

## GLOBAL MARKETS

# WEEKLY MARKET BRIEF



### Highlights.

Continued conflict in the Middle East and fluctuating oil prices dominated market sentiment, causing U.S. equities to close lower in the week. Energy markets were particularly volatile as investors balanced fears of supply disruptions through the Strait of Hormuz—one of the world's most critical oil transit routes—against occasional indications that tensions might ease. Investor confidence was also weakened by growing worries about potential stress in private credit markets and ongoing developments in global trade policy. The S&P 500 declined 1.6%, the Dow Jones Industrial Average fell 1.91%, and the Nasdaq 100 lost 1.06%, as investors reassessed the global macro-outlook. Economic reports showed mixed signals on inflation and growth. Year-over-year core inflation remained at 2.5%, while the broader consumer price index increased 0.3% for the month and 2.4% from a year earlier. Meanwhile, the Bureau of Economic Analysis reported that the Federal Reserve's preferred inflation gauge, the core Personal Consumption Expenditures Price Index increased to 3.1% year-on-year, marking the highest level since early 2024. Economic growth data was also revised downward. The second estimate for fourth-quarter Gross Domestic Product showed the U.S. economy expanding at a 0.7% annual pace rather than the earlier estimate of 1.4%. Moving to the other side of the Atlantic, European stocks edged lower amid heightened uncertainty. The STOXX Europe 600 declined 0.11% for the week as investors focused on the possible duration of the Middle East conflict and the implications of higher energy costs for economic growth. Christine Lagarde, head of the European Central Bank, said the institution stands ready to act to keep inflation under control if higher energy prices persist. In the United Kingdom, economic growth stalled in January according to the Office for National Statistics. GDP was unchanged for the month, missing expectations for a modest increase. While retail and wholesale trade provided some support, declines in administrative and support services offset those gains. In Asia, Japanese equities declined during the week, with the Nikkei 225 falling 3.24% and the TOPIX losing 2.36%. Rising oil prices linked to tensions near the Strait of Hormuz increased concerns about energy supply, particularly because Japan relies heavily on imports from the Middle East. Prime Minister Sanae Takaichi announced plans to release part of Japan's strategic oil reserves—held by both the government and private firms—to reduce the risk of supply shortages. Chinese stock markets showed mixed performance. The CSI 300 rose slightly, while the Shanghai Composite Index declined. Consumer prices increased at the fastest rate in more than three years. The consumer price index rose 1.3% year over year in February, boosted by strong spending during the Lunar New Year holiday period. At the same time, China's exports jumped 21.8% during the first two months of the year compared with the same period in 2025, exceeding expectations. Imports also rose significantly, pushing China's trade surplus to a record \$213.6 billion.

**Data highlights:** U.S. Core Inflation Rate YoY (Feb) stayed still at 2.5%, in line with expectations. U.S. Inflation Rate YoY (Feb) stayed still at 2.4%, in line with expectations. U.S. GDP Growth Rate QoQ (Q4) rose +10bps, from 3.7% to 3.8%, +10bps more than the flat 3.7% expectation. U.S. PCE Price Index YoY (Jan) fell -10bps, from 2.9% to 2.8%, -10bps less than the expected 2.9%. Canada's Unemployment Rate (Feb) rose +20bps, from 6.5% to 6.7%, higher than the 6.6% (+10bps) consensus. U.K. GDP YoY (Jan) rose +10bps, from 0.7% to 0.8%, -10bps less than the 0.9% (+20bps) expectation. Germany Inflation Rate YoY (Feb) fell -20bps, from 2.1% to 1.9%, in line with expectations. China's Inflation Rate YoY (Feb) rose +110bps from 0.2% to 1.3%, +60bps above the expected 0.8%. Japan's PPI YoY (Feb) fell -30bps, from 2.3% to 2%, -10bps less than the lower expectation of 2.1%

**Week ahead:** CNY Unemployment Rate (Feb), CAD Inflation Rate YoY (Feb) - Monday | AUD Interest Rate Decision - Tuesday | EUR Inflation Rate YoY (Feb), USD PPI YoY (Feb), CAD Interest Rate Decision, USD Fed Interest Rate Decision - Wednesday | AUD Unemployment Rate (Feb), JPY Interest Rate Decision, GBP Unemployment Rate (Jan), CHF Interest Rate Decision, GBP Interest Rate Decision, EUR Interest Rate Decision, CAD PPI YoY (Feb) - Thursday

## Global Markets Overview

**Treasury yields:** The U.S. 10-Year Treasury Note yield closed the week at 4.28%, hovering near four-week highs after briefly easing earlier in the session as geopolitical tensions surrounding Iran continued to intensify. The benchmark yield rose nearly 13 basis points over the week, reflecting mounting concerns about an energy-driven inflation shock and rising fiscal pressures tied to war-related spending. Investors are now turning their attention to the upcoming Federal Reserve policy meeting. Although no immediate change to the federal funds rate is expected, markets will closely monitor policymakers' guidance for the remainder of the year—particularly their assessment of inflation risks linked to the ongoing energy rally. Current market pricing suggests only one Fed rate cut in 2026, underscoring expectations of a prolonged restrictive policy stance. In Europe, the Germany 10-Year Bund yield climbed to 2.98%, its highest level since October 2023, marking a second consecutive weekly increase as Middle East tensions reinforced expectations of tighter monetary policy.

