

03/2026

# Market Snapshot

## Equity Snapshot

**United States** US equities fell in March. The major Wall Street indices were pressured by geopolitical concerns, particularly rising oil prices and the likely duration of the US-Israeli war with Iran as the military objectives and exit strategy of Operation “Epic Fury” became increasingly ambiguous. In addition, hard line cleric Mojtaba Khamenei – a son of slain Supreme Leader Ayatollah Ali Khamenei – was appointed Iran’s new leader, delivering a devastating blow to Washington and Tel Aviv’s hopes of triggering regime change. Heightened economic uncertainty also weighed on sentiment, as rising inflationary and recessionary risks clouded the outlook for further rate cuts from the Federal Reserve (Fed). Lingering doubts about the Trump administration’s trade policy were a further headwind. The CBOE Volatility Index (VIX) – Wall Street’s fear gauge – soared above 30 in March, the highest level in a year. More positively, US equities partially rebounded into month end amid rising hopes of a potential de-escalation in the Middle East.

US economic data painted a subdued picture. The initial advance estimate of annualised US economic growth was downwardly revised from 1.4% in the fourth quarter of 2025 to a lacklustre increase of just 0.7%, a significant slowdown from the previous quarter’s rise of 4.4%. Elsewhere, the Federal Reserve Bank of Atlanta’s GDPNow running estimate of first-quarter GDP had plunged from 3.1% in mid-February to 2.0% by the end of March, while retail sales fell 0.2% in January after stalling in December. Turning to labour market releases, non-farm payrolls data showed that the US economy unexpectedly lost 92,000 jobs in February. However, the jobs report downwardly revised the totals for previous months, to the extent that total jobs added in December and January was reduced by 69,000 over the two-month period. In addition, the US unemployment rate crept back up to 4.4% in February after nudging down to 4.3% in January. Meanwhile, the University of Michigan Consumer Sentiment Index fell to 53.3 in March from 56.6 in February.

Headline inflation held steady at 2.4% on an annualized basis in February and crept back up to 0.3% from January’s 0.2% on a sequential month basis. Meanwhile, the Fed’s preferred inflation gauge, the core personal consumption expenditures prices index which strips out volatile food and energy costs – edged down from 3.1% in January to 3.0% in February, in line with consensus estimates. Meanwhile, hopes of further Fed rate cuts diminished as the US-Israeli war with Iran continued and surging oil and gas prices unleashed inflationary and recessionary risks to the upside. As expected, the Federal Open Markets Committee voted to keep the federal funds rate on hold at a target range of 3.50–3.75%. In other Fed news, a US judge threw out the subpoenas filed by the Department of Justice concerning Fed Chair Jerome Powell’s congressional testimony around the cost of renovations at the central bank’s headquarters.

**Europe** European equities moved sharply lower in March, as the US-Israeli war with Iran triggered a global sell-off. The STOXX 600 Index fell as oil prices spiked on heightened supply concerns, with Iran’s

newly appointed Supreme Leader Mojtaba Khamenei tightening the blockade of the Strait of Hormuz. European leaders resisted US pressure to form a naval coalition to secure freedom of navigation through the strait, despite President Donald Trump threatening repercussions for the future of NATO. They also joined Kyiv in criticising the Trump administration's attempt to curb rising oil prices by temporarily easing sanctions on Russian oil at sea. Meanwhile, lingering trade uncertainty continued to weigh on sentiment after the US Supreme Court overturned President Trump's 'emergency tariffs', with the US launching a Section 301 trade probe into alleged forced labour practices targeting over 60 countries, including the EU and the UK, that could potentially trigger fresh tariffs. In political news, the mainstream parties held onto power in the French mayoral elections – generally perceived to be a yardstick for the presidential elections in 2027.

Euro-zone economic fundamentals were mixed. According to a flash estimate, inflation in the euro zone is expected to rise by 2.5% year on year in March, after edging up to 1.9% in February from 1.7% in January. As widely anticipated, the European Central Bank held rates steady at 2.0% for the sixth consecutive meeting, although the spike in oil prices has clouded the inflationary outlook. Euro-zone exports fell 7.6% in January compared with the same period last year, while industrial production fell by 1.5% month on month in January, equivalent to an annualised decline of 1.2%.

## Asia

Equities in the Asia ex Japan region plummeted in March amid heightened Middle East tensions and resulting energy supply disruption fears. Uncertainty around a weaker global economic outlook added another layer of caution. Energy import-dependent markets were hit hardest, with global risk aversion spilling over into most regional markets on fears that higher oil prices will threaten growth and corporate profit margins.

China equity markets weakened on the back of the oil price spike, although China's push for energy self-reliance offered relative resilience. Geopolitics largely overshadowed domestic developments, as leaders at China's National People's Congress set a GDP growth target of 4.5% and unveiled the 15th five-year plan prioritising technological innovation. India, also dependent on imported oil and gas from the Gulf region, suffered from elevated volatility and deep foreign outflows, which continued to pressure the currency. In Korea, markets fell sharply not only on energy concerns, but also due to worries about memory pricing after semiconductor stocks posted substantial gains in the year leading up to March.

## Bond

Global bond yields jumped, with major government debt markets suffering a sharp sell-off as investors priced in higher inflation and interest rate expectations due to the Middle East conflict and soaring oil prices. US Treasuries registered one of their worst monthly performances in recent years, with 10-year yields increasing by 38 bps. European and Japanese government bond yields also rose substantially, with 10-year yields up by 36 bps and 23 bps respectively.

## Outlook

Markets are navigating a more complex environment, where powerful structural innovation is increasingly intersecting with tighter financial conditions and elevated geopolitical uncertainty. Despite this, the long-term structural growth drivers related to AI, automation and digital infrastructure remain firmly intact, continuing to expand the addressable markets and reinforce the competitive positioning of leading companies.

Near-term, the increasingly complex macroeconomic environment clouds the visibility, increases volatility and therefore tends to favour agile companies with strong execution and pricing power. We continue to see robust underlying demand across key structural themes, including data infrastructure, electrification and automation. At the same time, areas such as defence benefit from strong medium-term visibility, supported by sustained increases in spending and long-term procurement pipelines.

In Europe, fiscal expansion and industrial policy continue to act as important catalysts, particularly across energy security, infrastructure, electrification and defence. Although cyclical headwinds persist, including elevated energy costs and softer industrial momentum, order books and backlog visibility remain supportive in several areas. We maintain exposure to semiconductor equipment, automation and AI enablers, where structural demand drivers continue to underpin long-term growth.

Against this backdrop, we retain a constructive medium-term view on quality growth. Valuations have become more balanced relative to the durability of earnings, and we expect market leadership to increasingly be driven by companies with strong competitive advantages, pricing power and resilient cash flow generation. For strategies anchored in quality and fundamental strength, we believe the current environment offers an attractive foundation for sustained, earnings-driven outperformance.

Source: Allianz Global Investors, as of 31 March 2026 unless otherwise stated.

Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. Past performance of the fund manager(s), or any prediction, projection or forecast, is not indicative of future performance. This material has not been reviewed by any regulatory authorities.

Issuer:

Hong Kong – Allianz Global Investors Asia Pacific Ltd.