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## INVESTMENT MANAGEMENT

### Economic and Market Review March 2026

March 31, 2026

Equity Indices	Index Level	YTD Return
Dow Jones	46,577.61	-3.73%
S&P500	6,596.73	-3.82%
NASDAQ	21,944.66	-5.56%
Developed World Ex-US	11,049.35	1.71%
MSCI-Emerging	789.51	3.00%

Bonds (Yield)		
2yr Treasury	3.85%	36.50%
10yr Treasury	4.33%	15.60%
10yr Municipal	3.03%	0.26%
US Prime Rate	6.75%	

Commodities	Price	YTD Return
Gold	4,680.30	7.98%
Silver	73.78%	2.08%
Crude Oil (WTI)	113.54	97.68%
Natural Gas (NYMEX)	2.824	-24.04%

Currencies	Index Level	YTD Return
Dollar Index (DXY)	99.99	1.69%

#### Overview

March 2026 delivered the sharpest monthly selloff since September 2022. The S&P 500 lost 4.98%, the Dow fell a comparable amount, and the NASDAQ dropped 4.76%. The catalyst was clear: the US-Israeli military campaign against Iran, launched on February 28, escalated through the first three weeks of March, closing the Strait of Hormuz and triggering the largest monthly oil price surge since the 1970s.



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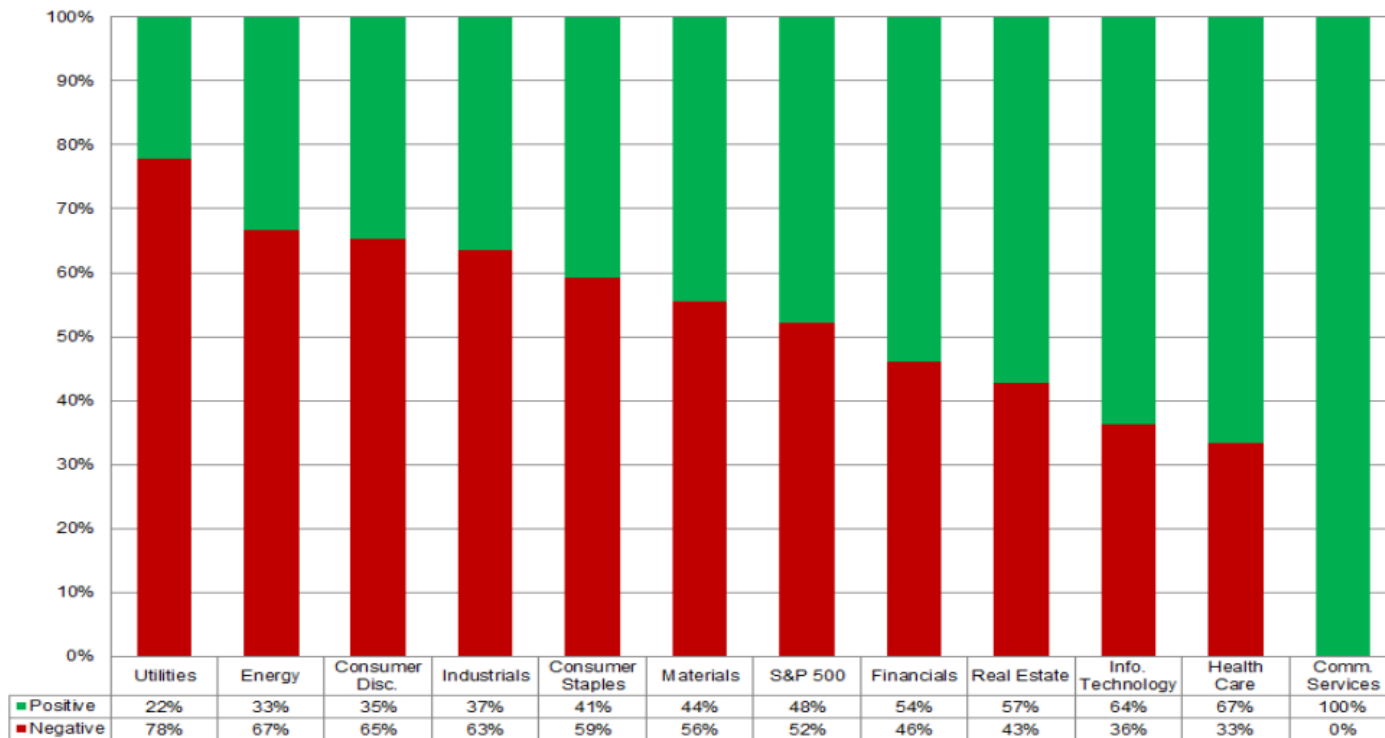
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Price Return



