

# Weekly Market Wrap

Week Ending 20<sup>th</sup> March 2026



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## Executive Summary

Markets were driven by an escalation in Middle East tensions, which pushed oil volatility and triggered a sharp repricing of inflation and rates. Bond yields rose, equities declined, and VIX remained elevated at 27, reflecting sustained volatility.

### Key Themes

- **Geopolitics Driving Volatility and Risk-Off:** The escalation in the Iran conflict, including disruptions to the Strait of Hormuz, pushed oil prices sharply higher and increased market uncertainty. This was reflected in a rise in VIX, indicating elevated risk aversion, although moves remained orderly rather than disorderly.
- **Inflation Shock Repricing Rates:** Higher oil prices and firm upstream inflation data drove US 10Y yields toward ~4.4%, as markets pushed out rate-cut expectations. The narrative has shifted from easing to “higher-for-longer”, with inflation risks dominating policy expectations.
- **Breakdown of Diversification:** Both equities and bonds declined, while gold fell sharply (~-10%) despite risk-off, highlighting a breakdown in traditional hedges. Markets are being driven by inflation and liquidity rather than growth shocks.
- **Energy as the Core Transmission Channel:** Oil remained the central driver, with prices spiking toward ~\$120 intra-week on supply disruptions before stabilizing. The energy shock is feeding into inflation, rates, and cross-asset performance, reinforcing a supply-driven macro regime.

## Asset Class Performance

### Equity Market

Week ending >>>					
	13-Mar-26	20-Mar-26	YTD Returns	Growth for the month	Growth for the week
<b>Equity Indices</b>					
S&P 500 (USD)	6,632.2	6,506.5	(3.3%)	(2.8%)	(1.9%)
NASDAQ (USD)	24,380.7	23,898.2	(3.3%)	(1.4%)	(2.0%)
Dow Jones (USD)	46,558.5	45,577.5	(3.8%)	(5.9%)	(2.1%)
SENSEX (INR)	74,563.9	74,533.0	(13.1%)	(9.8%)	(0.0%)
Stoxx 600 (EUR)	595.9	573.3	(0.0%)	(3.5%)	(3.8%)
Nikkei (JPY)	53,819.6	55,239.4	6.9%	(5.5%)	2.6%
Hang Seng (HKD)	25,465.6	25,277.3	(3.3%)	(4.1%)	(0.7%)

#### • US Equities:

- US equities declined ~2% WoW (S&P 500 -1.9%, NASDAQ -2.0%, Dow -2.1%), as the escalation in the Iran conflict including strikes on key energy infrastructure and disruption to flows through the Strait of Hormuz pushed oil prices above ~\$110/bbl, marking a sharp change from sub-\$70 levels just a few weeks ago. This sudden energy shock has reintroduced inflation risk at a time when markets were positioned for a disinflation-led rate-cut cycle.
- The shift in inflation expectations fed directly into rates, with US 10Y yields rising to ~4.4%, as markets repriced the Fed path from multiple cuts earlier this year to a more cautious outlook of “higher-for-longer” rates. The recent communication has emphasized uncertainty around energy-driven inflation particularly as producer prices (+0.7% m/m) and wages remain elevated, indicating inflation is not easing as expected.
- The weakness was broad-based, with megacap tech (Apple, Microsoft, Nvidia) declining WoW on higher rate sensitivity, while cyclicals such as Boeing and Caterpillar were weighed down by rising energy and input costs, highlighting the cross-sector impact of the inflation shock.

#### • Sensex:

- Sensex ended flat WoW, as strong domestic buying helped offset global weakness, despite volatility during the week due to the Middle East conflict.

