

# Weekly Macro and Markets View

16 March 2026



## Highlights and View

### Credit markets lose their resilience as angst around geopolitics and private credit intensifies

Credit is now increasingly vulnerable unless there is a quick de-escalation in the Middle East. At current spread levels, there seems little risk premium to cushion investors against downside risks.

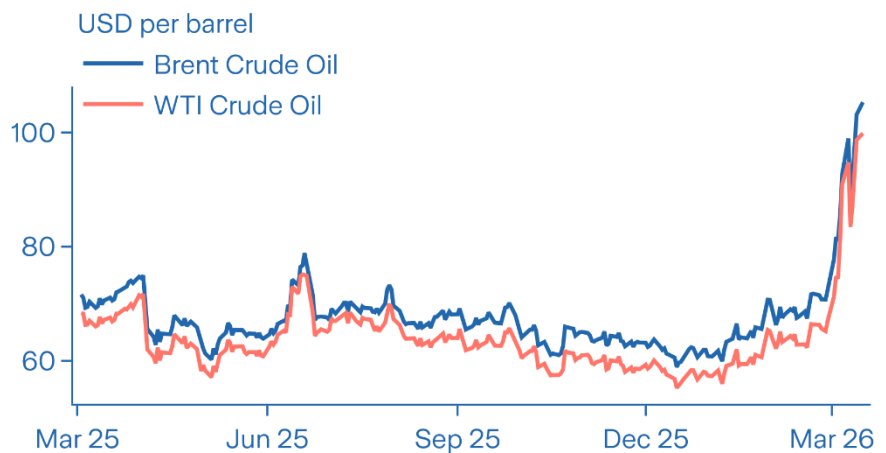
### Equity markets grind lower as a more protracted disruption to oil and gas supplies is factored in by investors

The decline shows little sign of panic, appearing to be a repricing of risks rather than an exodus from the asset class.

### Surging oil prices trigger a sharp hawkish repricing of the outlook for monetary policy, leading government bond yields higher

Prospects for central bank rate hikes are still limited, with market pricing starting to look stretched, though the price of oil will be decisive.

## Credit markets jittery amid volatile oil prices and private credit angst



Source: Bloomberg

The conflict in the Middle East saw a further escalation last week, with both Brent and WTI crude oil prices ending the week around USD 100 a barrel. Consequently, credit markets that had been resilient earlier finally became sensitive to downside risks. Apart from geopolitics, investor nervousness around private credit also took a toll on sentiment. Spreads widened notably across the board from Investment Grade (IG) to High Yield (HY) in both the US and Europe, with European HY underperforming. The largest ETFs in US IG and HY credit markets have now seen drawdowns of around 3-4% from their recent peaks, which are similar to those seen in the S&P 500 equity index as credit spreads, bond yields and equities have all suffered from the rise in oil prices. High yield funds suffered large outflows, with US HY funds seeing the largest outflow since April 2025 while European HY fund outflows were the second largest in the last five years. Private credit has seen a spate of negative news, with Morgan Stanley and Cliffwater being the latest funds to deny withdrawal requests from investors while JPMorgan was reportedly tightening lending to credit funds backed by private credit assets. Last week's price action showed there is limited risk premium in credit spreads to cushion investors against downside risks.

## Equities

Investors' resolve is tested

A tiring week for equity investors saw big swings in sentiment as the news from the Middle East oscillated. Despite the surge in oil prices, a jump in bond yields, and growing risks to both growth and inflation, the move lower in stocks was relatively modest and orderly, with investors appearing to circulate holdings towards more defensive names rather than sell outright. The MSCI World Equity Index slipped 1.8% on the week, and most markets down somewhere between 1-2%, with only the Chinese market managing to make gains. The S&P 500 was within this

range and is still off less than half of the technical 10% definition of a correction, let alone entering a bear market, despite the jarring news flow. Care is required not to extrapolate either good or bad news in what is a highly fractious and unpredictable environment. That noted, while investors are starting to price in a more challenging operating environment, we believe that risks are still skewed to the downside for stocks in the short term.

