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Creating Sustainable Value

MONTHLY MARKET
REVIEW & OUTLOOK
March 2026

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in a nutshell

Key events - February 2026

- **Markets:** European equities rise for the 8th consecutive month, the first time this has happened since 2013. US markets are underperforming, penalised by the technology sector.
- **Geopolitics:** the United States and Israel launch strikes against Iran on 28 February, opening up a new source of major uncertainty for energy and inflation.
- **Artificial intelligence:** the release of agentic models (Claude Code, GPT 5.3 Codex) and an alarmist report on employment are causing a massive sell-off in software stocks.
- **Tariffs:** the Supreme Court strikes down Trump's IEEPA tariffs as unconstitutional. The authorities responded by invoking section 122 of the Trade Act.

Number of the month¹

\$ 5,280

Record price of an ounce of gold in February

Macro outlook

- **United States:** resilient macro data so far and ISM manufacturing index at its highest for 3 years (52.6). The Fed remains in wait-and-see mode.
- **Eurozone:** industrial recovery in Germany, encouraging rise in PMI to 52. What about the conflict in Iran and soaring energy prices?
- **Japan:** historic electoral triumph for Sanae Takaichi, giving a free hand to fiscal stimulus.
- **China:** stabilisation without acceleration, PMI back below 50.



The Long View

Nuclear: proliferation in a vacuum

- Nuclear weapons are making a major comeback on the global stage, as the nine nations possessing them seem determined to bolster their arsenals.
- The treatment of Iran's leaders has just dramatically increased the cost of acquiring this nuclear status.
- In an increasingly conflict-ridden world, it's reassuring that these weapons remain in the hands of just nine states, seven of which maintain a clear doctrine of use.

¹ Source: Bloomberg, February 2026.



Bumpy ride ahead (take 2)

If January had already put investors' nerves to the test, February added its share of twists and turns, confirming that there will be little respite in 2026. With European equity markets still buoyant, a US technology sector plagued by existential doubts, an armed conflict with Iran at the very end of the month and the Supreme Court torpedoing Donald Trump's tariff policy, the list of events to digest goes well beyond the scope of a simple monthly review. And yet, in the midst of this turmoil, the macroeconomic fundamentals continue to reassure.

The month ended with European equities posting their 8th consecutive monthly gain - the Stoxx 600 up 3.9% - the first time this has happened since 2013. The Japanese Nikkei index set a new record, gaining 10.4%, while emerging markets continued to catch up, rising by 5.5%. Only the US market fared poorly, with the S&P 500¹ down 0.8%, penalised by the debacle in the software sector and the existential questions raised by artificial intelligence. Bond markets benefited from the fall in yields, with US 10-year yields dropping 30 basis points to 3.94%, while the German Bund lost 20 basis points to finish at 2.64%.

US tech in search of meaning

February was a month of soul-searching for the US technology sector. Software stocks collapsed by almost 9% in the month alone, taking their decline since the start of the year to over 20%. The Magnificent 7² stocks were no exception, shedding 7%. The catalyst? The emergence of agentic artificial intelligence models - Anthropic's Claude Code, OpenAI's GPT 5.3 Codex - now capable of autonomously executing complex tasks in the legal, accounting and financial planning fields. These tools no longer simply assist; they replace.

At the same time, a report by Citrini Research forecasting a scenario in which the US unemployment rate would exceed double digits by mid-2028 triggered a massive and indiscriminate sell-off across the entire software sector: from wealth management to logistics, insurance comparators and tax planning tools.

Even Nvidia's good results, with profits ahead of expectations, were not enough to halt the trend. The share price fell in the days following publication. A revealing paradox: OpenAI and Anthropic themselves recruit candidates who have mastered the SaaS tools they claim to be disrupting.

Tariffs under the microscope of the Constitution

Another highlight of the month was the US Supreme Court's ruling that the use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs is unconstitutional, effectively nullifying around half of the tariffs applied in 2025. The Trump administration, which had anticipated the move, quickly counter-attacked by invoking section 122 of the 1974 Trade Act, allowing the imposition of a 10% global tariff for 150 days from 24 February, with the threat of an increase to 15%.

The net impact remains modest: the average effective rate applied to the US economy has fallen from around 14-15% to 11-12%, a slight downward revision. A number of exemptions remain, including for energy, pharmaceuticals, electronics, Canada and Mexico... The thorny issue of refunding the \$175

Source: Bloomberg, Mirova.

¹ S&P 500 (Standard & Poor's 500): Stock index based on 500 large companies listed on U.S. stock exchanges.

² The 'Magnificent Seven' refers to a group of seven U.S. technology stocks: Microsoft, Nvidia, Tesla, Meta, Apple, Alphabet, and Amazon.



