



Unlocking Growth

The path to future returns



SARASIN
& PARTNERS

Market outlook: the economic backdrop and portfolio implications

Guy Monson

Senior Partner, Chief Market Strategist



SARASIN
& PARTNERS

1. Market backdrop

2025: Equity and bonds

Equity quality and dividend strategies underperformed

Quality and consistent dividend flows not rewarded in 2025

MSCI World indices GBP (ACWI) rebased at 100

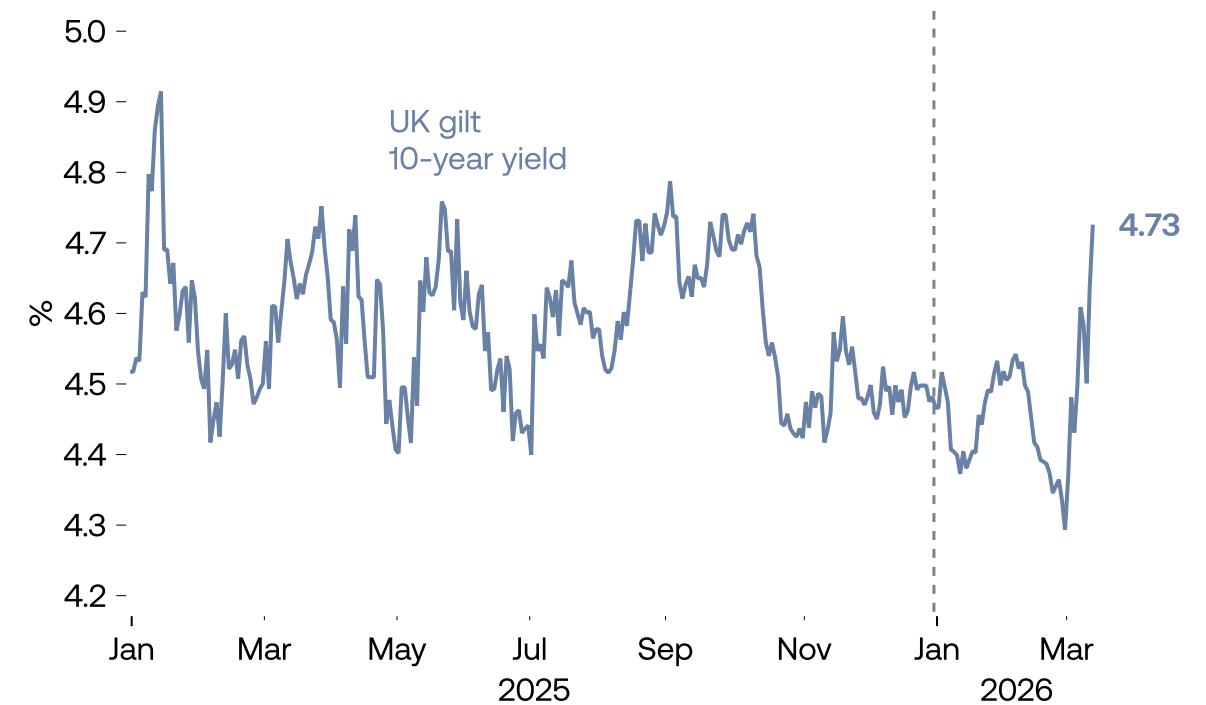


Source: Macrobond, 16.03.26

*MSCI World Equity Dividend Masters are 'developed-market' companies that have increased their dividends every year for at least 10 consecutive years.

UK gilt little changed over year – no hedge in Iran war

10-year government bond yields



Source: Macrobond, 16.03.26

UK 10 Year Gilts climbed to 4.5% at the height of PM Liz Truss Mini-Budget.

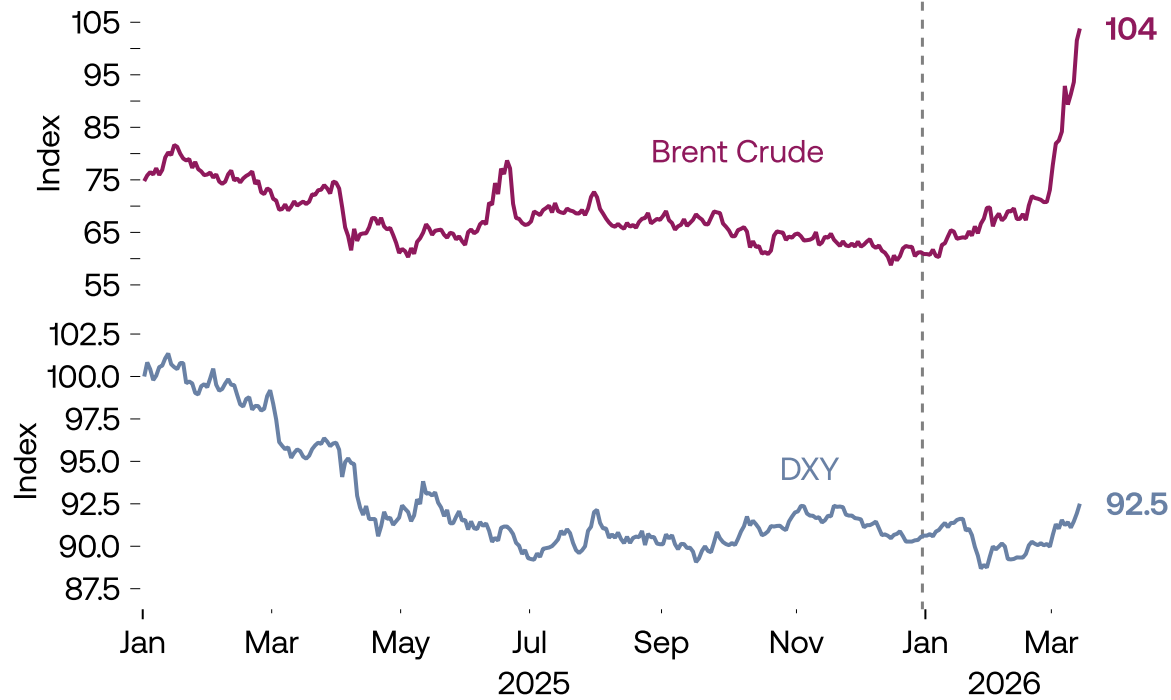
Bloomberg 16 3 2026

Past performance is not a reliable indicator of future results and may not be repeated.

2025: Oil, currencies and rates

Investors not yet seeing the US dollar as a safe-haven

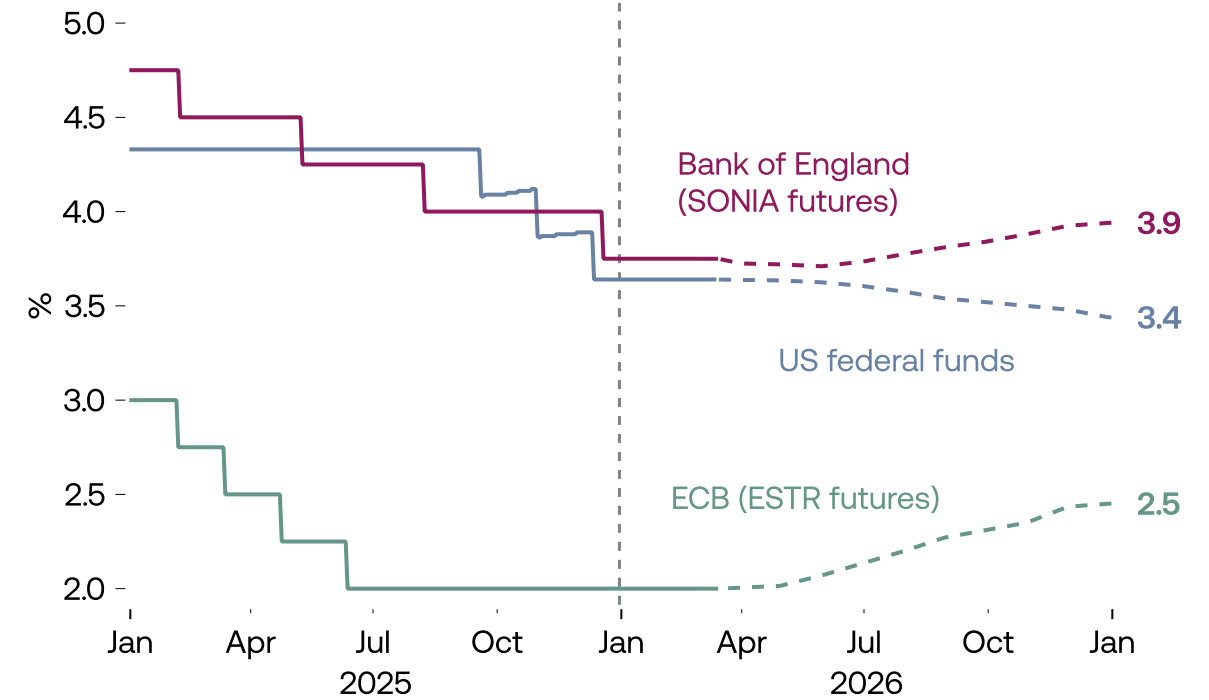
Brent Crude & US dollar index (DXY)



