CAP Focus

Cross Asset Allocation

6 March 2026

Market Theme : Three-in-One Crisis (pp.3-4)

The Three-in-One crisis is still only a potential scenario. In this article we have attempted to sketch out the crisis dynamics along all three tracks: the Iran war and energy prices, private credit, and AI casualties. These cannot, of course, be viewed in isolation. A lack of rate cuts due to higher (energy-driven) inflation could contribute to the development of a private credit crisis, while an AI-casualty-driven downturn could be amplified by reduced funding availability in private credit. In any case, 2026 appears to have begun with a higher degree of investor anxiety than we have seen for some time. The bear may have woken up – and grabbed the equity bull by the horns. Time will tell.

Equity Market Themes, Performance & CAP Weightings (p.5)

A typical Danish 60/40 portfolio has dropped by -0.3% over the past month. CAP's overweight positions in European equities (OW) and, in particular, Danish equities are currently being challenged by the prevailing crisis sentiment, which we try to articulate in the thematic article. Among our overweight recommendations, Hedge (FI/FX) (OW) and Low Vol (OW) have performed best over the past month across all our factor and asset classes, while underweights in US stocks & Growth (LT Growth) has continued to underperform (the 60/40 portfolio). Our underweights in Value stocks & the US Dollar are currently causing a bit of pain.

Return Charts 12 mth: Cross-Asset Group & Theme Performance (pp.6-10)

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Market Theme. In Brief

Three-In-One Crisis

Three-in-One crisis

Over the past month, financial markets have focused on three potential crises that could prove decisive for investors across asset classes in 2026. Investor anxiety – visible in bond and equity volatility – has been on an upward trend since late January 2026, with one of the three potential crises constantly feeding the market with fresh concerns. In this thematic note, we outline how each of the three potential crises could materialise, and how we expect them to show up in financial markets.

The Iran war is fuelling the cost-of-living crisis

The first crisis is a consequence of the current US/Israeli war in Iran. Geopolitical crises almost seem to have become part of the everyday backdrop when we look at how financial markets have reacted to, for example, the war in Ukraine, conflicts and wars in the Middle East, and the US trade war with the rest of the world. The reason is, of course, that none of these – so far – has triggered an inflation shock like the post-Covid episode, nor a full-blown economic crisis in, say, the US. The big question is therefore whether the US war with Iran can generate a macroeconomic response strong enough to provoke a serious market reaction.

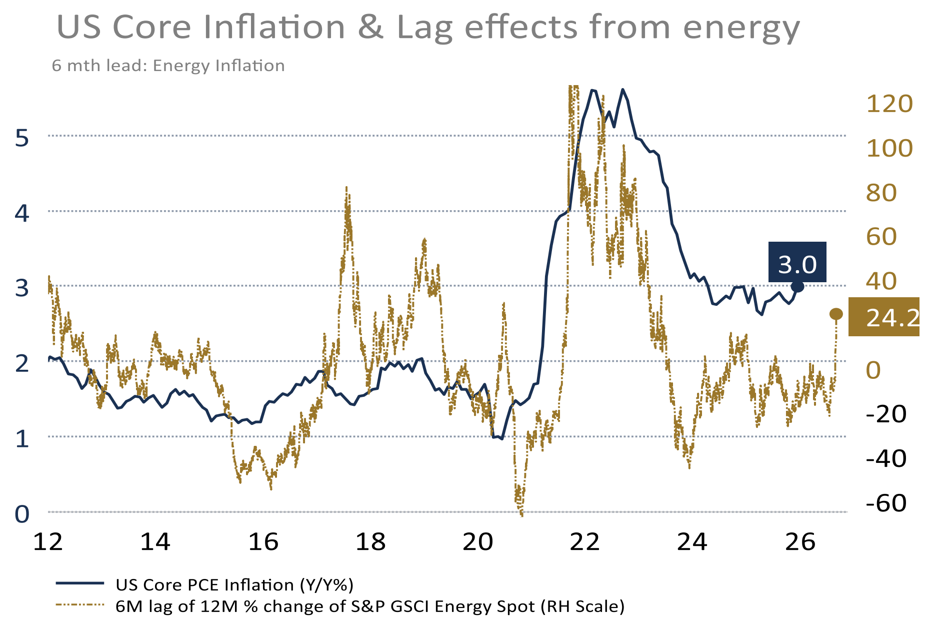
So far, the war in Iran has pushed energy prices – both natural gas and oil – sharply higher. Oil is up 35%, and European natural gas prices briefly touched +50% before settling at around +25% since late February. As the US is more than self-sufficient in fossil energy, it is European and EM equity markets that – over the last week - have been hit harder than the S&P 500 (see **p.5**). The risk that the Strait of Hormuz becomes unavailable for energy shipments for an extended period is now a genuine concern. The oil price has already breached 100 USD, and there is a clear sense that the oil price shock could easily spill over to other parts of the global economy. The relatively muted market reaction in the US, however, suggests that the war is still viewed as short-lived.

