

## All about geopolitics

- Extreme geopolitical uncertainty with a wide range of possible outcomes severely impacted global markets
- We lean towards a relatively short conflict, in weeks rather than months, but the situation is fluid and hazardous
- Our three profiles are still positive YTD and we will hold an asset allocation meeting this week

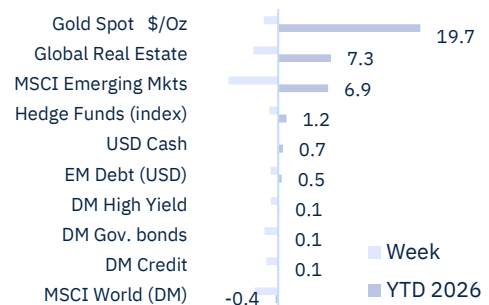


The war started by the US and Israel 10 days ago has quickly become the only driver for global financial markets, with the length of the high intensity conflict being the single most important factor. For our oversea readers, let us start by saying that the UAE is as strong as ever, and that the country is functioning normally thanks to an exceptional defense and an outstanding leadership, once again, in the current crisis.

As we expressed last week, we put a 60% probability that the conflict will last weeks, rather than months. Our view hasn't changed. Recent developments, from oil prices and opinion polls to military results, only increase the pressure on the US administration to be able to declare "mission accomplished". Such a scenario would allow markets to calm down. Having said that, 60% is not 80%. Seeking a quick end to the conflict would ideally involve diplomatic efforts, but it could also mean a dramatic escalation of violence. Anything can happen on a battlefield, including the irreparable. When it comes to investments, a protracted war would not only push risk aversion higher, but it could clearly be the catalyst for a global recession through exorbitant energy prices and disrupted supply chains. Narratives from the protagonists do not suggest that the diplomatic way is favoured. Still, in typical "Art of the Deal" playbook, pushing the stakes to the breaking point can also be the trigger for an agreement.

The first and most important advice for your portfolio is to refrain from any short-term speculation. The current situation is impossible to play tactically, and any investor with an investment horizon below 1 year at least should simply stay away from risk assets. Beyond that, our profiles, designed to minimize the risk of capital loss over respectively 3,5 and 7 years, are proving resilient, still in profit in 2026 as of 6<sup>th</sup> of March. We will hold an important asset allocation committee this week and consider tactical adjustments. Have a great week.

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



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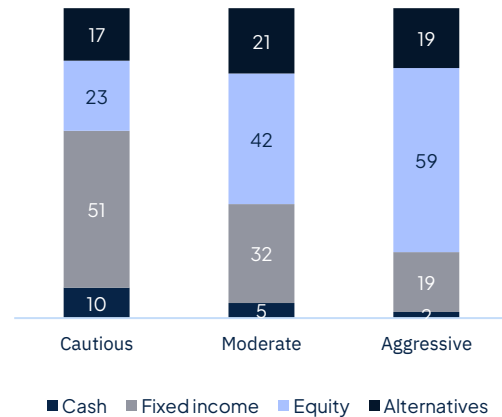
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## Cross-asset Update

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 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. 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, keeping 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, fertilisers, and aluminium. Qatar halted production at Ras Laffan, the world’s largest LNG export facility. The AI investment cycle 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 Magnificent 7 (-0.6%) and technology (-0.4%) ended up relatively unscathed. Flow of funds reversed to be headed again towards the United States, the leading global oil producer and least affected by the crisis. Procyclical trades were unwound, with the emerging markets (-6.9%) worse off, dragged down by Latin America (-7.9%), a major commodity producer. In the wake of the spike higher in crude prices Treasury yields rallied about 20bps across the curve and today we see yields further extending higher. Brent crude surged 8.5% on Friday only to settle above USD92/bbl, to reach almost USD120/bbl this morning. The tightening of financial conditions is supporting the dollar and capping gold returns despite the intensity of the conflict.

As markets pull back, and the global economy remains resilient, we hold the view investors will see buying opportunities. Procyclical trades will resume, and financial conditions will ease. We do not know yet whether Fed intervention will be required. Paradoxically, crude prices at elevated levels for a sustainable period of time will raise the odds of rate cuts. Either way, we see markets as dented though not broken.