Source: Macrobond, 16.03.26

Central banks still supportive but cuts will be fewer in 2026

Central bank market-implied policy rates



Source: Macrobond, 16.03.26

Rates today: Federal funds 3.5–3.75%; ECB deposit rate 2.0%; UK base rate 3.75%; FOMC long-run rate 3%

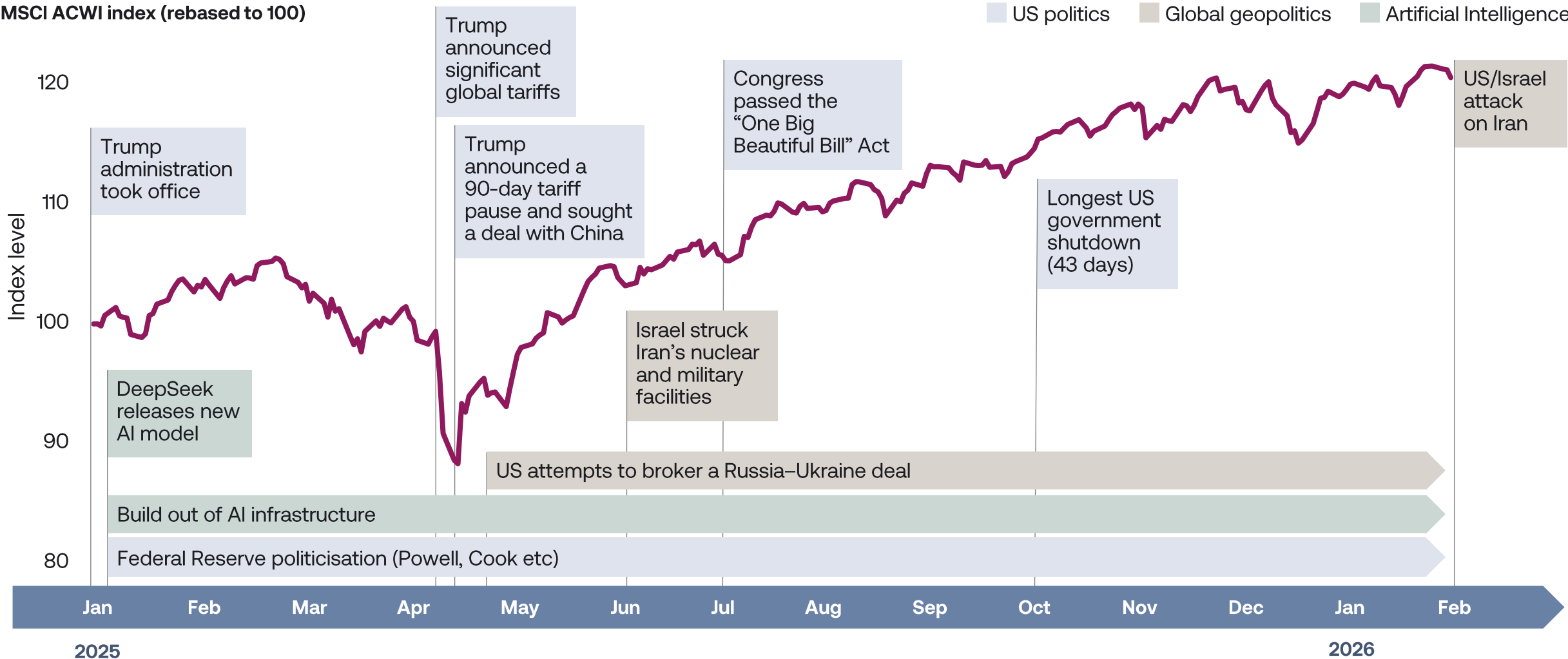
Past performance is not a reliable indicator of future results and may not be repeated.

2.

Iran war

Messy geopolitics has not disrupted risk assets until now

MSCI ACWI index (rebased to 100)



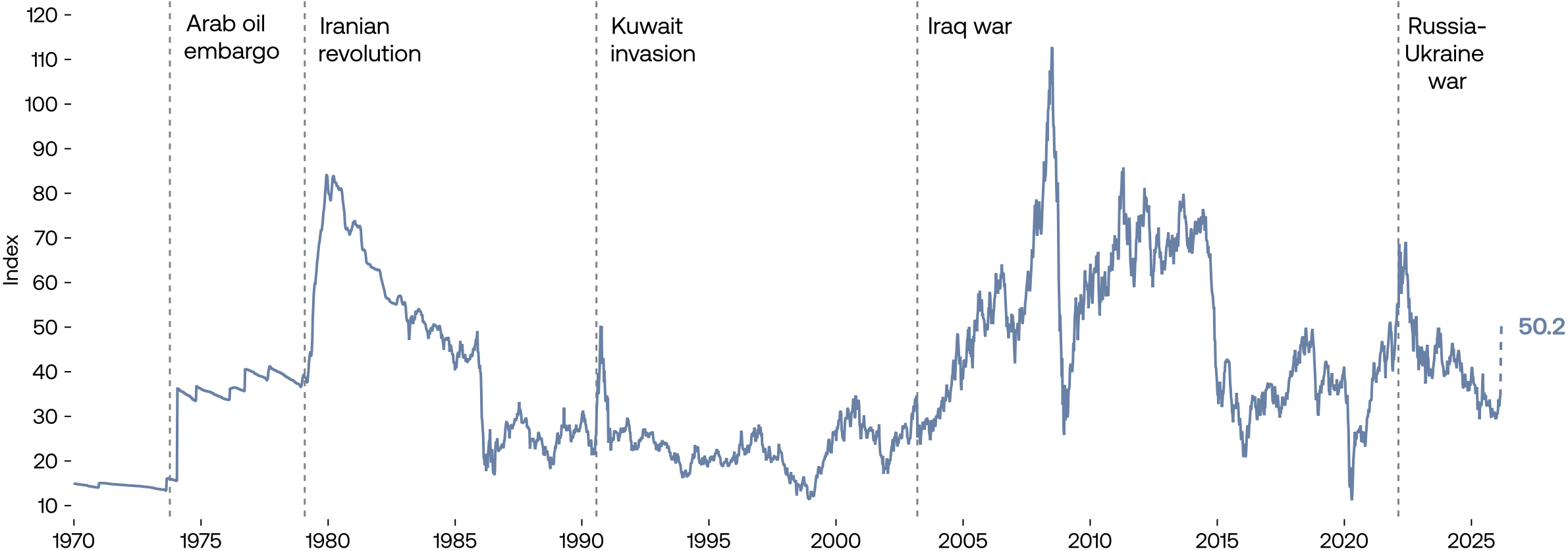
Source: Sarasin & Partners, March 2026

Past performance is not a reliable indicator of future results and may not be repeated.

