Raiffeisen
Investiční společnost

Commentary on the Financial Markets

03/26

In February, stock markets were accompanied by higher volatility, rotation of sectors and regions

Special commentary on the conflict in Iran

During February, global financial markets underwent interesting movements. The S&P 500 U.S. stock index fell slightly by 0.8%, while the more diversified MSCI World, on the other hand, strengthened by 1.2%. Volatility, as measured by the VIX index, has risen above its long-term average, reflecting increased investor nervousness and leading to significant rotation between sectors and regions. While the technology sector, especially software firms, faced sell-offs, the defensive and commodity sectors saw increased interest. Emerging markets and the Pacific region, such as Japan, maintained strong positions.

The most significant growth in February was recorded by the utilities (+10.4%), energy (+9.5%), consumer goods (+7.8%) and materials (+8.4%) sectors. On the other hand, financial services (-3.8%), technology (-3.6%) and durable goods (-3.6%) lost the most. In the US, the earnings season took place in the last quarter of last year, with 73% of companies from the S&P 500 index exceeding market expectations (source: FactSet). Interestingly, despite NVIDIA's strong results and optimistic outlook, its shares fell, dragging down the entire technology sector.

On the monetary policy side, the Fed has so far maintained the key interest rate at 3.75% p.a., with the next cut expected in June 2026 at the earliest. The next Fed meeting is scheduled for March 18. Markets will continue to keep a close eye on inflation, as inflation will be a key factor in future rate decisions. The mandate of Fed Chairman J. Powell ends this May and is expected to be replaced by Kevin Warsh. The European Central Bank (ECB) keeps the deposit rate at 2.0% p.a., the Czech National Bank (CNB) has a repo rate set at 3.50% p.a. Rates are expected to remain unchanged throughout this year. The ECB and CNB meetings will take place on 19 March.

Yields on ten-year government bonds fell in February – German bonds hovered around 2.6% p.a., Czech bonds around 4.3% p.a. and US treasury bonds fell below 4% p.a. This decline was largely influenced by geopolitical uncertainties, especially the expectation of conflict in the Middle East, which led investors to look for safe havens.
Analysts expect strong earnings growth of 14.7% in the S&P 500 index and sales growth of 7.7% for 2026 (source: FactSet, 27.2.2026). The current valuation of the S&P 500 index with a P/E of 21.6 is above the five-year average of 20.0 and the ten-year average of 18.8. Increased volatility in both stock and bond markets can be expected in March, mainly due to uncertainties surrounding the conflict in the Middle East and a possible rise in inflation.

Conflict in Iran
On Saturday, an attack on Iranian military targets began, which immediately increased tensions not only in the region itself, but also at the global level. The conflict has not yet escalated into a larger conflict, and it is expected that it may last several weeks.

Financial markets are reacting with increased volatility, with oil prices rising by 7%, gold gaining 2% and the US dollar strengthening by around 0.6% against the euro. Stock futures are currently falling by about 1.3% (as of 02/03/2026 as of 13:00 CET).

Although the conflict brings some uncertainty, interesting opportunities are also opening up in the financial markets. Increased volatility creates room for active investors who can take advantage of short-term price movements. <u>Historically, market reactions to such events have been rather temporary, with a tendency to return to their original values.</u>

<u>We also see the current decline in selected asset classes as an interesting investment opportunity and we are ready to take advantage of lower prices for possible purchases.</u>

In the long term, stabilising the situation in the region may lead to a resumption of trade relations and investment, which would support the growth of Middle Eastern economies and bring other new opportunities for portfolio diversification.

