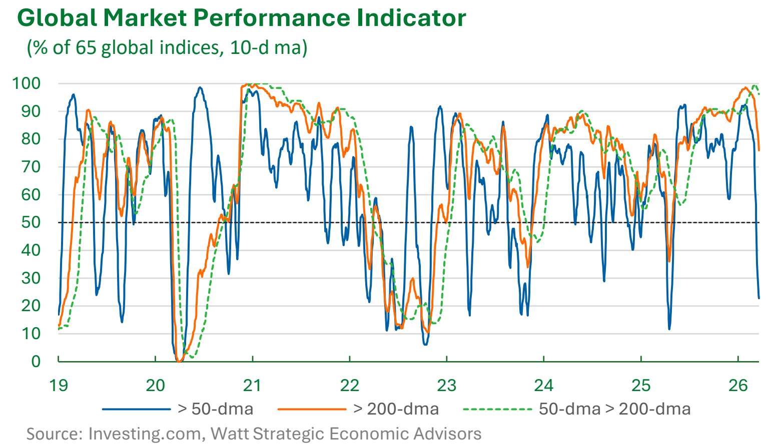
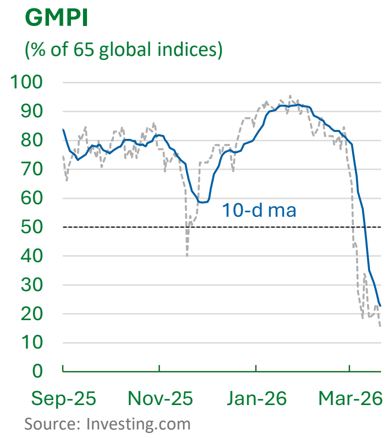
WATT STRATEGIC ECONOMIC ADVISORS

20 March 2026

Global market sentiment continues to descend





Overview

WSEA's Global Market Performance Indicator (GMPI) continues to show mounting concerns in markets due to the ongoing war in the Middle East. Only 10 of 65 markets (15.4%) are still above their 50-dma. Hence, short-term sentiment has deteriorated. What we are watching more closely now are 200-dma crossovers. While the number is going up, it is still rather small (66.2% of markets). Demonstrating the speed of the reversal, there were almost 94% of firms that were above their 200-dma at the end of February. Such speedy reversals are not unusual. For example, shocks to global financial stability can prompt an aggressive move in global markets amid a flight to safety/quality.

Until today's move lower in global markets, there were some tentative signs that market sentiment might have been steadying. Nonetheless, there seems no end in sight and with some Middle East energy production facilities seemingly becoming targets amid the ongoing effective closure of the Straight of Hormuz, acute uncertainty reins over markets sentiment. No one, seemingly, can state with any confidence how things might unfold.

An intriguing development of late is that very few markets rebound when things seem to settle down. In part, this is because those short periods of calm are soon displaced with renewed, potentially elevated, concerns. Hence, fears of escalation can't be dismissed, so sentiment remains weak. Future market developments depend critically on how long this conflict continues, and how severe it might turn.

In US markets, we continue to watch 200-dma. The recent sell-off broke short-term support, but longer-term support has largely held. The S&P 500, DJIA, and Nasdaq linger around their 200-dma. Of them, the DJIA is the one to watch right now. It is below its 200-dma, but it is not yet clear that this level is broken. The small cap Russell 2000 has been declining with some vigour, but it is still above its 200-dma.

Of the US markets, the Philadelphia semiconductor index is the standout. It seems to have remained largely insulated from the turbulence elsewhere. Possibly, the rundown of missile inventories is seen as boosting demand for high tech equipment and semiconductors. Given some of the recent developments in the Middle East, 3-D printer producers are likely to face strong demand.

We have also tended to look at Canada's stock market versus Norway's. Both are large oil producers, and both (in a generous nod to Canada) are gas exporters. Norway's oil exports are globally diversified, while its gas exports are European concentrated. In contrast, Canada's energy exports are not meaningfully diversified. Still, both countries benefit from the increase in energy prices – positive terms of trade shocks.

Regarding the stock markets, Norway's is a cleaner play on the challenges facing global energy markets compared to Canada, which is more diversified and more exposed to the US.

Across Europe markets are under pressure. Most notably in Germany and France, where markets have plunged through 200-dma. On that front, we will be watching Germany, where the 50-dma remains above the 200-dma, but the gap is closing. The moving averages could crossover in coming days, adding the growing list of countries that have had a Death Cross (50-dma falling below 200-dma).

