

War in the Middle East: the conflict is becoming deadlocked and energy risks are mounting

The conflict between the United States, Israel and Iran is entering its third week, with no tangible sign of a de-escalation. The deadlock in the conflict is already having visible economic and financial consequences, notably through the closure of the Strait of Hormuz since 28 February, which is keeping oil prices high. The main risk lies in a prolongation of this closure, which could have a more lasting impact on energy markets and, by extension, on production in the most fuel-intensive sectors. Against this backdrop, equity markets remain down, whilst bond markets are now pricing in the prospect of tighter monetary policies. In light of this deteriorating environment, we have decided to adjust our portfolios to bring them closer to a Balanced allocation.

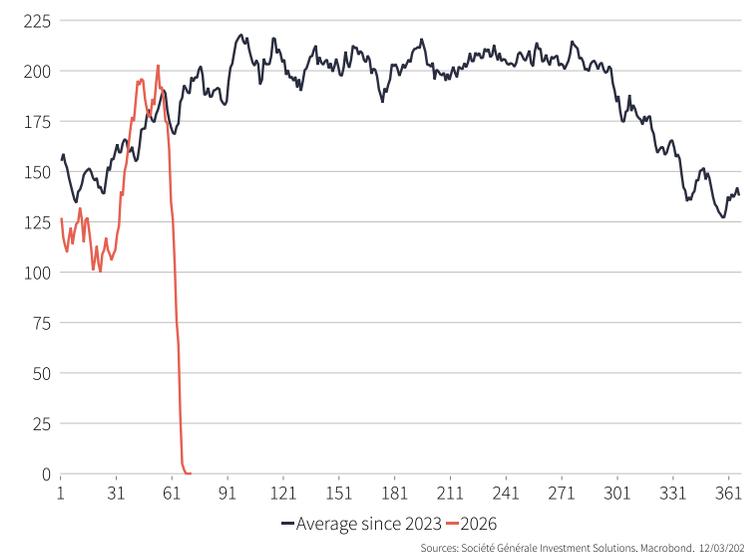
Energy markets have been severely disrupted. The main trigger is the closure of the Strait of Hormuz, which occurred right at the start of the conflict – a situation without historical precedent. As a result, nearly 20% of global oil and gas production and transit remains blocked, keeping oil prices high, at around USD 100 per barrel. Beyond the oil market alone, tensions are spreading to other energy-intensive sectors, such as aluminium, or those dependent on petrochemical inputs, such as fertilisers, where prices are also rising significantly. The duration of the strait's closure is a key risk factor, with repercussions across the entire petrochemical production chain. According to the International Energy Agency (IEA), a one-month closure of the Strait of Hormuz

would result in a normalization period of between three and six months for oil, gas and derivatives production chains. Against this backdrop, energy prices could remain under pressure in the coming weeks.

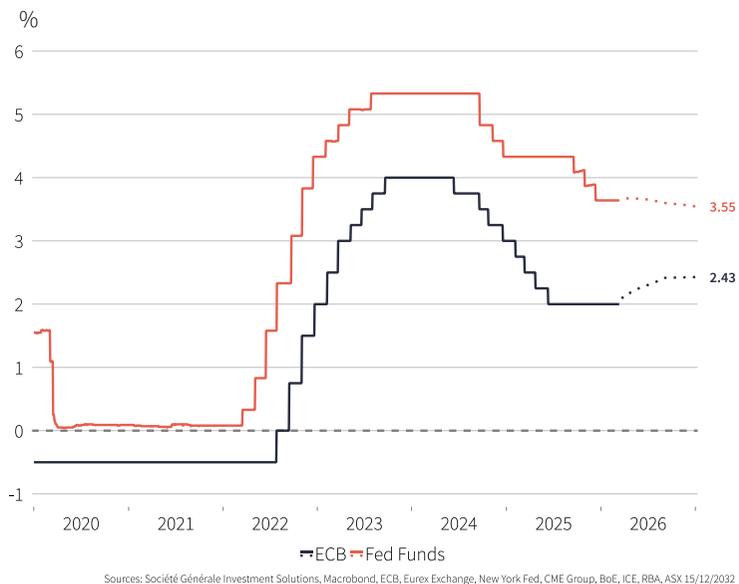
Rising inflation expectations and increased vigilance on the part of central banks. The sharp rise in energy prices and the increased likelihood that they will remain at these levels have led to a significant rise in inflation expectations. Consequently, the German 10-year inflation-linked bond now reflects expectations of around 2.2%, compared with 1.8% before the crisis began. Against this backdrop, monetary policy expectations have shifted markedly. In the United States, markets now expect the Federal Reserve to maintain the status quo, whereas two rate cuts had previously been anticipated. In Europe, investors are now pricing in at least one ECB rate hike, compared with the stability previously anticipated, as the impact of the energy crisis is deemed to be more pronounced on the continent. These developments reflect central banks' desire to keep inflation expectations anchored, in an environment where successive supply shocks since 2020 have kept inflation above target levels. These revisions to interest rate paths are reinforcing the downward trend in equity markets, with the majority of indices posting negative returns since the start of the year.

