

## Crystal Wealth Partners Market Commentary – March 2026

Please find our commentary on investment markets to 31<sup>st</sup> March 2026.



Geopolitical risk dominated investment markets in March. Coordinated US and Israeli military strikes on Iran's nuclear facilities, launched in the final days of February, produced the largest oil supply disruption in the history of the modern energy market. This forced most major central banks to reconsider their monetary easing bias, and it drove sharp equity market corrections across developed and emerging markets.

The Strait of Hormuz, through which approximately one fifth of global seaborne oil trade normally passes, was effectively closed following Iran's retaliatory actions (despite commentary to the contrary). The International Energy Agency coordinated a release of 400 million barrels from strategic petroleum reserves in response. Oil prices rose sharply, bond yields climbed on renewed inflation fears, and equity markets fell broadly. Significantly, risk capital withdrew across equities, bonds, currencies, and even gold testing portfolio cross-asset correlations.

Signs of a diplomatic pathway began to emerge later in the month. President Trump announced constructive conversations with Iran, a five-day pause on strikes was ordered, and a US ceasefire proposal was delivered to Tehran. Iran rejected the initial terms and counter-proposed its own framework, leaving negotiations active but unresolved depending on which narrative was to be believed. Markets moved sharply with each announced development, underscoring how heavily the current environment is driven by news flow rather than fundamentals.

Conditions appear to be stabilising from their most acute phase, with oil prices pulling back from their peaks. The correction is seen largely as valuation-driven rather than a sign of deteriorating fundamentals, though rising inflation expectations are already reshaping asset pricing. The risk of both valuations and economic fundamentals weakening simultaneously remains a genuine concern, and one we are monitoring closely in how we position portfolios. Markets are currently reflecting slower growth and rising inflation rather than a recession but this is dependent on the duration of the conflict and impact on energy prices.

Away from the conflict, the month also saw significant complexity in trade policy. The United States Supreme Court struck down a substantial tranche of tariffs levied under emergency economic powers, concluding they exceeded Presidential authority. The tariff environment adds a further layer of uncertainty to the global growth and inflation outlook, particularly for trade-exposed economies.

Private credit markets also came under stress, with more than US\$4.6 billion trapped in private credit funds as withdrawal limits were imposed from major credit managers including Apollo, Ares, Blackstone, and Morgan Stanley. More broadly, markets have become unusually reactive to headlines and social media, with algorithmic trading amplifying short-term moves considerably. We remain focused on underlying fundamentals rather than repositioning in response to each news cycle.

## US Markets

US equity markets recorded their sharpest monthly decline in some time, with the S&P 500 falling 5.09%, the Dow Jones 5.38%, and the Nasdaq 100 4.75% in March. All three indices entered correction territory over five consecutive weeks of losses. Growth stocks underperformed 'value' stocks considerably, reversing the pattern of 2025, as rising bond yields eroded the appeal of long-duration technology and growth orientated names. Energy was the only sector to finish in positive territory.

The Federal Reserve held rates steady at its March meeting, with Chair Powell noting that inflation progress had stalled and the full impact of the conflict remained too early to assess. Updated projections pointed to just one further rate cut in 2026, a significant shift from earlier expectations, while futures markets moved further still, pricing out cuts entirely and beginning to price in a meaningful probability of a rate increase.

The March data predates the oil shock, yet already gave the Fed cause for caution: February CPI was 2.4% year-on-year, while core PCE for January came in at a firmer-than-expected 3.1%. Readings are likely to rise materially as energy prices feed through the data in coming months.

Labour market data added to the concern, with February nonfarm payrolls falling 92,000, the third monthly decline in five months, and the unemployment rate rising to 4.4%. Combined with the oil shock, these figures raised the prospect of a stagflationary environment developing: i.e. rising inflation alongside a slowing economy.

US 10-year Treasury yields rose 8.81% in yield terms over the month, closing at around 4.3%. This reflected both renewed inflation risk and a notable absence of the safe-haven bond buying that typically accompanies geopolitical stress. Weak demand at Treasury auctions reinforced uncertainty, as investors looked to shipping data and geopolitical developments for direction rather than waiting on central bank signals. The US dollar strengthened, supported by both safe-haven demand and widening rate differentials (with higher US rates).