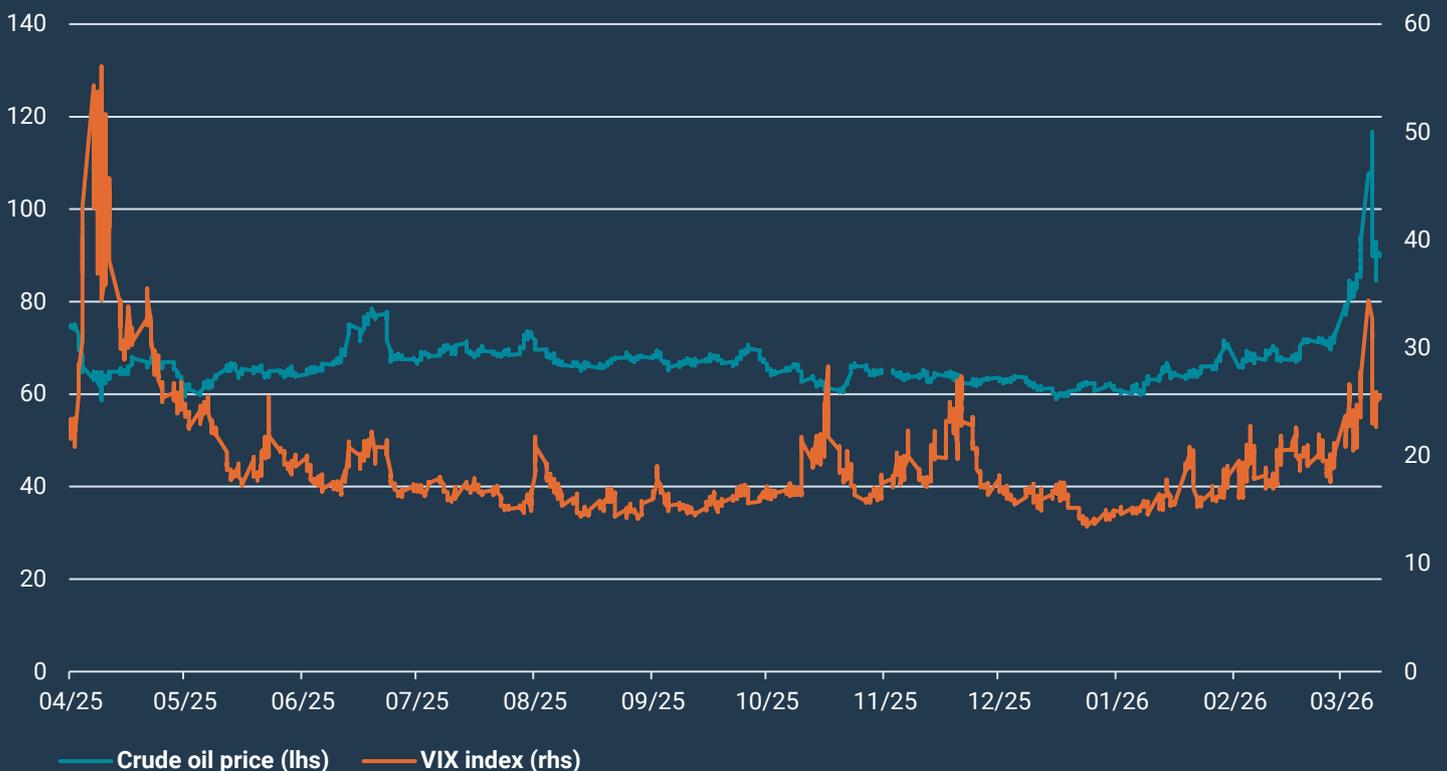
billion in tariffs already collected remains open: a favourable outcome would support the margins of penalised companies, but would increase the federal deficit. All in all, markets' reaction to the news was insignificant, but the process should be monitored closely.

Gold shines, Bitcoin stalls

Against this backdrop of uncertainty, safe-haven assets fared well. Gold rose by 8% to \$7,280 an ounce, while silver gained 10%. Against the tide, Bitcoin lost almost 15% falling to \$66,700, marking its fifth consecutive monthly decline and reflecting persistent mistrust. Oil ended the month up 2.3% at \$72 a barrel, already buoyed by speculation of intervention in Iran - Trump had warned on 19 February that Iran had 10 days to reach an agreement - before soaring after the strikes on 28 February.

Graph of the month

Crude Oil Price (USD) and US Stocks Implied Volatility VIX



Source: Bloomberg.



Macro review and outlook

(excluding escalation in Iran)

Resilient growth in the United States, industrial recovery in Europe, massive recovery in Japan: the fundamentals are reassuring. But the eruption of the Iranian conflict and the growing questions surrounding AI are reminders that the macro/market context remains uncertain.

