

# Market View March 2026

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## Executive Summary

Equity markets are consolidating at a high level following the strong rally of recent months. At the same time, **dispersion** has increased significantly, as the discussion about the economic impact of artificial intelligence has led to strong price movements at the individual stock level.

The military conflict between the United States, Israel, and Iran is bringing geopolitical risks into focus for the markets. The closure of the **Strait of Hormuz** has significant implications for energy prices, inflation, and economic growth.

However, historical experience shows that **geopolitical escalations usually represent temporary market shocks**. Both U.S. and European equity markets have often recovered losses relatively quickly after such events in the past.

The **macroeconomic environment** remains **promising**. A recession currently appears unlikely. Rather, economic momentum is showing the first signs of acceleration and corporate earnings are developing robustly.

In our positioning, we remain **structurally constructive on risk assets**, although we expect increased volatility in the short term. We used the recent market weakness to build a position in Japanese equities, while gold continues to play an important role as a portfolio diversifier.

## Monthly Review

Equity markets consolidated at a high level. After the strong rally of recent months, many indices recently moved sideways near their record highs. Beneath the surface, however, so-called **dispersion** increased. While some stocks rose sharply, others declined significantly. The reason for this was the dominant theme of February: artificial intelligence (AI).

Triggered by remarkable advances in Anthropic's AI model "Claude," fears emerged that one industry after another could undergo **structural transformation**. Initially, software stocks were primarily sold off, such as ServiceNow or Adobe. AI could enable companies to develop software themselves rather than purchasing it at high cost. Soon after, booking platforms such as Booking.com and logistics companies like Kühne & Nagel were also affected. AI could make the need for intermediaries obsolete, whether in tourism or logistics. Mere announcements were enough to wipe out billions in company valuations.

Due to these uncertainties regarding the development of AI, stocks in the **technology sector** and the U.S.—where many large technology companies are based—performed worse in February than more defensive sectors and Europe. Put somewhat bluntly, there is no European software industry and therefore no companies that could be disrupted by a newer technology, namely AI. Clear beneficiaries continued to be suppliers involved in the construction of data centers.

The sell-off among software companies also drew attention to another market: many of these firms have been heavily financed in recent years by **private credit** funds. The limitation of redemptions at a fund managed by asset manager Blue Owl, as well as the sale of loans totaling around USD 1.4 billion, highlight potential liquidity risks. The market has grown significantly in recent years and has become increasingly concentrated among a few large direct lenders. Although no systemic crisis is currently apparent, the combination of high leverage, sector concentration, and limited transparency could increase risks should the economic environment deteriorate.

The reporting season for the fourth quarter of 2025 is nearly complete. Strong **earnings growth** of 15% year-on-year underscores the continued excellent fundamental momentum in the United States. In Europe, earnings growth stands at just under 7%, and in emerging markets at 17%.

At the end of February, the U.S. Supreme Court declared the **IEEPA tariffs** imposed by U.S. President Donald Trump invalid (IEEPA = International Emergency Economic Powers Act). In response, Trump enacted a legally permissible general tariff rate of 10% for a period of 150 days. Markets are largely looking through these new tariffs. Trump's room for maneuver and threat potential were significantly restricted by the ruling.

While macroeconomic topics received little attention during February, that changed dramatically with the outbreak of the Iran war.

## Geopolitical escalations are usually temporary market shocks

The military conflict between the United States, Israel, and Iran is currently dominating market developments. The focus is on global energy supply and therefore on inflation and economic growth.

At the center of this development lies the **Strait of Hormuz**—one of the most important maritime trade routes for crude oil and natural gas. Around 20% of global crude oil and LNG shipments pass through this narrow waterway (LNG = liquefied natural gas). The main exporters in this region are Saudi Arabia, Iraq, the United Arab Emirates, Kuwait, Iran, and Qatar (particularly for LNG). On the demand side, most of this oil flows to Asia, especially to China, India, Japan, and South Korea. Europe is also an important buyer, particularly of gas supplies.

A prolonged disruption of these energy flows could have noticeable **effects** on global **energy markets**. Various analyses show that a short disruption of one to two weeks could push the oil price to USD 80 to 90 per barrel, even if part of the supply is redirected through alternative pipelines. In the case of a longer disruption, the price could rise toward USD 110 per barrel.

The gas market would also be significantly affected. If LNG transport through the strait were to be completely disrupted for a month, European gas prices could rise to around EUR 70/MWh or more according to estimates—a level last reached during the European energy crisis of 2022, which triggered substantial demand adjustments. However, gas prices would not rise to the previous peak of EUR 350/MWh seen at that time.

In a scenario of a prolonged disruption, inflation could increase by around 0.8% in the United States and by 1.1% in the Eurozone, according to Bloomberg (latest inflation figures: U.S. 2.4%, Eurozone 1.9%). Economic growth could be about 0.1% lower in the United States and around 0.6% lower in the Eurozone (latest growth forecasts: U.S. 2.5%, Eurozone 1.5%). Both regions should be able to absorb the energy shock **without falling into recession**. However, the Eurozone clearly starts from a weaker position.