Transactions in RIS funds
There were several changes in the structure of RIS funds' portfolios in February. Due to investors' ongoing concerns about possible further developments in the artificial intelligence (AI) segment, newly deposited client funds were increasingly allocated to stocks from more "traditional" industries (e.g. mining, consumer goods, etc.), with the Invesco S&P 500 Equal Weight exchange-traded fund (ETF) dominating the broadly diversified investments focused on the US stock market. After previous deep price declines, shares of gold and silver miners were bought into portfolios in the first week of February, partly for the purpose of long-term holding and partly with the aim of short-term trading at significantly increased volatility. However, both strategies brought double-digit profits to the funds by the end of the month. Short-term trading of CEZ shares was also successful. As part of bond investments, it is worth mentioning the purchases of newly issued CZK bonds of the largest French bank, BNP Paribas, with a maturity in 2029.

Investment Strategy

In February 2026, we adjusted the regional composition of our investment models. On the other hand, with a slight reduction in exposure in the US, we strengthened our positions in emerging markets and the Pacific region. Nevertheless, we remain slightly overweighted against the index in the US and emerging markets, while we keep Europe underweighted and the Pacific region is downgraded to the index.

In sectors, we continue to focus on growth sectors dominated by technology, communications services, industrials, finance and dividend stocks, in which we are still slightly overweighted.

In bond strategies, we hold a slightly extended duration for koruna and euro bonds, while we reduce the duration in US dollars. Overall, we continue to prefer stocks to bonds, thus taking advantage of the growth potential in the markets.

We wish you a lot of success in the next period!

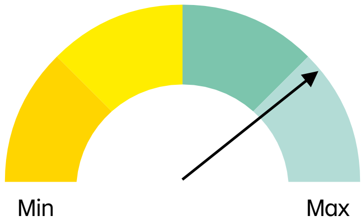
Michal Ondruška
CIO, Member of the Board

Investment Strategy Summary

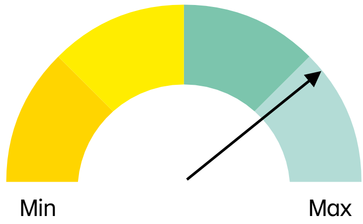
Tactical Allocation

Overweighting of stocks in portfolios

Current



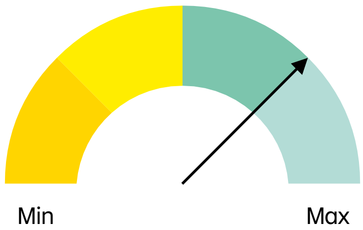
3-month outlook



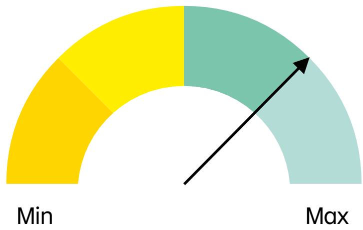
Interest Rate Risk

Average duration of bonds

Current



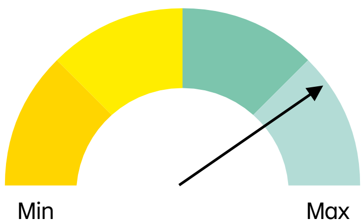
3-month outlook



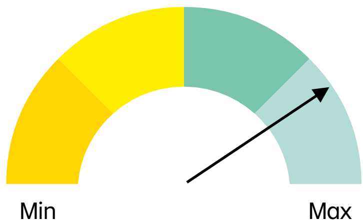
Credit Risk

Share of corporate bonds

Current



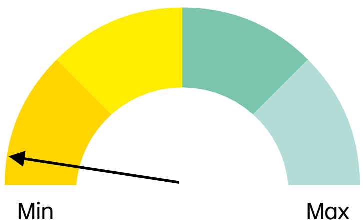
3-month outlook



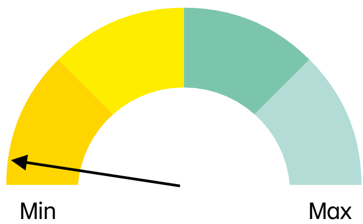
Currency Risk

Unhedged positions in foreign currency

Current



3-month outlook



source: Raiffeisen investiční společnost, a. s., as of March 3rd, 2026

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