



KFH Capital Monthly Insights

Capital Market Outlook & Updates

March 2026

Capital Markets Insights

Market Analysis & Outlook

- As we write, we are over a month into the conflict, and it has significantly increased the overall downside risks to capital markets. With the probability of the engagement to extend all through the month of April; which is developing as a baseline scenario. Consequently, we believe the key capital market theme in the short to medium term is increased volatility amid uncertainty. Nonetheless; Key factors to focus include:
- **Energy Prices:** The average price of the Brent for the month of March 2026 is USD 100 per barrel, and it continues to trade above the average price as we write. While the average price during the month of February stood at USD 69.4 per barrel, the conflict has resulted in a 44% increase on a monthly basis on an average.
- With the expectations that the timeline has been stretched and is expected to continue during the month of April consensus are that prices are likely to trade in the USD 110-130 range. Even if the conflict were to end in a couple of weeks time as per in coming news reports at the time of writing; the shipping lines will likely normalize by end of 1H2026 or early 2H2026.
- **The Macro Impact:** The impact of higher energy prices will be transmitted through elevated inflation levels. Already; the Euro area inflation has moved above the central bank target of 2.0%; the March inflation has surged to 2.5% from earlier 1.9% with energy being a key contributor for the surge. Inflationary pressure though transitory would delay the easing cycle for global central banks. *Thus, overall impact of sustained higher energy prices include accelerating inflation; a more cautious and hawkish central banks and worst-case scenario of slower global GDP growth*

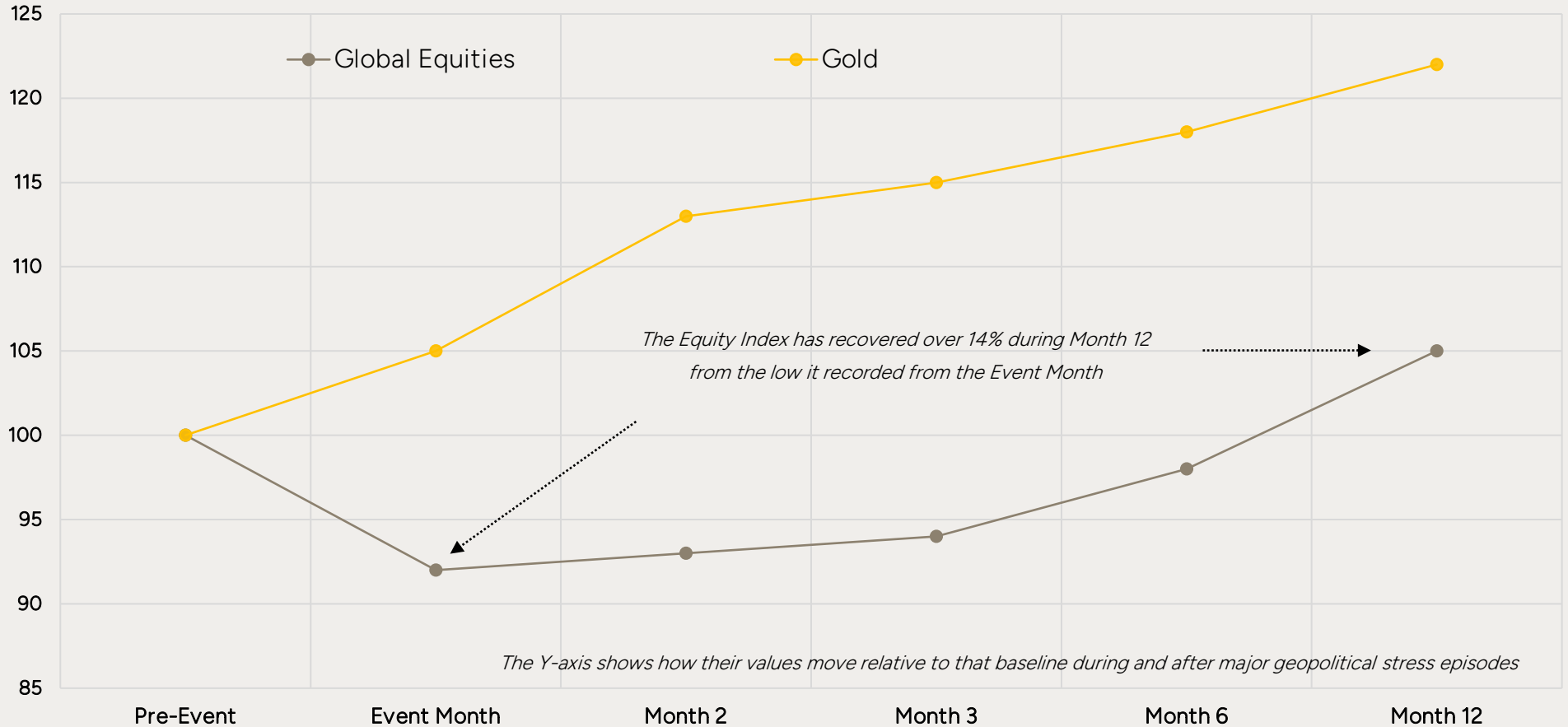
KFH Private Wealth Insight – Chart of the Month