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## US

No great surprises on the data front

In a week dominated by geopolitics, most US economic data fell under the radar. Inflation readings were unremarkable. CPI held at 2.4% for headline and 2.5% YoY for core readings while the Fed's favoured PCE measures, 2.8% for headline and 3.1% for core, were largely as expected. It is likely that expectations will tick higher given the surge in energy prices. While the US has become a net exporter of fuel stocks in recent years, businesses and consumers are not immune to higher prices, and average gasoline prices are notably up 30% from January lows.

This will add to cost-of-living challenges and not go unnoticed by the President with the mid-term elections in sight. Other data showed that consumer confidence has slipped and that the second estimate of Q4 GDP was only 0.7% QoQ annualised vs the initial estimate of 1.4%. While consumption was revised from 2.5% to 2.0%, we would caution that further revisions are yet to come and that the quarter was distorted by the government shutdown. We don't think this reading reflects the true growth dynamic and see a bounce-back as likely in Q1.

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## Eurozone

Growth headwinds

German industrial production and factory orders data were in the headlines last week as weakness returning following a solid Q4. Industrial production fell by -0.5% MoM, well below expectations of solid expansion, with manufacturing output particularly weak. While the decline was partly driven by major orders, including around defence, the data showed that the industrial sector in Germany is still struggling to gain momentum. Forward-looking factory orders data also slumped, down by over 11% MoM in January as bulk impact orders slowed, highlighting that

conditions were already fragile before the Middle East crisis. Looking forward, surging oil and gas prices will dampen growth in the region while pushing inflation higher. We take some comfort in weaker wage dynamics, which limits the risk of a broadening out of price pressures and do not anticipate that the ECB will be forced to hike rates this year. While the current situation is manageable, a prolonged conflict risks significantly higher inflation and lower growth.

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## China

Near-term vulnerability to the Iran conflict is manageable

China's exports for January and February remained exceptionally strong at close to 22% YoY, driven by surging tech exports and EV exports in particular. Export strength may, however, leave policymakers complacent and further delay needed stimulus to support faltering consumer spending. Despite being the world's largest net oil importer, China's near-term vulnerability to the Middle East conflict appears manageable. While oil via the Straits of Hormuz makes up a significant share of China's oil imports, its energy security is underpinned by robust oil reserves

—enough for several months—and a diverse energy mix including coal and renewables. Oil and gas net imports account for just over 2% of GDP, notably lower than its regional peers. As oil and gas are mostly used for industrial purposes, price impacts will show up more in the PPI. That said, looking beyond short-term impact, stability in the Middle East and uninterrupted oil flows through Hormuz are critical to China. These topics are likely to be discussed in the upcoming Xi-Trump meeting at the end of March.

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## LatAm

CPI surprise and oil shock could narrow the BCB's room to ease

Brazil's February CPI rose 0.7% MoM, slightly above consensus expectations of 0.6%, while annual inflation eased from 4.4% to 3.8%, the lowest in almost two years. The upside surprise was mainly driven by seasonal pressures in education due to annual tuition adjustments and volatile items such as airfares that lifted the transportation division. Core inflation accelerated, with the Banco Central do Brazil's (BCB's) five measure average rising from 0.4% to 0.6% MoM, and although core services continued to decelerate toward 5.5% YoY from roughly 7%

in Q3 2025, they remain above the BCB's tolerance range. Overall, we maintain our view that the BCB will begin its easing cycle at Wednesday's meeting with a 50bp cut, since even this move would keep the ex-ante real policy rate near a historically high 10%, roughly 500bp above the estimated neutral level. Still, the stronger February CPI print and rising concerns over the oil shock triggered by the Middle East conflict have made this a close call, potentially shifting the BCB toward a more conservative 25bp move.

## What to Watch

- In a light week for data in the US, all attention will be on the Q&A session following the Fed meeting on Wednesday.
- Key European central banks are setting rates this week, including the ECB, the BoE, and the SNB.
- It's a busy week for Asian central banks as well. China, Japan, and Indonesia are expected to hold rates steady but may highlight inflation risks from the Iran conflict, while the Reserve Bank of Australia is likely to raise rates by 25bps.
- In Brazil, attention will likewise center on the BCB's rate decision, which is expected to begin a cautious easing cycle.

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