

# MONTHLY REVIEW

## MACRO

On Saturday, February 28, 2026, coordinated airstrikes between the United States and Israel targeted 12 sites in Iran. A few hours after hostilities began, Iranian media confirmed the death of Supreme Leader Ayatollah Ali Khamenei, who had been in power since 1989 — ending a 37-year reign. His passing opens a period of deep uncertainty regarding the succession at the helm of the regime. In response, Iran launched a series of retaliatory strikes against Israeli interests and American military installations in the region.

These tensions are drawing markets' attention back to the Strait of Hormuz, a strategic chokepoint through which approximately 20% of the world's oil supply flows. The upside risk to energy prices is real. As a reference point, according to a Fed study, every \$10 increase in the price of a barrel translates into a 20 basis point rise in inflation — a non-negligible impact in a context where central banks remain vigilant.

Our central assumption remains that the Strait of Hormuz stays open, but with disruptions to energy flows. Within this framework, we anticipate:

- Limited maritime disruptions, with temporarily reduced traffic and higher shipping costs
- The price of a barrel rising toward \$80 USD during the period of tension
- An Iranian response that does not exceed the intensity observed in the first days of the conflict
- Markets have already partially priced in these elements

The real risk: an escalation of Iran's response. If Iran were to strike with significantly greater force — targeting regional oil infrastructure, seeking to block the strait, or drawing other actors into the conflict — this baseline scenario would be called into question, with far broader consequences for energy prices, inflation, and global growth.

The scale and pace of escalation over the coming days will depend on several factors, which could conversely favor a return to calm:

- Oil prices: too sharp a spike creates economic pressure that all parties seek to avoid
- U.S. domestic politics: Congress is divided over the legitimacy of the strike, which limits the Trump administration's room for maneuver
- Gulf priorities: Gulf states have a strong interest in preserving their macroeconomic stability and economic diversification agendas

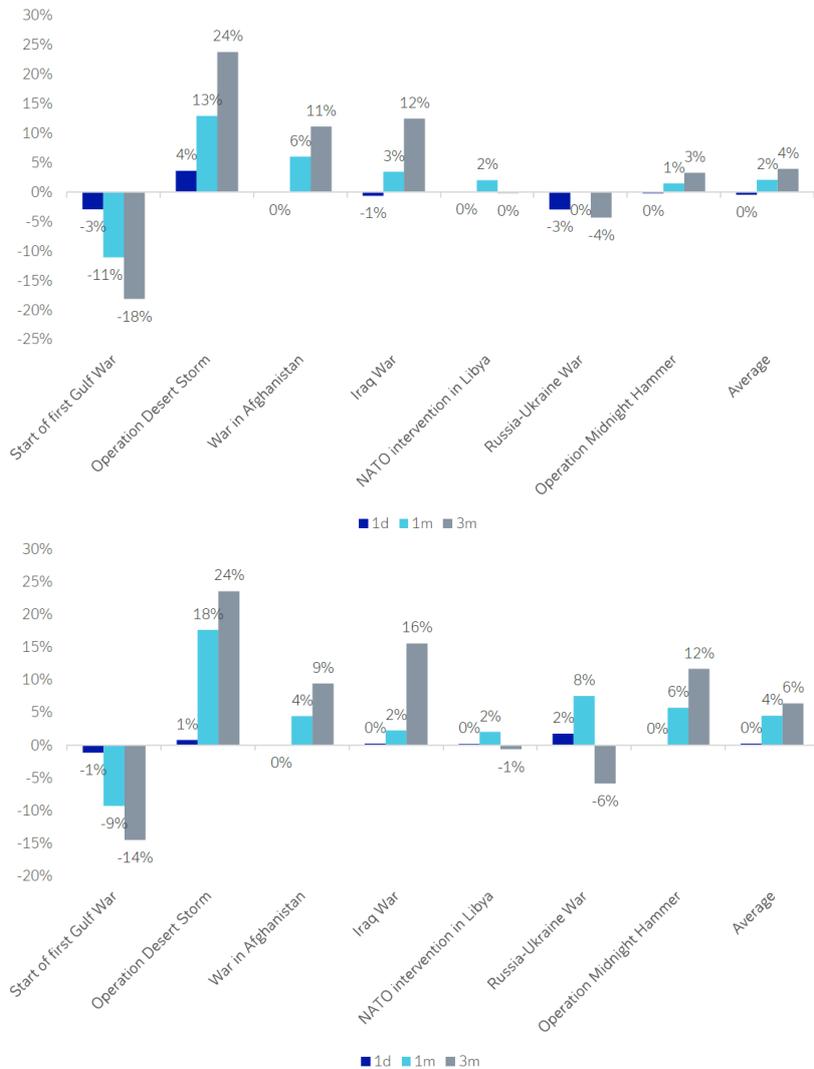
These combined factors could fuel a dynamic of gradual de-escalation.

# OUTLOOK

The shift from anticipated risk to actual escalation is likely to weigh on equity market sentiment. We do not wish to underestimate the significance of the current situation — the risks are real and could intensify. Nevertheless, looking at equity market reactions to military conflicts over the past 40 years, our general view is that the duration of the conflict is typically the most decisive factor, followed by the market's anticipation of that expected duration.

