EthiFinance

Macroeconomic bulletin

February, 2026

Public Version

11.03.2026

Executive Summary

- The escalation in the **Middle East** following the United States and Israel's strike on Iran, the continuation of the war in Ukraine—now in its fourth year—and the expiry of the New START Treaty between Washington and Moscow together define a context of heightened strategic uncertainty. The increasing polarisation between geopolitical blocs and the weakening of nuclear arms control frameworks are raising the systemic component of global risk.

  From an economic perspective, the primary transmission channel of these tensions is energy. Brent crude is trading at around USD 90 per barrel, having incorporated a risk premium associated with the Strait of Hormuz, while European gas prices have recorded double-digit increases. Although mitigating factors are present—including alternative export capacity within the Gulf and relatively elevated storage levels in Europe—a prolonged disruption would reintroduce inflationary pressures at a delicate juncture for advanced economies.

- Across other **commodities**, copper has stabilised following record highs, underpinned structurally by electrification trends and constrained supply. Aluminium and nickel are consolidating at elevated levels, reflecting supply restrictions and demand linked to the energy transition. In precious metals, gold remains within the USD 5,200–5,400 per ounce range after an exceptional rally in 2025, continuing to function as a hedge against geopolitical and monetary risk. Agricultural markets display greater heterogeneity, with renewed upward pressure in wheat and soybeans, alongside marked corrections in cocoa.

- In parallel, the **trade war** has entered a new legal phase following the United States Supreme Court's curtailment of the expansive use of executive powers in tariff policy. Nonetheless, the immediate activation of a temporary 10% global tariff confirms that there has been no substantive de-escalation.

- On the **monetary front**, the major central banks are in a phase of pause or fine-tuning. The European Central Bank is maintaining the deposit facility at around 2%, with inflation close to target and growth moderate. The Federal Reserve is holding the federal funds rate within the 3.50–3.75% range, retaining a data-dependent bias towards further easing. The Bank of England signals additional gradual reductions, while, in contrast, the Bank of Japan is proceeding with a measured normalisation, with the policy rate at 0.75%. Financial conditions reflect relative stability: the euro is consolidating around USD 1.17, 12-month Euribor stands at 2.22%, and sovereign spreads in the euro area periphery remain contained.

- From a **macroeconomic standpoint**, growth remains moderate yet resilient. The United States has begun the year with expanding activity (ISM manufacturing at 52.6 and housing starts at an annualised 1.48 million), a robust labour market, and continued indications of a soft landing, although leading indicators point to some moderation ahead. In the euro area, GDP expanded by 0.3% quarter-on-quarter in Q4 2025, with growth projected at around 1.2% in 2026 and inflation already close to 2%. At country level, Spain led growth in the fourth quarter (+0.8% quarter-on-quarter), a relative outperformance expected to persist into 2026.

Geopolitical Risks

One year after President Trump's return to the White House, the global geopolitical landscape has become increasingly complex and fragmented. Over this period, the international environment has been shaped by the onset of a tariff war that has materially disrupted trade flows and accelerated the shift towards more protectionist policy frameworks. At the same time, active conflict persists. The war in Ukraine has entered its fourth year amid a shifting United States stance, characterised initially by rapprochement, subsequently followed by a cooling of relations and a growing polarisation of the international system into two broad blocs, broadly aligned along Western and Eastern axes. The expiry of the principal bilateral nuclear arms control agreement between the United States and Russia has added a further layer of strategic uncertainty.

In Latin America, tensions have also intensified following the capture of Nicolás Maduro in Venezuela, preceded by months of increasing United States military presence and pressure in the Gulf of Venezuela and the wider Caribbean. In addition, the dismantling of Mexico's principal drug cartel, undertaken with United States support, introduces new sources of regional instability. Strategic attention has likewise shifted towards the Middle East and the Pacific. In the former, the fragile truce in Gaza has been overshadowed by the joint United States–Israel strike on Iran, reopening escalation risks in a structurally volatile region. In the Pacific, strategic tensions with China regarding Taiwan persist, albeit within a more contained framework for the time being.