SeekingAlpha

Brent crude posted a 63% monthly gain, its strongest since the 1970s. WTI rose 51%. Treasury yields climbed sharply as investors repriced inflation expectations; the 2-year yield rose 42 basis points to 3.79%, and the 10-year rose 38 basis points to 4.32%. Gold and silver, typically havens during geopolitical stress, fell 11.6% and 19.9% respectively as central banks liquidated reserves to manage the energy shock and margin calls cascaded through leveraged positions.

**Percentage (%) of S&P 500 Cos. with FY Positive & Negative Guidance**  
(Source: FactSet)

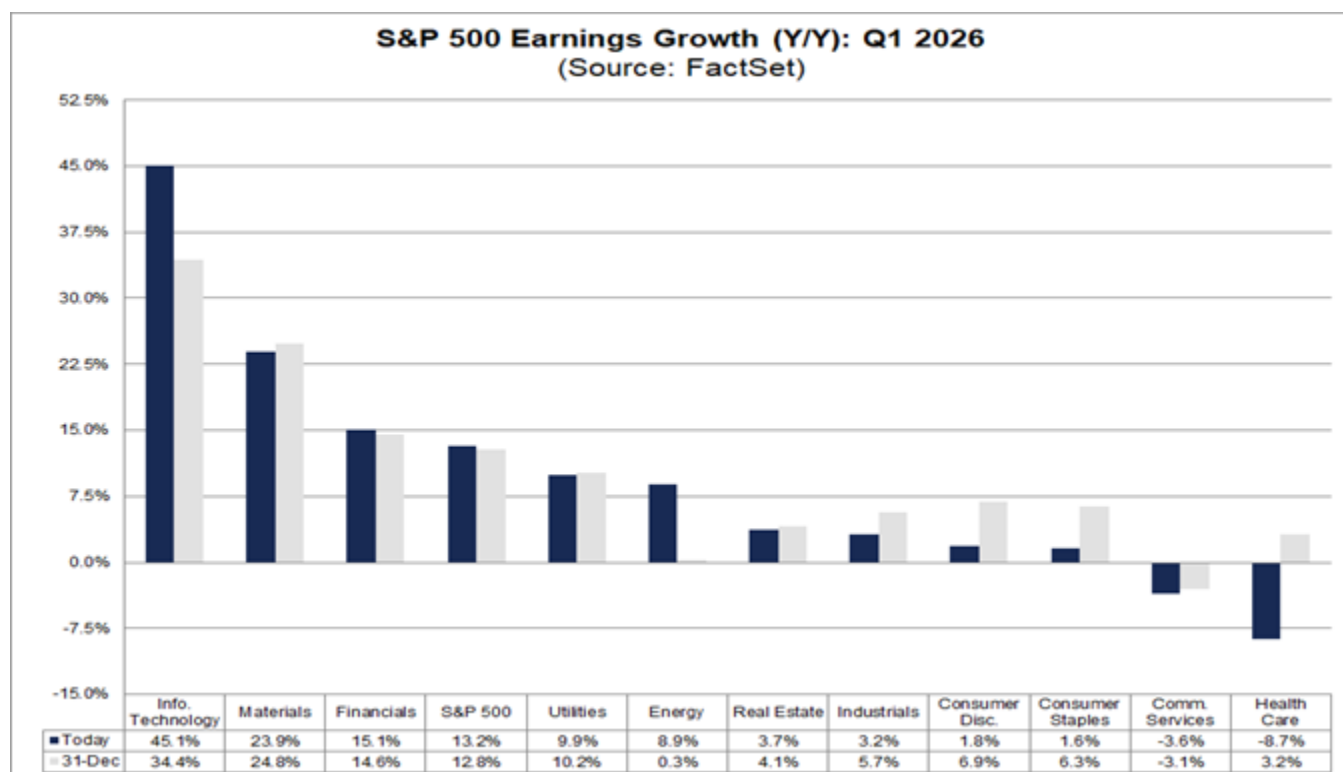


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Corporate fundamentals remained supportive heading into Q1 earnings season. FactSet consensus forecasts called for 13% year-over-year S&P 500 EPS growth, the sixth consecutive quarter of double-digit growth. Nine of eleven sectors were expected to report earnings growth, and all eleven were expected to report revenue growth. The forward 12-month P/E ratio sat near 19.9x, in line with the five-year average.



