



ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

March 2026

Published: 08/04/2026



Monthly returns and summary

Index	Portfolio Benchmark Risk Level	31/03/2026	Returns				
			1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	220.28	-2.3%	-0.3%	+6.2%	+13.3%	+11.2%
ARC Balanced	Medium Risk	284.15	-3.8%	-0.5%	+9.4%	+20.4%	+18.9%
ARC Steady Growth	Medium High Risk	347.62	-4.6%	-0.7%	+10.9%	+23.7%	+23.6%
ARC Equity Risk	High Risk	413.29	-5.5%	-0.9%	+12.3%	+26.2%	+26.2%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/03/2026	Returns				
			1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	10176.45	-6.7%	2.5%	18.6%	33.3%	51.6%
UK All Share	UK	5430.69	-7.2%	1.5%	17.5%	30.6%	41.8%
Dow Jones Ind Avg	US	46341.51	-5.4%	-3.6%	10.3%	39.3%	40.5%
S&P 500 Index	US	6528.52	-5.1%	-4.6%	16.3%	58.9%	64.3%
Nikkei 225	Japan	51063.72	-13.2%	1.4%	43.4%	82.1%	75.0%
MSCI Europe Ex UK	Europe	227.51	-8.6%	-2.8%	7.4%	24.5%	32.7%
MSCI Asia Ex Japan	Asia	900.14	-13.9%	-1.5%	26.1%	39.7%	4.2%
MSCI Emg Mkts (£)	Emg Mkts	866.86	-11.4%	1.8%	26.8%	42.0%	25.4%
MSCI World Index (£)	Global	4258.31	-6.6%	-3.9%	17.4%	52.5%	51.4%
UK Conventional	Gilts	3118.60	-4.0%	-1.9%	2.5%	1.3%	-19.5%
UK Index-linked	Gilts	3798.51	-3.1%	1.3%	4.1%	-9.0%	-29.9%
UK Real Estate Investment Trusts	Property	1734.93	-17.1%	-9.9%	-5.4%	-12.7%	-31.2%
WTI Crude (\$/Barrel)	Oil	101.38	51.3%	76.6%	41.8%	34.0%	71.4%
Gold Spot \$/Oz	Commodities	4668.06	-11.6%	8.1%	49.4%	137.0%	173.4%
£1 = US\$	Currencies	1.3227	-1.9%	-1.8%	2.4%	7.2%	-4.0%
£1 = €	Currencies	1.1449	0.3%	-0.2%	-4.1%	0.7%	-2.6%
£1 = Yen	Currencies	209.92	-0.2%	-0.6%	8.4%	28.1%	37.6%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	31/03/2026	Returns				
			1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	13,475.72	-7.7%	-4.2%	12.8%	18.7%	4.5%
Latest Weighted Average Discount			-13.1%				
12 Month Weighted Average Discount			-13.3%				

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

General Comments

The US–Israeli war with Iran sent global markets into turmoil in March, triggering a surge in volatility across almost every asset class. Investors grappled with the conflict’s impact on oil prices and the consequent shift in global economic expectations.

Crude oil prices recorded their largest monthly rise on record, leaving few safe havens as most assets fell and traditional diversification offered little protection. Asia proved particularly vulnerable given the region’s dependence on energy and commodities flowing through the Strait of Hormuz.

Even traditional defensive assets struggled. Government bonds and real estate assets declined amid rising rate expectations, while gold sharply reversed and suffered its longest streak of daily losses on record, underscoring its unreliable performance as a diversifier in broad market sell-offs.

UK Commentary

The Bank of England surprised observers by maintaining interest rates at 3.75% through a unanimous vote, which was the first such consensus in over four years. Despite this hold, the committee signalled a "ready to act" posture if Middle Eastern tensions drove inflation higher. This hawkishness resonated in the bond market, where gilt yields climbed to levels not seen since 2008, driven by traders pricing in multiple future hikes. Adding to this was a survey which reported public expectations of short-term inflation are rising. While some economists disagree that rates should rise in the near term, markets shifted towards pricing an increasing probability of this (more on this below).

On the industrial front, there were reports of manufacturing expenses increasing at their most rapid pace since the early 1990s, particularly affecting energy-heavy sectors like chemicals, as PMI data showed over half of manufacturers reporting rising costs, and less than 2% reporting lower expenses.

Despite these macro headwinds, the corporate sector saw significant activity. Revolut, now one of the world's largest private companies, reported record annual profits of £1.7 billion and finally secured a full UK banking license after many years of failed attempts. Meanwhile, consumer goods giant Unilever confirmed it was nearing a \$60 billion deal to merge its food operations with McCormick. Additionally, the UK launched its new private markets exchange regime, "PISCES", with smartphone-linked board game developer QPlay becoming the first to list under this framework.

North America Commentary

In North America, the Federal Reserve maintained interest rates between 3.5% and 3.75% during its March meeting, though updated economic projections revealed a wary eye on inflation. While the Fed marginally improved its 2026 growth outlook to 2.4%, it also raised its core inflation forecast to 2.7%. This cautious stance came amid visible consumer pressure, as gasoline prices exceeded \$4 per gallon for the first time since 2022 due to the Middle East conflict.

