

Matt King  
25 March 2026

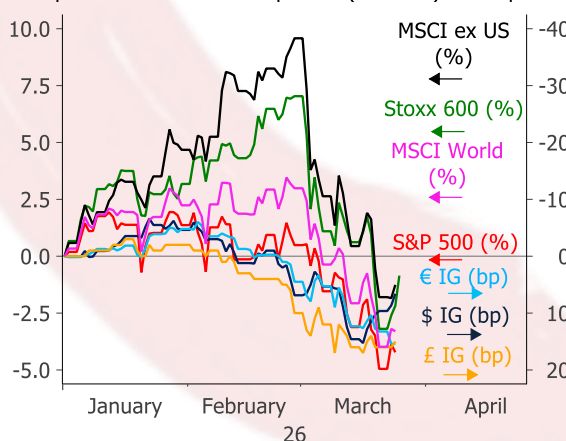
# Nowhere to hide

- The turmoil in markets says as much about positioning as it does about stagflationary risks or the mercuriality of President Trump
- The immediate flight into \$ cash reflects the unwind of active positions
- But beneath the surface – and gold’s dramatic fall notwithstanding – the US’ safe-haven status is visibly fraying

Traditionally strategists (and investment bank trading desks) love volatility. But there are times when you have to be careful what you wish for. The post-Iran price action has left almost no portfolio unscathed. And yet to our minds its significance lies less in what it says about Trump or about the real economy and more about what it reveals about investor positioning. Regardless of the outcome of the conflict, positions currently being abandoned seem likely to be re-entered – but some look more tenable than others.

## Faltering

YTD performance in credit spreads (inverted) and equities



Source: Bloomberg, Macrobond, Satori Insights.

## Financial assets reconnecting

Commod-producing equities vs commodities



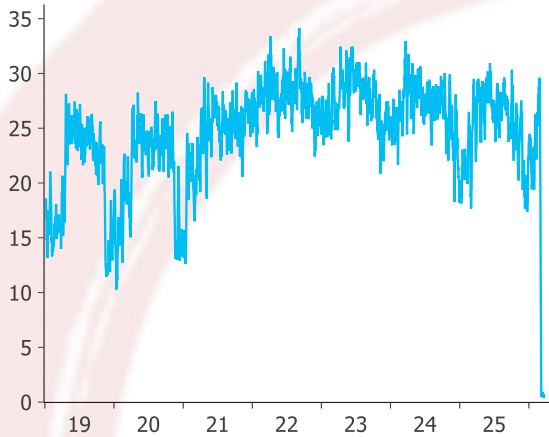
Source: MSCI, S&P Global, Satori Insights.

## Investment fish in a stagflationary barrel?

It is tempting to blame a stagflationary shock. Iran shows no sign of the quick implosion Trump may have hoped for; the longer the Strait of Hormuz stays closed, the greater is the risk. Price action has been ugliest precisely where vulnerability is highest – Europe and Asia.

### Hormuz blocked

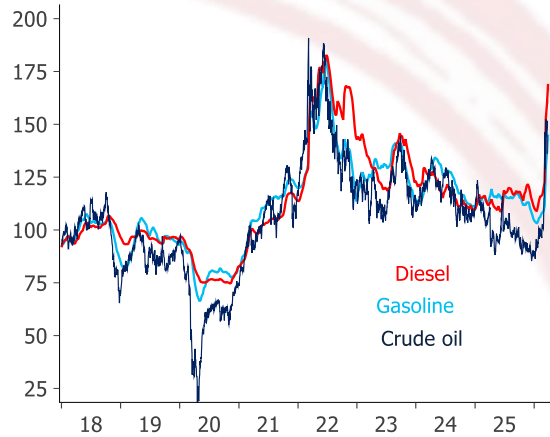
Tanker+container capacity, m metric tonnes, rolling 7d



Source: IMF, Macrobond, Satori Insights.

