

NORDKINN

— ASSET MANAGEMENT —

Market Review & Outlook

March 2026

Addressed to Nordkinn's followers on LinkedIn for informational purposes

Please note that the content of this report may not be republished without the written consent of Nordkinn Asset Management AB.

For access to the full report, please email investorrelations@nordkinnam.com

Market overview

Global review

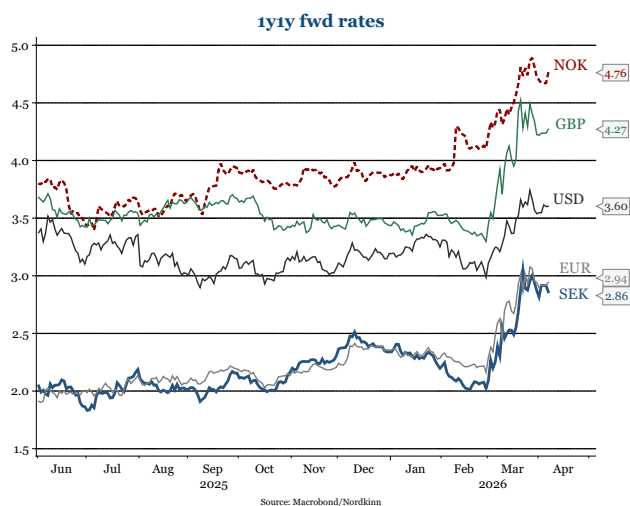
March 2026 was dominated by a sharp escalation in geopolitical tensions in the Middle East, triggering a significant energy price shock and a rapid repricing across global financial markets. Oil and gas prices surged as supply disruptions intensified, pushing Brent Crude Oil above USD 100 and raising concerns about renewed inflationary pressures. Markets increasingly interpreted the shock as a classic stagflationary impulse: higher near-term inflation combined with rising downside risks to growth.

The most pronounced market move occurred at the front end of yield curves, see chart. Expectations for policy easing were rapidly unwound, with short-end rates repricing sharply higher across major economies. In the U.S., markets moved from anticipating rate cuts to pricing a “higher-for-longer” environment, with some renewed tightening risks. In Europe, markets moved to pricing several rate hikes. This divergence reflected the view that central banks with single price stability mandates would be particularly constrained in responding to weaker growth as long as inflation risks remained elevated.

Central bank communication reinforced this shift. In a March 25th speech, ECB President Christine Lagarde emphasised that monetary policy cannot directly offset higher energy prices but must respond if the shock risks spilling over into broader inflation dynamics. She stressed a data-dependent and risk-focused approach, noting that “the case for action becomes stronger” if inflation deviations prove persistent. At the same time, she signalled limited tolerance for second-round effects and left the door open to further policy tightening if needed.

Similarly, speeches by Federal Reserve officials underscored the importance of preventing inflation expectations from becoming unanchored, suggesting that policy may need to remain restrictive for longer. The Bank of England, directly contrary to expectations just weeks prior, struck a comparable tone as the Fed at its March meeting, highlighting increased inflation risks from energy prices and signalling that further tightening could not be ruled out.

Overall, the rapid shift from disinflation optimism to renewed inflation uncertainty resulted in tighter financial conditions, with materially higher bond yields, weaker equity markets, and at substantially increased volatility. Our theme “Global: Sovereign risk premia and fiscal divergence” detracted from performance, primarily reflecting losses on UK rates and curve positions.



Nordic review

Swedish rate markets experienced a sharp repricing in March, with short-term yields rising significantly, mirroring — and at times even exceeding — the movements in the euro area. Highlighting the dominance of global factors, the bond sell-off occurred despite a soft February inflation print, with year-on-year CPIF excluding energy falling to 1.4%, well below the 2.0% target. Preliminary data for March, released on April 7th, indicated a further decline to 1.1%, significantly below both consensus and the Riksbank’s forecast.

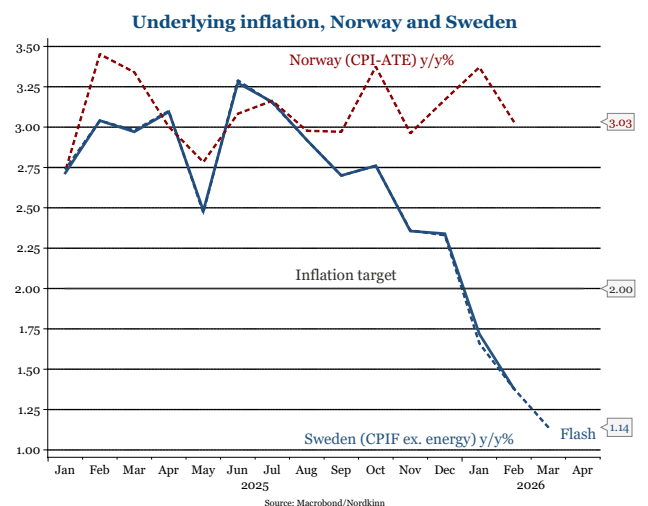
However, domestic developments also contributed to higher yields. Minutes from the Riksbank’s March meeting revealed a more hawkish tone than expected, with increased concern around inflation persistence and limited tolerance for renewed upside risks.