## World Markets

Japan's Nikkei 225 was among the weakest developed market performers, declining 13.23% in March, as concerns mounted that sustained high oil prices would weigh on Japan's energy-intensive economy. The Bank of Japan held rates steady at 0.75%, with Governor Ueda citing geopolitical uncertainty, though the oil shock is expected to push core CPI toward the bank's 2% target in coming months. The yen weakened approximately 2% against the dollar, reducing returns for Australian investors with unhedged Japanese equity exposure.

Switzerland's SMI fell approximately 8.5%, pulled lower despite the country's safe-haven status. The Swiss franc appreciated solidly, which paradoxically weighed on Swiss equities given the export orientation of many of the index's largest constituents.

Germany's DAX was among the hardest hit major indices, declining 10.30% for the month and 7.39% over three months, reversing much of the strong rally driven by Germany's historic fiscal expansion earlier in the year. The March decline reflected the broader global sell-off, Germany's specific energy exposure, and selling pressure on major index constituents. Manufacturing PMI recovered to its strongest reading since 2022, though services activity and consumer sentiment deteriorated, and the energy shock is likely to push CPI above the ECB's 2% target in coming months.

The European Central Bank held its deposit rate at 2.0%, raising its 2026 inflation forecast to 2.6% while cutting its growth forecast to 0.9%, citing the Middle East conflict as the primary driver. The longer-term case for value within European equities remains intact, provided the conflict does not escalate further as Europe is a net energy importer.

The FTSE 100 fell 6.73% in March, largely erasing the gains from January and February, though the index retained a modest positive return of 2.47% over Q1. The UK market's weighting toward energy companies, including Shell and BP, provided some support relative to other indices, though not enough to prevent a meaningful overall decline.

The Bank of England held the Bank Rate at 3.75% in a unanimous 9-0 vote, a notable shift from February's divided 5-4 decision, as members who previously favoured cuts moved firmly to hold in light of energy-driven inflation risks. UK CPI held at 3.0% in February, with core CPI at 3.2%, making the UK the only G7 economy still running headline inflation above 3% prior to the oil shock. GDP growth was essentially flat in January, and unemployment reached 5.2%.

Chinese markets declined in March, with the Shanghai Composite falling 6.51% for the month and 1.94% over three months. The Hang Seng fell 6.92% for the month and 3.29% over three months. The monthly decline included a particularly sharp single-session fall following Trump's Iran ultimatum, which briefly unsettled Asian equity markets broadly, before a partial recovery followed on ceasefire optimism.

China's market weakness contrasted sharply with its underlying economic strength. Exports surged 21.8% year-on-year in January and February, delivering a record trade surplus of approximately US\$213.6 billion, while industrial output grew 6.3% and retail sales beat forecasts on strong Lunar New Year spending. China's strategic petroleum reserves, estimated to cover three to four months of imports, also provide meaningful insulation against the Hormuz disruption relative to most other economies. This is quite different to other import focused economies such as Japan, Europe and broader Asia markets.

## **Australia**

Australia's March experience was defined by a divergent monetary policy stance and the direct effects of the global energy shock on an economy sensitive to commodity price movements from both sides of the ledger including reliance on oil imports.

The RBA raised the cash rate by 25 basis points to 4.10% in a narrow 5-4 vote, its second consecutive increase following February's hike to 3.85%. Governor Bullock stated plainly that inflation was too high and demand continued to outstrip supply continuing the current imbalance. Major bank economists have forecast a further increase to 4.35% at the May meeting, with market pricing suggesting the cash rate could approach 4.6% by year-end. Australia's decision to raise rates while every other major

central bank held steady made it a genuine global outlier, weighing on sentiment towards Australian risk assets.

The S&P/ASX 200 fell 7.79% for the month and 2.67% over three months, reaching a trough of approximately 8,262, around 10% below its all-time high and representing close to \$300 billion in lost market capitalisation. The ASX snapped a three-week losing streak in the final week, rising approximately 1% as ceasefire diplomacy progressed and domestic CPI offered a modest positive surprise.

