

Investment solutions - market outlook

The Achilles' heel for the everything rally: A dollar comeback

March 2026

General overview

Outsize returns in off-benchmark positions

Multi asset	1mo	3mo	YTD	1yr	3yr	5yr
Gold (USD)	10.9%	23.5%	20.7%	82.4%	40.7%	23.9%
Global real estate (UH, EUR)	10.1%	10.3%	13.4%	4.1%	8.6%	7.8%
Emerging Markets (UH, EUR)	6.3%	16.3%	14.2%	32.1%	17.3%	6.9%
Emerging Markets (LC)	5.0%	17.1%	14.2%	46.4%	22.4%	8.4%
Oil Index (USD)	3.3%	16.6%	18.1%	9.6%	7.7%	14.4%
GSCI Commodities (USD)	3.2%	10.2%	11.8%	4.1%	5.6%	14.6%
EMD local currency (UH, EUR)	2.1%	2.6%	2.4%	2.8%	5.2%	3.0%
EMD hard currency (UH, EUR)	1.8%	0.5%	1.2%	-2.0%	5.7%	2.5%
Global inflation-linked bonds (H, EUR)	1.7%	1.9%	2.3%	2.8%	1.6%	-1.7%
Global Gov Bonds (H, EUR)	1.6%	0.9%	1.5%	1.9%	2.2%	-1.7%
MSCI World (UH, EUR)	1.5%	2.0%	2.4%	6.9%	16.3%	13.1%
MSCI World local currency	1.0%	3.2%	2.7%	18.7%	20.0%	13.2%
Global investment grade bonds (H, EUR)	1.0%	0.9%	1.2%	4.1%	4.7%	-0.6%
MSCI World (H, EUR)	0.9%	2.9%	2.5%	17.0%	18.4%	11.5%
Global high yield (H, EUR)	0.3%	1.5%	0.9%	6.8%	8.9%	3.0%
Cash (EUR)	0.2%	0.5%	0.3%	2.2%	3.2%	1.9%

Rotation and cyclical upswing continues

- > In February 2026, global financial markets were defined by a sharp rotation out of "Big Tech" and a rally in defensive, cyclicals and commodities, and real estate assets. The action happened within the MSCI World Index, which advanced 1.5%, while the S&P 500 fell 0.8%. Japanese markets surged over 10% following PM Sanae Takaichi's supermajority victory, and European equities reached record highs.
- > Growing anxiety over white-collar labor displacement by AI and the "return on capex" triggered a pivot towards old economy sectors. Private assets impacted by concern over the software royalty annuity model caused credit spreads to widen.
- > Intensifying Middle East tensions and tariff uncertainty drove oil and gold higher, while U.S. Treasuries rallied, pushing the 10-year yield below 4%. Central banks mostly stayed on hold, except the Reserve Bank of Australia. Despite a hot U.S. PPI report, bonds focused on growth risks rather than inflation, reinforcing dovish market sentiment.

Theme of the month

The dollar's countertrend pulse; how geopolitics could revive the greenback

Iran conflict prompts burst of USD strength

- > Since the start of the year, the equity market has clearly broadened out beyond technology stocks. The equal-weighted S&P 500 is outperforming its cap-weighted counterpart. Value and momentum stocks, materials and industrials have rallied further.
- > While this 'non-tech rally' fully aligns with our 2026 'Synchronized Shift' theme of a broadening acceleration in global real activity, a spanner has been thrown into the works by the US military action in Iran. In response, high beta momentum trades have seen a swift reversal in favor of more defensive plays. One of those momentum trades has been the short dollar trade.
- > Since the start of the US military action towards Iran on 28 February, we have seen the dollar stage a comeback, up 1.5% as of 5 March. Does this dollar bounce have legs? The answer to this is critical, as correlations show that a sustained reversal in the trajectory of the greenback could challenge continued outperformance of non-US markets and a broad segment of the multi-asset universe.

