

CHIEF INVESTMENT OFFICE

Investment Insights

The Six Senses

All data, projections and opinions are as of March 9, 2026 and subject to change.

With the Middle East conflict boosting volatility to sharply higher levels around the world, we highlight six areas to watch closely for signs of stabilization in the capital markets in the short-term. Longer-term investors should consider these six areas (among others) as key indicators that could potentially signal a turn for the better and a resumption of the trends that were in place as we entered 2026.

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1. Oil and Gas Prices

- West Texas Intermediate and Brent crude prices spiked 60% to 70% from 2026 lows to above \$100 on the front-end contracts
- Liquefied natural gas, diesel and gasoline prices have spiked impacting corporate and consumers globally

2. Credit Spreads

- Both Investment-grade and High Yield credit spreads have widened with some bond deals being delayed or repriced; but still tame
- Short-term funding and Bank spreads still in normal ranges but watch closely to assess financial conditions
- Credit default swaps (as measured by iTraxx Europe Index) or the cost of a hedge on below Investment-grade bond defaults are at the widest levels since last June

3. Yields and Rates

- 10-year yields around the world have drifted higher off of their lows from earlier this year. U.S. 10-year Treasury at 4.17% (as of 3/9/26) still below year-end forecast from BofA Global Research at 4.25%.
- The normal risk-off move into Treasuries has not occurred this time around given the concerns over oil price hike's impact on inflation
- 2-Treasury yields have also drifted higher as Federal Reserve rate cut expectations have been pushed out further in the year

4. Inflation Indicators

- The sharp spike in oil and gas prices have increased concerns over upcoming inflation gauges such as consumer price index and producer price index
- Inflation expectations in the bond markets have also widened out slightly as longer-dated yields have drifted higher
- Worries over higher food prices have spiked as well as fertilizer transport has been significantly impacted in the Middle East

5. U.S. Dollar

- The Trade-weighted Index (DXY) has rallied about 3% pushing the index back close to 100 from the lows earlier this year at around 96
- U.S. dollar strength traditionally indicates a rise in risk aversion and can also weigh on specific commodity prices such as Gold and Silver
- Subtle weakness in the U.S. dollar can help foster reflation in Equity and Commodity asset prices indicating improved global growth

6. Equity Volatility

- The Chicago Board Options Exchange Volatility Index has spiked above 30 from the lows of around 15 earlier this year
- Sectors that are traditionally tied to positive global growth momentum (e.g., Technology, Materials) and consumer and corporate health (e.g., Financials, Consumer Discretionary) have led the declines in the short term
- Non-U.S. Equity gauges namely Japan, South Korea and India indexes, which are all heavy oil importers, have experienced outsized weakness since the conflict began

The overall movement and direction of the Six Senses are likely to dictate various asset prices in the short- and medium-term given the effect they can have on economic growth and the resulting investor sentiment. The interplay of the six should help signal a stabilization of the latest downtrend in risk assets particularly if oil prices show signs of coming down sharply sooner rather than later. Obviously, the timing of an eventual stabilization is still unclear. Therefore, we continue to emphasize patience, a balanced diversified approach, a detailed plan to buy or rebalance on weakness and a longer-term mindset overall. In the long run, we emphasize corporate profit growth trends, the momentum in corporate margins, and the level of yields as key determinants of asset prices, which we expect to be attractive in the coming years given rising capital investment, well-above trend productivity, accelerated innovation and higher global economic growth in general.

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Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

Consumer Price Index measures the average change over time in prices paid by urban consumers for a market basket of consumer goods and services, such as food, housing, and transportation.

iTraxx Europe Index are designed to measure the most liquid names in the European credit default swap market.

Producer Price Index is a measure of the cost of raw materials and other inputs that producers might buy.

U.S. Dollar Trade-weighted Index (DXY) tracks the strength of the dollar against a basket of major currencies.

Chicago Board Options Exchange Volatility Index measures the expected 30-day volatility of the S&P 500 based on the prices of its short term call and put options.

MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI South Korea Index is designed to measure the performance of the large and mid cap segments of the South Korean market.

MSCI India Index is designed to measure the performance of the large and mid cap segments of the Indian market.

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