United States: solid growth beneath the surface

Admittedly, GDP³ for the fourth quarter of 2025 disappointed at an annualised quarterly rate of 1.4%, well below the consensus of 2.8%. But this disappointment is entirely due to the impact of the federal shutdown at the end of the year, which led to a sharp fall in public spending, and to the expiry of the tax credit for electric vehicles. The core of the private economy - household consumption and private investment - appeared very solid.

The ISM⁴ manufacturing index was the month's pleasant surprise, climbing back above the 50 threshold for the first time in over a year, to 52.4, its highest level for three years. The new orders component jumped by 10 points over the month to 55.8, the biggest increase since Covid. These signals point to a recovery in capital goods investment that goes beyond AI-related capex⁵, supported in part by the Big Beautiful Bill⁶ and its favourable depreciation rules. Industrial production came in well above expectations in January, a trend that was widespread across all durable goods industries.

The job market presents a mixed picture: job creation in January surprised on the upside, with 130,000 non-farm jobs, double the number expected, and the unemployment rate fell to 4.3% from 4.4% previously. However, February's job losses were a major disappointment, with 90,000 jobs lost where economists had expected net job creation. All in all, the average over the last 3 months is close to zero. Most of the new jobs are in the healthcare and personal assistance sectors, and the competitive private sectors are not showing any acceleration. Methodological revisions have also significantly reduced the figures for 2025. It's a market with few new recruits and few redundancies: a fragile stability, but one that has held up so far. A sort of return to fears of jobless growth.

On the inflation front, the news was reassuring before the Iranian shock: headline inflation⁷ slowed to 2.4% year-on-year in January from 2.7%, while underlying inflation decelerated to 2.5%, buoyed by falling energy and used car prices. However, there is emerging inflationary pressure from AI in certain segments: +6.5% year-on-year for electronic components, +8.7% for communications equipment and fibre optics. The Fed remains in a wait-and-see stance, with the market not expecting its first rate cut until September at the earliest.

Household consumption remains resilient, with growth expected to be around 2% in 2026, slightly lower than the previous year but still sustainable, provided the labour market does not collapse and inflation does not spike again against a backdrop of soaring energy prices. GDP remains above its pre-Covid average, while wage deceleration and productivity gains are keeping unit labour costs low, preserving corporate margins. Overall, we expect US growth to be in the region of 2.5% in 2026, excluding the

Source: Bloomberg, Mirova.

³ **GDP (Gross Domestic Product)**: The total value of goods and services produced in a country over a given period, typically one year.

⁴ **ISM Index**: Manufacturing index from the Institute of Supply Management (ISM) measuring the activity level of purchasing managers in the industrial sector.

⁵ **Capex (Capital Expenditure)**: Refers to the funds a company uses to acquire, upgrade, and maintain long-term physical assets.

⁶ **Big Beautiful Bill**: A U.S. federal budget reconciliation law passed in 2025 under the Trump administration.

⁷ **Headline inflation** encompasses the total inflation rate within an economy, including all goods and services.



escalation of the conflict in Iran and the prolonged closure of the Strait of Hormuz, with the Fed possibly cutting rates.

Euro zone: a brightening trend continues (notwithstanding the potential energy shock linked to the conflict in Iran)

Business sentiment improved markedly in February, particularly in Germany where optimism has resurfaced thanks to the impact of the fiscal stimulus. New orders, driven by the defence and aerospace sectors, soared. Although industrial production is not yet keeping pace - the time lag between orders and production start-up is only natural - this suggests that the pace will pick up in the second half of the year, or even in 2027. The eurozone's composite PMI⁸ reached 52 in February, beating expectations, with the German manufacturing PMI now above 50, in an expansion phase.

Headline inflation came out at 1.9% year-on-year, below the 2% mark (2.4% for core inflation), and the ECB says it is comfortable with the current level. The threshold for moving rates up or down remains high. Business lending remains weak, with banks forecasting a general tightening of credit standards, and mortgage lending remains far from the rebounds usually seen. The strong euro continues to weigh on competitiveness, and input prices are up for the 4th month in a row.

The automotive sector continues to suffer, notably due to weak exports to the United States, but new industrial orders are rebounding in the core countries of Germany and France. However, we must be wary of rising energy prices and the potential supply shock associated with the closure of the Strait of Hormuz, which remains a warning signal. On the reform front, Meloni's rejection of Eurobonds is dampening spirits, but a relaxation of the Emissions Trading Scheme (ETS), pushed jointly by Merz and Macron, could bolster manufacturing activity.

Japan: the Takaichi gamble

The elections for the House of Representatives were a historic triumph for Prime Minister Sanae Takaichi's party, which won 316 seats, a two-thirds majority not seen since the post-war period. This overwhelming majority gives free rein to an ambitious fiscal stimulus programme. While this policy is putting pressure on the long end of the curve - although rumours of joint intervention by the BoJ and the Fed have calmed the rise in long rates - this is part of a medium-term strategy that could pay off. The Nikkei responded with a spectacular 10.4% performance over the month.

