



CIO Office Morning Notes

3 March 2026

The conflict in the Middle East continues to intensify and the rhetoric from Washington is leaving little room for a short resolution. President Trump vowed to do “whatever it takes” as US and Israeli strikes expanded, rejected the idea of a fixed timeline and signaled that the next phase of operations would be even more punishing. Secretary of State Marco Rubio added that the “hardest hits are yet to come,” while Defense Secretary Pete Hegseth dismissed talk of an endless war but made clear the campaign would escalate before it eases. The Strait of Hormuz, one of the most critical chokepoints in the global economy and the conduit for roughly 20% of global oil demand as well as major LNG and fuel exports, is now under strain. Qatar halted production at Ras Laffan, the world’s largest LNG export facility with capacity of around 77 million tonnes per year and responsible for close to one fifth of global LNG supply; the market stopped debating risk scenarios and started repricing actual disruption. European gas prices surged 45% following Qatar’s halt, with intraday gains exceeding 50% before settling at one-year highs. The move was violent because Europe depends heavily on imported LNG to refill inventories ahead of winter, and any prolonged disruption forces buyers into direct competition for alternative cargoes. Coal jumped 8.6% as utilities scrambled for substitutes. Oil extended sharply higher, with Brent rising nearly 7% to \$77.74 per barrel, the largest daily advance in four years. Energy markets are now trading on supply risk and the inflation impulse that follows.

In the US the initial reaction was negative but short lived. The S&P 500 fell more than 1% early in the session before erasing losses and finishing marginally positive, while the Nasdaq gained 0.4%. Energy and defense stocks rallied strongly and offset weakness in airlines and travel related names. The bond market, however, reacted decisively. The US 10-Year Treasury yield jumped 10 basis points to 4.03% as traders pared back expectations for Federal Reserve easing. Markets now fully price the first US rate cut only in September and expectations for a third reduction in 2026 have nearly faded. Gold jumped 0.8% toward \$5,365 an ounce and the dollar rose 0.7%.

In Europe, The MSCI Europe index fell 1.6%, its sharpest drop since November, with autos, airlines and travel stocks under heavy pressure as higher fuel costs collided with disrupted regional mobility. European 2-Year yields rose sharply, with German 2-Year yields up 9 basis points to 2.09% and UK 2-Year yields up 11 basis points to 3.63%, as traders scaled back expectations for ECB and Bank of England cuts. Europe imports nearly all of its oil and most of its gas, and the memory of the 2022 energy shock remains fresh. The political backdrop also shifted as France announced plans to strengthen its nuclear arsenal and deepen defense coordination across the continent, a sign that the geopolitical consequences are beginning to bleed into fiscal and strategic policy. Saudi Arabia’s Tadawul index, after dropping roughly 2% on Sunday as the conflict escalated, closed relatively flat on Monday. Qatar’s benchmark fell around 4%, reflecting its direct exposure to LNG disruption and regional escalation. Saudi Aramco, however, gained roughly 5% across Sunday and Monday on higher oil prices. UAE markets remain closed and are expected to resume trading tomorrow, Wednesday.

Markets this morning:

Today morning the pressure has extended. The MSCI Asia Pacific Index remains lower, South Korea’s Kospi has slid more than 4%, and S&P 500 futures are down 0.6%, suggesting US equities may open under renewed strain. Brent oil pushed toward \$79.5 per barrel. Traders remain focused on oil as Iran threatens prolonged disruption of the Strait of Hormuz and rising energy prices continue to stoke inflation concerns that are weighing on global bonds. The US 10-Year Treasury yield is holding near 4.04%, Japan’s 10-Year yield has risen to 2.12%, and Australia’s The 10-Year yield is near 4.73%. Markets are still absorbing the shock, but the tolerance for negative headlines appears lower as volatility builds.

Upcoming key events/data:

Looking ahead, Tuesday brings eurozone CPI, the UK Spring Statement and remarks from several Fed officials, while the IAEA’s extraordinary session on Iran keeps geopolitical risk in focus (runs through March 6). Wednesday sees China’s Two Sessions begin alongside US ADP employment, ISM services and the Fed’s Beige Book. Thursday includes the formal opening of China’s National People’s Congress, US jobless claims, import prices and ECB communications including the release of meeting accounts. The week ends with the US February jobs report, eurozone GDP and German factory orders.

Have a good day and stay safe.

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