



MARKETS BEGIN TO DISCOUNT HOPES FOR SWIFT RESOLUTION TO IRAN WAR

This week brought signs that markets are pricing in the long-term effects of the attack on Iran. Energy prices shot higher as fighting in the Middle East closed the Strait of Hormuz. But most attention has been focused on spot petroleum prices available to buy now. The rise in the price of oil and gas for future delivery was much less severe in the first week of the war, as investors assumed a swift resolution. However, futures contracts have tracked the spot price higher as the disruption has continued and attacks on energy infrastructure have intensified.

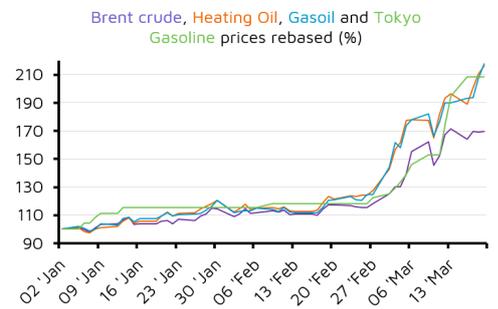
Bond markets are also reflecting the inflation risk from an extended war. Most of the major central banks held interest rates steady, but the inflationary effects of a prolonged conflict featured heavily in their decisions, and investors have continued to adjust their views on the path of interest rates. Federal Reserve officials still see one rate cut in 2026, but bond markets are looking past that forecast, and the possibility of rate hikes has pushed UK and European government bond prices lower, while the US dollar is the one defensive asset that has continued to appreciate.

THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-1.58%	-0.25%	+0.31%	-1.45%	-0.78%	+0.01%	+0.11%	+8.78%	-8.66%	-5.36%	+1.07%

ENERGY: PETROLEUM PRICES SURGE FURTHER AS INSTALLATIONS HIT

Petroleum prices rose sharply as the Iran war escalated, with regional oil and gas installations being targeted. European gas prices have doubled since the war began, while benchmark Brent crude climbed \$17 to \$118 per barrel, with refined product prices following higher. The Strait of Hormuz remains closed, and physical crude delivered in Oman has reached \$174, well above Brent. Two factors have so far cushioned the blow: the release of regional strategic reserves, and the partial lifting of sanctions on Russian crude. Russian prices have since recovered toward international benchmarks as demand absorbed the additional barrels. Should Hormuz remain closed, both buffers will erode and with them, the gap between physical and benchmark crude prices.

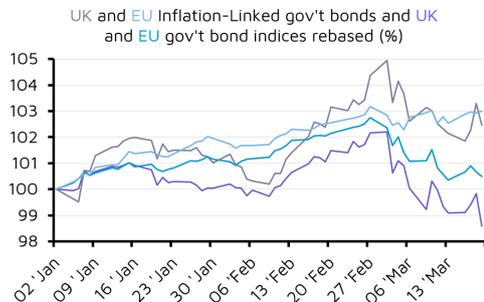


In Asia, refined petroleum product shortages are beginning to bite. Singapore, a major bunkering hub for global shipping, has reported fuel oil shortages and rationing, with prices up 146% since January. Also, there have been cuts to chemical manufacturing already.

RATES: CENTRAL BANKS HOLD RATES AS INFLATION FEARS RISE



Major central banks held benchmark interest rates steady, as the war in the Middle East reshaped the inflation outlook and pushed back expectations for rate cuts. The US Federal Reserve kept its rate at 3.75%, citing persistent inflation even as job creation slowed, while also revising its full-year GDP growth forecast upward. The Bank of Japan and the Bank of Canada held rates at 0.75% and 2.25% respectively, while the European Central Bank cautioned that markets were underestimating geopolitical risks. The Bank of England also held at 3.75%, noting that the war is driving up energy bills and business costs, reversing falling inflationary pressure. The sole outlier was the Reserve Bank of Australia, which raised rates by 25 basis points to 4.1%.

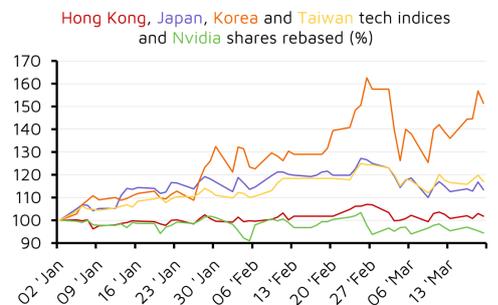


Before the outbreak of the war, markets had priced in rate cuts in both the UK and the US. Those expectations have since been unwound, as energy market disruption keeps inflation stickier than central banks had hoped, reducing the scope for easing in the near term.

AI: CHINESE AI BREAKTHROUGH SUPPORTS TECH SHARES

Enthusiasm for AI has helped some Chinese tech firms avoid the sell-off in global equity markets as companies race to offer everyday, practical uses for the technology. Firms including Baidu, Tencent and Alibaba are adopting free, open-source software from OpenClaw to offer AI tools that can book tickets and taxis, manage calendars and search the web. This week Nvidia CEO Jensen Huang described OpenClaw as the next ChatGPT, crediting it with shifting how users interact with AI in daily life.

Smaller Chinese AI firms have also benefited. MiniMax and Knowledge Atlas (the listed name of AI firm Zhipu) have each seen their shares climb more than 25% over the past month, with both stocks gaining further ground this week as they integrate elements of OpenClaw's technology into their own platforms. Baidu and Tencent have launched their versions of the software, QClaw and CoPaw, lifting their shares as well. Meanwhile, Huang struck a bullish note on Nvidia itself, forecasting \$1tn in revenue over the next two years.



Data sourced from FE Analytics

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