Real oil prices

Real price of oil not yet at peaks seen in prior crisis

Real oil prices



Source: Macrobond and Sarasin & Partners, 16.03.26

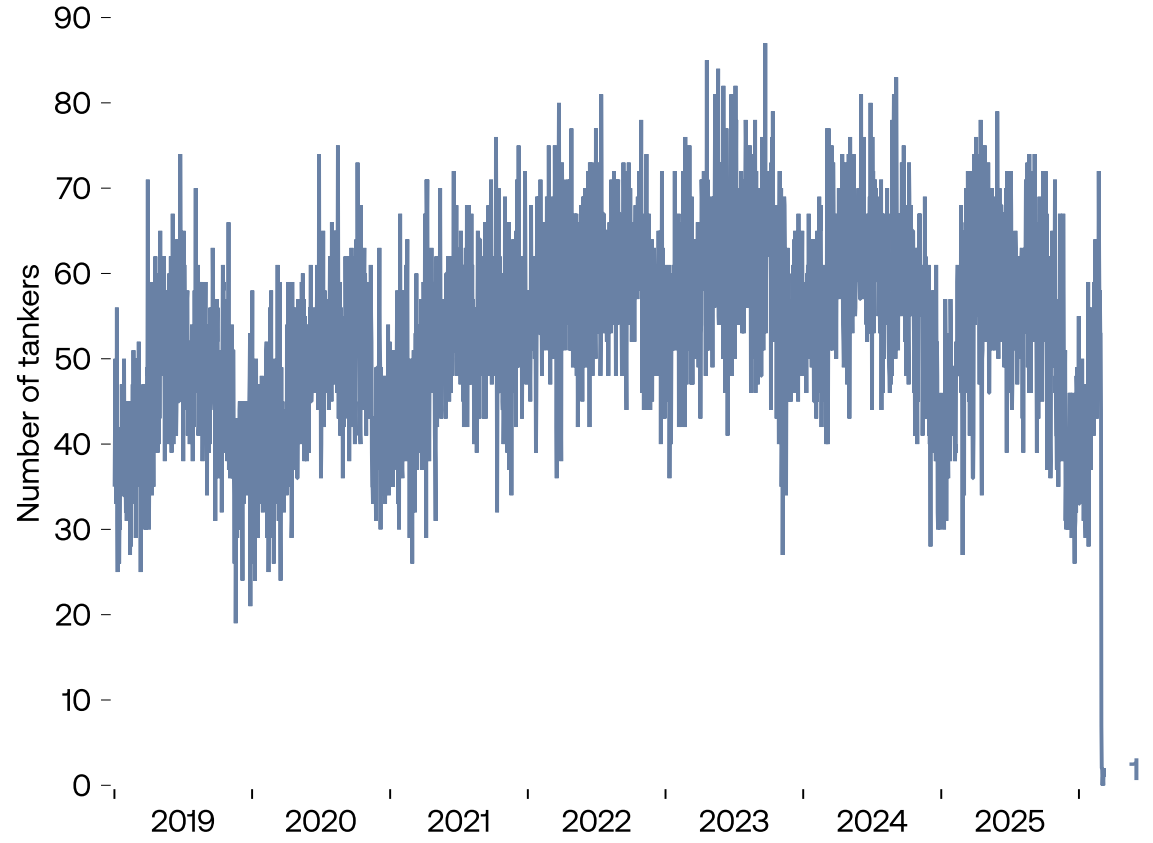
Past performance is not a reliable indicator of future results and may not be repeated.

Major oil supply disruptions

Current 15-20mbd loss of oil supply today is the largest in history

Event	Supply lost	Global market share
1973 Oil Embargo	4-5 mb/d	~7%
1978 Iranian Revolution	5-6 mb/d	~10%
1980-88 Iraq War	4 mb/d	~7%
1990 Gulf War	4.3 mb/d	~6%
2010 Arab Spring/Libyan Civil War	1.5 mb/d	~2%
2022 Russian Invasion of Ukraine	2-3 mb/d disrupted	~3%
2026 Hormuz closure	15-20mbd at risk	15-20%

Strait of Hormuz tanker transit calls (daily)



Source: Macrobond, 16.03.26

Source: Chat GPT and Sarasin & Partners, 16.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

Iran war – our core scenarios

Base case: managed de-escalation (45% probability)

Brent \$85–100 | duration 4–6 weeks

- US-Israeli strikes achieve primary objectives in 2–4 weeks
- Backchannel diplomacy (via Oman or China) opens in weeks 3–4 establishing ceasefire
- Khamenei successor prevents collapse of the state
- Strait of Hormuz partially reopens weeks 3–4; full normalisation takes 6–8 weeks
- Shipping insurance cover withdrawal takes time to restore

Muddle through protracted lower-intensity (45% probability)

Brent \$90–115 | duration 4–5 months

- Air campaign achieves stated objectives in 4–6 weeks – regime survives in weakened form
- Iran shifts to cheaper drone and asymmetric tactics
- Periodic attacks on Gulf infrastructure keep risk premiums elevated
- P&I underwriters require sustained proof of safe passage before restoring cover
- Key political risk: US declares victory and begins drawdown before the situation is truly resolved

3. Global fragmentation

We are in the midst of a rupture,
not a transition.

Great powers have begun using
economic integration as weapons,
tariffs as leverage, financial
infrastructure as coercion,
supply chains as vulnerabilities
to be exploited.

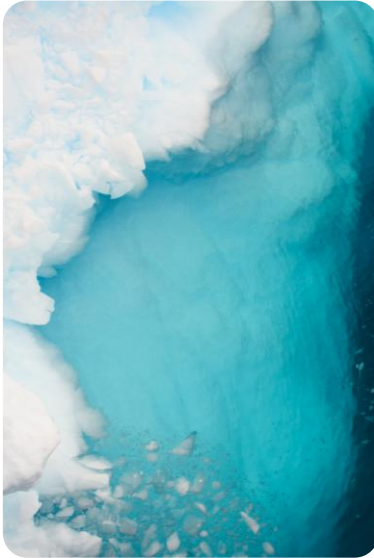
Mark Carney, 20 January 2026,
Davos, Switzerland



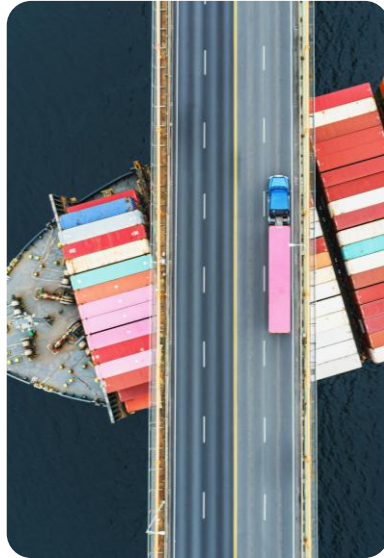
Global fragmentation will dominate the global economy

