

# MONTHLY REVIEW

## MACRO

Through the end of February, the overall picture was reassuring. Global growth was confirming its resilience, inflation was continuing its decline on both sides of the Atlantic, and central banks appeared on track to normalize monetary policy smoothly. In the United States, despite a slowdown in Q4 2025 to +1.4% annualized growth — attributable to the government shutdown — the consensus was projecting expansion above 2% for 2026. In Europe, activity surveys were showing signs of improvement, supported by the delayed effects of monetary easing.

February 28 reconfigured everything. The US-Israeli strikes on Iran introduced a major energy supply shock via the near-closure of the Strait of Hormuz — the chokepoint through which approximately 25% of global oil and 20% of LNG transit daily.

The global economy now faces a stagflationary risk: the surge in oil prices is reigniting inflation at the very moment it was weighing on growth. Europe and Asia, as massive energy importers, are in the front line. The United States is absorbing the shock more effectively thanks to its energy independence.

Since mid-March 2026, Trump has been alternating between military threats and announcements of unverified negotiations. On March 22, he set an ultimatum then suspended the deadline, claiming to be holding "very productive" talks with Tehran — which Iran immediately denied. The approach follows a recurring pattern: verbal or military escalation, a pause accompanied by diplomatic announcements, then a resumption of hostilities. Trump's interventions have become first-order indicators closely watched by investors: any statement hinting at de-escalation triggers an immediate pullback in oil prices and a rebound in equities. But this effect fades quickly, as markets gradually price in the fact that the rhetoric does not translate into a concrete resolution.

## OUTLOOK

In early March, faced with rising geopolitical uncertainty, we reduced our equity exposure to return to a neutral position, increasing the portfolio's cash allocation.

Our caution rests on two convictions. On one hand, the Middle East conflict shows all the signs of a potential protracted stalemate — a prolonged energy shock would weigh durably on growth and push global inflation higher, with consequences that are difficult to quantify at this stage. On the other hand, the Trump effect remains an unpredictable but powerful factor: the US president has demonstrated his ability to turn markets around within hours through an announcement, a suspension of strikes, or a deal negotiated directly with the parties involved.

In this binary context, we have defined two distinct investment scenarios. We remain on the lookout for the catalysts that will allow us to shift from one scenario to the other.

## SCENARIO 1 – DE-ESCALATION AND RETURN TO NORMAL

Over the coming weeks, Trump's appetite for the conflict diminishes. The United States withdraws, declaring the operations a resounding success. The Iranian regime seizes the opportunity to step back: take stock, consolidate its positions, and begin reconstruction. Iran gradually eases pressure in the Strait of Hormuz, allowing a gradual resumption of maritime traffic.

This is the favorable scenario for financial markets. The diplomatic negotiations that would follow would allow a return to normalcy and compress the geopolitical risk premium. Equity markets rebound, driven by a renewed appetite for risk and the prospect of a recovery in global trade. On the bond market, easing inflation expectations support bond prices and allow long-term rates to stabilize or even fall.

The normalization of maritime traffic restarts supply chains, dispels fears of shortages, and boosts business and consumer confidence. In this environment, central banks regain the room to steer monetary policy without excessive pressure — a broadly constructive backdrop for all asset classes.

## SCENARIO 2 – PERSISTENT CONFLICT

US military operations continue, including on the ground, while Iran maintains its retaliation — missile strikes, drones, and maneuvers in the Strait of Hormuz — clearly signaling that it does not intend to capitulate under pressure. The blockade of the strait continues, plunging markets into several months of uncertainty and volatility. This is the adverse scenario. The prolonged disruption of energy and commercial flows generates a supply shock that reignites inflationary pressures globally. The specter of persistent inflation resurfaces, forcing central banks to maintain — or even tighten — their restrictive stance, at the expense of growth.

