

2026 has the potential to be very much worse than even ...

Published: April 24, 2026, 7:52 am

The Guardian [reports this today](#), reflecting the fact that my opinion that stock exchanges are overvalued is now shared by the Bank of England:

Stock markets are too high, and are going to drop back at some point due to the many risks facing the global economy, one of Britain's top central bankers has warned.

Bank of England deputy governor Sarah Breeden has issued the prediction to the BBC, at a time when the US stock market has risen to record levels despite the Middle East conflict.

She points out:

"There's a lot of risk out there and yet asset prices are at all-time highs. We expect there will be an adjustment at some point."

For "adjustment" read "crash".

It can almost be argued that this is a statement so obvious that it hardly needs to be said, and yet the absurd, and near record high, valuations of stock markets, not just in the UK but also in the USA, suggest that what might be colloquially called the bleedin' obvious does, it seems, need to be pointed out.

Just as many politicians are deceiving themselves that the ongoing war between the USA, Israel and Iran will be resolved soon, and that the Strait of Hormuz will be reopened before an oil crisis really occurs, so too are stock markets persuading themselves that the impact of this conflict will have little consequence for the future profitability of the companies in which they supposedly invest funds.

The truth, however, is fundamentally different from these naive beliefs in both cases.

The reality is that, [as I explained yesterday](#), there is little or no current prospect of any resolution to the conflict between these countries. Although the USA, and by extension Israel, no longer has the capacity to wage war on its own without prejudice to its stock

of strategic military reserves, the Trump administration cannot admit this fact.

That means that a perpetual round of supposed peace talks, interrupted by occasional small-scale attacks on shipping, is the most likely outcome of this war for some time to come. These will be sufficient to ensure that no significant quantities of oil or other raw materials flow through the Strait of Hormuz for.

The result will be ongoing and significant economic disruption. The Iranian regime will, however, be quite content with this, because the longer these hostilities continue, the more likely it is that they will achieve the outcome they desire.

In that case, the Bank of England has come to its senses and recognised the risks posed by excessive stock market valuations, and the associated risks from high degrees of bank leverage secured on shares. It can now foresee that a crash is inevitable, and with it a possible banking crisis.

I keep saying that 2026 is going to be bad, but it has the potential to be very much worse than even I expect.