

Macro Outlook Summary

March 2026

After the US attack on Iran on the 28th February weekend, the following Monday opened with a radically different investment outlook. Up to that point Trump had succeeded in achieving three of his stated goals being a weaker dollar, lower oil prices and lower long term US rates. Rapidly through the first week of March all three were reversed with long term yields significantly higher, the dollar much stronger and the oil price dominating headlines as it crossed \$100.

Through the month as a quick end to the war remained elusive so the persistently high oil price fed through into global inflation expectations as well as higher government bond yields. This time central bankers were quick to voice their concerns and quick to signal their intention to start hiking rates to suppress the predicted rise in inflation. No talk of 'transient' this time which rather acknowledged their previous misjudgement.

The degree to which the entire global investment narrative has changed since February cannot be overstated and yet equity markets in particular have reacted with minimal downforce. Government bond yields have jabbed higher – not by a few bps but a full 50bps in most cases. This would normally be taken as a warning sign by equity investors. Similarly safe haven currencies, the USD and CHF, have strengthened meaningfully, again sending a warning. And equity index volatility has risen into warning territory above 25. But so far equity indices are down no more than high single digits which really counts only as a modest correction.

Yet the stronger dollar and higher oil price drain liquidity and will significantly dampen global growth prospects if they persist. Global trade has already taken a negative hit from US tariffs. Consumer spending and confidence will deteriorate in the face of higher energy costs and higher interest rates. Corporate earnings will feel the effect eventually if current conditions persist. And numerous governments once again are hatching plans to bail out stressed consumers with subsidies and transfer payments they can ill afford to make. Long term bond yields staying higher than they were two months ago seems like a certain outcome and that will dampen growth. The future path of the oil price is central to the outlook for inflation and consequently short term interest rates and growth. Every country will of course be differently affected depending on whether they are an importer or exporter of energy with the large importers likely to suffer the most.

If a stabilisation in relations between the US and Iran can be reached then market volatility will be dampened. But the oil price will simply not revert to \$55 and longer term interest rates will not fall back by 50bps. Investors can see another inflationary pulse being transmitted through the global economy and governments are again trying to head off a recession by spending. Looking forward the best outcome will be 'resolution' and adoption of a new normal. The likelihood of this seems worryingly slim. A more likely scenario is that calm eventually returns but after considerable damage has been done to the global economy and on a very unclear basis thus leaving the future outlook very uncertain. Trump's modus operandi seems almost certain to guarantee this. Higher uncertainty will leave markets skittish and more prone to sudden moves down. The bleak scenario where Iran doubles down for a protracted

battle to survive and the war continues for far longer than anyone imagines is not one that most investors are in any way prepared for.

The conclusion to draw is surely that the case for equity ownership has weakened materially even if there is a relief rally from current levels. Before investors sustain any material damage they should surely consider reducing outright long equity positions and increasing weighting to select All Weather Hedge Fund investments and other wealth preservation strategies such as we specialise in screening and owning in order to provide more downside protection and portfolio stability along with a more predictable lower volatility upside.

By minimising long equity exposure and turning to macro and relative value investment strategies implemented by managers with deep knowledge and skill we know from over thirty years of alternative investment experience that it is possible to make money as we have done repeatedly in falling markets and position investment portfolios to withstand any market shock however severe.