MONTHLY REVIEW – MARCH 2026

OUR PERSPECTIVE

“The hottest places in hell are reserved for those who, in times of great moral crisis, maintain their neutrality.” ~ Dante Alighieri, Dante’s *Inferno*

War rarely begins with recession. It begins with interruption. A tanker route is threatened, an energy artery is questioned, insurance costs surge, freight is repriced, and suddenly the market is forced to rediscover a truth it had seemingly forgotten. Peace was embedded in every supply chain, every valuation, and every inflation forecast. The first effect is not collapse, but scarcity. The second is inflation. Only later comes the visible economic damage.

That is the sequence history teaches. The great oil shocks of the 1970s did not begin with recession. They began with a supply shock, then an inflation shock, then a prolonged period in which households absorbed the blow through falling real incomes and corporates absorbed it through margin compression. Policymakers hesitated. They have to. How can one support consumers when inflation is rising? Recession came later. It always does.

That is why the road forward is so dangerous. It is not binary. It is path dependent. In the near term, the most likely outcome is not immediate collapse, but a grinding repricing of vulnerability. Energy costs soar. Inflation expectations rise. Consumers feel poorer. Companies discover that pricing power is not infinite. Central banks then face the old stagflationary nightmare in a new and more fragile world: inflation is too high to ease aggressively, but growth is too weak to tighten without consequence.

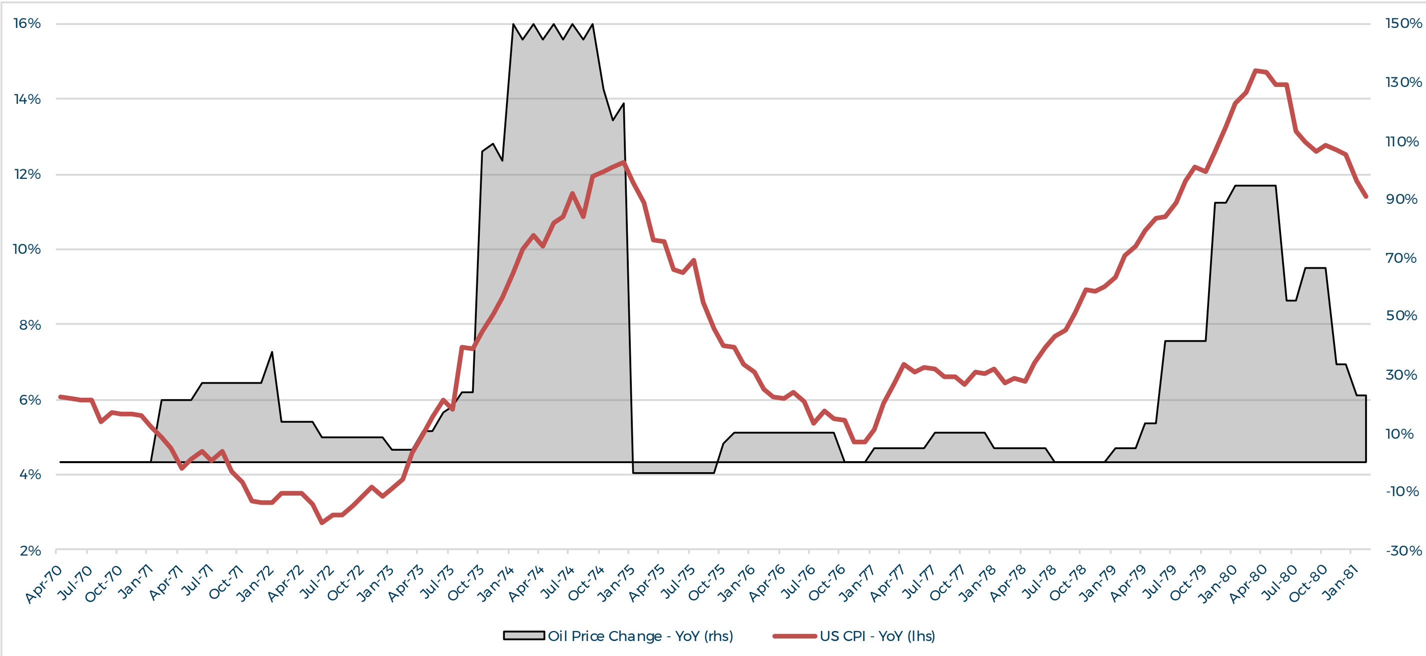
And this is where the Fiscal Age becomes decisive. As we argue in our recent paper, we are no longer living in an era of monetary dominance, but one in which debt, demographics and political incentives increasingly subordinate central banks to fiscal necessity. The world is moving toward larger deficits, structurally higher state liabilities, greater inflation volatility, and the quiet erosion of monetary credibility. In that environment, the question is not whether policymakers remember Volcker. It is whether they can afford to behave like him.