Stronger dollar negatively correlated with risky assets

	MSCI Dev	MSCI Emrg	S&P 500	STOXX	Nikkei	US 3M	US 10Y	BD 10Y	R. Est.	Commod.	Global IG	Global HY	Dollar	Yen/US	Gold
MSCI Developed	1.00	0.29	0.98	0.46	0.17	-0.06	-0.10	-0.06	0.63	0.31	0.20	0.66	-0.02	0.01	0.11
MSCI Emerging	0.29	1.00	0.11	0.54	0.65	-0.07	0.00	-0.10	0.32	0.21	0.29	0.53	-0.19	-0.07	0.24
S&P 500	0.98	0.11	1.00	0.25	-0.02	-0.07	-0.13	-0.04	0.55	0.27	0.05	0.49	0.12	0.09	0.03
STOXX Europe	0.46	0.54	0.25	1.00	0.55	-0.10	-0.05	-0.10	0.39	0.13	0.22	0.62	-0.11	0.09	0.09
Nikkei 225	0.17	0.65	-0.02	0.55	1.00	-0.03	-0.01	-0.13	0.17	0.11	0.16	0.40	-0.12	0.14	0.11
US 3M Treasury	-0.06	-0.07	-0.07	-0.10	-0.03	1.00	0.03	0.06	0.09	-0.02	0.06	-0.03	-0.12	-0.10	-0.01
US 10Y Treasury	-0.10	0.00	-0.13	-0.05	-0.01	0.03	1.00	0.46	0.22	-0.14	0.74	0.17	-0.22	-0.37	0.04
Germany 10Y Bund	-0.06	-0.10	-0.04	-0.10	-0.13	0.06	0.46	1.00	0.19	-0.13	0.40	-0.01	-0.08	-0.29	0.13
Real Estate	0.63	0.32	0.55	0.39	0.17	0.09	0.22	0.19	1.00	0.27	0.44	0.61	-0.21	-0.22	0.18
Commodities	0.31	0.21	0.27	0.13	0.11	-0.02	-0.14	-0.13	0.27	1.00	0.07	0.24	-0.16	-0.08	0.63
Global IG	0.20	0.29	0.05	0.22	0.16	0.06	0.74	0.40	0.44	0.07	1.00	0.64	-0.95	-0.83	0.31
Global HY	0.66	0.53	0.49	0.62	0.40	-0.03	0.17	-0.01	0.61	0.24	0.64	1.00	-0.42	-0.25	0.22
Dollar Index	-0.02	-0.19	0.12	-0.11	-0.12	-0.12	-0.22	-0.08	-0.21	-0.16	-0.65	-0.42	1.00	0.61	-0.44
Yen per US\$	0.01	-0.07	0.09	0.09	0.14	-0.10	-0.37	-0.29	-0.22	-0.08	-0.63	-0.25	0.61	1.00	-0.32
Gold	0.11	0.24	0.03	0.09	0.11	-0.01	0.04	0.13	0.18	0.63	0.31	0.22	-0.44	-0.32	1.00

Data as of: 04/03/2026

Source: LSEG Datastream, Robeco

Theme of the month

The dollar's countertrend pulse; how geopolitics could revive the greenback

Countertrend rallies are common in dollar bear markets

- > The world's most traded currency is still overvalued by 12% on our favorite valuation metric, its deviation from trend in relative purchasing power parity (PPP). While we believe the dollar remains in a secular bear market (which it entered in 2022), countertrend rallies are common.
- > Looking at previous secular dollar bear markets, characterized by peak to troughs in excess of 20% and multi-year downward price trends, we find that on average, three countertrend rallies took place within a secular bear market. We define this as a multi-month rally generating a return in excess of 5%. A countertrend rally lasted on average for three months, with an average return of 8.2%.

A countertrend rally typically sees an 8% return in 3 months

rally_start	rally_start_val	rally_end	rally_end_val	rally_pct	bear_start	bear_end	bear_drawdown_pct	rally_duration_months
1991-02	81.38	1991-05	93.44	14.8	1985-03	1992-09	-51.3	3
1973-10	94.84	1974-02	105.55	11.3	1971-01	1980-07	-29.6	4
1980-01	85.23	1980-04	94.67	11.1	1971-01	1980-07	-29.6	3
1988-04	88.16	1988-09	97.54	10.6	1985-03	1992-09	-51.3	5
1975-06	94.47	1975-10	103.95	10.0	1971-01	1980-07	-29.6	4
2005-05	84	2005-07	90.43	7.7	2001-07	2008-04	-39.9	2
1988-12	90.06	1989-02	96.74	7.4	1985-03	1992-09	-51.3	2
1992-01	84.42	1992-03	90.51	7.2	1985-03	1992-09	-51.3	2
2005-09	86.3	2005-12	91.95	6.5	2001-07	2008-04	-39.9	3
1987-05	94.88	1987-08	101.03	6.5	1985-03	1992-09	-51.3	3
1986-03	113.73	1986-04	120.69	6.1	1985-03	1992-09	-51.3	1
1989-03	95.78	1989-06	101.22	5.7	1985-03	1992-09	-51.3	3
1988-01	86.06	1988-03	90.56	5.2	1985-03	1992-09	-51.3	2
2001-10	113.16	2002-02	118.9	5.1	2001-07	2008-04	-39.9	4
AVERAGE				8.2			-44.2	2.9

Source: Robeco, LSEG Datastream
All market data to 28 February 2026 unless mentioned otherwise.

