

Markets try to adapt to a thick fog of war

- Last week was positive for all asset classes despite no clear indication of de-escalation
- The White House remains ambiguous, between a mission almost accomplished and threats of escalation
- The week starts with both an ultimatum and reports of ceasefire talks, our positioning remains slightly defensive



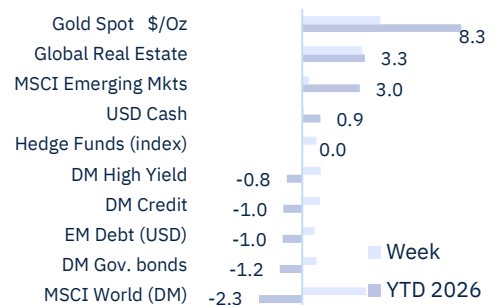
Last week was –a bit surprisingly– positive across major asset classes, despite no clear signs of de-escalation. Stocks rebounded and bonds benefitted from a drop in US Treasury yields, as the probability of a rate cut in 2026 is back. The dollar weakened, supporting gold, and oil prices fell 3%.

Markets' sentiment moved from fear to hope, but with regards to the war, we see at best reasons to move from fear to doubt. The White House formal TV address mid-week didn't really improve visibility. Objectives are said to be almost achieved, but the President warned of more intensive strikes to come in the coming two weeks. This was later, through very energetic social media posts, linked to a renewed ultimatum to reopen the Strait of Hormuz before Tuesday evening US time, or risk "all hell". Our 60/40 probability for a relatively short conflict does not carry a high level of confidence. We believe that the pressure from the mid term elections and the international community matters, but we also acknowledge that Iran's stance doesn't seem to soften. The latest developments however report advanced talks for a 45-day ceasefire so hope is still present.

Meanwhile, economic data released last week showed some impact of high oil prices, especially on the most exposed Asian country. The big picture however is more about warning signs than an outright contraction. The US job creations even surprised to the upside on Friday, with an unexpected drop in the unemployment rate. The fog of war is thick everywhere, and we have little visibility on growth, inflation, and monetary policy. Against such a backdrop, we maintain our slightly defensive positioning. Our three profiles' performance is now close to 0 in 2026.

The week ahead will provide more PMIs, the minutes of the FOMC and some inflation data. Yet, all eyes will stay on the war and especially on Washington CD. Have a great week.

Asset Classes USD % total. Return, week and YTD 2026



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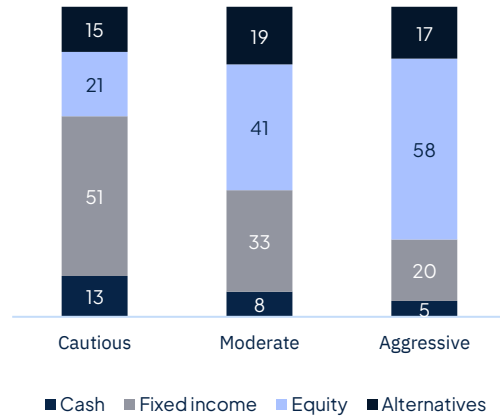
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Cross-asset Update

The Middle Eastern crisis will leave us with a legacy that can be more or less severe, depending on its actual duration. From an economic perspective it comes down to how long the oil shock will last. The closure of the Strait of Hormuz for longer than three-to-four more weeks would start to impact economic growth more severely via transport and manufacturing costs with second round effects through tight fertiliser markets affecting food pricing as well. While in the United States the strain would be felt mainly in terms of the general level of prices, the rest of the world would straight away be hit by energy supply constraints. This seems to be at first sight a plausible scenario, although persistently higher crude price would also be affecting the cost of servicing debt via higher yields, the US Achille’s heel given its level of indebtedness. But a base case scenario benefitting all parties involved still seems to be plausible, where the duration of the oil shock and its spillover effects are more contained with the reopening of the Strait within shorter time frames. In this case the global economy would be avoiding recession and the price of crude could stabilise below \$100 per barrel, possibly around \$80. Improvements on the margin would be enough for markets to rally, helped also by rate cuts aimed at avoiding excessive tightening of financial conditions from higher crude prices. Indeed, we can’t expect the situation to normalise fully in terms of crude pricing. Already as of the time of writing, the damage to energy infrastructure is relevant, as OPEC said on Sunday that recovering full capacity is “both costly and takes time”. The crude curve continues to point to prices stabilising in the longer run with extreme tightness limited in duration as signalled by the high prices of the shortest-dated futures contracts. We think this reinforces our relatively benign base-case scenario.