- **How Geopolitics Moves Different Markets:** Markets respond not to geopolitical events themselves, but to their potential economic consequences, which rarely alter the long-term trajectory of growth. The investors who have consistently reaped the greatest rewards are those who stayed the course during volatility, rather than reacting impulsively to headlines — making three principles timeless: stay invested, diversify effectively, and resist knee-jerk reactions.
- **Equities: Volatility Is Not Permanent Loss.** Sophisticated investors must distinguish between volatility and permanent capital loss. A typical 6% S&P 500 drawdown after a geopolitical event—usually recovered within 39 days—is merely volatility. Selling at the lowest point causes capital loss.
- **Fixed Income: The Safe-Haven Premium Has Limits.** Traditionally, investors would move to US Treasuries during geopolitical stress but rising fiscal risks have complicated this strategy. While geopolitical risk typically boosts Treasury prices, this effect is now challenged by US fiscal policies, particularly under the Trump administration
- **Commodities and Gold: The Crisis Premium.** Gold has proven its value as a geopolitical hedge, surging nearly 50% in 2025 and outperforming other major assets. Its continued rise into Q2 2026 is fueled by geopolitical uncertainty, central bank de-dollarization, and strong demand.
- To know more about the Chart of the Month and much more; get your copy of the KFH Capital Quarterly Wealth Insights publication with Q2-2026 outlook and our House View on markets which will be available soon.

Cross Asset Performance During Major Geopolitical Episodes

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 Graph is Rebased on the Y-axis; with Pre-Event or Index Starting Point being 100



Source: Bloomberg; World Gold Council; IMP; JP Morgan Asset Management

Equity Markets Update

The near-term outlook in equities depend on the course of the conflict; during which markets to remain volatile. Key tailwinds include the start of the earnings season

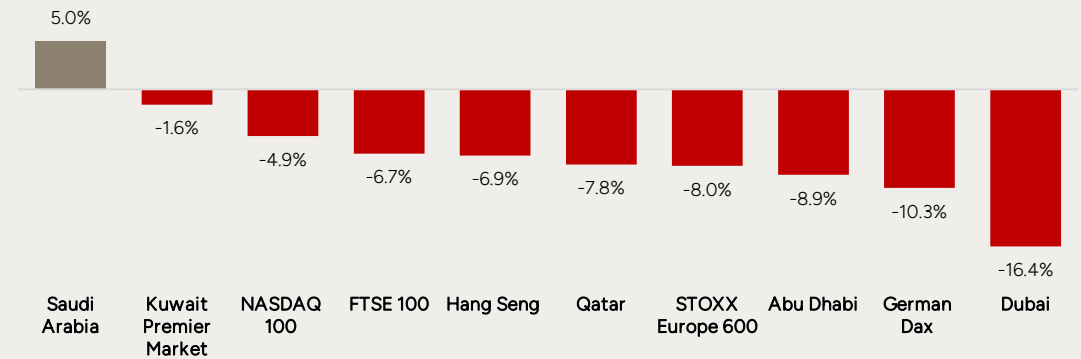
The S&P 500 VIX Index up 68.9% on YTD basis:

- The S&P500 VIX Index stands at 26.32 as we write; thus, at current closing of the S&P 500 of 6,575.3 the expected monthly volatility in the S&P500 to be $\pm 9\%$.
- Though markets have recorded losses on a monthly basis they remain stable. On a Year to Date (YTD) basis for 2026 the MSCI World Index is down 3.9%; while MSCI Europe and Emerging markets are down 3.4% and 0.5% respectively during the same period
- The study of the S&P50 constituents price action highlights that the top100 companies based on market capitalization are down 16-17% from respective 52-week highs.

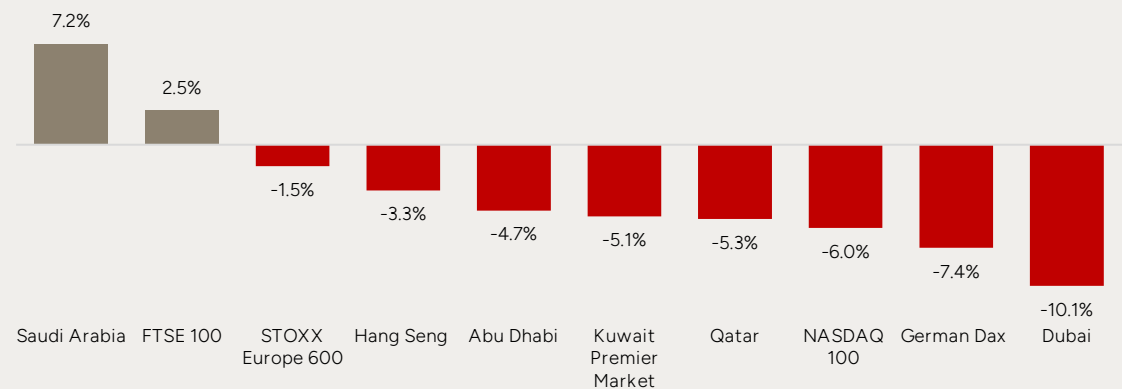
In the GCC KSA was the top performer

- Key drivers being favorable energy dynamics and regional safe haven. Saudi equities have historically had a positive correlation with oil markets. The Brent continuing to trade above the USD 100 per barrel mark coupled with alternative trade routes i.e. oil exports through pipelines have impacted equities positively
- As we write the Saudi Tadawul Energy Index is up 10.37% since the start of the conflict. Saudi Arabian Oil Company (ARAMCO) is recorded 10.42% gains in price during the same period.

Global Equity Markets Performance – Month to Date (MTD)