Theme of the month

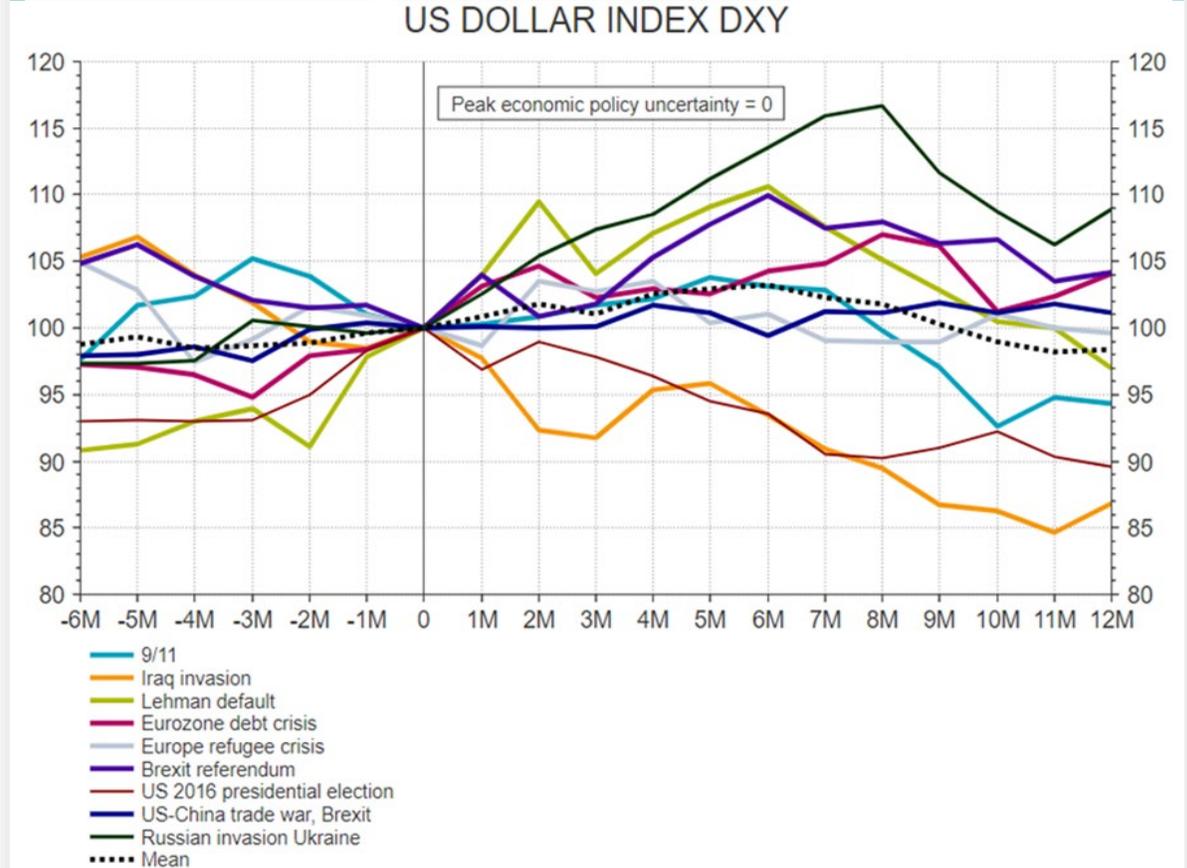
Dollar dusting off some of its haven appeal

Why a countertrend rally in the dollar ?

- > First, positioning and flow dynamics favor a dollar bounce against the backdrop of elevated tensions in the Middle East. Asset managers went into the conflict with a historically large underweight position in the dollar; the flipside of this is that they had historically overweight positions in emerging market equities. This makes investors more sensitive to being on the wrong side of the trade.
- > The longer that Middle East tensions last, the larger the scramble for liquidity becomes, favoring the dollar, as it is involved in 89% of global FX transactions. We find that the trade-weighted dollar tends to strengthen in the 3-6 month window after big geopolitical events.
- > Second, as bombs flew over Iran in a show of US hegemony, the dollar turned positive. Its positive correlation with the VIX volatility index, which was notably absent in the immediate aftermath of President Trump's so-called 'Liberation day' last year, returned. As such, the dollar is dusting off some of its lost appeal as a safe haven.