On the number of countries that have seen the 50-dma falling below the 200-dma, there is not much evidence of fallout from the war in the Middle East. Presently, only Denmark, India, Latvia, and Kuwait have posted such crossovers.

- Denmark's equity market is suffering from concentration risk and weakness in the component with high concentration.
- Latvia's stock market has been under pressure for some time. It was vulnerable and recent global tensions were just one more ingredient.

India and Kuwait are two markets that are more directly affected by Middle East developments. Even then, India's Sensex was under pressure before the Middle East war, though it is also quite vulnerable to the disruption to the global oil transportation. Kuwait, meanwhile, has clear regional issues buffeting it.

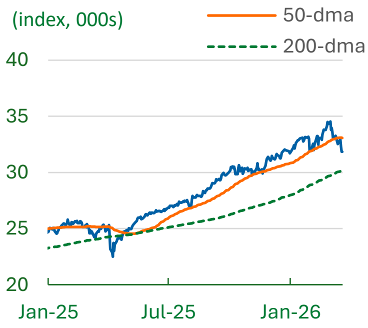
What is also intriguing is that some global markets are showing notable resilience to the Middle East war. South Korea (maybe similar factors that are boosting the Philadelphia semiconductor index), Japan, Netherlands, Hungary, and Shanghai, are examples.

Markets remain vulnerable, and the number of markets with bearish crossovers is starting to mount. What is missing in any sense of panic. So far, market moves seem based on rational analysis. Let's hope that continues.

DAVID G WATT, FOUNDER AND PRINCIPAL

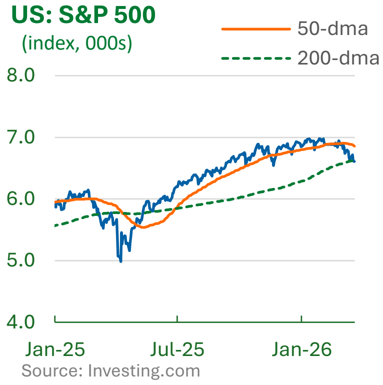
Key markets

Canada:S&P/TSX
(index, 000s)



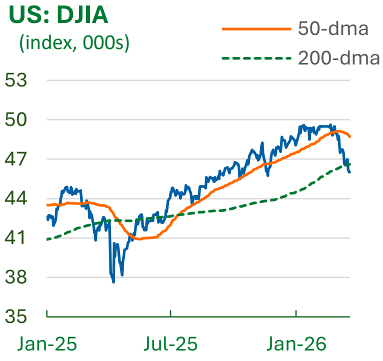
Source: Investing.com

US: S&P 500
(index, 000s)



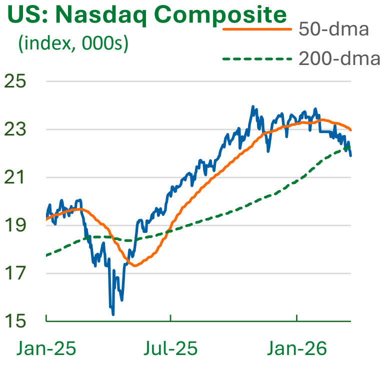
Source: Investing.com

US: DJIA
(index, 000s)



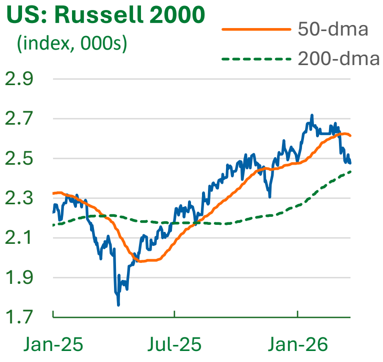
Source: Investing.com

US: Nasdaq Composite
(index, 000s)



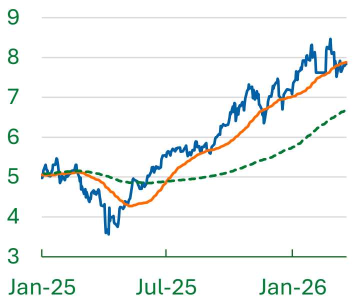
Source: Investing.com

US: Russell 2000
(index, 000s)



