

Weekly Macro and Markets View

2 March 2026



Highlights and View

The US and Israel have launched a major military operation against Iran

Energy prices have spiked, but we don't expect a major impact on global growth unless prices rise substantially higher or the crisis escalates further.

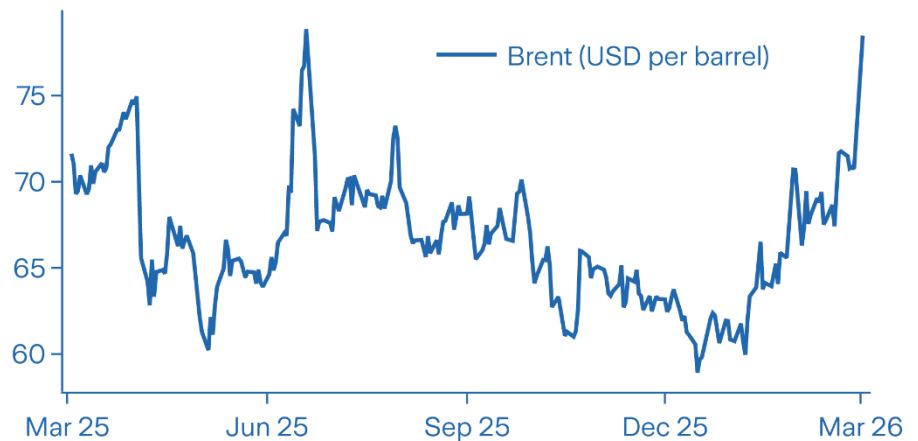
Asian equity markets continue their broad-based outperformance relative to global markets

We expect this outperformance to persist.

German economic data continue to improve, with survey data signalling optimism

Private and public investment will likely be the main driver of economic growth this year.

Oil prices spike as the US and Israel strike Iran



Source: Bloomberg

Over the weekend, the US and Israel launched a major military operation against Iran, hitting hundreds of targets and killing dozens of senior Iranian officials, including the Supreme Leader Ali Khamenei. Stock markets around the world are in risk-off mode as Iran retaliates against numerous countries in the region, causing major disruptions. Asian and European markets have been more severely affected than the US. However, the overall market reaction has been relatively muted so far, with investors in wait-and-see mode as the situation evolves. Although a full closure of the Strait of Hormuz seems unlikely given that it would mostly affect China and other Asian oil importers, activity has basically come to a standstill following the strikes. Oil prices have spiked, with Brent briefly rising to more than USD 82 per barrel before settling back to about USD 79, roughly the same level reached during the strikes against Iran last summer. The crisis is hitting at a moment when the global economy is resilient and many regions are showing robust activity. While some countries are more vulnerable than others, we don't expect a major impact on global growth unless energy prices rise substantially from here or the conflict escalates further. Market fundamentals remain robust, but the unpredictability of the latest conflict in the Middle East is likely to lead to increased volatility for financial assets in the near term.

Asia

Equities continue their broad-based rally

The Asian tech sector continued to power indices higher last week. Taiwanese chip maker TSMC rose 6.1% on the week, capping a three-month rise of 41.5%. Similarly, South Korean heavyweights Samsung Holdings and SK Hynix rose 14.3% and 12.7% on week respectively and were up 116% and 98% for the three-month period. Unsurprisingly, as TSMC comprises 47% and Samsung 26% of their respective national indices, they have had a positive impact on the overall level of the indices. However, the broader gains in Asia's equity markets are not only attributable

to the rally in the tech sector. In Bloomberg's APAC Developed Markets Index (comprised of both large and mid-cap names), technology doesn't rank as the best performing sector, having risen only 9.3% YTD. In contrast, the energy sector is up 26%, as is the material sector, whilst consumer staples are up 20%. This underpins a broader sector-based rally that Asian markets have seen, underscored by solid economic growth and a renewed sense of urgency amongst regional trading partners as they pivot from reliance on the US.