Source: Bloomberg, UBS (end 2025)
All market data to 28 February 2026 unless mentioned otherwise.

Dollar tends to appreciate 3-6 months after major geopolitical events



Source: LSEG Datastream, Robeco

Theme of the month

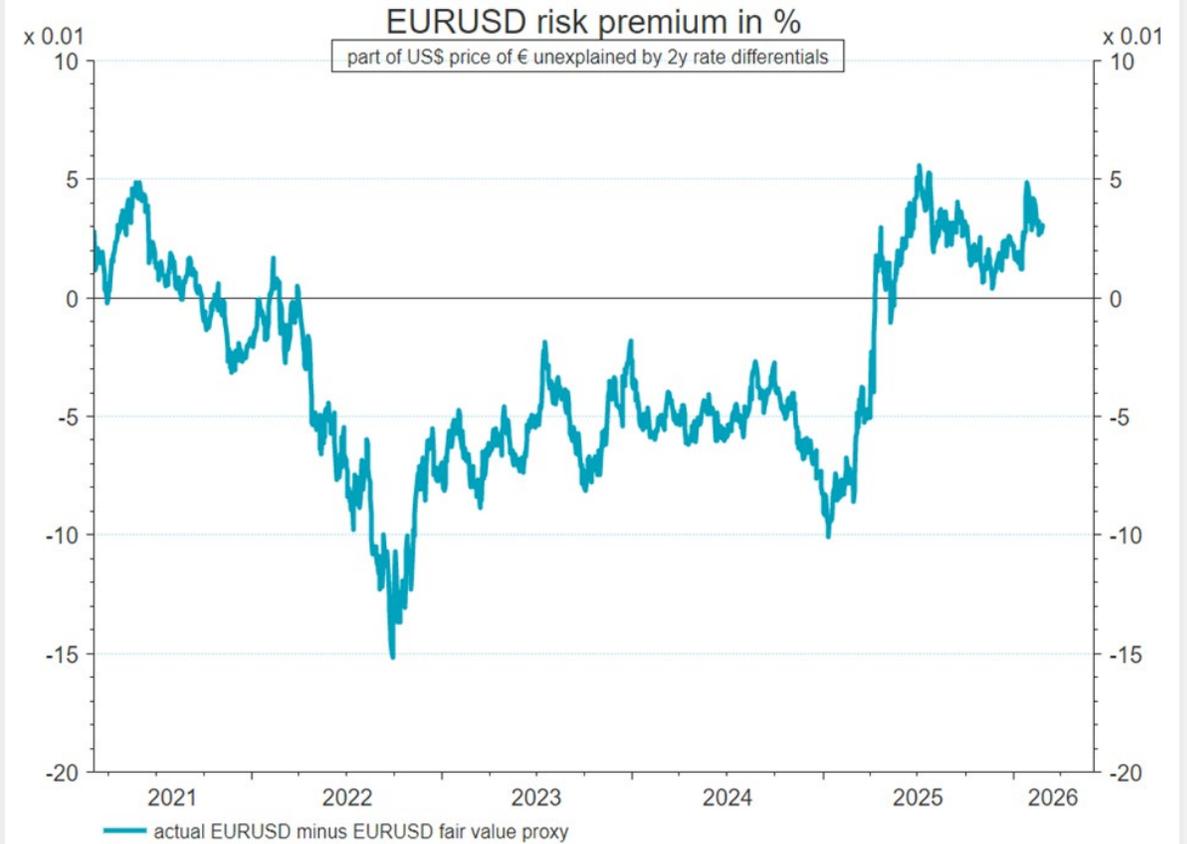
Dollar has undershot rate differentials

Retail buyers can do more but we are cautious near-term

- > Third, the trade-weighted dollar could strengthen as it has undershot rate differentials, especially against the euro. On our metric, the dollar is around 3 cents too cheap versus the euro when looking at two-year rate differentials between the US and the Eurozone. Hence, EURUSD should trade at around 1.13.
- > We find that the shock to prices on the Title Transfer Facility (TTF) futures exchange following the closure of the world's largest LNG plant in Qatar raises Eurozone gas prices with a lag of 2-9 months. This coming uptick to headline inflation was reflected in the upward shift in the ECB futures curve last week.
- > Still, the market could overestimate the hawkishness of the European Central Bank at this juncture, as it tends to look through negative supply shocks. Also, risks to an ongoing expansion of the Eurozone have become more skewed to the downside in the wake of the Iran war. A recognition of the ECB's unwillingness to hike could therefore contribute to dollar strength.