The labour market also provided a negative surprise, shedding 92,000 jobs in February, which pushed the unemployment rate up to 4.4%. Despite these signs of slowing growth, the services sector remained a pillar of strength, with the ISM Services PMI reaching its highest level since mid-2022.

As investors found hope in potential Iran war de-escalation headlines, Amazon led a record-breaking day for corporate bond sales. The tech giant raised \$37 billion across 11 tranches to fund its massive AI infrastructure investments, part of a broader \$65 billion daily issuance volume. However, the private credit sector faced headwinds as major firms like BlackRock and Blackstone restricted withdrawals from flagship funds following a surge in redemption requests from wealthy investors concerned about credit quality.

Europe Commentary

The European Central Bank (ECB) kept its deposit rate steady at 2% but adopted a more aggressive tone. President Lagarde warned that the Middle East war was simultaneously pushing inflation up and growth down, leading the bank to substantially raise its 2026 inflation forecast to 2.6% (from 1.9%) while trimming growth expectations.

This downbeat outlook was, to some degree, supported by Purchasing Managers' Index (PMI) data, which saw the Eurozone's composite figure drop to a 10-month low of 50.5. With a figure above 50, the economy is still in expansionary territory. However, some economists expressed concern as major economies Germany and France showed particular weakness, with French activity now having contracted for three straight months.

Amid the geopolitical turmoil, some companies/sectors thrived; the German defence contractor Rheinmetall reported booming profits and proposed a significant dividend increase as European nations accelerated rearmament efforts. The defence sector globally continues to receive increased investor interest, but Europe in particular seems to have strong tailwinds given large increases in relevant government budgets. Many experts argue this follows many years of underinvestment, so this cycle may prove to be a significant one.

The technology sector also saw a milestone with the launch of AMI Labs, led by former Chief AI Scientist at Meta Yann LeCun, which secured over \$1 billion in Europe's largest-ever seed funding round to develop advanced AI "world models".

Asia Pacific Commentary

The Bank of Japan (BoJ) maintained its overnight rate at 0.75%, but the decision was not unanimous, and the bank hinted at future hikes if economic developments align with its outlook. Japan's core consumer prices showed a surprising rebound to 2.2%, exceeding the central bank's target and increasing the likelihood of policy normalization and higher future rates. Simultaneously, the yen hovered near the critical 160 level against the dollar, prompting Japanese officials to warn of "bold actions" in an attempt to curb speculative currency moves.

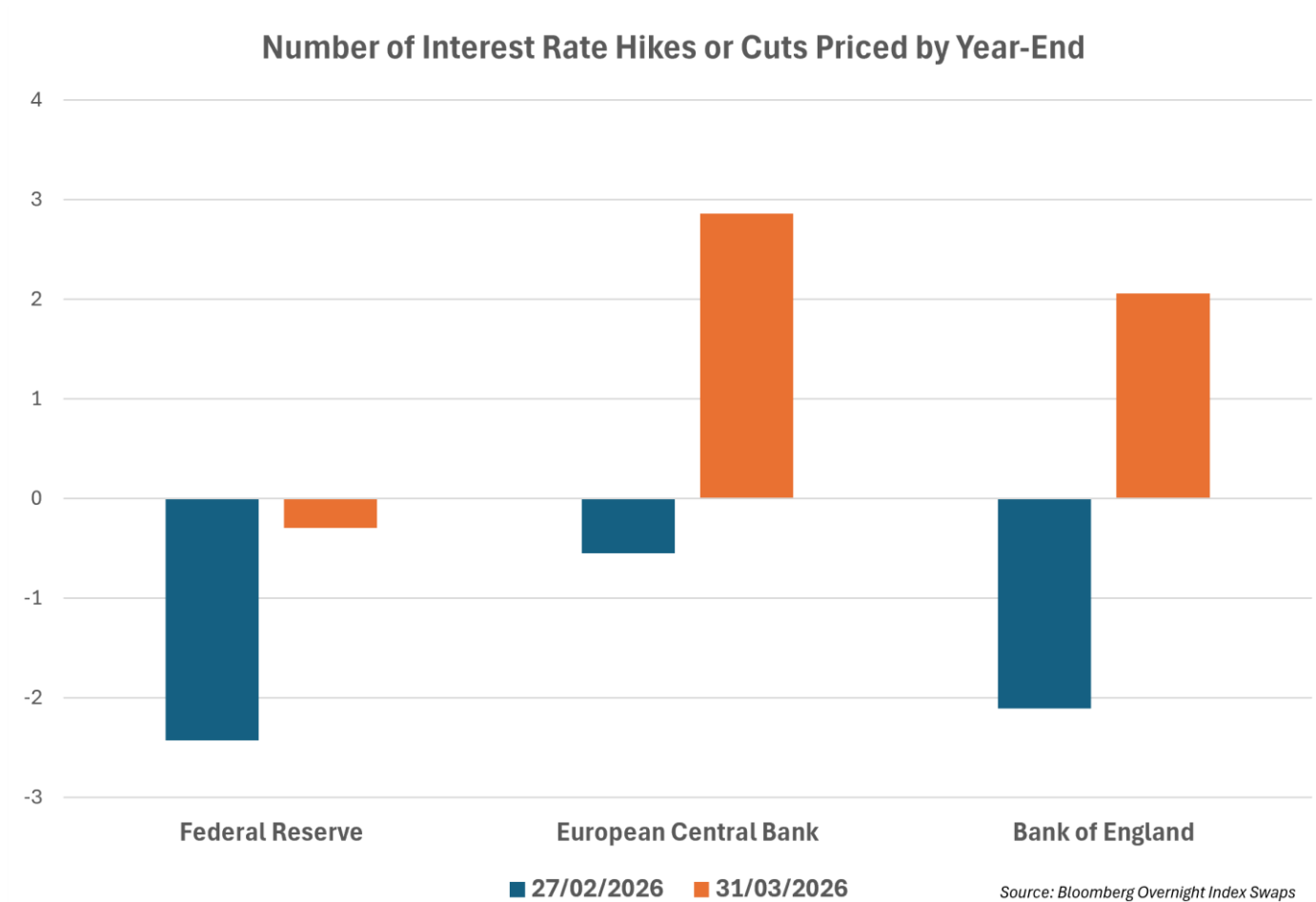
In China, the government set a modest annual growth target of 4.5% to 5%, its lowest expansion goal in decades as it focuses on domestic consumption and innovation. Meanwhile, China's markets held up better than some neighbours as strategic oil stockpiling helped insulate its economy from immediate price shocks.