**Equities:** US equities closed the week on a weaker footing as markets struggled to stabilize amid escalating geopolitical tensions and persistent volatility in energy markets. The S&P 500 declined 1.6%, the Dow Jones Industrial Average fell 1.91%, and the Nasdaq 100 lost 1.06%, as investors reassessed the global macro-outlook. Rising geopolitical risks drove investors toward the United States dollar, pushing major US benchmarks to a third consecutive week of losses, while surging energy prices forced markets to reprice interest rate expectations for 2026. European markets also ended the week in negative territory. The Euro STOXX 50 slipped 0.06% to 5,717, finishing broadly flat for the week, while the STOXX Europe 600 fell 0.11% to 608 on a week-on-week basis. Banks extended recent declines amid concerns that a potential rate hike by the European Central Bank could compress lending margins and tighten credit conditions. Separately, shares of Siemens, Schneider Electric, and Siemens Energy declined between 2% and 6%, reflecting growing concerns about input costs and margin compression across Europe's industrial sector.

**Currencies:** The U.S. Dollar Index climbed above 100.3, reaching its highest level since mid-May 2025 and marking a second consecutive weekly gain as investors continued to favour the dollar as a safe haven amid the intensifying conflict with Iran and the absence of any near-term resolution. Current market pricing suggests only one Fed rate cut in 2026, underscoring expectations of a prolonged higher-for-longer policy stance. In other currency markets, the Canadian dollar weakened beyond 1.3718 per US dollar as domestic economic indicators deteriorated and global monetary policy expectations shifted. Markets are increasingly adjusting to a delayed Federal Reserve easing cycle, with rate cuts now expected to begin around September, reinforcing the yield advantage of the US dollar and leaving the Canadian currency exposed to further volatility as investors gravitate toward the relative stability of the United States.

**Commodities:** West Texas Intermediate crude oil futures advanced 8.59% to above \$98 per barrel, as the ongoing blockade of the Strait of Hormuz continued to disrupt a critical artery for global energy trade that typically carries around 20% of the world's daily oil supply. Markets are increasingly pricing in the impact of escalating hostilities across the region. The intensifying military activity has effectively halted normal commercial maritime traffic through the corridor, forcing major Gulf producers to scale back output as storage capacity approaches critical limits. The resulting supply disruption has sharply tightened the global energy balance, as alternative export routes remain insufficient to offset the lost throughput. Consequently, international buyers are increasingly competing for limited non-Gulf crude cargoes, while shipping costs have surged amid sharply higher war-risk insurance premiums, compounding the strain on global energy markets.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.28	3.34	2.63
Bund 10Y	2.98	4.30	4.48
Gilt 10Y	4.82	4.24	7.68
Japan 10Y	2.26	3.96	9.39

Indices	Close	% W/W	% YTD
S&P 500	6632	-1.60	-3.12
EU Stoxx 600	608	-0.11	-0.68
FTSE 100	10261	-0.23	3.32
Nikkei 225	53820	-3.24	6.91

Currencies	Close	% W/W	% YTD
EURUSD	1.1417	-1.73	-2.80
GBPUSD	1.323	-1.36	-1.82
USDJPY	159.73	1.24	1.93
USD Index	100.36	1.39	2.07

Commodities	Close	% W/W	% YTD
Gold	5019	-2.94	16.21
Copper	571.45	-0.74	0.57
WTI Crude	98.71	8.59	71.91
Wheat	613.75	-0.49	18.37

## Performance of Major Global Financial Assets

% Change.

W/W	3.3	4.3	4.2	4.0	2.2	4.7	-1.6	-1.1	-0.1	-0.6	-0.2	-3.2	-1.1	1.4	-1.7	-1.4	1.2	0.0	2.3	8.6	-2.9	-0.7	-2.8	-0.5
MTD	8.6	12.9	13.9	6.6	6.4	15.8	-3.6	-2.3	-6.9	-7.3	-6.0	-8.5	-4.4	2.8	-3.3	-1.9	2.4	0.6	6.3	47.3	-4.9	-4.8	1.6	3.8
YTD	2.6	4.5	7.7	9.4	4.4	6.7	-3.1	-3.4	-1.3	-4.3	3.3	6.9	-0.6	2.1	-2.8	-1.8	1.9	-1.2	2.2	71.9	16.2	0.6	-14.5	18.4
	US 10Y	BUND 10Y	GILT 10Y	JAPAN 10Y	AUSSIE 10Y	ITALY 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EURUSD	GBPUSD	USDJPY	USDCNY	USDZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES						CURRENCIES				COMMODITIES							

KEY: -100%



+100%

Data Sources: Bloomberg, Investing.com, TradingEconomics, T.RowePrice, Standard Investment Bank

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