

Iran War : Excessive Pressure on Interest Rates ?

The war in Iran is entering its fourth week with a very uncertain outcome at this stage and energy prices that remain at high levels. As a result, both consensus forecasts and financial markets have sharply revised their inflation expectations, with the OECD now anticipating inflation of 4% in the United States and 3% in the euro area, while still maintaining a constructive outlook for growth. The main reaction in financial markets has been a significant adjustment in short-term interest rates, as expectations of monetary policy tightening are revised upward. The risk is that this tightening of financial conditions continues and adds additional pressure on growth.

A Month of Tensions. The war in Iran began on February 27, and the outcome of the conflict remains highly uncertain at this stage. The Strait of Hormuz remains almost closed, maintaining strong pressure on energy markets. Oil prices are therefore holding at high levels, around 110 dollars per barrel, an increase of nearly 80% since the beginning of the year. Futures markets, however, continue to anticipate a gradual easing, with prices expected to hover around 90 dollars during the summer and close to 80 dollars by the end of the year. Gas prices have also risen sharply compared to their levels at the end of last year (+86% since the beginning of the year for the European contract), although they remain well below the peaks reached in 2022 during the war in Ukraine.

One month after the start of the conflict, tensions in energy markets are therefore significant, but remain—at this stage—less intense, both in magnitude and duration, than during the 2022 shock.

Inflation forecasts revised upward, with little adjustment to growth. The OECD has just released an update of its global economic outlook. While the institution has kept its growth projections almost unchanged, it has revised its inflation expectations upward, by more than one percentage point for 2026. Major central banks, which met last week, have also adjusted their assessment in this direction. This view is now widely shared by the economist consensus, with revisions focused on inflation rather than any significant reassessment of the growth outlook.

A sharp reaction in interest rates. Bond markets quickly integrated the geopolitical shock, particularly in the euro area. Sovereign yields have risen across both long and short maturities: the German and French 10-year yields now stand at 3.06% and 3.8%, respectively, while 2-year yields have reached 2.70% and 2.89%. This movement reflects a significant upward revision in inflation expectations, much more pronounced than what appears in institutional and consensus macroeconomic forecasts.

Our central scenario remains unchanged, but vigilance is needed. The main risk today does not lie in a sustained inflationary surge nor in an imminent tightening of monetary policies, but rather in an excessive rate tightening driven by financial markets — a tightening that could slow growth even before central banks have the opportunity to react.

BRENT CRUDE OIL PRICE



Sources: Société Générale Investment Solutions, Macrobond, 27/03/2026

SHORT-TERM INTEREST RATES ON SOVEREIGN BONDS



Sources: Société Générale Investment Solutions, Macrobond, 26/03/2026

OUR MACRO COMMENTS

Events of the week

PMI : SLOWDOWN IN ECONOMIC ACTIVITY

Economic activity in the eurozone slowed in March due to tensions in the Middle East. The composite PMI index fell to 50.5, after 51.9 in February. The slowdown mainly stems from the services sector, whose index declined to 50.1, affected by higher energy prices weighing on demand. The manufacturing sector is performing better: the manufacturing PMI increased to 51.4, supported by stockpiling efforts aimed at securing supply chains. New orders rose in manufacturing—thanks in part to stabilizing export orders—while they declined in services. The input cost subcomponent, however, increased significantly: the indicator reached 65.5, a 6.5-point rise in one month, linked to logistical disruptions and longer delivery times. National situations remain mixed: France remains in contraction at 48.3, while Germany maintains slight expansion at 51.9.

In the United States, activity is slowing slightly but remains in expansion territory, with a composite PMI of 51.4, after 51.9 in February. The services sector eased to 51.1, below expectations. Conversely, manufacturing shows renewed momentum: supported by rising confidence and increasing orders, the manufacturing PMI rose by 0.8 point to reach 52.4.

MARKET UPDATE :

European and American equities remain down since the beginning of the year (STOXX 600: -1.9%; S&P 500: -5.4%). Despite discussions suggesting the start of negotiations, major equity markets declined over the week. In Asia, indices corrected part of their gains but remain positive thanks to the technology and AI sectors (Nikkei 225: +6%; KOSPI: +26%). The commodities sector continues to outperform, while financials benefit from expectations of monetary tightening. Volatility remains elevated, with the VIX around 25 and the VSTOXX close to 30, reflecting a climate of geopolitical and economic uncertainty.