- The surge in Brent crude and disruption to flows through the Strait of Hormuz, through which a significant portion of India's crude (~60%+) and LNG imports (~50%+) transit worsened India's external outlook, pushing USD/INR to ~93.7 (record lows) and amplifying imported inflation risks, particularly across fuel, power, and fertilizer-linked sectors.
  - Foreign investors remained net sellers, with FII outflows of ~\$9.4 Bn in March (to-date), while DIIs provided partial support with steady inflows of ~\$6.4 Bn in March, highlighting the divergence between global and domestic risk appetite.
  - The INR depreciation has broader implications, as it tightens financial conditions via higher imported inflation, potential pressure on RBI policy flexibility, and margin compression for import-dependent sectors, though export-oriented segments (IT, pharma) see some offsetting benefits. Overall, the index remained range-bound as domestic liquidity cushioned external shocks.
- **Stoxx 600:**
    - STOXX 600 declined 3.8% WoW, underperforming global peers as Europe's high dependence on imported energy made it particularly vulnerable to disruptions in Gulf supply chains.
    - Attacks on energy infrastructure and reduced shipping through the Strait of Hormuz drove a sharp increase in oil and gas prices, prompting the ECB to warn of a "material impact" on inflation, reinforcing tighter policy expectations.
    - The sharper drawdown reflects a combination of terms-of-trade deterioration (higher energy imports) and rising recession risk from elevated input costs.
- **Nikkei:**
    - Nikkei rose 2.6% WoW, diverging from global equity weakness, supported by a structurally weak yen (~¥159/USD), which remains near multi-decade lows and continues to boost export competitiveness and earnings translation for large-cap exporters.
    - The move was further supported by strong corporate trends, including robust earnings momentum, ongoing share buybacks, and continued foreign investor interest, which have kept Japanese equities relatively resilient despite global risk-off conditions.
    - While Japan remains structurally exposed to energy shocks, importing ~90% of its oil and a significant share of LNG, much of it routed through the Strait of Hormuz, the government's release of ~80 million barrels from strategic reserves helped ease immediate supply concerns and stabilize sentiment.
    - Overall, the outperformance appears largely FX-driven rather than macro-driven, with risks from sustained high energy prices still present through higher import costs, pressure on the trade balance, and potential inflation pass-through.
- **Hang Seng:**
    - Hang Seng declined 0.7% WoW, showing relative resilience versus global peers, as valuations remain compressed after prior underperformance and the index has lower direct exposure to oil-driven inflation shocks.
    - Weakness was driven by global risk aversion amid the Middle East conflict and rising oil prices, which weighed on external demand and trade-sensitive sectors, particularly given Hong Kong's linkage to global growth and capital flows.
    - Downside was partially cushioned by expectations of policy support from China, including targeted fiscal stimulus (~CNY 1.3tn in special bonds), consumption support measures (~CNY 100bn), accommodative liquidity conditions, and ongoing efforts to stabilize the property sector, which helped anchor sentiment.
    - Overall, performance reflects limited direct energy exposure but continued sensitivity to global liquidity, with rising U.S. yields and a stronger USD tightening financial conditions and capping upside.

## Credit Market

	Week ending >>>				
	13-Mar-26	20-Mar-26	YTD Returns	Growth for the month	Growth for the week
<b>Credit</b>					
US Bond Yield (%)	4.3	4.4	2.1%	5.6%	2.4%
JGB yield	2.2	2.2	6.5%	(1.7%)	1.4%
S&P BDC Index	47.3	47.8	(14.4%)	(8.4%)	1.0%

- **US Bond Yield:**

- US 10Y yields rose ~10bps WoW to ~4.4%, as disruption to energy supply routes in the Middle East and a sharp rise in oil prices (up ~50% since late February) drove a renewed pickup in inflation expectations.
  - This was reinforced by stronger-than-expected producer price data (+0.7% m/m), which suggests that higher input costs particularly from energy are likely to feed through into broader inflation, reducing confidence in near-term rate cuts.
  - As a result, markets have shifted toward a “higher-for-longer” rate outlook, with yields rising even as growth risks increase, highlighting a break from the traditional pattern where bonds rally during periods of risk-off sentiment.
- **JGB Yield:**
    - JGB yields remained broadly stable (~2.2%), diverging from the global bond sell-off, as the Bank of Japan continues to anchor the yield curve through its ultra-accommodative policy stance, including yield curve control (YCC) and ongoing bond purchases. This comes even as U.S. and European yields moved higher on renewed inflation concerns.
    - The BoJ has maintained a dovish bias, reflecting Japan’s still-fragile inflation dynamics (core inflation only recently above target) and a cautious approach toward policy normalization, despite rising global inflation pressures.
    - Domestic measures also helped limit near-term pressure, including the government’s release of ~80 million barrels from strategic reserves which helped cushion the immediate impact of higher oil prices on domestic energy costs and inflation expectations.
    - As a result, Japan’s bond market continues to reflect policy-driven yield stability rather than market-driven repricing, highlighting how BoJ intervention is insulating domestic yields from global volatility, even as external risks particularly from sustained energy price increases continue to build.
- **Private Credit / BDCs:**
    - S&P BDC Index rose 1.0% WoW, recovering slightly after a sharp YTD drawdown (-14.4%), supported by carry and some stabilization in credit spreads following the recent sell-off.
    - However, the asset class continues to face pressure from higher base rates and macro uncertainty linked to the energy shock, with elevated funding costs and slower growth weighing on borrower fundamentals, particularly in leveraged and software-heavy segments.
    - The week also saw increasing signs of stress in private credit markets, including elevated redemption pressure across large private credit funds and instances of managers gating or limiting withdrawals, highlighting rising investor caution toward illiquid assets.
    - At the same time, underlying credit risks are building, with greater use of payment-in-kind (PIK) structures and rising default expectations, while public BDCs continue to trade at discounts to NAV, indicating that markets are demanding higher risk premia.
    - Overall, the rebound appears technical rather than fundamental, with the asset class transitioning into a more selective environment where liquidity, credit quality, and valuation transparency are becoming key drivers of performance.

