WEEKLY STRATEGY
Perspectives

BMO Private Wealth

WEEK ENDED MARCH 6, 2026

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After the (Epic) Storm

"The greater the difficulty, the more glory in surmounting it. Skillful pilots gain their reputation from storms and tempests."
– Epictetus

The Through Line: When the U.S. and Israel launched joint military operations against Iran last Saturday, traders initially showed remarkable restraint. That changed as the week wore on, however, and hostilities intensified rather than resolved. Markets typically move past geopolitical upsets quickly – especially when the fundamental stepping off point is as robust as it currently is. In the long term, we expect this situation will spool out similarly, though it may take time (and additional market volatility) to get there.

March: in like a (roaring) lion

The case for Middle East conflict had been building for months, despite ongoing negotiations aimed at finding a diplomatic solution. Growing tensions were also evident in the capital markets: energy prices drifted upward in recent weeks and safe haven assets like U.S. Treasurys, gold and the U.S. dollar strengthened. When the storm finally broke early Saturday morning (dubbed Operation Epic Fury in the U.S. and Operation Roaring Lion in Israel), investors quickly began to handicap different outcomes. Among the primary variables:

- likely duration
- aggravation of inflationary pressures via supply chain disruptions and/or spiking energy prices
- potential to impede economic growth

Initial market action was curiously muted. We suspect many believed the conflict would be over quickly after the death of dozens of Iran's top leaders in the initial assault and considering the combined military superiority of the U.S. and Israel. Global markets were hit on Tuesday and have traded fitfully the balance of the week as headlines continue to shift. Iran continued to launch aggressive counter attacks via missiles and unmanned drones targeting more than a dozen Gulf State neighbors and U.S. military bases in the region. The embattled nation also threatened repercussions against ships attempting passage through the Strait of Hormuz – a critical passageway for European goods plus one in five barrels of global oil supply.

The ferocity of Iran's response should perhaps have been more foreseeable. Similar to Ukraine's unexpected tenacity in the face of potential political annihilation, Iran must view the bombings as an existential threat and is correspondingly using all tools in its (literal and figurative) arsenal to ensure survival. President Donald Trump and various members of his administration have warned that the conflict could go on four to five weeks "or longer" if need be, psychologically prepping the nation for the possibility that this conflict might well be different from January's Venezuelan action – or last year's 12-day Iran war.

Oil, gas and shipping routes matter

The primary industry of the Gulf States is oil and a key byproduct, liquefied natural gas (LNG). In the first few days of the conflict, it looked like all sides were being careful to avoid damaging energy infrastructure; the U.S./Israel focused on disabling Iran's military response capabilities. Iran's counterattacks seemed targeted to encourage other countries in the region to pressure the U.S./Israel to return to the negotiating table. *Ironically (for Iran), the opposite effect seems to have occurred: other Gulf countries expressed consternation at becoming targets.*

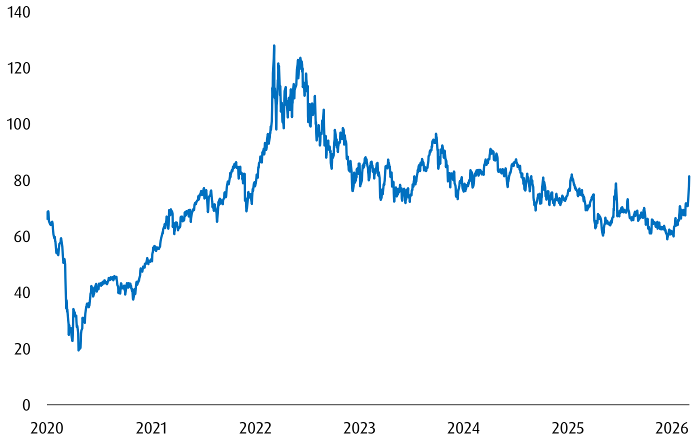
Complicating the region's prominence in energy production is the need to transport it out of the area to its end customers. Shipping through the Strait of Hormuz choke point has effectively ground to a halt thanks to both threatened attacks from Iranian-supported proxy militia groups and the withdrawal (or substantial increase in pricing) of insurance. On Tuesday, President Trump announced via social media post that, if needed, the U.S. Navy would escort tankers through the area and the U.S. government would "immediately" offer "political risk insurance and guarantees."