## 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

US Treasuries bear-flattened last week, with yields rising by 23–26bps across the curve and the 10Y yield reaching 4.18%, as escalating tensions between the US and Iran heightened inflation concerns and led markets to reassess expectations for Fed rate cuts. Higher oil and gas prices reinforced inflation risks, triggering a repricing in the OIS curve. Markets now price 11bps of rate cuts through June and 38bps for FY26, compared with 15bps and 60bps a week earlier. On the other side, February nonfarm payrolls declined by 92k, marking the weakest reading since October. The unemployment rate edged higher to 4.4% from 4.3%.

In Europe and the UK, policy expectations shifted sharply from rate cuts toward potential hikes amid rising energy prices. UK Gilts have been hit hardest, front end yields are up by around 60bps while the 10Y yield rose by 38bps, compared with 24bps in US Treasuries and 28bps in German Bunds. The Gilt OIS market now prices a 15bps rate hike in FY26, versus 52bps of cuts priced last week, while the EUR OIS market prices around 51bps of ECB hikes in 2026, compared with 13bps of cuts previously.

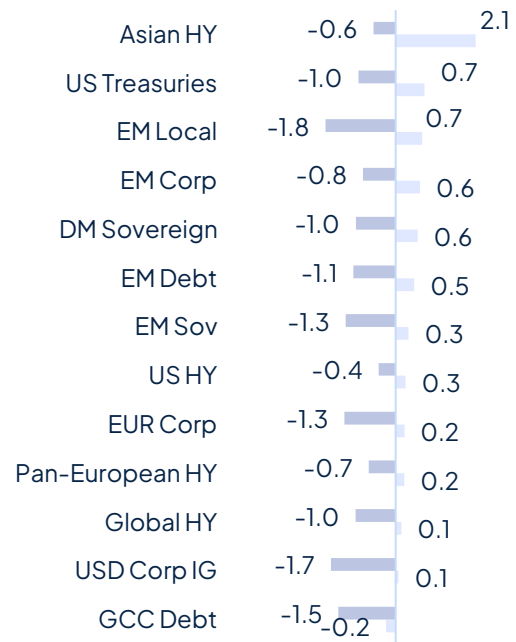
Global IG and EM spreads remained broadly stable, while GCC spreads widened by around 10bps and global HY spreads widened modestly by 4bps. Energy companies from the GCC have begun cutting output and declaring force majeure. Bapco Energies, Bahrain’s energy firm bonds saw price decline of around 2–3% today (3–5% on weekly basis) as it declared force majeure on its operations. This follows similar declarations by Qatar Energy for shipments from the world’s biggest liquefied natural gas plant and Kuwait for oil sales after it started output cuts at its fields and refineries.

Real estate bonds such as Sobha Realty and Omniyat experienced the highest price volatility, followed by Bahrain sovereign bonds. Longer-duration bonds generated negative returns due to the rise in yields. In contrast, financial sector bonds from the region remained relatively resilient, with prices declining only 0–2%. The UAE banking system continues to demonstrate strong fundamentals, supported by solid profitability, improved balance sheets, and declining NPLs. Meanwhile, DP World longer duration bonds declined by around 4%, while medium duration bonds declined by around 2.5% reflecting sensitivity to trade and logistics flows, with approximately 40% of EBITDA generated from Dubai.

## 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)



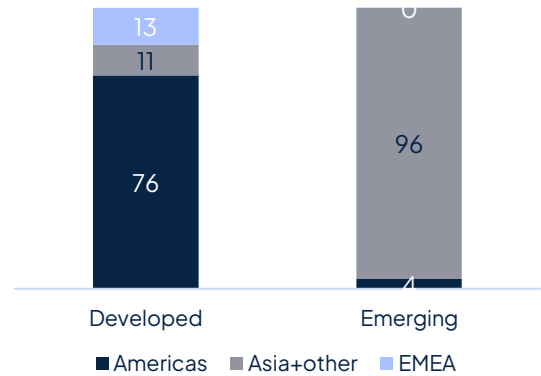
### Equity Update

Markets saw one of the sharpest global equity pullbacks in recent months as geopolitical escalation and a weaker signal from the US labor market pushed investors to reduce exposure across regions. The MSCI ACWI fell 3.7% over the week, with developed markets declining 3.2% and emerging markets dropping a steeper 6.9%. Selling intensified toward the end of the week after US employment data surprised to the downside. In the United States, the S&P 500 declined 2.0%, marking its weakest weekly performance since October. Friday's session captured the tone of the week after data showed the US economy unexpectedly lost 92,000 jobs in February while the unemployment rate rose to 4.4%, challenging the prevailing view that the labor market was stabilizing. Financials were among the largest drags, with BlackRock falling 7.7% after restricting withdrawals from one of its private-credit funds, reigniting concerns around liquidity risks within the private credit market. Sector performance within the S&P 500 reflected a clear rotation. Energy was the only sector to finish the week higher, rising roughly 1%, while every other sector closed lower. Technology proved comparatively resilient and ranked as the second-best performer, declining only about 0.4%, highlighting continued support for large-cap technology stocks even as broader markets weakened.