From deficient demand to security of supply – 5 key issues

Globalisation is giving way to great power competition



1. Ageing, climate and defence spending push debt higher



2. Supply chain fragmentation increases inflation volatility



3. Fiscal and inflation risks keep bond yields elevated



4. Geopolitical risks support gold and real assets

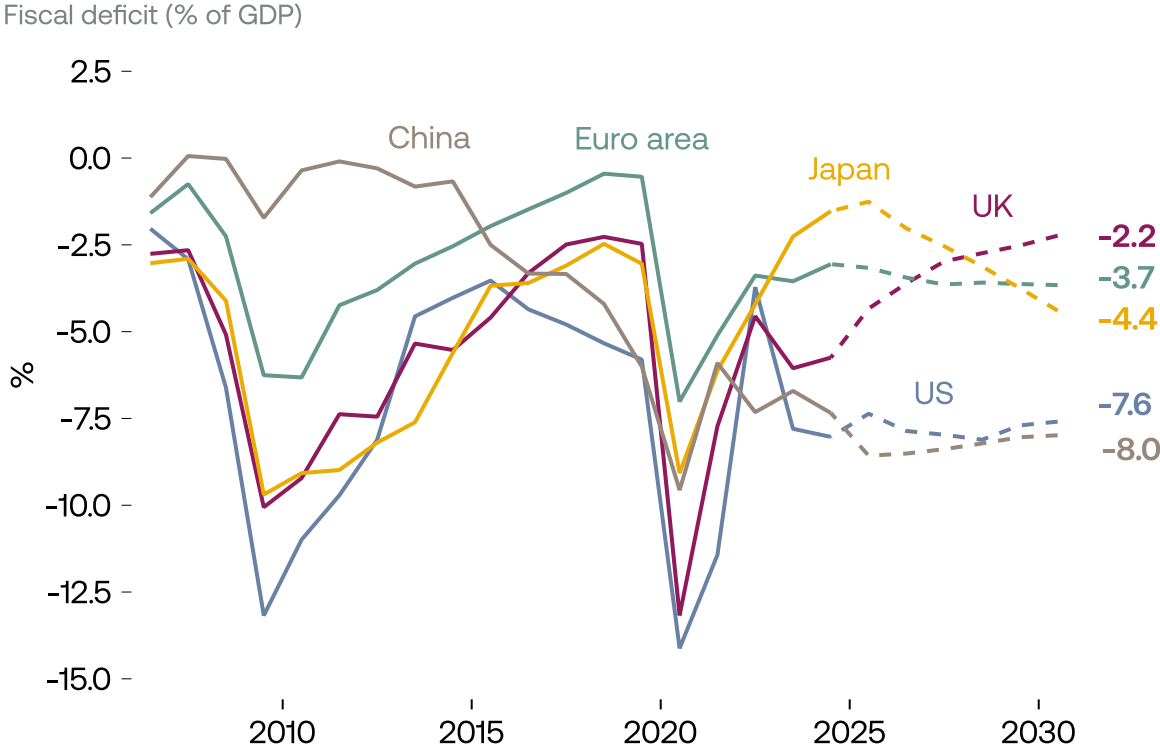


5. AI adoption boosts productivity and profits

Fragmentation: unsustainable deficits and debt

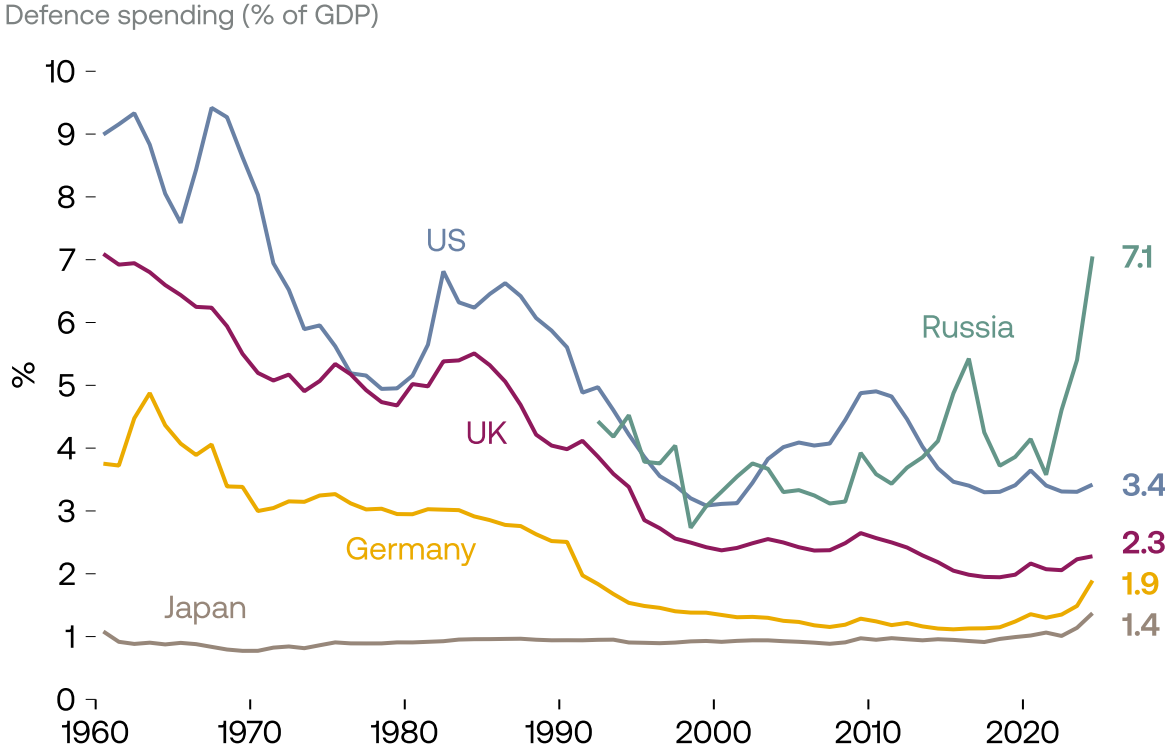
Driven by ageing, climate and defence spending

Global fiscal deficits



Source: Macrobond, 16.03.26

5% of GDP defence spend committed by NATO allies by 2035



Source: Macrobond, 16.03.26

“UK Public Sector net borrowing must be below 3% final year of OBR forecast (2029-30)”.

Rachel Reeves, 2025

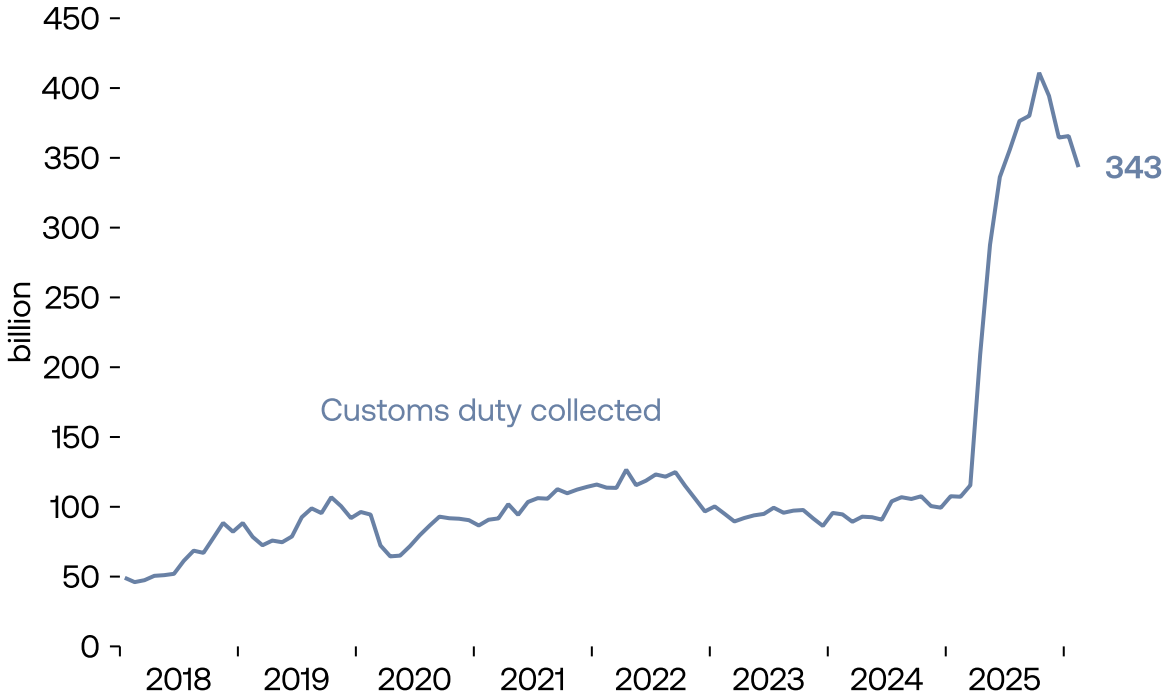
Past performance is not a reliable indicator of future results and may not be repeated.

