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Groupama
ASSET MANAGEMENT

A contained market reaction

Tuesday proved to be more volatile. However, markets still appear to believe in a swift resolution of the conflict.

Dashboard[1]:

Key indicators	Current level	Since start of the Year	Since start of the Intervention (27/02/26)
Brent crude oil	83,44$	+22,59$	+10,96$
US Equities (S&P 500)	6816	-0,42%	-0,90%
European Equities (Eurostoxx 50)	5778	-0,23%	-5,87%
French equities (CAC 40)	8101	-0,59%	-5,58%
US 10-year yield	4,08	-0,085 point*	+0,14 point*
German 10-year yield	2,77	-0,08 point*	+0,13 point*

*Percentage points

Our analytical framework:

Our analysis of this event is based on the monitoring of **three key indicators** that influence growth and inflation and, as a result, financial markets over the longer term.

Commodities

The price of a barrel of Brent crude has risen by $10 since the start of the intervention. Gas prices now range between €35 and €55 per MWh. By comparison, gas was trading at €350 per MWh in 2022 at the onset of the war in Ukraine. The impact of higher commodity prices on U.S. and European growth is estimated at -0.1%, while the impact on inflation is between +0.1% and +0.2%.

Financial Conditions

Financial conditions are deteriorating slightly, reflecting the decline in equity markets and rising yield pressures. The impact on growth is estimated at close to -0.1%.
Expectations regarding policy interest rates are shifting. Before the weekend, markets were anticipating a first cut in U.S. policy interest rates in June 2026, amounting to -0.5 percentage points. They now expect a total reduction of -0.45 percentage points by early 2027.
Against this backdrop of uncertainty, central banks appear to be adopting what could be described as a reasonable stance, refraining from overreacting to incoming news. In the event of a prolonged conflict and a more significant impact on growth and inflation, it is highly likely that central banks would prioritize supporting growth by cutting rates.

Duration of the conflict

The duration of the conflict remains the key uncertainty and will be a critical factor for growth and inflation.
According to the latest reports, Iran has announced that the Strait of Hormuz is now closed.
The United States, aware of the potential impact, has announced that it will escort vessels.

In summary: At this stage, the impact on growth and inflation remains limited. Market levels reflect expectations of a rapid resolution of the conflict.

[1] Source : Bloomberg, 04/03/2026 (12:00)

Paris, 04/03/2026

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Market Update – Tuesday, March 3, 2026[2]:

After a relatively calm Monday, markets reacted more strongly on Tuesday, March 3.

- Brent crude prices continued to rise (+$3.6 on Tuesday).
- Equity markets declined: -1% in the United States (S&P 500) and more sharply in Europe, with French equities (CAC 40) down -3.5% and European equities (Euro Stoxx 50) down -3.6%.
- Yields edged higher, with the U.S. 10-year yield up +0.025 percentage points and the German 10-year yield up +0.04 percentage points.

Bonds markets

To date, sovereign bonds have not played their traditional safe-haven role. Since the start of the conflict, U.S. 10-year yields have risen by +0.15 percentage points and German yields by +0.13 percentage points.

Shorter-maturity bonds have been more affected due to shifts in expectations regarding policy rates. Risk premia on peripheral sovereigns have also widened; however, it should be noted that these spreads were at historically low levels prior to the conflict.

The impact on corporate bonds has remained limited for the highest-rated issuers (+0.05 percentage points), somewhat more pronounced for hybrid bonds (+0.10 to +0.15 points), and more significant for riskier segments (+0.25 percentage points for lower-rated (High Yield) bonds and between +0.35 and +0.45 percentage points for subordinated financial bonds).

Markets continue to believe in a swift resolution of the conflict:

- Issuance from investment grade issuers has been well absorbed. Notably, issuance in the technology sector has even performed better than prior to the military intervention.
- Flows have been broadly positive, particularly in medium maturities (5–12 years), suggesting investors are seeking to lock in yields they consider attractive.

From a sectoral perspective, utilities, telecommunications, and technology have held up well. The chemicals sector has been more significantly affected. Financials have remained relatively stable in senior bonds but have declined more sharply in subordinated instruments. It is worth noting that European banks' direct exposure to the Middle East region is limited, averaging around 3% of revenues. However, an increase in provisions related to geopolitical risks should be expected going forward.

Equity markets

Equity markets reacted more sharply on Tuesday, March 3, particularly in Europe, which has been more impacted than the United States, likely due to its lack of energy independence. As a result, European equities have given up the outperformance accumulated since the beginning of the year. On both sides of the Atlantic, equity markets are now back to their start-of-year levels.

In Europe, the most affected sectors are financials, airlines, tourism, and chemicals.
In the United States, the semiconductor sector declined amid profit-taking following strong performance, while the software sector moved higher.

[2] Source : Bloomberg, 03/03/2026

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