Source: JP Morgan
All market data to 28 February 2026 unless mentioned otherwise.

USD 3 cents too cheap on rate differentials with EUR



Theme of the month

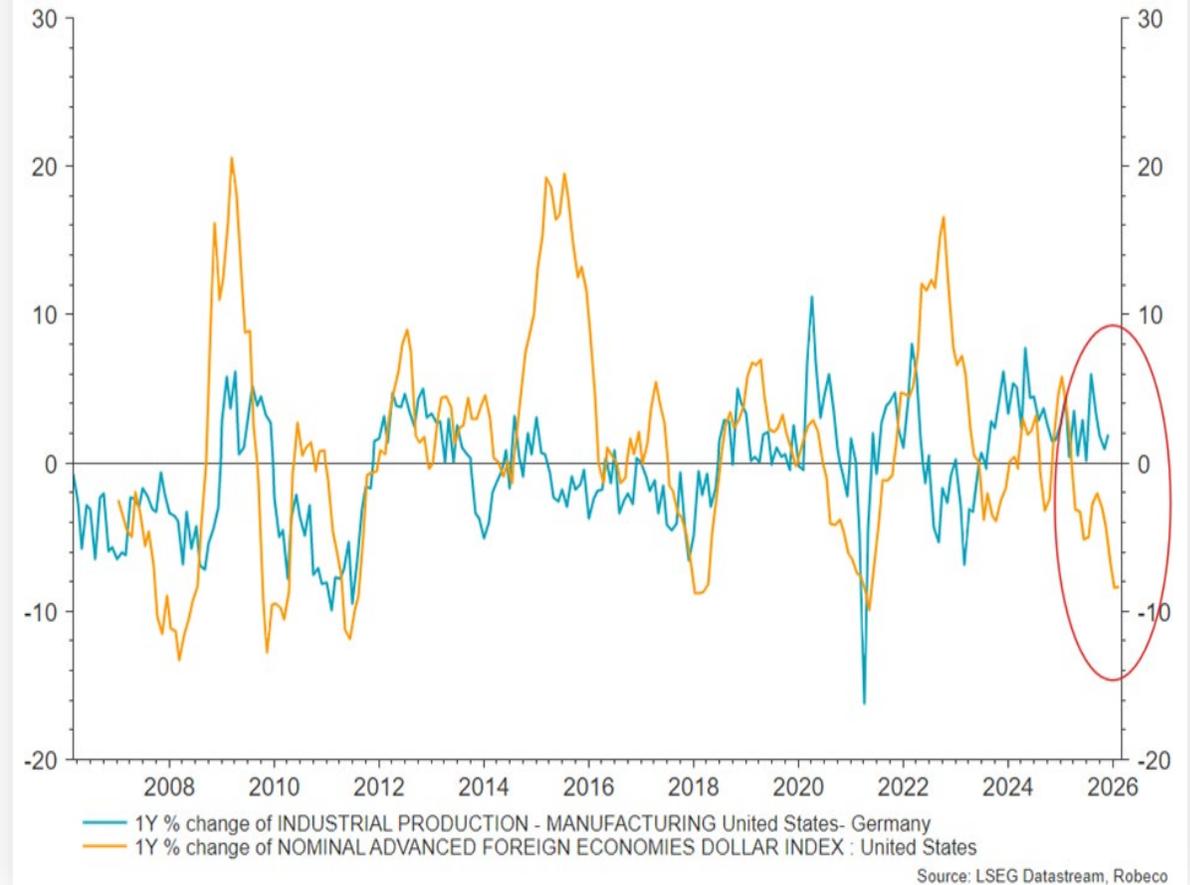
Dollar has undershot growth differentials

Stronger dollar would ease affordability crisis

- > Fourth, on growth differentials, we find that the dollar has recently significantly undershot the difference between US and German industrial production data. With Europe being more susceptible to an oil price shock, as it is a net importer, whereas the US is a net energy exporter, growth differentials could further favor the dollar.
- > Fifth, during the second Trump presidency we have so far seen a remarkable alignment of the dollar with its evolution during his first from 2017-2021. If the future were to rhyme again with the playbook of the first Trump administration from here onwards, we could be very close to a strengthening dollar (as shown in the chart on slide 9).
- > While contrasting the publicly voiced preference from the US administration for a weaker dollar in the medium term, a temporary stronger dollar could also be welcomed as the November mid-term elections draw closer. A stronger dollar, while exerting a tightening effect on US export growth, would lower import inflation and therefore potentially mitigate the affordability crisis through real disposable income growth, appeasing part of the Republican electorate.

