BBR | BULL & BEAR RESEARCH

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Equities Outlook

Geopolitics and Volatility Shake U.S. Markets

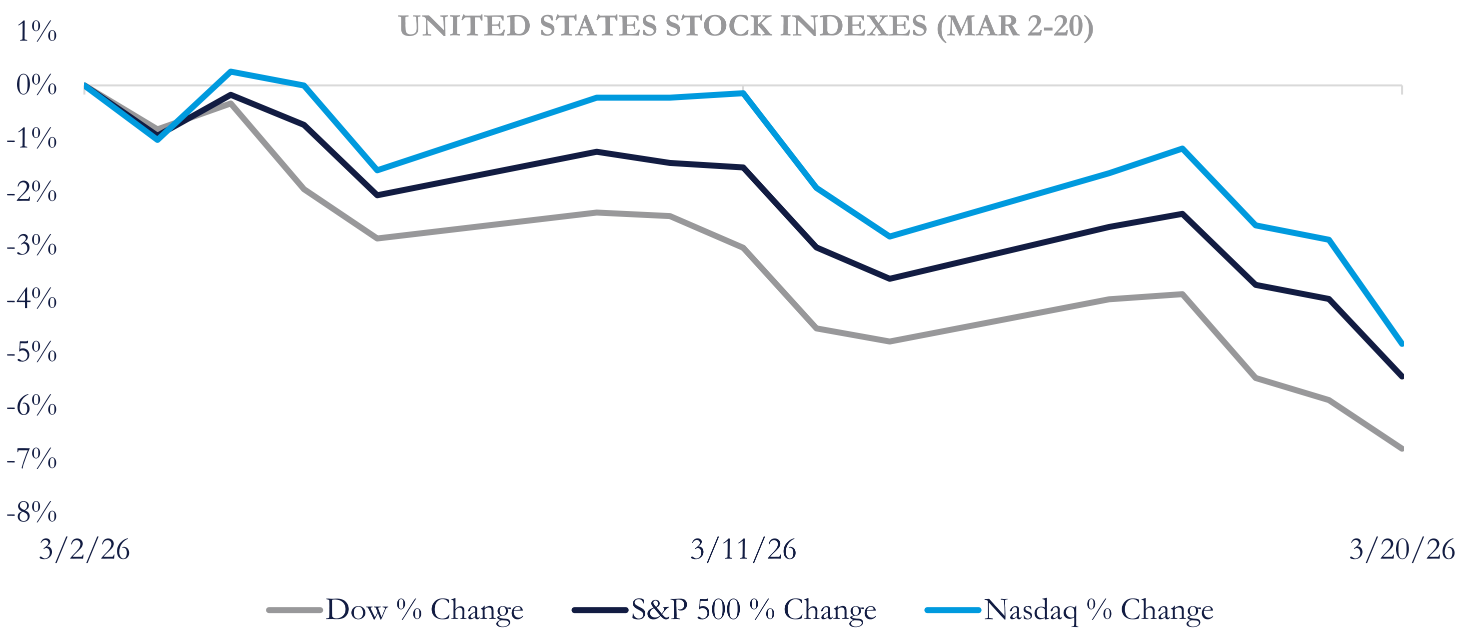
U.S. stock markets faced volatile trading and broad losses last week. This week, from March 16-20, markets declined as escalating tensions in the US-Iran war, rising oil prices, and geopolitical concerns pushed investors toward safer assets.

The 200-day moving average, is closely monitored by investors. The Dow Jones Index and the Nasdaq also fell, by 1.5% and 0.8% respectively. Although the major indices have not yet entered correction territory, they've fallen about 8-9% from their all-time highs.

The tension between Iran and Israel, which saw strikes overnight on Thursday, is one of the reasons for this. Iran also launched attacks on energy facilities in the Gulf, which helped keep oil prices. The prices have risen by over 40% since the conflict began. The Federal Reserve decided to keep rates steady for now.

FedEx Corporation's stock surged 9% on the back of strong earnings. On the other hand, Super Micro Computer Inc.'s stock took a big hit, falling 27% after serious allegations came out – allegedly, the company's co-founder and two associates were involved in smuggling Nvidia chips into China. Last Friday was also a big day for trading, with a "quadruple witching event" happening, when a number of options and futures contracts all expire at the same time, which can lead to swings in the market and a lot more trading activity.