Escalation in the Middle East: Regime Change in Iran and Global Energy Risk

The confrontation between Iran and a coalition led by the United States and Israel has escalated into open interstate warfare, representing one of the most significant geopolitical shocks for global markets in recent years. The conflict began on 28 February 2026 when the United States and Israel launched a coordinated offensive—Operation Epic Fury—with nearly 900 air strikes targeting Iranian missile facilities, air-defence systems and command structures. The initial attack killed Supreme Leader Ali Khamenei and several senior officials, triggering a rapid escalation cycle marked by large-scale missile and drone retaliation from Iran against Israeli cities and U.S. military bases across the region.

The conflict has quickly expanded beyond a bilateral confrontation. Hezbollah opened a second front from southern Lebanon in early March, prompting Israeli air strikes on Beirut and other strategic locations, while Iranian-aligned actors have targeted maritime traffic in the Gulf and threatened energy infrastructure across the region. Iran has also declared the Strait of Hormuz effectively closed for security reasons, significantly disrupting maritime flows through one of the world's most critical energy chokepoints.

Domestically, Iran has moved rapidly to stabilise its leadership structure. On 8 March 2026, the Assembly of Experts appointed Mojtaba Khamenei—son of the late Ali Khamenei—as the third Supreme Leader of the Islamic Republic, with strong backing from the Islamic Revolutionary Guard Corps. The swift consolidation of power around Mojtaba Khamenei reduces the immediate risk of institutional fragmentation and signals continuity in the regime's strategic posture during wartime conditions.

From a macroeconomic perspective, the main transmission channel of the conflict is energy. The Strait of Hormuz accounts for roughly 20% of global oil flows and a significant share of global LNG exports. Since the escalation began, maritime traffic has fallen sharply and several tankers have been damaged, pushing Brent and WTI crude prices up by roughly 15–30% within days. Markets are increasingly incorporating a geopolitical risk premium into energy prices, with baseline expectations shifting toward the USD 80 range and stress scenarios pointing to USD 120–150 should disruptions to Gulf exports persist.

Higher energy prices are likely to generate renewed inflationary pressure through fuel, transport and logistics costs, complicating the outlook for central banks currently approaching a monetary easing cycle. At the same time, disruptions to shipping routes and energy infrastructure are increasing freight costs, maritime insurance premiums and supply-chain uncertainty. Financial markets have reacted with a typical risk-off dynamic, with safe-haven assets strengthening while credit spreads widen across emerging markets and energy-importing economies.

In the near term, the trajectory of the conflict will depend largely on maritime security in the Strait of Hormuz. A containment scenario—characterised by partial reopening of shipping routes and reduced attacks on energy infrastructure—would likely stabilise oil prices around USD 80–90 and produce only a moderate stagflationary shock. However, a prolonged disruption removing several million barrels per day from global supply would push prices significantly higher and materially increase recession risks in Europe and several energy-importing emerging economies.

Venezuela: Institutional Uncertainty

In the context of the recent escalation between the United States and Iran, Venezuela has regained strategic relevance beyond the scope of its own internal transition. The longstanding political alignment between Caracas and Tehran has been invoked in Washington as one of the factors underpinning the pressure exerted on the previous Venezuelan leadership. The detention of Nicolás Maduro thus occurs at a juncture in which the United States is seeking to curtail the projection of actors aligned with Iran—and, by extension, China and Russia—within the Western Hemisphere.

For the current interim administration, this dynamic represents both a risk and an opportunity. On the one hand, institutional continuity—given that a significant share of the state apparatus remains inherited from the prior period—creates uncertainty regarding the depth and credibility of any effective disengagement from opaque networks. On the other hand, the objective of reintegration into formal financial and energy circuits requires clear signals of regulatory compliance, enhanced transparency and constructive international cooperation.