It should not be underestimated that there is considerable global **political interest** in reopening the strait as quickly as possible. U.S. President Donald Trump has stated that state-backed insurance for tankers as well as military escorts should be introduced as soon as possible. Even China—one of Iran's most important political supporters—has publicly called for free and secure passage.

For equity markets, **history** shows a relatively **clear pattern**: geopolitical shocks initially lead to increased volatility and price declines. However, the experience of recent decades shows that such events generally do not have a lasting impact on the long-term trend of equity markets. Historical data show that U.S. equity markets have usually been able to recover their losses relatively quickly after geopolitical escalations and have often gone on to reach new highs.

## How Do Stocks Do After Major Events?

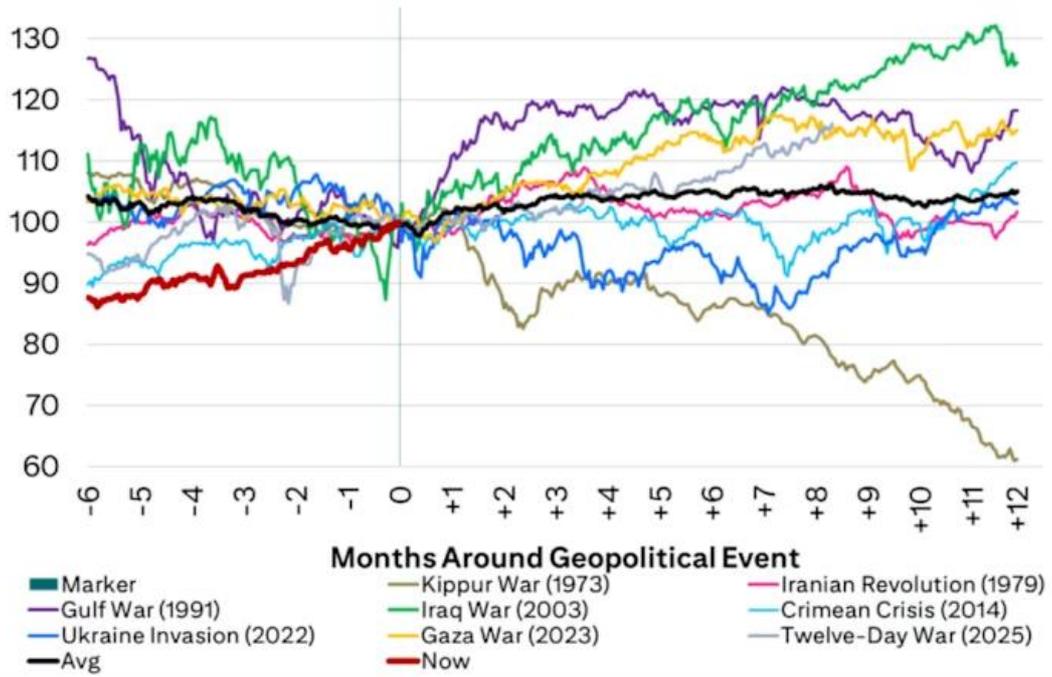
### S&P 500 Index Performance After Geopolitical And Major Historical Events