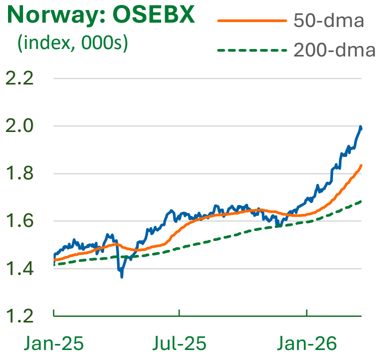
Source: Investing.com

US: PHLX SOX
(index, 000s)



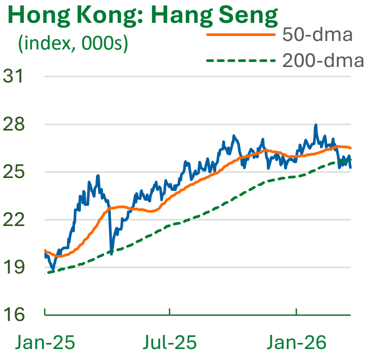
Source: Investing.com

Norway: OSEBX
(index, 000s)



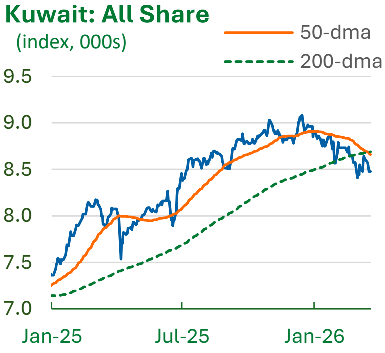
Source: Investing.com

Hong Kong: Hang Seng
(index, 000s)



Source: Investing.com

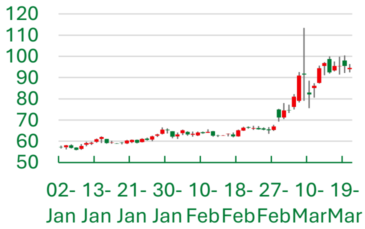
Kuwait: All Share
(index, 000s)



Source: Investing.com

Other indicators to watch

WTI crude oil price
(USD/bbl)

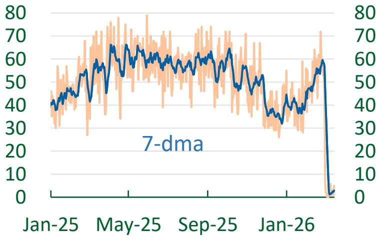


Source: Investing.com,
Watt Strategic Economic Advisors

Brent crude oil price
(USD/bbl)

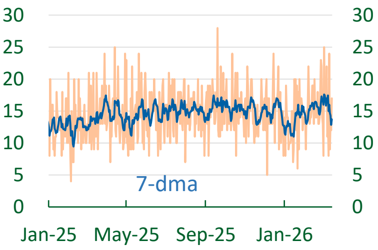
Source: Investing.com,
Watt Strategic Economic Advisors

Straight of Hormuz:
Daily transit calls — Tankers
(number of ships)



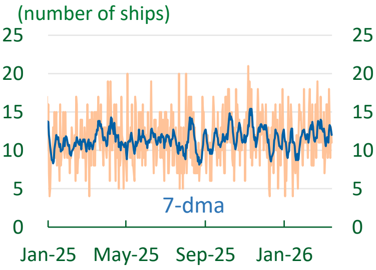
Source: IMF PortWatch. Watt Strategic

Suez Canal:
Daily transit calls — Tankers
(number of ships)



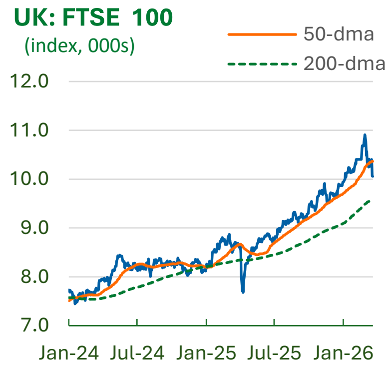
Source: IMF PortWatch. Watt Strategic

Bab el-Mandeb Strait:
Daily transit calls — Tankers
(number of ships)



Source: IMF PortWatch. Watt Strategic

European markets



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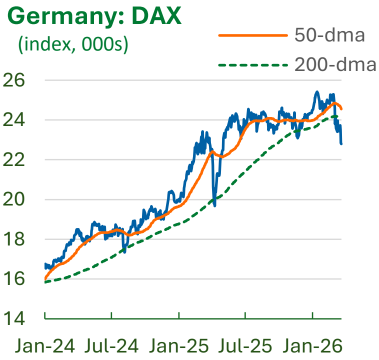

