

CIO Office Morning Notes

9 March 2026

It was a week of two tales in markets, with escalating tensions in the Middle East and the US economy showing signs of a slowdown. But for whoever lives in the Persian Gulf, all that mattered was the unrelentingly worsening newsflow. Oil prices spiked more than 30%, natural gas rose about 60%, major US equity markets were down 2%-5%, while international and emerging markets were 5%-10% weaker on stagflationary concerns. The local indices underperformed. The Treasury yield curve shifted markedly higher reflecting the new worries, and the dollar strengthened on safe-haven flows. The Middle East was in the perfect storm. The United States and Israel attacked Iran repeatedly, unleashing a response that engulfed the neighbouring countries, the American bases, and their radar systems, and involved Israel itself. The Strait of Hormuz to all effects was closed for the first time in modern history. Teheran refused “unconditional surrender”, while at the same time attacks on the country would not stop until its offensive capabilities would be sufficiently degraded. Iran kept on striking back as hard as possible, reaching out thousands of miles away from its territory, in turn raising the stakes causing even more intense attacks on its soil. What breaks the vicious circle? Possibly, a few constraints: limited weaponry, steep market reaction, and eventually the approaching midterms. Should for instance the conflict continue for longer than a few weeks, oil producers across the Gulf would be exhausting storage capacity and be forced to cut production, spiking oil prices way above USD100/bbl. UAE and Kuwait already started curtailing oil output. Global supply chains were strained due to the closure of the strait or to damage inflicted by the conflict: that was the case for Brent crude, natural gas, fertilizers, and aluminum. Qatar halted production at Ras Laffan, the world’s largest LNG export facility. The AI supercycle could be upended by Taiwan’s and South Korea’s energy dependence on the Persian Gulf, in particular in terms of natural gas. Although all global markets closed in the red, the Nasdaq (-1.3%) outperformed, followed by the S&P 500 (-2%), the latter led lower by materials (-7.2%), with energy (+1%) the only sector in the green. The Magnificent 7 (-0.6%) and technology (-0.4%) ended up relatively unscathed. Flow of funds reversed towards the United States, the leading global oil producer and least affected by the crisis. The emerging markets (-6.9%) were worse off, dragged down by Latin America (-7.9%), a major commodity producer. In local markets Dubai (-9%) saw heavy selling pressure. In the wake of the spike higher in crude prices Treasury yields rallied about 20bps across the curve with the yield on the 10-year note ending at 4.14, and the 2-year at 3.56%. Brent crude surged 8.5% on Friday only to settle above USD92/bbl. As investors started to price in a tightening of global financial conditions the US dollar (+1.4%) rallied, while gold (-2%) saw some profit taking.

Elsewhere, the global economy gave mixed signals. In the United States both manufacturing and services business confidence pointed to continued economic expansion, though accompanied by rising price pressures. This was contradicted by a weak jobs report due to a combination of temporary disruptions. Nonfarm payrolls shrank by 92,000 in February, well below consensus that was projecting a rise. Even worse, it was accompanied by downward revisions for December and January payrolls. January retail sales were weaker than expected, hit by extraordinary factors as well, in particular cold weather. Both in Europe and in the UK the final PMI composite reading for February was confirmed versus January, pointing to improving growth. In China, the two PMI releases diverged further in manufacturing, while confirming expansion in services.

In China, the new 5-year plan revealed at the National People’s Congress confirmed the priorities of self reliance and technological advancement, with new focus on consumption and the need to address sluggish demand. Pragmatism prevailed and the growth rate for the year was revised lower to 4.5%-5%, acknowledging structural headwinds. Fiscal support is expected to stay at the upper end of the historical range with growing odds of new stimulus measures in H2 this year.

Markets this morning:

In the Asian session equities tumbled as crude oil jumped above \$100 a barrel for the first time since 2022 and hostilities in the Middle East took their toll alongside strains on oil shipping. Treasuries continued to fall across the curve with the yield on the 10-year note reaching 4.2%. Asia’s benchmark index fell as much as 5.4%, with South Korea tumbling more than 8% and Japan about 7%. Futures contracts in US and Europe extended losses to more than 2.5%, while the dollar rose against all major peers. Market turmoil was unleashed by Brent crude, that surged over 25% to spike at one point to almost as high as USD120/bbl and adding to last week’s 28% surge. Major oil producers began curbing output and traffic through the Strait of Hormuz effectively halted. Both sides appeared to be digging in for a lengthy conflict, with Iran naming a new supreme leader. President Donald Trump said oil prices will “drop rapidly when the destruction of the Iran nuclear threat is over”, with short-term disruption a small price for “safety and peace”.

Upcoming key events/data:

The week ahead includes a heavy slate of US data and Aramco’s fourth quarter earnings. In the United States: Wednesday, CPI; Friday, personal income and outlays report (PCE inflation released), Q4 GDP, University of Michigan consumer sentiment, durable goods. In Europe: Friday, Eurozone IP. In China: Monday, PPI and CPI. Events: China’s NPC continues through March 12; Tuesday, Saudi Aramco earnings and EU finance ministers meeting in Brussels.

Have a good week ahead!

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