



KFH Capital Monthly Insights

Capital Market Outlook & Updates

March 2026

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Capital Markets Insights

Market Analysis & Outlook

- **US/Israel-Iran Conflict: Where are we now:** As we write, we enter the fourth day of the conflict, the campaign has escalated further, with military installations across the region being targeted and, in some cases, civilian assets in Bahrain and the U.A.E. Energy infrastructure has also been impacted disrupting energy supply. Thus, what we are witnessing is a strong Iranian retaliation, initiation of partial disruption of the Strait of Hormuz leading to a potentially greater regional spillover.
- **Where do we go from here:** There are potential upside risks, wherein, oil traffic disruption in the Straits of Hormuz impacting the energy supply chain as it is the primary transit route for nearly all the Gulf crude producers. To put things in numbers, approx. 20% of global oil seaborne trade passes through the Strait, whilst over 30% of LNG exports - predominantly from Qatar and UAE, pass through it.

Note: *KFH Capital does not provide political analysis or opinions on political strategy; the views above are a summary of our readings across various reliable public sources.*

- **Implications for Capital Markets:** The foremost is crude; the consensus outlook for Brent is USD 65-67 per barrel for 2026. However, under current circumstances, a premium of USD 5-10 per barrel is the consensus as the conflict drags on. There is potential risk of further downside as the situation unfolds in regard to the Strait of Hormuz.
- **Fixed Income:** Though the previous month witnessed compression in bond yields as investors move to a risk off mode, however, a prolonged conflict can result in a rise in bond yields as inflation fears augment along with deceleration in economic activity.

Market Analysis & Outlook

- **Precious Metals:** Gold is likely to remain in strong uptrend as demand for safe havens during geopolitical uncertainty increases. Fitch estimates 5-10% upside in prices.
- **Equities:** In the case of global equities, one can expect increased volatility and markets to remain range bound on a short-term basis with significant downside risks. Fitch estimates 5-10% correction driven by uncertainty.
- **Monetary Policy:** As the impact of current energy supply shock is absorbed, inflation is likely to remain elevated. Thus, central bank strategy will be to pause the rate cutting cycle and assess incoming data.

In a scenario wherein the conflict drags on and there is further rise in commodities, then inflation risks kick in which can result in further upside in precious metals, downside risks increase significantly for equities.