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

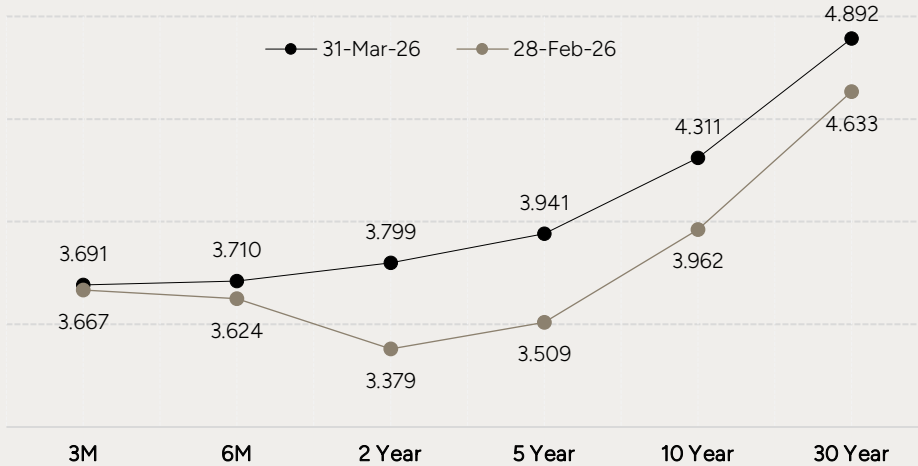


Source: Refinitiv; *Index Closing as of March 31, 2026

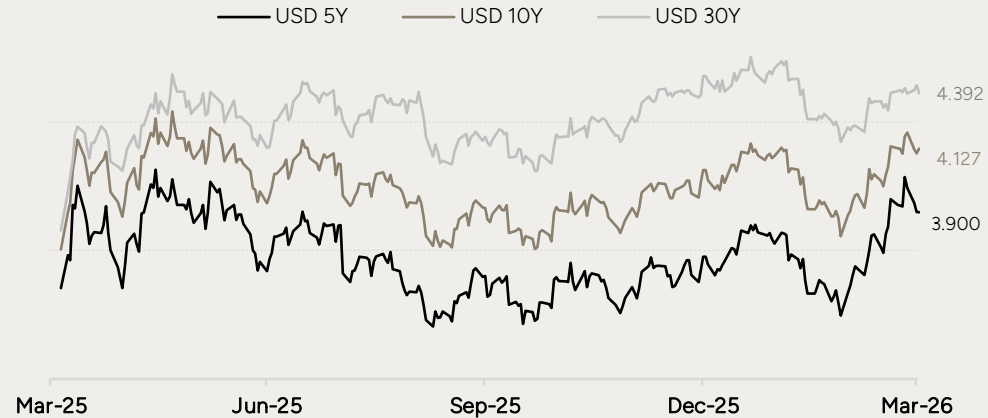
Global Benchmark Yields

The markets witnessed a bearish steepening of the US Treasury Yield Curve

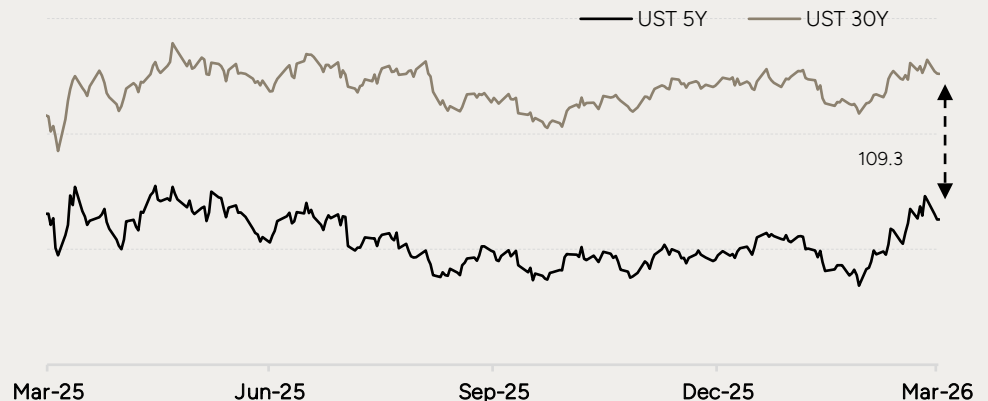
US Treasury Yield Curve (%)



US Mid-Swaps Yield (%)



30Y-5Y Spread (bps)



