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Our website: www.oppenheimer.com/olympicpcg

Authors:



John Mann
Executive Director – Investments



Brian Hammer
Executive Director – Investments

Oppenheimer & Co. Inc.
620 Newport Center Drive
Suite 1000
Newport Beach, CA 92660
(949) 219-1037

Market Overview

Geopolitical risks are now the main focus, increasing volatility leading into Monday's market open. There is a possibility of an initial sell-off in major indices at the open, driven by heightened uncertainty. Stabilization could follow, with a potential rebound later in the session as markets process developments and look for signs of de-escalation. Currently, the selling remains orderly—it's pressuring but not breaking the ongoing market uptrend. While these events can cause big swings in the markets, watch for stabilization, as markets can also surprise to the upside despite geopolitical actions. Join us as we dive into some of the key areas driving markets right now. Please enjoy, and feel free to reach out with any questions!

Key areas of focus

Energy & Economy - Rising energy prices are sparking discussions on scaled-back expectations for interest rate reductions, though markets haven't shifted yet as central bank responses depend on the persistence of these prices rather than immediate levels. This week, emphasis is on the recent employment figures and consumer spending data later in the week, plus manufacturing activity reports today and central bank regional economic overviews mid-week.

Sector Trends - Energy and security sectors are attracting interest, while aviation and leisure areas are under pressure from regional air travel disruptions. Markets elsewhere are subdued, with energy commodities experiencing swings.

Bond Markets - The Iran conflict has resulted in a major turnabout in UST yields. The 10-year UST bond closed Friday, February 27th at 3.937% and now stands at 4.04%. These conflicts typically result in lower bond yields in a flight to safety trade but the market has focused on energy prices and concerns about inflation. ISM manufacturing figures for February were released this morning and only exacerbated inflation concerns as the prices paid component came in at 70.5, the highest since 2022 and well above the 60.0 consensus expectation. Wednesday will provide ISM services index numbers followed by Payroll figures on Friday but the bond market will be closely monitoring developments in the Middle East.

Geopolitical Developments: U.S.-Iran Conflict

U.S. and Israeli forces initiated strikes on Iran, resulting in the death of Supreme Leader Ayatollah Ali Khamenei. Iran retaliated with missile and drone attacks across the Middle East, targeting U.S. interests and Israel, including strikes in Kuwait where three U.S. service members were killed. Fighting persisted into Sunday, with Israeli strikes hitting central Tehran and Iranian projectiles launched at regional allies. President Trump described operations as "ahead of schedule" and expressed willingness for dialogue with Iran's new leadership, amid vows of revenge from surviving Iranian officials. This escalation widens the conflict, impacting Gulf states, disrupting shipping through the Strait of Hormuz, and raising fears of prolonged regional instability.

International Reactions and Participation

The conflict has elicited varied responses globally, with no direct military involvement from major powers beyond the U.S., Israel, and Iran, but significant diplomatic and rhetorical engagement.

- **Middle East:** Gulf nations including Qatar, UAE, Bahrain, and Kuwait condemned Iran's retaliatory strikes, which targeted U.S. assets hosted in their territories, resulting in civilian casualties in Abu Dhabi. Saudi Arabia and UAE echoed calls for de-escalation to protect economic interests like energy exports. Oman warned that U.S. actions undermined nuclear talks. Lebanon urged restraint to avoid regional spillover.
- **Europe:** EU leaders, including Ursula von der Leyen, expressed deep concern and prioritized civilian protection while noting Iran's threats to global security. UK, France, and Germany called for resuming nuclear negotiations and condemned Iranian regional attacks without directly criticizing U.S.-Israeli strikes. The EU's Kaja Kallas described the situation as perilous.
- **Russia:** Strongly condemned the U.S.-Israeli operation as unprovoked aggression against a sovereign state, warning of escalation beyond the region and offering mediation assistance.
- **China:** Urged immediate cessation of hostilities, emphasizing respect for Iran's sovereignty and a return to dialogue, while condemning the strikes as unacceptable.

The UN Secretary-General condemned the escalation, calling for an immediate halt to undermine international peace.

Futures and Commodity Reactions

Dow Jones futures indicated a lower open, reflecting risk-off sentiment. Oil prices surged: Brent crude jumped 10% to ~\$80/barrel in OTC trading, up from \$73, due to fears over the Strait of Hormuz. Gold rallied 1.7% to near \$5,300/ounce as a safe haven. Bitcoin stabilized around \$66,000 after initial fluctuations. Bond markets reflect safe-haven bids: 30-year Treasury bond futures up 0.52%. Long-term Treasury yields declined 5 bps, with 20-year at 4.56% and 30-year at 4.62%. US Dollar Index (DXY) dipped 0.17% to 97.57, amid mixed currency flows. Equities potentially down 1-2% as of March 1st.

Asset	Reaction	Key Driver
Equities (Dow Futures)	Downward pressure	Geopolitical risk premium
Oil (Brent)	+10% to ~\$80/bbl	Supply disruption fears
Gold	+1.7% to ~\$5,300/oz	Safe-haven demand
Bitcoin	Stable at ~\$66,000	Initial volatility, rebound
Treasuries (20+ Yr Yield)	Down 5 bps to ~4.56%	Safe-haven flows
30-Yr Bond Futures	+0.52%	Risk-off sentiment
DXY	-0.17% to 97.57	Mixed currency flows*

Geopolitical Developments: U.S.-Iran Conflict

- New York Times: "Live Updates: Israel Strikes Hezbollah in Lebanon as War With Iran Escalates" (March 2, 2026) - Details on Khamenei's death and regional strikes.
- CNN: "February 28, 2026 — US-Israeli strikes on Iran" (March 1, 2026) - Coverage of strikes, Khamenei's death, and retaliations.
- The Guardian: "Trump warns there could be more casualties after service members killed" (March 1, 2026) - U.S. casualties in Kuwait and ongoing operations.
- Reuters: "US-Israeli strikes kill Khamenei and Iranian retaliation shakes Gulf" (March 1, 2026) - Strike details and Tehran impacts.
- Instagram (Al Jazeera): "Top Iranian military leaders killed..." (March 1, 2026) - Summary of casualties and new fronts.
- BBC: "Trump says 'there will likely be more' US deaths..." (March 1, 2026) - Retaliations and U.S. troop deaths.
- YouTube (WTHR-TV): "President Trump confirms Iranian Supreme Leader Ali Khamenei is dead" (March 1, 2026) - Confirmation of leadership deaths.
- NPR: "Trump warns Iran not to retaliate after Ayatollah Ali Khamenei is killed" (March 1, 2026) - Trump's statements on operations.
- Al Jazeera: "US, Israel attack Iran updates: Khamenei, top security officials killed" (March 1, 2026) - Mourning and strikes on Tehran.
- CBS News: "Trump says Iran operation could take 'four weeks or less,' 3 U.S. troops killed" (March 1, 2026) - Timeline and casualties.

International Reactions and Participation

- Sources integrated from above (e.g., Reuters, Al Jazeera, The Guardian) for condemnations from Gulf states, EU, Russia, China, and UN.