KFH Private Wealth Insight – Chart of the Month

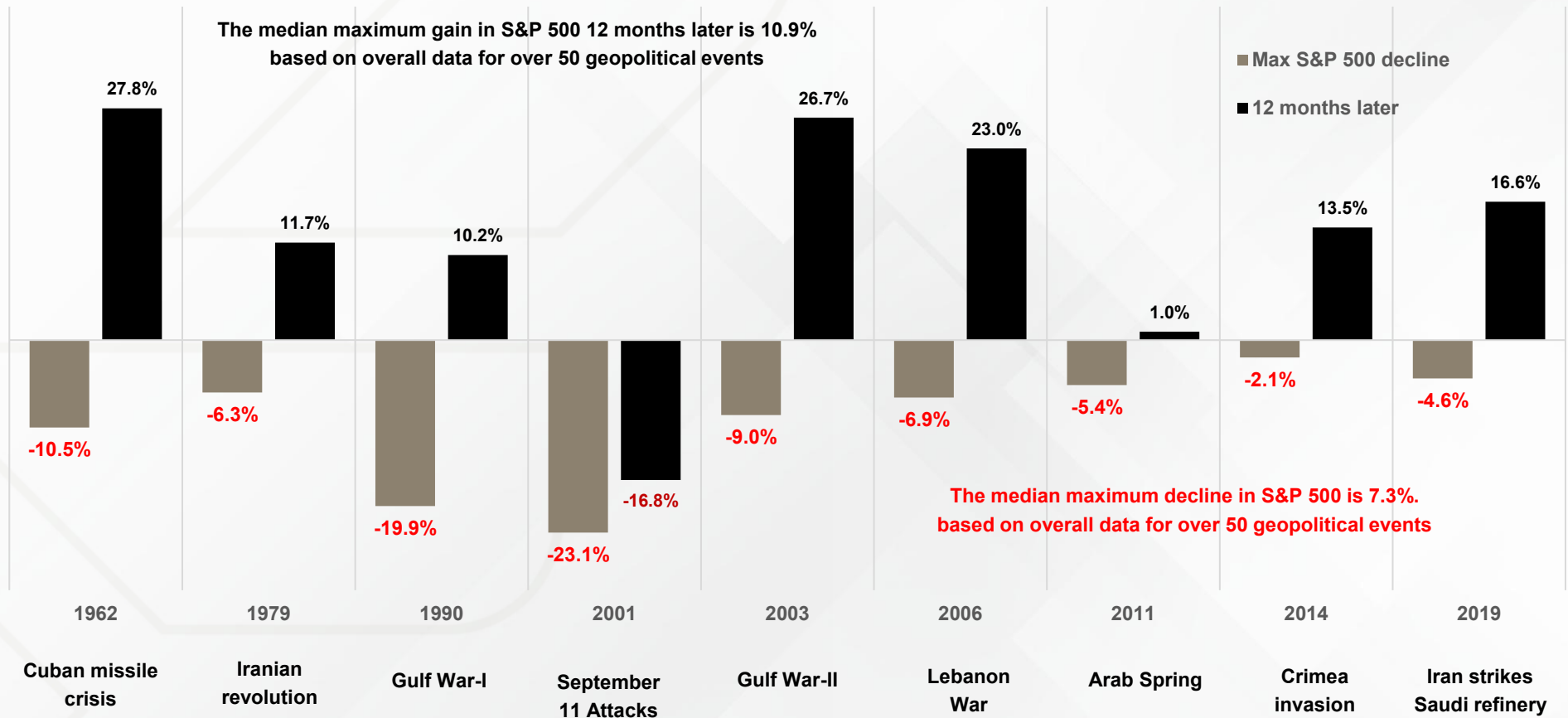
- **What happens to Capital Markets in geopolitical events:** It is quite normal for equity markets to display volatility during periods of geopolitical uncertainty. However, economic data can be mixed, and, as post Covid markets demonstrated, they reacted quickly and recovered faster. The key point is that there are a multitude of factors that impact capital markets.

Disclaimer: *KFH Private Wealth does not offer any special geopolitical insight, commentary, or opinion on the current situation; kindly refer to reliable news sources for the same. Being a fiduciary custodian of client assets, we focus on preserving capital by focusing on markets and presenting our brief analysis of historical market reactions to global geopolitical events.*

What happens to Capital Markets in geopolitical events

It is quite normal for equity markets to display volatility during periods of geopolitical uncertainty. However, data indicates that markets recover in the long term

The Gain / Loss in the S&P 500 during Geopolitical Events ...



Source: Marko Papic's book Geopolitical alpha

Equity Markets Update

In February, Global Equities were mixed with the European and Emerging Market equities outperforming US Equities

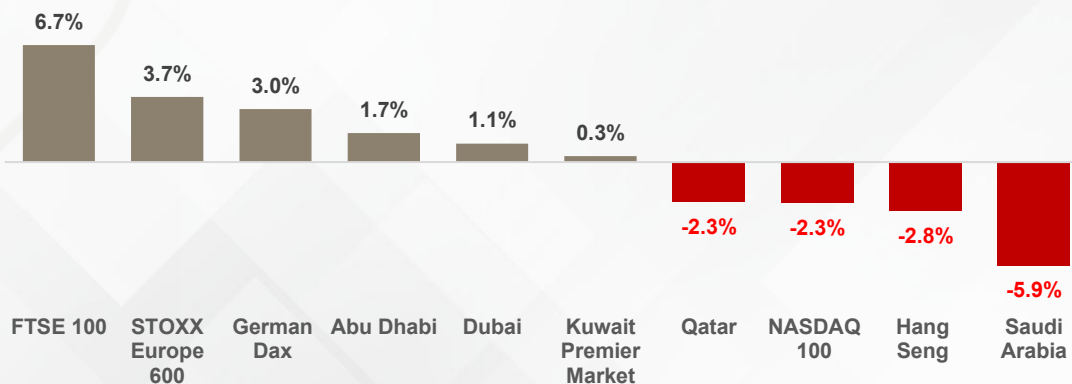
The VIX Index is up 64% on YTD basis:

