

What to watch in the week ahead

Weekly Global

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- Market angst over the duration and impact of the war in the Middle East intensified at the start of this week, pushing oil prices to their highest level since 2022. The appointment of the late Ayatollah Ali Khamenei's son, Mojtaba, as the new Supreme Leader added to worries that the regime may be resistant to diplomatic efforts to the end the war.
- The pivotal questions for this week will be whether market confidence will return that the war can be brought to a speedy end, before an interruption of energy supplies adds to economic headwinds. In the meantime, will the US succeed in its efforts promote the follow of energy through the Strait of Hormuz by facilitating insurance and safe transit?
- After disappointing jobs data from the US at the end of last week, will inflation data this week restore optimism that a bright economic outlook will enable the US to weather a short-lived rise in geopolitical worries?

Will the US-Iran war follow the historical pattern of crises that fade quickly from markets?

History shows that the impact of war and geopolitical conflict on markets is generally fleeting, unless the crisis morphs into an economic one. This conclusion was underlined again in the 27th annual *Global Investment Returns Yearbook* (GIRY), which analyzes the performance of assets from 1900 to 2025. Among the most reliable observations has been that investors have almost always been rewarded for looking through geopolitical turmoil. Using a regression of future world equity returns against a geopolitical threat index, the Yearbook finds no relationship between geopolitical events and returns, whether for a month or a year ahead. Instead, economic developments—growth, fiscal policy, and interest rates—generally dominate.

This chimes with some of our analysis at CIO. Since the attack on Pearl Harbor in 1941, the S&P 500 has been higher three-quarters of the time 12 months after the start of a crisis. Half the time, markets have only taken a month to recover, according to an analysis by Truist based on FactSet data. It is worth noting that US equities have risen about seven of every 10 years since World War II, so staying cool-headed typically pays off.

So, the central question for investors this week, will be whether the US-Iran war, though momentous in geopolitical and humanitarian terms, will mark a turning point for investors. The answer will hinge on whether the conflict impacts the supply of oil and gas on a sustained basis. Will any disruption persist so long economic growth will be impaired and inflation reignited?

To drill down into what CIO's experts have written on how to position amid tensions in Iran, see these related publications

- For the latest take from CIO following this weekend's events, see [this Daily](#) publication published 9 March 2026.
- Listen to the most recent Across the Pond podcast, where CIO geopolitical experts Dirk Effenberger and Kurt Reiman break down the global implications of the Iran conflict and the impact of the broader shift in US foreign policy on markets [Apple](#) [Spotify](#) (23 mins)
- Dive deeper into the CIO view on crude oil in [this research report](#).
- Find out [What's next for gold](#) in this UBS House View Briefcase.

For a longer-term analysis of markets:

- See the 2026 edition of the [Global Investment Returns Yearbook](#), produced by Professor Paul Marsh and Dr. Mike Staunton of London Business School, together with Professor Elroy Dimson of Cambridge University. With data stretching back to 1900, the Yearbook offers a unique record of real returns across equities, bonds, bills, currencies, and now gold helping investors place today's market developments in historical context, offering essential perspective on diversification, asset allocation, and the enduring principles of risk and reward. While the themes dominating recent headlines may feel new, from the extraordinary surge in gold prices to the debate around whether AI could be a technology bubble, the Yearbook reminds us that

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And will central banks look through energy-related price increases, or look to move rates higher? Our base case at present is that strong economic fundamentals will once again offset geopolitical headwinds. Exiting risk assets could prove to be a mistake, though investors should consider steps to reduce portfolio volatility in times of heightened uncertainty.

many of the current dynamics have precedents.

What happens if the conflict drags on?

Our view that investors should avoid overreacting does not mean they should be complacent. The war has already developed into a broader regional conflict, with Iran striking out at neighboring states in the Gulf. So, while the GIRY generally justifies a cool-headed response from investors, there are exceptions. A handful of geopolitical events have taken a heavy toll on markets, including World War I, and the 1973-74 Yom Kippur War and subsequent oil embargo. These led to three of the six worst declines in global markets since 1900.

Here, we can hone in on the developments that we will be watching to determine the potential duration and severity of the conflict. How quickly are US attacks degrading Iran's ability to strike at other Gulf states, since such actions have so far interrupted Qatari natural gas output and shut down refineries? In addition, would Iran be willing to place sea mines in the Strait, which could be done via helicopter or via small vessel? Iran did this in the 1980s and it would be hard for the US to prevent. That said, this would also reduce Iran's ability to export its own oil once the crisis is over. Second, will the US be able to neutralize these efforts and prevent a sustained rise in energy prices, which is a political imperative ahead of the November midterm elections. The Trump administration has proposed various steps to provide insurance guarantees for ships traveling through the Strait, including military escorts where necessary. A key question this week will be how quickly such protections can be put in place and how effective they are.