Elsewhere, South Korea's KOSPI index experienced extreme fluctuations, suffering its largest daily drop since 2008 before staging a massive rebound, driven by tech giant Samsung, which makes up a substantial part of their index owing to its significant size relative to the wider market.

Emerging Market Commentary

Emerging market equities suffered their worst monthly performance since the COVID-19 pandemic began in early 2020, primarily due to their sensitivity to global energy prices and a strengthening US dollar. The Middle East conflict acted as a central pressure point, exposing the vulnerabilities of countries heavily reliant on energy imports. India was particularly affected, with the surge in crude oil costs pushing the rupee to record lows and intensifying domestic inflation concerns.

Latin American markets proved more resilient, as the region's position as a net energy exporter provided a structural cushion. Producers in Brazil and Colombia benefited from the spike in oil prices, while Argentina also outperformed regional peers. Conversely, South Africa's markets were hit hard by a sharp decline in precious metal prices, specifically gold and silver, which weighed heavily on mining companies.

Chart of the month – Interest Rate Expectations

Market-implied UK interest rate expectations have experienced a dramatic U-turn over the past month, pivoting from pricing in two or more cuts in 2026 to anticipating an equal number of hikes. A similar pattern can be seen in the US and Europe, however, the UK is uniquely placed in this respect thanks partly to already elevated interest rates and relatively unusual energy policies.

The substantial shift reflects heightened fears of resurgent inflation following the commodity price risks presented by the US-Iran conflict and the closure of the Strait of Hormuz, which is a highly significant shipping route for many key input commodities.

This sharp change in interest rate expectations is to a large degree responsible for the volatile markets and broad sell-off seen in March, as almost all asset prices naturally adjusted to reflect this higher discount rate.

Many economists, however, disagree with the market's assessment. They argue that this is primarily a supply-driven issue which is unlikely to derail demand-focused monetary policy (i.e. interest rates). In other words, they argue that increasing interest rates will not solve the problem of higher input costs, and that these higher input costs will themselves act as a brake on the economy, so pouring further water on the fire will be unnecessary.

It is highly unusual for economists and market implied rates to disagree to such a degree, and this will no doubt be an important debate to watch over the coming months.

Investment Team's thoughts

The turbulence of March served as a stark reminder of how quickly geopolitical shocks can unsettle markets. When energy markets seize up, correlations across asset classes often rise, leaving few places for investors to hide. The episode also reinforced that traditional safe havens - whether bonds, real estate, or even gold - are not immune to broader shifts in inflation and interest rate expectations.

In times of heightened uncertainty, flexibility, prudence, and a clear understanding of underlying exposures are the factors that most help us properly evaluate diversification and risk.

Looking forward, equity markets which were more expensively priced, such as the US and Japan, are now trading on more reasonable valuations and look more attractive to us on that basis. Meanwhile, the return on offer from government bonds has increased substantially thanks to the aforementioned swings in inflation and interest rate expectations, especially as the shape of the yield curve has changed, opening up the possibility to "ride the yield curve" downwards (benefiting from the natural increase in a bond's price as it approaches maturity), earning an extra return over and above the headline yield. Ultimately, we see many opportunities which have been presented to us because of the volatility seen in March. We continue to be disciplined with our risk management and long-term asset allocation.

As we write, markets are rallying on the back of a reported two-week ceasefire and the reopening of the Strait of Hormuz. Sharp reversals like this are a reminder of why we remain focused on looking beyond short-term headlines and on what we can assess with greater confidence: the valuation of long-term future cash flows. The more short-term events threaten to distract us, the more important it is to stay disciplined and anchored in our longer-term framework.