

March 16, 2026

Weekly Investment Insights



MARKET SNAPSHOT

The ongoing conflict in the Middle East continued to push oil prices higher last week, with Brent crude briefly rising to \$106 per barrel. Prices continued to rise despite the International Energy Agency's announcement of a record release of 400 million barrels from its strategic reserves to mitigate the impact of the disruption of the flows through the Strait of Hormuz, as persistent tension continued to dominate headlines.

With several major central banks scheduled to meet to discuss monetary policy this week, market participants are trying to assess the potential impact of elevated energy prices on inflation dynamics and, consequently, monetary policy decisions. The geopolitical escalation has already pushed inflation expectations higher, particularly in the US and Europe, as energy driven price pressures feed into market pricing. Rising oil and gas prices have contributed to higher government bond yields, with increases across US Treasuries, European sovereign debt, and UK gilts as investors reassess the likelihood of near term rate cuts. Given the uncertainty surrounding the duration of the conflict and its economic impact, most central banks, including the Fed and the ECB, are expected to keep policy unchanged this week while continuing monitoring developments.

Equity markets remain under pressure as investors grapple with geopolitical uncertainty, rising yields, and the potential for more persistent inflation.

	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	-1.60	-3.59	-3.12
Nasdaq Composite	-1.26	-2.48	-4.89
EuroStoxx 50	0.34	-7.07	-1.50
CAC40	-0.39	-8.11	-3.25
DAX	0.13	-7.30	-4.29
CSI 300	1.22	-0.83	0.90
US 10 Year Yield (%)	3.89	8.07	2.11
Germany 10 Year Yield (%)	3.50	11.96	3.64
Gold Spot (\$/Oz)	-2.78	-5.37	15.66

Source: Bloomberg, BIL as of March 16

MACRO SNAPSHOT

US Q4 2025 growth revised down to 0.7%

According to revised figures, the **US economy grew by just 0.7%** year on year in the final quarter of 2025, as **exports, consumer spending and investment were lower than initially estimated**. The GDP growth rate was sharply revised down from an initial estimate of 1.4%, slowing from the 4.4% growth rate seen in Q3. This suggests that the US economy weakened more than expected at the end of the year.

The Bureau of Economic Analysis stated that the net trade figure decreased due to a **downward revision of services exports**. Consumer spending on services was also lower than previously thought.

Much of the slowdown has been attributed to the **federal government shutdown**, the impact of which was also greater than initially thought. The **recovery from the shutdown is expected to boost GDP** growth at the start of 2026.

US inflation steady prior to Middle East conflict

US headline CPI inflation held at **2.4% year on year** in the month preceding President Trump's conflict with Iran. From here, however, tariff costs are expected to lift inflation in the months ahead, while the escalation in the Middle East also raises concerns about renewed price pressures stemming from rising energy costs.

Digging into February's print, energy inflation firmed (0.5% vs -0.1% previously), driven by a smaller decline in gasoline prices (-5.6% vs -7.5%) and notable increases in fuel oil (6.2% vs -4.2%) and natural gas (10.9% vs 9.8%).

In contrast, prices for used cars and trucks fell further (**-3.2% vs -2%**), while food (**3.1%**) and shelter (**3%**) inflation remained unchanged.

Jewellery was a notable gainer, rising **11.2% year on year** — a small scale reflection of broader geopolitical tensions. The increase has been fuelled by strong rallies in gold and silver, which typically serve as safe haven assets during periods of uncertainty. Over the past year, that uncertainty has been plentiful, first with tariff related disruptions and now with an escalating conflict in the Middle East.

On a monthly basis, CPI rose **0.3%**, slightly above January's **0.2%**, matching expectations. Shelter contributed most to the increase, rising **0.2%**, while gasoline climbed **0.8%** and food prices increased **0.4%**.

Core inflation — excluding food and energy — was stable at **2.5%**, its lowest since 2021.

The report arrived just ahead of next week's Federal Reserve meeting, where policymakers are widely expected to keep rates unchanged at **3.5%–3.75%**. The recent surge in energy prices has led traders to scale back expectations for rate cuts this year. Markets are now pricing in **only one or two quarter point cuts**, compared with the **two or three** anticipated before the conflict broke out.

China's export strength continues to prevail

China's trade surplus widened to USD 213.6 billion in the first two months of the year, as **exports surged 21.8% year on year** - a sharp acceleration from December's 6.6% increase and far above expectations. The January–February figures are combined to smooth distortions linked to Lunar New Year shifts. This marked the fastest export growth since October 2021, supported by **robust global demand** which is likely to continue into March as **factories frontload shipments to the US** during the temporary period of lower tariffs of 10% following the Supreme Court's ruling that previous levies were illegal. The conflict in the Middle East, and the resulting **energy supply disruptions, is a risk** and could derail manufacturing activity in the months ahead. However, China has **stockpiled key commodities** needed by manufacturers at the start of the year, including iron ore and crude oil, and is relatively well-positioned for such supply disruptions.

Imports also rose strongly, jumping 19.8% amid firmer domestic demand during the festive season. Bilateral trade with the US, however, weakened: exports to the US fell 11%, while imports from the US dropped 26.7%.

