

# Markets eye war, central bank moves amid volatility

## UBS House View - [Daily US](#)

Ulrike Hoffmann-Burchardi, Chief Investment Officer Americas and Global Head of Equities, UBS Financial Services Inc. (UBS FS)  
Mark Haefele, Global Wealth Management Chief Investment Officer, UBS Switzerland AG  
Daisy Tseng, Strategist, UBS AG Singapore Branch  
Giovanni Staunovo, Strategist, UBS Switzerland AG  
Vincent Heaney, Strategist, UBS AG London Branch

### From the studio

**Podcast:** [Ulrike Hoffmann-Burchardi's Signal over Noise](#), on [Apple](#) or [Spotify](#) (6 mins)

**Podcast:** [Jump Start | Oil and inflation: Will it trigger a reaction from central banks?](#) (8 mins)

**Video:** [Investors Club | Oil volatility, Asia's energy exposure, and China's resilience](#) (9 mins)

**Podcast:** [Across the Pond: Trump, Iran, and the global ripples on Apple or Spotify](#) (23 mins)

### What to watch: 17 March

- Australia RBA cash rate decision
- Germany ZEW economic sentiment

### Thought of the day

Oil prices rose on Monday morning after the US bombed military targets on Iran's main oil export hub Kharg Island on Friday. US President Donald Trump threatened additional strikes targeting energy facilities if Tehran continued to block the Strait of Hormuz, while Iran warned about the consequences of any attack on its energy infrastructure.

However, futures contracts for the S&P 500 advanced 0.3% ahead of the US market open and the US dollar softened slightly. While Iranian foreign minister Abbas Araghchi said the Islamic Republic has not asked for negotiations with the US, on a more positive note, two tankers carrying liquefied petroleum gas to India sailed through the Strait over the weekend.

With the conflict now in its third week, markets are likely to stay volatile in the near term as investors assess fresh signals from political leaders and policymakers.

**Will there be indications of a resolution?** The Strait of Hormuz is not only a critical chokepoint for global energy, but also for other commodities. Qatar makes some 30% of the world's helium—a key input for semiconductors, industrial manufacturing, and medical imaging—while several key ingredients for fertilizer production also move through the Strait. Any lengthy disruption will not only impact energy prices, but also food prices and industrial production. This likely means that the more the conflict edges closer to a dangerous escalation spiral, the higher the urgency of a resolution. While the US cannot achieve meaningful de-escalation on its own, the four- to six-week timeframe offered by White House economic advisor Kevin Hassett suggested that the US

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administration is mindful of both the economic and political risks a prolonged war can impose.

**Will other countries help keep the Strait open?** Trump's statements that the US has achieved its military objectives and is now seeking international support in reopening the Strait is another indication that the US is looking for an off-ramp. According to the Wall Street Journal, the Trump administration plans to announce this week that it has formed a coalition with a number of countries to escort ships through the Strait. European Union foreign ministers are also expected to discuss the idea of expanding the bloc's Aspides naval mission from the Red Sea to the Strait. The involvement of US allies, and the extent of their support, could represent a significant development in the conflict.

**What will central banks signal?** Eight major central banks will give policy guidance this week, including the Federal Reserve, the European Central Bank, the Swiss National Bank, and the Bank of England. While we do not expect central banks to make knee-jerk policy moves, policymakers are likely to stress vigilance over inflation risks amid elevated oil prices and uncertainty over the length of the war. Comments that are more hawkish than expected could inject further volatility into a market that is vulnerable to shifts in sentiment.

With the situation in the Middle East still in flux, we think the combination of ongoing supply disruption and limited offset from strategic reserves means oil prices are likely to stay higher for longer, even if flows through the Strait resume in the coming weeks. We now expect Brent crude to trade at the USD 90/bbl level at the end of June.

For investors, we continue to believe that ensuring portfolio diversification across asset classes, sectors, and regions is key. Investors can also consider hedges such as capital preservation strategies and exposure to gold and broad commodities.

### Caught our attention

**US growth softer than expected.** The second estimate for US economic growth in the fourth quarter of 2025 was released Friday, showing GDP grew by an annual 0.7% over the period—below both the third quarter expansion of 4.4% and consensus expectations of a 1.4% rise. New services spending data contributed to a downward revision to private domestic spending, pushing down the headline growth figure. Fourth-quarter GDP growth was weighed down partly by the federal government shutdown—government spending shrank 5.8% year on year in the period—but this effect is expected to be mostly offset by spending delayed to the first quarter of 2026.

*Our view:* While this downward revision to fourth-quarter growth reduces some of the incoming momentum, we still think the US economy remains healthy. Looking ahead, the outlook for monetary policy will likely depend in part on how developments in the Middle East unfold. Our base case remains that hostilities between the US and Iran will not lead to a sustained rise in energy prices, though events in the region remain uncertain. We expect the Fed to implement further rate cuts this year, but markets are likely to oscillate between pessimism and optimism until further clarity emerges.

Market update

Percent change. For volatility indices, net change in points. For valuation, change in price to earnings per share. For yields, net change in bps

16 Mar 2026

	Current (*)	1D	5D	1M	YTD
VIX Index	26.0	-1	+0	+5	+11
S&P 500	6632	-0.6%	-1.6%	-3.0%	-3.1%
S&P 500 trailing P/E (**)	23.7x		-0.6x	-0.9x	-1.6x
S&P 500 forward P/E (**)	20.6x		-0.6x	-0.9x	-1.4x
S&P 500 forward P/E ex-Mag 7 (**)	18.9x		-0.6x	-1.0x	-0.8x
Russell 2000	2480	-0.4%	-1.8%	-6.3%	-0.1%
Euro Stoxx 600	596	+0.0%	+0.2%	-3.6%	+0.7%
Shanghai Composite	4085	-0.3%	-0.3%	+0.1%	+2.9%
Nikkei 225	53751	-0.1%	+1.9%	-5.4%	+6.8%
US 10-year Treasury	4.27	-1	+17	+22	+10
US 2-year Treasury	3.70	-1	+17	+30	+23
Germany's 10-year Bund	2.97	-1	+11	+22	+11
Germany's 2-year Bund	2.41	-2	+10	+38	+29
EURUSD	1.144	+0.2%	-1.7%	-3.5%	-2.6%
EURCHF	0.90	-0.0%	+0.1%	+0.9%	+3.0%
USDCHF	0.79	-0.2%	+1.6%	+2.6%	-0.3%
USDJPY	159	-0.3%	+1.0%	+3.8%	+1.7%
US dollar index	100	-0.1%	+1.1%	+3.5%	+2.0%
Brent crude, USD/bbl	106	+2.5%	+6.8%	+54.0%	+73.7%
Gold, USD/oz	5007	-1.1%	-1.9%	-0.3%	+15.3%

(\*) or last close if not available, (\*\*) weekly update

Source: Bloomberg, Factset, UBS

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**Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments).** Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

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.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **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.

### Global asset class preferences definitions

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

**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

### Risk information

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Version A/2026. CIO82652744

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