Source: JP Morgan
All market data to 28 February 2026 unless mentioned otherwise.

Dollar has undershot growth differentials



Theme of the month

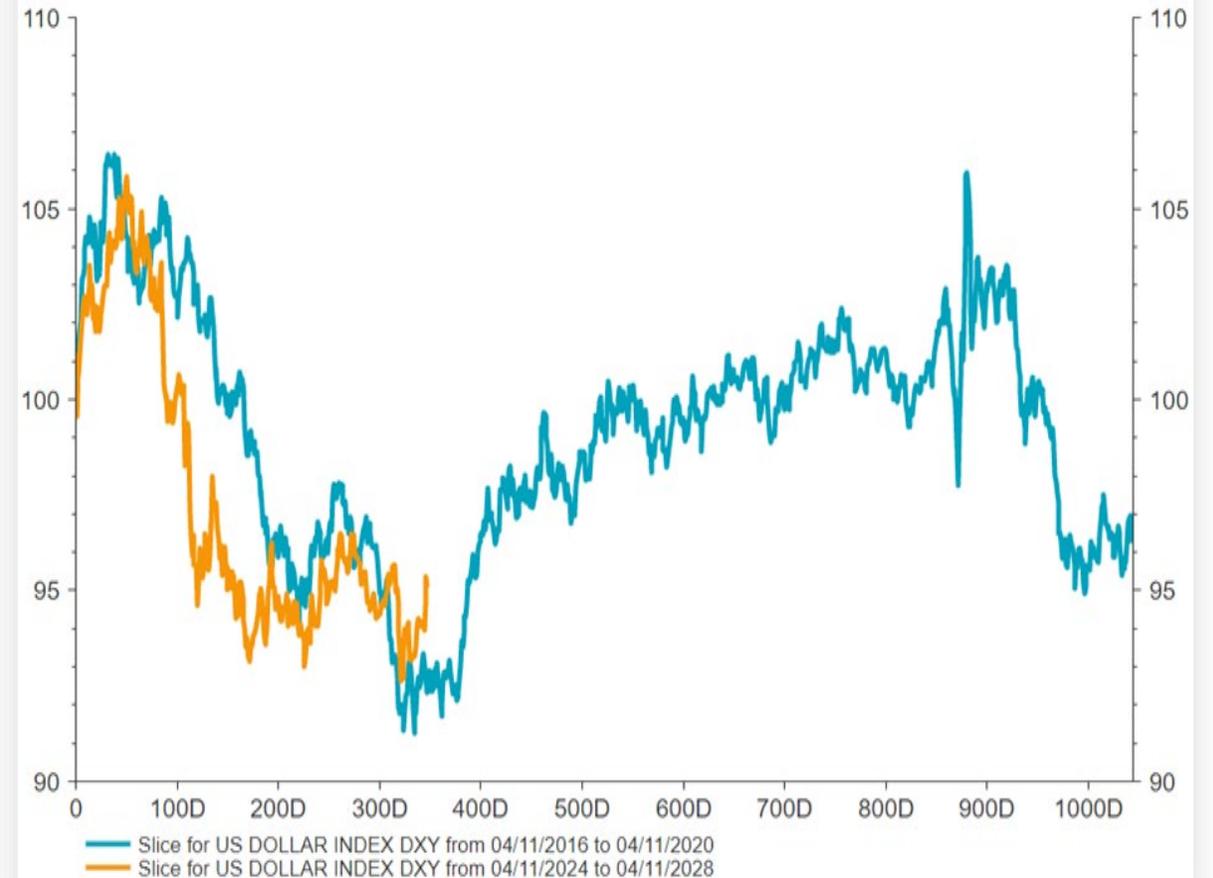
Risks to our base case are now more tilted to the downside

Room for countertrend rally, lowered EM equities exposure

- > As we see a countertrend rally in the dollar as a key downside risk to our base case scenario, we continue to monitor developments closely. While we think that turmoil in the Middle East as things stand will not derail the prospect of a synchronized global cyclical upswing, the risks to our base case of a synchronized shift have become more asymmetrical.
- > We expect the market to become more perceptive to the asymmetries surrounding the dollar. If the Iran war has indeed kickstarted a temporary revival of the dollar, we only have digested some 20% of a typical countertrend rally.