But removing uncertainty around shipping lanes through the Strait of Hormuz will not necessarily be straightforward. And if it takes months rather than weeks to restore security, elevated gas and oil prices will feed through into, among other things, core inflation, with an estimated lag of around six months (see **FIG 1**). In that scenario, US core inflation is unlikely to fall below the roughly 3% year-on-year rate that has formed the recent "floor" for inflation. Bond yields are therefore also unlikely to decline meaningfully. CAP has in recent months effectively stopped believing in a significant fall in yields https://c-a-p.dk/cross-asset-allocation-strong-demand-for-long-bonds-should-we-follow/. And the Iran war has certainly not made that view any easier to challenge
So even though the US at first glance appears to be less affected by the energy price shock, CAP believes that a prolonged period of higher energy prices would imply that US Treasury yields – for example the 10-year note – are more likely to trade in a 4–5% range than 3–4%. On top of that, higher energy prices are feeding directly into living costs, which many in the US and the West already perceive as the core of the crisis.

Private credit as a hidden fault line

The second potential crisis relates to market conditions in the asset class private credit. The sector has become significant both as a source of lending and as a client of global universal banks. Total lending generated by US private lending is estimated at 1.3–2 trillion USD, broadly comparable in size to the US high-yield bond market, though still modest relative to total US bank lending, which, according to the Federal Reserve, stood at 13.4 trillion USD in January 2026. That said, developments in recent weeks show that financial markets are acutely aware that a crisis in the private credit sector may be brewing. (Continued **p4**)

FIG 1



Source: LSEG Datastream, C.A.P

FIG 2

	Today	-1m	-3m
Blue Owl Capital	9.89	12.27	16
		-19.4%	-38.2%
US Banks (S&P, USD)	6.24	7.07	6.59
% chg.		-11.7%	-5.3%
US High Yield spread to Gov	320	297	309
Bps. Chg.		23.0	11.0
EU High Yield Spread to Gov	345	318	326
Bps. Chg.		27.0	19.0

