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# TABLE OF CONTENTS

3	Equities Outlook
4	Fixed Income Outlook
4	Fiscal/Monetary Policy Outlook
6	Commodities Outlook
7	Emerging Markets Outlook
8	M&A Environment
9	Trade of the Week



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# Equities Outlook

## War Risk and Energy Shock Trigger Market Turbulence

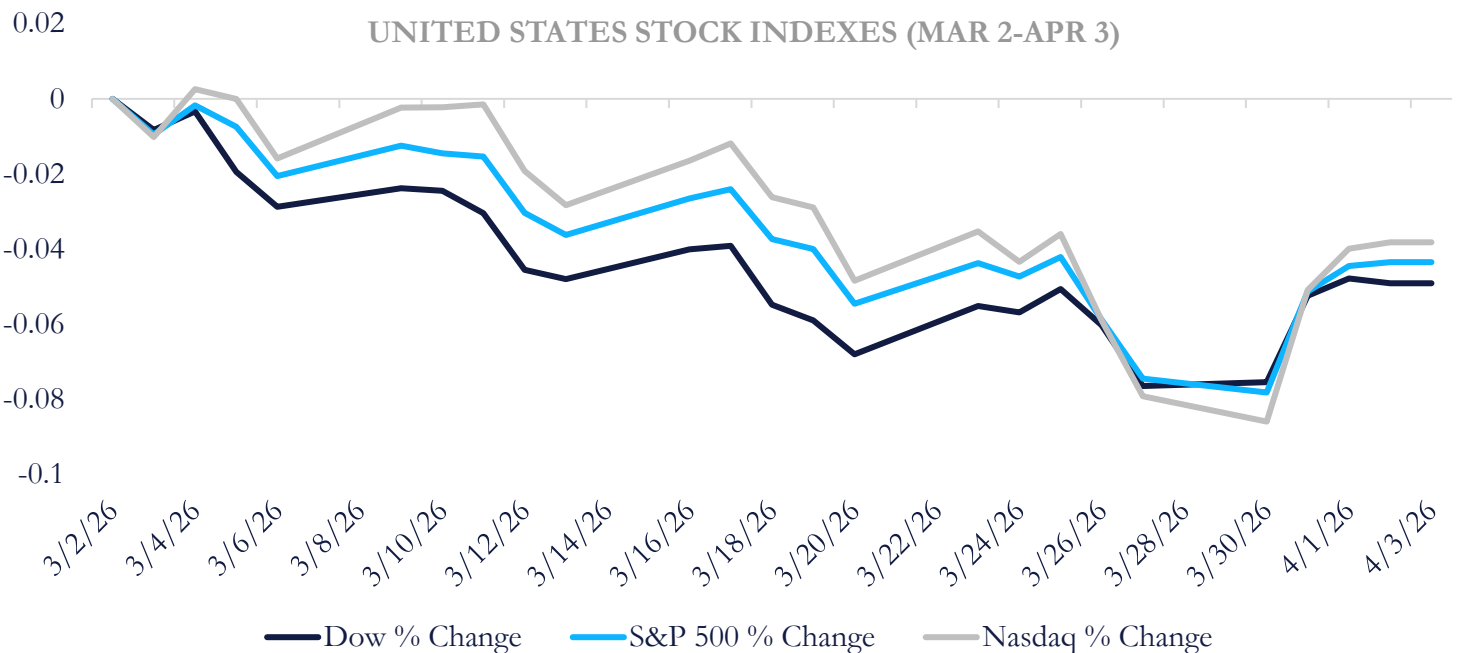
Global markets experienced heightened volatility as the US-Israeli military campaign against Iran, now in its fifth week, continued to dominate headlines and fuel risk-off sentiment. The effective closure of the Strait of Hormuz, which channels roughly 20% of global oil flows, kept energy prices elevated, reigniting inflation and recession fears. Brent crude briefly approached \$120 per barrel, while European natural gas prices nearly doubled after attacks on key LNG infrastructure.

Equities were pressured throughout most of the week. The Nasdaq Composite entered correction territory, the Dow Jones quickly followed, and the S&P 500 fell just 9% shy of its all-time high. Its drop below the 200-day moving average added to a bearish technical outlook, signaling potential further losses.