Fragmentation: higher and more volatile inflation

Less efficient global supply chains and rising energy costs

Tariff rates of 14.3% before IEEPA was struck down highest since 1936

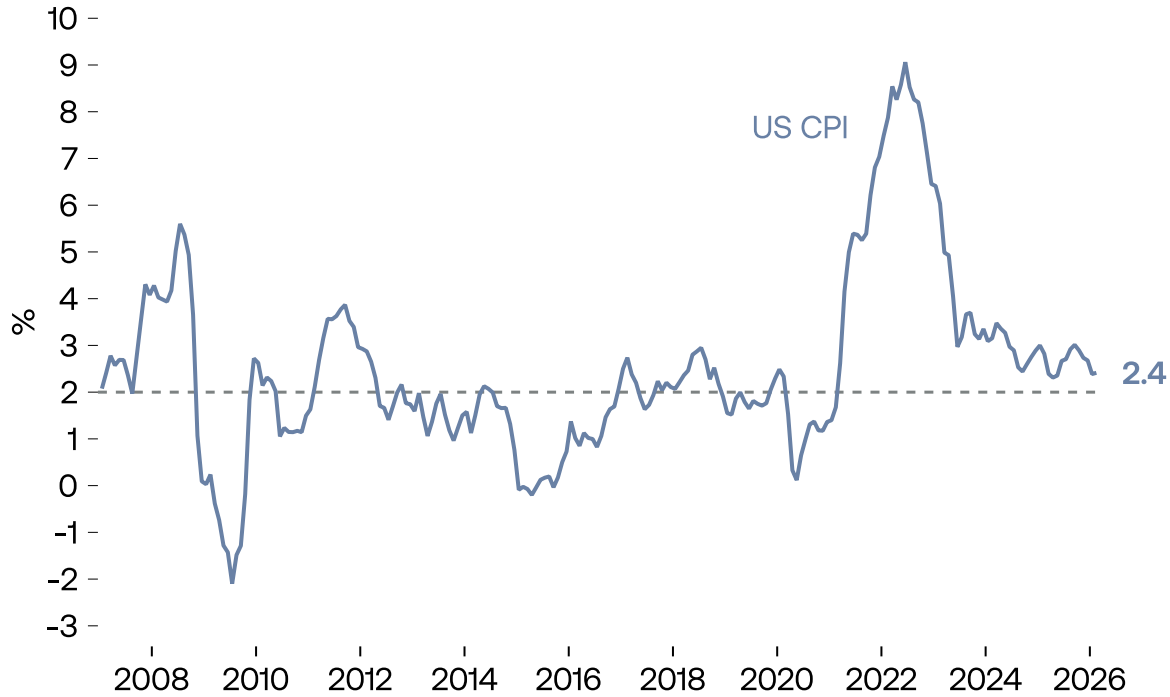
Customs duty collected, billion



Source: Macrobond, 16.03.26

2% inflation becoming the floor, not the target

Consumer price inflation (CPI, %)



Source: Macrobond, 16.03.26

Before the IEEPA tariffs were struck down, the tariff rate stood at 14.3%, the highest since 1936. Immediately following the ruling, and with Section 122 imposed, the rate decreased to 10.5% for 150 days. If this measure is not renewed, the rate will fall to 7.3%.

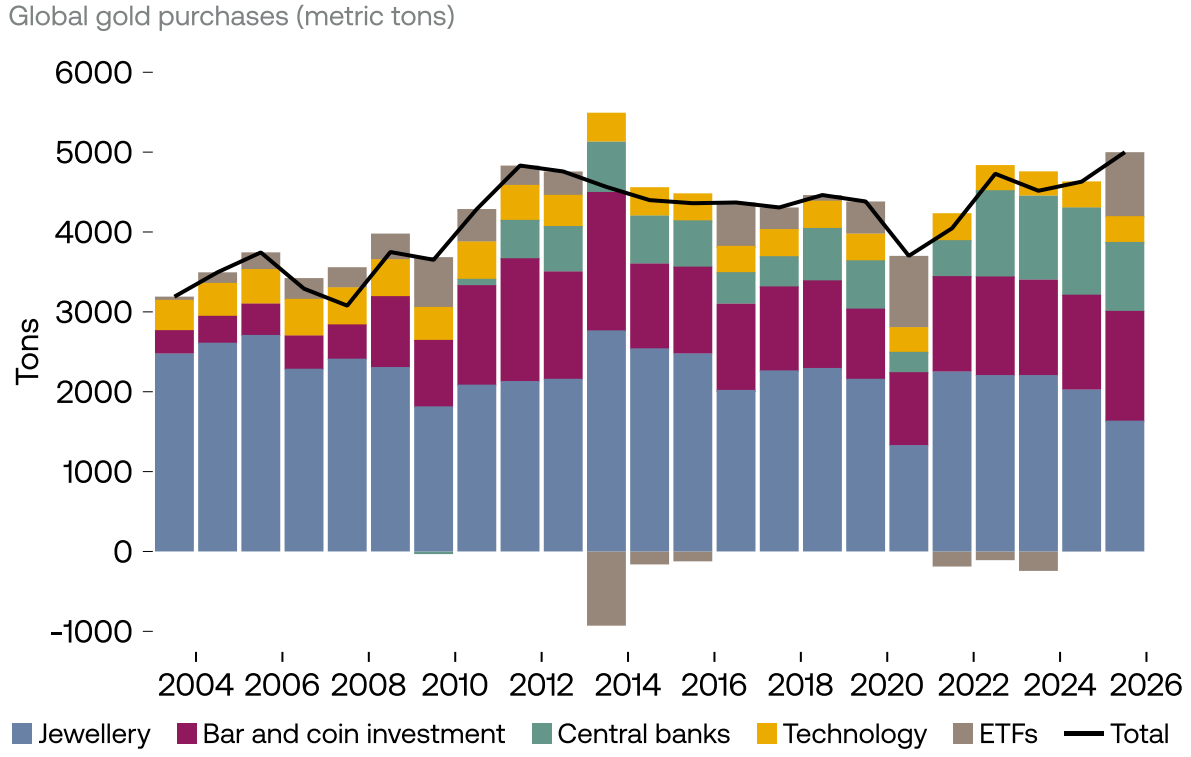
Source: Yale Budget Lab March 2025

Past performance is not a reliable indicator of future results and may not be repeated.

Fragmentation: increased demand for real assets

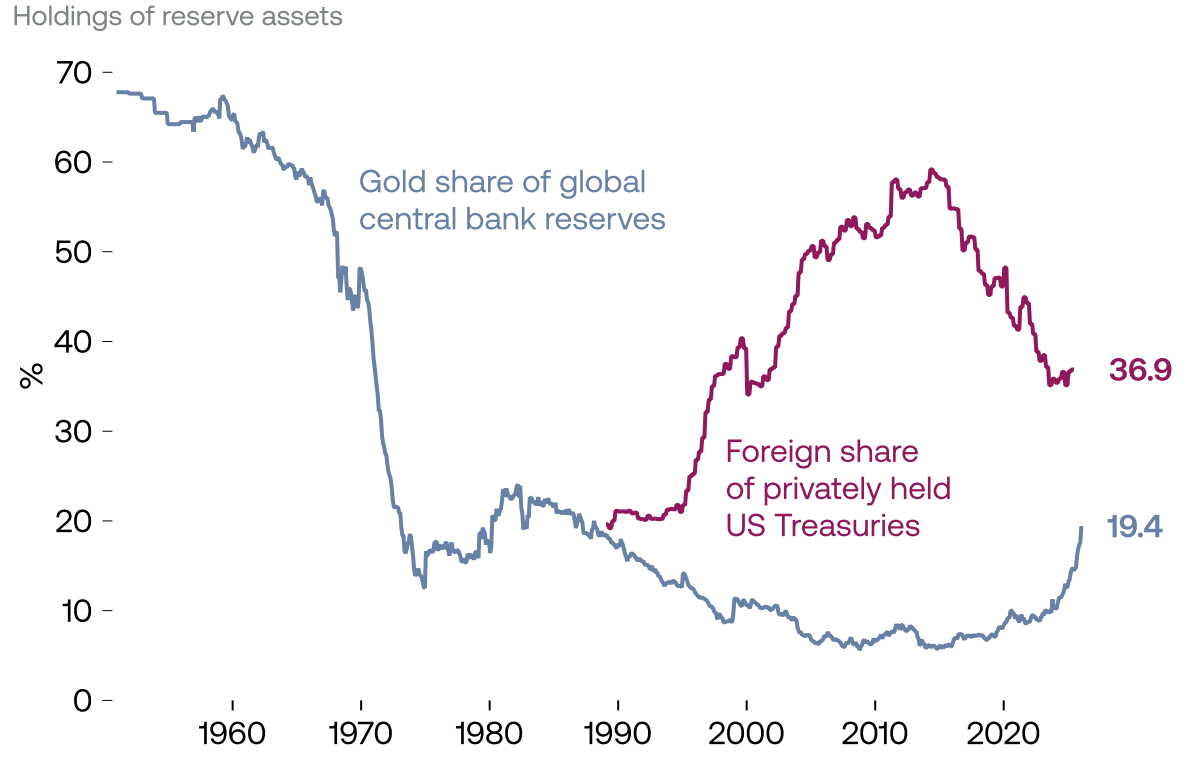
Central banks and investors increasing gold demand

