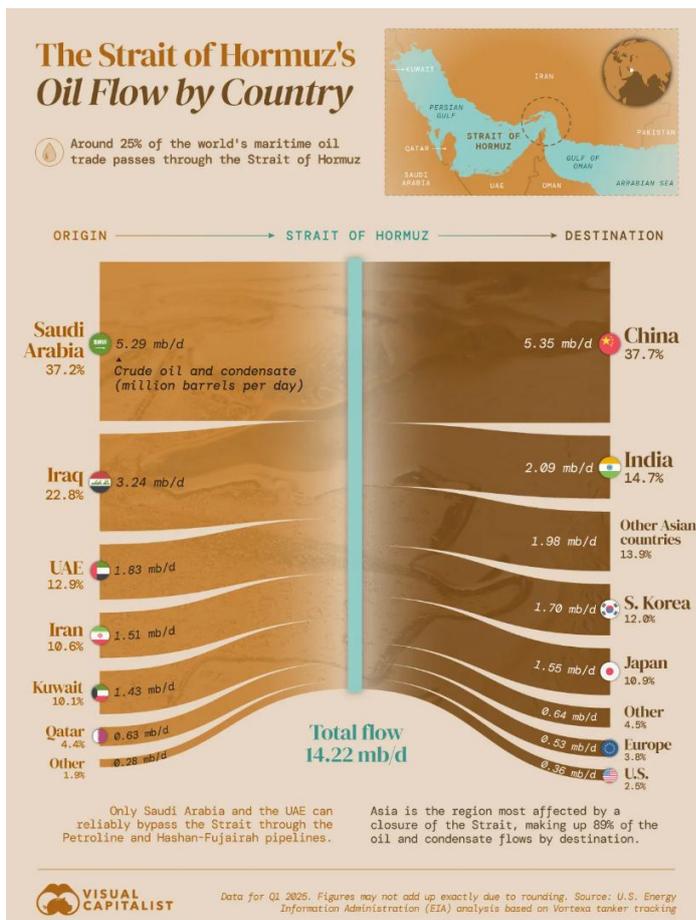


The Chart of the Week



Source: Visual Capitalist

What happened last week?

Global markets

The Iran conflict and resulting oil shock completely reshaped markets last week, driving a broad risk-off move, sharply higher energy prices, and heightened caution across cyclicals.

Global equity markets faced a volatile retreat during the week ending 6 March 2026, as geopolitical conflict in the Middle East and a sharp spike in energy prices triggered a broad risk-off sentiment. The military escalation involving the US, Israel, and Iran resulted in the de facto

blockade of the Strait of Hormuz, and sent Brent crude prices surging toward \$93 by the Friday close (from around \$70 in the prior week), and triggering a dramatic rotation into energy and defensive sectors.

Reflecting this mounting anxiety, the VIX Index spiked toward 30, doubling from the 15 level recorded at the start of the year, although it remained below the extreme peak of 50 witnessed during the Liberation Day crisis.

Last week's price action suggests that many participants initially viewed the crisis as a temporary disruption. The market positioning did not descend into a full-scale panic, but it did turn more defensive. Investors sought shelter in software, energy, and staples, while sectors such as semiconductors, consumer discretionary, small caps, and banks significantly underperformed.

However, the outlook for the coming week has turned decidedly more bearish following weekend developments; oil prices gapped higher on Monday morning, with Brent spiking above \$115 and WTI pushing past \$100 after Gulf producers warned of forced production halts within days due to escalating strikes.

US

In the US, the S&P 500 was down 2% and Nasdaq 100 down -1.2%. The index-level sell-off was relatively muted, suggesting that investors were not yet pricing in a permanent geopolitical shock. However the underlying sector dispersion told a different story: small caps and cyclicals bore the brunt of the weakness, while software and defensive sectors provided a buffer.

The US domestic landscape was defined by a startling shift in macroeconomic data and a palpable defensive pivot. Major indices like the S&P 500 and Nasdaq Composite were weighed down by a disappointing February non-farm payrolls report, which revealed a shock contraction of 92,000 jobs and pushed the unemployment rate up to 4.4%. The market now faces a precarious "higher for longer" energy environment that threatens to impair corporate margins and consumer spending if the \$120–\$150 oil tail scenarios materialise.

Europe

European indices recorded their steepest weekly declines in months, with the STOXX 600 and FTSE 100 both falling almost 6%, underperforming the US indices. The region's acute sensitivity to energy input costs made it the focal point of stagflation fears, as surging natural gas and crude prices threatened to cement "sticky" inflation and complicate the European Central Bank's easing cycle.

Luxury goods and consumer-discretionary sectors struggled under the weight of dampened growth expectations, while the defence and energy sectors provided rare pockets of green. The weekend reports of potential production shut-ins by Gulf producers have heightened the urgency in European markets, as a prolonged disruption to energy flows through the Strait of Hormuz would be unsustainable for the region's industrial base beyond a few weeks.

Rest of the world

Asian markets bore the heaviest brunt of the global volatility during the week, led by a 6% plunge in Japan's Nikkei 225, which was exacerbated by a strengthening yen and a "bull steepening" of the government bond yield curve.

Emerging markets also faced intense pressure, with the MSCI Emerging Markets Index weighed down by a stronger US dollar and disruptions to global trade routes. South Korea and Taiwan,

despite their technological leadership, saw heavy de-risking in semiconductor names as investors locked in profits amidst the geopolitical uncertainty. Hang Seng index was down -3.3%, which was relatively more resilient.

By the Monday open, these markets faced even steeper declines as the 30% surge in oil prices forced regional central banks into a sharp policy rethink, highlighting the vulnerability of energy-importing economies to a sustained Middle Eastern conflict.

Our view on equities

Equity asset class

POSITIVE in current environment

We remain positive on equities. Demand for AI infrastructure remains strong while a broadening of corporate earnings will help offset rich valuation multiples, particularly in the US.

After an uneven year, earnings in 2026 are expected to accelerate and broaden. Technology stocks will continue to benefit from AI-related investments, while the “old economy” is expected to slowly recover thanks to lower interest rates and deregulation in the US.

We continue to advocate diversification while maintaining overweight position in the US / China.

Earnings

Earnings remain a tailwind for equities, supported by a strong third-quarter earnings season and expectations that growth will accelerate and broaden in 2026. Technology stocks should continue to deliver robust performance, while the “old economy” is set to recover.

Valuation

US technology stocks remain expensive, although growth and profitability provide some support while international equities are more reasonably valued. Equity risk premia remain low in both the US and Europe.

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