Markets recovered mid-week after a brief positive geopolitical signal. On Wednesday, President Trump indicated US forces could leave Iran within weeks, prompting a relief rally, with the Nasdaq up 1.5% and the Russell 2000 rising 1.52%. However, optimism faded Thursday when Trump hinted at possible strikes on Iranian electricity infrastructure, pushing S&P futures lower and 10-year Treasury yields back to 4.35%.

On the macro front, the Fed held rates steady at its March meeting. Market expectations for rate cuts shifted to mid-2027, while Bank of America forecasted headline inflation nearing 4% and revised global growth in 2026 to 3.1%. Markets closed for Good Friday, capping a week defined by geopolitical whiplash and macro uncertainty.

Metric	\$ (USD)
S&P 500	\$6,582.69 +0.11%
DJIA	\$46,504.67 -0.13%
NASDAQ	\$21,879.18 +0.18%
Russell 2000	\$2,530.04 +0.70%
FTSE 100	\$10,436.29 +0.69%
Nikkei 225	\$53,123.49 +1.26%
WTI Crude	\$112.06 +0.47%
10-yr Treasury	4.35% +0.03%



Note: % Change Based off Adjusted Closing Prices

## Fixed Income Outlook

### *Credit Conditions Deteriorate as CMDI Signals Rising Market Stress*

The CMDI increased to 0.16 from 0.09 in late February. It is now at its highest level since May 2025. More notably, the investment-grade sub-index jumped to 0.28 from 0.09, hitting its highest level since December 2023 and around the historical 60th percentile. The higher the percentile, the more stressed credit conditions are compared to history. For reference, the CMDI would have been roughly above the 90th percentile during the worst of the 2008 financial crisis and COVID. In other words, current credit market conditions have been more strained than 60% of all previous periods in history. High-yield bonds weren't hit nearly as hard.

“Credit market functioning deteriorated over the past month,” the New York Fed wrote in its monthly report. The 0-to-1 index combines several indicators of new issue pricing and secondary market liquidity to determine how stressed conditions are compared to historical periods of stress. You can read about how the CMDI is calculated here.

Much of the recent pressure has been due to the Iran war, which began late last month and ignited a new bout of market uncertainty. IG credit spreads widened substantially in the days after the conflict began, before paring back to 84 basis points, as of Tuesday. Meanwhile, there was still evidence of tension. The high-grade corporate bond market saw new issuance grind to a halt across multiple sessions last week. This is even more notable considering total IG bond sales hit almost \$230 billion for the month of March, right around banks' estimates.

The resilience of issuance volumes suggests underlying demand remains intact, but the index rise suggests weaknesses beneath the surface. Markets will be watching closely to see whether the CMDI continues to climb in April.

## Fiscal / Monetary Policy Outlook

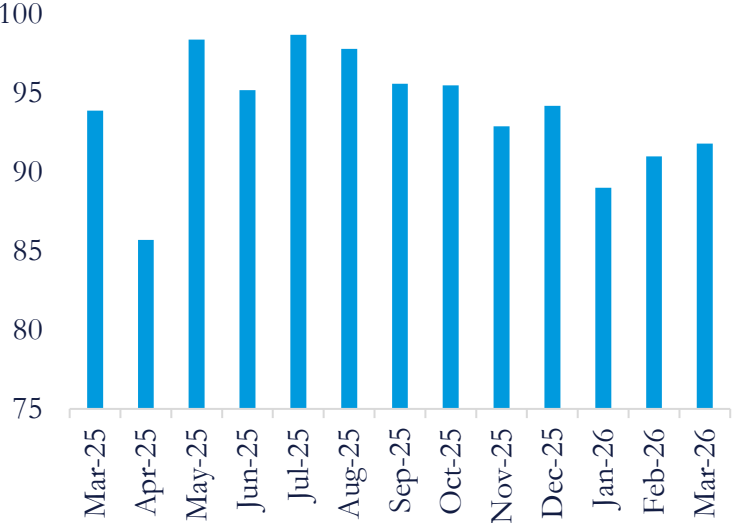
### *Consumer Confidence Edges Up Despite Gas-Driven Inflation Fears*

Consumer confidence unexpectedly ticked up in March, rising to 91.8 from 91 in February and beating Wall Street's forecast of 87.9. However, the Conference Board report showed households are still worried about higher prices ahead, with confidence stuck near its lowest levels in a decade.