### Feeling the pinch at the pump

US crude, gasoline and diesel prices, 2018=100

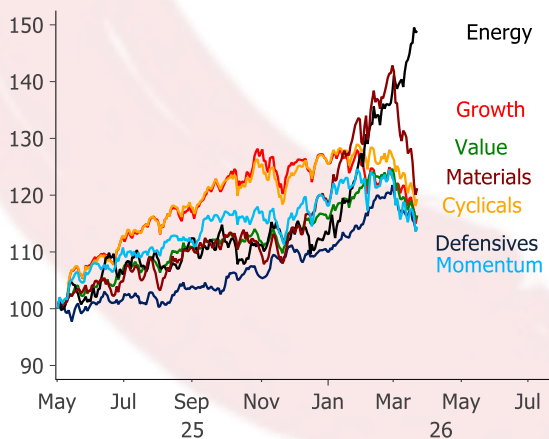


Source: Bloomberg, Macrobond, Satori Insights.

Yet the clue that this is not the whole story is obvious: even the sectors that should benefit from prolonged conflict and bottlenecks – Materials, Defence – have been hammered. Commodities themselves have done well; the equities and credits linked to them have not. As, of course, has gold.

### First rotation, then correction?

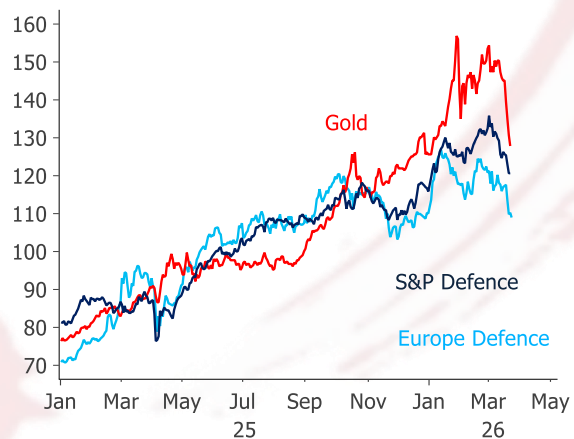
MSCI World equity factors, May25=100



Source: MSCI, Bloomberg, Satori Insights.

### So much for defensiveness!

Defence equities vs gold, 2020=100

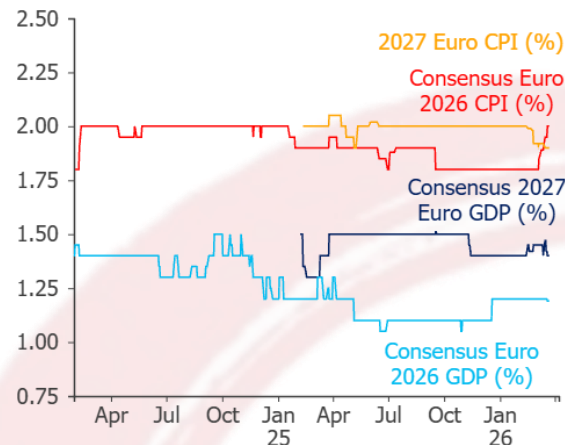


Source: S&P, Satori Insights

Moreover, consensus forecasts for growth, inflation and earnings have barely moved.

### No hit to consensus yet

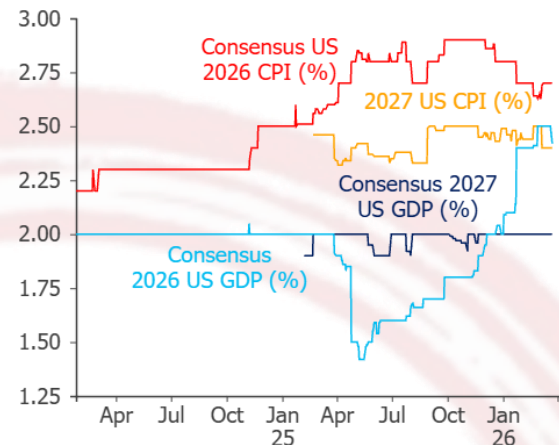
Euro area consensus forecasts, % yoy



Source: Bloomberg, Satori Insights.