Such uncertainties suggest that while investors should keep calm, it would be wise to add portfolio hedges. Diversification is an obvious starting point. Gold has been volatile since the start of US-Israel airstrikes on Iran, rising to within a whisker of record highs before retreating. Overall, the outlook for gold remains strong, in our view. It has shown its value as a hedge over recent weeks, as geopolitical tensions have mounted. Lower Federal Reserve rates, investor demand, and robust central bank purchases are also helping. Adequate exposure to quality fixed income and alternatives such as hedge funds can also help reduce portfolio volatility and limit the impact of shocks, in our view.

Will a positive economic backdrop support optimism even amid geopolitical worries?

The war in the Middle East relegated economic data to a sideshow last week, with even the usually closely watched US payrolls release getting little attention. But as our GIRY publication illustrated, the economic backdrop has traditionally been a more powerful driver of market returns than high-profile geopolitical events.

Employment contracted by 92,000, whereas economists expected an increase of around 60,000. Unemployment edged up to 4.4%, from 4.3%. While this series can be volatile, and response survey rates have been falling, this was a setback to top Fed officials' expectations that the labor market has been stabilizing after a period of stabilization. Chicago Fed

President Austan Goolsbee described the report as a “tough miss.” Going forward, investors will be looking to see if the downside was mostly due to the impact of severe winter weather and a strike by workers in the health care sector. US retail sales were also uninspiring, with a 0.2% monthly decline. Though the control measure—which excludes some more volatile industries and feeds into GDP calculations—was up 0.3%.

This week, the focus will shift to inflation, with the release of the consumer price index on Wednesday for February, followed by the personal consumption expenditures price index for January, the Fed’s favorite measure, a few days later. Our expectation is for this to underline that inflation pressures remain under control, despite upward pressures from higher US tariffs. We still expect that the Fed will cut rates twice this year, which has historically been positive for equities. Despite the modest economic disappointments over the past week, our view remains that the US economy is on a solid trajectory and earnings growth is solid. While near-term political risks have intensified and could fuel volatility, our base case is that healthy economic fundamentals will once again become the key focus for investors.

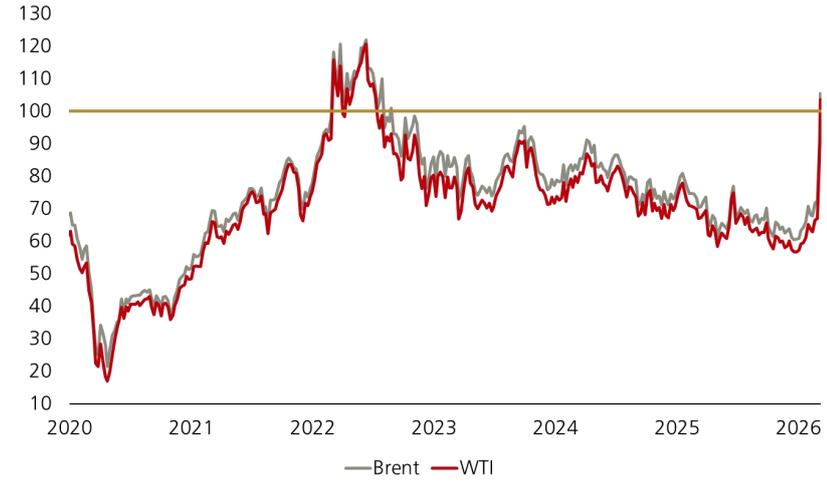
Chart of the week

At around USD 100-110 a barrel at the time of writing, oil is trading at the highest level since 2022. Over the weekend, the UAE, Kuwait, and Iraq cut oil output as limited storage capacities forced them to halt production once available tankers were fully loaded. Outside the Gulf, oil on water (tankers) is being drawn down as the Strait of Hormuz remains effectively closed. While Saudi Arabia is already sending more crude oil via the East-West pipeline to the Yanbu port in the Red Sea, we expect more production shut-ins if the Strait of Hormuz stays closed. Scarcity concerns are likely to trigger some hoarding activity and amplify oil moves, and oil prices could rise further until demand eases. That said, a relatively rapid end to hostilities and a resumption of normal oil flows would likely cause prices to fall quickly, although they may remain above pre-conflict levels as the resumption of production and exports will take time.

Crude oil surpasses 100 USD/bbl threshold for first time in 42 months

Weekly Brent and WTI benchmark prices, USD/bbl; 100 USD/bbl highlighted

Weekly Global



Bloomberg, UBS, as of 9 March 2026

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In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
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- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities

Note: For equities, we have a five-tier rating system with two additional preferences

Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.

Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.

When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

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