Metric	$ (USD)
S&P 500	$6,506.48 -1.51%
DJIA	$45,577.47 -0.96%
NASDAQ	$21,647.61 -2.01%
Russell 2000	$2,438.45 -2.26%
FTSE 100	$9,918.33 -1.44%
Nikkei 225	$53,372.53 -3.38%
WTI Crude	$98.09 +2.66%
10-yr Treasury	4.39% +0.10%



Note: % Change Based off Adjusted Closing Prices

Sources: CNBC, Yahoo Finance

Fixed Income Outlook

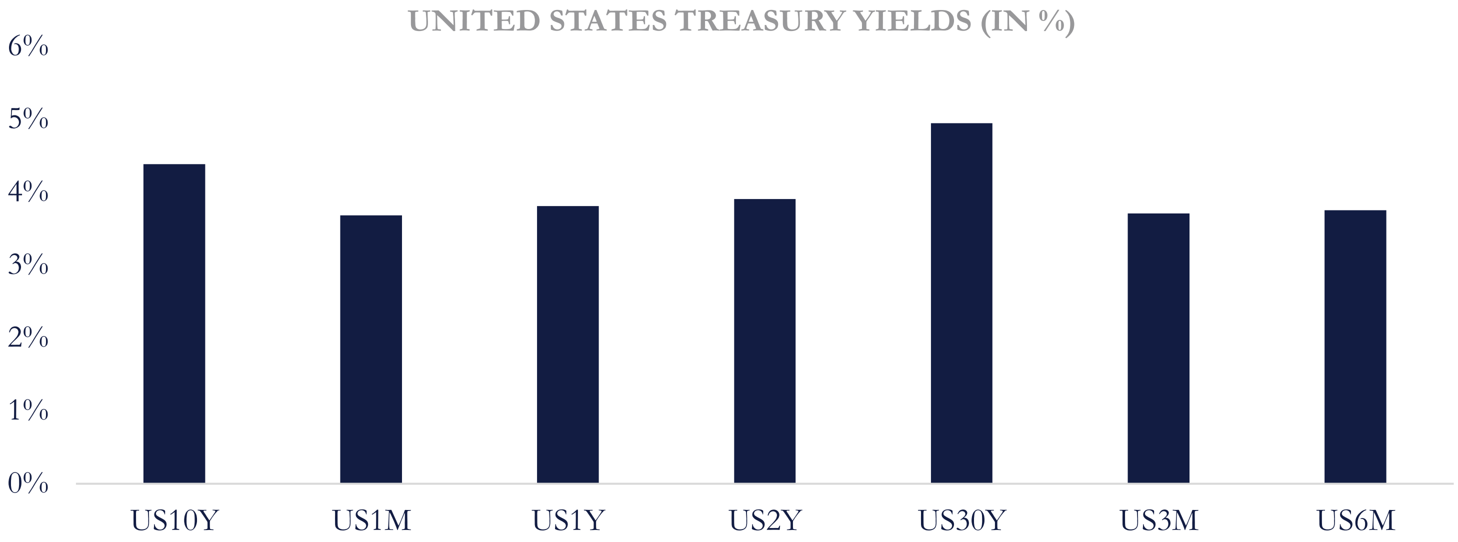
Treasury Yields Slip as Oil Surge, Iran Attacks, and Fed Outlook Loom

Treasury yields dropped modestly due to investors balancing Middle East tensions, an increase in oil prices, and the Federal Reserve decision to keep rates unchanged. The 10-year yield fell less than 2 basis points to 4.202%. The 30-year fell 1 basis point to 4.848%, and the 2-year declined slightly to 3.674%.

Irans war's effects on the global energy supply remains top of mind. After continued Iranian attacks near the Strait of Hormuz, oil prices increased sharply. The waterway's ship traffic decreased significantly. Analysts are calling this one of the largest disruptions to global oil supply in history. The US urged their allies to send naval forces to protect tanker traffic.

The Fed faced a challenging situation heading into Wednesday's decision. Wall Street expects rates to hold at around 3.5% – 3.75%. That held true, since the FOMC voted 11-1 to keep the benchmark federal funds rate at 3.5% – 3.75%. Additionally, according to eToro analyst Bret Kenwell, slowing growth and a softening labor market would typically call for easing, but sticky inflation combined with surging oil prices is complicating that outlook.

