



CIO Office Morning Notes

5 March 2026

The conflict in the Middle East continues to deepen and markets are now navigating a situation where the conflict is not only intensifying militarily but also beginning to disrupt the mechanics of global energy trade. Iranian and US officials have both signaled that operations will continue, with Tehran's Revolutionary Guard pledging further strikes while President Trump expressed confidence in the military campaign even as the timeline for operations remains uncertain. The immediate pressure point remains the Strait of Hormuz, where tanker movements have slowed dramatically as shipping companies avoid the route and insurers reassess risks. Ship-tracking data show vessel traffic through the waterway has collapsed by more than 95%, effectively bottling up crude exports from several Persian Gulf producers and forcing some operators to begin shutting in output as storage fills. The disruption is already spreading through energy markets. Brent crude has climbed roughly 15% since the start of the week and is now trading around \$83.5 per barrel this morning after gaining further overnight. Freight rates and fuel prices are moving higher as well, reflecting the difficulty of moving oil cargo through the region.

Despite the geopolitical shock, global equities managed to stabilize during yesterday's session. The MSCI ACWI index rose 0.2% with developed markets gaining 0.7%, though emerging markets fell sharply by 3.6% as countries more exposed to energy imports and regional trade flows absorbed the bulk of the pressure. The S&P 500 rebounded 0.8% after the previous day's losses as stronger US economic data helped calm fears that the conflict would quickly derail growth. The benchmark closed above the 6,800 level and technical strategists noted that reclaiming this level could create a "bear trap" for those betting on further declines. Stronger-than-expected labor market data and expansion in services activity helped offset the geopolitical concerns, reinforcing the view among several Wall Street strategists that any correction may remain temporary rather than the beginning of a sustained downturn. Gold rose 1.0% to \$5,140 an ounce as hedging demand persisted, while the dollar slipped 0.3% and the yield on the US 10-year Treasury rose three basis points to 4.09%.

In Europe, equities staged a notable rebound with the MSCI Europe index rising 1.4% as markets followed Wall Street higher. Traders also responded to signs that US trade policy may remain manageable for the region. Treasury Secretary Scott Bessent indicated that the administration is likely to raise the current universal tariff rate from 10% to 15% sometime this week, though European officials expect the European Union to be exempt from the higher levy under the existing trade framework with Washington. Bessent also attempted to calm concerns around the energy shock, arguing that global crude supplies remain ample and highlighting plans for the US government to insure oil cargo ships and potentially provide naval escorts through the Gulf if necessary.

Asian markets remained under heavier pressure. Japan's TOPIX dropped 3.7% as higher oil prices and geopolitical risk triggered profit taking after a strong rally earlier in the year. Chinese equities also declined with the MSCI China index falling 1.3% amid continued geopolitical uncertainty and mixed domestic economic data. Manufacturing activity in China remained in contraction territory with the PMI falling to 49.0, reinforcing concerns about the pace of the country's recovery even as services activity expanded strongly. China's technology sector continues to face structural pressure. The Hang Seng Tech Index has fallen roughly 28% from its October peak, wiping out nearly \$600 billion in market value as investors grow increasingly concerned about rising artificial intelligence spending and intensifying competition among major platforms.

In the Middle East, market performance reflected the uneven impact of the conflict across the region. Saudi Arabia's Tadawul index rebounded by 1.2%, Qatar's exchange index also rose 0.8%. UAE markets, however, saw a sharp adjustment after reopening from a two-day suspension introduced as the conflict escalated. Dubai's DFM index dropped 4.7%, its largest decline since 2022, while Abu Dhabi's ADX fell 1.9% as traders priced in the geopolitical risks facing one of the region's main financial hubs.

Markets this morning:

Today morning, markets are attempting a tentative rebound after the volatility seen earlier in the week. Asian equities moved higher with South Korea leading gains as the Kospi surged more than 8%, helping lift the broader MSCI Asia Pacific index by around 2.2%, the first regional advance in four sessions. The move follows the rebound on Wall Street and reflects a temporary stabilization in risk sentiment, although volatility remains elevated. Oil prices continue to grind higher as the conflict in the Middle East disrupts energy flows, with Brent trading close to \$84 per barrel after rising sharply earlier in the week. Gold and silver are also extending gains as geopolitical hedging persists, while US Treasury yields are edging higher with the 10-year around 4.11%. At the same time, the geopolitical situation continues to escalate. President Trump said the US was doing "very well" in the military campaign against Iran as operations expanded, with US forces having struck more than 2,000 targets and moving toward control of Iranian airspace. Elsewhere, China announced its 2026 growth target at 4.5% to 5%, the lowest since 1991, signaling a more cautious economic outlook as policymakers balance slower growth with structural adjustments in the economy.

Upcoming key events/data:

Looking ahead, Thursday's key events and data include 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.

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