Gold demand remains well diversified



Source: Macrobond, 16.03.26

Reserve managers showing a preference for gold



Source: Macrobond, 16.03.26

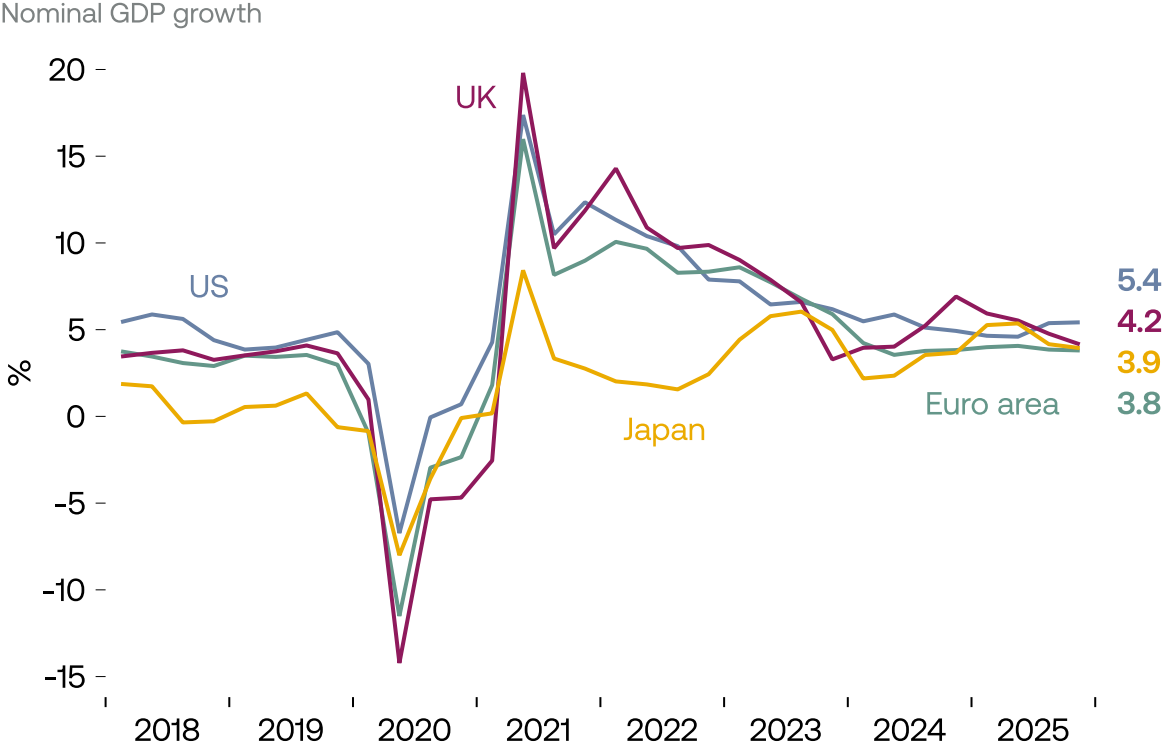
Past performance is not a reliable indicator of future results and may not be repeated.

4. Near-term outlook

Strong nominal GDP growth environment pre-Iran shock

Economies running hot with strong nominal growth and profits

Nominal GDP growth across major economies



Source: Macrobond, 16.03.26

Strong nominal GDP growth supporting corporate profits



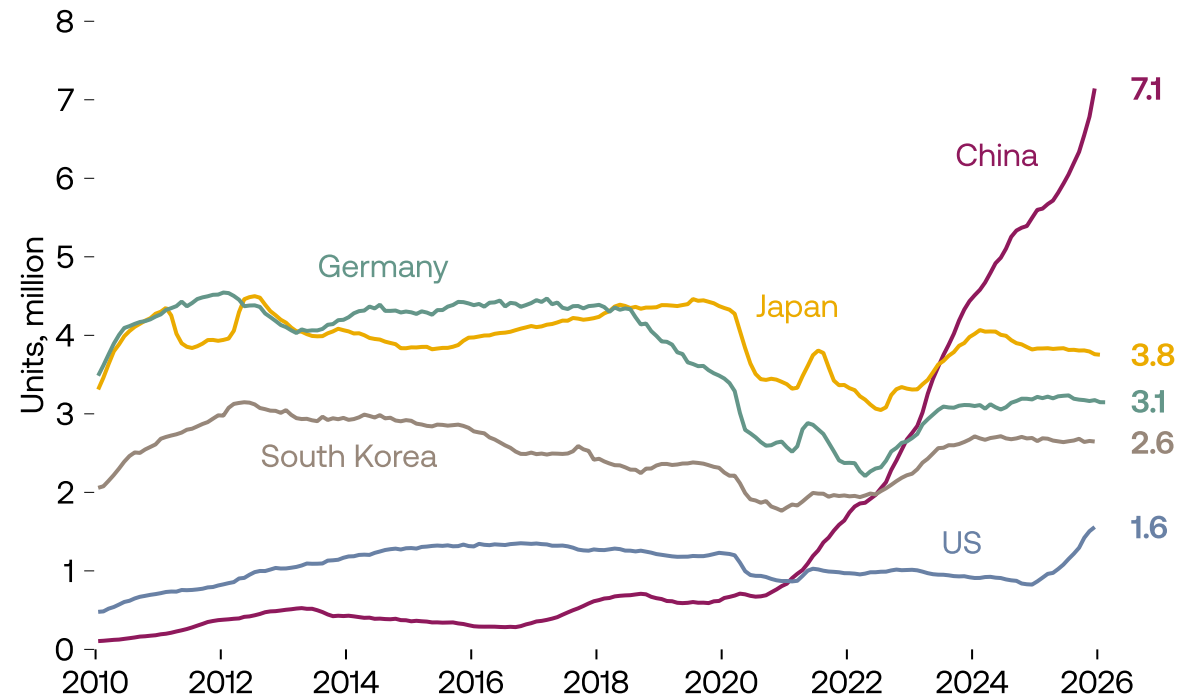
Source: Macrobond, 16.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

China: exports surge but ongoing real estate challenges remain

China exports now offer quality and innovation

Passenger car exports (rolling 12-month sum)



Source: Macrobond, 16.03.26

“The entire Chinese car industry earns less profit than Toyota alone”.