President Trump confirmed that his late-March trip to Beijing to meet with Chinese President Xi Jinping has been delayed by around 1 month due to the Iran conflict. This introduces more uncertainty into US China trade relations at a time where issues are already sensitive. Together, the treasury market seems to be reflecting a cautious tone, since yields are drifting lower on safe-haven demand. However, the inflationary pressure from oil is still holding yields back.



Note: As of 3/17/26

Fiscal / Monetary Policy Outlook

War Reignites Inflation Risks for Central Banks

The war in the Middle East is forcing central banks to reassess their policy outlook, introducing new inflation risks while weakening growth prospects. European economies appear particularly exposed due to their reliance on imported energy, with natural gas prices nearly doubling since the conflict began. Policymakers now face a familiar but difficult tradeoff: rising prices alongside slowing economic momentum.

Sources: CNBC, Wall Street Journal

Central banks across Europe, along with the Federal Reserve and others, have held rates steady for now. However, the tone has shifted. Officials are increasingly signaling a willingness to tighten policy if inflation proves persistent. The Bank of England, for example, has indicated it may raise rates, with markets quickly repricing expectations from rate cuts to multiple potential hikes this year.

The key concern is whether higher energy costs feed into broader inflation through wages and services. After the inflation surge following the Ukraine war, policymakers are less confident that such shocks will remain temporary. That experience has heightened sensitivity to inflation expectations, which could become more entrenched.

As a result, central banks are likely to proceed cautiously, balancing the risk of renewed inflation against the potential for weaker growth in an increasingly uncertain global environment.

Powell Signals He Will Stay as Pressure Builds

Tensions between the White House and the Federal Reserve have intensified as Chair Jerome Powell signaled he may remain at the central bank longer than expected. Despite President Trump's repeated calls for his removal, Powell stated he has "no intention of leaving" until a Justice Department investigation into his actions is fully resolved. His term as chair ends in May, but he could remain on the Board of Governors through 2028, a move that would limit Trump's ability to reshape the Fed's leadership.

The situation adds another layer of uncertainty to an already complex policy environment. The investigation has delayed the confirmation of Kevin Warsh, Trump's nominee to replace Powell, raising the possibility of a temporary leadership gap. Powell indicated he could serve as interim chair if a successor is not confirmed in time, maintaining continuity at the institution.

At the same time, the Fed is navigating a difficult policy backdrop, with inflation risks rising and rate cuts becoming less certain. The combination of political pressure, leadership uncertainty, and shifting economic conditions highlights growing challenges to the Fed's independence and its ability to communicate a clear policy path.

Repricing Rates

Markets are beginning to react more sharply to the Iran conflict, with the most notable moves occurring in global rates markets. Oil prices briefly surged above $119 before pulling back, but the more important signal has come from rising yields, particularly at the short end of the curve. In the U.S., the move reflects a repricing of rate expectations, with markets now factoring in fewer cuts and a growing possibility that central banks may need to stay restrictive for longer.

The reaction is not entirely straightforward. In theory, central banks should look through supply-driven energy shocks, since higher oil prices already dampen demand. However, policymakers may feel pressure to tighten or signal hawkishness to prevent inflation from becoming more persistent. Markets, in turn, anticipate this response and sell bonds, pushing yields higher and reinforcing expectations of tighter policy.

This feedback loop has been particularly pronounced in Europe, where the Bank of England's shift away from signaling cuts triggered a sharp rise in short-term yields. The broader concern is that repeated inflation shocks could begin to lift longer-term inflation expectations. For now, the volatility is concentrated at the front end, but a sustained rise in long-term rates would signal a more serious shift in the macro environment.