While the legacy of the current crisis will be felt on many fronts, a particularly relevant one is related the US dollar. Trends already in place pushing in the direction of de-dollarisation could be accelerated. The status of the US dollar as a global reserve currency ultimately comes down to the existence of trade surpluses from the selling of crude invoiced in US dollars to be recycled in dollar-denominated assets. This creates the need for hoarding dollars. The hoarding of dollars was significantly reduced a first time in favour of gold starting from early 2022 following the freezing of Russian FX reserves by Europe and the United States in the wake of the Russia-Ukraine conflict. We can easily foresee that a direct consequence of the Middle Eastern energy crisis will be the attempt by the main energy importers to reduce oil dependence via increased domestic investments in alternative energy sources. The GCC countries first and foremost will most likely be recycling less of their oil revenue in US assets to rebuild infrastructure and to invest locally to strengthen their economies. This will further disincentivise dollar hoarding. Also, being the US a primary oil producer most of crude is now sold to Asia, weakening the case for US dollar invoicing. Last but not least, the current crisis has challenged the US security umbrella for maritime trade in oil. Overall, the pillars of the so-called petrodollar system are showing more and more cracks. Should this process continue unabated the dollar pegs in the GCC countries could end up being under significant pressure.

Tactical Asset Allocation: Simplified Positioning



TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>>
DM Gov.		=	
DM Credit	<		
DM H. Yield		=	
EM Debt		=	
DM Equity	<<		
EM Equity		=	
Gold			>
Hedge Funds	<<		
Real Estate		=	

Fixed Income Update

The March employment report released on Friday contributed to an increase in yields, with market participants anticipating that the Federal Reserve is likely to maintain interest rates at their current level well into 2027. Over the course of the week, the US Treasury yield curve became less inverted as the 10-year yield declined by 7 basis points and the 30-year yield by 4.7 basis points. A combination of fiscal support, favourable weather conditions, and the return of employees following labour disputes contributed to a significant increase of 178,000 in jobs created during March, far exceeding the consensus estimate of 59,000. The unemployment rate decreased to 4.3%, below expectations, while average hourly earnings rose by 0.2%. The annual growth rate in wages slowed to 3.5%, both figures falling short of consensus projections of 0.3% and 3.7%, respectively.

This report presents encouraging news for the economy, indicating growth without wage inflation. Such conditions may enable the Federal Reserve to maintain its current policy stance as it monitors ongoing global developments. Investors are now looking ahead to the release of the March consumer price index on 10 April for insight into how rising energy costs are affecting US price levels. Additionally, upcoming sales of 3-, 10-, and 30-year Treasury securities will provide a gauge of investor appetite following several auctions that have attracted limited interest.

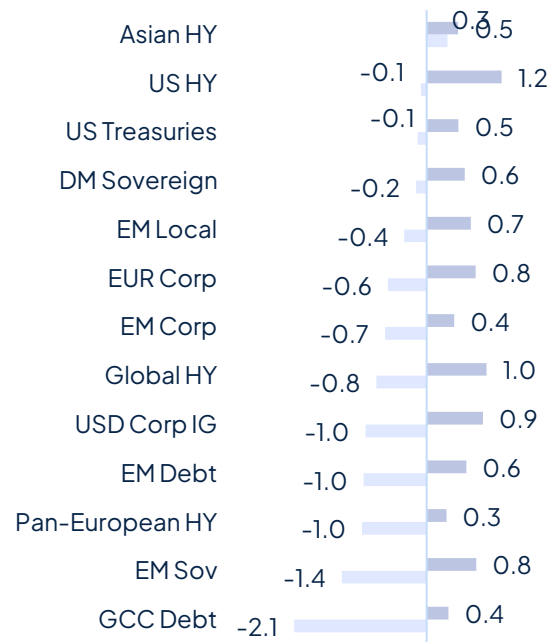
When current tensions ease, ongoing concerns remain regarding technological disruption, asset valuations, issues within private credit, and the independence of the Federal Reserve. The bond market, due to its scale, is uniquely positioned to accommodate shifts in asset allocation away from equities amid valuation uncertainties. Publicly traded debt instruments may benefit from cash flows originally intended for private credit. Recent data from Bloomberg shows tech loans have experienced a 4% decrease this year, contributing to an overall 0.5% loss in the US leveraged loan index. CLO BB tranches have declined by 3.1%, while CLO AAA tranches have seen a return of 1.1%.

Since 27 February 2026, credit spreads have widened across the GCC region, with Bahrain being the most affected. Bahrain CDS has widened by approximately 70–174 bps since the beginning of the conflict. However, last week we have seen tightening across GCC sovereigns, with Bahrain CDS tightening by 10–20 bps, while Oman and Abu Dhabi recorded CDS tightening of around 4–10 bps. Within our coverage, real estate, Bahrain, and long-duration bonds remain the worst-performing segments since the end of February 2026. Long-duration government bonds have seen spreads widen by around 25 bps and, along with the rise in yields, have generated negative returns. However, last week returns were positive at around 1%, supported by movements in the yield curve and improved spreads. The real estate sector also improved last week, with bond prices stabilizing.