### No hit to consensus yet

US consensus forecasts, % yoy

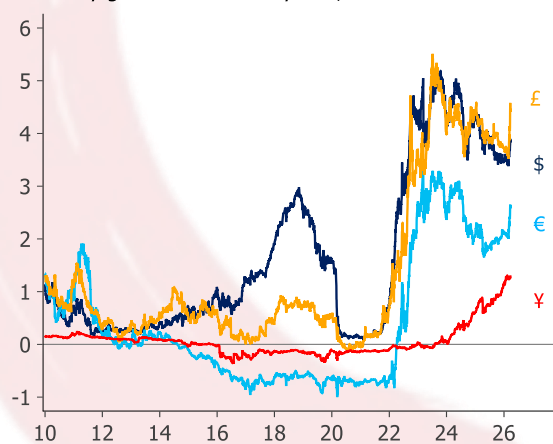


Source: Bloomberg, Satori Insights.

This could be a simple lag: everyone initially assumed the conflict would be over quickly, and there are [some signs of softening](#) in business surveys. But the latest central bank commentary and the hard data itself suggest otherwise.<sup>1</sup> Central banks [talking tough](#) and remaining on hold is one thing; markets pricing multiple hikes (especially in the UK and Euro area) is quite another.

### Sharp move higher in yields

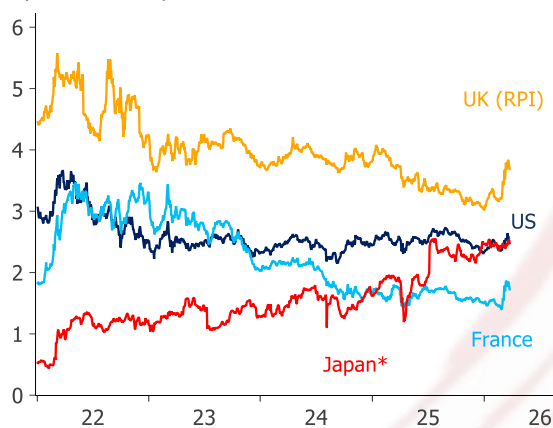
Global 2y government bond yields, %



Source: Macrobond, Bloomberg, Satori Insights.

### Assumes brief inflation spike

5y inflation swaps, %



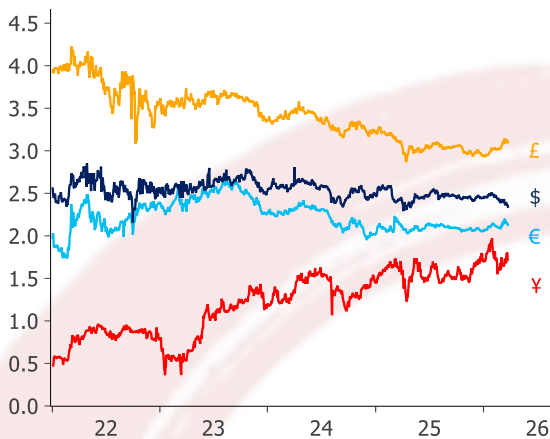
Source: Bloomberg, Satori Insights.  
\*Uses inflation-linked JGBs

Reduced liquidity means the signals from real yields and inflation breakevens in particular should be treated with more caution than usual. But the outright divergence in long-term inflation swaps across markets – with \$ breakevens actually falling – is strongly suggestive of markets being driven not just by stagflationary prospects but by a broad-based unwind of consensus positions. So too is the dramatic shift to yield curve flattening.

<sup>1</sup> ["Markets wrong on UK interest rate rises, say economists"](#), FT, 23 Mar.

### \$ 5y5y has even fallen

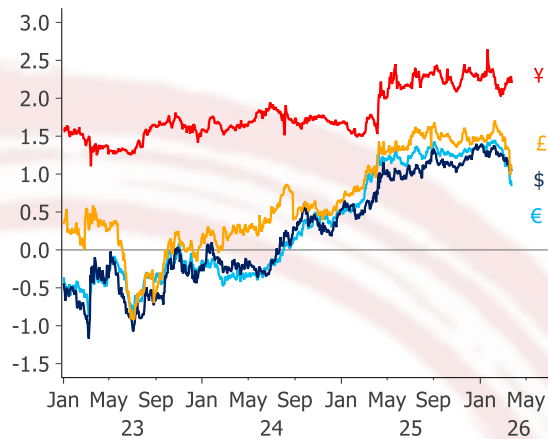
5y5y inflation swaps or nearest proxy, %



Source: Bloomberg, Satori Insights.