## The Oil Shock and Its Ripple Effects

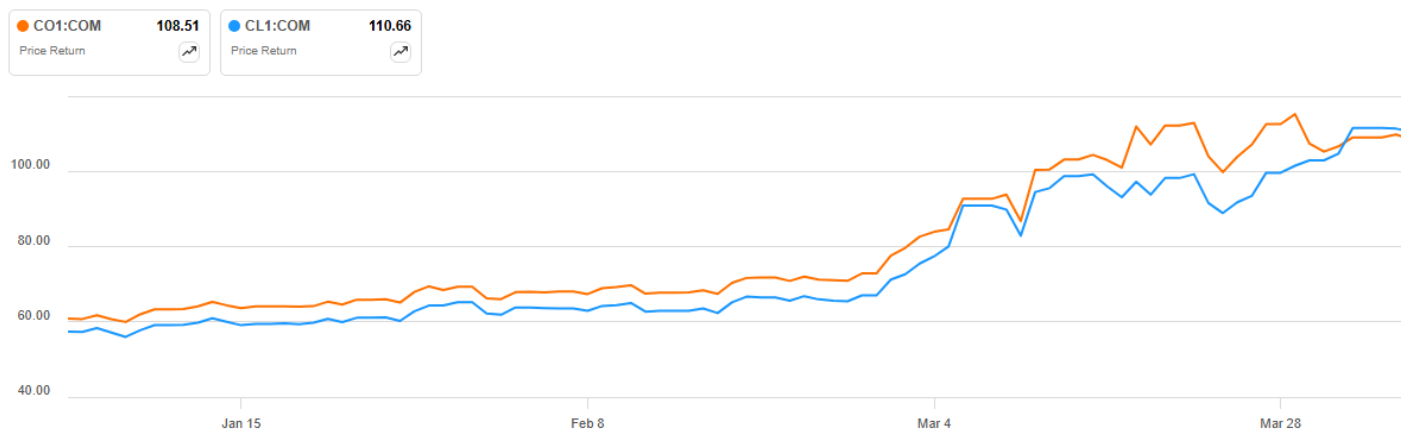
The closure of the Strait of Hormuz cut off roughly 20% of daily global oil consumption, around 15 million barrels per day, along with roughly 20% of global LNG supply. Four tankers were struck in Gulf waters in the opening days of the conflict. At least six major shipping companies halted or diverted operations. Insurance premiums became prohibitive.