Dana Peterson, chief economist at the Conference Board, said "a modest improvement in consumers' views of current conditions outweighed a slight downshift in expectations for the future." Inflation expectations for the next year jumped to over 6%, hitting a seven-month high. The Conference Board pointed to the Iran war oil shock as an obvious culprit, with consumers' inflation expectations surging to levels last seen in August 2025 when tariff announcements were happening.

Gas prices are informative of the situation. The average price at the pump skyrocketed from \$2.83 at the start of March to over \$4 by the end of the month, one of the largest monthly increases on record. More consumers now think interest rates will be higher next year, with that percentage jumping from 34.9% to 42.4%. Expectations for higher stock prices a year out also plunged. The data contrasts with the University of Michigan's sentiment report from last Friday, which showed consumer sentiment falling to its lowest level since December. Joanne Hsu, who directs the survey, said consumers are reacting not just to the geopolitical shock itself but to what's rippling through the economy. If gas prices stabilize without spilling over into overall inflation, sentiment could recover.

**CONSUMER CONFIDENCE INDEX**



Note: (1985 = 100)

## *Repricing Gilts*

The U.K. has emerged as one of the hardest-hit markets in the recent global bond sell-off, with gilt yields rising sharply following the Bank of England's latest decision to hold rates steady. Despite no immediate policy change, markets reacted to a more hawkish tone, pushing 10-year gilt yields to around 5%, their highest level since the financial crisis. Short-term yields also surged, reflecting a rapid repricing of rate expectations, with markets now anticipating potential hikes rather than cuts.

The U.K.'s vulnerability stems from a combination of structural and cyclical factors. Heavy reliance on imported energy means rising oil and gas prices feed quickly into inflation. At the same time, economic growth remains weak, and higher borrowing costs are putting additional pressure on households and businesses. This creates a difficult policy environment where inflation risks are rising even as growth slows, increasing the likelihood of stagflation.

Markets may have overreacted to the Bank's messaging, but the underlying risks remain. Policymakers face a narrow path between containing inflation and avoiding a deeper slowdown. As energy prices remain volatile, the U.K. bond market is likely to stay sensitive to policy changes.

## *From Inflation to Growth Risk*

Market focus is beginning to shift from inflation to growth as the Iran conflict drags on and energy prices remain elevated. While the initial reaction centered on rising inflation and higher yields, investors are now reassessing the longer-term impact on economic activity. Sustained high oil prices, combined with already rising interest rates, are expected to weigh on real incomes and slow consumption, particularly as consumer balance sheets show signs of weakening.

This shift in narrative has started to show up in bond markets. After an initial sell-off, longer-term Treasuries have begun to rally, with yields moving lower as investors price in weaker growth ahead. The focus has moved beyond short-term inflation shocks to the broader risk that tighter financial conditions and higher energy costs could dampen economic momentum through 2026.