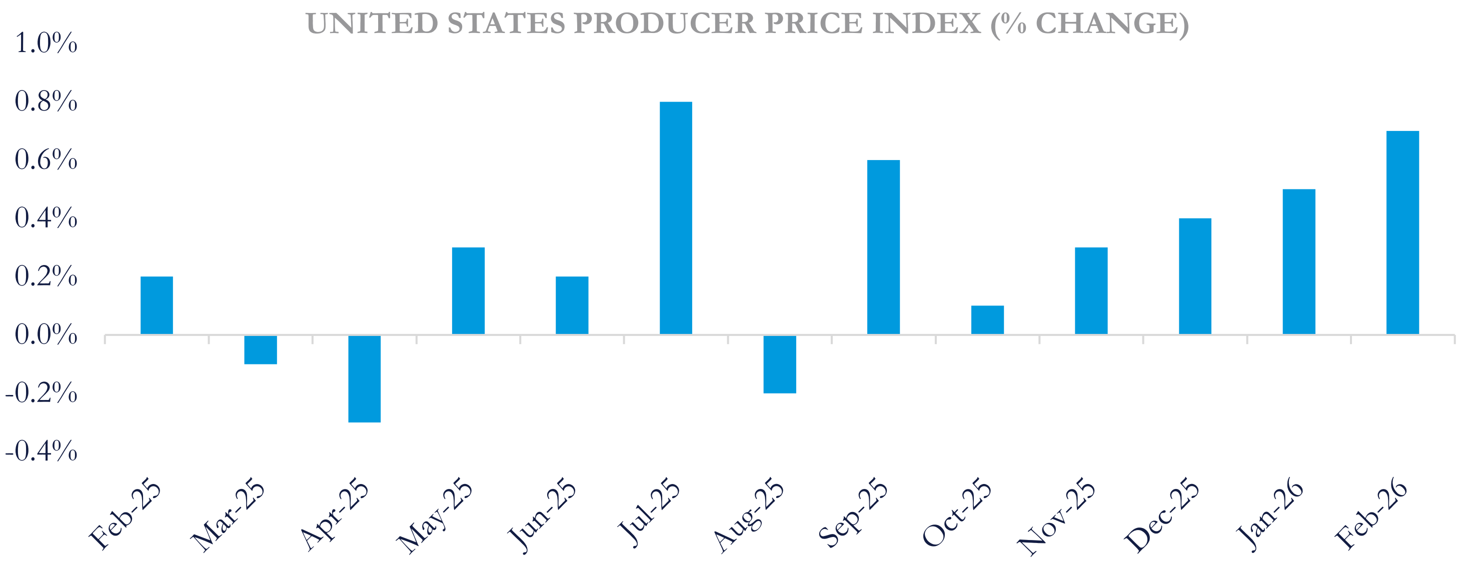
Wholesale Prices Jump 0.7% in February, Exceeding Expectations

Wholesale prices increased 0.7% in February, beating economists' expectations of 0.3% and adding to concerns that inflation will remain sticky despite the rise in oil prices. The producer price index rose 3.4% year over year, the highest since February 2025. The increase was largely driven by a 0.5% rise in services costs, which is concerning for the Fed, since higher services inflation cannot be tied to tariffs the way goods can.

Sources: Wall Street Journal, Financial Times, CNBC

Portfolio management fees rose 1%, and securities brokerage services rose 4.2%. Goods prices increased 1.1%, with food up 2.4% and energy up 2.3%, while fresh and dry vegetables surged 48.9%.

The report suggests that inflation pressures remain persistent, making the Fed's plan to keep rates evaluated more difficult. The reaction in markets pushed expectations for the next rate cut to at least December. The Fed is set to release its latest interest rate decisions later this week. The concerning part is that this report does not account for the Iran conflict, which has driven oil prices up by more than 70% year to date to $100 per barrel. With these increases in oil prices, the Fed's path forward has gotten much more complicated.



Commodities Outlook

Alaska's $1 Billion Coal Plant Signals Shift in U.S. Energy Priorities

A planned $1 billion coal-fired power plant in Alaska would mark a significant turning point in U.S. energy policy, as it would be the first new coal project since 2013. The proposal highlights a renewed interest in coal despite years of decline driven by environmental concerns and competition from renewable energy. According to recent reporting, the project reflects efforts to ensure reliable and affordable electricity, particularly in remote regions like Alaska where energy options can be limited.

Supporters argue that coal remains a dependable energy source, especially in areas lacking infrastructure for natural gas or renewables. Alaska's unique geography and harsh climate make consistent power generation essential, and coal can provide stable baseload energy. This reliability is especially important for isolated communities that cannot easily connect to larger power grids.