### Steepeners stopped out

2s30s govt curve steepness, %



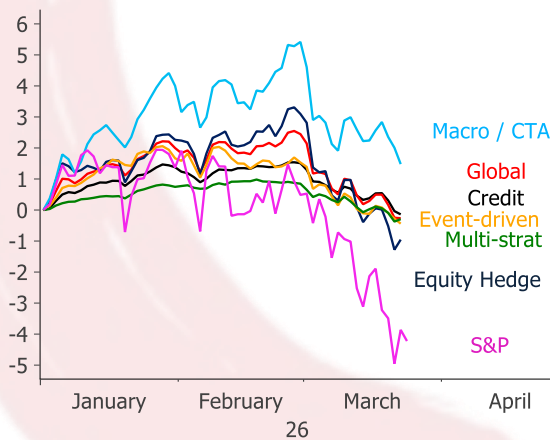
Source: Macrobond, Bloomberg, Satori Insights.

## A palpable hit to positioning

A better way to read the price action is that every active position has been cut. The more crowded the consensus, the more violent the unwind. Macro hedge funds and CTAs have probably outperformed precisely because their stops were hit first.

### Forced into unwinds

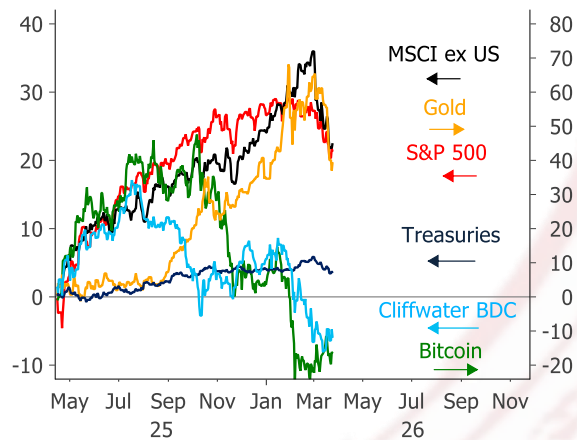
Hedge fund YTD performance, %



Source: HFR, S&P Global, Macrobond, Satori Insights.

### Nowhere to hide

Cumulative performance since Apr25, %



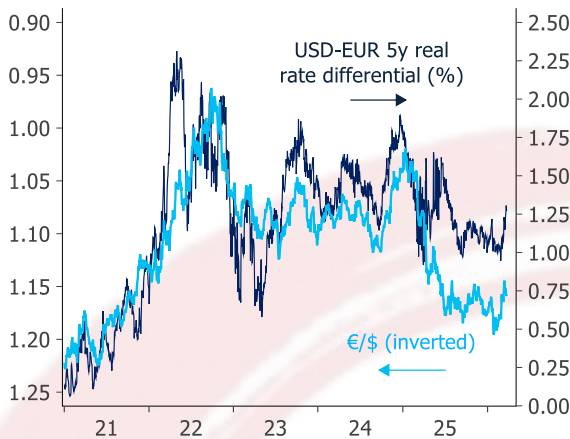
Source: Bloomberg, Macrobond, Satori Insights.

The real money flows tell the bigger story. Since central bank liquidity was turned off in 2024, capital has rotated from one risky asset to the next, sucking in fresh FOMO money on the way up. But one asset at a time, outsized gains have given way to outsized losses.<sup>2</sup> From bitcoin to BDCs, and now even non-US equities and gold, investors have been left with nowhere to hide.

<sup>2</sup> [From exuberance to unwind](#), 3 Mar.