Theoretically, Iran must minimize harm to energy production and distribution capabilities: damaging them could jeopardize the country's ability to negotiate or recover quickly. In the last several days, however, Iran has stepped up attacks on energy infrastructure. Now that the Strait of Hormuz is effectively closed, Bloomberg is reporting just shy of 14 million barrels per day are sidelined – nearly one third of global seaborne crude.[i]

Energy prices are reflecting the stress

Last December, the price per barrel of oil had drifted downward to its lowest level in nearly five years, only to start creeping up in early 2026 in response to emerging expectations for stronger global growth (chart). But in the wake of fresh Middle East hostilities, Brent crude has risen substantially, trading over $80/barrel in the past few days.

Brent Crude Oil ($/bbl)



Source: Bloomberg L.P. (2026), as of 3/3/2026

Energy prices matter because they are a key driver that can impact inflation both positively and negatively. Increases in the price per barrel of oil quickly transfer to gasoline prices – and increased shipping, airline and other transportation and supply chain costs. They are a key component in nearly all goods (either directly or indirectly) via transportation costs. **Though changes in energy (and food) prices are frequently stripped out when economists assess price-level changes, they are the first thing consumers see and feel.** Rising pump prices make already price-weary consumers that much crabbier. The administration knows this – and all the elected officials who are angling to get re-elected also know this. Now that the U.S. focus is so keenly zeroed in on affordability, we would not be surprised to see the Trump administration move quickly to find ways to coax prices back down. Quicker resolution of the hostilities – or a return of all parties to the negotiating table – could do the trick.

We've been here before – and survived

The world has navigated oil shocks in the past, most recently when Russia began its war in Ukraine (2022) and in last year's 12-day Iran war (table, bottom of page 3). Of note: **prior decades' oil shocks happened when the U.S. was a *net importer* of oil and gas versus its current *net exporter* position, so theoretically it is "different this time." Canada's position as a net oil exporter also helps mitigate direct economic implications** – though both countries are obviously troubled by the overall increase in prices.

The reaction in the oil markets is to be expected and the magnitude of the move is manageable (for now). Then, too, it was actually estimated that the world entered this conflict sitting on a surplus of oil; some estimates placing the excess at approximately 4 million barrels/day.[ii] Notably, there are also strategic reserves in many countries, including the U.S., Japan, Europe and China. The issue, of course, is getting it where it needs to go without significantly raising prices/extending timelines. **Oil will continue to be volatile, but a short-term spike doesn't threaten the fundamentals markets care about most: the solid trajectory of global growth and, in turn, corporate earnings.**

Positing potential developments

Currently, the biggest challenge facing investors is the range of potential outcomes plus the binary nature (a.k.a. really good or really bad and no in-between) of some scenarios. The conflict could drag on for weeks – or be settled by Friday. Oil could spike to triple digits if disruptions continue – or fall back to pandemic-era lows. A few key additional theories in the range of possibilities:

Potential headwinds:

- Iranian leadership is replaced with a similarly harsh/repressive regime that leans anti-Western.
- The conflict drags on and/or requires boots on the ground to sustain. This, in turn, keeps energy prices elevated. The Trump administration has been adamant that it does not want a "forever war" or boots on the ground. In a Wednesday morning press conference, Department of War Secretary Pete Hegseth and General Dan Caine, Chairman of the Joint Chiefs of Staff, outlined the U.S.'s distinct, all-encompassing military strength and staying power.
- Higher energy costs filter through to input costs, preventing a resumption of deflation and keeping the Fed backed into a corner between sticky costs and a White House demanding cuts to interest rates.
- Energy production or transportation facilities sustain substantial and lasting damage.
- Cyber attacks against a variety of global targets could be unleashed; Iran's expertise in launching cyber disruptions is well known and sophisticated.

Potential tailwinds:

- The conflict is quickly brought to resolution – or at least all parties come to the negotiating table.
- Rapid resolution drives energy prices to levels at, or below, their readings before the tensions started to mount.
- More durable peace comes to the Middle East.
- Better global balance is created between two mercurial superpowers. China controls rare earths and the U.S. has influence over energy – particularly China's energy sources. Each has incentive (and a strong negotiating position) to develop collaborative working relationships that benefit the global economy.
- Iran and Venezuela were not only two of China's key allies/proxies but were also providing about 20% of their oil supplies (much of it at discounted prices). China imports huge amounts of cheap fuel to sustain its low-cost manufacturing infrastructure (as does India). Meanwhile, Russia is currently providing an additional ~20% of China's oil supplies – also at discounted prices. This oil could potentially return to the open markets as part of any peace deal. China would still be able to access necessary supplies but would lose the discounts it has enjoyed, helping level the playing field for other countries' manufacturers.