Sovereign yields continue to rise in an environment of inflationary pressure. In the United States, the reduced likelihood of rate cuts pushed the 10-year Treasury yield to nearly 4.4%, roughly +40 bps since the start of the conflict. In Europe, the German Bund followed the same trend, also gaining around 40 bps to reach approximately 3%. The US dollar is strengthening as investors seek safe-haven assets, bringing EUR/USD toward 1.15 (compared with 1.18 before the conflict). Gold, despite still posting a positive performance year-to-date (+2%), has fallen by about 14% since the beginning of tensions in the Middle East.

EVENTS IN THE COMING MONTHS

April 28 : BoJ monetary policy meeting

April 29 : FED monetary policy meeting

April 30 : BoE monetary policy meeting

April 30 : ECB monetary policy meeting

Source: Macrobond, March 27, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK



Monday

Euro area	Economic sentiment survey MARCH
Germany	Inflation rate MARCH
Japan	Retail sales FEBRUARY

Tuesday

Euro area	Inflation rate MARCH
Germany	- Retail sales FEBRUARY - Unemployment rate MARCH
France	- Producer price index FEBRUARY - Inflation rate MARCH
United States	- JOLTS survey FEBRUARY - Consumer confidence MARCH

Wednesday

Euro area	Unemployment rate FEBRUARY
United States	- Retail sales MARCH - ISM manufacturing index MARCH

Thursday

United States	Trade balance FEBRUARY
Italy	Retail sales FEBRUARY

Friday

France	Industrial production FEBRUARY
United States	Unemployment rate MARCH

MARKET PERFORMANCES

Interbank rates

%	25/03/2026	27/02/2026	26/12/2025	01/01/2024	27/03/2025
US SOFR	3,660	3,67	3,84	5,34	4,33
Euro area €ster	1,930	1,93	1,93	3,88	2,42
UK SONIA	3,728	3,73	3,73	5,19	4,46
Switzerland SARON	-0,047	-0,08	-0,04	1,70	0,20
Japan TONAR	0,727	0,73	0,73	-0,04	0,48

10Y Government rates

%	26/03/2026	27/02/2026	26/12/2025	01/01/2024	27/03/2025
US Treasuries	4,42	3,97	4,14	3,88	4,38
France OAT	3,77	3,22	3,57	2,55	3,47
Germany Bund	3,06	2,65	2,86	2,02	2,77
Italy BTP	3,99	3,28	3,55	3,70	3,82
Spain Bonos	3,58	3,07	3,29	2,98	3,40
Switzerland	0,41	0,25	0,35	0,66	0,65
UK Gilts	4,97	4,33	4,54	3,60	4,79
Japan JGB	2,24	2,15	2,02	0,62	1,56

Credit

%	26/03/2026	27/02/2026	26/12/2025	01/01/2024	27/03/2025
United States IG	5,26	4,73	4,81	5,06	5,24
United States HY	7,50	6,71	6,57	7,59	7,63
Europe IG	3,95	3,28	3,43	3,72	3,56
Europe HY	6,31	5,27	5,33	6,80	5,89
Emerging FX	6,02	5,39	5,52	6,77	6,27

Equity indices

26/03/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	0,08	-6,43	-2,67	40,52	16,652
United States	-0,19	-5,66	-5,50	38,48	13,866
Euro area	1,45	-8,57	-1,90	33,19	8,741
France	1,23	-9,47	-3,63	10,50	-0,447
Germany	1,10	-10,53	-6,32	30,92	-2,298
United Kingdom	0,67	-8,32	1,60	37,25	18,603
Japan	0,81	-7,62	6,30	61,46	33,760
Emerging	-1,02	-7,51	5,37	55,09	31,553
China USD	-1,67	-7,17	-7,92	44,44	4,680
India USD	0,45	-10,05	-12,89	0,64	-7,644
Latin America USD	4,53	-6,83	11,68	26,55	47,686

Foreign exchange rates

	26/03/2026	27/02/2026	26/12/2025	01/01/2024	27/03/2025
EUR/USD	1,16	1,18	1,18	1,11	1,08
GBP/USD	1,34	1,34	1,35	1,27	1,30
EUR/CHF	0,92	0,91	0,93	0,93	0,95
USD/JPY	159,14	156,10	156,42	141,03	150,97
USD/CNY	6,89	6,86	7,03	7,08	7,26

Commodity prices

	26/03/2026	27/02/2026	26/12/2025	01/01/2024	27/03/2025
Brent, USD/BL	107	73	60	77	73
Copper, USD/Metric ton	12 108	13 440	12 253	8 476	9 787
Gold, USD/Troy oz	4 456	5 222	4 449	2 078	3 057
Silver, USD/Troy oz	67	90	72	24	34
Palladium, USD/Troy oz	1 372	1 793	1 837	1 136	977
Platinum, USD/Troy oz	1 869	2 366	2 208	1 000	976

Source : Bloomberg on 27 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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