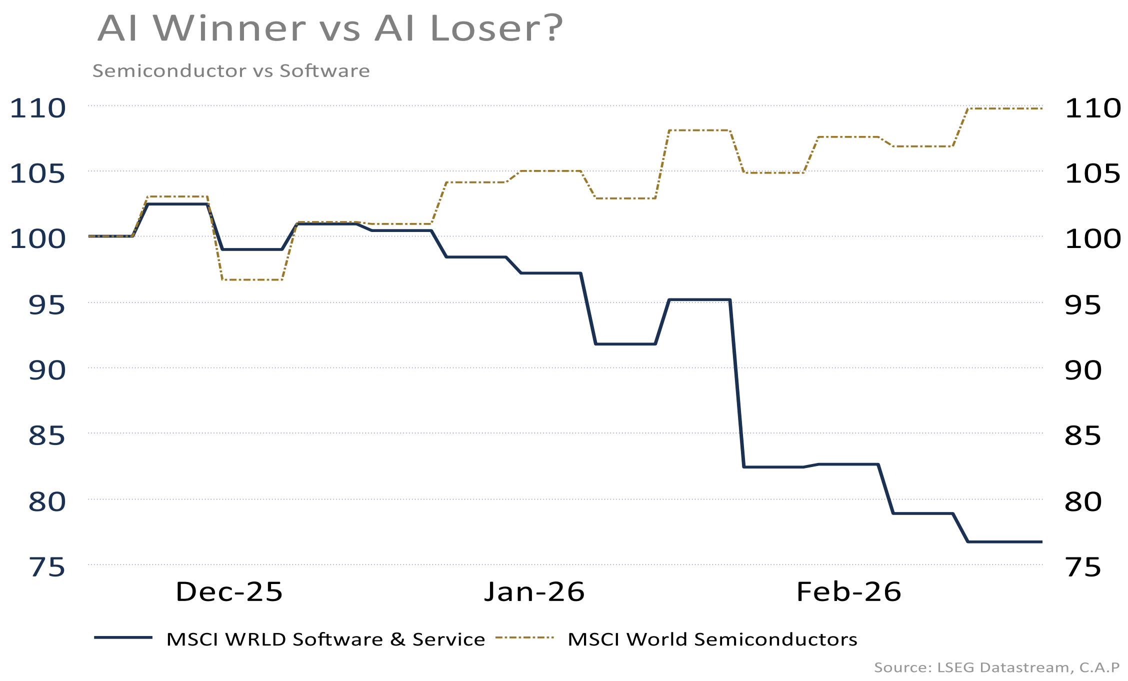
Market Theme. In Brief

Three-In-One Crisis

Blue Owl Capital – a major player in the segment – was the first to show signs of stress. In February, the company told the market it was selling assets – i.e. part of its loan book – to raise liquidity. The move was interpreted as a sign of a liquidity shortage, and the share price fell sharply. Over three months, the stock is down 38%, with a 19% drop in just the past month (see **FIG 2**, p.3). The genie is now out of the bottle. BlackRock has just announced that it is imposing a 5% cap on quarterly redemptions from the 26 billion USD HPS Corporate Lending Fund, after investors sought to redeem more than 10% of the fund. The obvious question is whether a mini-financial crisis is taking shape?
Most experienced investors recall the Global Financial Crisis with a shudder. Sub-prime mortgages – which represented only a small share of total US home loans – triggered a cascade of problems, prompting banks and investors to scour the system for the next potential victim. Bear Stearns was the first major institution to hit the wall, already in 2007, more than a year before the crisis fully erupted, and ultimately went into liquidation. Jamie Dimon, arguably the world's most important bank chief, has repeatedly voiced concerns about the private credit market, describing it as opaque, "explosively" grown, and untested on the downside. Both bank lending to private credit funds and the near-certainty that some "bad" loans have been made are reasons why Dimon – and CAP – are nervous. Investors like CAP have no direct exposure to the market, but the sheer scale of this alternative credit channel is worrying. US bank shares have dropped 7–8% in recent weeks, while high-yield credit spreads in both the US and Europe have widened modestly (see **FIG 2**, p. 3). This may be an early warning sign of more serious concerns to come.

AI casualties and labour market risks
The third emerging source of concern in recent weeks is the theme of "AI casualties". The logic is straightforward: if the rollout of AI proceeds as rapidly as the share price performance of AI-related equities – notably Nvidia – would suggest, then white-collar jobs will inevitably be lost. At the industry level, software producers have been singled out as a potential "casualty" (see **FIG 3).** According to this line of thinking, there will, unlike in the past, be less need for software engineers and the companies that employ them. AI will, figuratively speaking, replace them in much the same way that email replaced postal workers. Two weeks ago, CAP initiated a new overweight investment, which we call "Resilient Software" https://c-a-p.dk/software-an-ai-casualty-identified-but-not-yet-proven/
We have done so because the Software & Services sector is down roughly 25% year-to-date, while semiconductors are up about 10% (see **FIG 3**). We expect, among other things, that software producers will be among the first to benefit materially from AI through lower development costs in the near term (2026/27). So far, financial markets have viewed AI positively because of the capital expenditure it has driven among the so-called hyperscalers. A full-blown AI crisis for the global economy and equity markets cannot, however, be ruled out as a sequel to the recent AI euphoria. Such a crisis would emerge if the "AI casualties" narrative spreads beyond software producers – for example, if companies more broadly slow or freeze new white-collar hiring (February's US jobs report was not encouraging on that front), or if overall AI investment falls back because of over-investment or tighter regulation as local communities push back against data centres' massive energy and water consumption.

