Queen Tomyris Receiving the Head of Cyrus the Great. Medieval woodcut, c. 1541, Persia/Germany.

HOUSE VIEW

DONALD, TAKE THE DEAL: BETTER TO WITHDRAW IN TIME

BancaMarch

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Despite the enormous disparity in military strength between the US and Iran, history has shown time and again that the hegemony of great empires is not determined solely by their military supremacy. There are times when humility and strategy in dealing with conflicts can have a profound bearing on their outcome.

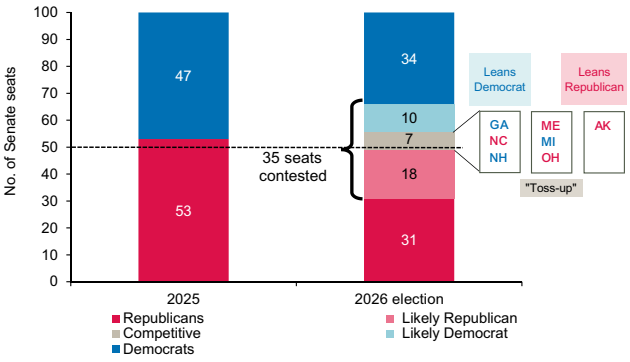
The Iranians know this only too well, having seen the savage end met by Cyrus II, the great founder of the Persian Empire. This colossal warrior king seized Babylon and Lydia, conquered Mesopotamia and extended the frontier of his empire as far as the shores of the Aegean Sea. Nothing could stand in his way until he ventured into the vast steppes of Central Asia — present-day Uzbekistan — and did battle with the Massagetae of Queen Tomyris, whose son he captured.

Tomyris swore before her Sun god that if the Persians did not return her son safe and sound, she would exact vengeance until her thirst for blood was sated. Cyrus, like Trump in our own day, convinced of his overwhelming superiority, ignored the threat, laughed at the queen of the barbarian tribe and had her son killed. Despite the enormous imbalance of forces, Tomyris managed to capture Cyrus the Great and kept her promise by beheading him and burying his head in a wineskin.

Although two and a half millennia later Trump's neck does not appear to be at stake, the US president has got himself into a serious mess. He needs to find a quick way out, and the memorandum of understanding currently on the table could provide a good alternative, allowing him to proclaim a "sufficient victory" to his supporters and reopen the Persian Gulf's energy lifeline. Trump cannot stubbornly prolong a conflict that is not a priority for the United States, nor can he become fixated on resolving a complicated nuclear deal while American citizens begin to feel the economic consequences of the Strait of Hormuz blockade, with petrol prices rising by 50%, air fares by 15%, and mortgage rates reaching 6.4%.

1. THE SENATE IS WHERE THE UNCERTAINTY LIES

Sources: Bloomberg and Banca March

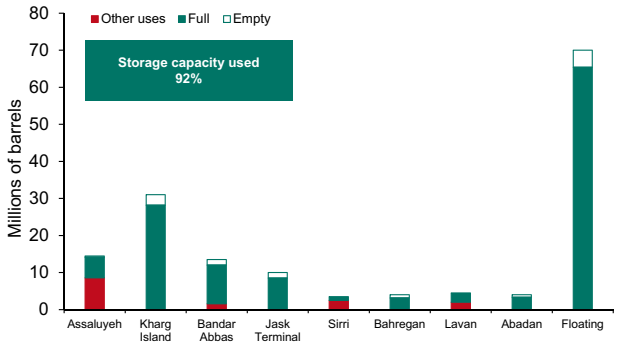


With less than six months to go before the midterm elections, the Republican president should focus on reversing the trend in polls which, since the war began, have pointed to him losing control of both chambers. That said, it is worth noting that the Senate race is so tight that the outcome will be decided in just seven swing states — principally Michigan, Maine and Ohio.

Time is running out and, as economic pressure intensifies, Thursday's summit in Beijing with Xi Jinping is drawing closer. Trump should use it to smooth over differences and pave the way forward before the little additional leeway granted to him by the War Powers Resolution to continue the intervention in Iran without congressional approval runs out on 28 May.

2. IRAN: CRUDE STORAGE CAPACITY

Sources: Kpler, Iran International and Banca March



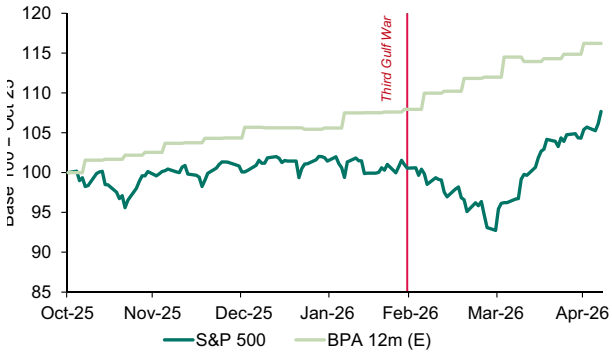
Iran, for its part, is also under considerable pressure. Although, unlike what happened to Cyrus II, the survival of its theocratic regime appears assured for the time being, it has suffered enormous military damage, while the blockade by US forces not only restricts the export of 98% of its energy resources but, with storage capacity already at 92%, will force it to curb energy production within approximately a week. If this situation were to continue, it would make restarting its older wells significantly more difficult, resulting in the permanent loss of approximately 13% of its current production capacity. For this reason, for several weeks now, and following the ceasefire, the country has shown itself willing to negotiate and has put forward several concrete proposals for an agreement.

As for the stock markets, after more than two months of conflict, the strategy of maintaining exposure and not being swept along by alarmist headlines, while trusting that electoral incentives will prevail over Trump's eagerness to "imperialise" Iran, has proved to be the right one.

The market is following the pattern we identified two months ago: the median gain in the S&P 500 one year after the start of major armed conflicts is +7.8%. Meanwhile, it is interesting to note that despite the gains and new highs, some regions, such as the US and emerging markets, are trading at even more attractive multiples than at the beginning of the year — 8% and 13% respectively — thanks to the publication of strong corporate results. First-quarter earnings, boosted by technology, have surprised very positively, growing by 29% compared with the 14% expected by the consensus.

3. S&P 500: PRICE AND EARNINGS PERFORMANCE

Sources: Refinitiv and Banca March



There is no doubt that investment in artificial intelligence remains robust, and the wave of creative destruction continues to exceed estimates by a wide margin. By way of reference, the capex alone that the five leading hyperscalers — Amazon, Google, Meta, Microsoft and Oracle — are expected to undertake this year, estimated at $800 billion, is equivalent to the total amount spent last year by all non-technology companies in the S&P 500. It is twice the amount they invested in 2025 and three times that of 2024. This is a backdrop that continues to offer potential for equities as we enter the extraordinary investment cycle we are witnessing, which shows no sign of losing momentum.

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