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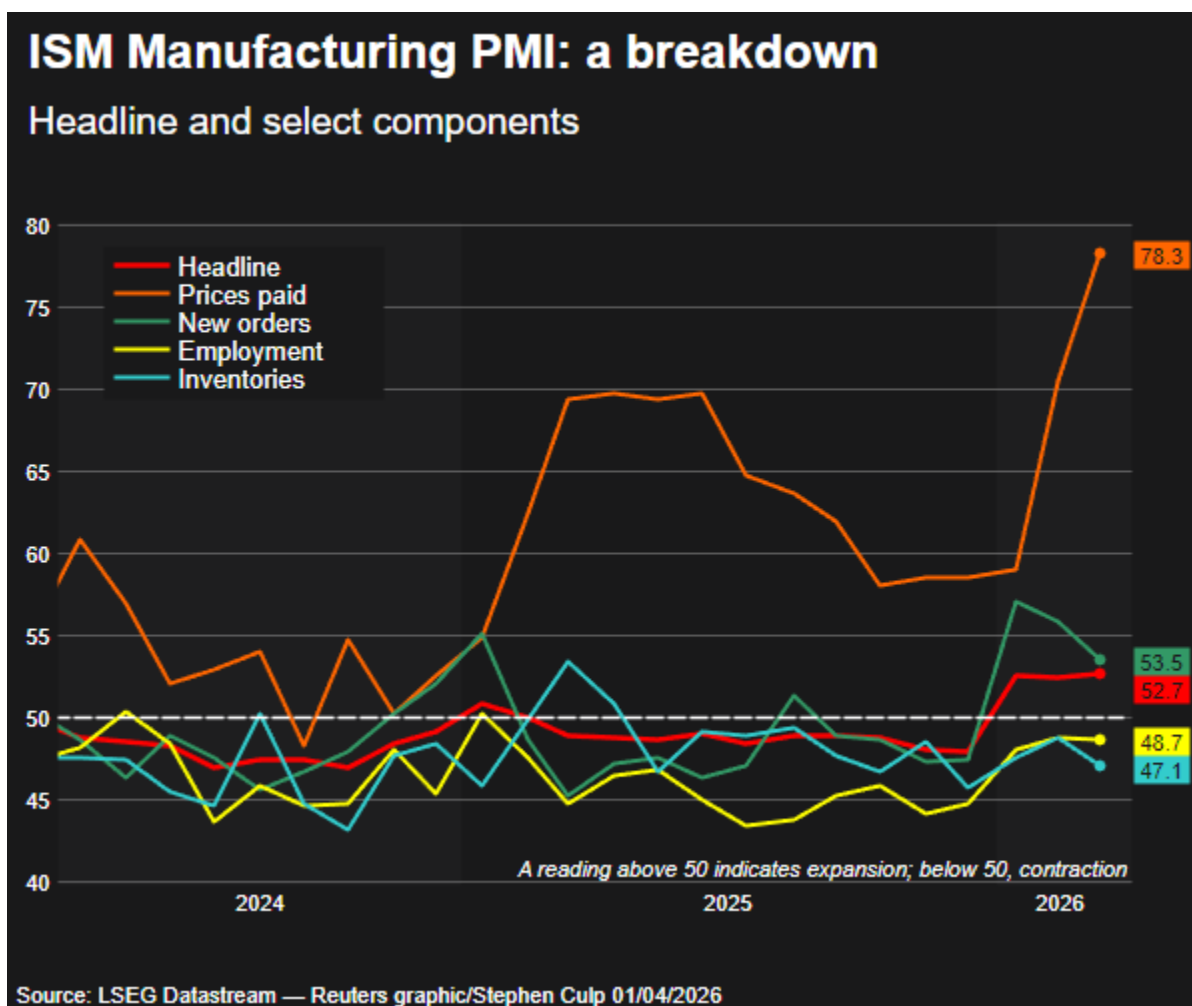
US gasoline prices topped \$4 a gallon for the first time in more than three years by the end of March. The inflationary pass-through extended beyond the pump. The ISM manufacturing PMI rose to 52.7 in March, its highest reading since August 2022, but that headline number was misleading. Supplier delivery times lengthened to 58.9, the longest since mid-2022, as shipping restrictions through the Strait and tariff-related disruptions snarled logistics. The ISM prices paid index surged to 78.3, its highest since June 2022.



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The Cleveland Fed projected CPI surging 0.84% in March, translating to a year-over-year increase of 3.25%, up from 2.4% in February. Factory input costs rose across the globe, euro zone manufacturing PMI rose to 51.6 in March from 50.8, but the reading masked supply-shock distortions. In Asia, many economies saw PMI readings fall as surging fuel costs took their toll. Japan factory input prices hit a 19-month high.

Retail sales data released in early April showed the US consumer entered the conflict on solid footing. February retail sales rose 0.6%, the largest monthly increase since July 2025, buoyed by above-average tax refunds. But economists at BMO, Santander, and others warned that surging gasoline prices would crimp spending in Q2, particularly for lower-income households.