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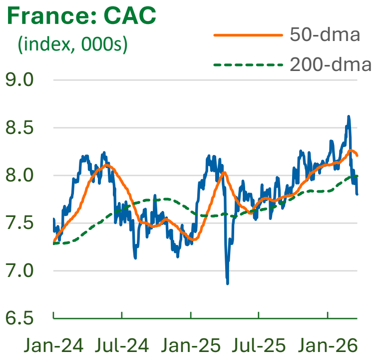

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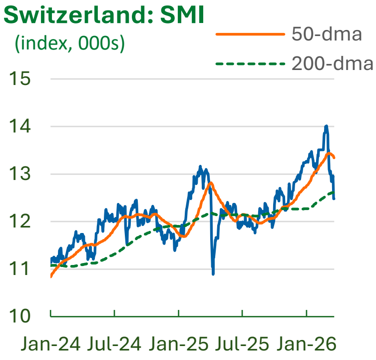

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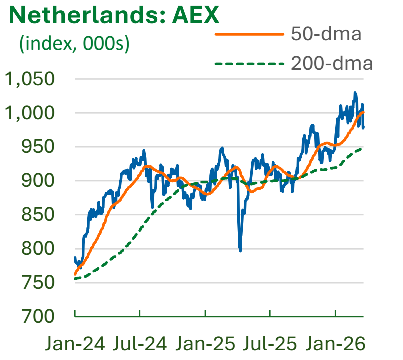

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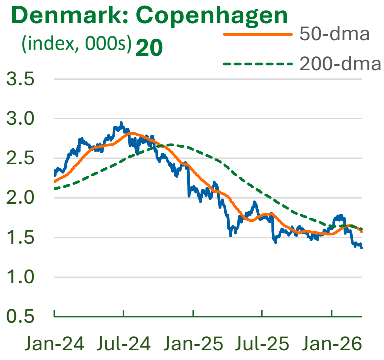
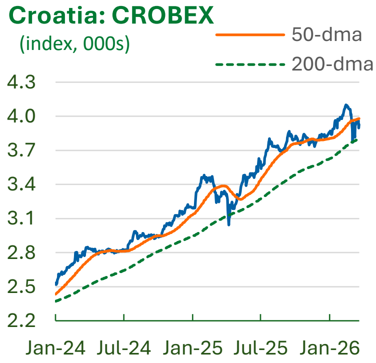


Source: Investing.com

Other European markets



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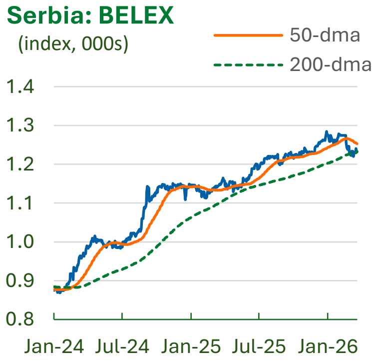

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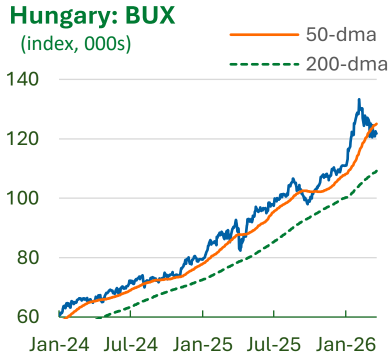

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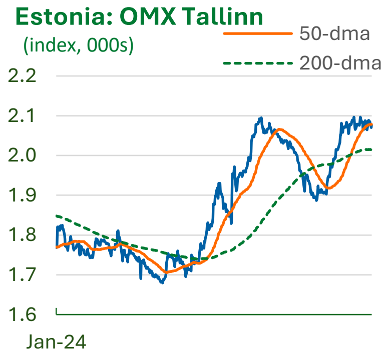

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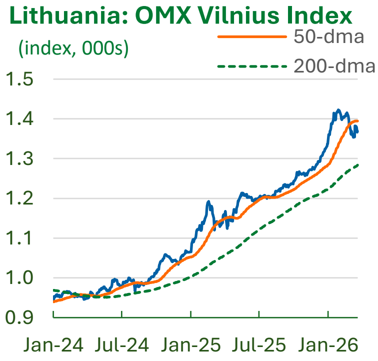