- VIX Index which is a leading indicator of expected volatility in the market has risen to 25 from the previous year end level of 15 suggesting increased market volatility in coming days. Thus, expectations are markets to remain volatile and range bound on a short-term basis.
- For the month of February US Equities remained range bound as it lacked fundamental triggers. The S&P 500 Index closed with a loss of 0.87% on a monthly basis. The Nasdaq 100 also closed in the red. It was predominantly driven by the tech sector; the S&P Software Index was down 9% on a month-on-month basis.
- The MSCI Europe Index recorded a gain of 7.85% on monthly basis, while the MSCI Emerging market Index was up 5.41% during the same period.

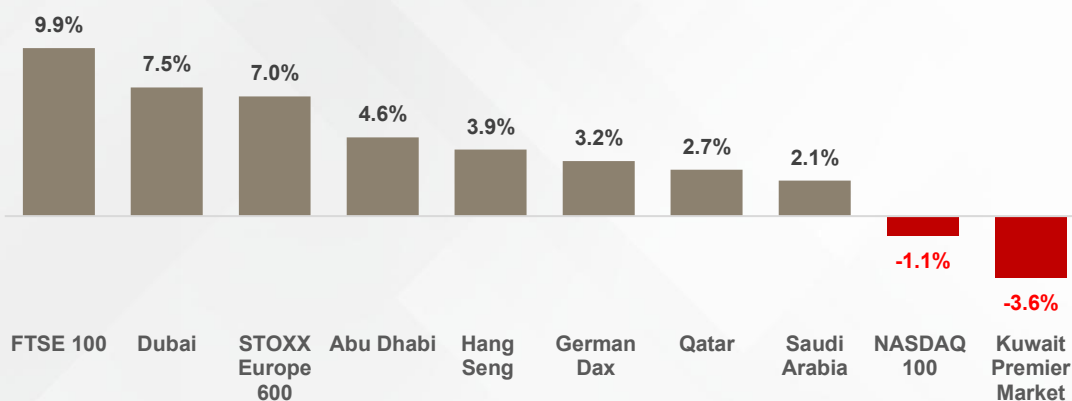
In the GCC KSA declined on monthly basis

- With the regional conflict in full swing GCC equities witness selling pressure. Major indices have recorded losses since the beginning of March.
- Investors are likely to be in risk-off mode as they discount the impact of the conflict on energy infrastructure, energy supply chain and impact of the non-oil sector on regional GDP.