However, critics raise serious environmental concerns. Coal is one of the most carbon-intensive fuels, and building new plants could conflict with global efforts to reduce greenhouse gas emissions. Even with emerging technologies like carbon capture, such systems are costly and not yet widely proven at scale. While it may address short-term energy needs, it also raises questions about the long-term direction of U.S. energy policy and climate commitments.

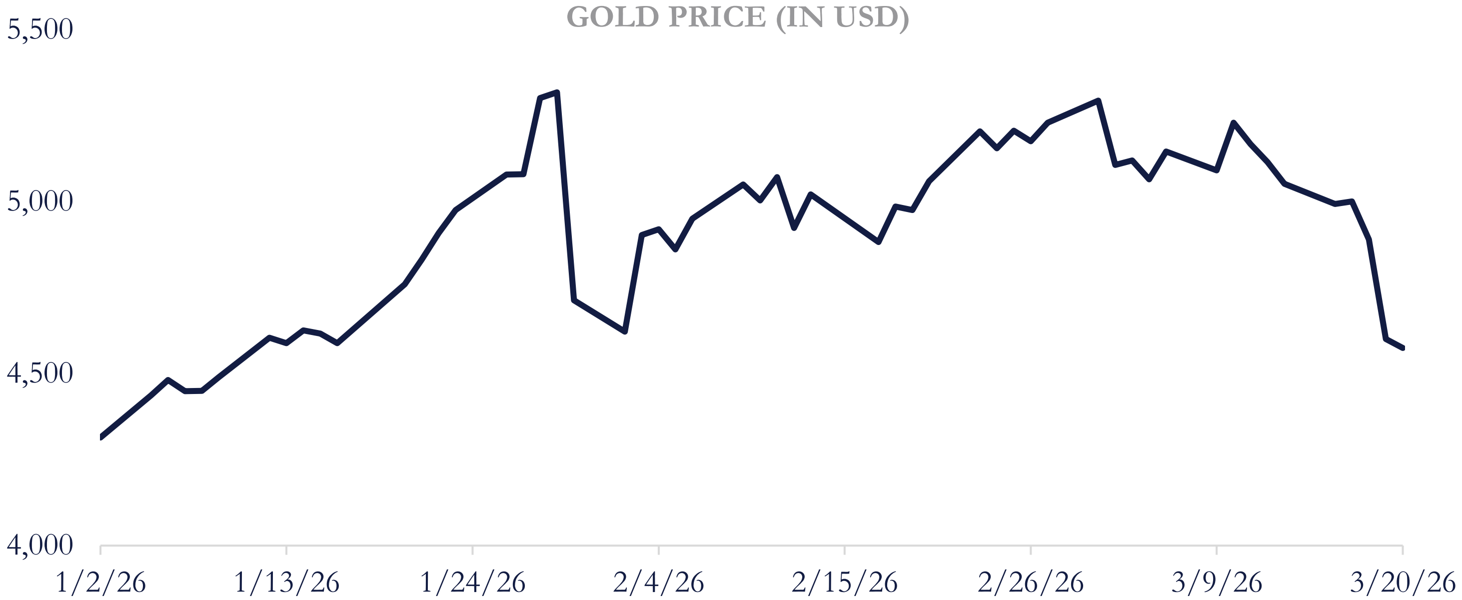
Gold Holds Steady Near $5,000 as Markets Weigh Iran Conflict

Gold prices stayed steady around $5,000 per ounce on Tuesday, as investors sought to balance safe-haven demand amid the Iran conflict, which raised concerns about inflation and high interest rates. Spot gold traded around $5000, while U.S gold futures for April rose slightly to $5,005.

Sources: CNBC, U.S. Bureau of Labor Statistics, Bloomberg

As Jim Wyckoff, senior analyst at Kitco Metals, puts it, the market is caught in a "balancing act" between geopolitical tensions, which are driving buyers to safety, and bearish pressures with inflation expectations.

The U.S.-Israeli conflict with Iran has also affected the energy sector, heightening inflation concerns. Oil prices increased by more than 1% on the day, but investors are looking to a Federal Reserve interest rate decision later in the week, which is likely to see the bank hold rates steady. Commerzbank noted that the Fed meeting will likely not influence gold prices much, given the uncertainty over the duration of the conflict and supply disruptions. Silver prices dropped 1.97% to $79.17 an ounce, but platinum and palladium prices increased slightly.



