

DANTES OUTLOOK

On Air with CNBC Arabia

Kuwait Main Index 7890.080
Euronext 100 1767.97
Euro/\$ 1.1506

CNBC العربية

السي	(-0.74%) 0.90 ▲ 123.36	التوي	(-0.15%) 0.04 ▼ 27.06	أرامكو	(2.25%) 0.19 ▲ 8.62
البنك التطري	(-1.85%) 0.08 ▼ 4.20	الملاحة	(-4.52%) 0.48 ▼ 10.15	مطرف للنفود	(-1.92%) 0.28 ▼ 14.30

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CNBC Arabia: Joining us is Damanick Dantes, founder of Dantes Outlook. Welcome, Damanick.

It seems that today things are not going as planned for Wall Street. There have been strikes on energy facilities in Iran, along with threats that Iran will retaliate by targeting energy facilities in the region. We also had PPI inflation data—producer prices—that surprised everyone last month, even before the war. In your view, will the optimism we saw over the past two days come to an end today?

Damanick: Good evening, and thank you for having me. First, we express our solidarity with all the people of the Middle East—these are difficult times.

Yes, today we are seeing a pause after strong optimism in the past couple of days in the markets. The reason behind that optimism was the reopening of the pipeline between Iraq and the Mediterranean. However, this only represents about 250,000 barrels per day, which is just a drop in the ocean compared to the millions of barrels that pass through the Strait of Hormuz.

Of course, geopolitical risks—and the associated risk premium—are impacting the markets. Several factors are influencing sentiment, which is currently negative. We're also looking at fund manager surveys, which show that cash levels have increased.

Many fund managers have sold higher-risk assets and are holding liquidity. Today, we are at lower cash levels than the 2022 sell-off, which suggests the market drop may be experiencing a mild pause—but the war is ongoing.

Significant developments in the conflict would require a higher risk premium.

Table 1: March FMS bearish...but positioning data not at uber-bear levels of prior big lows
BofA Trading Rules & Tools in Mar'26 vs. at Big Lows of past 15 years

	Today	Liberation Day Apr'25	Russia- Ukraine Feb/Mar'22	COVID Mar'20	US debt downgrade Aug'11
BofA Global FMS Cash Rule	4.3%	4.8%	5.9%	5.9%	5.2%
BofA FMS Equity Allocation	37%	-17%	4%	-27%	-7%
BofA Global Flow Trading Rule	-0.1%	-1.7%	-1.4%	-4.2%	-3.0%
BofA Global Breadth Rule	7%	-77%	-71%	-100%	-100%
BofA Bull & Bear Indicator	8.5	3.4	1.8	0.0	0.0

Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

We are also entering a season typically associated with lower volatility for assets, and while this seasonal adjustment will have some impact, it will be minor compared to the war we are experiencing. We are likely to see a defensive shift in markets.

CNBC Arabia: Since we are discussing the war and rising energy prices pushing oil higher, there is a U.S. push to release oil from the strategic reserve and increase production. To what extent could energy companies on Wall Street be among the biggest beneficiaries of this crisis?

Damanick: Yes, especially if oil remains above \$60 per barrel—and particularly above \$70—(above breakevens) this is positive for oil companies, especially in North America where production has remained robust. However, this is still not enough to conclude that production will significantly increase. We need to wait and see.

Energy stocks have outperformed other sectors. We have taken positions in value stocks tied to the economic late-cycle, including energy. This has worked well. As you mentioned, the Bank of Canada held rates steady, and other central banks in cyclical economies may do the same. However, some central banks might also consider raising rates to combat inflation.

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So yes, energy companies may benefit, but there are also other concerns.

Looking at the Middle East, it is a key region for us, with many clients and colleagues there. Historically, during conflicts in the region, we've seen market booms and busts—particularly in Saudi and UAE markets.

The Saudi market tends to be more sensitive to oil gains, while the UAE market is more sensitive to geopolitical risks.

Investors in the region are now trying to diversify their portfolios, increasing exposure to other asset classes beyond equities. This represents a significant shift aimed at hedging geopolitical risks and protecting against potential domestic economic impacts.

CNBC Arabia: You mentioned earlier the idea of “capitulation” among investors. What indicators on Wall Street might signal that we've reached that stage? Are there specific metrics you're watching?

Damanick: Yes, as you described, what concerns me is the decline in momentum. On the monthly chart, we see momentum trending downward—even if still positive, it is limiting gains. The 200-day moving average remains supportive, and we had been in an uptrend.

The recent sell-off is linked to geopolitical tensions and is likely short-term. However, I want to be cautious in labeling the situation. If we fail to hold above the 200-day moving average, that would be an early signal of increasing risk—but not necessarily a long-term trend change, more of a short-term adjustment.



Another area of concern is the credit market, particularly tied to the sell-off in software stocks.

If we look at the CDS indices, they have moved above their 200-day moving average while the S&P 500 is still holding its 200-day moving average.

When credit default swaps rise like this, we typically see declines in equity markets.

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