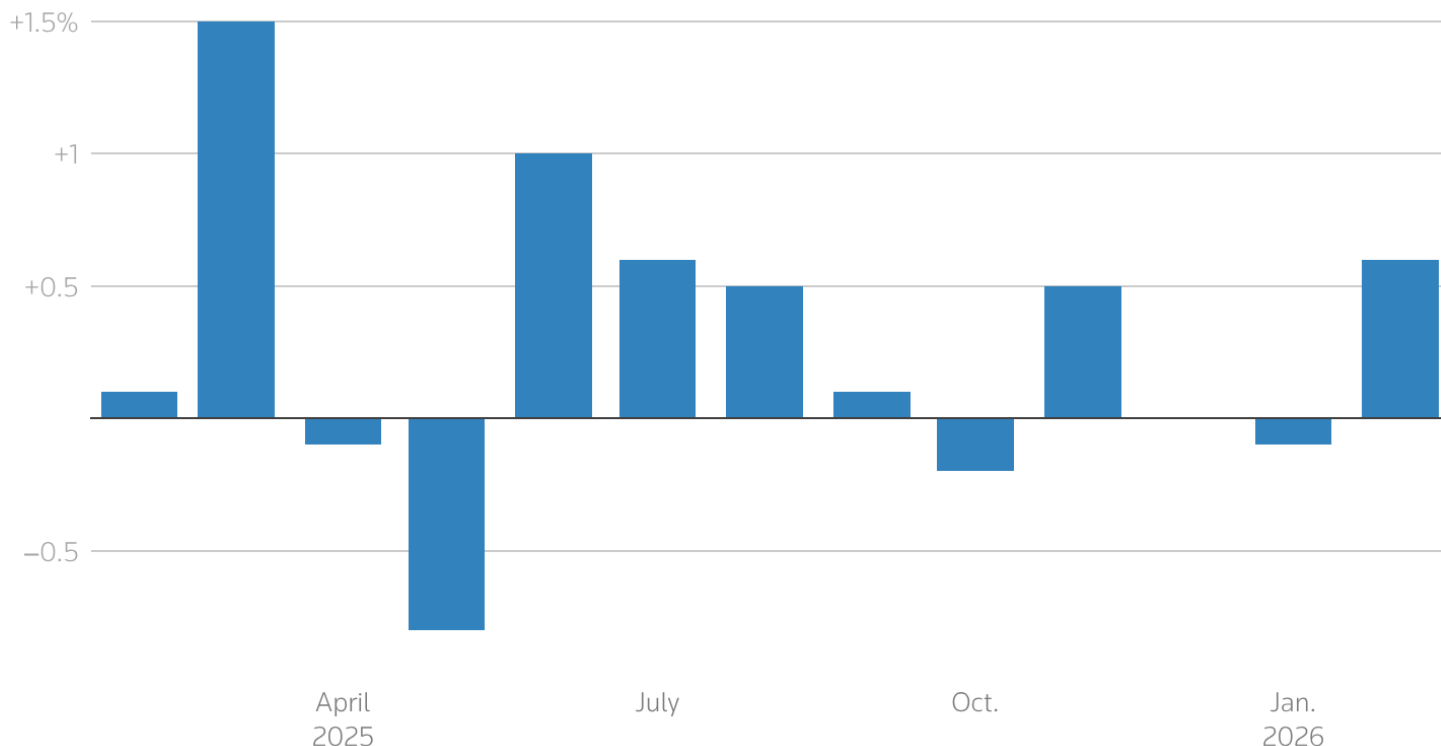
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## Monthly change in US retail sales

The consumer spending metric rose 0.6% in February.



Sources: U.S. Census Bureau, LSEG

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## The Fed's Stagflation Dilemma

The Federal Reserve held the federal funds rate at 3.50%-3.75% at its March 18 meeting, as expected. Chair Jerome Powell declined to speculate on the trajectory of energy prices or commit to any forward path for rates. The Fed's stance reflected an impossible balancing act: inflation accelerating from the oil shock, but labor market data giving conflicting signals.

February's jobs report, released in early March, showed the economy shedding 92,000 jobs, the first negative reading in over a year. The unemployment rate ticked up to 4.4%. Healthcare lost 28,000 jobs due to strike activity, and prior months were revised



