

Market Review – March 2026

Overview

Economic developments in March were dominated by the conflict in the Middle East and its rapid escalation into a global energy supply shock.

Following coordinated strikes on Iran by the United States and Israel, Iran moved to restrict traffic through the Strait of Hormuz and warned that vessels could be targeted, while attacks spread to military and infrastructure sites across the Gulf.

By month-end, President Trump signalled a desire for the conflict to end within weeks, raising hopes of a diplomatic off-ramp, with a fragile two-week ceasefire agreed in early April.

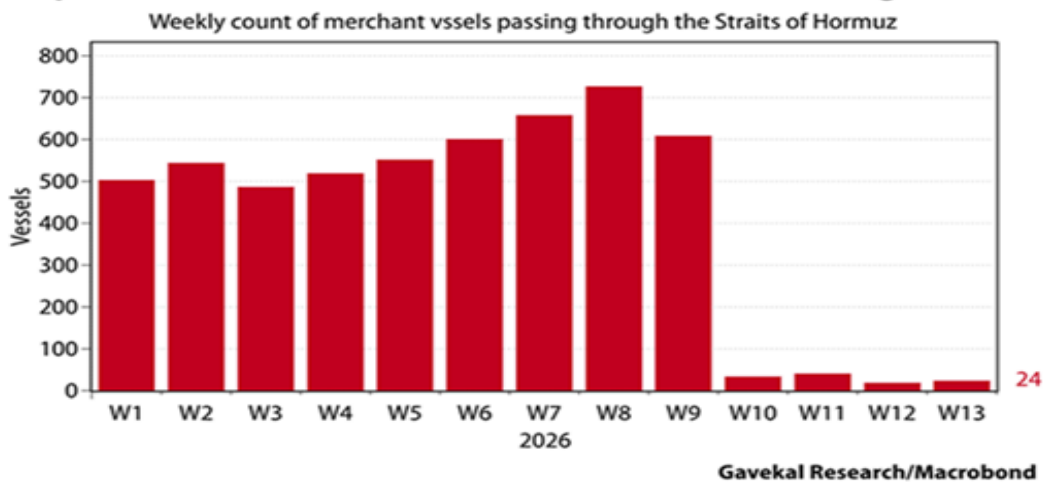
Even so, uncertainty will likely remain elevated. The key economic swing factor is the status of the Strait of Hormuz, where ongoing disruption to shipping would prolong the energy shock even if hostilities eased.

Restrictions on traffic through the Strait of Hormuz matters because it is a critical chokepoint for global oil and LNG flows. This restricts supply and pushes up global energy prices.

Higher energy and freight costs lift near term inflation pressures while acting like a “tax” on households and businesses, squeezing real incomes and weakening discretionary spending.

Therefore, the duration of oil and gas supply disruptions through the Strait of Hormuz is critical.

Ships from Iran—and other countries—continue to sail through Hormuz



Source: Mauldin economics

If the disruption is short-lived, inflation may spike and then fade with limited economic scarring. A prolonged disruption raises the probability of pass through into core inflation via broader price increases and stronger wage demands. At the same time, economic growth momentum may soften.

This tension, between higher headline inflation alongside weaker demand, creates a challenging environment for central banks. Higher inflation suggests interest rates may need to rise, weaker economic growth supports holding interest rates steady or even lowering them to support economic activity.

International Shares

At the index level, global sharemarkets fell -6.3% in March 2026. Events in the Middle East dominated market sentiment. Global sharemarkets sold off on a sharp rise in oil prices and renewed concerns about inflation and higher interest rates.

Global sharemarkets fell -2.8% in New Zealand dollar terms over the month reflecting weakness in the dollar partially offset part of the fall in global equities. The New Zealand dollar fell against most major currencies over the month including a 4.2% decline against the US dollar.

Reflecting greater sensitivity to higher energy prices, emerging markets, Europe and Japan were among the worst-performing regions over the month. The US market outperformed given a high energy sector exposure and large US technology companies outperformed on a relative basis.

The conflict in the Middle East drove a record monthly increase in oil prices.

Brent crude oil price



Source: Bloomberg, Shaw and Partners

Corporate news flow was relatively light during the month, with market attention centred on artificial intelligence (AI) investment and signs of stress in parts of private markets. NVIDIA's updates at its flagship annual global developer and technology conference reinforced expectations that demand for AI computing will remain strong and extend over a longer period. Management highlighted improvements in product performance and greater cost efficiency, which support wider adoption by customers and, in turn, have helped underpin sentiment across the broader technology sector.

Private credit markets came under more pressure in March. Blue Owl, a large US private credit fund manager, restricted investor withdrawals, while some funds also reduced the stated value of their assets. Together, this points to rising strain as higher interest rates continue to bite.

Looking ahead to the upcoming first quarter earnings season, which commences in early April, two themes are likely to matter most; whether companies can translate AI spending into measurable revenue and productivity gains, and how resilient balance sheets and funding conditions remain if volatility persists.