## Currencies

Week ending >>>					
Currency	13-Mar-26	20-Mar-26	YTD Returns	Growth for the month	Growth for the week
EUR/USD	1.1417	1.1572	(2.6%)	(3.8%)	1.4%
GBP/USD	1.3230	1.3341	(1.7%)	(3.1%)	0.8%
USD/INR	92.4575	93.7075	2.5%	2.0%	1.4%
CHF/USD	1.2640	1.2691	0.2%	(2.9%)	0.4%
USD/JPY	159.7300	159.2300	1.8%	4.6%	(0.3%)

- **Currencies:**
  - FX markets were broadly driven by energy-linked terms-of-trade shifts and rate repricing, with USD initially strengthening on safe-haven demand before partially retracing, resulting in EUR/USD (+1.4%) and GBP/USD (+0.8%) gains WoW.
  - Despite higher oil prices typically weighing on energy-importing economies, EUR and GBP strengthened WoW, primarily reflecting USD consolidation after initial risk-off gains rather than an improvement in underlying fundamentals.

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- In contrast, USD/INR rose 1.4% WoW (INR depreciation to ~₹93.7) as higher crude prices and sustained capital outflows worsened India's external balance.
- Safe-haven flows were mixed, with CHF modestly stronger (+0.4%), while JPY strengthened slightly (-0.3% USD/JPY) but remained structurally weak due to wide rate differentials, highlighting that rate dynamics dominated traditional risk-off behaviour.

## Commodities

	Week ending >>>				
	13-Mar-26	20-Mar-26	YTD Returns	Growth for the month	Growth for the week
<b>Commodities</b>					
Gold (USD per troy ounce)	5,019.5	4,492.4	15.9%	(0.4%)	(10.5%)
Silver (USD per troy ounce)	80.6	67.9	10.7%	4.1%	(15.7%)
WTI Oil (USD per barrel)	98.7	98.3	72.2%	57.0%	(0.4%)
Natural Gas (Henry Hub)	3.1	3.1	(13.5%)	(3.5%)	(1.1%)
Copper (US cents per pound)	571.5	534.3	0.4%	(1.5%)	(6.5%)
Aluminium (USD per metric tonne)	3,470.4	3,254.8	15.7%	14.0%	(6.2%)
Wheat (US cents per bushel)	618.5	595.3	22.1%	12.7%	(3.8%)
Sugar (US cents per pound)	14.4	15.7	(1.6%)	4.3%	9.3%

### • Oil:

- WTI crude declined marginally 0.4% WoW but remained elevated, following extreme intra-week volatility driven by rapid developments in the Middle East conflict.
- During the week, Brent crude spiked toward ~\$120/bbl following direct attacks on key energy infrastructure, including a Saudi refinery, Qatar's LNG terminal, and tanker disruptions near Fujairah, while the near shutdown of the Strait of Hormuz (~20% of global supply) intensified supply concerns. Prices later retraced as U.S.-led efforts to restore shipping and strategic reserve releases helped ease near-term fears.
- Despite the pullback, oil prices remain sharply higher (up ~50% since late February), reflecting a persistent geopolitical risk premium, with markets continuing to price uncertainty around supply disruptions.
- Overall, price action highlights that oil is being driven by headline-driven supply shocks rather than demand fundamentals, with volatility likely to remain elevated as the conflict evolves.