Note: Adjusted Closing Price

Emerging Markets Outlook

Yen Loses Safe Haven Status as Oil Shock Pushes Currency

The Japanese Yen is losing its reputation as a safe-haven currency, failing to strengthen during the U.S.-Israel war with Iran, despite typically rallying during periods of market turmoil. The Yen is hovering just below 160 per dollar, near its weakest levels since Japan last intervened to prop up the currency in July 2024, raising concerns that authorities may step in again soon.

The Japanese Yen is losing its reputation as a safe-haven currency, failing to strengthen during the US-Israel war with Iran despite historically rallying during times of war. The Yen is currently hovering just below ¥160 per dollar, marking its weakest point since 2024. The Yen's fundamentals have changed significantly. Japan's once massive trade surplus has disappeared as Chinese exporters have taken over market share. Japan's inflation hit 24.9% following the 1973 Arab oil embargo, and stagflation fears are creeping up as oil prices have tripled since the current conflict.

The problem stems from the Yen's extreme vulnerability to changes in oil prices. Global head of G10 FX research at Standard Chartered, Steve Englander, warned the Yen could break through 160 with additional oil price increases.

Brazil Steps Up Bond Market Intervention as Oil Upends Rates

Brazil's Treasury entered the bond market for a second straight day this week. They are buying back and are selling government debt in order to restore order as rising oil prices are upsetting global markets. The operations were around 43.7 billion reais (~$8.4 billion) over 2 days. It was the first buyback intervention since December 2024.

The stress began last Friday, when Brazilian interest rates futures increased more than 40 basis points as the Iran war made investors nervous globally. Prices moved far and fast, so the market effectively broke down, forcing traders to cut losing positions at a fast pace. Many of them were betting on falling rates, so when the trade reversed, they had little room to exit cleanly, as many traders wanted to close positions simultaneously.

The Treasury's bond purchases helped calm markets on both days. However, reports of a planned truck driver strike over diesel prices added a domestic pressure on top of an already turbulent market. This also changed what traders expect from Brazil's central bank. Most analysts expected a 50-basis point cut, but after the market turmoil they changed that to a 25-basis point cut if anything at all. Brazil's benchmark rate sits at 15% right now, which is its highest level in 2 decades. The speed of that change shows how quickly the oil and conflict news changed the outlook for emerging market central banks.

Taiwan Swaps Signal Rate Hike Bets on Inflation, Currency Risks

Fixed income markets in Taiwan are hinting at a shift in monetary policy expectations. Their one-year interest rate swaps increased to a record high last week, which reflects growing bets that the central bank will raise rates at least once over the next 12 months. This is a clear reversal from before the Iran war began. The probability of a hike then was below 50%.

The primary driver for this is crude oil. Taiwan is an energy importer, and they are particularly exposed to the surge in oil prices that are triggered by the Iran conflict. BNP Paribas economists flagged "hawkish risks" in recent data and see an upside risk to their 2026 inflation forecasts of 1.7% headline and 1.8% core.

Additionally, Taiwan currency's nominal effective exchange rate has dropped nearly 9% from its 2025 high, hitting a 11-month low. In the past, a weaker nominal effective exchange rate has led to higher inflation, which suggests that price pressure could continue to come. Headline inflation already increased to 1.75% in February, a sharp jump from 0.69% in the previous month. Any rate increase in Taiwan would be for the first time since early 2024. The country's economy remains strong, as the central bank recently upgraded its 2026 GDP growth forecast to 7.71%, prompted by the AI sector's positive outlook. However, geopolitical risk now is complicating the inflation outlook.

M&A Environment

TikTok Deal Could Deliver $10 Billion Fee to U.S. Government

In a recently inked deal to acquire control of TikTok's U.S. operations, the Trump administration is set to receive a staggering $10 billion fee from investors. The payment is framed as compensation for allowing ByteDance's flagship app to continue operating in the United States.

The fee is part of an agreement in which investors aligned with the administration took control of TikTok's U.S. business from ByteDance, according to people familiar with the matter. It comes in addition to the capital raised to establish a new entity that will oversee the platform's American operations.

