Special Coverage: Sell-off eases as markets remain orderly and investors aim for resilience

Key takeaways

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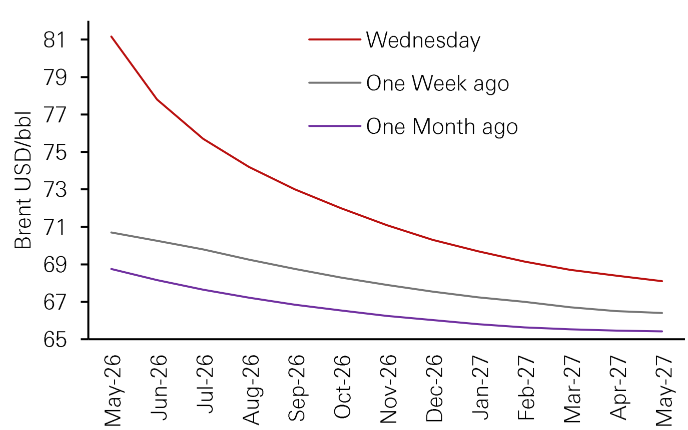
- Markets remain volatile and sentiment is fragile, but there are some tentative signs of stabilisation and bottom fishing too. US markets have remained relatively resilient and European stock markets had a positive day on Wednesday. Asia is rebounding after yesterday's sell-off, which seems linked to deleveraging rather than new fundamental concerns.
- Our analysis of current global stability and liquidity risks does not throw up major concerns. And our historical analysis of past oil price spikes suggests that a lasting equity market correction is unlikely, because neither a US recession nor Fed rate hikes are on the cards. Unless our assessment on these two risk factors changes, we would view any volatility as a longer-term opportunity, especially as it follows the recent sell-off in AI. That said, building resilience to weather the short-term news flow is key.
- Before the conflict started, our concern was that excess oil supply would cap prices and margins, but the conflict has increased risks to supply and transit through the Strait of Hormuz. Even if markets stabilise, oil stocks are a good hedge against higher oil prices. We, therefore, decided to upgrade global energy stocks from underweight to neutral.

What happened?

- Following this week's oil spikes and intraday market volatility, global risk appetite seems to be settling.
- It is tempting to point to the underperformance of Asia's oil importers to explain the sharp fall in Asian markets on Wednesday. But at the very least, part of the sell-off was related to position adjustments. This is shown by the concurrent sell-off in South Korea (an oil importer) and Brazil (a producer) – two markets that had rallied very sharply recently and were seeing profit taking and deleveraging this week. As global risk appetite seems to have eased, it is logical that we are seeing a rebound in Asia today.
- While risk appetite seems to be staging a tentative recovery, oil prices are still near their recent highs. It seems we still need clarity around the Strait of Hormuz for oil prices to come down, and this may take time, or some form of military action or assurance.

Oil prices have spiked for delivery in the very short term, but remain anchored for the longer term



Source: Bloomberg, HSBC Private Bank and Premier Wealth as of 5 March 2026.

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Investment implications

- Our analysis of oil market spikes since the end of the Second World War suggests that they rarely lead to sustained downside in US and global equity markets. Historically, we only see a big correction if higher oil prices lead to a US recession or to Fed rate hikes. Both are quite unlikely in the current scenario. In fact, US ISM services sentiment jumped this month (albeit measured ahead of the crisis). As a result, we still view the current volatility as temporary, and manage the risks by building resilient portfolios, with plenty of diversifiers.
- We have decided to upgrade global energy stocks from underweight to neutral. Before the conflict started, our concern used to be that excess oil supply would cap prices and margins, but the conflict has increased risks to supply and transit through the Strait of Hormuz. Even if markets stabilise, oil stocks are a good hedge against higher oil prices.

Top 15 3-month oil price spikes and related performance of the S&P 500

3 months leading to:	WTI Crude 3-month price change	S&P500 3-month return
21/07/2020	319%	19%
09/10/1990	138%	-14%
01/01/1974	135%	-10%
12/05/2016	78%	13%
04/03/2022	75%	-5%
01/06/2009	71%	35%
11/05/1999	55%	11%
01/09/1979	49%	10%
12/02/2021	48%	10%
19/04/2002	47%	0%
14/02/2003	44%	-8%
21/11/2007	40%	-3%
08/05/2008	40%	5%
28/09/2004	40%	-2%
19/08/2005	40%	3%

Source: Bloomberg HSBC Private Bank and Premier Wealth as of 5 March 2026. Past performance is not a reliable indicator of future performance. Analysis since 1946.

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