China's strong export performance at the start of the year will likely draw heightened scrutiny as Presidents Donald Trump and Xi Jinping are set to meet in Beijing at the end of this month. Several of China's trading partners, including the US, have raised concerns that their markets are being flooded with low cost Chinese goods, putting domestic industries at risk. Yet the concurrent **rise in imports may be viewed as a positive sign** that China's trade balance could

become slightly less one-sided. Although Beijing has pledged to prioritise boosting household consumption in 2026, activity at the start of the year was likely **lifted by holiday spending and precautionary crude oil purchases** ahead of the escalation in the Middle East. **Stronger than expected data** may also give policymakers reason to **delay additional stimulus measures**, particularly if consumption continues to hold up better than anticipated.

Germany industrial production stuck in the mud

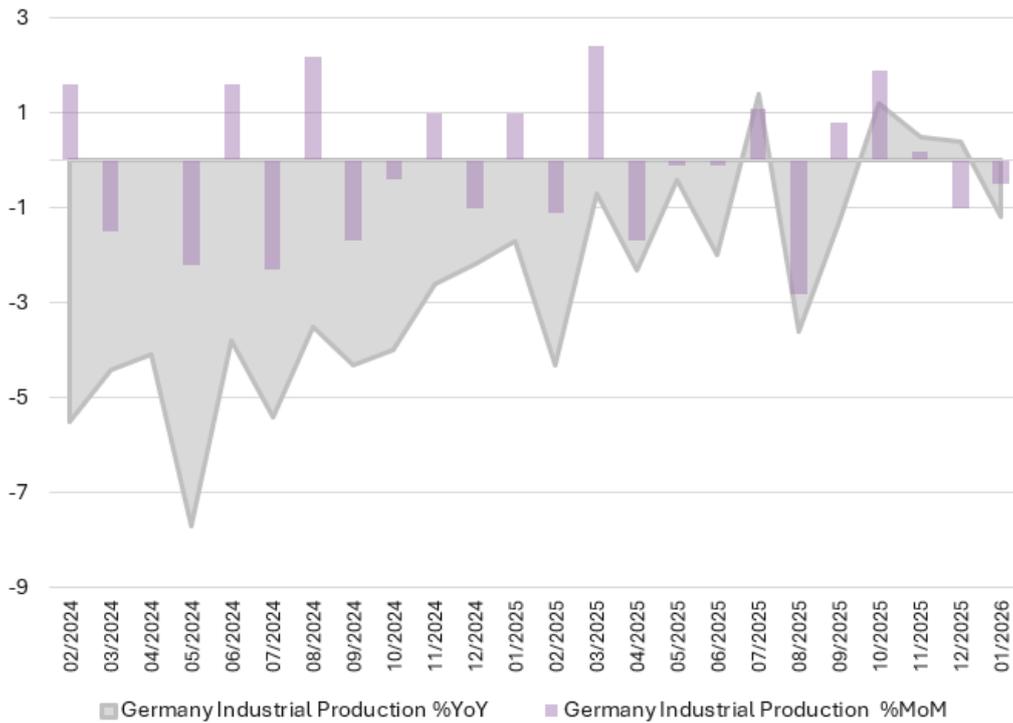
German fiscal spending plans and improving soft indicators have recently fuelled optimism about an industrial turnaround. The Manufacturing PMI, for example, moved into expansion territory in February for the first time since June 2022, and the IFO index reached its highest level since August 2025, with a leg-up from better expectations for industry. In practice, however, the hard data is yet to show any **meaningful industrial upturn**.

Industrial output in Germany fell **0.5% MoM in January**, following a downwardly revised **1.0% decline** the month before, against market expectations of a **0.9% increase**. This marks a second consecutive monthly contraction. The largest drags came from fabricated metal products (-12.4%), pharmaceuticals (-11.9%), and computer, electronic and optical products (-6.8%). These declines were only partially offset by a **10.3% rise in energy production**, reflecting colder weather, and by a **2.9% increase in construction output**. Excluding energy and construction, industrial production fell **2.5%**, with broad-based weakness across consumer goods (-4.2%), intermediate goods (-2.6%), and capital goods (-1.6%).

The persistence of weak output suggests that Germany's industrial malaise is driven more by **structural constraints** than by short-term cyclical forces—especially notable given that global industry is showing clearer signs of recovery. By comparison, French industrial production edged up **0.5% in January**, and US manufacturing is gaining momentum with increasingly broad-based improvements across industry groups.

The Bundesbank expects Germany's expansionary fiscal stance to support growth more meaningfully only later in the year, and while defence and infrastructure spending should substantially raise government demand, it will have only a limited effect on Germany's underlying productive capacity. The Bundesbank highlights the need for more comprehensive structural reforms to strengthen the economy sustainably.

Germany Industrial Production



Source: Bloomberg, BIL

Calendar for the week ahead

Monday – China House Price Index (February), **Industrial Production** (Jan-Feb), **Retail Sales** (Jan-Feb), Fixed Asset Investments (Jan-Feb), Unemployment Rate (February). US Industrial Production (February).

Tuesday – Eurozone & Germany ZEW Economic Sentiment (March). US NAHB Housing Market Index (March).

Wednesday – Japan Balance of Trade (February). Switzerland SECO Economic Forecasts. Eurozone Inflation Rate (Final, February). US PPI (February), Factory Orders (January), **Fed Interest Rate Decision & Economic Projections**.

Thursday – Bank of Japan Interest Rate Decision. Switzerland Balance of Trade (February). UK Unemployment Rate (January). **Swiss National Bank Interest Rate Decision**. **Bank of England Interest Rate Decision**. US Jobless Claims, Housing Stats (January). **ECB Interest Rate Decision**.

Friday – Eurozone Balance of Trade (January).

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