China: stabilisation without a spark

The Chinese New Year period limited visibility on economic data. Nonetheless, high-frequency indicators confirm that the property market and household consumption are beginning to stabilise, although without accelerating. Automobile sales remain weak, and both the services and manufacturing PMIs have fallen back below the 50 threshold. China is now focusing on the dissemination and practical applications of AI - robotics, biology, autonomous driving, industrial manufacturing - rather than the race for frontier models, a strategy that could pay off in the long term.

Source: Bloomberg, Mirova.

⁸PMI (Purchasing Manager's Index): Economic indicator comprised of monthly reports and surveys from private sector manufacturing firms



Focus – Iran: the geopolitical shock and its aftershocks

Is the Goldilocks scenario to run dry?



On 28 February, the United States and Israel launched a vast campaign of strikes against Iran, in a far more massive engagement than the 12-Day War of last June. The targets went beyond nuclear facilities to include political leadership, ballistic capabilities, naval installations and the headquarters of the Revolutionary Guards. The death of Supreme Guide Khamenei and his close guard has been confirmed, decapitating the regime's military-political apparatus. Iran retaliated with missiles and drones against Israel and American bases in the Gulf, hitting Dubai airport in particular. The Strait of Hormuz, through which 20 million barrels a day and 20% of the world's LNG normally pass, is virtually at a standstill, and Qatar has suspended its LNG⁹ production.

Three scenarios are emerging, the key variable of which remains the price of oil, itself closely conditioned by the operability of the Strait of Hormuz and the duration of the conflict. The first scenario is based on a rapid de-escalation in one to three weeks. The Iranian regime, which is in great difficulty, is said to be accepting concessions on uranium enrichment and an end to support for terrorist networks, in exchange for an end to hostilities. The Strait reopens, Brent falls back to \$65-70 and European gas returns to €30-35/MWh. The impact on global GDP would appear negligible, the inflationary effect transitory, and risky asset markets would rebound rapidly, bringing attention back to the pro-growth cycle and the AI theme. Several forces are converging in this direction: the economic

Source: Bloomberg, Mirova.

⁹ LNG: Liquefied natural gas.

cost for all parties, pressure from the Gulf States, China and Europe, opposition from part of the MAGA base to any outside intervention, and the proximity of the midterms in eight months' time.

The second scenario, which seemed the most likely to us on 28 February, is the one that the market now seems to be going with: a military conflict lasting from a few weeks to two months, with disruptions to the Strait but no total, lasting closure. Brent crude would fluctuate between \$80 and \$120, while European gas would fluctuate between €40 and €80/MWh. The impact on global GDP would be limited to a few tenths of a percentage point, bringing growth down to 2.8%, while inflation would rise by 0.3 to 0.5 percentage points in the United States and more in the eurozone. Central banks would adopt a patient stance without changing their course. On the equity markets, the correction would remain measured, in the region of 5-10% from the highs, i.e. a few percentage points more than the current level, with de-risking already well advanced. Cyclical sectors, particularly consumer goods - automotive, luxury goods, leisure and airlines - are likely to suffer the most, as are financials, while energy and defence outperform. Any significant fall would be a buying opportunity in the medium term.

The third scenario assumes a prolonged closure of the Strait of Hormuz, accompanied by massive destruction of regional energy infrastructure. Brent crude would rise above \$120, and European gas above €100/MWh. The impact on global GDP would be 0.5 to 1 point, with a real risk of recession. Headline inflation could be raised by up to 2 points. Central banks would be faced with a classic stagflationary¹⁰ dilemma, albeit less so than at the end of 2021 in our view. Equity markets are likely to suffer a correction of 10-20%, with Asian and European countries hit hardest. The reopening of Hormuz has been identified as the tipping point for overcoming this scenario. However, even in this extreme case, the downturn would probably be short and brutal, followed by a rapid rebound: the forces of recall - the United States, China, the Gulf States and even Iran - all need oil to resume its flow.

Artificial intelligence: when investment defies gravity

The year 2026 marks a turning point in the AI race. The five main hyperscalers - Amazon, Microsoft, Alphabet, Meta and Oracle - have collectively announced colossal investments for the year, up by between 36% and 62% compared with 2025, three quarters of which will be aimed directly at AI infrastructure: servers, GPUs¹¹ and data centres. These levels of spending, which now account for more than half the sales of some players, are more reminiscent of industrial companies than of technology giants.

Capex now sometimes exceeds cash flow generation, forcing hyperscalers to turn to the debt markets on a massive scale - Alphabet even going so far as to issue 100-year bonds. The sustainability of this dynamic depends on one fundamental premise: the effective monetisation of AI. They all report demand outstripping supply, with cloud order books growing strongly. But the return on investment remains uncertain, with AI assets having a lifespan of just three to five years.