**\$ suddenly recovering vs €**

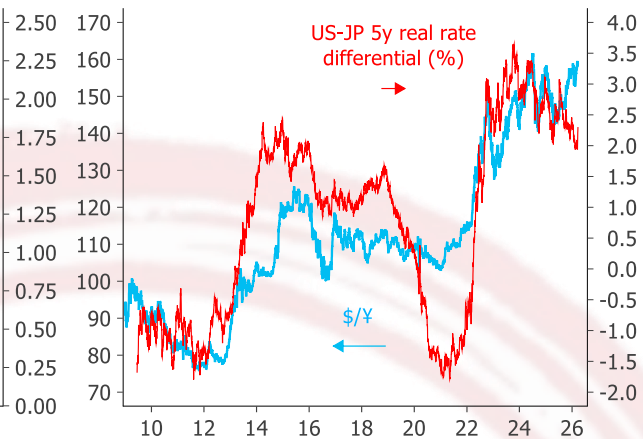
Real yield differential vs FX



Source: Macrobond, US Treasury, Satori Insights.

**And continuing to perform vs ¥**

US-JP 5y real yield differential vs FX

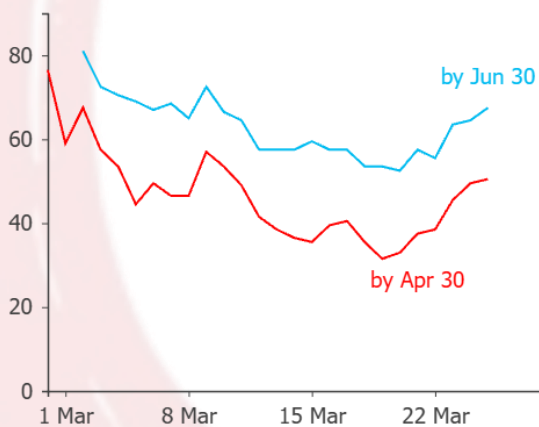


Source: Macrobond, Bloomberg, Satori Insights.

For the near term, this has driven a shift back into \$ cash, fuelling its outperformance vs other currencies and spurring hopes that its safe-haven status may not be eroding after all. Multiple factors make us wary of chasing such moves at this point.

**Ceasefire odds rising again**

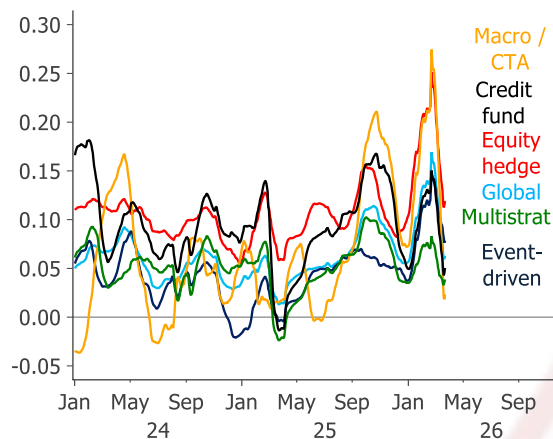
Polymarket prediction market, probability %



Source: Polymarket via Macrobond, Satori Insights.

**Back to flat again**

Hedge fund daily return beta to S&P 500, rolling 3m



Source: HFR, S&P Global, Macrobond, Satori Insights.

First and most obviously, there's the potential for unpredictable Trumpian policy to shift from obliteration to de-escalation. This probably matters less than Iran's response to any such policy shift, but with Polymarket putting ceasefire odds at 50% by end-April and 67% by end-June, there is considerable scope for markets to reverse many of their recent moves. Commodities analysts argue that the damage to global oil infrastructure remains negligible at this point and that post-conflict Saudi production is likely to ramp up. UAE and Qatar LNG damage is much more significant, requiring 3-5y to repair, but even here the hit can probably largely be covered by growth in US supply.

More durably, investor positions have been substantially cut, with hedge fund betas back to recent lows, and even active investor positioning showing increased cash holdings and

becoming meaningfully more defensive, to judge from the likes of the [BAML survey](#). Aggregate fund inflows have fallen substantially, and high yield has suffered outflows: while it remains possible there is a self-reinforcing shift towards further outflows as contagion spreads from the growing number of private credit funds putting up gates,<sup>3</sup> the risk-reward on this front now feels more balanced.

