

Multi-Asset Investment Solutions

Weekly Market Review

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Market recap – stock markets mixed as energy concerns continue

Many global stock markets fell again last week as investors reacted to surging energy prices, geopolitical uncertainty and weakness in the shares of technology giants. In sterling terms, the US **S&P 500 index fell 2.0%** and the technology-heavy **Nasdaq 100 dropped 3.1%**, marking a fifth consecutive weekly fall for many US benchmarks. The **FTSE 100 rose 0.6%**, helped by strength in energy and defensive companies. European stock markets were mixed but held up comparatively well, with the **MSCI Europe index (excluding the UK) edging up 0.3%**, as healthy performance by some companies helped offset concerns around energy costs. In Asia, Japan saw modest gains, with the **TOPIX up 0.7%**, helped by signals that policymakers may intervene to support the yen. China was weaker, with the **MSCI China index falling around 2%**, reflecting pressure on energy-sensitive sectors and uncertainty caused by ongoing geopolitical tensions. Overall, investor sentiment remained fragile as markets tracked developments in the Middle East and investors reduced exposure to more highly valued stocks in areas like technology.

Geopolitics – Middle East uncertainty keeps investors on edge

Geopolitical developments dominated investor sentiment as the conflict in the Middle East showed little sign of resolution. Reports of extended ceasefire windows were offset by fresh threats to shipping routes and signs of hardening positions on both sides. The **Strait of Hormuz**, through which around a fifth of global oil supplies are shipped, **remained the focal point of market concern**. Even the prospect of limited interruptions to tanker traffic kept traders pricing a meaningful geopolitical risk premium into energy markets. Hopes of diplomatic progress early in the week faded quickly as conflicting statements emerged, leaving investors cautious and focused on the risk of a longer-lasting energy supply shock.

Central banks – higher oil prices complicate the inflation outlook

Rising energy prices continue to complicate the outlook for central banks. In the US, officials acknowledged that higher oil and gasoline costs could keep inflation elevated for longer, with markets even beginning to price a small chance of an interest rate increase this year. In the eurozone, policymakers emphasised that it is **“too early” to judge the inflationary consequences** of the conflict but reiterated readiness to act if required. In the UK, inflation held steady at 3% in February, but the figures predate the rise in energy prices and upward pressure on inflation could intensify in coming months. In Japan and China, authorities signalled that they are monitoring the inflationary impact of oil prices closely, with Japan’s Ministry of Finance warning that **currency intervention remains possible** if yen weakness amplifies import-driven inflation.

News – tech weakness becomes a drag on broader sentiment

Renewed weakness in the shares of technology giants acted as a drag on US stocks and added to market turbulence. Several large tech companies fell, as investors reassessed valuations amid **higher income available from bonds, rising energy costs**, and uncertainty over **artificial intelligence-related spending**. Broader concerns around the **private credit market** added further pressure, weighing on financial companies sensitive to conditions in the credit market. While energy and some retail companies held up better, overall, investors shifted to **more defensive positioning as the first quarter draws to an end**.

Economic data – mixed signals across major economies

Economic data painted a mixed picture. In the US, business activity growth slowed, while companies reported rising costs linked to higher oil prices. Jobless claims remained stable, but consumer sentiment dropped sharply as inflation expectations rose. In Europe, German business confidence and eurozone business activity were weaker and the Organisation for Economic Co-operation and Development (OECD) lowered its European growth forecasts for 2026. UK economic growth was flat in January and retail sales fell modestly in February. Japan saw some signs of resilience, with core consumer price index (CPI) inflation easing temporarily due to energy subsidies and fourth-quarter economic growth revised higher, though policymakers warned that upward price pressures are likely to persist. In China, the picture was mixed: factory profits rose sharply early in the year and domestic fuel prices were capped to offset higher import costs, but stock markets fell amid energy concerns.

Commodities

The oil price remained above \$110 per barrel, driven by continuing disruption to shipping in the Strait of Hormuz and rising concerns about how long this will last. While diplomatic efforts continued, the effective closure of a key shipping route meant energy markets remained volatile and reinforced expectations of a prolonged supply shock.

Gold moved back above \$4,500, recovering some of its earlier losses as geopolitical tensions remained high and investors sought selective safe-haven assets despite headwinds from a stronger US dollar.

Week ahead – what to watch

US: Jobs data (Tue), retail sales (Wed), manufacturing activity (Wed), non-farm payrolls and unemployment rate (Fri).

UK: Nationwide House Price Index (Tues).

Europe: Germany inflation (Mon), France inflation (Tue), eurozone preliminary inflation data (Tue), Italy inflation (Tue).

Asia-Pacific: Japan business survey (Wed), China manufacturing activity (Tues-Weds), Australia trade balance (Thu).

Source: Marlborough Multi-Asset, Morningstar, Financial Times, PIMCO, T. Rowe Price, Anglia Advisors, Trading Economics

Risk Warnings

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