FIG 3



Three-in-One: has the equity bear woken up?
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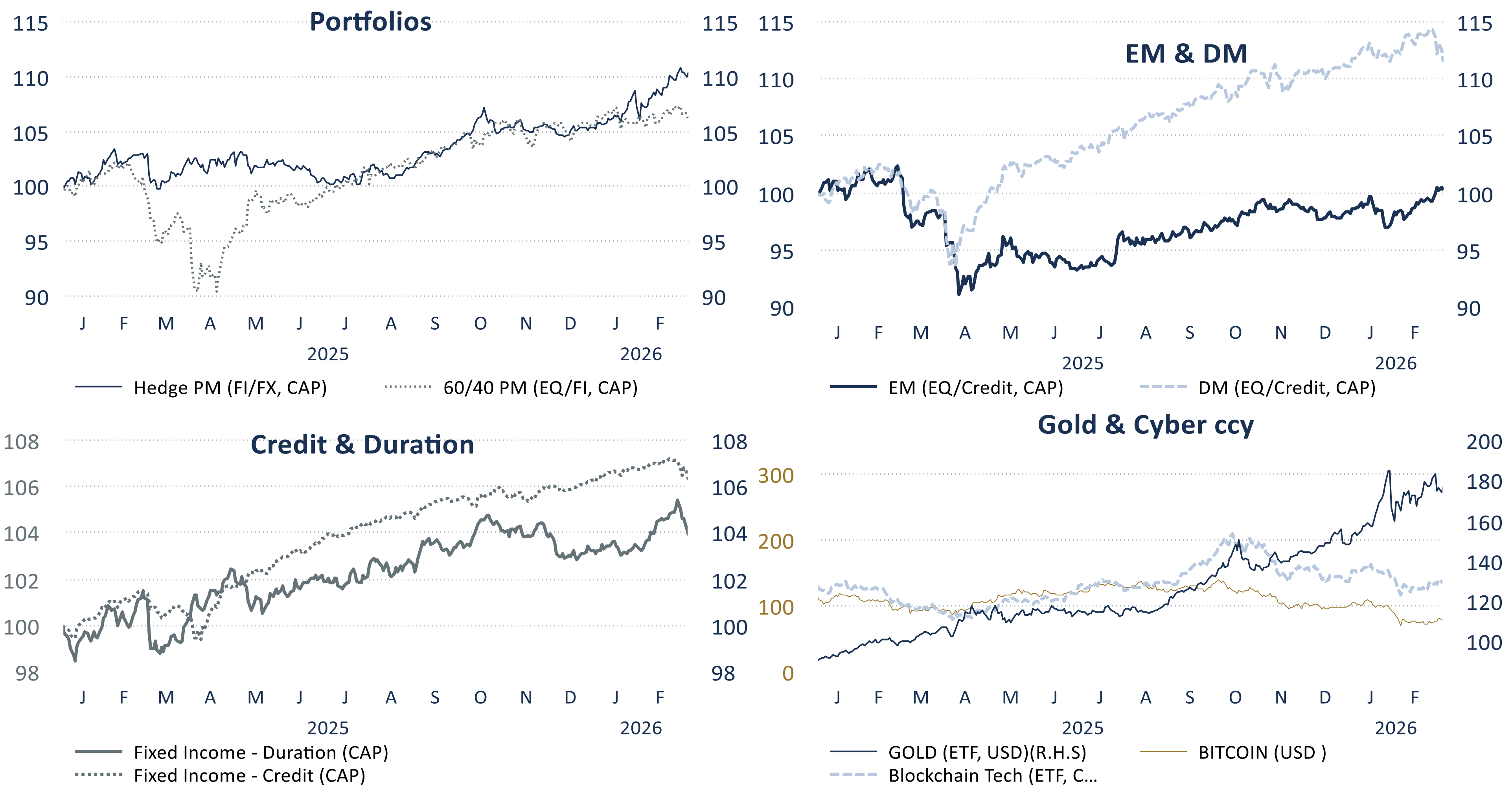
Market Themes, Performance & CAP weightings

Investment Styles & Themes	-1w	-1m	-3m	YTD	-12m	CAP Position
Hedge (FI/FX, CAP)	0.1%	2.8%	4.9%	4.8%	10.1%	Overweight
Low Vol (EQ, CAP)	-1.0%	2.4%	5.2%	5.3%	3.5%	Overweight
EMD	0.9%	2.0%	1.6%	1.9%	2.1%	Neutral
Emerging Markets (EUR) (EQ)	-5.0%	1.7%	9.3%	8.5%	27.3%	Neutral
US Dollar	1.7%	1.7%	0.2%	1.1%	-7.2%	Underweight
MSCI World Equal Weight (EUR	-2.5%	0.3%	3.5%	3.3%	10.4%	Overweight
Duration (FI, CAP)	-1.4%	0.2%	0.3%	0.7%	4.9%	Neutral
LT Growth (EQ, CAP)	-0.63%	0.0%	-3.1%	-1.8%	13.1%	Underweight
60/40 (EQ & FI(DK), CAP)	**-1.0%**	**-0.3%**	**0.1%**	**0.5%**	**9.2%**	
Globale Aktier (EUR)	-1.3%	-0.5%	0.6%	1.1%	12.3%	Underweight
IG Credit (Euroz)	-1.1%	-0.6%	0.2%	0.2%	3.8%	Overweight
USA (EQ, EUR)	-0.1%	-0.6%	-1.0%	0.1%	11.1%	
HY Credit (Global)	-0.9%	-0.7%	-0.1%	-0.4%	4.2%	Neutral
Value (EQ, CAP)	-3.9%	-2.1%	8.6%	6.9%	26.6%	Overweight
USA (EQ, USD)	-2.0%	-2.6%	-1.6%	-1.3%	19.0%	Underweight
Europe (EQ, EUR)	-5.5%	-2.8%	3.7%	1.3%	11.2%	Overweight
Danske Aktier	-2.6%	-6.2%	-2.5%	-4.7%	1.3%	Overweight

