

Week in review and ahead (vol.12-26)



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Week in review

U.S. markets fell for the fourth straight week, as the Nasdaq and Dow Jones moved into technical correction territory, ending more than 10% below their all-time highs. Despite the Fed's neutral assessment of geopolitical risks, market's reaction skewed hawkish triggering a selloff in risk assets late Wednesday, reversing the positive start to the week. Headlines of strikes on energy assets by Israel and Iran weighed on sentiment further, with markets reassessing the outlook for post conflict energy supply recovery. With negative sentiment dominating trading on Friday, "triple witching," or the simultaneous expiration of options for equities, index, and index futures, which occurs four (4) times a year, likely added to the selloff that garnered strength later in the day as trading volumes increased.

For the week, all major indices in the US declined significantly with both, the Dow Jones, and Nasdaq Composite, declining by about -2.1%, followed by the Russell-2000 and S&P500, down -1.9% and -1.7%, respectively. Most all of the S&P sectors recorded losses yet again, except for energy and financials that gained 2.8% and 0.4%, respectively. With about seven (7) trading days left in the quarter, all major US indices are on pace to close the quarter out with losses, after posting gains for four (4) consecutive quarters previously.

Stock Market Cycles NASDAQ Composite since 1995

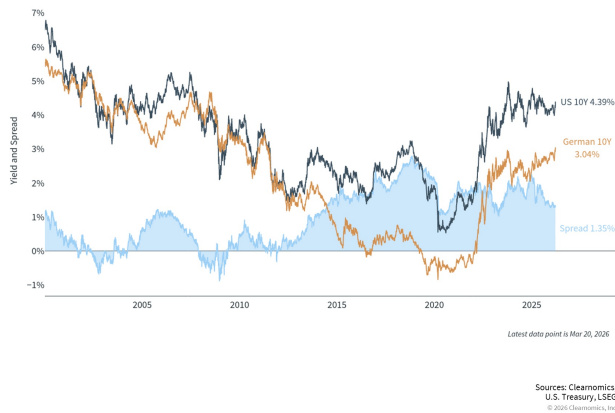


steady, except for Australia. The ECB and the Bank of England took a similar stance last week, keeping rates steady, however, markets repriced risks to inflation (hence interest rates) and growth with yields spiking and risk assets selling off. The German 10-year bund yield, for example, closed the week above 3%, for the first time since July 2011. Similarly for equities, Germany’s DAX led the selloff in Europe, declining nearly -5% for the week, followed by the UK’s FTSE (-3.3%) and France’s CAC-40 (-3.1%). Likewise, in Asia with Bank of Japan acknowledging inflationary pressures but leaving rates steady, with China’s CSI declining -3.4%, followed by Japan’s Nikkei (-0.8%), and Hong Kong’s Hang Seng (-0.7%). South Korea’s Kospi gained nearly 5% for the week as memory stocks, which dominate the index greatly, rebounded strongly during the week but did see selling pressure Friday, too.

Internationally, all major markets continued to post losses on the week on geopolitical risks and inflation risks globally with India’s Nifty 50 managing to breakeven for the week after a stark selloff the week prior to last of -5.5%. With energy prices rising and uncertainty of (a timely) stabilization even if the war were to conclude soon, many economies are grappling with this supply shock and reports of shortages and rationing for some economies in Asia adding to concerns. Accordingly, many central banks this past week took a cautionary approach on monetary policy highlighting inflation risks to their respective economies that may slow growth with many keeping rates