## Explaining the rout in gold

The same reasoning applies even more strongly to the rout in gold – justifiable laments about the non-haven-like nature of a 27% peak-to-trough drop notwithstanding.<sup>4</sup>

### Substantial cuts in Shanghai futures

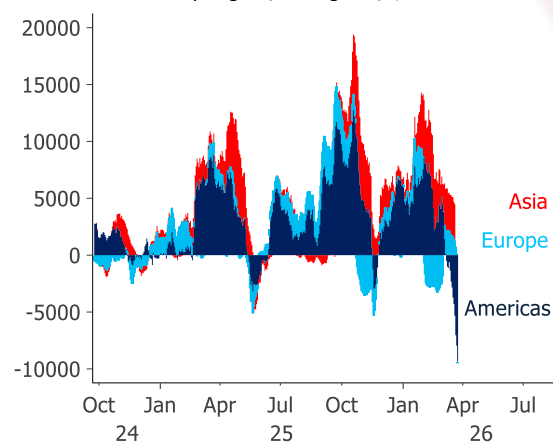
Gold contracts on SFE, number



Source: SHFE, LBMA, Satori Insights.

### The real selling was US ETFs

Gold ETF inflows by region, rolling 1m, \$m



Source: Bloomberg, Satori Insights.

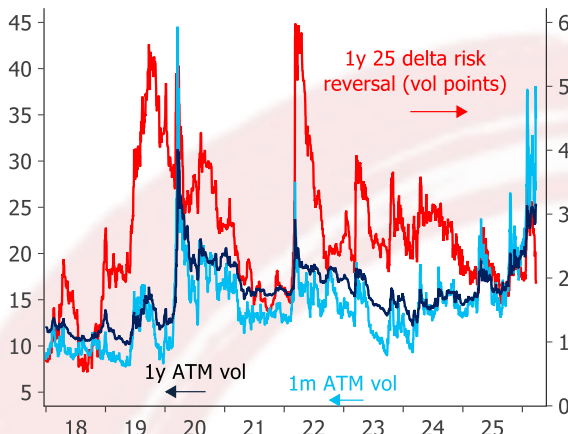
Unlike gold's prior corrections in October and late January, which had been driven by cuts in Shanghai futures, the recent plummet was instead dominated by ETF selling – and selling concentrated overwhelmingly on the US. Some have suggested this may have come from a need to lock in profits to meet margin calls elsewhere, but it seems just as likely that US retail investors previously active in crypto had migrated their longs into precious metals. Options positions – though never particularly large – have also been cut, and at this point the spike in gold vol seems outsized versus other asset classes, particularly FX.

<sup>3</sup> ["Apollo caps investor withdrawals from flagship private credit fund"](#), *FT*, 23 Mar. ["Ares limits withdrawals from \\$10.7bn private credit fund"](#), *FT*, 24 Mar.

<sup>4</sup> ["Gold's Safe-Haven Status Is Failing Its Biggest Test"](#), *Bloomberg*, 25 Mar.

**Vol higher, call buying not**

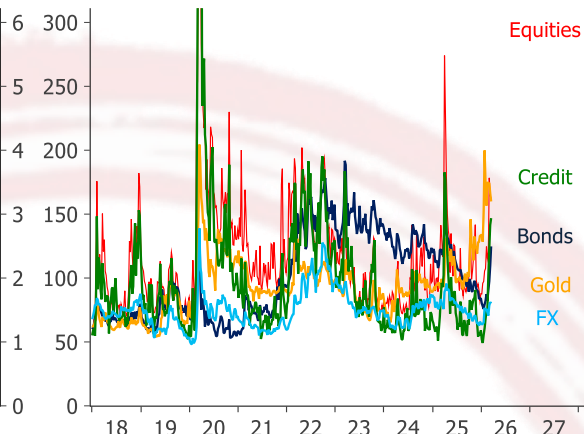
Gold options pricing vs volatility



Source: LBMA, Bloomberg, Satori Insights.