Fixed Income Key Convictions

DEVELOPED MARKETS	
Overall overweight DM FI	
OW Government Bonds	
Neutral corporate (IG & HY)	
EMERGING MARKETS	
Neutral EM Debt	
Favor quality and selectivity	
Including in GCC	

Fixed Income Sub Asset Class Returns
(US\$ TR, week, YTD 2026)



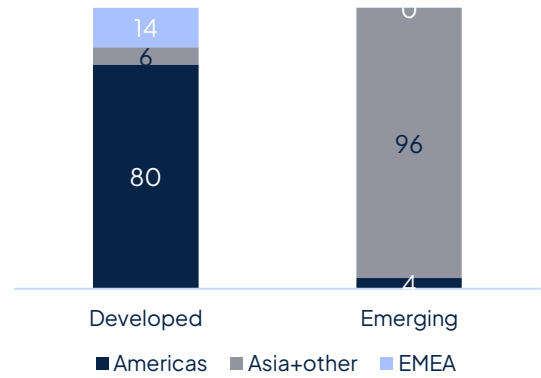
Equity Update

Global equities finally put together a decent week, but it still did not feel like a clean, comfortable rally. The bigger picture was not broad-based strength everywhere, it was more that the markets hit hardest in the prior selloff bounced sharply as traders reacted to shifting headlines, covered shorts and rushed back into beaten-up growth and cyclical names. A lot of that weekly gain was really built on the burst of optimism that came through on Tuesday and Wednesday, when markets started leaning into the idea that the conflict might not spiral further, before things turned choppy again later in the week. MSCI ACWI rose 3.0%, developed markets gained 3.3% and emerging markets lagged badly at just 0.3%. In the US, the S&P 500 rose 3.3% and snapped a five-week losing streak. Europe did even better, with MSCI Europe up 3.8% in one of its strongest weeks in almost a year, as banks and industrials rebounded sharply and many of the names hit hardest in March bounced the most. Japan was more mixed than the weekly number suggested, with TOPIX up 0.8% after some very sharp swings during the week, while China finishing flat was probably one of the more important tells because it showed the rally was not really being confirmed across regions in the same way.

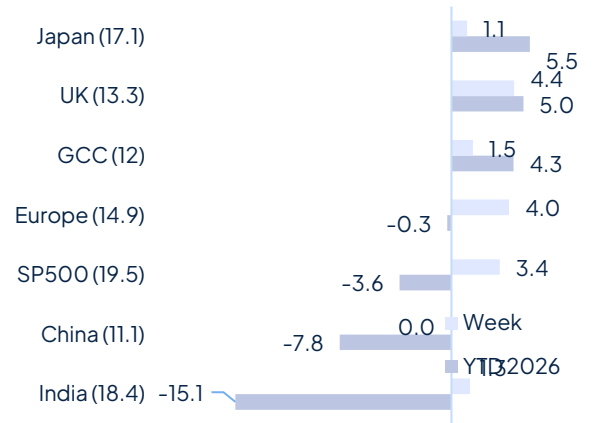
A big part of the weekly equity story was also corporate, and this is where things are getting much more interesting. OpenAI stayed central after its huge funding round, but the more important development is that demand for OpenAI shares in secondary markets appears to be cooling while capital is rotating aggressively toward Anthropic instead. That says the AI trade is becoming far more selective, with markets no longer treating the whole space as one single unstoppable theme. Anthropic is increasingly being viewed as the cleaner upside story from a valuation perspective, while OpenAI is now big enough that questions around enterprise monetization, infrastructure spending and return potential are becoming harder to ignore. That contrast matters even more because OpenAI is still trying to push a much broader product vision, from ads inside ChatGPT to its app ecosystem and its “super app” style ambitions, yet parts of that strategy still look messy and not fully proven. Then you have SpaceX moving toward what could be the biggest IPO ever, with valuation talk moving above \$1.75 trillion and possibly much more, which adds another huge growth story into an already crowded part of the market. So even in a week when global equities were rebounding, there was still a lot happening beneath that at the company level, and it all points to capital becoming more selective rather than less. Elsewhere, LVMH have just had their worst first quarter on record, which says a lot about how cautious markets still are around discretionary spending, travel and the wealth effect.

So overall, the week was clearly better for global equities, but it still looked like a rebound driven by relief, Tuesday and Wednesday optimism, short covering and a rush back into the names that had sold off too far, rather than a market that has fully settled into confidence again.

Equity Recommended Regional Positioning

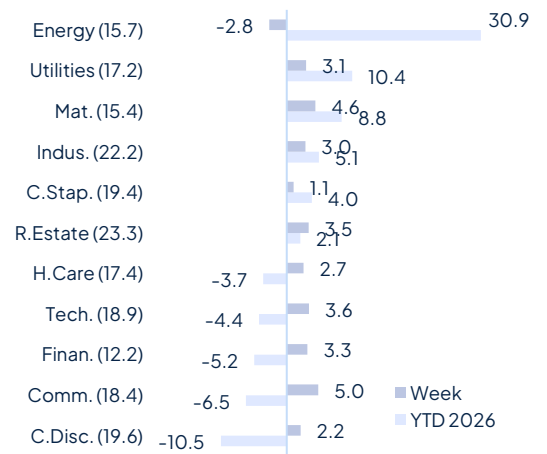


Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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