



Equities and fixed income fell in tandem in the first quarter, as higher energy prices arising from the Middle East conflict generated fears of both accelerating inflation and slower growth. (UBS)

What comes next after a challenging month and quarter for portfolios?

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Equities and fixed income fell in tandem in the first quarter, as higher energy prices arising from the Middle East conflict generated fears of both accelerating inflation and slower growth. The MSCI All Country World Index in US dollars lost 6.2% (on a total return basis) in March and 2.5% for the quarter.

The S&P 500 fell 5% in March, despite a rebound on the last trading day of the month on hopes that the US and Iran might be willing to accept a compromise to end hostilities. The quarterly decline of 4.3% was the largest for the index since the third quarter of 2022.

Sovereign bond yields rose on expectations of tighter central bank policy, with the 10-year US Treasury yield climbing 15 basis points over the quarter to 4.32%—including a 38bps increase in March, the largest monthly jump since December 2024. There was also no respite last month in gold, which lost 11.2% on the month, with worries over tighter Federal Reserve policy and investor demand for liquidity creating headwinds. Brent crude was the big gainer, with the spot price up 94%, the biggest jump since the third quarter of 1990 when the Gulf War began. Meanwhile, futures contracts pointed to a protracted period of elevated prices.

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So, what next? The price of Brent crude looks set to remain volatile, with the potential to rise further. We are moderately overweight energy in our Active Commodity Strategy. The price of gold is likely to rebound in the coming months, in our view. Part of the headwind has come from fears of tighter central bank policy, which would raise the opportunity cost of holding the zero-yielding metal. We view such fears as overdone, however. We expect gold to recover to USD 5,200 an ounce by June and to USD 5,900 by the end of the year. So, we still see the value of holding gold both as a form of diversification and a hedge.

Finally, the first quarter was notable for the high correlation between stocks and bonds. That provides a reminder of the importance of diversifying beyond these asset classes, including alternatives such as private markets and hedge funds.

Original report: [Weekly Global: What to watch in the week ahead, 7 April 2026.](#)

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