The consequences for financial markets would be significant:

- **Equity markets:** pressure on corporate margins, downward revisions to earnings forecasts, and a flight to defensive values; sectors most exposed to energy costs and global supply chains would be in the front line
- **Bond markets:** rising inflation expectations, upward pressure on long-term rates, and widening credit spreads, penalizing the most fragile issuers
- **Global growth:** increased risk of stagflation in energy-importing economies, with a particularly pronounced impact in Europe

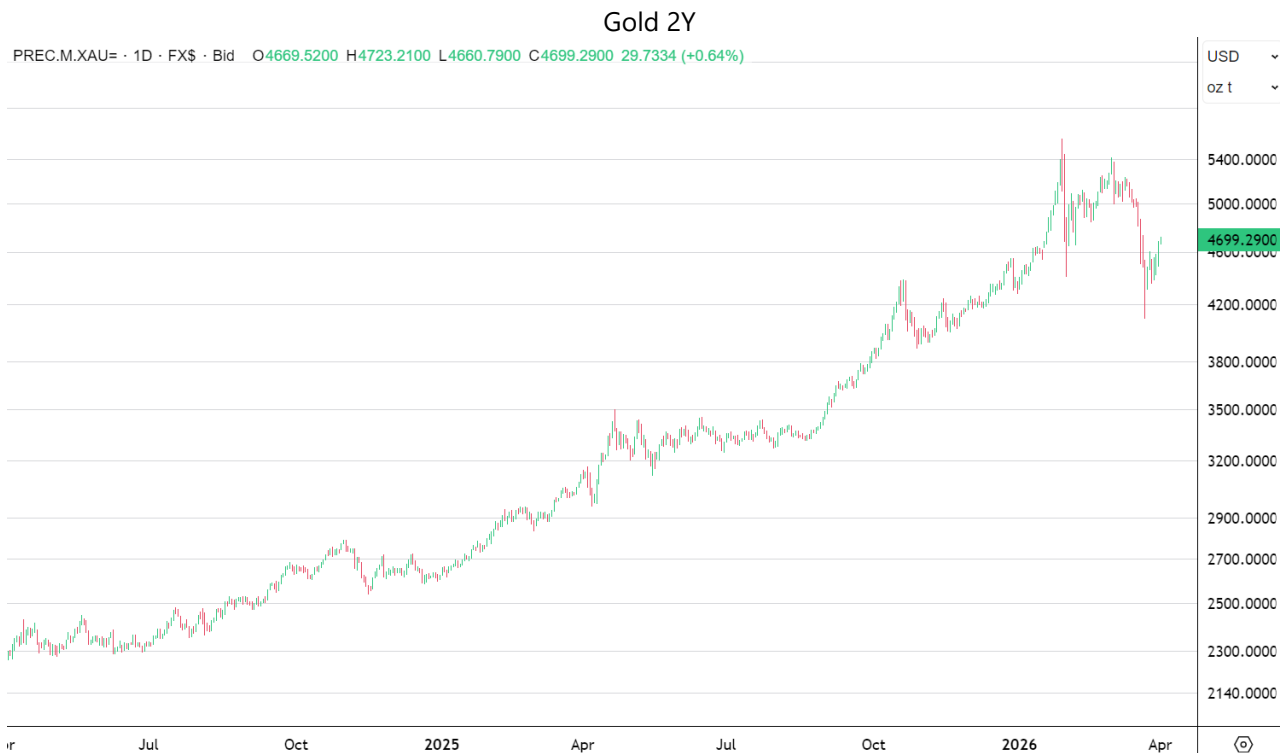
The scale of the damage would depend on governments' ability to mobilize their strategic reserves, the state of regional oil infrastructure, and the effectiveness of available logistical alternatives.

# COMMODITIES

## GOLD

Before the outbreak of the conflict on February 28, gold was trading above \$5,000/oz, supported by an environment of anticipated rate cuts and diffuse geopolitical uncertainty. The metal was fully playing its role as a safe haven. The Iranian shock produced a paradoxical effect: the oil shock fuels inflation expectations, which delays rate cuts and weighs on the metal. Gold suffered its worst week in six years in mid-March, falling to around \$4,100–4,200/oz from its peak, before stabilizing around \$4,420/oz at month end.