### • Gold:

- Gold declined 10.5% WoW, despite heightened geopolitical tensions and oil prices surging above \$110/bbl.
- The move is highly unusual, as gold typically rallies during periods of war and inflation; however, this time the nature of the shock shifted from "risk-off" to "inflation + rates", with markets rapidly repricing toward fewer rate cuts and even potential hikes.
- Rising real yields (~4.4% US 10Y) and a stronger USD significantly reduced the appeal of non-yielding gold, while the oil-driven inflation shock reinforced expectations of tighter monetary policy, creating a strong headwind for bullion.
- In addition, the sell-off was amplified by positioning and liquidity factors, including unwinding of crowded long trades, margin-related selling, and investors raising cash amid broader market volatility, leading to a breakdown in traditional safe-haven behaviour.

### • Silver:

- Silver declined 15.7% WoW, underperforming gold due to its higher exposure to industrial demand and sensitivity to growth expectations.
- The move reflects combined pressure from rising yields and demand slowdown concerns.

### • Natural Gas:

- Natural gas declined 1.1% WoW, diverging from oil due to more localized supply-demand dynamics.
- While LNG flows from the Middle East were disrupted, regional factors and inventories led to short-term price stabilization.

- **Copper & Aluminum:**

- Copper (-6.5%) and aluminium (-6.2%) declined sharply WoW, as the escalation in the Middle East conflict and resulting oil price shock shifted market focus from supply constraints to demand destruction risks.
- Elevated energy prices increased production costs but, more importantly, raised concerns over slowing global industrial activity, particularly in energy-importing regions such as Europe and Asia.
- The synchronized decline across base metals indicates that growth concerns and tighter financial conditions (via higher yields) outweighed cost-push inflation effects, marking a shift toward a more cautious demand outlook.

- **Wheat & Sugar:**

- Wheat declined 3.8% WoW, while sugar rose 9.3% WoW, reflecting a divergence within agricultural commodities despite a common backdrop of energy market disruption.
- Wheat saw profit-taking following strong YTD gains (+20%+), even as elevated energy prices continued to pose risks to fertilizer costs and global food supply chains.
- In contrast, sugar outperformed due to idiosyncratic supply tightness and rotation within soft commodities, making it less sensitive to immediate energy-driven demand concerns.
- The divergence highlights that while energy shocks broadly raise food inflation risks, commodity-specific supply dynamics remain the dominant driver in the short term.

## Cryptocurrency

Week ending >>>					
	13-Mar-26	20-Mar-26	YTD Returns	Growth for the month	Growth for the week
<b>Crypto</b>					
Bloomberg Crypto Index	1,942.5	1,947.5	(27.7%)	2.3%	0.3%
Bitcoin (USD)	71,357.2	70,041.3	(21.7%)	3.6%	(1.8%)
Ripple	1.4	1.4	(33.1%)	(4.7%)	2.4%
Solana	88.9	89.0	(33.6%)	3.1%	0.1%

- **Cryptocurrency:**

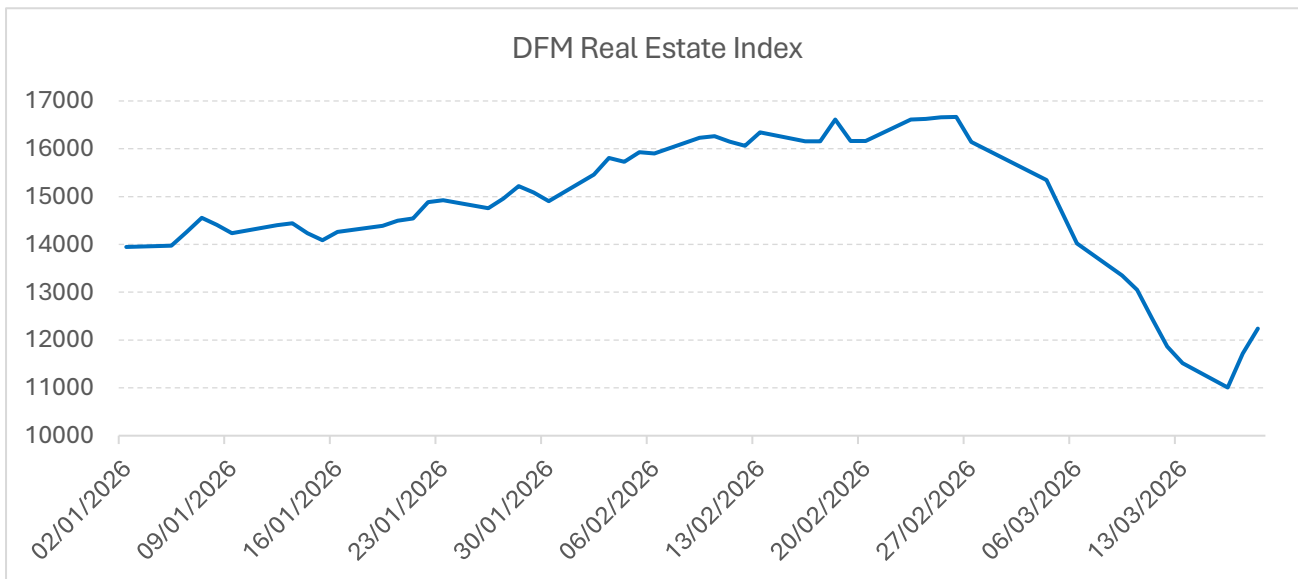
- Crypto markets were broadly range-bound WoW (Bloomberg Crypto Index +0.3%, Bitcoin -1.8%, Solana ~flat, Ripple +2.4%), as macro headwinds from the Middle East-driven oil shock and rising yields offset any risk-on impulses.
- The surge in oil prices and resulting inflation repricing pushed real yields higher and rate-cut expectations further out, tightening liquidity conditions which is historically a negative driver for crypto assets.
- Bitcoin's decline reflects its continued behaviour as a high-beta macro asset, with sensitivity to interest rates and liquidity dominating any narrative around inflation hedging.
- The relative outperformance in select altcoins (e.g., Ripple) appears idiosyncratic and flow-driven, rather than indicative of a broad-based recovery, with the asset class overall remaining range-bound after a sharp YTD drawdown (~-25% to -30%).