Ultimately, we must remain focused on the economic consequences, as they create a feedback loop on fundamentals. It would appear that the current Trump administration's preference, based on its statements, is in favor of a short-lived action — which is an encouraging signal. The key will likely lie in whether a path toward negotiation exists, and whether the conflict remains contained without the involvement of other countries will also be a determining factor. In this context, our base scenario remains broadly constructive for equity markets: we anticipate a limited negative impact in the short term, followed by a recovery. We cannot, however, rule out more prolonged friction should the situation deteriorate beyond current developments.

*Stoxx 600 and S&P 500 reaction in previous conflicts (1 day, 1 month and 3 months)*



# EQUITY MARKETS

Markets are going through a phase of realignment, with investors reallocating capital globally. In the United States, questions surrounding the enormous costs of artificial intelligence have triggered a sector rotation: capital is moving from technology stocks toward more stable defensive sectors, such as healthcare or consumer staples. Overall exposure to U.S. equities has fallen to its lowest level in six months.

In this context, Europe stands out. Falling inflation and supportive macro signals are increasing the attractiveness of European markets. Emerging markets excluding China — notably South Korea and Latin America — have also benefited from significant inflows.

On the sector front, the correction in U.S. software temporarily weighed on tech investment in the United States. A sign that long-term confidence remains intact: U.S. investors took advantage of the dip to buy back shares at reduced prices, the leading ETF grouping major U.S. software stocks recorded one of its best monthly inflows in its history.

February performance: CAC40 5.59% (YTD 5.29%), SMI 6.26% (YTD 5.63%), Stoxx600 3.74% (YTD 7.03%), Nasdaq -3.38% (YTD -2.47%), S&P500 -0.87% (YTD 0.49%), Hang Seng -2.14% (YTD 1.67%), Topix -1.02% (YTD 14.36%).



## FOREIGN EXCHANGE MARKET

After a sharp decline in January, the dollar calmed in February. The Dollar Index had touched a near four-year low at 95.55; it is now rebounding toward the 97.50 zone, without yet triggering a genuine trend recovery. Over the month, the DXY is posting a rebound, supported primarily by weakness in the Japanese yen. The surprise calling of snap legislative elections in Japan fueled a wave of selling on the Japanese currency, temporarily pushing USD/JPY above 159. Against the euro, the balance is less favorable. The EUR/USD pair is hovering around 1.1750 in February, after peaking at 1.2019 on January 27. Since the start of the year, the dollar has thus shed around 2% against the single currency, reflecting a persistent bearish positioning on the greenback. Consensus models anticipate a stabilization of EUR/USD around 1.18 at the end of the quarter, then a move toward 1.21 on a 12-month horizon.



After marked volatility in January — the USD/CHF pair had swung between a high of 0.8034 on January 15 and a low of 0.7630 on January 27 — the situation has stabilized in February. The dollar is now trading in a narrow band around 0.77, confirming the consolidation phase.

Safe-haven demand remains supported in an uncertain geopolitical context. Additionally, Swiss inflation, coming in at just 0.1% in January, sits at the bottom of the SNB's target range, which reduces pressure on the central bank to intervene or actively weaken the currency.



# BOND MARKET

No surprise from Frankfurt, where the ECB leaves rates unchanged for the fifth consecutive time — a unanimous decision. In short, the ECB is waiting. Upside inflation risks are primarily internal to the euro area, in particular the German investment plan, which could create overheating if bottlenecks were to appear. Conversely, downside risks are more external and could stem from an excessively strong euro exerting deflationary pressures. As both scenarios remain highly hypothetical, the ECB has no reason to change its plans at this stage.

On the U.S. side, Fed members are divided on the future direction of interest rates, reflecting a tension between the need to contain inflation and the desire to support the labor market, according to the minutes of the January 2026 FOMC meeting. Several participants indicated that further cuts to the fed funds rate would likely be appropriate if inflation continues to recede in line with their projections.

The start of 2026 is favorable across all bond markets. Euro government bonds are posting the best sovereign performance, carried by the easing of ECB rates. Investment Grade credit advances uniformly between 1% and 1.4%, while Emerging High Yield stands out with +2.07% YTD. Swiss bonds remain in the laggard position (+0.52%), penalized by their high duration and near-zero yield.



## COMMODITIES

On the commodities side, gold and silver reached historic highs before suffering a sharp correction at end-January, following an increase in margin requirements on leveraged positions and the nomination of Warsh. In early February, gold experienced strong volatility, falling to a low close to \$4,400, before rebounding amid rising geopolitical tensions. The precious metal was also supported by below-expectations inflation figures, crossing back above the \$5,100 per ounce threshold.



The oil market this month remains volatile but posts a solid performance, caught between Middle East tensions and U.S.-Iran negotiations, whose uncertain outcome is reviving the geopolitical risk premium. Indeed, the risk of a conflict involving Iran remains elevated. The United States has deployed significant military assets to the Middle East — including two aircraft carriers, fighter jets, and refueling aircraft — while Donald Trump states that Iran has 10 to 15 days to reach an agreement on its nuclear program. This military buildup suggests that Washington may be considering an operation conducted in coordination with Israel, with the possibility of limited preemptive strikes intended to compel Tehran back to the negotiating table. Iran and Russia, for their part, are conducting joint military exercises in the Gulf of Oman.



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