Eurozone

German capital investment surges

Another week, another data release showing a long-awaited improvement in Germany's economic situation. On a more backward-looking basis, details for Q4 2025 GDP were released. Overall growth was 0.3% QoQ, while capital investment and government spending both rose substantially to just above 1% QoQ. Private consumption was a healthy 0.5% QoQ, while weak net exports dragged overall growth down. We expect both business and public investment to drive growth higher this year. The ifo index showed improvements in both expectations and in the long-suffering

assessment of current conditions. While figures for the latter are still pessimistic on a historical basis, the level is now at its highest since 2024. The GfK consumer survey was more downbeat. The labour market is rebalancing, and weak union wage agreements show significantly reduced bargaining power. Inflation data this week was stronger in both Spain (2.5% YoY) and France (1.1% YoY), while the German data slowed more than the market had anticipated (2% YoY). We expect Eurozone inflation to average below 2% in 2026.

Switzerland

Growth is improving, but headwinds from the strong currency mount

Economic activity picked up in Q4 2025, with GDP up 0.2% QoQ (sport event adjusted), following a negative print of -0.4% QoQ in Q3. Domestic demand was robust, with consumption rising at a trend-like pace and investment improving. Goods exports recovered following deep contractions in Q2 and Q3, though they were still down by over 7% by end Q4 compared to where they had been prior to US tariffs (excl. valuables and merchandising), showing the extent of disruptions. PMI data for February confirm that divergent performance continues, with a

solid print for services while manufacturing remained in contraction. Looking forward, domestic demand should stay resilient while exports have room to strengthen further, also reflecting the stronger demand environment in the Eurozone. Potential upside for the exporting sector is limited, however, given the strong currency, with safe-haven pressure intensifying on events in the Middle East. While we maintain our base case of no further rate cuts from the SNB for now, FX dynamics will be key to watch in coming weeks.

LatAm

Mexican GDP ends 2025 with firmer momentum despite investment headwinds

In Mexico, the final Q4 2025 GDP print showed slightly stronger momentum than preliminary estimates, rising 0.9% QoQ and 1.8% YoY. Primary activities grew 7.2% YoY, though with limited impact given their small GDP weight. Services remained the key pillar of resilience, accelerating to 2.2% YoY on real wage gains and a tight labour market. Industrial output rose 0.4% YoY, returning to expansion, driven by a rebound in construction consistent with gradually reactivated public works. Accordingly, 2025 full-year growth likely ended at 0.6%,

strengthening the carry over into 2026 and supporting our below trend 1.6% YoY GDP forecast. While demand side data are pending, investment should remain the main drag amid persistent uncertainty surrounding the USMCA renegotiation. The Sheinbaum administration's recent joint operation with US intelligence against a major cartel may ease bilateral dynamics, but prior reports that President Trump has privately considered exiting USMCA underscore still elevated uncertainty.

US Municipals

Strong performance likely to moderate

US Municipals achieved another month of strong performance in February. The Bloomberg Municipal Index delivered 1.25% returns for the month, bringing year-to-date returns to 2.20%. Municipals remain the best-performing segment in fixed income so far this year. The positive trend, which began last August, has helped Municipals partly recover from the underperformance seen in the first half of 2025. Demand remains robust, underscored by 14 consecutive weeks of fund inflows, according to LSEG Lipper data. Looking ahead, however, we think that it will

be increasingly challenging to maintain the strong momentum in March and April. Issuance is expected to pick up, and redemptions are set to decrease, causing supply technicals to weaken. Moreover, the April tax deadline could also weigh on fund inflows. However, retail demand is unlikely to drop meaningfully and should continue to support the market. Thus, we expect Municipals to move sideways in the near term, with risks to the downside in the case of heightened rate volatility or heavier-than-expected issuance.

What to Watch

- In the US, the ISM surveys and the latest batch of labour market data will be published.
- February Eurozone inflation will be released on Tuesday and is expected to be between 1.7-1.8% YoY. We will also receive final PMI prints, retail sales for the Eurozone, and January factory orders for Germany.
- In Switzerland, inflation and unemployment data will be published this week.
- Brazil's Q4 2025 GDP data and Chile's February CPI print will be in the spotlight.
- A raft of ISM data will be released in Asia, along with GDP data in Australia and a monetary policy rate decision by BNM in Malaysia.

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