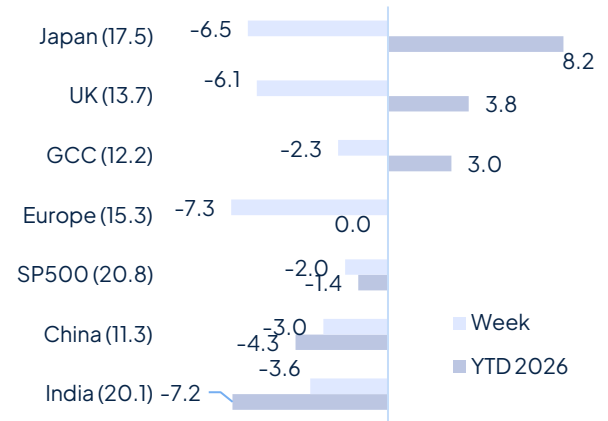
Across Europe the adjustment was more pronounced, with the MSCI Europe index falling 5.5% over the week while the Stoxx Europe 600 recorded its steepest weekly decline since April as nearly every sector finished lower. Semiconductor companies led the declines, with stocks such as Infineon, STMicroelectronics and BE Semiconductor Industries posting sharp losses, while mining companies including Anglo American and Antofagasta also moved lower as investors stepped away from cyclical industries. Asian markets experienced some of the largest moves as global technology weakness fed directly into regional benchmarks. Korea was among the hardest hit markets, with the benchmark index falling roughly 11% during the week, a move amplified by the heavy concentration of semiconductor companies, with Samsung Electronics and SK Hynix together accounting for roughly 60% of the index. China stood out as a relative pocket of stability within the broader Asian selloff. Onshore equities declined roughly 1% during the week and outperformed most regional peers as policy support from Beijing helped anchor sentiment. Technology shares also staged a partial rebound late in the week as investors stepped in to buy heavily oversold names, with the Hang Seng Tech Index rising as much as 3.8% after falling to its lowest level in nearly a year earlier in the week.

The broader message from the week's price action is that this environment is unlikely to reward aggressive dip buying in the near term. Global risk assets had entered this period from relatively stretched positioning and elevated valuations, particularly outside the US, which increases the likelihood that volatility persists while those excesses unwind. For portfolios, discipline remains key. Last week, we have advised trimming positions where gains had become outsized, particularly within GCC markets, and gradually rotating toward high-income, cash-generative and state-linked companies that provide resilience in periods of elevated uncertainty. As visibility improves, particularly around the duration of the geopolitical escalation and its transmission into growth and earnings expectations, there will likely be opportunities to rebuild exposure to cyclicals and growth segments. For now, however, the priority remains preserving capital, maintaining diversification, and allowing markets to stabilize before meaningfully adding risk.

### Equity Recommended Regional Positioning

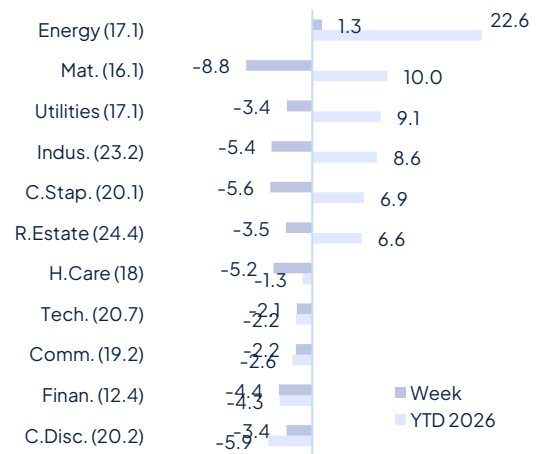


### Major Indices Performance (TR, US\$), P/E in brackets



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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