Positioning also played an important role. Markets had entered the period with crowded expectations of lower SEK rates, and the subsequent unwind contributed to strained market functioning, amplifying the rise in front-end yields. Our “Sweden: Road to recovery” theme suffered significant losses in this environment and was fully wound down during the month. In addition, the “Bond supply set to expand” theme detracted from performance, primarily reflecting losses on short Swedish bond positions versus swaps. Our “Revival of the inflation hedge” theme contributed positively, but gains were insufficient to offset losses across the other Swedish themes.

Norwegian rates and FX markets also repriced sharply in March. Unlike euro area and Swedish peers, Norway entered the period with already elevated inflation, with core CPI at 3.0%, well above target, see chart. Combined with an economy likely to prove more resilient to higher energy prices, this increased the risk of a more restrictive policy path.

While markets had already scaled back expectations for easing ahead of March, the energy shock reinforced the shift, with around 65 basis points of rate hikes now priced for 2026. Minutes from Norges Bank’s March meeting confirmed a hawkish bias, with rate hikes actively discussed before the Committee ultimately decided to remain on hold. Our new Norwegian theme “Navigating persistent inflation” contributed positively to performance.

Meanwhile, the NOK exchange rate continued to appreciate strongly, supporting long krone exposure held within our “Tactical risk-reward trading” theme, which together with other tactical positions also contributed positively to performance in March.



Outlook

Global outlook

The escalation of conflict in the Middle East has introduced a renewed supply-side shock to the global economy, primarily via higher energy prices and increased uncertainty around key transport routes such as the Strait of Hormuz. The immediate macroeconomic implication is a stagflationary impulse: upward pressure on inflation combined with a drag on real economic activity. This creates a complex environment for central banks, which must balance the risk of persistent inflation against the growing downside risks to growth.

Markets have reacted swiftly, with interest rates adjusting higher to reflect the perceived inflationary consequences of elevated oil and gas prices. However, we believe this repricing has been relatively front-loaded. Central banks are likely to interpret the shock as largely exogenous and supply-driven, which typically warrants a more cautious policy response than demand-driven inflation. While policymakers will remain vigilant to second-round effects — particularly via wages and inflation expectations — they are unlikely to respond aggressively unless there is clear evidence that inflation is becoming entrenched.

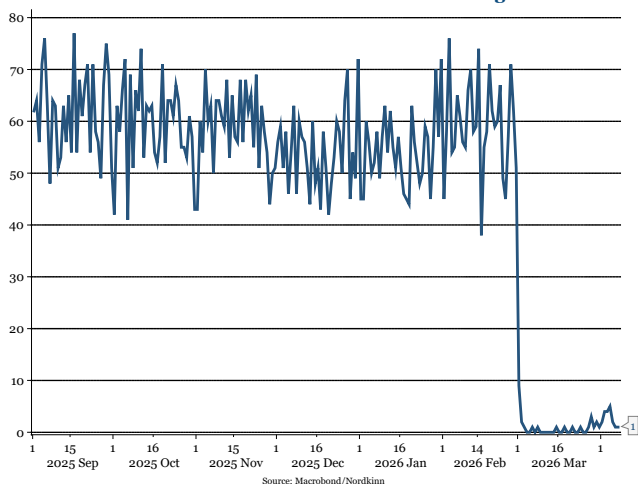
This suggests that the scope for a sustained further rise in market interest rates from current levels may be limited. For bond yields to decline meaningfully, however, a clear catalyst is likely required. One potential trigger would be a de-escalation of geopolitical tensions, particularly if it leads to a normalisation of energy supply conditions and the reopening of critical shipping routes.

Alternatively, a deterioration in incoming macroeconomic data — such as weaker business surveys or declining consumer confidence — could shift market focus more decisively towards growth risks, leading to flatter money market yield curves and potentially a broader rally in government bonds. This is now our base case, which we explore in our new global theme *“Supply shock crippling growth.”*

Importantly, the impact of this shock is unlikely to be uniform across regions. The euro area appears more vulnerable than the U.S., given its higher energy import dependence and weaker underlying growth momentum.

Differences in central bank mandates may further shape policy responses. Institutions with dual mandates, such as the Fed, may place relatively greater weight on growth and employment risks, allowing for more flexibility in the face of a negative supply shock. In contrast, central banks with a primary focus on price stability may feel more compelled to maintain tighter policy, even as growth slows.