- Plenty of deflationary tailwinds (softer hiring/wage growth and the deflationary impact of technological advances) are keeping a lid on rates.
- The flight to sovereign yields as safe-haven assets puts downward pressure on interest rates.

Market observations

The economy was on solid footing just last week (i.e., before the war started). Equity markets were within a few percent of all-time highs, although significant internal rotation had been occurring during the handoff of current tech-focused/narrow leadership to a broader cast of participants. *This week's action has been orderly, though it feels more acute coming on the heels of the steadier, less-volatile climb experienced through much of last year.*

Gold, treasuries and, most significantly, the U.S. dollar have rallied in recent weeks and are currently holding steady. This is constructive and reinforces a key fact we've stressed all year: **capital markets are functioning exceedingly well in absorbing and quickly repricing new information.** Markets (especially stocks) tend to look through wars relatively quickly, returning focus to fundamentals. And the fundamentals remain sound – for the U.S. and global economies and companies. For example, in the nearly finished 2025 Q4 reporting season (99% of company results are in), aggregate S&P 500 revenue growth was 10%, while earnings increased 15%.

Implications for Investors

Recent trading has hinted that investors were surprised by the ferocity of Iran's response – and a bit dismayed at the prospect of a more drawn out conflict. Stocks, bonds, currencies and commodities have worked to discount new realities, prompting wide intraday swings. Things to watch for: crisis in confidence (sentiment) could translate to lasting economic impact. We doubt it will.

Many markets and assets have been repriced – the South Korean Kospi stock index, for example, which at one point was up nearly 50% year to date, is down 15% in the last five trading days. Similarly, (despite robust margins and strong revenue and earnings growth) the Mag 7 are down by about 6% year to date while the S&P equal weighted index is up over 6%. Repricing has been sharp in many cases, helping reset valuations to more reasonable levels versus even a week or two ago.

Global economies are teed up for solid growth in the year ahead. Pro-fiscal stimulus politicians have been voted into power in key countries, and infrastructure and defense spending plans are increasing accordingly. Markets have done well at absorbing the many challenges thrown at them in the past 18 months; we expect similar behavior in the current situation. Exposure across a variety of global equity markets and sectors (while bonds play an important cushioning role) continues to demonstrate that diversification works.

After a lion-like start, let's cross our fingers, toes and eyes for a lamb-like finish to March.

Oil-Related Geopolitical Events	Event Start Date	S&P 500 Drawdowns			Calendar Price Returns[1]			Oil Price Changes	
		Start Date	End Date	Price Return	Three Month	Six Month	One Year	One Year	Max Increase
Iraq 1 (Desert Storm)	1990-08-02	7-16-90	10-11-90	-19.9%	-18.7%	-9.6%	3.8%	7.2%	118.0%
Iraq 2 (Op. Iraqi Freedom)	2003-03-20	1-14-03	3-11-03	-14.1%	-5.0%	7.7%	21.3%	1.4%	11.4%
Libya (Arab Spring)	2011-03-19	2-18-11	3-16-11	-6.4%	-0.2%	-15.1%	1.4%	16.6%	23.5%
Ukraine (Russia-Ukraine War)	2022-02-24	1-4-22	3-8-22	-13.0%	-4.4%	-20.1%	-19.6%	-2.7%	60.0%
Iran 1 (Op. Midnight Hammer)[1]	2025-06-21	6-12-25	6-20-25	-1.3%	9.0%	13.9%	12.8%	17.4%	13.7%
			Average	**-10.9%**	**-3.9%**	**-4.6%**	**3.9%**	**8.0%**	**45.3%**
			Median	**-13.0%**	**-4.4%**	**-9.6%**	**3.8%**	**7.2%**	**23.5%**

[1] Calendar Price Returns are calculated from Drawdown Start Date; Iran Strike 1 One Year Return is as of 3/3/2026

For a deeper dive on potential economic scenarios, see BMO Economics: Conflict With Iran: Economic Implications

Key highlights from the piece:

- Four differing scenarios are outlined, sketching potential implications for currency, inflation, growth and market response.
- The current conflict is likely to raise headline inflation via an increase in the base price of oil to $69 per barrel versus the expected $60. Lasting inflationary impact or transmission through to core inflation should be muted.
- The Canadian economy is expected to be even less impacted by higher energy prices (given that Canada is a net exporter) although any resulting weakness in global growth would also hamper Canadian progress.
- Sustained higher energy prices negatively impacting economic growth could keep central banks on the sidelines – forestalling any further cuts until the growth/inflation relationship becomes clearer.