We are reducing our overweight position in European equities, to bring it back to neutral, thereby taking profits after maintaining an overweight position for over a year. Whilst our macroeconomic outlook remains broadly positive – underpinned by expansionary fiscal policies and the resilience of household and corporate balance sheets – and whilst we continue to expect the ECB's key interest rates to remain stable in the medium term, the energy crisis and tightening financial conditions now represent significant headwinds for European equities.

CRUDE OIL AND NATURAL GAS PRICES



MARKET EXPECTATIONS OF CENTRAL BANK RATES



OUR MACRO COMMENTS

Events of the week

UNITED STATES :

Inflation remained broadly stable in February. The Consumer Price Index (CPI) rose by 0.3% month-on-month and by 2.4% year-on-year, in line with market expectations and identical to the figures recorded in January. Core inflation, which excludes energy and food, stood at 2.5%, indicating a still moderate trend but above the Federal Reserve's target. The goods component continues to slow, whilst services remain the main driver of inflation. Energy prices made a positive but limited contribution to headline inflation.

However, the gap between the CPI and the PCE index – the measure of inflation targeted by the Fed – is expected to widen further, as services excluding rent and goods excluding energy carry a heavier weighting in the PCE. Thus, the February CPI figures suggest PCE inflation of close to 3%. Furthermore, geopolitical tensions in the Middle East pose an upside risk to inflation via energy prices, particularly in the event of disruptions to oil flows through the Strait of Hormuz.

Against this backdrop, markets have revised their expectations regarding the monetary policy path, with the Federal Reserve expected to maintain the status quo in 2026.

CHINA :

In January–February, China recorded a trade surplus of USD 213 billion over the two-month period. Exports grew sharply (+21.8% year-on-year), exceeding forecasts (+7.1%). Imports also surprised on the upside (+19.8% year-on-year) against an expected 6.3%. The momentum in exports mainly reflects strong global demand for digital sector products, particularly those linked to the development of AI, as well as for electric vehicles. On the import side, the pace of purchasing reached its highest level since 2022, with a marked increase in flows from emerging Asia and Australia. US tariffs, however, continue to weigh on bilateral trade. Chinese exports to the US fell by 11%, whilst imports dropped by 26.7% year-on-year. This impact could ease following the Supreme Court's ruling on the legality of the tariffs. Furthermore, China increased its oil imports by 16% in the first two months of the year. As the world's largest importer, it remains particularly exposed to developments in the Middle East conflict, which could drive up prices and disrupt supplies.