Solid results, but AI polarises the debate

The Q4 2025 results season revealed a striking dichotomy between robust fundamentals and growing anxiety. S&P 500 earnings have far exceeded expectations, with year-on-year growth of 13%. However, these solid figures have been overshadowed by discussions around AI, which is mentioned by almost 70% of management teams - an all-time high. However, only a tiny fraction of them have quantified the

Source: Bloomberg, Mirova.

¹⁰ **Stagflation:** A condition of slow economic growth and relatively high unemployment – economic stagnation – accompanied by rising prices, or inflation, or inflation and a decline in Gross Domestic Product (GDP).

¹¹ **GPU:** Graphics Processing Unit.



concrete impact on their profits, a sign that adoption remains at the stage of promises rather than tangible results.

More worryingly, a growing number of companies are mentioning AI against a backdrop of recruitment freezes or downsizing. The phenomenon remains modest, and mainly affects young people, but it is indicative of an incipient reluctance to recruit, which is likely to have an impact on the labour market well before automation takes hold on a large scale. On the winning side, suppliers of AI infrastructure - semiconductors, hardware, data centres, connectivity - are benefiting fully from this wave of investment, with stock market performances that are sometimes spectacular.

Private credit: early warning signs

The private credit sector is an area to keep a close eye on. Some of the big names in hedge funds are reducing their positions, fuelling fears of rapid capital outflows. Jamie Dimon, head of JP Morgan, did not hesitate to compare the situation to that of 2005-2007. The link with AI is direct: these funds finance software companies and computing infrastructures according to financing plans that lack transparency, with covenants that are sometimes too lax. The opacity of the segment and its potential impact on banks' balance sheets make it a risk that should not be underestimated, but one whose scope remains difficult to assess at this stage because the impact will be transmitted via indirect channels.



The Long View

Nuclear: proliferation in a vacuum

At a time when Prime Minister Netanyahu and President Trump are justifying their intervention against the Iranian regime by their desire to deprive it of any prospect of acquiring nuclear weapons, the French President was proposing to his European partners that they place themselves under the umbrella offered by France, while Finland was considering authorising the presence of nuclear weapons on its soil, which had been banned until then. So nuclear power is back in the spotlight. Should we be concerned? Yes, but...

The club of nine

Officially, there are five nuclear powers, which signed the Non-Proliferation Treaty (NPT) in 1968: Russia, the United States, China, France and the United Kingdom, with the latter largely dependent on US technology. In addition to these five powers, there are three non-signatories to the NPT - India, Pakistan and North Korea - and a fourth, which no one doubts any longer has nuclear arsenals: Israel, which developed and then tested its programme with France under the Fourth Republic, before the break-up in 1967.

The first five countries mentioned have mastered the thermonuclear bomb and their tests have demonstrated this. India, Pakistan and North Korea also claim to have the technology, but none of the tests they have been able to carry out so far have brought certainty in this regard. Israel does not communicate about its capabilities, but it is generally accepted that it has thermonuclear warheads. Thermonuclear hydrogen bombs, known as H-bombs, are based on the principle of nuclear fusion, in which the reaction is triggered by the explosion of a fission bomb, known as an A-bomb, which acts as a detonator. While the power of an A-bomb is unlikely to exceed 700 kilotonnes, there is theoretically no limit to the power of an H-bomb.

	Warheads	Number deployed	Vectors
Russia	5,459	1,718	Air, land, sea
United States	5,177	1,770	Air, land, sea
China	600	35	Air, land, sea
France	370	280	Air, sea
United Kingdom	225	120	Sea
India	180	0	Air, land, sea
Pakistan	170	0	Air, land
Noth Korea	50 ? 60 ?	0	Sea ? land
Israel	90 ?	0 ?	Air, land ?

Source : globalmilitary.net



The United States has also outsourced part of its arsenal to certain NATO allies: Germany, Belgium, Italy, the Netherlands and Turkey together host more than 150 B-61 bombs on Washington's behalf. It is this mechanism to which the French executive is de facto proposing the beginnings of an alternative, which Germany, Norway, Belgium and the United Kingdom have found interesting at a time when the solidity of the Atlantic partnership is sometimes being tested.

Iran in the running

Iran denies that it is seeking a nuclear arsenal, yet it has organised everything necessary to rapidly acquire one, starting with the civilian programme launched in the 1950s with the cooperation of the United States. The 1979 Revolution of course interrupted the process, which seems to have resumed as soon as the Iran-Iraq conflict was over. Centrifuges, stocks of enriched uranium at a high enough level - around 60% - that reaching weapons-grade is no longer an obstacle, highly secure research sites: there were several signs that the Iranian leadership was not prepared to take its word for its stated intention to confine itself to a civilian programme. In any event, inspectors from the International Atomic Energy Agency (IAEA) no longer had access to the sites to assess the scale of the project or its real purpose.

