

Asset Risk | Consulting

# Monthly macro focus

March 2026

## Ghost town economics



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*The trouble with the future is that it usually arrives before we're ready for it.*

Arnold H Glasow

Weaker labour data is giving central banks more room to ease. That matters more for markets than near-term growth risks.

While claims and counterclaims ricocheted across the news this month, policymaker messaging did little to steady nerves. The result was higher volatility and less clarity about the path ahead.

One of the more striking developments came not from geopolitics or central bank rhetoric, but from a shock US jobs report on 6 March. Payrolls fell by **92,000** against expectations of a **50,000** gain. December and January were also revised down, cutting a further **69,000** jobs from the total. For all the attention paid to large-cap earnings, the S&P 500 represents under **20%** of US employment. The labour market signal is being set elsewhere, largely by smaller firms that are more exposed to tighter financial conditions.

This weakness raises questions about underlying momentum. Wage growth held up, but job losses, negative revisions and a lower participation rate point to labour market conditions that look softer than headline GDP suggests. If this persists, the Federal Reserve has scope to argue for easier policy, even as inflation risks rise due to conflict in the Middle East.

The Fed held rates steady at its March meeting, but explicitly noted rising uncertainty around the outlook. In practice, that language matters. It creates room to pivot towards a more accommodative stance once geopolitical pressures ease.

There is often a disconnect between economic data and market outcomes.

Returns do not track payrolls or GDP in a straight line because policy can overwhelm the cycle. Central banks have repeatedly leaned against downturns using liquidity, balance sheet expansion and regulatory support. During the covid era, that countercyclical response fuelled asset prices even as large parts of the real economy struggled. Liquidity can drive markets long after fundamentals fade from view.

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*Weaker labour data strengthens the case for easier policy, even with inflation risks still present.*

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*The true employment signal sits outside large caps, with smaller firms bearing the brunt of tighter financial conditions.*

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*Markets continue to respond more to liquidity and policy than to growth data, reinforcing the post-crisis pattern where weak fundamentals can still support asset prices.*

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Risks remain.

Higher inflation, weaker activity and geopolitical uncertainty are all in play. But the relationship between growth and returns has been anything but linear for more than a decade. Since the global financial crisis, abundant liquidity and a willingness to intervene have consistently softened the market impact of weaker data. That legacy still shapes behaviour today. Labour market softness is not just a risk signal. It is also a potential justification for policy support.

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*Policy flexibility matters more than growth risks.*

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We end the month with a jobs market that looks more fragile than expected, a policy path that appears more flexible and investors trying to recalibrate.

As The Specials put it, "*this place is coming like a ghost town*". Unlike the song, quieter streets may yet be the cue for policymakers to turn the music back on.

Central banks face a delicate balancing act. Inflation control remains a priority even as momentum in the labour market cools. In the near term, policymakers are likely to tolerate weaker employment conditions as they respond to renewed, energy driven inflation pressures linked to the Strait of Hormuz. We expect this phase to be temporary. If inflation proves transitory, the slowing in jobs growth should give central banks scope to pivot back towards easing once the shock has passed.



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## Market commentary

**March was defined by geopolitics and rising energy-driven inflation risks. That shift pushed markets into risk-off mode and forced a rethink on policy expectations.**

The Middle East conflict involving the US, Israel and Iran materially altered the global economic outlook.

Stagflation risks moved higher. Inflation expectations for 2026 rose, while forecasts for global growth were revised down. Brent crude averaged around **\$90** per barrel over the month, having briefly spiked above **\$100**. Prices are still expected to moderate later in the year, but near-term uncertainty remains elevated.

The Strait of Hormuz continues to be a critical focal point. Any disruption would affect roughly 20% of global oil flows, amplifying volatility across commodity and financial markets.

In response to higher inflation expectations, central banks are now expected to adopt a more hawkish stance than before hostilities began. Concerns around money supply and the risk of a more severe oil shock weighed on both equity and bond markets.

Commodity markets were volatile. Oil prices surged, while gold fell by over **10%** during the month, despite strong demand over the past year. Since April 2025, gold prices are still up by around **40%**, underscoring the scale of the recent correction rather than a reversal of the broader trend.

Within equities, energy stocks were the standout performers. Investors priced in windfall profits from higher oil prices, with limited expectations of offsetting tax increases. US equities held up better than European markets, but returns were negative overall. The MSCI World Index fell by **6.4%** over the month in US dollar terms.

Bond markets also sold off as expectations shifted from rate cuts to the possibility of further tightening to contain inflation.

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*Geopolitics pushed markets risk-off in March, lifting inflation fears, hardening policy expectations and weighing on both equities and bonds.*

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