U.S. and German Interest Rates

Yields and spread between U.S. 10Y Treasury and German 10Y Bund



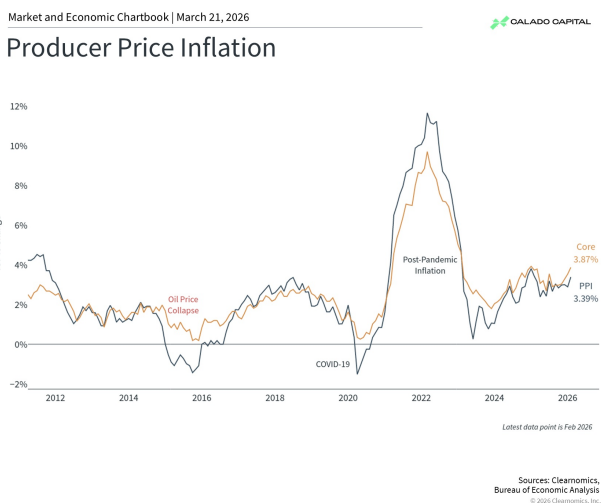
Week in review - US macroeconomics

With geopolitical events continuing to dominate headlines and markets, the Fed’s FOMC decision on monetary policy on Wednesday was highly anticipated. Just before, a disappointing PPI report for February had already narrowed the likelihood of additional rate cuts with short term yields rising shortly after the PPI report and after the Fed’s FOMC announcement further flattening the yield curve. Data on the labor market, namely initial jobless claims, did not garner much attention as claims continue well below historical averages. Initial claims for the week ended March 14th were 205K, better

than the estimated 215K and sequentially. Similarly, continuing claims for the week of March 7th were 1.86M, in line with expectations but higher sequentially. On the other hand, new home sales in January dropped nearly -18% MoM to the lowest pace since 2022 displaying continued weakness in the housing market.

The PPI for February reported a change of 0.7% month-over-month (“MoM”) on headline, well

above expectations of 0.3% and higher sequentially. For core, the MoM change was 0.5%, also exceeding expectations of 0.3%, however, lower sequentially. On an annual basis, headline's rate was 3.4%, above expectations of 3.0%, while core PPI's change was 3.9%, above expectations of 3.7% and higher sequentially. The headline rate (of 3.4%) was the highest since January'25, while the core rate (of 3.9%) was the highest since February'23.

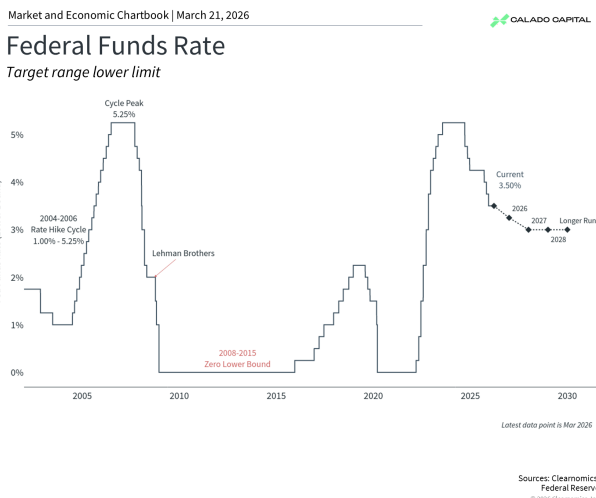


Despite the hotter than expected PPI report, the Fed's FOMC kept (the Fed Funds) rates unchanged at 3.5-3.75% for the third consecutive time as was widely expected and in a somewhat less contested committee meeting with 11-1 votes in support of the current stance. In its communication, it did acknowledge geopolitical and inflation risks from the war with Iran, however, emphasized a neutral stance with respect to implications on monetary policy. Chair Powell acknowledged that while the possibility of the next (Fed) move being a rate hike "did come up" during the meeting, he stressed that raising rates is not a base case for any

of the FOMC members, with many not seeing stagflation risks as experienced during the 1970s as an imminent risk. For the Fed, the US economy continues to expand at a solid pace, despite the disappointing Q4'25 GDP reports and continuing reductions to Q1'26 GDP estimates and a weak housing market, noting resilient consumer spending and expanding investment. Accordingly, the Fed views monetary policy currently as appropriately, notwithstanding softening labor demand and geopolitical uncertainties. Further, somewhat surprisingly, Powell noted that the Fed views the current (Fed Funds) rate levels at the high end of neutral or mildly restrictive by emphasizing that risks to its dual mandate continue to be in balance. In other words, he characterized that neither mandate risk is bigger than the other. The assertion was based on acknowledging that the low job creation was of concern but outweighed by other job indicators suggesting a degree of stability. Likewise, the Fed acknowledges that inflation remains elevated and that energy prices will push up overall inflation in the near term but stressing that the labor market clearly is not a source of inflation currently. Accordingly, the Fed did increase its inflation forecast to 2.7% (from 2.4%) in 2026 and 2.2% (from 2.1%) in 2027, but yet kept the forecast of one additional rate cut in 2026 and 2027.