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*

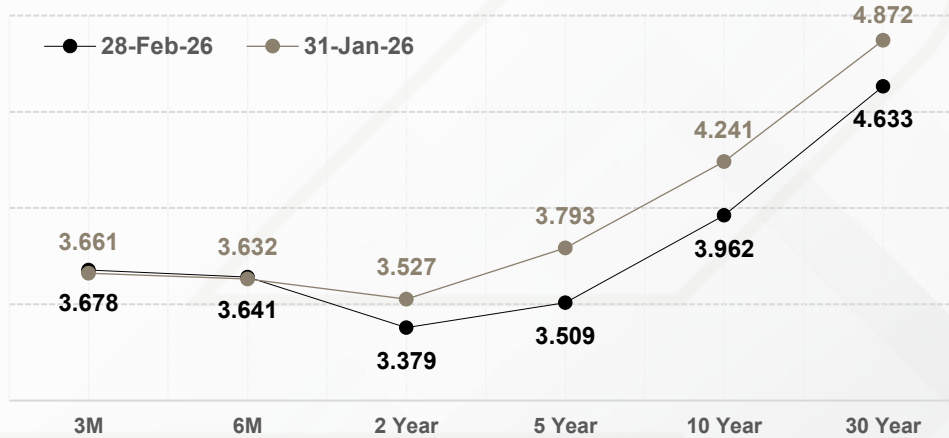


Source: Refinitiv; *Index Closing as of February 28, 2026

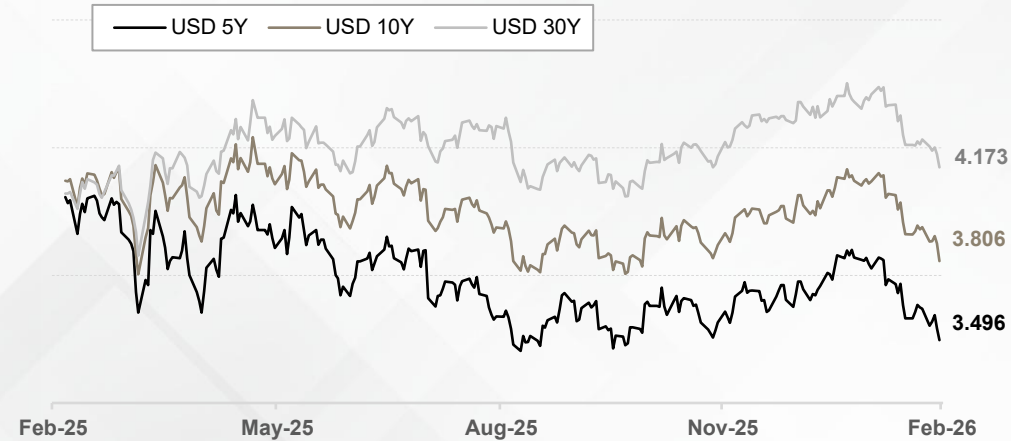
Global Benchmark Yields

The US Treasury yield curve flattens as long & short-tenor yields compress

US Treasury Yield Curve (%)

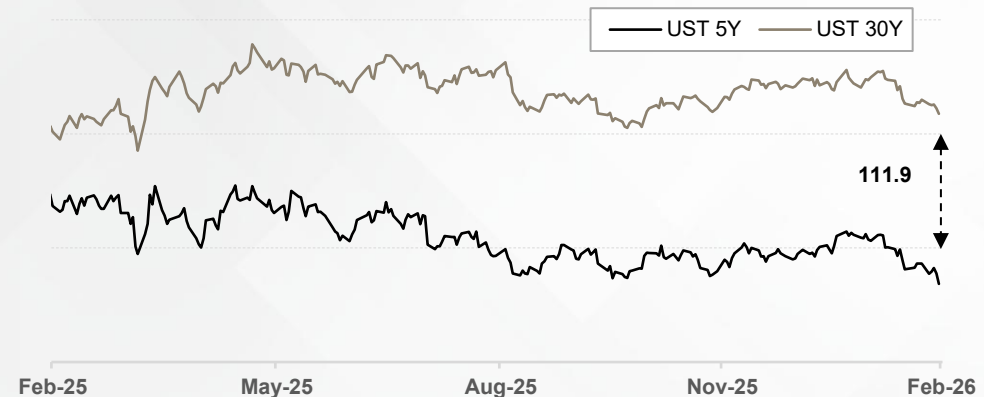


US Mid-Swaps Yield (%)



- The 10Y US Treasury yield closed the month at 3.962% a decline of 28bps over previous month, whilst the 30Y yields were also down by 24bps closing at 4.633%. At the shorter end, the 2Y closed at 3.379% down 15bps while the decline in yields of the 5Y was in line with the 10Y of 28bps as it closed at 3.509%.
- The decline was primarily due to demand for safe assets (Treasuries) amid increased market volatility in risk assets (equities) and the incoming soft inflation prints.