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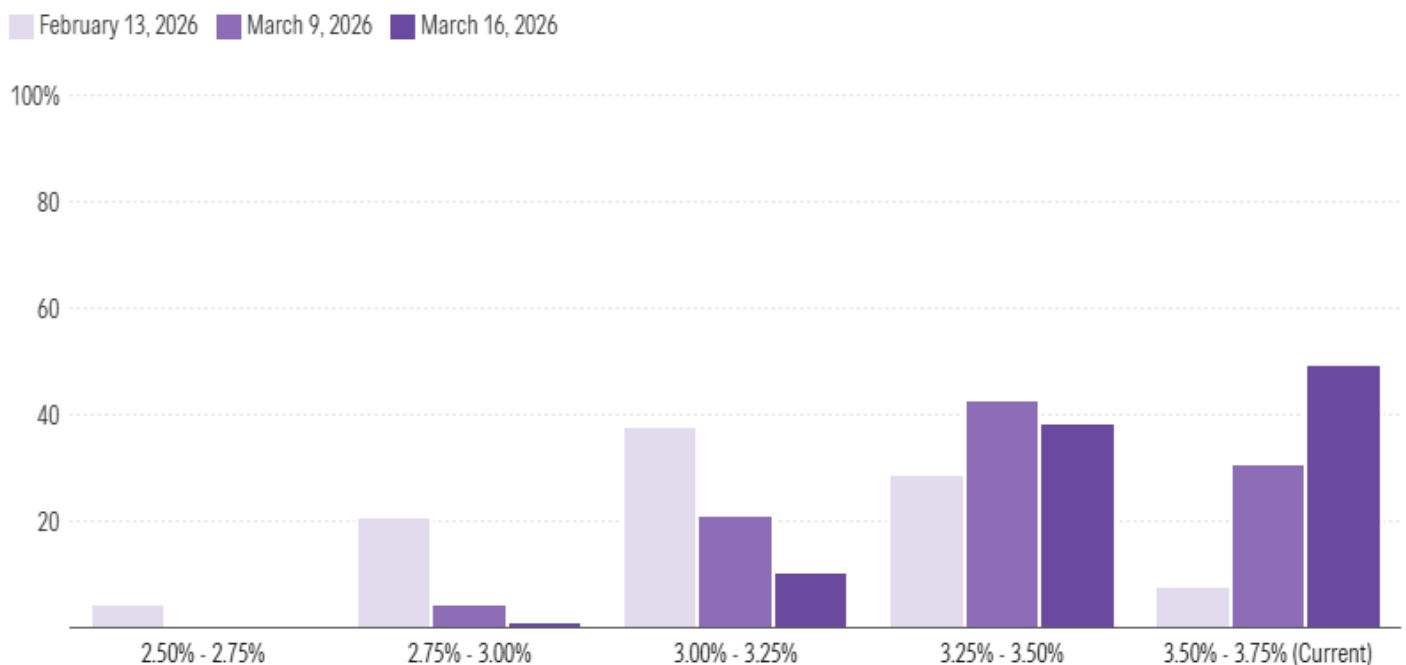
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down by a combined 69,000 jobs. LPL Financial's chief economist described the labor market as coming to a standstill.

Before the war, futures markets had priced in two 25-basis-point cuts for 2026. By mid-March, they priced in one, and by the March 18 meeting, futures implied a 48% probability of zero cuts for the year. The median FOMC participant's projection called for one cut in 2026, but the number of members forecasting two or more cuts fell from eight to five compared to December.

### Federal-Fund Rate Target Expectations for Sept. 16, 2026 Meeting



Source: CME FedWatch Tool. Data as of March 16, 2026, 10:30 ET. [Download CSV](#).

Morningstar

### 60/40 Under Fire

A Morningstar study published in mid-March examined 150 years of stock and bond market crashes. The 2020s were the only period in that entire history where a 60/40 portfolio produced more pain than an all-equity portfolio. The bond bear market that began in April 2020 and deepened through 2022 was so severe that it dragged the



