

April 12, 2026

Shaken & Stirred

Markets have been *shaken* by the sudden escalation in the Iran conflict, but the broader macro setup still looks more *stirred* than broken. A conditional two-week ceasefire has now been agreed, offering near term relief, but the tone remains fragile and we are not yet confident about the direction from here given how quickly headlines have been shifting every hour. We are not geopolitical experts – so rather than trying to predict the endgames, we will stay focused on the likely transmission channels into the economy: energy prices, financial conditions, confidence, and ultimately growth/inflation. If the conflict is contained and wrapped up within a few weeks, the transmission channel is likely to be energy: a brief drag on real consumption, a temporary uptick in inflation, and a short-lived rise in risk aversion. Importantly, absent broader inflation pressures outside energy, history suggests these shocks rarely leave a durable imprint on longer term inflation expectations or yields.

Numbers Behind the Narrative

Recent economic data continues to present a mixed picture of the US economy. Retail sales rose 0.6% MoM in February, rebounding from a 0.1% decline in January and supported by broad-based gains, suggesting underlying consumer demand remains intact. However, the data already appear somewhat outdated given March's geopolitical developments and the sharp rise in gasoline prices. Overall, the trajectory points to gradual cooling in consumption, with seasonal factors likely exaggerating monthly swings.

Meanwhile, March nonfarm payrolls surprised to the upside, rising 178k (vs. 65k consensus) and reversing February's 133k decline, partly boosted by the return of striking workers, while the unemployment rate edged down to 4.3% (vs. 4.4% consensus) due to a contraction in labor supply. Despite strong headline gains, underlying momentum remains moderate, with softer income growth – average hourly earnings up just 0.2% MoM, suggesting less support for future consumption. Inflation pressures remain primarily energy-driven (so far), with limited evidence of broader re-acceleration. However, ***inflation could become more broad-based if elevated energy prices persist.***

Central Bank Watch

An old axiom in financial markets borrowed from the military is that ***"policymakers always fight the last war."*** Having learned the lessons from past, and assuming they follow the same pattern in the face of today's oil shock, we should expect fiscal policymakers to engage in more targeted relief to struggling households, in smaller doses, spread out over time rather than broader stimulus. Central bankers, meanwhile, are also likely to respond to the inflation threat if it sustains for a while. The market now prices a significantly less dovish Fed than before the conflict, with no full rate cut expected by the end of 2026.

Financial conditions already delivered the equivalent of rate hikes, reducing the need for the Fed to do more in near term. The central bank's approach is likely to remain "wait and see," balancing (1) temporary cost push inflation from energy versus (2) signs of cooling growth and employment. According to the March FOMC minutes, officials felt current rates leave them well positioned but expressed mixed views, noting rising inflation and employment risks, with most open to future rate cuts if labor market weakens and inflation stays contained, while few saw the possibility of rate hikes if inflation remains elevated.


#1 MENA Asset Manager investing in Asian G3 bonds for 2025 by The Asset Magazine


Quote of the Month


"In the midst of chaos, there is also opportunity."

— Sun Tzu

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Overall, March marked a clear shift to a risk-off environment following a constructive start to the year. Geopolitical escalation pushed energy prices sharply higher (Brent +62%), with the broader commodity complex (GSCI) up 22%, reigniting stagflation fears and tightening financial conditions. In rates, the sell-off was meaningful, with UST 10Y and 30Y yields rising by 38bps and 30bps, respectively. Risk assets corrected alongside the move higher in yields: S&P 500 fell 5%, while MSCI EM dropped 9% during the month. Credit markets also repriced accordingly, with US IG spreads widening by ~7bps and US HY spreads widening by ~50bps. Within EM sovereigns, spreads widened by 20–30bps. The JPM EM Bond Index declined 3.05% during the month, while the JPM Asia IG and JPM MECI GCC indices fell 1.57% and 3.42%, respectively. Overall, the sell-off across asset classes in March was driven by broad-based de-risking.

The Final Word

The recent repricing across rates and credit markets presents a compelling opportunity for investors with a medium-term horizon to increase allocation to fixed income asset class. Higher yields and wider credit spreads offer an attractive risk-reward profile, with potential for both income generation and capital appreciation. Against a backdrop of heightened geopolitical tensions, supply-chain frictions, and elevated energy prices complicating the growth-inflation trade-off, central banks are likely to remain cautious and reactive.

In this environment, we would like to **use this volatility as an opportunity to add exposure**, particularly to higher-quality issuers with strong fundamentals. While **wars are cyclical** and associated risk premia tend to ebb and flow, the **impact of AI will be more structural**. As geopolitical tensions ease, market focus is likely to rotate back toward AI-driven disruption, capex, and productivity themes. That said, the situation remains fluid and warrants close monitoring. Our focus is on ensuring portfolios are resilient across scenarios while staying attentive to evolving risks.

FI Conventional Portfolio

A diversified portfolio of USD denominated securities, primarily Investment grade, both in the Middle East & North Africa (MENA) region and globally. The portfolio aims to achieve a steady level of interest income with moderate capital appreciation.

BBB+
Avg. Portfolio Rating

3.57
Modified Duration

5.49%
Yield to Maturity

Managed Account Performance – March 31, 2026

	1M	3M	6M	1Y	3Y	5Y	ITD
FI Conventional Portfolio	-1.98%	-0.57%	0.83%	5.39%	21.64%	19.28%	101.70%
Benchmark ¹	-1.82%	-0.55%	0.85%	5.09%	18.03%	11.02%	73.29%

Global Sukuk Fund

A US Dollar denominated Shariah compliant open-ended fund that that will invest in a diversified portfolio of Sukuks globally. The Fund aims to achieve a high level of income with moderate capital growth. The fund pays a semi-annual dividend.

BBB+
Avg. Portfolio Rating

3.98
Modified Duration

6.07%
Yield to Maturity

Managed Account Performance – March 31, 2026

	2025	1M	3M	6M	1Y	ITD
Sukuk Fund ²	7.90%	-2.74%	-1.74%	-0.29%	3.41%	6.55%
Benchmark ³	7.59%	-2.17%	-1.14%	-0.18%	3.97%	6.49%

Notes: The QIC Global Sukuk Fund is managed by QIC Islamic Asset Management LLC, an affiliate company of QIC Asset Management LLC (company registration no. 00602), which is also authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA). (1) *Blended benchmark- Pre 2023: JPM MECI GCC (JCADGCTR) Index (60%) & JPM Asia (JACIIGTR) Index (20%) & US Bloomberg Aggregate (LBSTRUUU) Index (20%), 2023 onwards the benchmark is changed to reflect a change in the mandate and duration requirements of the portfolio: Bloomberg Eurodollar Global Aggregate (I02953US) Index (35%), Bloomberg EM USD Aggregate 1-3 (I12885US) Index (25%), Bloomberg EM USD Aggregate EMEA (I13292US) Index (20%), Bloomberg Intermediate US Aggregate (LC08TRUU) Index (20%).(2) Assumes reinvestment of dividends. (3)Dow Jones Sukuk Total Return ex-Reinvestment DJSUKTXR Index

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