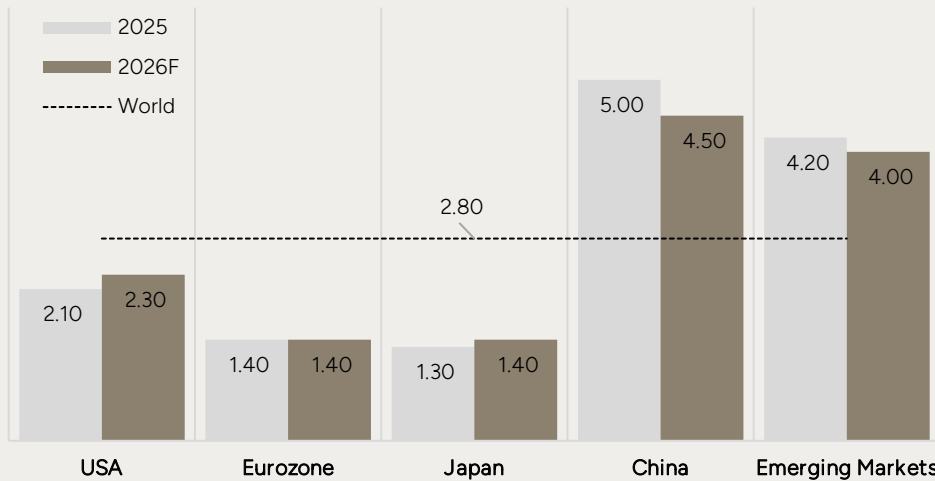
- The month witnessed a steady rise in long tenor yields indicating expectations of delayed Fed rate cuts or even a hold on the interest rates coupled with markets pricing a stickier or higher inflation in the short to medium term. The recently released US Fed Dot plots confirm the above
- The 2Y US Treasury Yields closed at 3.799% a 42bps gain on monthly basis. While the 10Y Yields have moved up by 35bps during the same period. The most was the 5Y Yield which closed at 3.941% an upward movement of 43.2bps on a monthly basis

Source: Refinitiv, Year-to-Date (YTD) as of March 31, 2026

Macroeconomic Overview

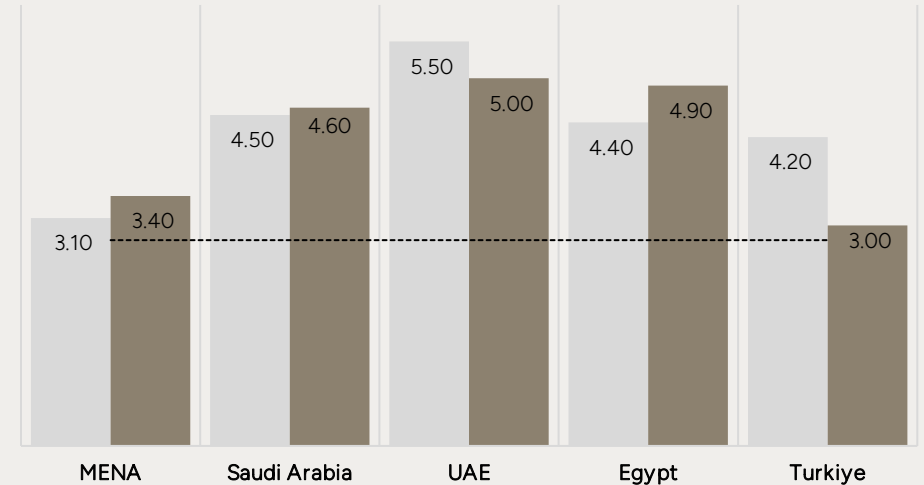
Though the global growth continues to remain unchanged at 2.8% for 2026; there is material increase in downside risks to growth driven by the length and extent of the conflict

Real GDP Growth (%) - Global



- Key channels through which there can be increased downside risks to global growth include; trade Disruption; higher energy prices; increase uncertainty; prolonged security risks; financial tightening etc. The most impacted is the MENA region; the GDP forecasts have been revised downwards to 3.40% from earlier expectations of 3.9% for 2026.
- Among the GCC region the Saudi GDP growth for 2026 has been revised down to 4.6% from earlier 4.8%. Key drivers being decline in non-oil economy in particular tourism, however the downside is contained by expectations of expansion in the oil & gas segment through alternate supply routes

