

# Weekly Macro and Markets View

9 March 2026



## Highlights and View

### Escalation of the war with Iran sees the oil price jump by 49% and stocks slump

Investors increasingly fear an extended conflict, with the VIX volatility gage rising the most since 'liberation day' and many equity indices falling into negative territory for the year.

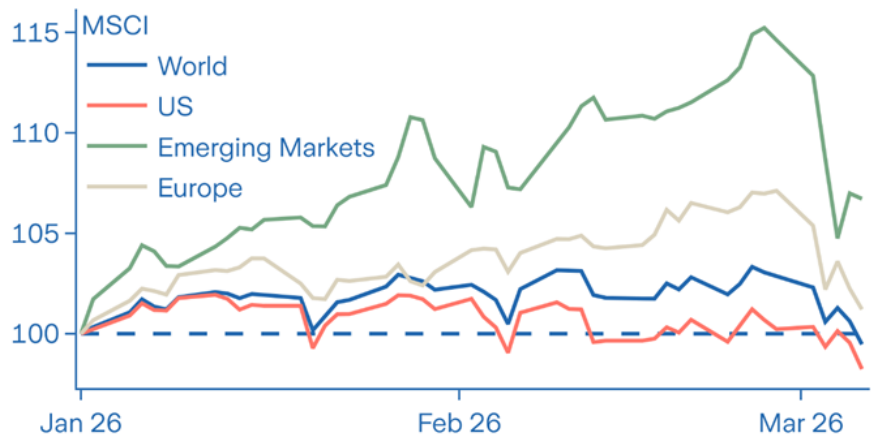
### US Nonfarm Payrolls fall by 92k in February while the unemployment rate rises to 4.4%

The Payroll weakness is notable, but should not be extrapolated and follows a surprisingly positive reading the prior month and better readings from other measures.

### Eurozone inflation quickened to 1.9% YoY, with core inflation rising to 2.4% YoY

If the surge in energy prices persists it will threaten the disinflationary process and poses a clear downside growth risk.

## Stocks falter as fear of an extended and unpredictable war with Iran rise



Source: Bloomberg

The first full trading week since the attacks on Iran saw equity markets slump rather than collapse. The MSCI World Equity Index fell 3.3% but remains less than 4% from its record high. As is often the case in times of unrest, the US equity market—despite having lagged in recent months—outperformed, with the S&P 500 off only 2%, while the tech heavy Nasdaq index slipped only 1.2%. Indeed, investors showed little sign of panic, and while there was growing recognition of a potentially drawn-out conflict, they sought high quality names rather than exiting stocks en masse. Microsoft gained 4% on the week, with gains also posted by Amazon and Nvidia, while credit markets remained well behaved. The star performing Kospi Index in Korea did see profit taking in a volatile and holiday shortened trading week. The index fell to an intra week decline of 19%, before a modest recovery saw it post a weekly decline of 11%, though it is still up 32% YTD. We believe a cautious approach is required towards stocks. This conflict with Iran is not the same as last June, with much less clarity on intent and what the endgame is. With shipping traffic halted through the Strait of Hormuz and energy prices rising, we believe the risks of mistakes being made, or a drawn-out conflict, are not fully priced by investors. Equity fundamentals remain robust, but they don't offer immunity and risks are to the downside.

## Bonds

Surging oil prices drive government bond yields higher

After the recent risk-off move that drove government bond yields lower, yields surged last week on the escalating war in the Middle East. The move was led by the short end of the curve as short-term inflation breakevens rose, with a sharp repricing of the monetary policy outlook. Europe saw the biggest impact given its dependence on energy imports, with surging natural gas prices amplifying the impact. One further Fed rate cut is still priced by year end, however, pricing has moved towards two rate hikes by the ECB while further easing by the BoE has

been priced out. Impact at the longer end of the curve has been more muted, leaving the current 10yr Treasury yield at 4.17%, broadly flat compared to a month ago. Looking forward, we expect bonds to remain volatile, reflecting the tug-of-war between the inflationary implications of higher energy prices and rising demand for safe haven assets and negative growth impact. Treasury and other core government bond yields should remain capped, however.