EVENTS IN THE COMING MONTHS

March 15: Municipal elections in France

March 18: Fed monetary policy meeting

March 19: ECB monetary policy meeting

March 19: BoE monetary policy meeting

March : Adoption of the 15th five-year plan in China

Source: Macrobond, March 13, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK



Monday

China - Unemployment rate FEBRUARY
- Industrial production JANUARY

United States - Industrial production FEBRUARY
- Manufacturing production FEBRUARY

Tuesday

Italy Inflation rate FEBRUARY

Wednesday

United States - Monetary policy meeting FED
- Producer price index FEBRUARY

Euro area Inflation rate FEBRUARY

Japan Balance of trade FEBRUARY

Thursday

Euro area Monetary policy meeting ECB

Japan - Monetary policy meeting BoJ
- Industrial production JANUARY

United Kingdom - Monetary policy meeting BoE
- Unemployment rate JANUARY

Friday

Germany Producer price index FEBRUARY

Italy Balance of trade JANUARY
Euro area

MARKET PERFORMANCES

Interbank rates

%	11/03/2026	13/02/2026	12/12/2025	01/01/2024	13/03/2025
US SOFR	3,672	3,66	3,97	5,34	4,35
Euro area €ster	1,931	1,93	1,93	3,88	2,41
UK SONIA	3,730	3,73	3,97	5,19	4,46
Switzerland SARON	-0,052	-0,04	-0,04	1,70	0,44
Japan TONAR	0,727	0,73	0,48	-0,04	0,48

10Y Government rates

%	12/03/2026	13/02/2026	12/12/2025	01/01/2024	13/03/2025
US Treasuries	4,27	4,04	4,19	3,88	4,27
France OAT	3,62	3,34	3,58	2,55	3,55
Germany Bund	2,94	2,75	2,86	2,02	2,85
Italy BTP	3,73	3,36	3,59	3,70	3,93
Spain Bonos	3,45	3,18	3,31	2,98	3,49
Switzerland	0,42	0,31	0,34	0,66	0,77
UK Gilts	4,81	4,48	4,58	3,60	4,69
Japan JGB	2,15	2,22	1,91	0,62	1,52

Credit

%	12/03/2026	13/02/2026	12/12/2025	01/01/2024	13/03/2025
United States IG	5,11	4,74	4,87	5,06	5,22
United States HY	7,14	6,62	6,70	7,59	7,67
Europe IG	3,71	3,29	3,42	3,72	3,62
Europe HY	5,98	5,27	5,30	6,80	5,88
Emerging FX	5,73	5,39	5,56	6,77	6,23

Equity indices

12/03/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-0,87	-2,72	0,790	43,85	23,55
United States	-1,06	-2,63	-1,840	42,08	21,40
Euro area	0,41	-3,45	1,252	36,92	15,17
France	-0,24	-3,91	-0,947	13,63	4,37
Germany	0,01	-5,12	-1,855	36,38	5,08
United Kingdom	0,18	-1,13	6,322	41,66	24,89
Japan	-1,79	-4,34	6,705	62,06	40,63
Emerging	-0,25	-2,66	9,086	58,19	36,67
China USD	0,94	-3,81	-3,178	52,18	8,51
India USD	-3,00	-7,55	-8,903	4,56	2,95
Latin America USD	-0,08	-6,80	8,985	24,91	56,99

Foreign exchange rates

	12/03/2026	13/02/2026	12/12/2025	01/01/2024	13/03/2025
EUR/USD	1,15	1,18	1,17	1,11	1,09
GBP/USD	1,33	1,36	1,34	1,27	1,29
EUR/CHF	0,90	0,91	0,93	0,93	0,96
USD/JPY	159,19	153,20	155,79	141,03	147,73
USD/CNY	6,87	6,91	7,05	7,08	7,24

Commodity prices

	12/03/2026	13/02/2026	12/12/2025	01/01/2024	13/03/2025
Brent, USD/BL	102	68	61	77	70
Copper, USD/Metric ton	12897	12719	11816	8476	9703
Gold, USD/Troy oz	5130	4995	4347	2078	2974
Silver, USD/Troy oz	87	77	65	24	33
Palladium, USD/Troy oz	1642	1658	1536	1136	945
Platinum, USD/Troy oz	2150	2058	1774	1000	982

Source : Bloomberg on 13 March 2026, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded..

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