From an economic standpoint, the partial reopening of the oil sector and the selective easing of sanctions could prove fragile, or even reversible, should evidence re-emerge of collaboration with sanctioned entities. Recent bilateral cooperation in the commercialisation of accumulated crude inventories and the granting of specific licences to United States companies point to a phase of tactical détente. However, the durability of this recalibration will ultimately depend on the credibility and institutional solidity of the new governance framework.

Ukraine: Fourth Anniversary of a War of Attrition

During February, Russian forces sustained localised offensives, achieving only marginal territorial gains at significant human cost, while intensifying missile and drone strikes against energy and logistical infrastructure across Ukrainian territory. Kyiv has responded with deep-strike operations targeting military and logistical assets in occupied areas and in Russian border regions, with the objective of degrading Moscow's offensive capabilities and complicating force sustainment.

The frontline remains broadly static; however, sustained pressure obliges Ukraine to disperse resources across multiple axes, thereby constraining its operational flexibility. Diplomatic contacts continue in parallel, yet Moscow appears to be combining negotiation with calibrated military pressure and escalatory rhetoric, seeking to erode Western cohesion and fatigue political support for Kyiv. The conflict is increasingly contingent upon the scale and predictability of military and financial assistance to Ukraine, while Russia continues to reconfigure its economy towards a protracted war footing, prioritising defence production and fiscal mobilisation.

The strategic environment has become more complex following the expiry of the New START Treaty in February 2026, which removes the last binding bilateral framework for nuclear arms control between the United States and Russia. The absence of verifiable ceilings and transparency mechanisms heightens opacity regarding force postures and increases the structural risk of renewed arms competition, adding a further layer of systemic uncertainty to an already entrenched war of attrition.

Trade War: Legal Transition Without Genuine De-escalation

On 20 February 2026, the United States Supreme Court introduced a significant legal inflection point in the current trade war, ruling that the International Emergency Economic Powers Act (IEEPA) does not authorise the President to impose

generalised tariffs on imports. The decision invalidates the core of the surcharges introduced since April 2025 under the justification of a "national emergency", which had been applied broadly across the majority of trading partners.

From an institutional perspective, the ruling explicitly curtails the expansive use of executive authority in trade policy, partially rebalancing the distribution of powers between the Executive and Congress in tariff matters. It reaffirms that structural trade measures require a clearer legislative foundation, thereby narrowing the scope for unilateral executive action under emergency statutes.

In economic terms, however, the immediate impact has been more nuanced. On the same day, the White House ordered the suspension of the collection of additional tariffs grounded in the IEEPA, but simultaneously invoked an alternative legal basis—Section 122 of the Trade Act of 1974—to introduce a temporary 10% global surcharge on nearly all imports. This measure, initially set for a duration of 150 days, is designed to prevent an abrupt decline in the effective average tariff rate and to preserve negotiating leverage vis-à-vis trading partners.

Accordingly, while the legal architecture underpinning the trade measures has shifted, the substantive stance remains largely unchanged. The transition is juridical rather than strategic: the instruments have been recalibrated, but the protectionist bias and the underlying negotiating posture persist.