Our view is that, medium- to long-term, they likely cannot. That leaves the most probable path as some form of financial repression: real rates held below inflation for extended periods, regulatory incentives pushing savings into sovereign debt, and the slow dilution of purchasing power used as the least visible form of default. Our Fiscal Age paper makes the point plainly: this is how debt burdens are most likely “resolved” — not through austerity, but through monetary dilution and recurring volatility.

That is why gold becomes so valuable now. Gold is not merely a hedge against inflation. It is protection against policy hesitation, fiscal dominance and the loss of trust that follows when states become too indebted to defend the value of their currency. In the Permanent Portfolio framework, gold and inflation-linked bonds sit precisely where they should: in the quadrant that protects against currency devaluation and loss of confidence. In an era defined by inflation volatility, energy scarcity and political uncertainty, gold stops being optional and starts looking indispensable.

> ***Stagflation*** is an economy suffering from weak or falling growth, rising unemployment, and persistent inflation at the same time. It is difficult for policymakers because measures to fight inflation can worsen recession, while policies to boost growth can in turn make inflation worse.

Exhibit 1: *The oil price shocks of the 1970's was a major driver of inflation at the time.*



Source: Bloomberg L.P., Shard Capital, 31/03/2026

Exhibit 2: *1-year, 2-year, and 5-year inflation swaps remain surprisingly low. Perhaps an understanding of the US energy independence or perhaps a misunderstanding of DJT's ultimate objectives?*

Source: Bloomberg L.P., 01/04/2026

MARKET REVIEW

Deflationary Boom Assets

Risk assets endured a brutal March as the Iran war and the disruption around the Strait of Hormuz triggered a historic energy shock. Brent surged 63.29%, the Bloomberg Energy Spot Index rose 36.89%, and investors rapidly repriced the risks of higher inflation, weaker margins and fewer rate cuts. World equities fell (-7.07%, USD), with Europe ex-UK (-10.55%, USD), Japan (-12.07%, USD) and EM (-12.26%, USD) hit hardest, while the US proved relatively resilient at (-4.92%, USD). India was the weakest major market (-15.08%, USD), while the Magnificent 7 (-5.65%, USD) and world growth (-7.30%, USD) again lagged value (-6.76%, USD), reflecting both rich starting valuations and the pressure of higher discount rates. Credit also weakened, though less dramatically than equities: US corporates fell -1.98%, sterling corporates -3.51%, and EM hard-currency debt -2.89%.

Deflationary Bust Assets

Government bonds failed to provide much shelter. Global sovereign markets sold off as the oil shock lifted inflation expectations and reduced confidence that central banks could ease meaningfully. The Fed kept rates at 3.50%-3.75%, the ECB left rates unchanged while warning that the Middle East war created upside inflation risks and downside growth risks, and the Bank of England also held at 3.75%. Against that backdrop, US Treasuries fell -1.74%, gilts -4.28% and Euro government bonds -2.63%. In short, duration struggled because the market feared stagflation more than recession.