Source: JP Morgan
All market data to 28 February 2026 unless mentioned otherwise.

A 2017 redux?

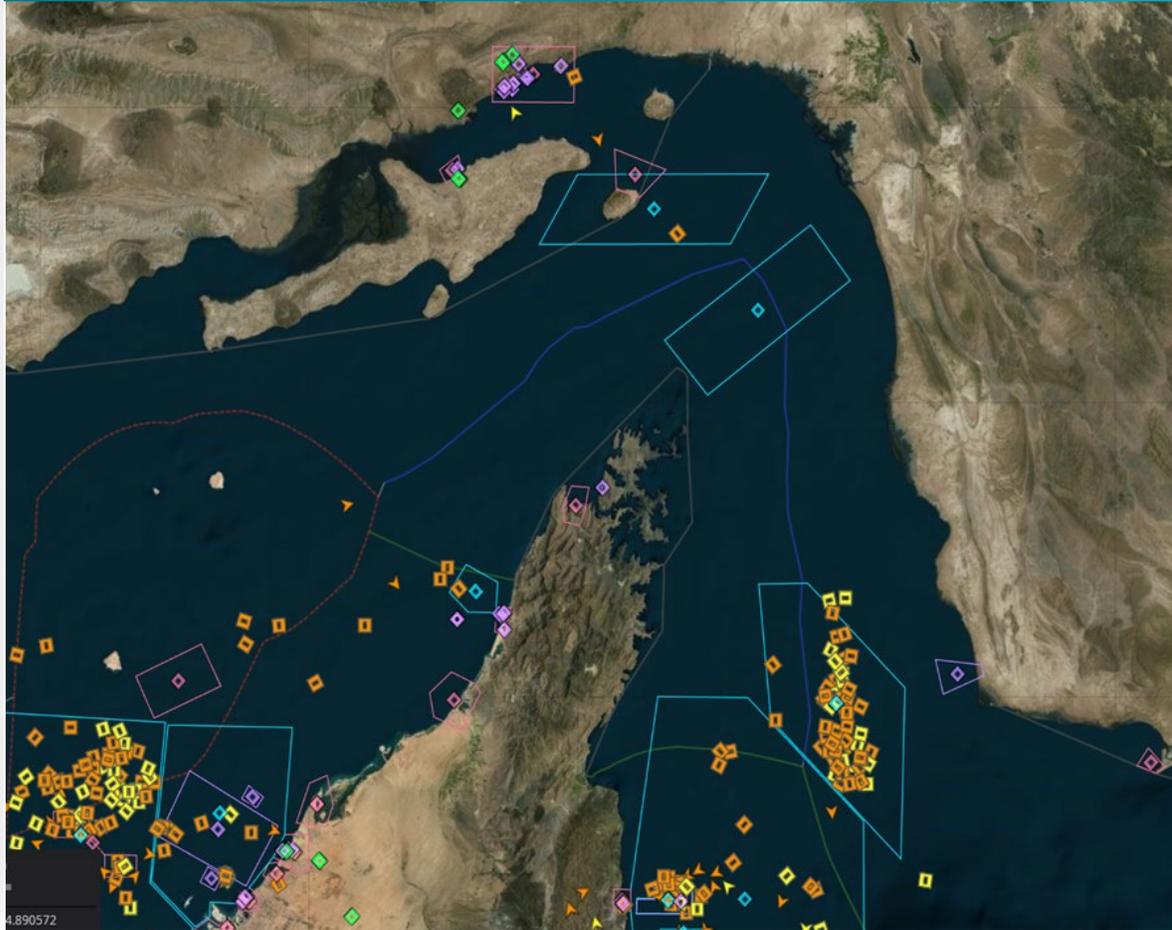


Source: ISFG Datastream, Robeco

Economy

Iran war deals a blow to positive growth momentum

The bottleneck everyone is watching; the Strait of Hormuz



Source: LSEG Datastream, Robeco. All market data to 28 February 2026 unless mentioned otherwise.