Real GDP Growth (%) – MENA Region



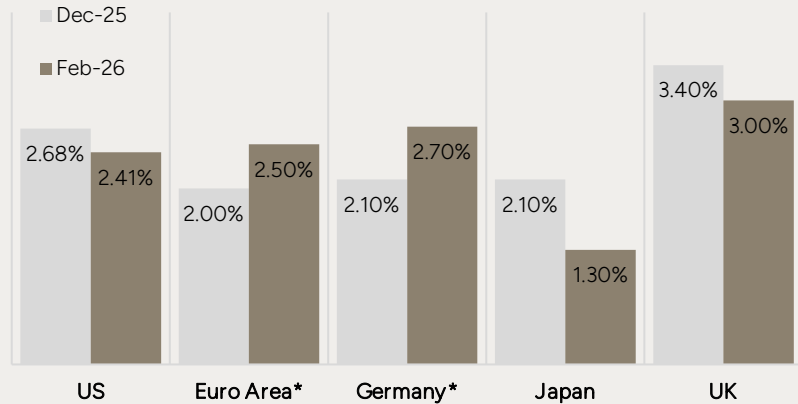
- UAE growth has been revised to 5.0% from earlier forecast of 5.6% during the same period. Key driver being the disruption in services sector which includes logistics; travel and tourism, retail etc.
- In the case of Kuwait; the GDP forecast has been revised down to 2.8% from earlier forecast of 4.1% growth for 2026. Oil will be drag on real GDP growth as it contributes close to 50% of the economy. However; strong fiscal buffers should support increased government spending which is likely to contain the impact on economic activity

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

Consumer Price Inflation & Central Banks' Rates Monitor

Major Central Banks hold rates due to increased ambiguity on the macroeconomic outlook. While rise in recent inflation numbers point to elevated inflation levels in the short to medium term

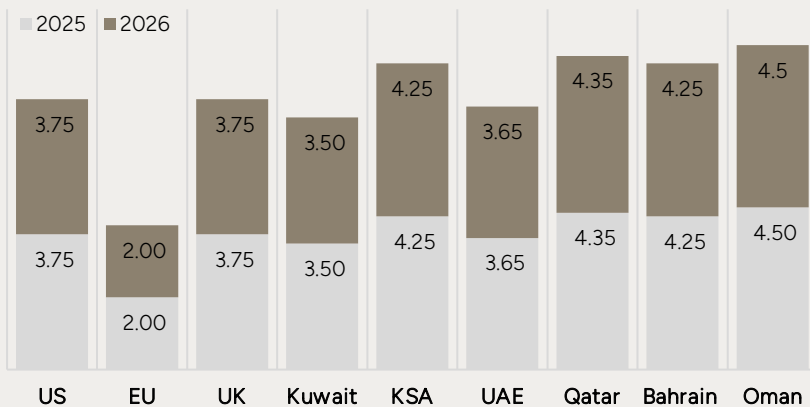
Consumer Price Index (CPI)



- The Euro area annual inflation expectations are to be 2.5% as of March 2026; up from February estimates of 1.9% annual inflation. The key driver being the expected increase in energy prices; as of March, the energy prices are forecasted to rise by 4.9% compared to a forecast of a decline of 3.1% during previous month. US Inflation numbers for March are expected to be out by the second week of April which we believe should be on the higher side as the Index takes into account the increase in energy and transport costs due to higher crude prices.
- The recently published economic projections report by the US Fed which includes the monetary policy expectations dot plot indicated that 74% (i.e. 14 out of the 19) of the FOMC participants believe that either the current Federal fund rates of 3.50-3.75% are appropriate or an additional 25bps rate cut for 2026..