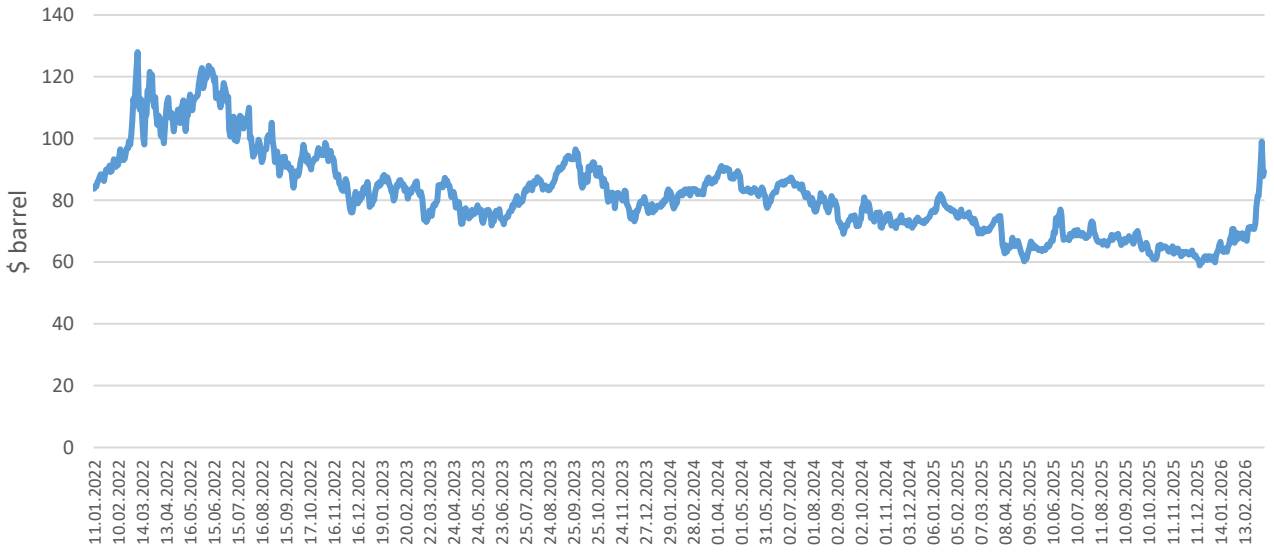
Commodities

Energy

Brent: Since the escalation of the conflict at the end of February, crude markets have experienced a sharp repricing driven by geopolitical risk. Prior to the United States and Israel's strikes on Iran, Brent traded around USD 72–73 per barrel, levels that already incorporated a modest risk premium linked to rising tensions in the Strait of Hormuz.

Following the first attacks on 28 February, Brent recorded its largest daily increase since 2022, jumping from the low-70s to intraday levels above USD 80 and closing near USD 77–80. As the conflict expanded and concerns over maritime traffic through Hormuz intensified, prices surged further to an intraday peak of around USD 119–120 per barrel, implying a cumulative increase of roughly 35–40% from pre-conflict levels.

Prices have since partially corrected amid signals from Washington pointing to a potentially short-lived conflict and the G7's readiness to release strategic reserves if needed. Brent currently trades around USD 89 per barrel, and our expectations point to a further correction towards the USD 80 range provided that the conflict remains contained and no material disruption affects regional energy infrastructure.



Natural Gas: The gas market has reacted even more forcefully to the escalation involving Iran, with European benchmark prices rising by approximately 20–25% in the initial trading sessions following the outbreak of hostilities. The heightened sensitivity reflects the concentration of liquefied natural gas (LNG) supply in the Gulf region and Europe's increased exposure to the spot market following the structural rupture with Russian pipeline gas. In this context, any perceived risk to LNG shipping routes or export facilities translates rapidly into price volatility, given the limited short-term substitutability and the still-fragile balance between storage levels and forward demand expectations.

Qatar and the United Arab Emirates jointly account for close to one fifth of global liquefied natural gas (LNG) supply. The bulk of their exports also transit through the Strait of Hormuz, thereby magnifying logistical risk in the event of disruption. Any sustained interruption to these flows would affect both Asia and Europe; however, the relative impact would be more pronounced in the European market, where the supply–demand balance remains seasonally tight at certain points in the year.

In the near term, elevated storage levels in Europe and the diversification of suppliers achieved since 2022 provide a partial buffer. Nonetheless, the gas market exhibits lower short-term elasticity than the oil market, particularly with respect to liquefaction and regasification infrastructure. This structural rigidity limits the speed of adjustment in the event of supply shocks and increases the likelihood of more acute volatility episodes should the conflict prove protracted.