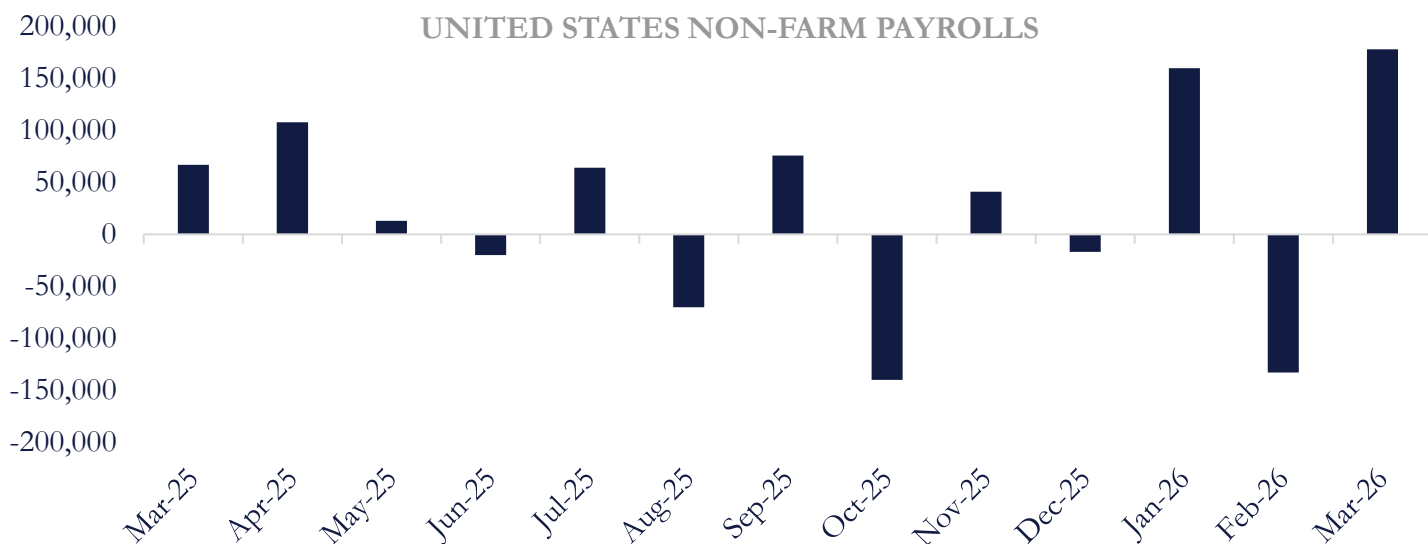
The implication is a potential reversal in market positioning. With equities still near elevated valuations and growth risks rising, longer-duration government bonds are becoming more attractive. While structural forces may still point to higher rates over time, the near-term environment favors a more defensive stance as growth concerns begin to dominate the macro-outlook.

## *March Jobs Report Crushes Expectations with 178,000 Gain*

U.S. employers added 178,000 jobs in March, crushing forecasts, while the unemployment rate unexpectedly dropped to 4.3%. The strong rebound showed the labor market was holding up just as the Iran war kicked off, though it came after a brutal February that saw 133,000 jobs lost, one of the worst months since the pandemic.

Healthcare led the way after the Kaiser Permanente strike wrapped up in California and Hawaii, but hiring was solid across the board. Construction and leisure jobs bounced back from February's weather-hit numbers, and manufacturing had its best month of hiring since late 2023. Wage growth slowed to 3.5% year over year, the weakest in almost five years, which is not ideal for workers dealing with gas prices shooting up because of the war.

The jobs report will probably keep the Fed focused on inflation instead of worrying about the labor market, especially with energy costs going through the roof. The survey covers up to mid-March, right after the U.S. and Israel began conflict with Iran on February 28, so economists think the war's impact will show up more in the next few months. Michael Pugliese at Wells Fargo said if the Middle East conflict had not happened, things would be looking more stable, but now there is "this new shock working its way through the economy." The unemployment drop was not beneficial either, since part of it came from people just giving up and leaving the workforce. The participation rate fell to 61.9%, the lowest since 2021.



## Commodities Outlook

### *Tungsten, Sulfur, Helium Surge as Conflict Sparks Global Supply Shock*

War in Iran is increasing pressure on commodity markets worldwide. Prices have spiked sharply on tungsten, sulfur, and helium, three commodities that are key to semiconductor and defense production. Late last week, tungsten crossed \$3,000 per metric ton unit. Prices are up more than threefold since late December and have surged more than 50% just this month. Tungsten is used to make electrical contacts within semiconductor chips, and supply was already tight before the war. Restrictions on tungsten exports began in China roughly one year ago. Almonty Industries CEO Lewis Black noted that while defense demand has been "extremely strong," the more pressing issue is a lack of available inventory: "There's no material to stockpile. That's probably the biggest change."

Prices for sulfuric acid, which is used to clean wafers during chip production, are up roughly 13% in China since early March to \$621 per ton. Prices for the material have risen at least 30% from pre-war levels in Africa. S&P Global analysts warn that a two-to-three-month effective blockade of the Strait of Hormuz could trigger a severe supply shock, particularly given that 56% of China's sulfur imports originated from the Middle East in 2025.