Despite the Fed's attempt to take a neutral stance and maintaining its projected rate cut as the likely next FOMC move, markets interpreted the revisions to Fed projections as hawkish and repriced assets. Treasury yields across the (maturity) curve rose, with steeper increases in short-term yields that further flattened the yield curve. The 2-year treasury yield closed the week above 3.9% for the first time since July'25. Similarly, risk assets continued to reprice selling off that accelerated on Friday. Even crypto assets, a benchmark of (investor) risk, which had seen price appreciation in recent weeks despite inflation risks and the Iran war, reversed, seeing some selling pressures. The repricing in markets that is taking place in the US and globally is reflective of investor's concerns about inflation and economic growth deceleration as a consequence of the war (or the impact on energy resources, distribution, and supply). As such markets are taking a different stance in that, it expects the Fed to eventually raise rates to stave off inflation. Hence, the US dollar and yields are up as a hawkish Fed should eventually take hold.

The positioning is occurring globally with yields rising impacting markets domestically and internationally. In the US for example, the average 30-year mortgage, which just recently fell below 6%, has risen to above 6.3%, diminishing hopes of a housing market recovery, independent of legislation in the US to incentivize it.



Week ahead

The war in Iran and conflict in the middle east will continue to take center stage next week as it enters into the fourth week. Markets will look to learn if Israel will exhibit constraint and avoid further attacks on critical energy infrastructure, since Iran has communicated it will not do so itself, putting energy assets in the region under threat (to cause even greater disruptions). On the macroeconomic front, S&P will release its preliminary estimates on the state of the US economy with its flash readings on the manufacturing and service sectors.

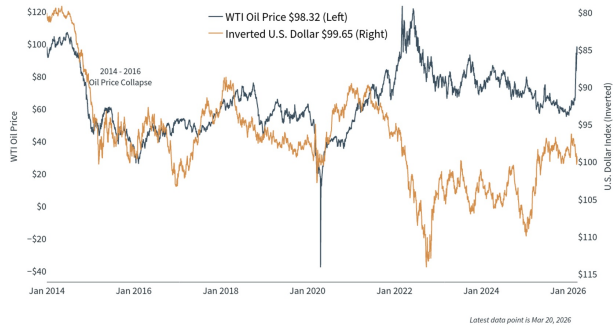
Markets likely will also pay closer attention to the APU crude oil stock change for the week of March 20th. Since the beginning of the Iran war, oil stockpiles have seen an increase of a net 5 million barrel (through March 13th), as gasoline inventories fell by 4.6M barrels, the fifth consecutive weekly decline for the reporting period. Separately, expect some level of market volatility as Fed FOMC members are scheduled to speak publicly.

Number of the week: \$48.55

The difference between a barrel of Oman crude oil (\$157.94) and Brent crude oil (\$109.39) on March 20th, 2026, indicating that the futures market is somewhat disconnected from physical markets. The supply (or price) shock is therefore greater than pricing for Brent crude leads on to believe. As of the end of last week, three (3) countries have begun rationing fuel, namely Bangladesh, Myanmar, and Sri Lanka. Other nations, are preparing to announce rationing soon, extending beyond Asian nations, including Australia, New Zealand, and the UK. Prior to the begin of the Iran war, for reference, pricing per barrel for Omani and Brent crude oil did not necessarily coincide, however, the difference generally did not exceed a +/- \$2.00 bandwidth. As such, Wall Street firms Goldman Sachs and Citi, per Bloomberg, are cautioning that futures (for Brent) could hit record highs in the coming weeks. They note that physical and futures prices do not remain far apart for extended periods of time.

Oil and the U.S. Dollar

WTI and the U.S. dollar index (inverted to highlight relationship)
Since 2014



Sources: Clearnomics, LSEG
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