Market Recap

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EXECUTIVE SUMMARY

- March was defined by the transition from rate uncertainty to a full-scale geopolitical crisis following the escalation of the conflict in Iran and the subsequent Strait of Hormuz blockade.
- Inflation concerns shifted from "sticky" to "shock-driven" as global energy markets repriced a massive supply-side deficit.
- Rotation accelerated out of growth and into commodity-linked assets and safe havens like gold, which hit record highs above $4,600/oz.
- Turkiye faced a "perfect storm" of regional risk and emergency liquidity tightening, forcing the CBRT to pause its cutting cycle to defend the lira.

I. GLOBAL MACRO ENVIRONMENT

Monetary Policy: **Federal Reserve:** Held the fed funds target range steady at 3.50%–3.75% in March, entering a "wait-and-see" mode due to the Middle East conflict. **ECB:** Maintained the deposit facility rate at 2.00%, noting that war-driven energy prices have significantly increased inflation risks for 2026. **CBRT:** Held its benchmark policy rate at 37.0%, marking the first pause after five consecutive cuts.

Geopolitics: The "Hormuz blockade" became a formal reality, described by analysts as a "paradigm-shifting model of maritime denial" that paralyzed 20% of global oil supply.

Currency Performance: The USD/TRY pair ended March near 44.46, representing a continued slide for the Lira despite emergency liquidity tightening. The DXY (US Dollar Index) surged to 100.06 by March 31st, marking its strongest performance in months as it acted as the primary global safe haven. EUR/USD faced downward pressure, closing the month at approximately 1.157, a notable drop from the 1.18–1.19 range seen earlier in the quarter.

II. EQUITIES PERFORMANCE

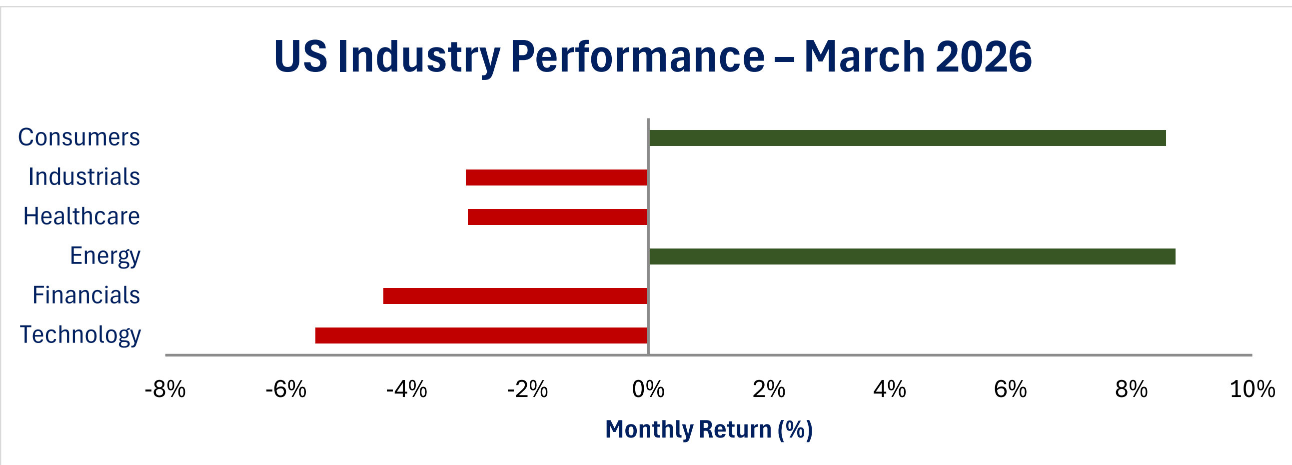
US Indices: The S&P 500 fell -4.2% for the month of March, ended the month at 6,528, while the Nasdaq-100 ended the month at 23,740, dropped -3.47% as mega-cap growth corrected sharply under energy-driven yield pressure.

Turkish Indices: The BIST 100 ended the month at 12,791, down -6.76%.

Market Sentiment: The VIX closed at 25.24 on March 31st, down from a mid-month spike of 35.3 but remaining high enough to keep positioning cautious.