Australasian Shares

New Zealand's sharemarket fell -5.8%, largely reflecting global events and the sharp rise in local interest rates. Following the recently completed earnings season, corporate news was light.

However, Air New Zealand withdrew its earnings guidance due to extreme jet fuel volatility and announced capacity cuts (~1,100 flights through early May), highlighting near-term earnings uncertainty for energy-sensitive businesses.

KMD Brands, owner of Kathmandu, moved to strengthen its balance sheet via a \$65m equity raise alongside a \$205m multi-year debt facility, signalling a more conservative funding stance as economic conditions remain volatile. Infratil reiterated the growth runway in its CDC data centre platform, supported by secured power and a sizeable development pipeline. Top performers for the month included Fonterra (+5.0%) and Turners Automotive (+5.0%), Infratil (+3.8%), whilst Air New Zealand (-22.5%), KMD Brand (-20.4%) and Gentrack Group (-20.2%) performed the worst.

The Australian sharemarket fell -6.0%, while small companies underperformed following the Reserve Bank of Australia's increasing interest rates. There was very little corporate news in March with relative performance driven by sensitivity to energy prices and rising interest rates. Among the better-performing companies in March were energy companies Woodside (+23.8%) and Santos (+17.8%), and insurers such as Suncorp (+10.4%). Life 306 (-23.0%), WiseTech (-20.0%) and Flight Centre (-17.0%) were among the worst-performing stocks.

Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) fell -2.0%. Global longer-term interest rates rose during the month as the Middle East conflict pushed energy prices higher, lifting inflation expectations, and forcing markets to reprice the likelihood of the US Federal Reserve lowering interest rates later in the year.

As outlined above, the tension between higher headline inflation alongside weaker demand, creates a challenging environment for central banks.

Central banks' messaging during March broadly converged on "wait and see", reflecting the difficulty of responding to a negative supply shock that lifts headline inflation while simultaneously threatening growth. There was a similar response from the Reserve Bank of New Zealand (RBNZ) following their early April meeting, when it held the Official Cash Rate at 2.25%, as was widely expected.

The RBNZ signalled a cautious stance, noting the conflict in the Middle East had materially shifted the near-term outlook. The RBNZ expects headline inflation to rise in the short run as fuel prices increase, while economic growth softens as higher costs squeeze real incomes and weigh on business confidence and investment. However, the Committee stressed that this shock is not necessarily "2022 all over again" because domestic demand is weaker and spare capacity is higher, factors that should limit pass-through cost increases and reduce the risk of persistent inflation.

Looking ahead, interest rate decisions hinge on whether these temporary price spikes generate second-round effects. The RBNZ weighed the case for a pre-emptive "strike" against inflation against the risk of unnecessarily stifling an already fragile economic recovery and opted to wait and assess. It reiterated that it stands ready to act decisively and in a timely manner if measures of core inflation, wage growth, or medium-term expectations indicate broader inflation pressures. The RBNZ's focus remains on returning inflation sustainably to the 2% midpoint of their 1 - 3% target range over the medium term.

Incoming domestic economic data in March suggested the economy was already in a fragile recovery as it entered the external shock. In the final quarter of 2025, the domestic economy grew by a weaker than expected 0.2%. Likewise, business confidence surveys appear to have stalled.

These outcomes support the RBNZ emphasis on patience and monitoring for second round effects, rather than pre committing to near term tightening.



Source: BNZ

In recent weeks, local economists have revised upward their domestic headline inflation forecasts while trimming economic growth expectations.

New Zealand's fixed income market declined -1.7% following offshore developments and concerns over rising domestic inflation.

Summary

2026 has begun with an unusually high level of geopolitical risk, including conflict in the Middle East. While the outlook remains uncertain, there are early indications a ceasefire may be possible, which may offer some reassurance. The conflict has contributed to higher oil prices and increased volatility in global sharemarkets.

Geopolitical shocks are unsettling, but not uncommon. Historically, the impact of geopolitical events on markets has tended to be short-lived, unless they develop into broader economic shocks.

Looking through the current market volatility, global sharemarkets are supported by sound global economic growth, rising corporate profits, and increased government spending. Meanwhile, interest rates have risen to levels not seen for some time, which may improve the outlook for future returns. Encouragingly, central banks are adopting a "wait and see" approach.

As always, and particularly during periods of heightened uncertainty, we encourage investors to focus on their longer-term goals, remain patient during short-term market fluctuations, and maintain a portfolio aligned with their objectives and risk tolerance.

Indices for Key Markets

As at 31 March 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	-5.8%	-4.5%	-2.6%	5.9%	3.6%	1.3%
S&P/ASX 200 Index (AUD)	-7.1%	-1.6%	-2.6%	11.7%	9.5%	8.6%
MSCI ACWI Index (Local Currency)	-6.3%	-2.6%	0.9%	19.2%	16.8%	10.3%
MSCI ACWI Index (NZD)	-2.8%	-2.8%	1.2%	18.8%	20.1%	13.9%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.6%	1.3%	3.1%	4.7%	3.5%

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