Source: C.A.P

Investment Segments – 12 mth. Total Return

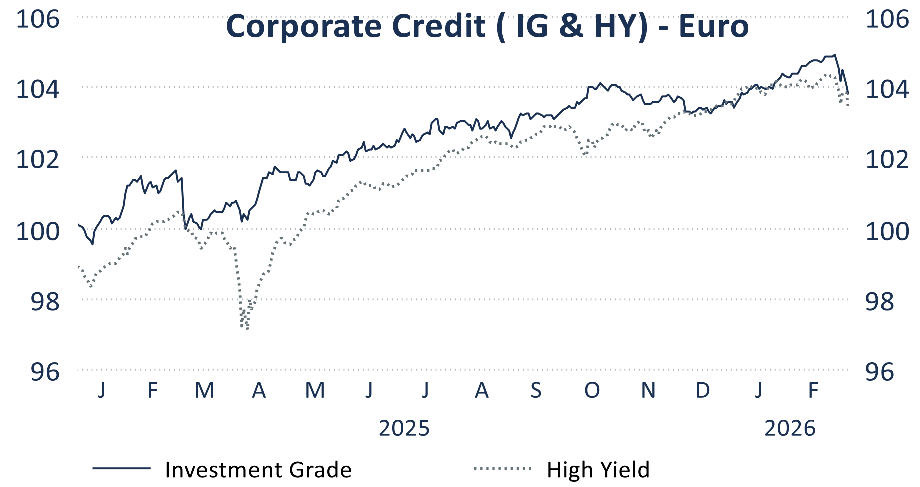
Cross Assets. Portfolios & Segments

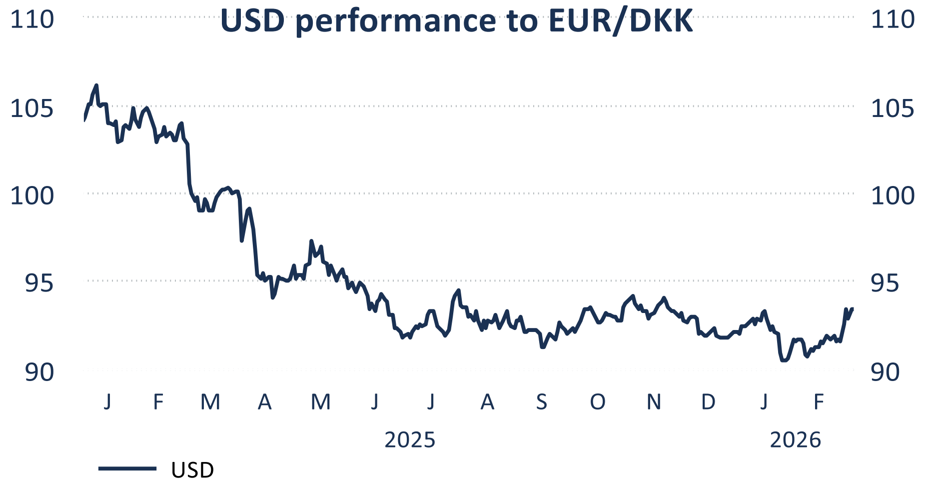


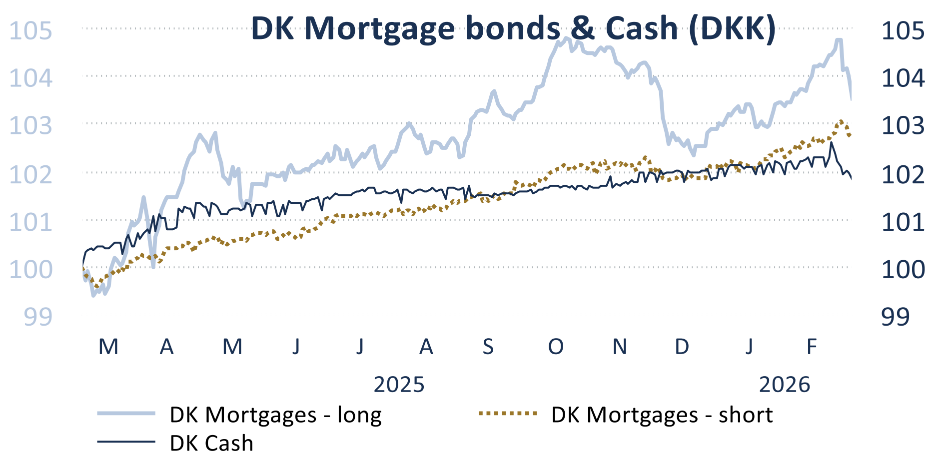
Source: LSEG Datastream, C.A.P

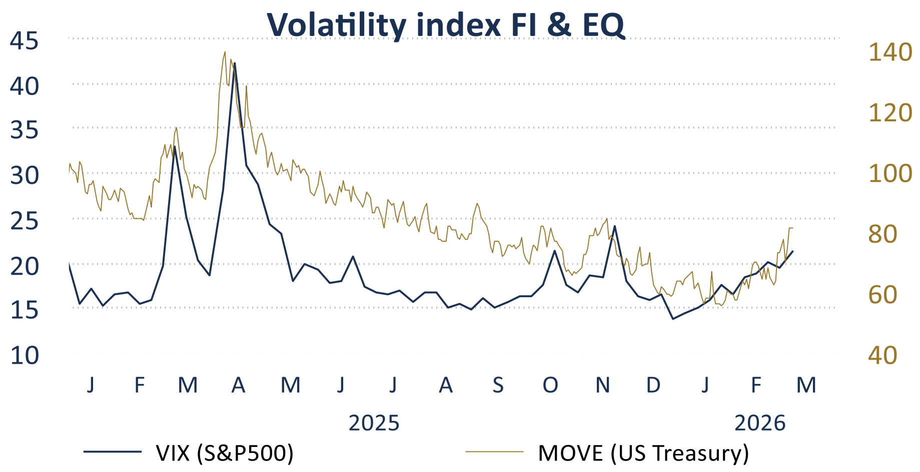
Credit, USD & Vol – 12 mth. Total Return & Performance