Metals

Cooper: After reaching record highs above USD 6.20 per pound at the end of January, copper prices have stabilised around the USD 6.00 per pound range throughout February and early March. Despite a modest month-on-month correction of approximately 1–2%, the metal continues to post gains in excess of 30% on a year-on-year basis.

Fundamental support remains robust. Supply conditions are tight, reflecting structural constraints in mining output and limited near-term project ramp-ups. In parallel, tariff-related uncertainty in the United States has contributed to precautionary inventory dynamics and front-loaded trade flows. A relatively softer US dollar has provided additional price support, while underlying demand linked to electrification, grid investment and the broader energy transition continues to underpin medium-term consumption expectations.

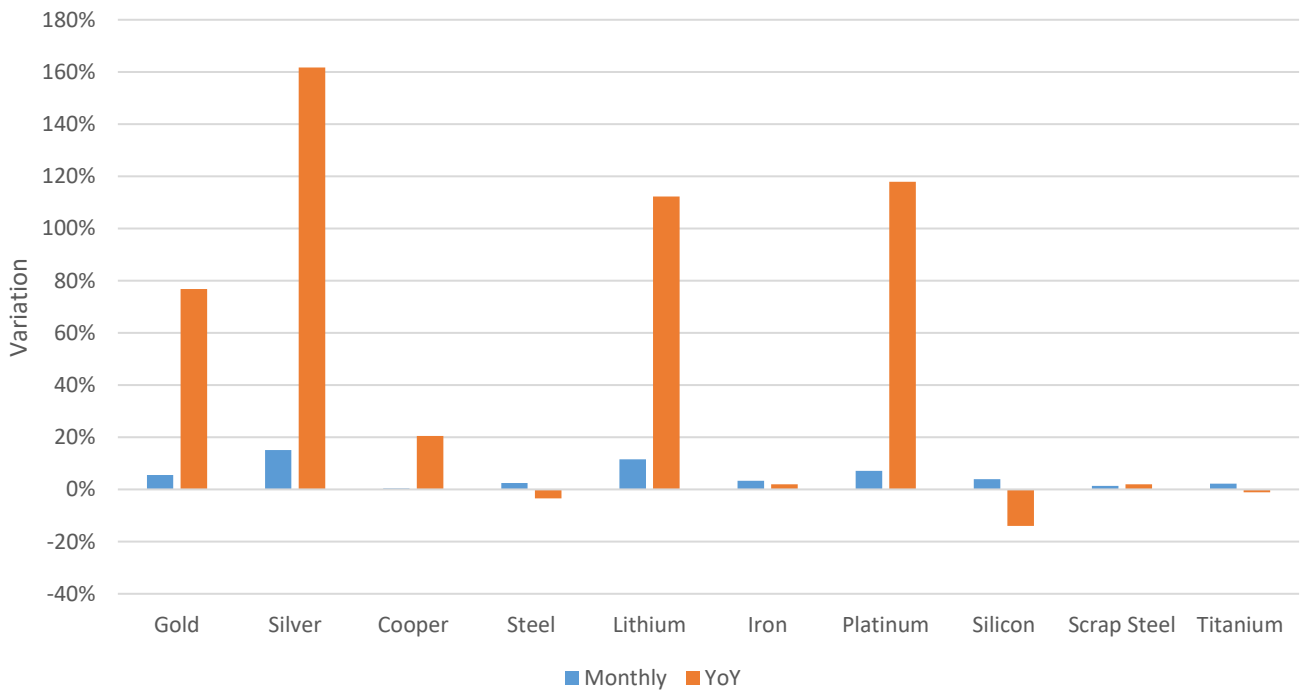
That said, the recent increase in exchange inventories has acted as a short-term moderating factor, limiting further upside momentum. While the structural narrative remains constructive, the balance of risks in the near term appears more neutral, with prices consolidating after an extended rally.