The crucial question was therefore whether the Iranians were indeed developing a nuclear programme. And apart from them, no one knew for sure. By striking the Fordo, Natanz and Isfahan facilities in June 2025, the Israelis chose not to ask the question again.

The operation launched on 28 February is in part a continuation of the Twelve-Day War, with a greater focus on regime leaders and weapons systems. Whether or not Israel and the United States are pursuing other objectives, which seems plausible, one of the main messages of these operations seems crystal clear: no power should be allowed access to nuclear weapons, and those who dare try to do so anyway would be exposing themselves to far more than just severe diplomatic consequences. This could cost the lives of their leaders, or even the regime itself.

The club is no longer accepting new members

By acquiring nuclear capabilities in the late 2000s and strengthening them in the following decade, North Korea acquired a status out of all proportion to its population and GDP. Even the United States had to give up any serious attempt to force Pyong Yang's authoritarian regime to do so. Two lessons were learned:

- Countries without nuclear arsenals have understood the leverage provided by possession of the A or H bomb; Iran, already convinced a priori, did not miss a single moment of the show of force put on by the North Korean regime, and no doubt Brazil or Indonesia, even Japan and Saudi Arabia or Turkey, sometimes ambiguous on the subject, are quite logically paying very close attention.
- The nine countries that already have nuclear weapons, eight of whose employment doctrines prohibit them from using the powers conferred on them by their nuclear armament - Russia is currently waging a ferocious war, which it started, with Ukraine without having resorted to this expedient despite the attacks on its anti-ballistic radar system - have nothing to gain from countries that are likely to fall into the hands of extremist leaders, or that have already fallen into such hands, having nuclear capabilities.

Sincere or not, the arguments put forward by Prime Minister Netanyahu and President Trump to justify bombing Iran are setting precedents that appear to be worsening the level of conflict in the world. Arrogating to oneself the unilateral right to eliminate the incumbent leader of a sovereign state, no matter how dangerous, is not the same as seeking appeasement; other countries will feel they can afford to do the same when they have the means to do so. On the other hand, one of these precedents is of interest: by making it clear to the world how regimes seeking to enrich uranium, while clearly developing long-range delivery systems, would be treated from now on, the United States and Israel have just dampened the ardour of many candidates for nuclear status. The cost of acquiring this status is becoming exorbitant. This is good news in itself, as it is becoming essential to limit the probability of recourse to nuclear fire, and therefore the number of players capable of triggering it. The orders of magnitude sometimes escape us, but to fix them, we need only imagine that the future French ballistic missile submarine will carry nuclear missiles with a firepower exceeding that of all the bombs dropped on Europe during the Second World War.

China waits, the US speeds up

We thought that a period of fragile peace could open up in the Middle East after President Trump brought the Twelve Day War to an end. Recent events have proved us wrong: although the prospect of curbing nuclear proliferation, outside the club of nine, is not just an elusive hope, the Middle and Near East are once again in turmoil, with consequences for all Gulf countries, but also for Lebanon, Syria, Turkey and even Azerbaijan and Afghanistan, not to mention the global repercussions. This brings us back to the subject we opened up more than three years ago in our December 2022 issue on currency wars: the intensification of the covert war between NATO and the Shanghai Cooperation Organisation (SCO) and, alas, a move towards a more active phase of this war.

China has just allowed its rival to attack two of its allies and suppliers, Venezuela and Iran, in the space of a few weeks, while Ukraine has apparently sunk a Russian LNG tanker bound for Chinese ports. At least 80% of Iranian crude oil goes to China, representing 10% to 15% of China's crude oil imports. Beijing has so far shown unflappable restraint in the face of these upsetting events, thanks to its reserves of gas and oil to hold the position - more than four months, according to our estimations - but will China be able to tolerate for long without reacting to the United States cutting off its economy from its supplies one by one? We don't think so.

It is still betting that the United States will lose influence as the dollar's status crumbles under the weight of federal public debt, which is growing faster than its GDP. In theory, time is on China's side, but Washington has understood this and is trying to counter it by rushing events.

Increased conflict, reduced nuclear risk?

We don't know what will happen in the near future, because military conflicts, once launched, follow their own dynamic, escaping the very logic of those who launched them and who believe they can keep control of them. Faced with the obstacles to regime change in Tehran, Israel could raise the level of force it employs, and there is no reason to believe that this scenario cannot be envisaged, as increased involvement would raise the threshold of conflict.

But in the longer term, one thing is certain: the club of nine should remain closed, and if proliferation resumes, because it is resuming - China is seeking to acquire 1,000 nuclear warheads - it should not go beyond this more or less reassuring framework of ten or so players with more or less predictable employment doctrines.

Markets haven't recognized its significance yet, but the operation in Iran at least serves one purpose: after the conflict, the nuclear Sword of Damocles will be a lesser threat to a world that, despite being more conflict-ridden, will be safer from that particular danger.