Cross Assets. Credit, Mortgages, USD and Vol





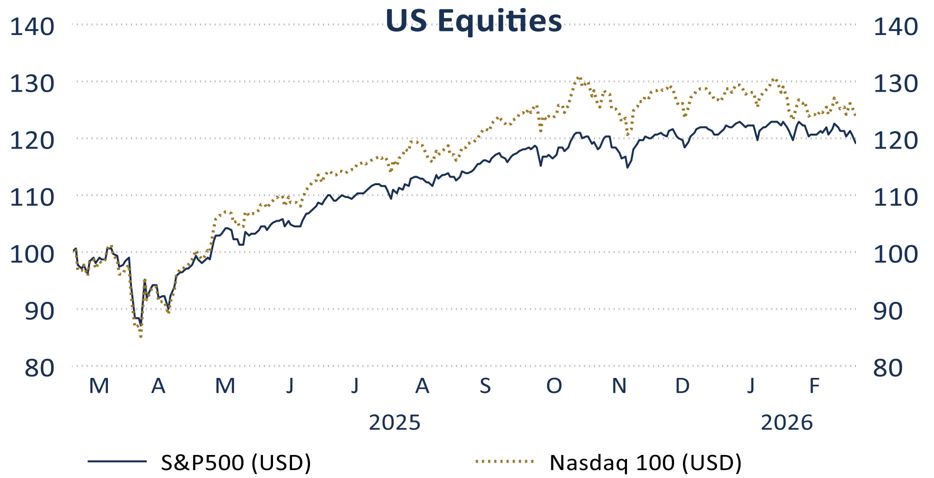


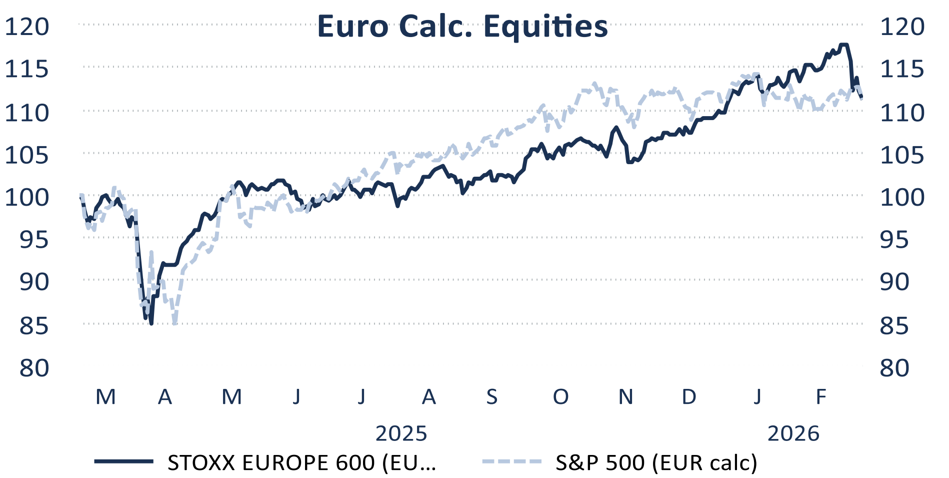


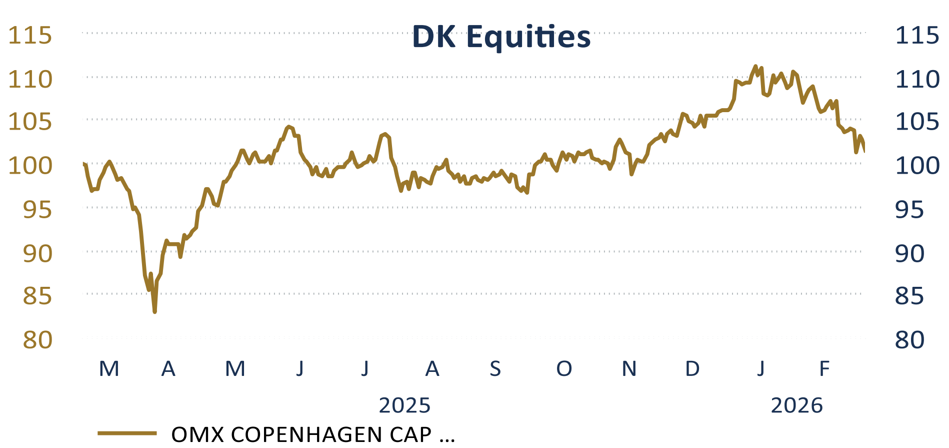
Source: LSEG Datastream, C.A.P

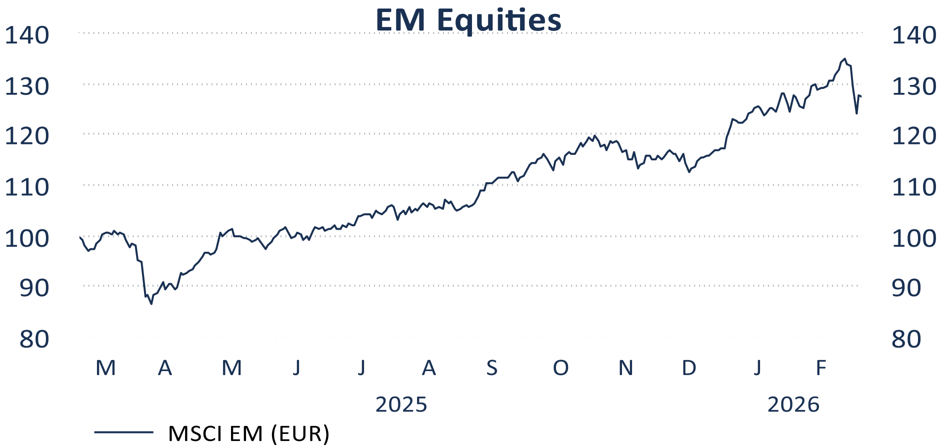
Equity Markets – 12 mth. Total Return