In focus in North America

Jon Borchardt, Sr. Analyst
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This week

U.S. promises relief for ships traversing the Strait of Hormuz – President Trump posted on Truth Social that he had ordered the U.S. Development Finance Corporation (DFC) "to provide, at a very reasonable price, political risk insurance and guarantees for the Financial Security of ALL Maritime Trade" that transits the Strait of Hormuz. According to Bloomberg, DFC is currently authorized to provided $1 billion in political risk insurance per entity, or in this case per tanker, and can extend coverage to foreign companies. From a financial perspective, this would meet the needs of ship owners, but risk to crews and vessels would remain a concern. President Trump also said the U.S. Navy would begin providing an escort to tankers to "ensure the FREE FLOW of ENERGY to the WORLD." According to Lloyd's, 8% of the mainstream VLCC (very large crude carrier, capacity around 2 million barrels each) are "stuck inside the Middle East Gulf." The resulting shortage of tanker capacity has caused charter rates to spike to record highs. Lloyd's goes on to say that on Monday U.S. Navy officials told shipping industry representative there was "no chance" that naval escorts would be provided anytime soon. For a world dependent on oil and gas from the Middle East, Mr. Trump's post offers hope of price relief.

U.S. ISMs hint at manufacturing green shoots – The Institute for Supply Management released monthly survey data for February that indicated continued sector expansion. For the month, the composite ISM index reading was 52.4%, down 0.2 percentage points against January but better than the Bloomberg consensus forecast of 52%. Continued positive growth in the New Orders Index helped support rising production and backlogs, while respondents on net were optimistic about near-term demand. The Employment Index remains in contraction, and ISM notes 45% of panelists still indicate that at their companies managing head counts instead of hiring is the norm. Through much of 2025, a common thread in the monthly ISM Manufacturing releases was a hopeful tone in the main press release, while the select "What Respondents Are Saying" section skewed noticeably negative. The February survey commentary remained negatively skewed due to continued tariff headwinds, but a smattering of positive comments on demand and labor availability added balance to the section. A negative figure that stood out in the report was the Prices Index, which rose 11.5 points to 70.5%. This was the highest reading since June 2022 and comes on the heels of last week's hotter-than-expected Producer Price Index report, which showed core wholesale inflation rising 3.8% in January. The Federal Reserve will be watching to see how much of this producer inflation migrates into the cost of final goods to consumers.

Canadian economic progress finishes the year a bit softer than anticipated – Canadian real GDP dipped at a 0.6% annual rate in Q4, a bit weaker than expected and the second quarterly decline in a challenging 2025 (Q2 also saw a setback). The details of the quarterly results were much firmer than the headline suggests. Weakness was heavily concentrated in a big pullback of inventories – final sales were solid at a 3.4% annual rate. Consumer spending was close to trend at a 1.7% annualized pace last quarter (we had penciled in just +0.2%), while business investment was fine at 2.0% (we had 0.6%), and exports were solid (6.1%). The early forecast for January is a flat reading. We can consider that a small win, given the tough weather in the month and the very weak -3.3% result from manufacturing sales reported earlier this week for the month. BMO Economics expects GDP growth this year to come in just a bit better than 1%, although perhaps less choppy than 2025's seesaw pattern. Such mild growth does keep the door slightly ajar to the possibility of BoC rate cuts, but we're not there quite yet.

U.S. employment sturdy – ADP reported the private sector added 63,000 jobs in February relative to the Bloomberg consensus forecast of more than 50,000. The data also showed average wages rising 4.5% year over year in the month for those who stayed in their jobs. ADP Chief Economist Dr. Nela Richardson noted that while the headline figure was positive, hiring was narrowly concentrated in a few sectors and the pay premium for workers switching jobs had fallen to a record low. January's figure was revised down from 22,000 to 11,000. **The bulk of job creation in February was attributable to small businesses at more than 60,000, while medium-sized firms cut 7,000 jobs.** Job growth was also highly concentrated by industry; education and health services and construction accounted for nearly all gains out of roughly a dozen major industry groups. Manufacturing employment contracted again in February, continuing a trend that likely reflects persistent tariff headwinds and weaker demand across industrial goods producers. Professional and business services lost 30,000 jobs, which raises questions about AI's impact on the labor market.