Zu Haurong CEO of state-owned car maker 2025

Property market weakness hurting consumer confidence

China: monthly construction indicators

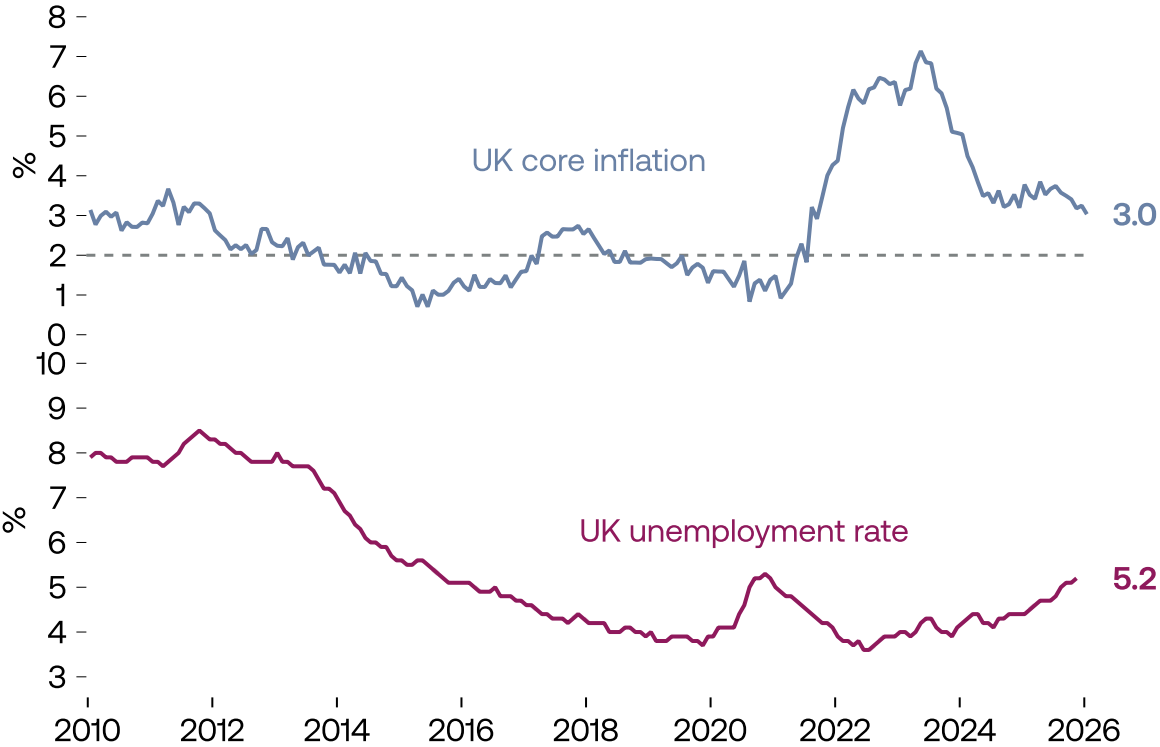


Source: Macrobond, 16.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

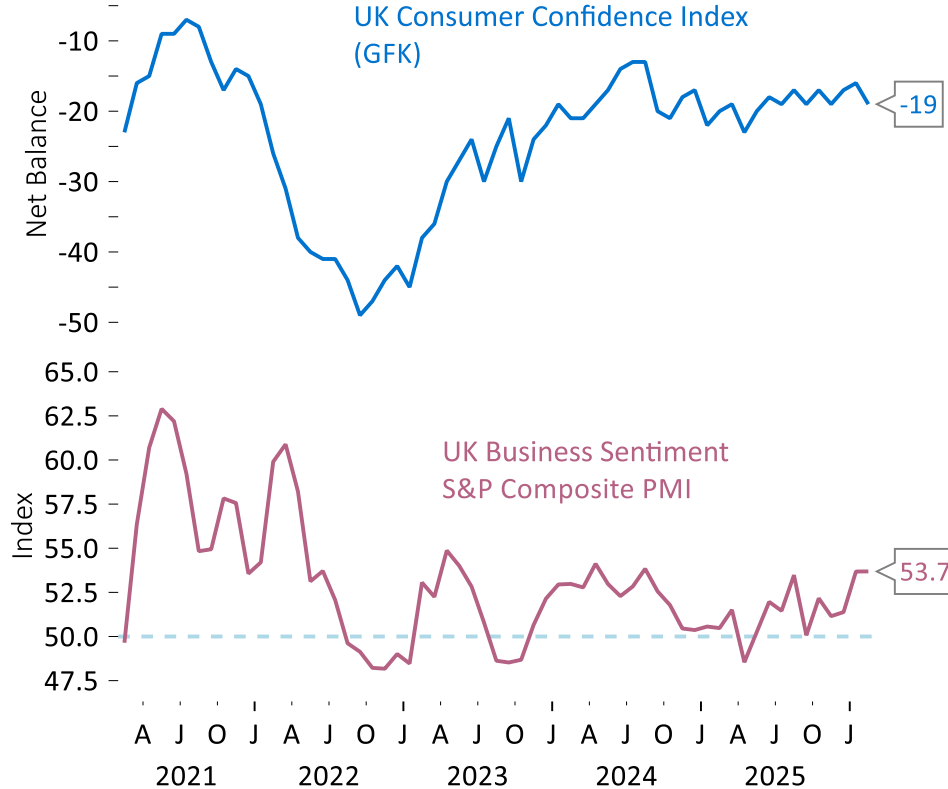
UK: inflation, unemployment and confidence

Core inflation slowing as unemployment rises



Source: Macrobond, 16.03.26

Post-Budget improvement in consumer and business sentiment



Source: Macrobond, 16.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

AI: equity market rotation driven by rising physical investment

Capital spending forecast for main hyperscalers U\$650bn in 2026*

Magnificent 7 earnings growth still extraordinarily robust



Physical investment rises quickly



*This is approximately 2/3 of annual US defence spending

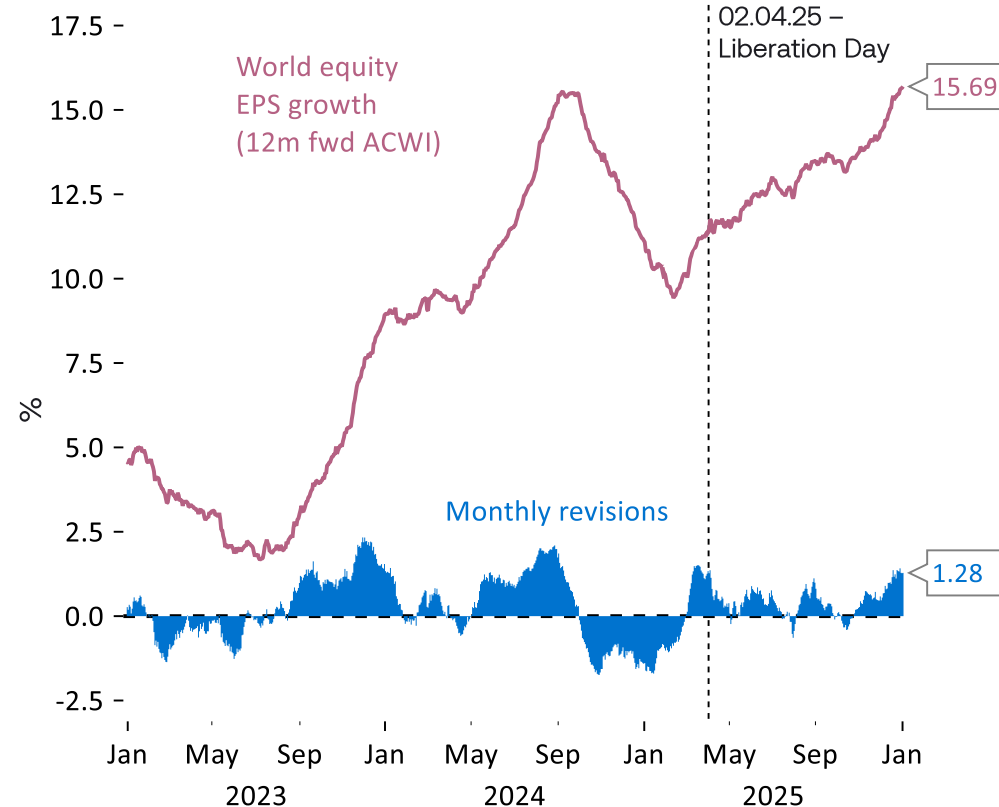
Past performance is not a reliable indicator of future results and may not be repeated.