Repricing stagflation risk

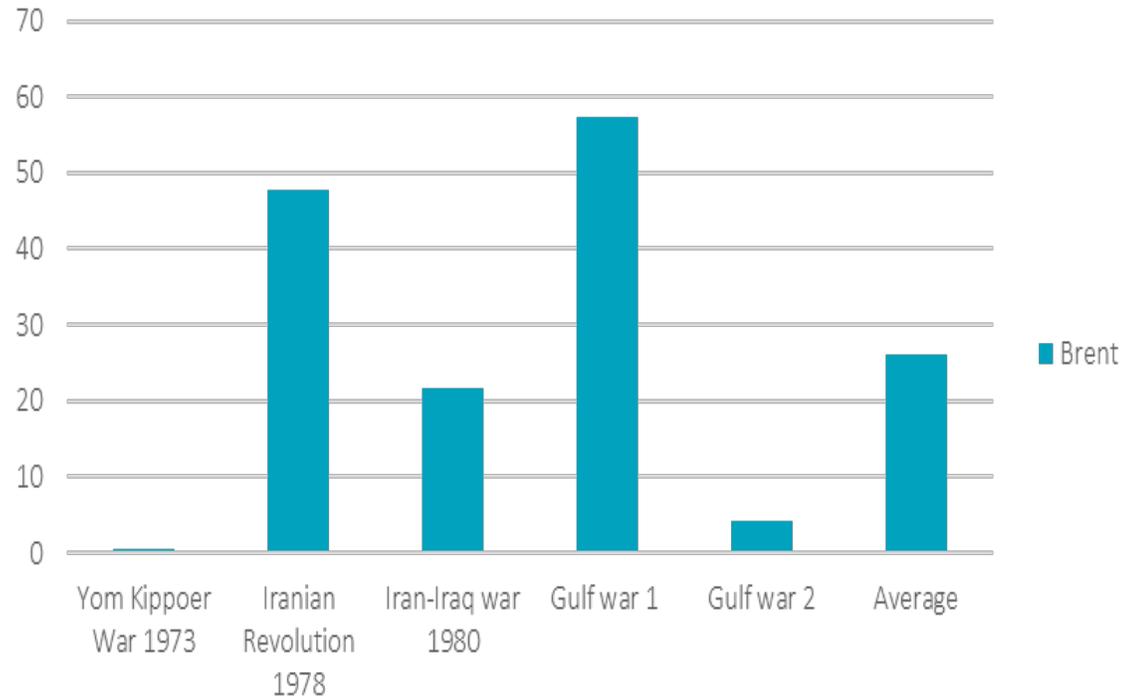
- > We have seen a very macro heavy February month with the Supreme Court ruling the IEEPA tariffs unlawful and the US and Israel attacking Iran on the 28th, an attack that has evolved into an unfolding conflict in the Middle East. Lastly, US nonfarm payrolls over February declined by 92K versus January, a big miss as consensus expected +60K. While the fog of war obscures a clear view on the duration and extent of the Iran conflict, at the margin the risks to our base case have tilted more to the downside. On a net basis, market have to reprice stagflationary outcomes.
- > We still see a broadening of global growth in 2026, but recent geopolitical events could stall the acceleration in the global manufacturing cycle in coming months. Negative supply shocks, like the blockage of the Strait of Hormuz, tend to frontload inflationary pressures, followed by negative implications for real activity. Therefore, the longer the Middle East conflict lasts, the more the market needs to price a stagflationary twist in its 2026 outlook. Around 20% of the world's oil & gas production passes through the Strait of Hormuz, with 83% heading towards Asia. We see Asian economies as most vulnerable to a persisting oil price shock.

Economy

Iran: How ugly can this get?

Oil prices can skyrocket during Middle East wars

Oil price return after 3 months into major Middle East conflicts



Duration of the conflict key to medium term impact

- > Heading into the Iran war, the global economy enjoyed a surplus in oil markets around 1.5 m/bpd. As such, there was excess supply. Taking this benign starting point into account and the fact that oil already has rallied by > 20 % whereas the average rally following Middle East conflicts is 26%, gives the impression that we are close to "peak oil price" from this conflict.
- > However, with around 20% of oil supply facing a logistical bottleneck, the risks of a supply squeeze still loom. Only around 5 m/bpd can be re-routed via pipeline. As such, the price risk can be non-linear if this conflict drags on for another month. This is also gleaned from previous Middle East conflicts. In the 3 months following the Yom Kippur War in 1973, the oil price remained well behaved despite successive production cuts by Arab states. Yet, it exploded in January 1974 and almost quadrupled in the next 3 months.
- > Thus, a lot hinges on whether the Iran war drags on. The Iranian regime seems to have prepared for elimination of its leadership and clings on, broadening the attacks to surrounding countries. Chaos and division among allies could give Iran an edge. The trigger to end this war will likely be an intensifying affordability crisis in the US.

Source: Robeco. All market data to 28 February 2026 unless mentioned otherwise

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