Helium prices, used to create non-reactive environments for semiconductor production facilities, have doubled since the outbreak of war, Fitch Ratings estimated. Iranian missiles this month crippled a key industrial center in Qatar, which supplies about a third of the world's helium. Do not expect prices to fall back anytime soon.

Chemical supply disruptions are "higher than expected" Goldman Sachs analysts wrote in a note last week, after visiting commodity sites throughout China. The bigger issue, though, is that years of lean inventory management have left supply chains dangerously exposed.

### *LNG Rally Masks Growing Demand Risks Amid Prolonged Price Surge*

U.S. liquefied natural gas companies have seen their share prices surge since the Iran war began, but the same price spike fueling near-term profits may be quietly dismantling the industry's long-term growth story.

The Strait of Hormuz remains the critical chokepoint. Roughly a fifth of global LNG supply flows through it, most of it originating from Qatar's Ras Laffan facility, which sustained Iranian missile damage. Qatar estimates repairs could take up to five years, keeping global prices elevated in the interim. U.S. producers with unaffected supply are benefiting. Venture Global, with greater spot market exposure, has gained 74% since the war began, while Cheniere Energy is up 25%.

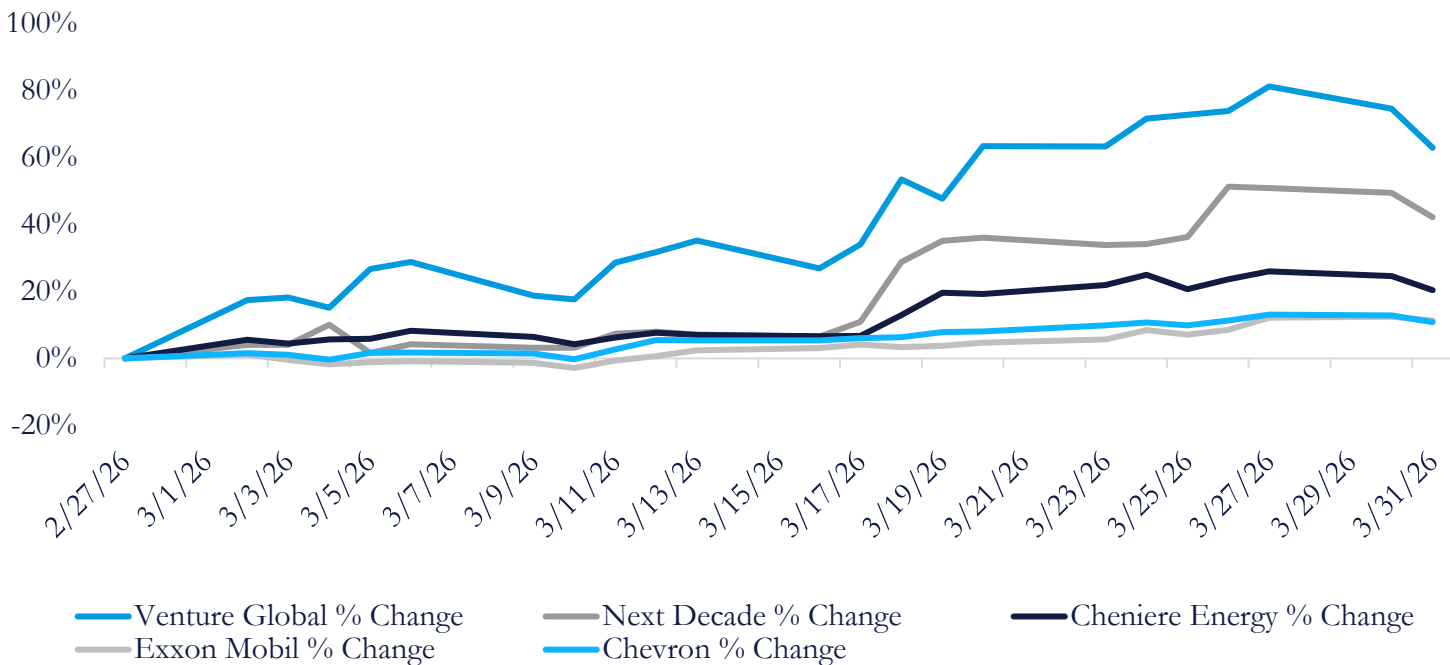
The problem is what sustained high prices do to demand. LNG has long been marketed on affordability and energy security, and it is also a flexible alternative to pipeline gas for countries looking to diversify. That pitch falters when prices spike. Spot prices in Europe and Asia are up 67% and 84%, respectively, since the first U.S. strikes on Iran, outpacing even crude oil's 48% rise.