Source : Mirova



Summary of Market views

Summary				
ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
EQUITY			↓	<ul style="list-style-type: none"> Global growth remains solid. Nevertheless, the war in Iran is creating a stagflationary shock, the duration and magnitude of which are yet to be determined. As the conflict is currently perceived as temporary, a downside asymmetry remains for risky assets. Volatility persists. Search for diversification.
CREDIT			=	<ul style="list-style-type: none"> Fairly resilient macro-financial fundamentals (low default rate, high corporate profitability). Robust across different scenarios. Potential risk linked to private debt market. Preference for short-duration.
DURATION			=	<ul style="list-style-type: none"> Overall neutral duration. A rise in breakeven inflation rates and an increase in policy rate expectations with the sudden rise in energy prices Slight upward pressure on rates due to issuance volumes, budget deficits, etc..
CASH			=	<ul style="list-style-type: none"> Defensive interest in cash if the stagflationary shock persists.



EQUITY				
ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
US			=	<ul style="list-style-type: none"> • Correct growth and still positive EPS dynamics. • The US economy is less at risk in case of sustainably high energy prices (net oil exporter). • However, high valuation and positioning levels. Risk of concentration and uncertainty around the AI theme.
EURO			=	<ul style="list-style-type: none"> • Improvement in growth prospects. • Positive impact from the German plan. • Supported by diversification trades and attractive relative valuation. • However, caution is advised as Europe is more exposed to rising energy prices and global trade.
UNITED KINGDOM			=	<ul style="list-style-type: none"> • Defensive bias and high dividend yield. • Opportunities within domestic stocks.
JAPAN			=	<ul style="list-style-type: none"> • Expansionary fiscal policy and favorable governance reform. • Attractive valuation within the financial sector, in a context of monetary normalization. • Upside potential is limited after YTD outperformance. Strong dependence on energy exports from Gulf countries.
EMERGING MARKETS			↓	<ul style="list-style-type: none"> • Proper valuation and dynamics of EPS, search for geographical diversification. • Risks to global growth caused by the war in Iran are unfavorable for emerging markets.
GROWTH VS. VALUE			=	<ul style="list-style-type: none"> • Maintained preference for value companies with a positive earnings revision dynamic. Marked rotation over the past six months in favor of tangible asset stocks.
QUALITY VS. HIGH VOLATILITY			=	<ul style="list-style-type: none"> • Balanced positioning. Preference for low-volatility stocks in the event of a prolonged energy crisis.
SMALL VS. LARGE CAPITALIZATIONS			↓	<ul style="list-style-type: none"> • Valuation of small caps remains attractive on a relative basis (vs large caps, vs historical levels and macroeconomic conditions). • They should nevertheless suffer in the short term from the rise in uncertainties surrounding growth.
CYCLICAL VS. DEFENSIVE			=	<ul style="list-style-type: none"> • Overall balanced positioning. Tactical reinforcement of defensive stocks at the expense of cyclicals due to the geopolitical context.



CREDIT				
ASSET CLASSES	MEDIUM TERM	PREVIOUS MONTH VIEW	MONTHLY CHANGE	COMMENTS
INVESTMENT GRADE US			=	<ul style="list-style-type: none"> Preference for IG EUR in terms of valuation. Lack of dispersion of the US IG index.
HIGH YIELD US			=	<ul style="list-style-type: none"> Unattractive risk/reward. Stress on private credit is negative for sentiment.
INVESTMENT GRADE EURO			=	<ul style="list-style-type: none"> Quality assets at reasonable prices. Low banking risk. Preference for short-duration products.
HIGH YIELD EURO			=	<ul style="list-style-type: none"> Tight spreads, consistent with low recession pricing. Tactical purchase of protection considering the geopolitical context.
DURATION				
2 YEARS US			=	<ul style="list-style-type: none"> The Fed is expected to favor a short-term status quo to assess the lasting nature of the energy shock. Risk of de-anchoring of inflation expectations low at this stage. Market pricing is in line with our expectations.
10 YEARS US			=	<ul style="list-style-type: none"> Rise in inflation breakevens and real rates (repricing of Fed policy, expected increase in the budget deficit), and a slight flattening of the yield curve in the 2-to-10-year segment. Upward pressure in the short term, but a rather bearish risk in the medium term in the event of a sustained energy shock (recessive effect).
2 YEARS GERMAN			=	<ul style="list-style-type: none"> The market is pricing in two rate hikes from the ECB by the end of the year. We consider this excessive. Employment and domestic demand remain weak in the Eurozone, and the inflationary shock could become recessionary in the long term if the war continues.
10 YEARS GERMAN			=	<ul style="list-style-type: none"> Inflation breakevens have risen significantly, while real rates have rather fallen (bearish risk for growth). Nevertheless, there is upward pressure in the short/medium term (due to rising energy prices, the German budget spending plan, and the overhaul of the Dutch pension system).
PERIPHERAL DEBT EUROPE			↓	<ul style="list-style-type: none"> Unfavorable environment due to the energy shock. Taking profits on Italy, maintaining overweight on Spain.
UNITED KINGDOM			=	<ul style="list-style-type: none"> Attractive carry but upward risk linked to the energy shock.
JAPAN			↑	<ul style="list-style-type: none"> Macroeconomic and inflation surprises are trending downwards. Less unfavorable positioning.
EMERGING MARKETS			↓	<ul style="list-style-type: none"> The geopolitical environment could be problematic for certain emerging countries. Increase in financing costs (USD, long-term rates, etc.).
CASH				
EUR/USD EXCHANGE RATES			↓	<ul style="list-style-type: none"> Outlook for the dollar is bearish in the medium/long term. In the short term, U.S. investors are refocusing on their domestic market. The Eurozone is more penalized by the war in Iran.