Notable investors include Oracle, private equity firm Silver Lake, and Abu Dhabi's MGX. Initial investment in January exceeded $2.5 billion, with additional payments expected until the $10 billion threshold is reached. In September, President Trump said the deal "hasn't been fully negotiated, but we'll get something," adding that the U.S. would receive a "tremendous fee…just for making the deal.

A fee of this scale is highly unusual for government involvement in a private transaction. Vice President JD Vance has suggested a $14 billion valuation for the new TikTok entity. Under the agreement, the U.S.-based company will still share profits with ByteDance, which has licensed its algorithm to the new venture and retains close to a 20% ownership stake.

Sources: Bloomberg, Wall Street Journal

By comparison, investment banks typically earn less than 1% of a deal's total value in advisory fees, with that percentage declining as deal size increases. For instance, Bank of America is expected to earn about $130 million for advising Norfolk Southern on its $71.5 billion sale to Union Pacific, one of the largest single-bank advisory fees on record.

Novartis Raises $11 Billion to Finance Major Biotech Acquisition

Swiss pharmaceutical giant Novartis is raising approximately $11 billion through a bond sale to help fund its $12 billion acquisition of Avidity Biosciences, signaling a major investment in future drug innovation. The financing comes as part of a broader strategy to strengthen its pipeline, particularly in cutting-edge RNA-based therapies aimed at treating rare neuromuscular diseases.

The company issued investment-grade bonds across multiple maturities, ranging from a few years to several decades. Proceeds from the offering will primarily be used to repay a bridge loan that initially financed the acquisition, highlighting Novartis's reliance on debt markets to execute large-scale deals.

Avidity Biosciences brings a promising platform focused on delivering RNA therapeutics directly to muscle tissue, along with several late-stage drug candidates. This acquisition aligns with Novartis's long-term goal of expanding its presence in neuroscience and rare disease treatments while offsetting potential revenue losses from expiring patents on existing drugs.

Public Storage Strikes $10.5 Billion Deal to Acquire National Storage Affiliates

Public Storage has agreed to acquire National Storage Affiliates Trust in an all-stock transaction valued at approximately $10.5 billion, marking one of the largest deals in the self-storage industry in recent years. The acquisition will expand Public Storage's already dominant position in the U.S. storage market, adding hundreds of properties and increasing its presence in key regions.

The deal comes as real estate investment trusts (REITs) continue to navigate a challenging environment shaped by higher interest rates and shifting property valuations. By using stock instead of cash, Public Storage aims to preserve liquidity while still pursuing strategic growth. The move also reflects confidence in the long-term fundamentals of the self-storage sector, which has remained relatively resilient compared to other areas of commercial real estate.

Shares of National Storage Affiliates surged following the announcement, indicating strong investor support for the transaction. Analysts view the deal as part of a broader consolidation trend within the industry, as larger players seek scale and efficiency.

Overall, the acquisition shows continued demand for stable, income-generating real estate assets and the deal positions Public Storage for long-term growth in a sector known for steady cash flow and defensive characteristics.

Trade of the Week

Long CAD/EUR – Dhilan Vyas

Long CAD/EUR has become increasingly attractive as macro conditions begin to diverge across energy exporters and importers. Volatility across G10 FX has been driven by shifting inflation expectations and central bank uncertainty amid this war. The case for a long CAD/EUR position is driven by two main factors: sustained strength in oil prices and diverging economic pressures between Canada and the eurozone.

If the Strait of Hormuz remains closed over the next few months, experts call for Brent crude breaking $150 per barrel. Higher oil prices would continue to support Canada's terms of trade, strengthening fiscal revenues and improving the country's external balance. As an energy exporter, Canada benefits directly from elevated commodity prices, which should also support growth and provide a cushion against global uncertainty. This dynamic is reinforced as markets begin to price a less dovish path for the Bank of Canada relative to peers.