Aluminium: After trading in the USD 3,250–3,300 per tonne range at the end of January, the metal has retreated towards USD 3,000–3,150 per tonne. The month-on-month correction stands at approximately 3–4%, yet prices remain around 20% above levels recorded a year ago. The structural narrative—demand linked to electric vehicles and renewables, alongside elevated energy costs in Europe—continues to underpin the market, albeit with less momentum than observed in January.

Nickel: Exhibiting comparatively higher volatility, prices have traded within a USD 17,000–18,000 per tonne range during February, with current levels around USD 17,700 per tonne. The month-on-month decline is approximately 4%, although year-on-year gains remain in double-digit territory. The principal driver has been the announced reduction in ore production by Indonesia, reinforcing the perception of structurally tighter supply, particularly in the segment linked to battery manufacturing.

Gold: Following an exceptional rally in 2025 and record highs approaching USD 5,600 per ounce in January, prices have stabilised within the USD 5,200–5,400 per ounce range. Year-on-year gains stand at approximately 80–90%. Ongoing support derives from an elevated geopolitical risk premium—linked to tensions in the Middle East and the trade war—structural demand from central banks, and lingering uncertainty surrounding the US monetary policy outlook. Market consensus continues to anticipate elevated price levels over the coming quarters, albeit accompanied by heightened volatility.

Silver: The metal maintains a structurally upward trajectory, having doubled in value over the course of 2025. Although February saw a period of technical consolidation, momentum appears to have resumed in March, with prices closing at USD 95.5 per ounce. Silver continues to benefit both from its safe-haven appeal and from its industrial applications in technologies linked to the energy transition.



Monetary policy, Interest rates & Currencies

Interest Rates

- **ECB:** At its meeting of 5 February, the European Central Bank left its key policy rates unchanged, with the deposit facility standing at around 2%. Our baseline view is one of policy continuity over the coming months. Inflation has stabilised close to the 2% target, with visible moderation in energy and food components and a gradual easing in wage dynamics. Growth remains modest but resilient, supported by a robust labour market and continued investment momentum in technology and defence.

- **Federal Reserve:** On 28 January, the Federal Reserve maintained the target range at 3.50–3.75%, reflecting a still-adequate pace of economic expansion, stable unemployment and inflation that remains somewhat above target. Further rate increases are not envisaged as the central scenario. Indeed, the monetary authority considers the current stance to be at the upper end of the neutral range, leaving scope for additional rate reductions at forthcoming meetings, subject to incoming data.

- **Bank of England:** On 4 February, the Bank of England held the Bank Rate at 3.75%, with a narrow 5–4 vote underscoring a growing bloc in favour of further easing. Since August 2024, the policy rate has been reduced by 150 basis points. Inflation is expected to converge towards 2% from the spring onwards, supported by lower energy prices and recent fiscal measures. However, elements of core inflation—particularly in services—remain elevated, warranting a cautious pace of adjustment. Further rate cuts therefore appear likely, although decisions are expected to become increasingly finely balanced.

- **Bank of Japan:** The Bank of Japan maintained its policy rate at 0.75% following December's increase—the highest level in three decades. The January vote (8–1) revealed a more active internal debate, with at least one member advocating an immediate additional hike. Moreover, Prime Minister Takaichi's recent appointment of two members perceived as favouring a more dovish stance has heightened uncertainty regarding the future policy path, while exerting downward pressure on the yen. The Bank has revised upwards its growth and inflation projections, signalling greater confidence in the consolidation of inflation close to 2%. In parallel, the BoJ has initiated a gradual reduction in its government bond purchases, reinforcing the signal of policy normalization in both rates and balance sheet terms.

Exchange Rates

The euro is trading around USD 1.16 in early March (1.1711 on 2 March), registering a modest month-on-month correction of less than 1%, while still posting an appreciation of close to 12% on a year-on-year basis. Following the pronounced upward movement observed throughout 2025, the exchange rate is now fluctuating more laterally within the 1.15–1.17 range, consistent with a phase of technical consolidation.