III. US INDUSTRY PERFORMANCE

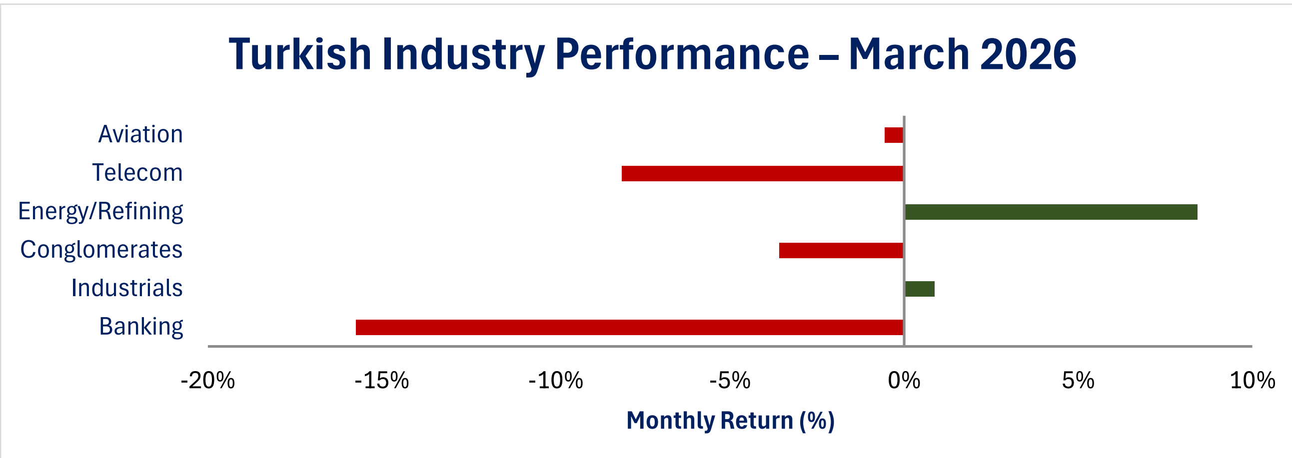
Industry	Monthly Return	Key Macro Catalyst
Technology	-5.51%	AI Capex fatigue meets Geopolitical Risk; Significant sell-off in SMH and Cloud due to valuation compression.
Financials	-4.39%	Credit Risk Spikes & Yield Volatility: Geopolitical risk premium and potential SME defaults due to energy shock hit Regional Banks (KRE) hardest.
Energy	+8.73%	Energy Divergence: Fossil fuels surged on Hormuz blockade, while Renewables (15% weight) dragged performance due to stagflation fears and rate hikes.
Healthcare	-2.99%	Defensive but Dragged: Pharma held firm as a safe haven, but Biotech (IBB) suffered significantly due to rising yields and war-driven risk-off sentiment.
Industrials	-3.02%	Defense Hedge vs. Fuel Shock: Aerospace (ITA) provided a shield against the massive fuel-driven collapse in Transportation (IYT).
Cons. Discretionary	-8.57%	Energy-Driven Consumption Collapse: Soaring gas prices and war risks devastated Travel (PEJ) and Autos (CARZ).



Takeaway: The Hormuz blockade triggered a "War-Driven Inflationary Shock," causing a violent rotation from growth (Tech/Discretionary) into Energy as a primary hedge. A stagflation regime priced in soaring input costs and geopolitical risk premiums, leaving only commodity-linked sectors resilient as margins were crushed across the board.

IV. TURKISH INDUSTRY PERFORMANCE

Industry	Monthly Return	Key Macro Catalyst
Banking	-15.75%	Geopolitical risk premium; CBRT emergency liquidity tightening.
Industrials	+0.87%	Supply chain resilience; rising energy-driven production costs.
Conglomerates	-3.58%	Deepening NAV discounts; regional trade & currency volatility.
Energy/Refining	+8.42%	Hormuz blockade; oil price spike and energy security hedge.
Telecom	-8.10%	Rising energy OPEX; intense foreign capital de-risking.
Aviation	-0.56%	Cargo revenue surge (sea-to-air) vs. jet fuel price pressure.



Takeaway: Geopolitical risk led to a massive capitulation in Financials, while Energy and Refining provided a "structural shield" due to supply security concerns. Market resilience was limited to Industrials and Aviation, reflecting a strategic pivot toward global cargo exposure and energy-hedging over domestic, credit-sensitive assets.

V. DIGITAL ASSETS

Large Caps: Bitcoin closed March near $68,226, failing to act as a safe haven as it traded as a liquidity-sensitive risk asset.

Sector Rotation: Capital rotated out of high-beta AI-linked tokens toward Layer 1 ecosystems like Solana and Avalanche, though the entire sector remained under pressure.

Macro Link: March data confirms digital assets remain high-beta liquidity proxies rather than safe havens, as speculative narratives collapsed under geopolitical stress. This asset class's failure to track gold’s record surge invalidates the "digital gold" premise in favor of empirical risk-asset behavior.

VI. OUR READ

Consensus View

Markets still lean toward a soft-landing story supported by eventual rate cuts and stable growth.

Why We're Less Comfortable

The IMF warned on March 31st of an asymmetric global shock as the Hormuz blockade which controls 27% of global maritime oil entered its fourth week. March CPI expectations surged to 3.4% following President Trump’s March 31st threat to "completely obliterate" Iran’s electric plants and oil wells if the strait is not immediately opened.

Positioning Implication

The macro environment continues to favor value over long-duration growth, with rate-sensitive tech remaining fragile as the Fed revised 2026 inflation projections upward. For Türkiye, the BIST 100 ended March 31st at 12,790; holding this region amid a 44.48 USD/TRY close is the critical confidence test for Q2.

Commodity Shocks & Funds Rebalancing Their Portfolio

Geopolitical tensions and tech weakness drove a commodity surge. Consequently, funds exceeding their commodity weight limits were forced to rebalance by rotating capital into discounted cyclical assets, triggering rapid rallies but elevating overall market volatility.

VII. THE MONTH AHEAD

What to Watch	**March Inflation Prints & Central-BankGuidance** Inflation data and CBRT/Fed communication shaped risk sentiment through March, with markets recalibrating expectations for the pace of easing.
Why It Matters	**Sticky Inflation vs. Easing Expectations** Inflation remained persistent while energy stayed supported, forcing markets to push back expectations for aggressive rate cuts and favor more defensive positioning.
Key Indicators	**WTI Crude | DXY | USD/TRY** These cross-asset drivers dictated positioning and volatility throughout March.

VIII. SOURCES & DATA REFERENCES

- Central Bank of the Republic of Türkiye (CBRT) - Monetary Policy Committee decision statements and market data releases.
- Federal Reserve Board - FOMC meeting materials and H.15 Selected Interest Rates.
- European Central Bank - monetary policy decision.
- Borsa İstanbul (BIST) - index, sector, and trading data.
- Reuters and Al Jazeera - reporting on Middle East developments and energy-market implications.
- CoinGlass and Glassnode - digital asset market and on-chain data.

End of Report
— Thank you for reading. See you next month.