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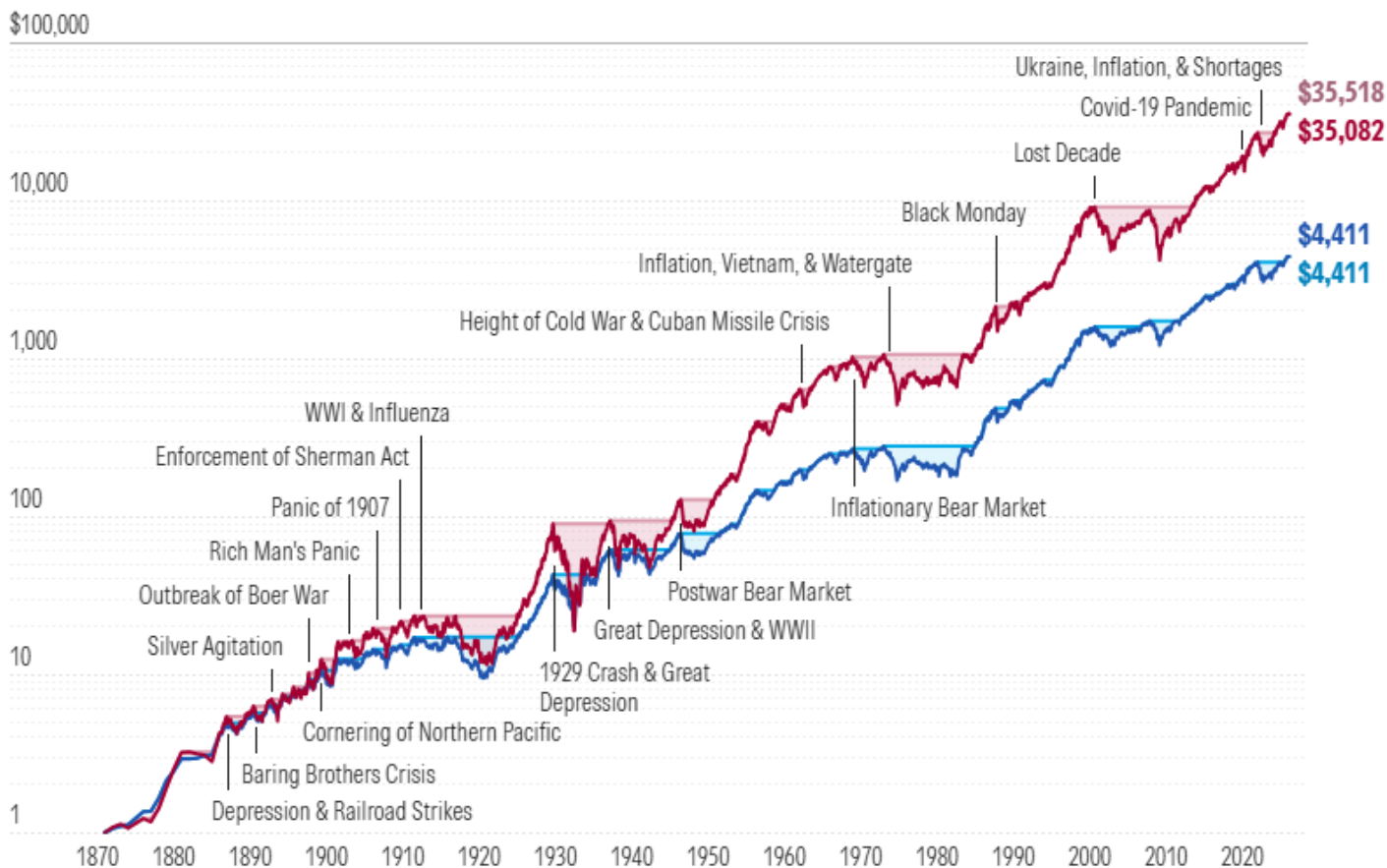
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blended portfolio underwater longer than stocks alone.

## Market Crash Timeline: Growth of \$1 and the US Stock Market's Real Peak Values

— Cumulative Real Wealth: 60/40 — Peak Cumulative Value: 60/40 — Cumulative Real Wealth: 100% Equity — Peak Cumulative Value: 100% Equity  
 Market Crash Episode: 100% Equity Market Crash Episode: 60/40



Source: Kaplan et al. (2009); Ibbotson (2023); Morningstar; Goetzmann, Ibbotson, and Peng (2000); Pierce (1982); [www.econ.yale.edu/~shiller/data.htm](http://www.econ.yale.edu/~shiller/data.htm), Ibbotson Associated SBBI US Large-Cap Stock Inflation Adjusted Total Return Extended Index, S&P 500 (2026), Bureau of Labor Statistics, Non-Seasonally Adjusted Consumer Price Index (2026). Data as of Feb. 28, 2026.

Morningstar

March tested the premise all over again. Stocks fell roughly 5% while Treasury yields surged 30 to 40 basis points, meaning bond prices fell in tandem. The 5-year forward breakeven inflation rate dropped toward the lows seen during the tariff scare of spring 2025, while real yields rose. Investors who held a traditional 60/40 allocation found both sides of the portfolio working against them for the second time in four years.



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