Asia is where the industry's real growth opportunity lies, particularly as a coal substitute. But economics only works at low price levels. According to Shell, Indian buyers need prices below \$10 per one million British Thermal Units (mmBtu). Currently, prices are roughly double that threshold. India's LNG imports have barely grown since the Ukraine war pushed prices higher in 2022. In some markets, the price floor may need to fall even further: analysts estimate below \$5 per mmBtu to displace coal in China, Cambodia, and the Philippines.

Pakistan illustrates the risk. Priced out during the 2022 energy crisis, the country pivoted sharply toward solar, and its LNG imports last year were nearly 20% below their 2021 peak. The same dynamic could play out across Asia if prices remain elevated.

U.S. LNG producers are set for a windfall. But with that already priced into stocks, the lasting effects of the war may prove far less favorable.

CUMULATIVE LNG PRODUCER SHARE-PRICE PERFORMANCE (% Change)



## Emerging Markets Outlook

### *Eurozone Inflation Reaccelerates as Energy Shock Pushes Prices Above Target*

Europe's annual inflation rate accelerated to 2.5% in March, up from 1.9% in February, as rising energy costs tied to the ongoing conflict involving Iran drove prices higher, according to preliminary official data.

The increase marks one of the strongest inflation readings in over a year and pushes the rate above the European Central Bank's (ECB) 2% target. Energy prices were the main driver, jumping sharply after disruptions to global oil supplies, particularly through the Strait of Hormuz, lifting fuel costs across the continent.

Food prices also contributed to the headline figure, while services inflation remained elevated. Higher fuel and transportation costs are affecting everyday goods; for example, vendors in European markets report that increased energy costs are being passed through to consumers.

With inflation now above target, markets and policymakers are watching closely for signs the ECB may tighten monetary policy to keep price growth from becoming entrenched. Analysts expect possible rate increases in the coming months if inflationary pressures persist.

Overall, the increase in inflation shows how global energy price shocks tied to geopolitical tensions are feeding through to consumer prices across Europe.

### *Energy Shock Hits Asian FX*

Asian currencies are facing mounting pressure as rising oil prices worsen terms of trade across the region, prompting increased intervention from policymakers. The yen and Indian rupee both strengthened briefly, driven by government action rather than underlying fundamentals. Japan escalated its verbal intervention, with officials signaling that direct market action may be imminent as the yen approaches levels that previously triggered intervention.

The rupee's move was more policy-driven. The Reserve Bank of India imposed tighter limits on banks' foreign exchange positions, effectively forcing a reduction in dollar holdings. This created short-term demand for the rupee, pushing it higher before gains faded. The broader trend remains weak, with the currency down over recent months.

The underlying issue across Asia is energy dependence. Higher oil prices are increasing import costs, weighing on growth and putting downward pressure on currencies. This dynamic is also evident in South Korea, where the won has weakened alongside foreign equity outflows.

Overall, the recent moves highlight the limits of intervention. While policymakers can stabilize currencies in the short term, sustained pressure from deteriorating external balances is likely to persist if energy prices remain elevated.

## **M&A Environment**

### *McCormick Expands Scale with \$45 Billion Acquisition of Unilever Foods Business*

McCormick & Company agreed to combine with Unilever's global Foods business in a major strategic acquisition announced March 31, 2026, in a deal valued at roughly \$45 billion. The deal brings together McCormick's spice and flavor portfolio with iconic Unilever food brands such as Hellmann's mayonnaise, Knorr seasonings, French's mustard, and Cholula hot sauce, creating a significantly larger global food and condiment powerhouse.

Under the terms of the agreement, McCormick will pay about \$15.7 billion in cash and issue roughly \$29.1 billion in shares to Unilever and its shareholders. Upon closing, Unilever and its shareholders are expected to own about 65% of the combined company's equity, with McCormick shareholders holding the remainder. The merged business is projected to generate around \$20 billion in annual revenue based on 2025 figures.

