

CIO Office Morning Notes

2 March 2026

Markets are beginning the week confronting one of the most consequential geopolitical escalations in a generation, as the escalation in the Middle East moves from isolated strikes to a sustained regional campaign. Over the weekend the United States and Israel carried out coordinated strikes across Iran that resulted in the confirmed elimination of the country's top leadership along with senior military command structures. Washington has signaled that operations will continue until objectives are met and has suggested the campaign could extend for several weeks, while at the same time leaving open the possibility of engagement with a reconstituted leadership framework. A leadership vacuum and open-ended military timelines shifts the conflict from episodic volatility to something markets must now treat as structurally relevant. The reaction across asset classes was immediate and disorderly at the Asia open. Brent crude surged as much as 13% before retracing part of the move and is still trading materially higher, reflecting the effective disruption of tanker traffic through the Strait of Hormuz, with prices last around \$77 per barrel, up 5.8% on the session after paring earlier gains. Digital shipping signals indicate tanker traffic through the waterway has nearly halted and the Strait is being described as effectively closed. Roughly one fifth of global oil flows transit that chokepoint, making it the single most critical artery in the energy system. Gold advanced 1.6% to \$5,363 an ounce while Asian indices moved lower as capital rotated rapidly toward havens, with S&P 500 futures at one stage down as much as 0.8% before trimming losses. The US 10-year Treasury yield rose four basis points to 3.98%.

Civil aviation across parts of the GCC has been temporarily suspended. The UAE announced the closure of its equity exchanges for two days and major logistics operations at Jebel Ali were temporarily halted. Headlines suggesting that Iranian officials may be seeking to resume nuclear discussions, alongside indications from Washington that sanctions relief could be considered under a pragmatic new leadership structure. The macro complication is timing. Oil had already risen close to 20% this year and a prolonged move toward the 80 to 90 dollar range would represent a tightening of global financial conditions at precisely the moment central banks were leaning more dovish. Higher crude feeds directly into headline inflation, lifts breakevens and pressures net importing economies, particularly across emerging markets. The result is a far more complex policy mix than markets were pricing only days ago.

Last week now reads as a fragile calm before this shock. Global equities managed a modest gain with the MSCI ACWI up 0.4%, driven primarily by a near 3% rise in emerging markets while developed markets were broadly flat. The defining event was Nvidia's earnings. The company delivered record quarterly revenue of 68.1 billion dollars and earnings per share of 1.62, comfortably above expectations, with data center revenue rising 75% year over year. The results were strong; the company highlighted extended demand visibility into 2027. Yet the stock fell sharply following the release and finished the week down around 7%, signaling that even exceptional execution was not sufficient to extend the AI driven leadership. That triggered a meaningful rotation out of semiconductor names, marking one of the largest single day shifts away from chip stocks in recent years. Leadership was already narrowing and positioning had become demanding before geopolitical risk reasserted itself.

The key question is no longer whether earnings momentum can carry indices higher, but whether energy-driven inflation and regional instability begin to reset growth expectations more broadly. Much will depend on how quickly shipping flows stabilize and whether diplomatic channels gain traction, but for now markets are pricing risk with far less complacency than they were only a few sessions ago.

Upcoming key events/data:

Looking ahead, the week is dense with catalysts that will now be interpreted through the lens of geopolitical risk. The IAEA holds an extraordinary session on Iran as part of its board meetings, while OPEC+ ministers review production policy against the backdrop of disrupted Gulf flows. China's annual Two Sessions meetings begin midweek, where policy direction and growth targets will be closely scrutinized. In the US, the February jobs report on Friday will be pivotal, with early forecasts pointing to nonfarm payroll growth of around 60,000 following January's strong gain. Eurozone CPI, the Fed's Beige Book, ISM services data and multiple appearances from ECB and Federal Reserve officials add further sensitivity for rates markets, ensuring that even routine releases carry outsized implications for policy expectations in an environment where energy prices are driving inflation risk higher.

Have a good day and stay safe.

Chief Investment Office
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