**FX vol has lagged remarkably**

Implied volatility indices, US, 2015=100

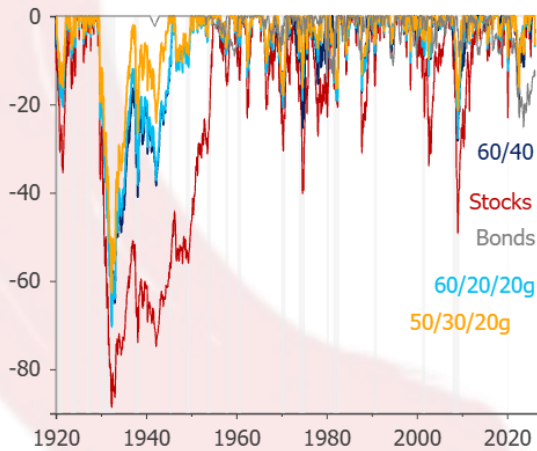


Source: CBoE VIX, Deutsche Bank FX, BoA MOVE, Satori Insights.

What the “failed haven” commentary misses is that gold’s attraction was never the ability to rally in every crisis. It was the ability to diversify when traditional assets are challenged. Even after this month’s rout, we suspect the growing doubts about both 60/40 portfolios<sup>5</sup> and alternatives such as private equity and private credit will drive investors to conclude their gold allocations are still far too low.

**More gold = milder drawdowns**

Drawdown from peak, monthly, 1920–Mar 2026 (%)



Rebalanced monthly. Stocks = US equity total return. Bonds = Shiller nominal bond TR. Gold at fixed price 1920–1933; revalued +69% Jan 1934; fixed \$35 until 1971. Shaded = NBER reces

**Gold improves risk-adjusted returns**

Summary statistics, comparable period 1920–March 2026

Portfolio	Ann. return	Ann. vol	Sharpe ratio	Max drawdown	Worst month
60/40	6.5%	10.8%	0.60	-69.9%	-18.4%
60/20/20g	6.8%	11.1%	0.61	-70.4%	-18.4%
<b>50/30/20g</b>	<b>6.6%</b>	<b>9.5%</b>	<b>0.69</b>	<b>-62.8%</b>	<b>-15.3%</b>
Stocks only	7.6%	17.9%	0.42	-88.7%	-30.7%
Bonds only	5.0%	5.3%	0.93	-25.2%	-8.3%

Stocks = US equity total return. Bonds = Shiller nominal bond total return. Rebalanced monthly. Source: Macrobond (Shiller, useqin0032, sp500\_mtbret, XAU/USD), Satori Insights.

**Careful re-entry**

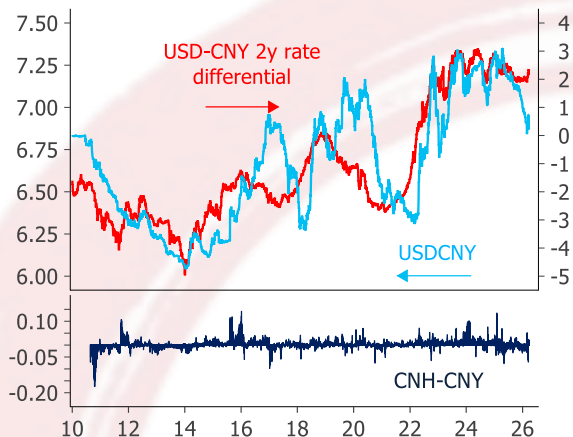
As such, our response to the volatility is not to obsess over the lagged economic impact but to hunt for opportunities to re-enter positions tried to the two big structural themes

<sup>5</sup> “2022 redux”, FT, 16 Mar.

that still dominate the decade: AI-driven deflationary disruption and the steady erosion of rule of law, especially in the US.<sup>6</sup>