5. Market strategy

Global earnings and dividend growth remain strong

Robust forecasts for 2026 global earnings

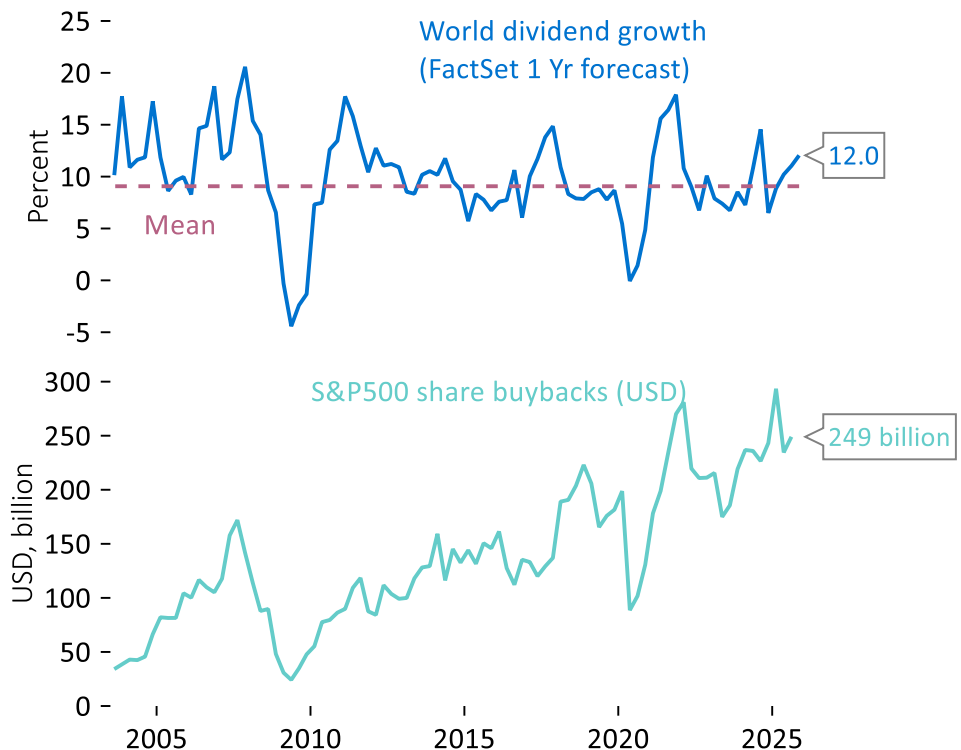
Global earnings strong as revisions turn positive



Source: Macrobond, 16.03.26

Global dividends strong with US buybacks near record

Global dividend growth and US stock buybacks

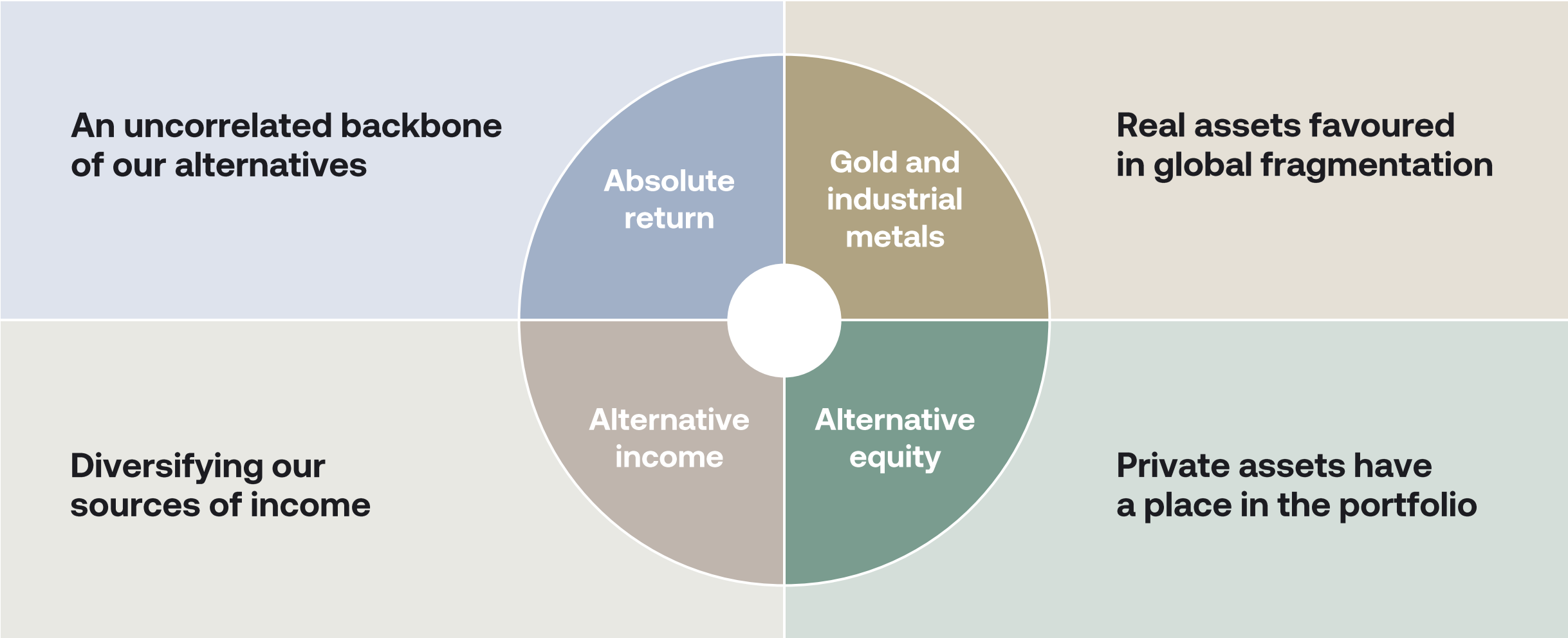


Source: Macrobond, 16.03.26

Past performance is not a reliable indicator of future results and may not be repeated.

Opportunities for alternatives in 2026

Long-term bond holdings are starting to migrate to alternative assets



Source: Sarasin & Partners, March 2026

Past performance is not a reliable indicator of future results and may not be repeated.

6. Policy summary

2026 global macro backdrop

Bonds Underweight	Equities Neutral	Alternatives Overweight	Cash Neutral	Risks
<p>UW government bonds: inflation risks – rising deficits</p> <p>UW credit: spreads remain historically</p>	<p>Neutral equity: global equity earnings remain robust but stagflation risks from Gulf rising</p> <p>Valuation: earnings continue to climb and revisions are positive, but risks from private credit concerning for wider market</p>	<p>OW alternatives: favour absolute return funds and industrial metals</p> <p>OW gold: ongoing emerging market central bank buying continues to support demand</p>	<p>Inability to re-open Strait of Hormuz increases stagflation risks globally</p> <p>US dollar to depreciate over the long term</p> <p>Euro and emerging world currencies continue to rally</p> <p>Japanese yen and sterling neutral</p>	<p>Liquidity / credit squeeze – risks in private credit market spill over into broader markets</p> <p>Stagflation – sticky inflation on prolonged Iran conflict</p> <p>Security / Iran – geopolitics starting to impact markets</p>

Important information

This document is intended for retail investors and/or private clients. You should not act or rely on any information contained in this document without seeking advice from a professional adviser.

This is a marketing communication.

Issued by Sarasin & Partners LLP, 50 George Street, London, W1U 7DY. Registered in England and Wales, No. OC329859. Authorised and regulated by the Financial Conduct Authority (FRN: 475111). Website: www.sarasinandpartners.com. Tel: +44 (0)20 7038 7000. Telephone calls may be recorded or monitored in accordance with applicable laws.

This document has been produced for marketing and informational purposes only. It is not a solicitation or an offer to buy or sell any security. The information on which the material is based has been obtained in good faith, from sources that we believe to be reliable, but we have not independently verified such information and we make no representation or warranty, express or implied, as to its accuracy. All expressions of opinion are subject to change without notice. This document should not be relied on for accounting, legal or tax advice, or investment recommendations. Reliance should not be placed on the views and information in this material when taking individual investment and/or strategic decisions.

Capital at risk. The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect of any such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

Neither Sarasin & Partners LLP nor any other member of the J. Safra Sarasin Holding Ltd group accepts any liability or responsibility whatsoever for any consequential loss of any kind arising out of the use of this document or any part of its contents. The use of this document should not be regarded as a substitute for the exercise by the recipient of their own judgement. Sarasin & Partners LLP and/or any person connected with it may act upon or make use of the material referred to herein and/or any of the information upon which it is based, prior to publication of this document.

Where the data in this document comes partially from third-party sources the accuracy, completeness or correctness of the information contained in this publication is not guaranteed, and third-party data is provided without any warranties of any kind.

Sarasin & Partners LLP shall have no liability in connection with third-party data.

The index data referenced is the property of third-party providers and has been licensed for use by us. Our Third-Party Suppliers accept no liability in connection with its use. See our website for a full copy of the index disclaimers <https://sarasinandpartners.com/important-information/>.

© 2026 Sarasin & Partners LLP. All rights reserved. This document is subject to copyright and can only be reproduced or distributed with permission from Sarasin & Partners LLP. Any unauthorised use is strictly prohibited.