Canadian banks report solid results – Canada's largest banks reported strong quarterly results last week. Better-than-expected results were helped by capital markets; year-over-year organic revenue increases ranged from 6% to 15%. Loan growth was muted but net interest margins increased for all banks. Fee-based revenues were strong, driven by market-related businesses across capital markets on record trading revenue (up 11% year over year across the Big Six banks) and wealth (recapturing flows out of GICs and market appreciation). Strong revenue growth helped all banks deliver positive operating leverage. Commentary from the banks suggests Canadian consumer resiliency, although continued tariff uncertainty highlighted by all the banks is likely to keep credit provisions elevated in fiscal 2026. Return on equity (ROE) ratios were strong despite capital ratios remaining elevated. All banks were sitting at regulatory capital ratios (CET1) of more than 13% (regulatory minimum is around 11.5%). All banks to remain active with buybacks; the return of capital and earnings growth is helping drive higher ROEs.

Next week

Aside from Wednesday's U.S. inflation read (Consumer Price Index) the week looks to be quiet on the eco data front – until Friday. Key reads on overall economic growth, inflation and consumer sentiment are all slated to kick off the weekend. Hopefully, Friday the 13th will bring fair tidings for all.

Monday 3/9 – None scheduled

Tuesday 3/10 – U.S. NFIB optimism index

Wednesday 3/11 – U.S. Consumer price index

Thursday 3/12 – U.S. Initial jobless claims, U.S. trade deficit | Canada Balance of Trade, Wholesale Sales

Friday 3/13 – U.S. GDP, PCE, Durable goods, consumer sentiment | Canada Unemployment rate, Capacity Utilization, Manufacturing Sales

Data scorecard as of March 4, 2026

Equity Market Total Returns						
	3/4/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	6,870	-0.1%	0.5%	17.9%	25.0%	14.4%
NASDAQ	22,807	0.6%	-1.8%	21.2%	29.6%	13.4%
DOW	48,739	-0.4%	1.7%	14.9%	15.0%	11.6%
Russell 2500	4,605	-0.4%	7.1%	11.9%	12.0%	7.3%
S&P/TSX	33,943	-1.1%	7.4%	31.7%	21.7%	16.1%
MSCI EAFE	11,046	-5.4%	4.2%	31.2%	3.8%	8.9%
MSCI EM	805	-8.6%	5.0%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		-0.6%	1.1%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		-0.7%	1.0%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		-0.4%	1.0%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		0.0%	0.7%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		-0.6%	1.3%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		-0.7%	1.5%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		-0.8%	1.4%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		-0.5%	1.2%	4.4%	6.9%	1.5%
Government Bond Yields						
	3/4/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.10%	3.94%	4.17%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.27%	3.13%	3.43%	3.43%	3.23%	2.81%
U.K. 10-Year Gilt	4.44%	4.23%	4.48%	4.48%	4.56%	3.16%
German 10-Year Bund	2.75%	2.64%	2.85%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.11%	2.11%	2.06%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	3/4/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	98.77	1.2%	0.5%	-9.4%	7.1%	1.8%
CAD:USD	$0.73	0.0%	0.6%	4.8%	-7.9%	-1.5%
Bitcoin	$73,340.89	11.9%	-16.3%	-6.5%	120.5%	24.8%
Gold	$5,140.36	-2.6%	19.0%	64.6%	27.2%	17.9%
Oil (WTI)	$74.66	11.4%	30.0%	-19.9%	0.1%	3.4%

**Annualized*
5-Year data as of December 31, 2025. Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.

Index Definitions

Equity indices

S&P 500® Index is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

Dow Jones Industrial Average ("DOW") is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

S&P/TSX Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX).

MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

Fixed income indices

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+ or below.

Bloomberg 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Canada Aggregate Bond Index measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

Bloomberg Canada Aggregate Bond Index - Treasury is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

Bloomberg Canada Aggregate Bond Index - Corporate is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

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[i] Strait of Hormuz: How Iran Conflict Is Disrupting Oil and Gas Shipping - Bloomberg

[ii] IEA Raises Its Estimate for Record Oil Oversupply in 2026 - Bloomberg