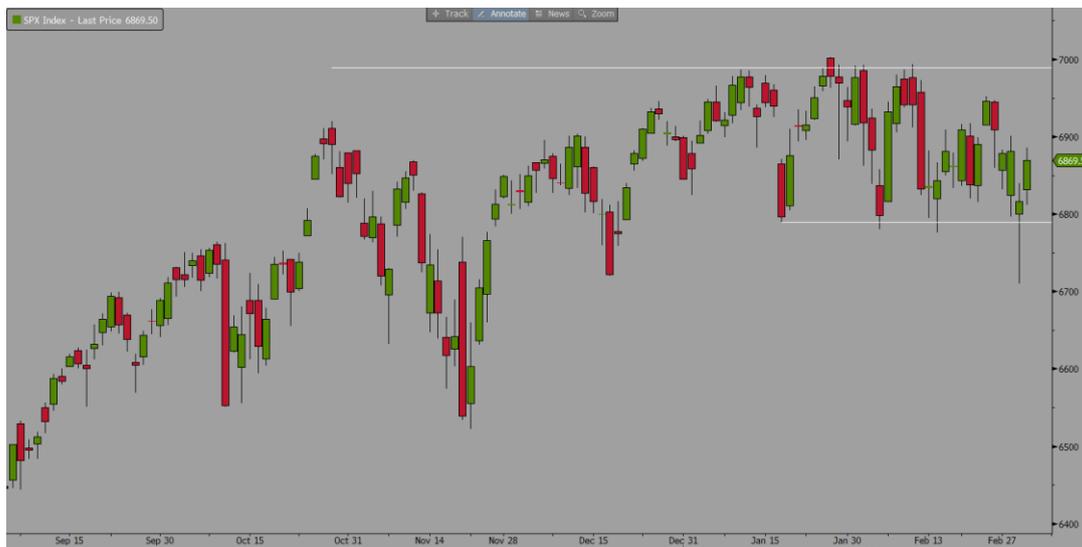




Middle East Conflict Pushes Investors Towards Non-Cyclical Safe Havens

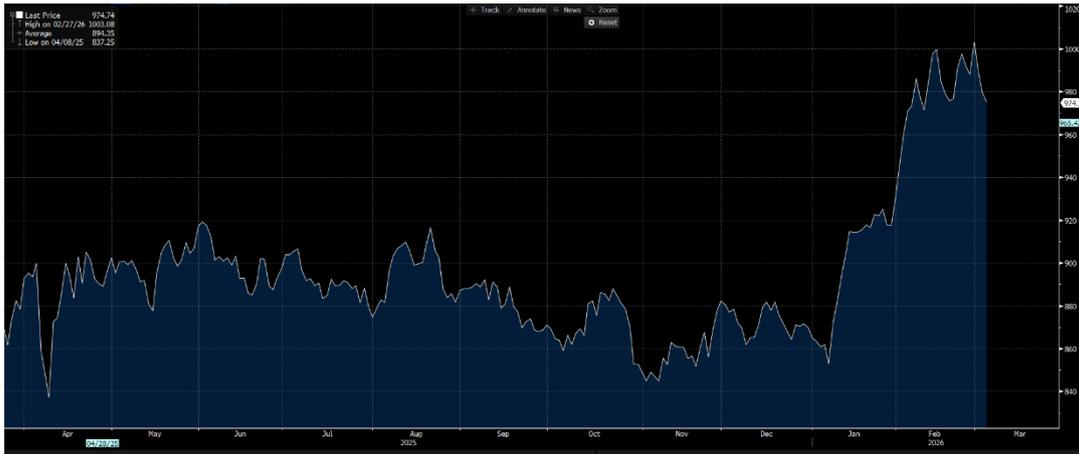
The escalating conflict in the Middle East has unsettled global markets, driving bouts of equity and bond selling, a flight to safe-haven assets such as precious metals, and a sharp rally in gas and energy prices.

Yet at first glance, the S&P 500 appears calm. The index has remained broadly rangebound year-to-date and is up just 0.16%.



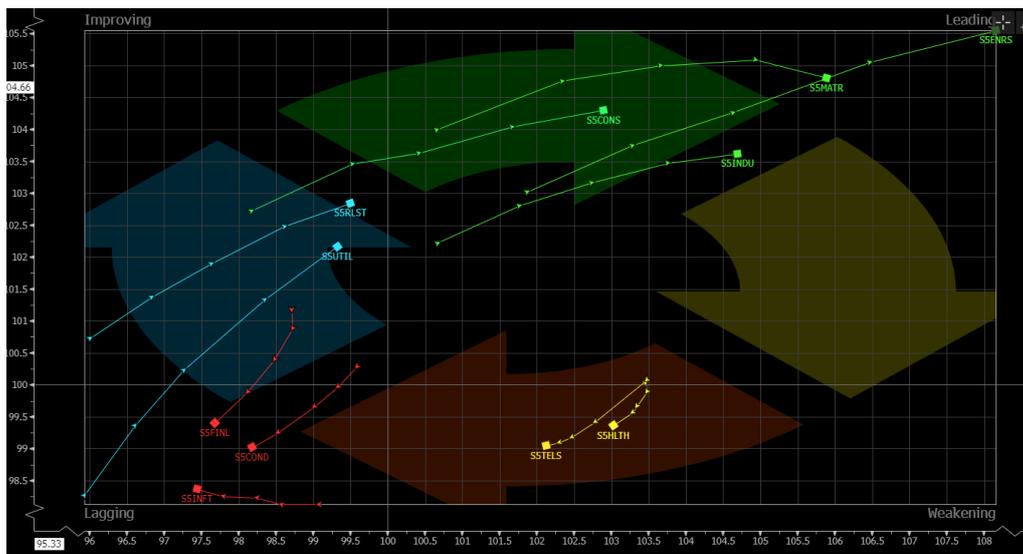
Source: Bloomberg – S&P 500 – as of 5th March 2026

Nevertheless, the S&P 500 Consumer Staples Sector has gained 12.88% YTD, materially outperforming the broader market. That divergence is unlikely to be coincidental. It suggests a clear defensive rotation underway.



Source: Bloomberg - S&P 500 Consumer Staples Sector GICS Level 1 Index – as of 5th March 2026

During moments of heightened volatility, pension funds and long-only asset managers do not necessarily move to cash: instead, they rotate. Capital typically shifts away from cyclical sectors such as consumer discretionary, financials and technology, and into non-cyclical areas like food, beverages and household goods, segments with more stable, inelastic demand profiles.



Source: Bloomberg – as of 5th March 2026

Relative Rotation Graph analysis reinforces this view. Consumer staples have moved into the leading quadrant, alongside energy and materials, both supported by rising fuel and commodity prices. Meanwhile, consumer discretionary, financials and information technology have slipped into lagging territory.

Headline indices may look rangebound considering the geopolitical tensions, but sector positioning tells a more cautious story. The market is quietly repositioning for uncertainty. Such defensive rotation often precedes further volatility bouts.

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Sources:

FIS, Bloomberg

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