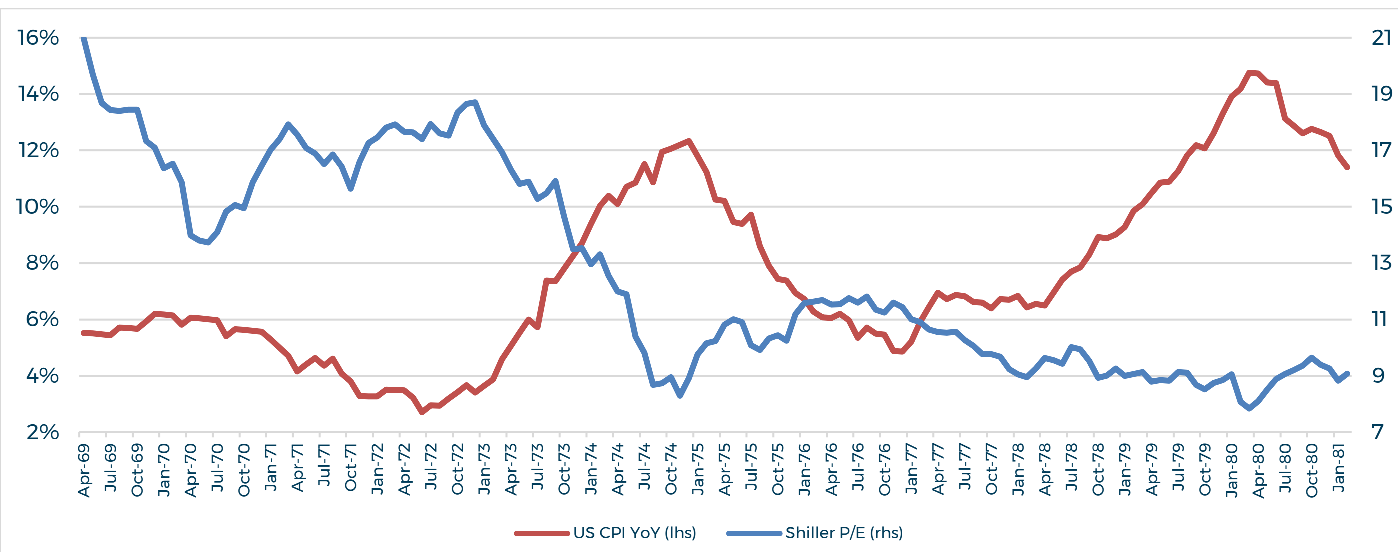
Inflationary Boom Assets

This was the month's clear winner. Oil and energy led everything higher as supply fears dominated, with Brent posting its biggest monthly rise since 1988. Copper fell -7.80%, suggesting the market was pricing the inflationary shock first and the demand destruction later. Managed futures were mildly negative on the month, with the SG CTA Index at -0.53% and the SG Trend Index at -1.16%, likely reflecting violent reversals as markets swung between escalation and hopes of de-escalation.

Inflationary Bust Assets

Precious metals corrected sharply, with gold down -11.57% and the Bloomberg Precious Metals Spot Index down -12.73%, even as inflation-linked bonds held up better than nominal government debt. That combination reflects the month's core tension: rising oil pushed breakeven rates higher, helping linkers, but higher real yields, a firmer dollar and reduced expectations of near-term rate cuts hit gold after a very strong run into the shock. US TIPS fell just -1.34%, versus -1.74% for Treasuries, while Euro inflation-linked bonds fell -0.98%, comfortably ahead of nominal Euro government bonds.

Exhibit 3: A reminder that inflation crush market multiples! The S&P 500 Shiller P/E is 38x.



Source: www.multpl.com, [Robert Shiller](), Bloomberg L.P., Shard Capital, 31/03/2026

CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

Shard Capital Partners
Floor 6, 51 Lime Street,
London, EC3M 7DQ
United Kingdom

Telephone: +44(0)20 3971 7000
Email: Info@shardcapital.com
Web: www.shardcapital.com

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