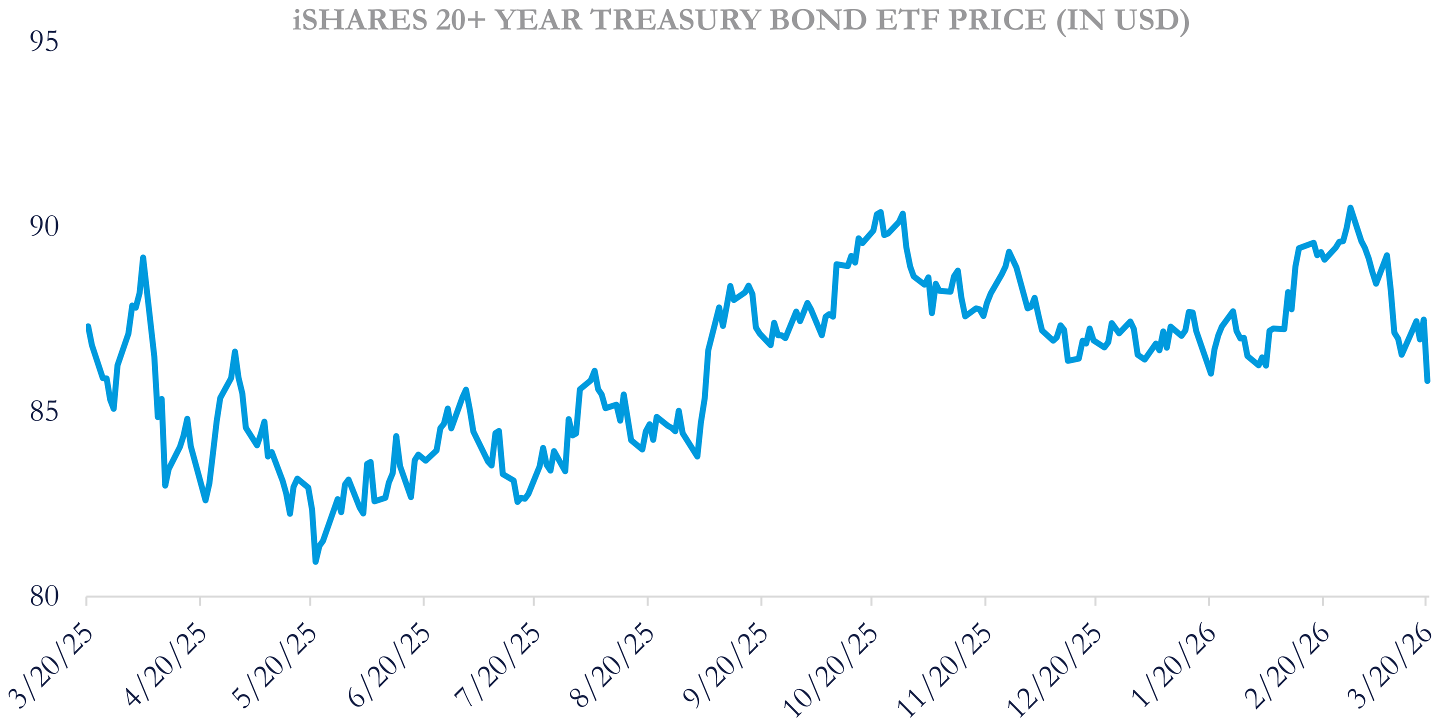
In contrast, the eurozone faces rising downside risks. As a net energy importer, higher oil and gas prices act as a drag on growth while simultaneously pushing inflation higher. This creates a difficult tradeoff for the European Central Bank, limiting its flexibility and weighing on the euro. As long as energy prices remain elevated, this divergence should persist, supporting continued upside in CAD/EUR.

Long iShares 20+ Year Treasury Bond ETF – Riya Pallamreddy

The Federal Reserve held interest rates unchanged at 3.50–3.75% this week, marking the second consecutive pause. With oil prices elevated above $100 a barrel due to the ongoing Iran conflict and core PCE inflation revised up to 2.7%, the Fed has little room to cut in the near term. The updated dot plot reflected this, with seven of nineteen members projecting no cuts at all in 2026.

Given that backdrop, this week's trade is a long position in TLT, the iShares 20+ Year Treasury ETF. Short-term rates are stuck high because the Fed is on hold. But long-duration Treasuries are pricing in a lot of that uncertainty already, and the next major catalyst, whether that's a Fed cut, a softer inflation print, or a de-escalation in the Middle East, tilts toward price appreciation in long-dated bonds. When the Fed does eventually move, long-duration assets like TLT tend to reprice significantly.

The primary risk is that inflation re-accelerates and the Fed is forced to hold longer than expected, keeping pressure on the long end. The April CPI print will be worth watching closely.



Note: Adjusted Closing Prices