Strait of Hormuz tanker vessel crossings



Nordic outlook

Market pricing for the Riksbank has shifted materially higher, largely in tandem with the ECB, implying a near one-for-one policy response. We view this as unlikely to materialise. Swedish underlying inflation is already subdued, with core measures well below target and momentum expected to weaken further following announced tax cuts, including reductions in food VAT and fuel taxes. In contrast, inflation in the euro area, Norway, the UK and the U.S. remains above target.

Moreover, the current energy price shock is likely to have a more limited and less persistent impact on Swedish inflation. At the same time, the Riksbank’s sensitivity to real economic conditions suggests that downside growth risks will weigh on policy decisions. Growth momentum in Sweden already appeared to be softening ahead of the geopolitical escalation, and higher energy prices combined with increased uncertainty are likely to dampen confidence further.

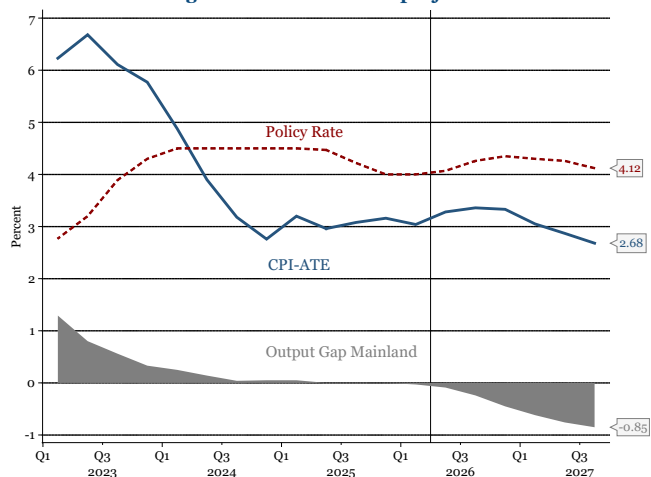
Overall, with underlying inflation close to one percentage point below the 2% target based on the March flash estimate released early April, we expect the Riksbank to adopt a wait-and-see approach as it assesses how commodity price developments affect inflation and growth. The policy rate is likely to remain unchanged at the May meeting, and we expect the Riksbank to underdeliver relative to ECB pricing, favouring receiving short-term SEK rates versus paying EUR rates.

The outlook for Norwegian interest rates has shifted meaningfully higher, as inflation remains persistently above target and economic activity continues to surprise on the upside. Over the past 12–15 months, there has been limited progress in bringing inflation back towards the 2% target, with core inflation stuck around 3%. At the same time, the resilience of the Norwegian economy suggests that monetary policy may have placed relatively greater weight on supporting growth than on ensuring a timely return of inflation to target, see chart.

Recent upside surprises in CPI, combined with renewed inflation risks stemming from the war in Iran, suggest that Norges Bank will need to refocus on its price stability mandate. Achieving this will likely require tighter financial conditions, a softer growth backdrop, and a gradual increase in economic slack.

We expect Norges Bank to deliver a rate hike to 4.25% in May, barring an unexpected decline in March inflation. Our base case is for a further increase to 4.50% after the summer, although this remains conditional on incoming data

Norges Bank's trade off in projections



About Nordkinn

Nordkinn Asset Management is a fixed income specialist based in Stockholm and Oslo. We invest in the global fixed income and currency markets – with a particular focus on our home markets Norway and Sweden.

Our focus is to generate stable absolute returns that exhibit low correlation to other assets. Our Nordkinn Fixed Income Macro Fund was launched in 2013.

DISCLAIMER

The content of this Report has been prepared by Nordkinn Asset Management AB (the «Company»), registered in Sweden No. 556895-3375. All rights reserved. Information in the Report is made only as at the date of the Report unless otherwise stated, and remain subject to change without notice. The Content has been prepared in good faith. However, to the maximum extent permitted by law, neither Nordkinn Asset Management AB, nor its related corporations (including Nordkinn Asset Management Oslo Branch, registered in Norway No. 999 136 354), directors, employees or agents, nor any other person, accept any liability, including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of the Report its contents or otherwise in connection with it.

The Report contains forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results. Actual results or developments may differ materially from those projected in forward-looking statements. Past performance is no guarantee of future returns. The value of investments and the income from them may fall as well as rise and is not guaranteed. Changes in rates of exchange may cause the value of investments to fluctuate. The Report is confidential information, only for the use of those persons to whom it is addressed and no part of this report may be reproduced, redistributed or passed on, in any manner, or used other than as intended, without Nordkinn's prior written permission. The Report does not constitute an offer to sell or the solicitation of any offer to buy.

Hamngatan 11, 3rd floor
111 47 Stockholm, Sweden
Phone: +46 8 473 40 50
E-mail: post@nordkinnam.se

Prinsens gate 22, 6th floor
0157 Oslo, Norway
Phone: +47 22 46 63 00
E-mail: post@nordkinnam.no