The dynamic is now binary: if the conflict resolves quickly and oil prices pull back, rate cut expectations will return and gold should rebound strongly toward its former highs. Conversely, a persistent energy shock maintains downward pressure via real rates, even in an environment of elevated uncertainty.



## OIL

Oil is at the center of everything this month of March. Before the conflict, Brent was trading around \$70–75/barrel in an environment of ample supply — OPEC+ was struggling to defend its prices against rising US shale production. On February 28, everything changed. The US-Israeli strikes on Iran immediately raised the central question: will the Strait of Hormuz be closed? This 30-km-wide strait is the most critical chokepoint in the global economy — approximately 25% of global oil and 20% of LNG transit through it daily. The market reaction was immediate and violent. Brent surged to \$119/barrel intraday — a level close to historical records — before quickly pulling back below \$90 on Monday, March 23, when Trump suspended strikes citing diplomatic discussions.

Goldman Sachs describes the disruption to the Strait of Hormuz as the largest oil supply shock in the history of markets. The bank's base case assumes a gradual reopening of the strait over six to eight weeks, which would bring Brent back toward an average of \$85–90 for 2026. But the adverse scenario — a prolonged closure — opens the door to levels beyond the 2008 record of around \$147.

The macroeconomic impact is direct and asymmetric: the United States, a net hydrocarbon exporter thanks to shale, absorbs the shock without major damage. Europe and Asia, as massive importers, bear the full brunt of rising energy costs — with immediate inflationary effects at the pump and on energy bills.



# EQUITY MARKETS

Before February 28, markets were well-oriented: US indices were trading near their all-time highs, and Europe was significantly outperforming early in the year, supported by attractive valuations and renewed optimism about the eurozone.

The conflict brought everything to a halt. The impact was geographically differentiated: the United States limited losses to approximately -7%, protected by its energy independence and the dominance of technology in its indices. Europe fell by approximately -9%, Asia by -11%, both being massive hydrocarbon importers.

The sector rotation was brutal. Only the energy sector stands out, up 13% on the month, directly boosted by the surge in oil prices. Utilities held up relatively better at -2%. The rest of the market was sharply lower: industrials -11%, technology -8%, healthcare -8% despite its usual defensive profile, and retail -8%. No sector outside energy offers a clear refuge in this environment.

March performance: CAC 40 -8.90% (YTD -4.08%), SMI -8.83% (YTD -3.70%), Stoxx 600 -8.00% (YTD -1.53%), Nasdaq -4.75% (YTD -7.11%), S&P 500 -5.09% (YTD -4.63%), Hang Seng -6.92% (YTD -3.29%), TOPIX -11.19% (YTD +2.61%).



# FOREIGN EXCHANGE MARKET

The euro slipped below \$1.16, penalized by the eurozone's energy vulnerability. The euro gave back the gains recorded in early 2026, as the conflict exposed the region's significant energy dependence.



The EUR/CHF rate dropped sharply toward 0.90 in early March, briefly testing this level to the downside — an unprecedented level since the SNB removed its exchange rate floor in 2015. The Middle East conflict mechanically strengthened the Swiss franc, whose safe-haven status was fully expressed in this environment of geopolitical uncertainty. The SNB shifted the dynamic, however, by publicly signaling its willingness to intervene in the foreign exchange market. This communication was sufficient to temper the franc's appreciation against both the euro and the dollar.



# BOND MARKET

The oil shock directly impacted monetary policy expectations. On March 18, the Fed held rates in the 3.50%–3.75% range for the second consecutive meeting (vote 11 to 1). The following day, the ECB confirmed the maintenance of its deposit rate at 2.00% for the sixth time since June 2025. In both cases, the Middle East conflict dominated discussions, creating too much uncertainty to justify any adjustment.

The Fed revised its PCE forecast to 2.7% for 2026 (vs. 2.4% in December), while the ECB now projects inflation in the eurozone at 2.6%. Markets are now pricing in only one Fed rate cut in December 2026.

Bond markets on both sides of the Atlantic are in negative territory: 10-year German and US yields are up approximately 30 and 50 basis points respectively, in reaction to the inflationary effects of rising oil prices.



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