**Suddenly \$ require a rate premium**

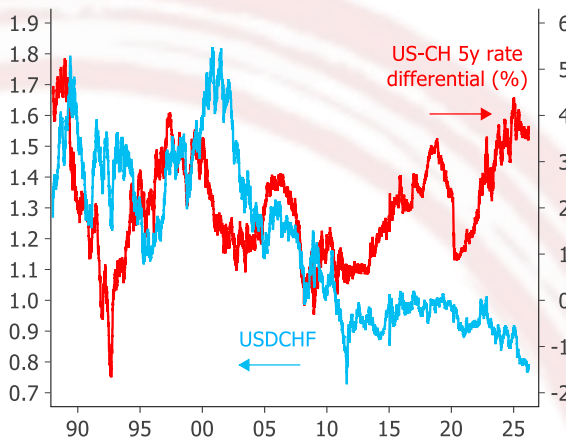
FX vs nominal rate differential and offshore yuan premium



Source: Macrobond, Satori Insights.

**CHF unwind has been minimal**

USCH 5y yield differential vs FX

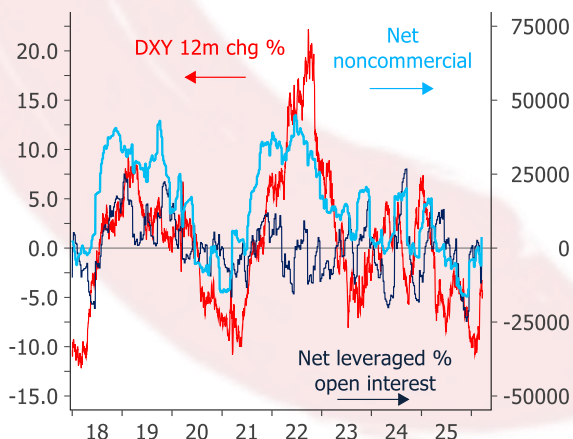


Source: Macrobond, Satori Insights.

Even as the immediate flight into \$ cash has *looked* like a reaffirmation of the US' safe-haven status, the medium-term signals say otherwise. The \$ has outperformed in the near term, but the structural trend toward underperformance vs RMB and CHF – relative to what interest rate differentials would suggest – has barely been dented. Against those two currencies, it is the US that now requires a rate premium. The deeper reasons investors have been drifting away from US fixed income (rampant deficits, poisonous politics, threats to rule of law) remain firmly in place.

**Expect these shorts to be resumed**

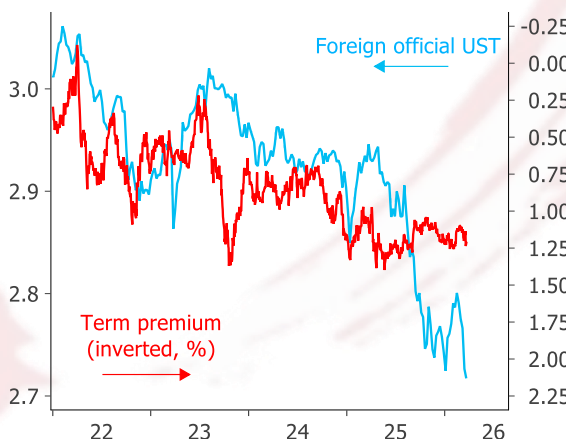
USD futures & options positions vs FX



Source: CFTC, Macrobond, Satori Insights.

**Foreigners selling again**

Foreign official UST holdings at Fed (\$tn) vs term premia



Source: Federal Reserve, NY Fed, Macrobond, Satori Insights.

<sup>6</sup> These permeate all our work but see in particular [Throwing bad money after good: Global markets outlook 2026](#), 13 Jan. [Scale and scalability](#), Jun25, and their associated webinars.

While we remain relatively unenthusiastic about outright long beta in risk assets – credit spreads are still near long-term tights and equity multiples remain elevated – this leaves \$ cash looking overbought, and gold and short-term rates looking oversold.

Every commander's first instinct at the onset of war is to pull back any force that looks exposed. In the chaos it can feel as though there is nowhere to hide. But in anything short of a clear-cut one-sided victory, diversification reasserts itself – and positions that temporarily felt untenable often start to look attractive again.