30Y-5Y Spread (bps)

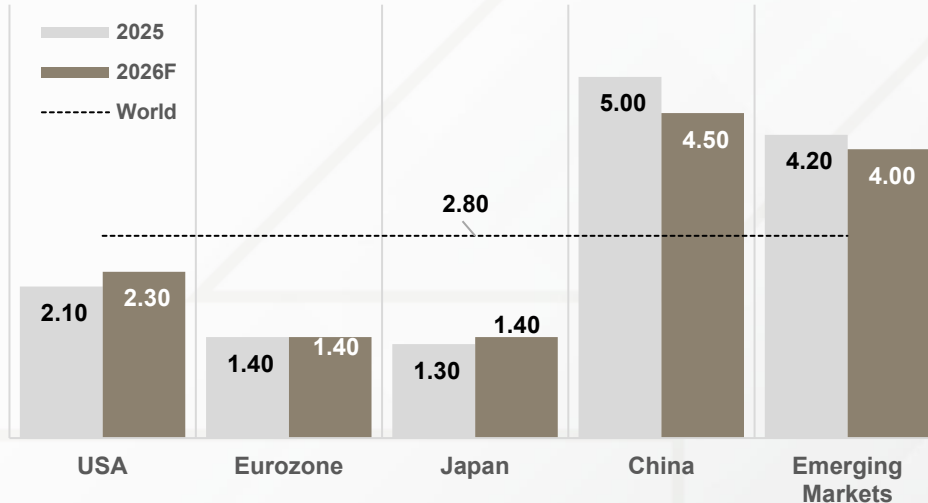


Source: Refinitiv, Year-to-Date (YTD) as of February 28, 2026

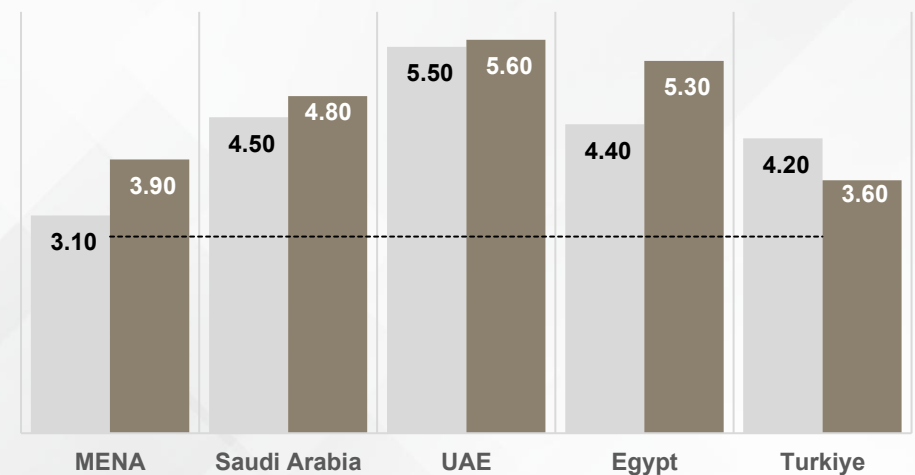
Macroeconomic Overview

Global GDP growth momentum remains strong; however increased market volatility amid the geopolitical events can result in the growth momentum losing steam

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- In the case of MENA region, though growth is expected to be 3.9% for 2026, one can expect sharp revisions in the GDP growth numbers after the onset of the recent military campaign in the region.
- Current growth rates are based on increased crude oil production coupled with a buoyant non-oil sector. In the case of oil sector, supply chain risks are likely to impact the sector momentum. There are potential upside risks if there is a larger regional spillover. As we write there have been attacks on key energy infrastructure in Saudi Arabia and Qatar.