Market Shock Events	Event Date	S&P 500 Index Returns			
		1 Month	3 Months	6 Months	12 Months
Germany Invades France	5/10/1940	(19.9%)	(12.7%)	(4.5%)	(18.7%)
Pearl Harbor Attack	12/7/1941	(1.0%)	(11.0%)	(6.5%)	4.3%
N. Korean Invades S. Korea	6/25/1950	(10.0%)	1.6%	4.1%	11.7%
Hungarian Uprising	10/23/1956	(2.1%)	(2.8%)	(1.3%)	(11.7%)
Suez Crisis	10/29/1956	(4.4%)	(3.6%)	(0.0%)	(11.6%)
Cuban Missile Crisis	10/16/1962	5.1%	14.1%	20.7%	27.8%
Kennedy Assassination	11/22/1963	8.8%	11.9%	15.5%	23.2%
Gulf of Tonkin Incident	8/2/1964	(1.6%)	1.9%	5.3%	2.7%
Six-Day War	6/5/1967	3.3%	5.9%	7.5%	13.5%
Tet Offensive	1/30/1968	(3.8%)	5.1%	5.2%	10.2%
Penn Central Bankruptcy	6/21/1970	(0.1%)	7.2%	16.8%	28.6%
Munich Olympics	9/5/1972	(1.0%)	5.7%	2.3%	(5.8%)
Yom Kippur War	10/6/1973	(3.9%)	(10.7%)	(15.3%)	(43.2%)
Oil Embargo	10/16/1973	(7.0%)	(13.2%)	(14.4%)	(35.2%)
Nixon Resigns	8/9/1974	(14.4%)	(7.0%)	(2.8%)	6.4%
Reagan Shooting	3/30/1981	(0.9%)	(1.8%)	(14.0%)	(16.4%)
Continental Illinois Bailout	5/9/1984	(3.1%)	1.0%	6.4%	12.8%
1987 Stock Market Crash	10/19/1987	8.1%	10.9%	14.7%	22.9%
Iraq's Invasion of Kuwait	8/2/1990	(8.2%)	(13.5%)	(2.1%)	10.1%
Soros Breaks Bank of England	9/16/1992	(2.5%)	3.0%	6.8%	9.9%
First World Trade Center Bombing	2/26/1993	1.7%	2.0%	4.0%	4.7%
Asian Financial Crisis	10/8/1997	(3.7%)	(1.8%)	14.1%	(1.5%)
U.S.S. Cole Yem en Bombing	10/12/2000	2.7%	(0.9%)	(11.3%)	(19.6%)
U.S. Terrorist Attacks	9/11/2001	(0.2%)	2.5%	6.7%	(18.4%)
Iraq war started	3/20/2003	1.9%	13.6%	18.7%	26.7%
Madrid Bombing	3/11/2004	3.5%	2.7%	1.5%	8.4%
London Subway Bombing	7/5/2005	3.3%	1.8%	5.3%	5.5%
Bear Stearns Collapses	3/14/2008	3.6%	5.6%	(2.8%)	(41.5%)
Lehman Brothers Collapses	9/15/2008	(16.3%)	(26.2%)	(34.8%)	(11.7%)
Boston Marathon Bombing	4/15/2013	6.3%	8.4%	9.7%	17.9%
Russia annexed Crimea	2/20/2014	1.5%	2.6%	8.0%	14.7%
BREXIT	6/24/2016	6.5%	6.2%	11.0%	19.7%
Bombing of Syria	4/7/2017	1.8%	3.1%	7.6%	12.8%
North Korea Missile Crisis	7/28/2017	(1.1%)	3.6%	14.8%	13.4%
Saudi Aramco Drone Strike	9/14/2019	(1.4%)	5.4%	(8.8%)	12.5%
Iranian General Killed In Airstrike	1/3/2020	1.9%	(23.1%)	(4.2%)	14.4%
U.S. Pulls Out of Afghanistan	8/30/2021	(3.7%)	2.8%	(4.9%)	(12.0%)
Russia invades Ukraine	2/24/2022	5.9%	(7.2%)	(2.1%)	(7.1%)
Hamas attacks Isreal	10/7/2023	1.3%	10.6%	20.9%	33.5%
Iran attacks Isreal	4/13/2024	1.9%	9.9%	13.5%	5.3%
Liberation Day	4/2/2025	(0.5%)	10.6%	19.1%	?
US Bombs Nuclear Facilities In Iran	6/22/2025	5.7%	11.7%	13.5%	?
US Removes Maduro in Venezuela	1/3/2026	0.9%	?	?	?
Average		(0.9%)	0.8%	3.4%	3.0%
Median		(0.2%)	2.7%	5.3%	7.4%
% Higher		46.5%	66.7%	61.9%	65.0%

Quelle: Carson Investment Research

A similar pattern can also be observed in Europe. Although European economies are more dependent on energy imports from the Middle East than the United States, European equity markets have also generally been able to absorb geopolitical crises relatively quickly in the past and return to their previous growth trajectory over the long term. For investors, this means that geopolitical conflicts may create significant short-term uncertainty, but rarely change the structural drivers of global equity markets over the long run.

1. MSCI Europe Around Past Geopolitical Crises (Local)



Quelle: Morgan Stanley

## Positioning

In the short term, we expect a **volatile phase** due to the Iran war. However, in our base case we assume that the conflict will calm down in the coming weeks. We do not expect a recession and continue to assess the **macroeconomic environment** as **promising**: rising expectations for corporate earnings, signs of economic acceleration according to purchasing managers' indices, and a normalization of market sentiment.

We used the recent market weakness to build a small position in Japanese equities. **Japan** is currently benefiting from a structural shift: after decades of deflation, a moderate inflation environment with rising wages and higher corporate profits is increasingly taking hold. At the same time, reforms at the Tokyo Stock Exchange are improving corporate capital discipline and leading to higher share buybacks and dividends. Despite these positive developments, Japanese equities remain attractively valued in an international comparison and therefore offer an appealing risk-reward profile.

We are convinced that AI will lead to major changes. AI will reshape industries and create winners as well as losers. Some software companies have probably been punished too severely, but for the time being we are waiting to see how developments unfold. We also remain cautious with regard to private credit.

Due to uncertainties surrounding AI, the consensus trade in recent weeks has been: out of the United States and into other markets. Valuations of the Magnificent 7 have declined significantly. Despite outstanding corporate results, Nvidia is currently trading at a forward P/E of around 22—a level last seen during the major tariff announcements last year ("Liberation Day") or in the fourth quarter of 2018, when AI was not yet a market theme. In our view, the **pain trade** would be a **tech rally** led by the Magnificent 7.

**Gold** remains our most important portfolio **diversifier**. In the current environment, gold has once again demonstrated its stability. Commodities in general serve as a hedge against potential inflation surprises.

Bitcoin may have found a bottom. Contrary to many fears, its price did not decline further during the Iran war.

Corporate bonds have for some time offered only a small yield spread over government bonds. Should this change due to the turbulent market environment, we could increase our positioning in this asset class.

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