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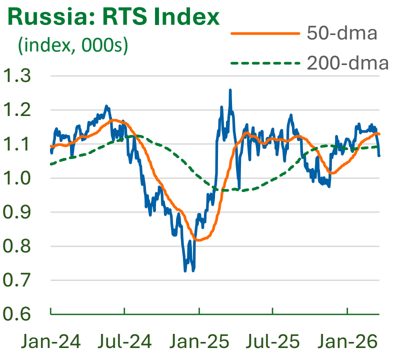
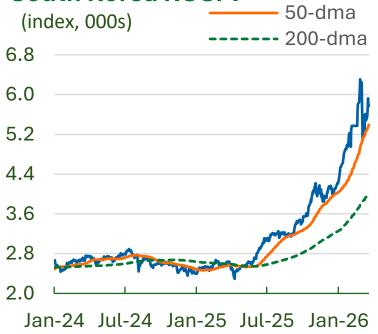


Source: Investing.com

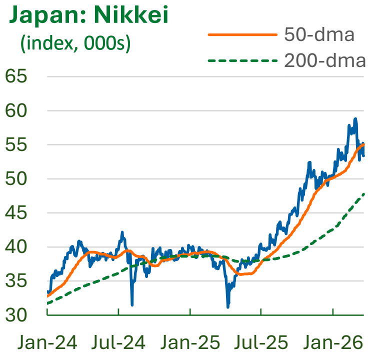
Other global markets

South Korea KOSPI



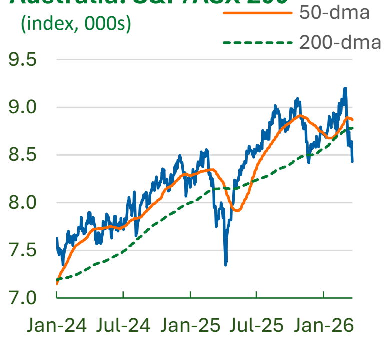
Source: Investing.com

Japan: Nikkei



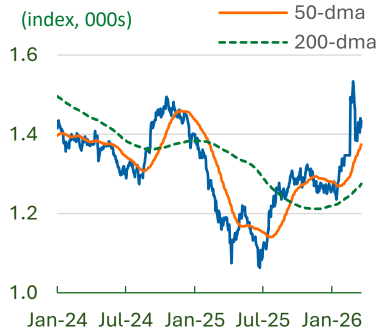
Source: Investing.com

Australia: S&P/ASX 200



Source: Investing.com

Thailand: SET

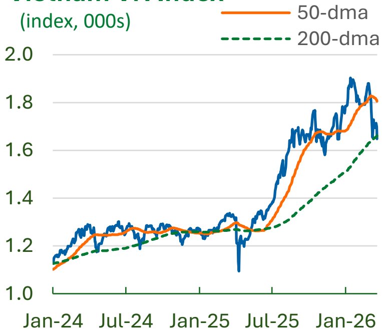


Source: Investing.com

Shanghai Composite

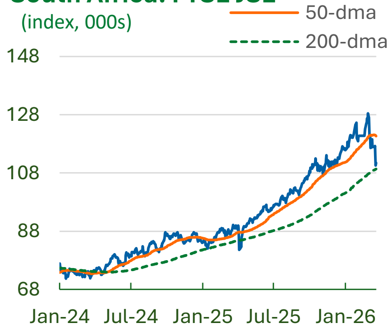
Source: Investing.com

Vietnam VN Index



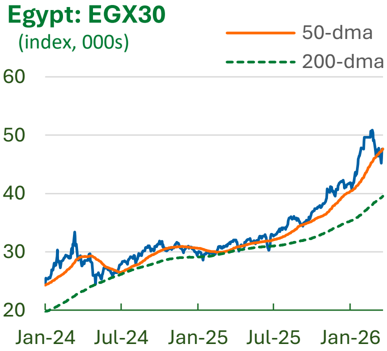
Source: Investing.com

South Africa: FTSE JSE



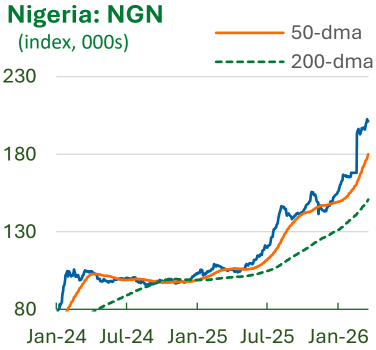
Source: Investing.com

Egypt: EGX30



Source: Investing.com

Nigeria: NGN



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