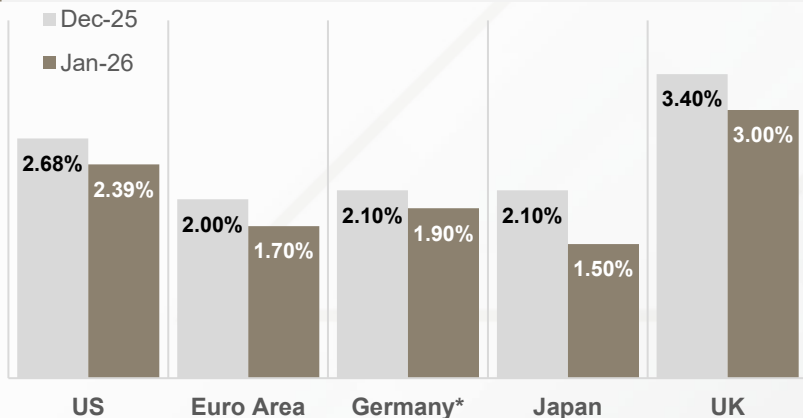
- Moreover, there have been reports of disruption in the Strait of Hormuz a key energy supply chain route. The Strait is the primary export route for nearly all the gulf producers. A partial closure of the strait can impact the sale of volumes for oil exporting nations. Budget revenues can be impacted given the decline in volumes as prices remain elevated.
- There has been disruption in transport services (airports) impacting the non-oil sector (tourism) in particular the UAE and Saudi Arabia; weak consumer sentiments can result decline in domestic consumption.

Source: Fitch Solutions, f=forecasted, e=expected

Consumer Price Inflation & Central Banks' Rates Monitor

The recent developments in the Middle-East region complicates the monetary policy outlook; furthermore, the impact of higher commodity prices will also influence the disinflation process

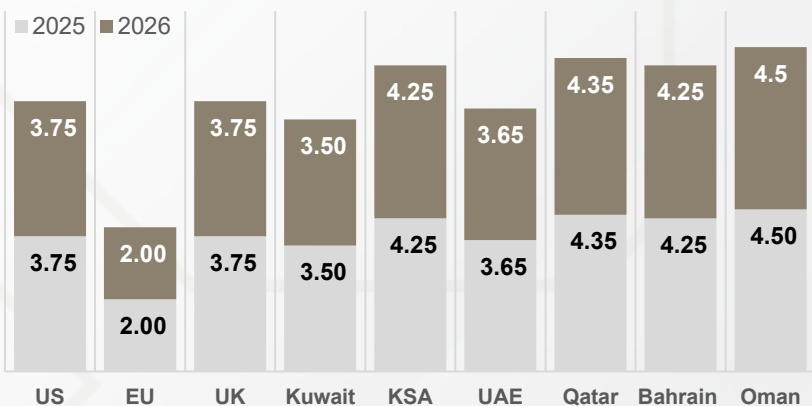
Consumer Price Index (CPI)



- The January inflation prints have been encouraging; Europe recorded 1.7% as annual inflation for the month of January which is within the European Central Bank (ECB) target of 2.0%. This explains the ECB announcement of rates to remain unchanged in the February 2026 meeting.
- With major central banks scheduled to meet during the month of March 2026, we do not foresee any changes to the current rates as macroeconomic data does not warrant rate cuts. Moreover, central banks are likely to take a 'wait and watch' approach as the regional conflict escalates.
- The other factor under consideration is the rise in key energy commodities which can lead to elevated inflation levels. As we write, energy commodities have already recorded price gains over 5% in one day.

Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of February 2026;

Central Banks Rates



Economic Calendar

March 2026						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

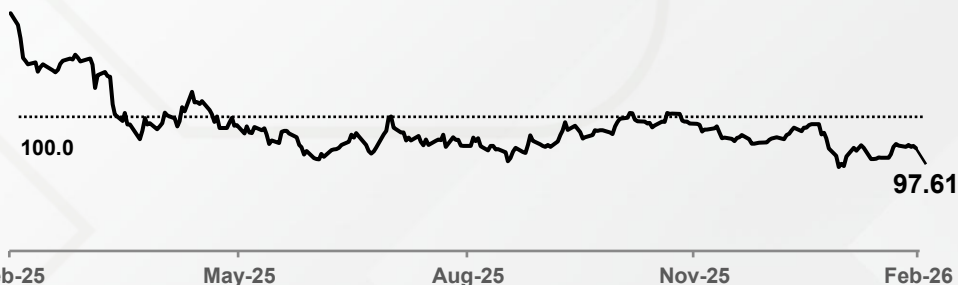
- Mar 03:** Turkey CPI Data
- Mar 03:** Eurozone CPI data
- Mar 06:** Non-Farm Payroll - US (Employment)
- Mar 11:** Consumer Price Inflation - US
- Mar 12:** Central Bank of Republic of Turkey
- Mar 18:** US Fed Meeting
- Mar 19:** European Central Bank - Meeting
- Mar 19:** Bank of England (BOE) - Meeting
- Mar 19:** Bank of Japan – Meeting
- Mar 25:** Consumer Price Inflation - UK

Commodities and Forex Overview

Commodity prices have risen in February driven by global uncertainty (precious metals & oil), increased investments (industrial metals)

- As the conflict in the Middle East advances, Brent Crude has crossed the USD 80 mark as it trades at USD 84.14 per barrel as write. The Year-to-Date average price as of end of February stood at USD 67 per barrel. When compared to current price the brent is already up 25.6%
- The scenario of excess supply coupled with weak demand continues to remain in place. As per Refinitiv data, the expected demand for crude in March is to be at 103.3 million barrels per day (mbpd), while supply is expected to be at 105.66 mbpd resulting in excess supply.
- Gold records a new high as it trades at USD 5,308.2 per ounce which is 22.72% gain on a YTD basis, driven by the conflict as investors are in a risk-off mode and prefer holding safe havens like gold. Silver prices are up 24.41% during the same period.
- Industrial metals maintain price gains on YTD basis driven by rising demand and supply concerns. Most of the industrial metals play a critical role in sectors like Artificial Intelligence, Clean Energy and Defense.

US Dollar Index is down 9.3% on a Year-on-Year basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	67.02	2.78%	14.27%	16.72%
Brent Crude (USD Per Barrel)	72.48	2.53%	14.43%	19.11%
DME Oman Crude (USD Per Barrel)	72.80	7.98%	13.41%	18.51%
Natural Gas (USD MMBTU)	2.86	-34.34%	-37.28%	-22.44%
LNG - ASIA (USD MMBTU)	11.40	-1.72%	-2.23%	18.75%

Precious Metals	Last	MTD	3M	YTD
Gold (USD Ozs)	5,230.50	10.96%	24.00%	20.92%
Silver (USD Ozs)	92.68	18.38%	64.20%	32.15%

Base Metals	Last	MTD	3M	YTD
Aluminum (USD/Tonne)	3,157.5	0.43%	10.09%	5.41%
Alu Alloy (USD/Tonne)	2,579.0	2.79%	2.79%	2.79%
Copper (USD/Tonne)	13,304.5	1.12%	18.91%	7.10%
Tin (USD/Tonne)	54,434.0	4.77%	39.00%	34.22%
Zinc (USD/Tonne)	3,378.5	-0.69%	10.57%	8.37%
Lead (USD/Tonne)	1,984.0	-1.24%	0.18%	-1.34%
Nickel (USD/Tonne)	17,694.0	-1.45%	19.32%	6.30%
Rolled Steel (CNY/Tonne)	3,022.9	-1.97%	-2.04%	-2.35%

Source: Refinitiv, YTD as of February 28, 2026

A world map is shown in a light blue color, overlaid on a dark blue background. The map is composed of a grid of small circles and squares, some of which are filled with white or light blue, creating a digital or binary effect. The map covers the entire globe, with the continents clearly visible.

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