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## US

The glass is again perceived as half empty

US economic data proved mixed last week, with a series of good readings earlier in the week giving way to a disappointing 'Payroll Friday'. The ISM Services indicators were particularly encouraging. The headline was surprisingly strong at 56.1 and indicative of brisk activity, with sub-components showing a jump in new orders and an improvement in employment. The separate manufacturing survey slipped a little, but was stronger than expected, while prices paid did jump rather worryingly. In a week dominated by jobs data, the ADP survey was strong and initial jobless

claims were also robust, but this was overshadowed by Friday's data. Payrolls were notably weaker than expected, with lower revisions to the prior month. The leisure and hospitality sectors, along with healthcare, were disappointing. While the household survey shows unemployment ticking higher and the participation rate falling, the jobs market remains a bone of contention. We still see the US economy as resilient, but with inflation still elevated and energy costs rising, headwinds are present.

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## Eurozone

The spectre of stagflation

Recent data developments in Europe have been welcome. PMI data is consistent with at-trend growth, with the manufacturing measure no longer contracting. February inflation came in slightly hotter than the market expected, at 1.9% YoY. It remains below the ECB's 2% target. Surprisingly, Eurozone unemployment fell to a record low of 6.1%, aided by Italy's measure falling to 5.1%. This overstates the tightness of labour market, with job openings falling and clear evidence of waning labour bargaining power. Labour compensation growth slowed to 3.7%

YoY in Q4, below the ECB's estimates. This is still a healthy figure. The Middle Eastern conflict risks derailing both disinflationary and growth progress. Natural gas prices are up 70% since March 1, and oil is up 30%. Europe remains a significant energy importer. For now, these prices are manageable. Natural gas peaked at above 300 EUR/mwh in 2022, compared to 70 EUR/mwh now. But if these prices persist, or rise further, it will boost inflation and dampen activity. The market is now pricing in more than one ECB rate hike for 2026, which we think is unlikely.

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## Asia

The Middle East conflict puts Asia under multi channel strain

Asia, the region most exposed to the Iran conflict, is facing an acute multi-channel supply chain squeeze. The shutdown of the Strait of Hormuz has disrupted 20% of global oil and gas flows, over 80% of which is intended for Asia. Major importers such as China, India, Japan and Korea face immediate cost pressures, fuel shortages, and sharply higher freight and insurance costs. Australia and Malaysia are likely the most insulated given their roles as net oil exporters. Beyond energy, collapsing ship traffic and mass flight cancellations across the Gulf are paralysing

key hubs, disrupting container flows, air cargo capacity, and critical inputs from semiconductors to pharmaceuticals. While Asia can absorb a short-lived shock given pre-conflict low inflation, most countries hold only weeks of oil supplies, except for China, which holds large reserves that could last for months. A prolonged conflict would intensify inflationary pressures and heighten growth risks. Asian equities tumbled last week, with MSCI Asia Pacific down by 8.5% from its peak as the mounting growth risks, amplified by global risk-off sentiment, were priced in.

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## LatAm

The oil shock may prompt central banks into cautious mode

In Brazil, Q4 2025 GDP rose 0.1% QoQ after a flat Q3, undershooting expectations. On an annual basis, activity expanded by 1.8%, leaving full year 2025 growth at 2.3%, the weakest pace since 2020. Demand side dynamics showed flat private consumption, positive government spending, a sharp contraction in investment, and strong support from net exports. Overall, the data confirmed a stagnant economy since mid-2025, with restrictive financial conditions weighing on activity. This backdrop supports the BCB beginning its easing cycle next week. Our

base case remains an initial 50bp cut, though recent oil driven shock may push the BCB toward a more cautious stance. In Chile, the February inflation print was flat, remaining below expectations. Annual inflation slowed from 2.8% to 2.4%, dipping below the 3% target. While domestic fundamentals would justify another MPR cut at the March 24 meeting, the oil shock stemming from Middle East tensions is likely to prompt a cautious pause, particularly given Chile's high exposure as an oil importing economy.

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## What to Watch

- In the US, attention will be on the inflation and consumer sentiment reports, with CPI and PCE inflation expected to show little change and sentiment to tick lower.
- This week brings a variety of manufacturing data in the Eurozone. Industrial production for January for most economies, while factory orders in Germany will be closely watched.
- China's exports and Japan's final prints of Q4 GDP are key to watch.
- February CPI prints from Mexico, Argentina, and Brazil will be closely watched throughout the week.

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