Cross Assets. Equity Markets





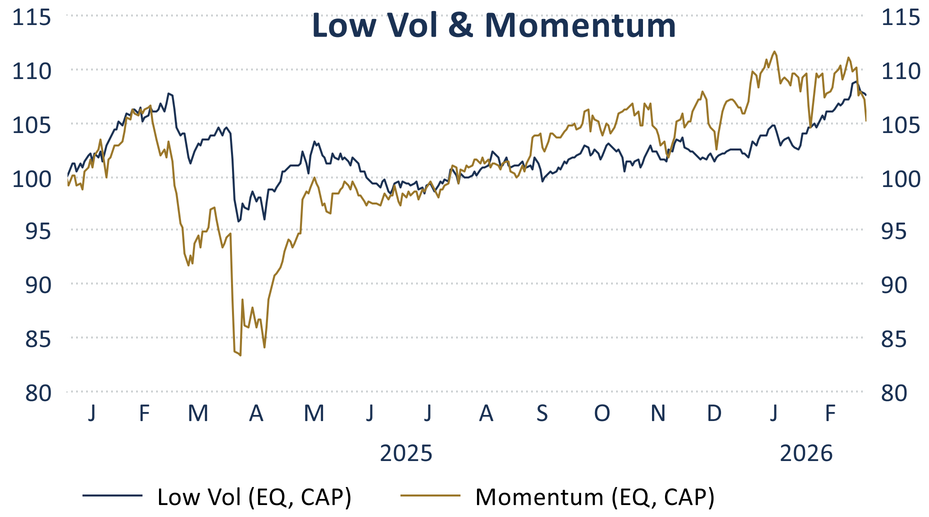


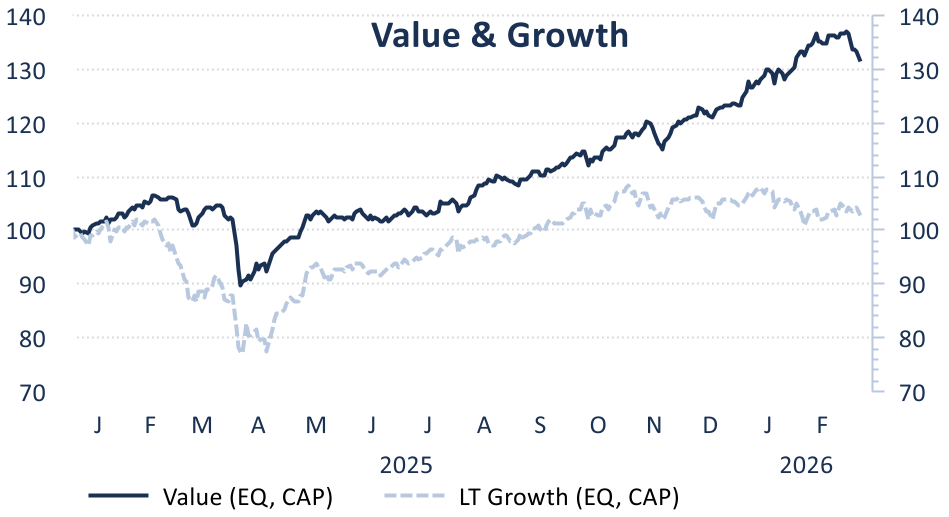


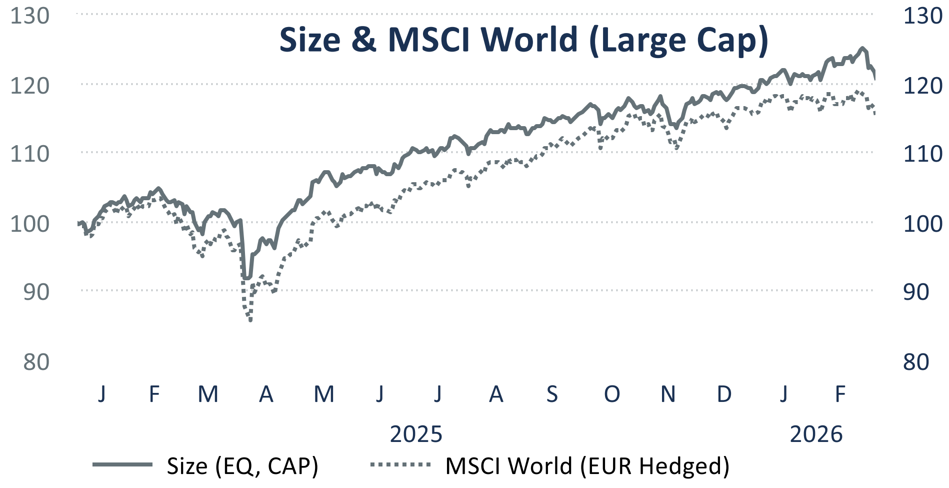
Source: LSEG Datastream, C.A.P

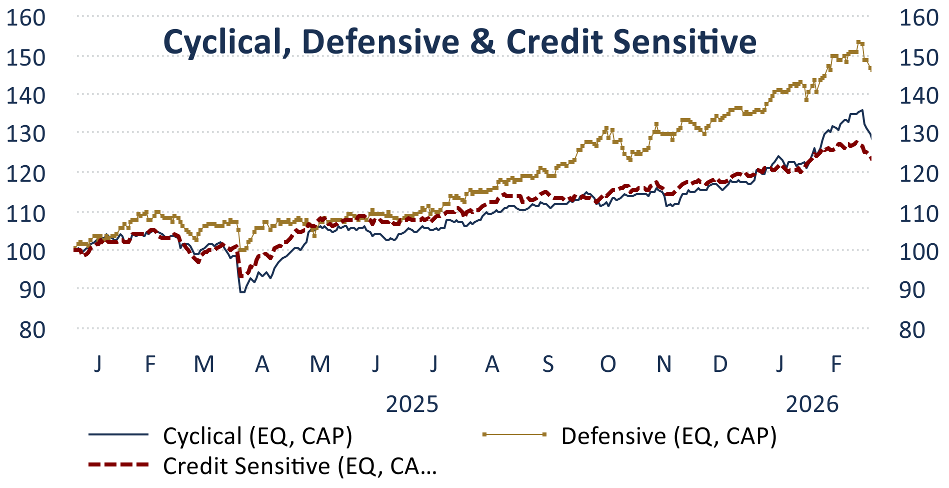
Equity Investment Styles – 12 mht. Total Return

