growth for TOPIX in FY2026



※As of April 8, 2026
Source: Bloomberg, FactSet; Compiled by Daiwa Asset Management

Since March, the TOPIX has tended to fall by about 2% for every 10% price hike in crude oil prices. Given today's crude oil trends and expectations for an improvement in the situation, there is nothing unusual about the index breaking above the 55,000-Yen level—which had been the upper limit of its range since early March. However, for the market to rise further and aim for a recovery to the late-February high, we believe it will require a framework for a permanent ceasefire between the US and Iran, as well as confidence that shipping lanes will be restored. In the near term, the high volatility we have seen so far is likely to continue. There is a possibility that negotiations could break down, leading to a resumption or escalation of fighting, so we cannot afford to be complacent. We intend to continue closely monitoring the progress of the negotiations.

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