## Macro Transmission Indicators

- **DFM Real Estate Index (DFMREI):**

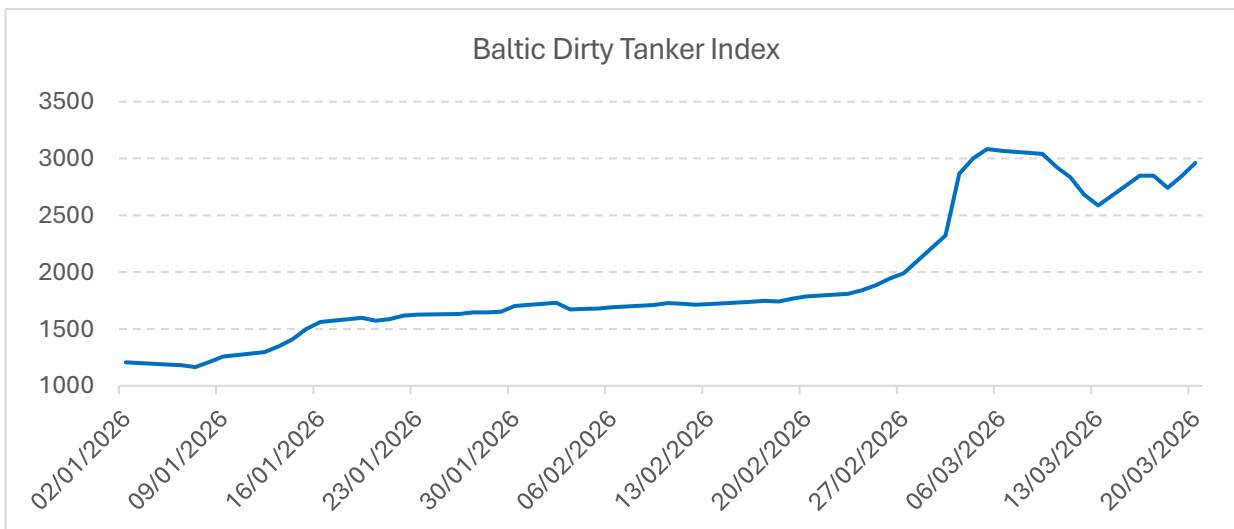
- The DFM Real Estate Index (DFMREI) tracks listed real estate developers on the Dubai Financial Market and serves as a proxy for investor sentiment, capital inflows, and pricing momentum in Dubai's property market, which is heavily reliant on foreign demand and liquidity.
- DFMREI has declined roughly 24% since the escalation of the Iran conflict, as attacks on Gulf energy infrastructure and disruption to flows through the Strait of Hormuz triggered a rapid deterioration in regional risk sentiment, undermining Dubai's positioning as a safe-haven real estate destination.