In the near term, the dynamics appear to be driven more by technical positioning than by a shift in underlying fundamentals, suggesting that the pair is likely to remain within this corridor absent a material change in the macroeconomic or monetary policy backdrop.

Euribor

The 12-month Euribor stands at approximately 2.22%, exhibiting notable stability since the beginning of the year and remaining well below the 3.5–3.9% levels recorded in early 2024.

The phase of rapid declines observed in 2023–2024 has given way to a gently downward-sloping plateau, consistent with a European Central Bank that has already delivered a significant portion of its easing cycle and is currently holding rates unchanged.

Economic Outlook

United States: The US economy enters 2026 with growth still solid, albeit with mixed signals from leading indicators. On the activity side, the ISM manufacturing index rose to 52.6 in January, its first expansionary reading in twelve months and the highest level since 2022, driven by new orders and production. The ISM services index remains firmly in expansionary territory (53.8 in January and 53.5 in February), with all major components above 50, confirming that the services sector continues to underpin the cycle.

The housing market shows a clear improvement. Housing starts reached an annualised 1.48 million units in January, up from 1.40 million in December, with the single-family segment at around 981,000 units—its highest level in several quarters—despite mortgage rates close to 6%. Initial jobless claims stood at 212,000 in the week ending 21 February, with the four-week average around 220,000, historically low levels. Continuing claims have declined to approximately 1.83 million. Unemployment rate will be at the 4.3%-4.5% range.

Nonetheless, leading indicators point to a possible moderation ahead. The Leading Economic Index remains in contractionary territory and is consistent with GDP growth of around 2.1% year-on-year in 2026, following the strong 4.4% annualised expansion recorded in the third quarter of 2025, and above the 1.4% pace of the final quarter. Consumer confidence stood at 56.4 in February (51 in November). Inflation continues to exhibit some rigidity, albeit with moderation (2.4% in January, compared with 2.7% previously).

Euro area: The latest data confirm that the euro area began 2026 with moderate growth momentum. GDP expanded by 0.3% quarter-on-quarter in the fourth quarter of 2025, maintaining the pace of the previous quarter, supported primarily by services and construction. For 2026 as a whole, annual growth is projected at around 1.2%, with a broadly stable profile throughout the year.

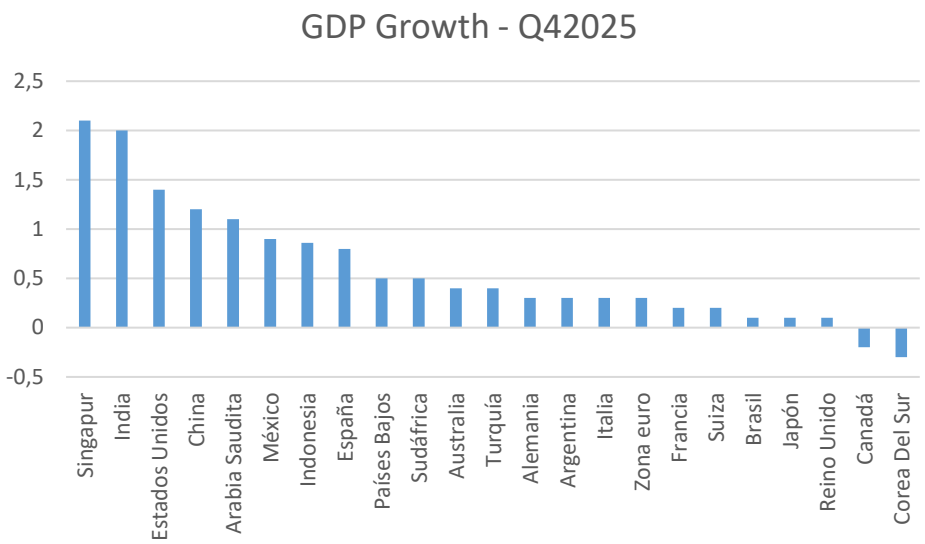
Harmonised inflation is expected to average approximately 1.9% in 2026, consolidating convergence towards the 2% target. The disinflation process is evident across the main components, while unemployment remains stable at around 6.3%, reflecting labour market resilience.