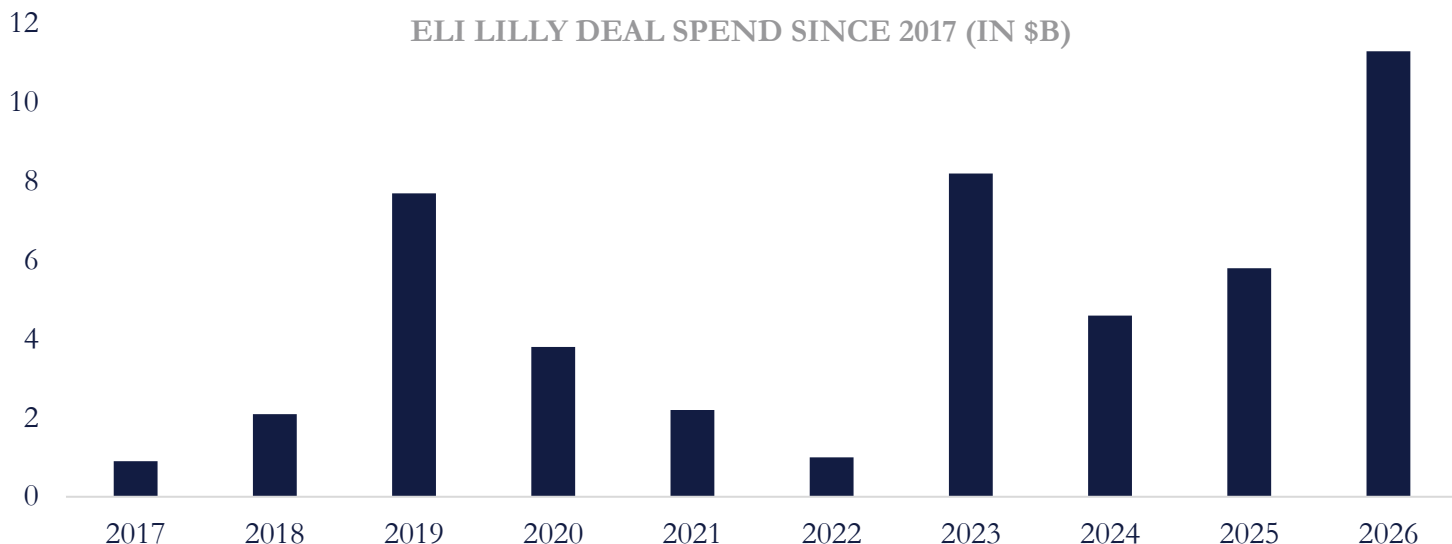
The transaction, structured as a tax-efficient Reverse Morris Trust, is expected to close by mid-2027, pending shareholder and regulatory approvals. McCormick's leadership will continue to run the combined company. Investor reaction was lukewarm, with McCormick's stock falling on deal news amid concerns about integration risks and the value exchange between the companies.

### *Lilly Buying Sleep Drug Maker Centessa for \$7.8 Billion*

Eli Lilly has agreed to pay up to \$7.8 billion for Centessa Pharmaceuticals, a company developing drugs to treat excessive daytime sleepiness. Lilly is paying \$38 per share upfront, or \$6.3 billion, with another \$1.5 billion coming if Centessa's drugs get FDA approval on time. Centessa's stock jumped 45% on the news while Lilly rose about 3%.

Centessa is working on orexin agonists, a new class of drugs that treat narcolepsy and help people stay awake during the day. Lilly thinks the potential runs far beyond that, though. CEO Dave Ricks compared it to GLP-1 drugs, which started for diabetes but expanded into weight loss and other uses. These sleep drugs might help with Alzheimer's, depression, and other conditions where people are tired all day and sleep poorly at night. The market could hit \$15 to \$20 billion if just a quarter of patients with sleep disorders get treated, and potentially more if the uses broaden.

Centessa won't be first out of the gate. Takeda has a competing drug under FDA review that could get approved this year, while Centessa's will not be ready until 2028. Still, analysts think Centessa's version could end up being the best based on what they have seen from mid-stage trials. This is just the latest acquisition for Lilly, which has been using cash from its massive obesity drugs Zepbound and Mounjaro to buy up other companies. Earlier this year they already announced deals for Orna Therapeutics and Ventyx Biosciences.