Equities. Style & Macro Factors





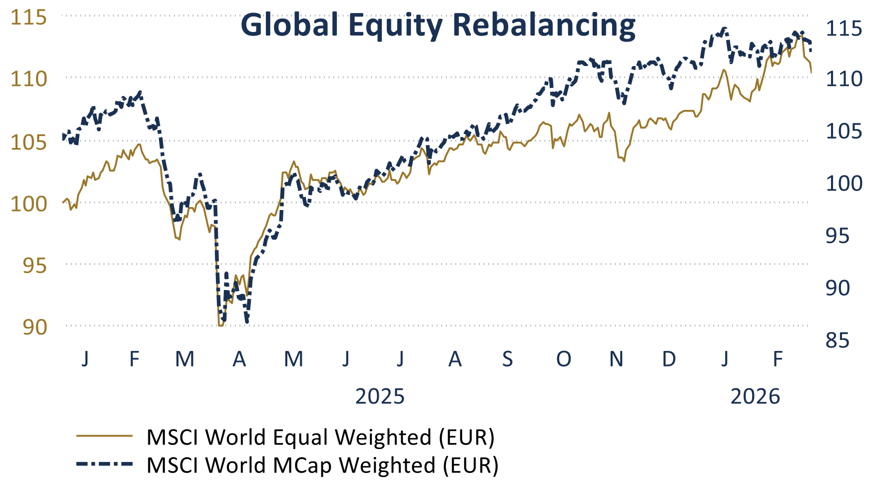




Source: LSEG Datastream, C.A.P

Equity Investment Styles – 12 mht. Total Return - 2 -

Equities. Style & Macro Factors



Source: LSEG Datastream, C.A.P

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