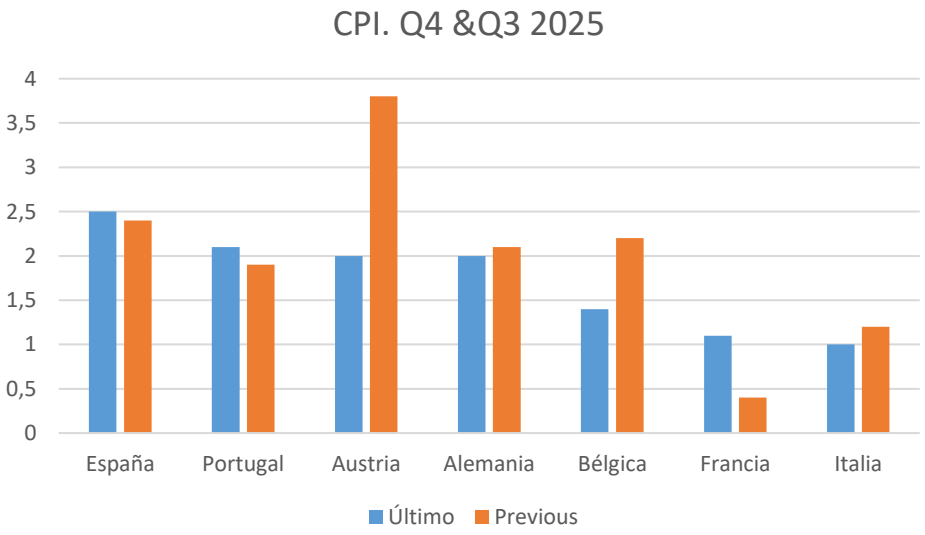
Germany shows signs of stabilisation following a period of industrial weakness. Growth for 2026 is projected at around 1.0%, with a gradual improvement in private consumption. Leading indicators point to a modest recovery in business confidence and industrial orders from previous troughs, although manufacturing continues to operate at historically subdued levels. Inflation stands at approximately 2.1%, while unemployment is close to 6.3%, indicating labour market stability. Public debt is around 65% of GDP, comparatively contained among the larger euro area economies.

France is expected to record growth of close to 1.0% in 2026, slightly below the euro area average. Domestic demand shows a moderate recovery, though momentum remains limited. Business and consumer confidence indicators have improved marginally at the start of the year but remain subdued, reflecting caution in investment and consumption decisions. Inflation is projected at around 1.3% in 2026, below the euro area average. However, fiscal dynamics remain the principal point of attention: the deficit is expected to remain around –5% of GDP, with public debt reaching approximately 119% of GDP.

Spain continues to display a positive growth differential. GDP is projected to expand by around 2.3% in 2026, following an estimated 3% in 2025. Although the pace moderates, the economy is set to outperform the euro area average. Leading indicators suggest continued solid expansion in services—particularly tourism and business activities—while industry remains more volatile. Business confidence remains in expansionary territory, albeit with less momentum than in 2025, pointing to a normalisation of the cycle. Inflation stands at around 2.3%, and unemployment continues to decline towards 10%, though it remains elevated by European standards. On the fiscal front, public debt is projected to decline to approximately 99% of GDP in 2026, maintaining a gradual consolidation path.

Portugal maintains relatively robust performance, with growth estimated at 2.1% in 2026. Domestic demand continues to support activity, while inflation converges towards 2%. Unemployment stands at around 5.9%, consolidating the structural improvement in the labour market. From a fiscal perspective, public debt is projected to decline to approximately 87% of GDP in 2026, extending a significant downward trajectory.





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