Note: Excluding Licensing Deals

### *Biogen Makes \$5.6 Billion Bet on Apellis to Boost Kidney Drug Business*

Biogen Inc. has announced a blockbuster deal to expand immunology and rare disease treatments, acquiring Apellis Pharmaceuticals Inc for \$5.6 billion. As of March 31<sup>st</sup>, Biogen, a firm based out of Cambridge, MA, will fork over \$41/share for Apellis. This is a more than 100% increase from Apellis’ closing price on Monday, following a 32% YTD decline in stock. April 1<sup>st</sup> saw the price of Apellis equity rocket 135% to more than \$40 on the Nasdaq, while Biogen sunk 2.3%.

Biogen is picking up two main drugs through this deal. Apellis’ top-selling drug, Syfovre, is used to treat an immune-related condition linked to blindness, bringing in \$587 million in revenue last year. The other drug, Empaveli, is used for a blood disorder and rare kidney diseases, which is an area Biogen has been focusing more on. Empaveli generated over \$100 million in sales last year. Chief Executive of Biogen Chris Viehbacher, views the deal as a new growth source to offset its slowing suite of multiple sclerosis and Alzheimer's treatments, saying “we see this as being very synergistic with where our future pipeline is going to go.”

With the deal expected to close in Q2, Biogen will take a substantial victory, as the firm has been eyeing Apellis for more than a year. Viehbacher was tentative about going ahead with the acquisition until now, fearing that investors and the broader market overvalued Apellis.

## Trade of the Week

### *Long Chinese Equities— Dhilan Vyas*

The case for a long position in Chinese equities through 2026 and 2027 is supported by a combination of attractive valuations, improving momentum, and anticipated policy support. In the U.S., the top 10 mega-cap tech names make

up over 35% of major indices, and valuations reflect that level of concentration. In contrast, China's top 10 stocks make up only about 12% of the index, suggesting broader market participation and less reliance on a handful of names. This difference in index structure helps explain why Chinese equities continue to trade at a discount to global peers. This discount has created attractive valuations within Chinese markets. Price-to-earnings and price-to-book multiples are well below those seen in U.S. and European markets, providing a strong foundation for potential multiple expansion.

At the same time, policy is becoming more supportive. Chinese authorities have begun easing through rate cuts and targeted stimulus, particularly aimed at stabilizing domestic growth and the property sector. This marks a shift from prior tightening cycles and would support higher long-term valuations. Investor positioning also strengthens the case. Even before the Iran war, global investors were underweight China. Positioning has now continued to unwind amid the conflict, and any improvement in sentiment or rotation back into emerging markets could drive meaningful inflows.

Taken together, undervaluation, policy tailwinds, and positioning suggest Chinese equities have room to rally.

### *Long Natural Gas – Riya Pallamreddy*

The natural gas setup may be the most compelling commodity trade amid this conflict and arguably the most underappreciated compared to oil.

Iranian missiles struck Ras Laffan, the world's largest LNG facility, twice within 12 hours, causing extensive damage. According to Wood Mackenzie, the attacks “fundamentally alter the global gas market outlook,” with supply disruptions expected to last more than two months. CNN reports that global LNG supply has already fallen roughly 20%, while the International Energy Agency estimates a loss of over 2 billion cubic meters per week since the Strait's closure.

What makes this trade particularly interesting is the long recovery timeline. Damage to Ras Laffan is estimated to take three to five years to repair, meaning even a ceasefire won't restore supply quickly. Unlike sanctions-driven disruptions, physical destruction cannot be addressed through rerouting or policy intervention alone.

Europe is especially exposed. European gas storage entered the conflict at just 30% capacity following a harsh winter, causing Dutch TTF prices to nearly double to over €60/MWh by mid-March. A prolonged disruption could push European prices roughly 165% above pre-war levels.

From a US perspective, as the world's largest LNG exporter, the country is largely insulated from global supply shocks. This makes Henry Hub futures a relatively safer long, with less downside risk from potential de-escalation compared to European benchmarks.