February CPI came in at 3.7% year-on-year, modestly below consensus, with the trimmed mean easing to 3.3%. Both measures remain above the RBA's target band, and critically, this data predates the oil shock entirely. CBA estimates fuel prices could surge 25-31% in the Q1 CPI reading due 30 April. The labour market also showed signs of softening, with unemployment rising to 4.3% and the services PMI contracting to 46.6 in March, its first sub-50 reading since early 2024.

Australian government bond yields rose sharply across the curve, reflecting global inflation repricing and uncertainty around further RBA tightening. With the 10-year bond now yielding around 4.9%, fixed income is offering a genuine income alternative for portfolios, though further yield increases remain a risk if inflation re-accelerates and the RBA hikes again.

The AUD/USD fell 3.02% for the month, recovering partially in the final week as ceasefire signals emerged. Over three months, the AUD has gained 3.40% against the USD. Energy stocks led the ASX, with Woodside, Santos, Ampol, and Viva Energy all benefiting from higher oil prices, while coal producers gained on substitution effects. Financials fell for a fifth consecutive week, down approximately 6% from recent peaks.

## Other

Oil was by far the strongest performing asset class, with WTI crude rising 51.27% for the month and 76.56% over three months. WTI briefly touched approximately US\$113 per barrel and Brent approximately US\$119, before pulling back to around US\$89 by month-end following ceasefire signals, well above the pre-conflict level of US\$63 to US\$68. OPEC agreed to add modest incremental supply, but with Gulf states forced to shut in approximately 10 million barrels per day, this had limited practical effect, and alternative pipeline routes handled only a fraction of normal Hormuz shipping volumes.

Gold delivered a counterintuitive performance, initially rising on safe-haven demand to above US\$5,700 per ounce before reversing sharply to finish the month down 14.59%. The same oil shock that drove initial safe-haven buying also pushed bond yields higher and strengthened the US dollar, both of which reduce the appeal of a non-income-paying asset (such as gold). With the Australian 10-year bond and US Treasuries offering solid returns, fixed income became a more compelling alternative. Selling by Gulf sovereign wealth funds, liquidating reserves to meet war-related expenditures, added further downward pressure on the precious metal.

Iron ore was a positive exception, rising 7.39% for the month, supported by China's stronger-than-expected activity data and elevated freight costs from the Hormuz disruption. Chinese port inventories remain elevated and the property sector continues to weigh on medium-term demand. Given iron ore's importance to Australia's export revenues and fiscal position, movements in either direction carry significance beyond the commodity itself.

March was a month that tested portfolio discipline. With markets moving sharply on each headline, the temptation to react is understandable, but our approach remains to focus on underlying fundamentals rather than short-term news flow. History illustrates that geopolitical events – while deeply unsettling – are increasingly common and attempting to time exits/entries during market stress can be costly. Portfolios are positioned to navigate a range of outcomes, and we believe a long-term perspective remains the most reliable path to achieving the stated objectives.

We will be in touch if we believe any meaningful adjustments are warranted to address specific individual circumstances or needs.

Index*	1 Month	3 Months
US – Dow Jones	-5.38%	-3.58%
US – Nasdaq (100)	-4.75%	-7.11%
US – S&P 500	-5.09%	-4.63%
Germany – DAX	-10.30%	-7.39%
UK – FTSE 100	-6.73%	2.47%
Shanghai Composite – SSE	-6.51%	-1.94%
Hong Kong – Hang Seng	-6.92%	-3.29%
Japan – Nikkei 225	-13.23%	1.44%
S&P/ASX 200	-7.79%	-2.67%
All Ordinaries Index	-7.97%	-3.71%
Gold (USD)	-14.59%	4.46%
Oil (USD) – WTI	51.27%	76.56%
Iron Ore (USD)	7.39%	-0.70%
Δ 10 Year Aus Gov't Bonds (Yield)	6.64%	4.27%
Δ 10 Year US Gov't Bonds (Yield)	8.81%	3.80%
AUD/USD	-3.02%	3.40%

\* Percentage change in local currency unless stated otherwise

If you have any questions in relation to the above, or require any additional portfolio or investment information, please do not hesitate to contact your Adviser to discuss your particular circumstances.