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

Central Banks Rates



Economic Calendar

April 2026						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31	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	1	2

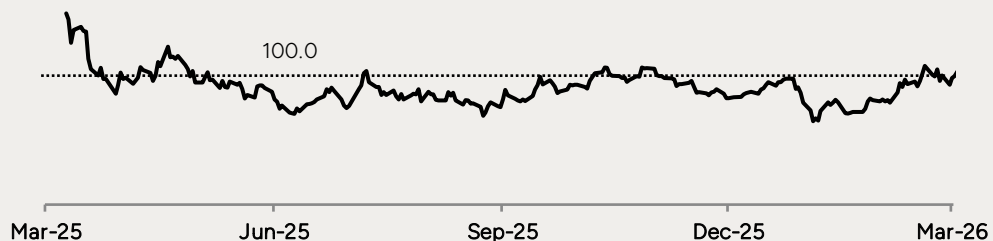
- Apr 03:** Turkey CPI Data
- Apr 03:** Non-Farm Payroll - US (Employment)
- Apr 10:** Consumer Price Inflation - US
- Apr 22:** Consumer Price Inflation - UK
- Apr 28:** Bank of Japan – Meeting
- Apr 29:** US Fed Reserve – Meeting
- Apr 30:** Bank of England - UK
- Apr 30:** European Central Bank - Meeting
- Apr 30:** Eurozone CPI data

Commodities and Forex Overview

The conflict drives commodities; however, the gains have been divergent with the energy complex recording gains while base metals have under performed on monthly basis


- The Brent continues to trade above USD 100 per barrel mark as global supplies continue to remain under pressure due to the continued closure of the Strait of Hormuz. The average price of Brent on a Year-to-Date (YTD) basis as of March 31; 2026 stands at USD 78.38 per barrel up 4.54% when compared to the average price same period last year. However; the situation remains very fluid and sensitive; as we write the Brent was down 13.9% on a single day as it trades at USD 101.9 per barrel; driven by optimistic headlines on the conflict.
- Gold closed in the negative driven by a strong US Dollar coupled with pause on the interest rate cut cycle. As we write the Dollar Index is up 1.8% on a YTD basis.
- In the case of Industrial metals; Aluminum was the top performer driven by disruption in the Gulf supplies which contribute around 9% of the total global supply. Industrial or Base metals outlook is driven by how the demand supply equilibrium is sustained. A prolonged conflict will result in weak demand as global growth falters; however, supply bottlenecks will offset demand weakness

US Dollar Index is down 1.67% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	101.38	51.27%	76.56%	76.56%
Brent Crude (USD Per Barrel)	118.35	63.29%	94.49%	94.49%
DME Oman Crude (USD Per Barrel)	149.74	105.69%	143.76%	143.76%
Natural Gas (USD MMBTU)	2.88	0.87%	-21.76%	-21.76%
LNG - ASIA (USD MMBTU)	19.30	85.58%	101.04%	101.04%
Precious Metals	Last	MTD	3M	YTD
Gold (USD Ozs)	4,647.60	-11.14%	7.46%	7.44%
Silver (USD Ozs)	74.69	-19.41%	6.92%	6.50%
Base Metals	Last	MTD	3M	YTD
Aluminum (USD/Tonne)	3,467.0	10.41%	17.45%	15.74%
Alu Alloy (USD/Tonne)	2,900.0	12.45%	15.58%	15.58%
Copper (USD/Tonne)	12,335.5	-7.55%	0.93%	-0.70%
Tin (USD/Tonne)	46,747.0	-19.02%	14.74%	15.27%
Zinc (USD/Tonne)	3,226.5	-2.73%	4.47%	3.50%
Lead (USD/Tonne)	1,903.0	-3.01%	-5.11%	-5.37%
Nickel (USD/Tonne)	17,110.0	-4.11%	8.20%	2.79%
Rolled Steel (CNY/Tonne)	3,074.0	1.63%	-0.75%	-0.69%

Source: Refinitiv, YTD as of March 31, 2026



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