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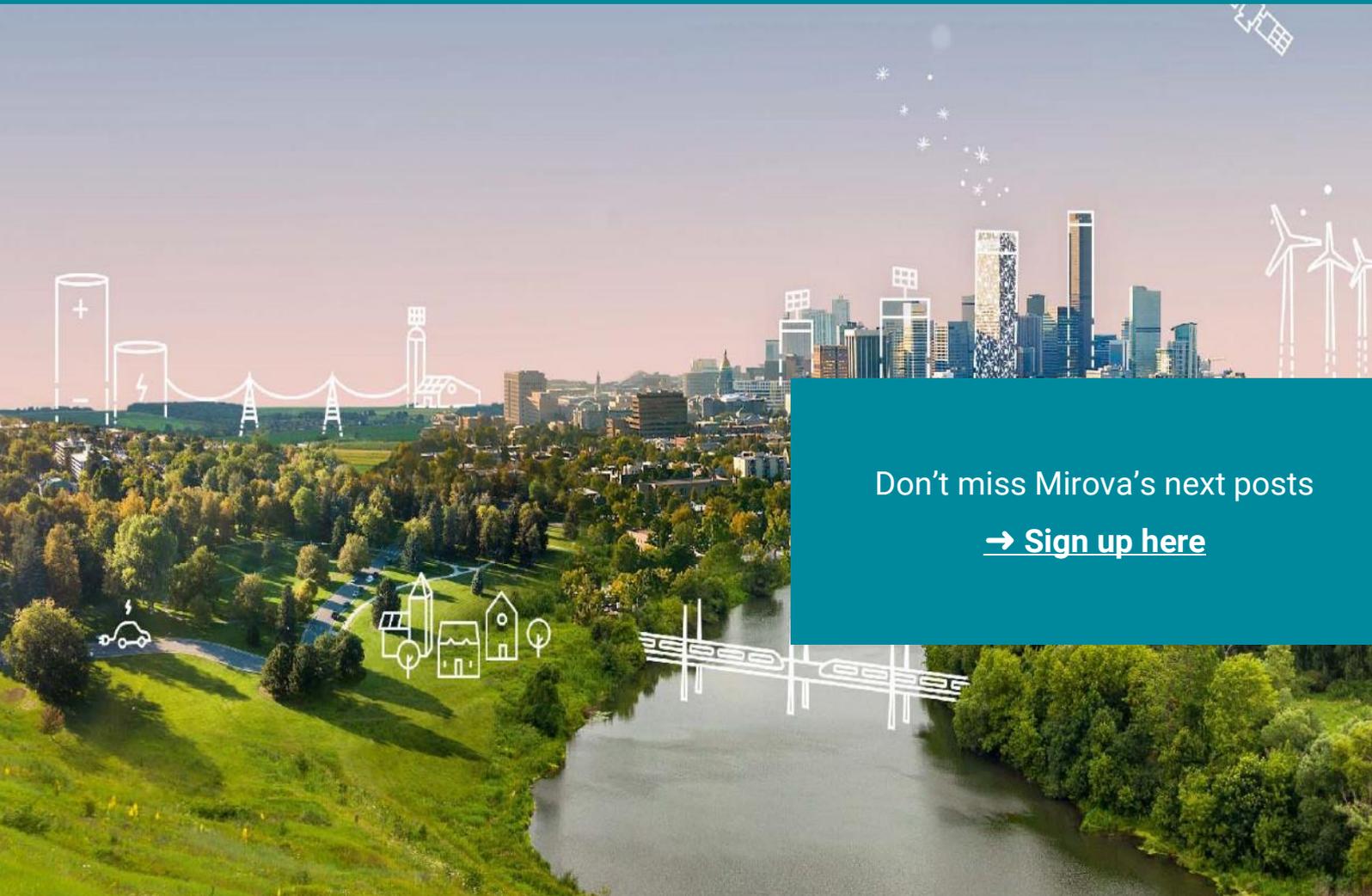
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