- The correction has been predominantly flow- and sentiment-driven rather than fundamentally driven, with early indications of a slowdown in transaction volumes and selective price discounts emerging as foreign investor activity weakens amid geopolitical uncertainty.
- The magnitude of the sell-off has been amplified by positioning, with the index coming off a multi-year rally driven by strong inflows and price appreciation, making it vulnerable to a sharp unwind; at the same time, pre-existing concerns around supply additions are resurfacing and compounding the impact of weaker capital inflows.



● **Baltic Dirty Tanker Index:**

- The Baltic Dirty Tanker Index (BIDY) tracks freight rates for transporting crude oil (dirty tankers) across key global routes and is a real-time proxy for oil shipping demand, supply disruptions, and tanker availability, making it highly sensitive to geopolitical events affecting energy flows.
- BIDY surged sharply into early March and remains elevated (~+100%+ from January levels) as the escalation in the Iran–US–Israel conflict and disruption to the Strait of Hormuz (handling ~20% of global oil flows) severely constrained tanker supply and rerouted shipping traffic. This led to a spike in freight rates as vessels were diverted, delayed, or taken out of circulation.
- The subsequent pullback (~10–15% from peak) reflects partial normalization in flows and profit-taking, but rates remain structurally elevated due to ongoing uncertainty around Gulf shipping lanes and increased insurance, security, and routing costs.
- The overall move highlights a classic logistics shock layered on top of an energy shock, where even marginal disruptions to key chokepoints (Hormuz) lead to disproportionate increases in freight rates due to tight tanker supply and longer voyage distances.



## Updates in AI sector over the week

- **NVIDIA GTC 2026 - Shift Toward AI Infrastructure and Deployment:** At NVIDIA's GTC 2026, the industry narrative shifted decisively from model development to large-scale deployment, with a strong emphasis on "AI factories," inference scaling, and physical AI applications such as robotics and industrial automation. The conference highlighted that the next phase of AI growth will be driven by enterprise and industrial adoption rather than research breakthroughs, reinforcing the view of AI as a capex-intensive, infrastructure-led cycle with sustained demand for semiconductors, data centres, and compute capacity.
- **AI Increasingly Positioned as Strategic/National Security Infrastructure:** Over the past week, AI's role as a core national security asset became more explicit, with developments such as the U.S. Department of Defense formalizing AI-driven systems (e.g., Palantir's Maven) for battlefield use, expanded collaboration between leading AI firms and government agencies, and the release of a national AI policy framework focused on technological leadership. At the same time, China continues to integrate AI into military and strategic systems, reinforcing a broader global "AI arms race." This highlights a structural shift toward AI as critical infrastructure, where demand is increasingly driven by defense, intelligence, and sovereign priorities, rather than purely commercial applications.
- **UK Announces £2.5bn AI Investment Program:** The UK government announced a £2.5bn investment into AI and quantum technologies, alongside initiatives to accelerate adoption and establish institutional frameworks such as an AI Economic Institute. This move underscores intensifying global competition to build domestic AI capabilities and embed AI into productivity growth, reinforcing the trend of increasing public-sector involvement and long-term policy support for AI ecosystems.

## Geopolitical News & Outlook for the upcoming week

- **Middle East Conflict Escalates; Energy Infrastructure Targeted:** The Iran–US–Israel conflict intensified materially over the week, with coordinated strikes on critical energy assets including Iran's oil export facilities and the South Pars gas field, alongside retaliatory missile attacks across Gulf infrastructure (Qatar, Kuwait, UAE). The conflict has now expanded beyond bilateral confrontation into a regional energy infrastructure war, significantly increasing systemic risk to global supply chains and energy markets.
- **Military Escalation Risk Rises; US Deployment and Ultimatums:** The U.S. increased military presence in the region, deploying additional troops, aircraft, and naval assets, while issuing direct ultimatums to Iran to reopen the Strait. Iran responded with threats of "zero restraint," including potential targeting of Gulf energy infrastructure and U.S.-linked assets, raising the probability of a direct confrontation over control of Hormuz.
- **Geopolitical Shock Feeds Directly into Global Macro Policy:** The energy shock has begun to directly influence global macro policy, with central banks (Fed, ECB, BoE) explicitly flagging the conflict as a key source of inflation uncertainty. Markets have shifted from pricing rate cuts to a "higher-for-longer" or even tightening bias, highlighting how geopolitical developments are now a primary driver of monetary policy expectations.

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