

3 key risks to monitor as the Fed stays on hold

Market update

19 March 2026

The Federal Reserve held interest rates steady on Wednesday. At a news conference after the meeting, Chair Jerome Powell downplayed the likelihood of imminent cuts, emphasizing limited room to ease. The S&P 500 Index slid 1.4% while the US 10-year Treasury yield ended the day at 4.256%, up from 4.201%. On the same day, Brent crude prices had jumped 3.8% to cross USD107/bbl after Israel struck Iran's South Pars gas field.

3 key risks to monitor

Growth: In the US, delinquency data, which track the percentage of loans or financial obligations that are past due, inform that many US households were likely already experiencing some financial stress before the recent oil price shock on the back of the Iran-related geopolitical tensions. Additionally, US employment orders, and retail data also softened in the first two months of the year. And while the full extent of the oil supply shock is still being played out, the near-term risks to inflation bias to the upside for now, which may slow real income growth and weigh on consumer spending, a key engine of US economic growth.

In Asia, the potential hit to incomes from energy price spikes is likely to be larger over time. However, some governments have capped fuel prices for now or have mechanisms that delay the impact of increased energy prices. In sum, the duration of the closure of the Strait of Hormuz will be critical to how the growth outlook evolves.

Likelihood: Medium

Magnitude of market impact: Medium

Inflation: Although the February 2026 US CPI data largely met forecast expectations, the data is likely to be dated due to rising energy prices on the back of the Iran war. While goods inflation and inflation in some other services remain high, rent inflation is moderating. Recent higher fuel prices may 'bloat' the headline CPI data and inflation expectations in March; hence, upside surprises in the coming months may be likely.

Though over the longer-term, we believe the impact of energy costs should subside.

In Asia, higher energy prices also imply higher near-term inflation across the region. Central bank policy expectations may potentially shift; whereas there was previously some opportunity for easing in Indonesia, the Philippines, and Thailand, there is now an emerging risk of interest rate hikes should high energy prices persist. India faces a comparable scenario.

Likelihood: Medium

Magnitude of market impact: Medium

Persistence of Geopolitical Tensions/Instability: Potential geopolitical stress/uncertainties emanating from the Iran-related Middle East conflict may persist longer than previously expected (now in its third week in mid-March), especially if the war protracts and the Strait of Hormuz remains fully shut. While the persistence of the geopolitical tensions (and market volatility) remains for the time being, ultimately, we expect the US and Iran to eventually come to at least a temporary truce and negotiations, as Iran's military weakens further.

Likelihood: Medium

Magnitude of market impact: High

Investment implications

Our **multi-asset solutions team** continues to closely monitor market signals and further geopolitical developments given the unpredictable shifts. The team is committed to adding risk prudently, balancing exposure with expectations of ongoing uncertainties and acknowledging potential persistence of market volatility. Going into the Iran war, the team's risk framework had led them to implement equity hedges ahead of the conflict while maintaining gold as a core strategic allocation. They are further diversifying portfolios through non-beta strategies and stress testing for sustained energy price pressures.

Iran war risk continues to dominate market headlines, with the primary US Treasury market impact being a hawkish shift in near-term Fed rate pricing and a flattening of the yield curve driven by rising short-end yields (i.e., bear-flattening). While the full impact of the recent oil supply shock is still under assessment, near-term inflation risks skew to the upside for the moment. At present, the team remains neutral on US duration.

Our **Asian fixed income team** is defensively positioned, on both duration and credit risk. They note that the impact on Asian currencies has been relatively muted since the start of the war, in part due to the intervention by Asian central banks. For strategies that have a total return focus, carry is still expected to be the main driver of returns in 2026. Portfolio positioning is aimed at providing stability in the current environment while retaining flexibility to selectively rebuild risk should market dislocations create more attractive entry points. High quality bond markets such as [Singapore](#) should continue to offer attractive risk-adjusted returns over the long term.

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