



**Guardrails in place, and recent adjustments.** It has been a challenging start to the year for investors, but we view the recent volatility as temporary and, importantly, as opportunity to position for what lies ahead. The S&P 500 declined more than 7% in the first quarter of 2026, while the tech-heavy NASDAQ fell over 10%. Most of the weakness came in March, when oil prices spiked amid the conflict in Iran. We discuss this further below, but one important takeaway is that the pullback has brought equity valuations to their most attractive levels in nearly two years.

Declines are never welcome, but they are a normal part of investing. While disappointing, your portfolio fell by less than the broader market indices because of the positioning discussed below. We feel confident that your holdings are positioned thoughtfully to navigate this environment. Your quarter-end allocation is in the chart.

In response to the recent global energy shock, we have made thoughtful adjustments to help manage volatility. We reduced or exited some of the higher-risk areas of both stocks and bonds as trends weakened. For example, we trimmed exposure to NASDAQ-linked investments after they broke below longer-term trend levels, and we sold most high-yield bond positions as they moved into sustained downtrends—historically a signal to step aside. At the same time, more defensive parts of the portfolio have helped provide stability. High-quality, income-generating bonds have been flat to modestly positive so far this year, helping offset some of the market’s declines. Your quarter-end allocation is shown in the chart.

Buffered ETFs have also done what they’re designed to do—help limit downside. For example, a strategy tied to the S&P 500 with a 15% downside buffer (January 2026–January 2027) declined by only half of the broader market’s loss. If the S&P 500 were to fall 15% over the full period, this type of investment is designed to finish near flat, while still allowing for participation in gains of up to about 12%.



**Implications of shocks.** The recent volatility is tied to another supply shock—an unexpected disruption to the availability of goods—marking the fourth in just the past few years, following post-COVID supply chain issues, the Russia–Ukraine conflict, and tariff-related disruptions.

If a shock were going to occur, this isn't an especially unfavorable point in the cycle. Fiscal support from recent U.S. policy and German stimulus is beginning to flow into the global economy, and manufacturing activity had already been improving.

Historically, sharp moves in commodities and equity markets tied to oil shocks don't tend to last. Markets

often decline initially, but they've typically recovered relatively quickly, as these events have not led to prolonged supply disruptions. On average, returns tend to turn positive within a few months, and one-year returns following similar episodes have averaged around +12%.

Assuming key energy routes remain open and oil prices don't stay elevated for an extended period, the global economy should have the resilience to work through this shock and continue recovering.

We remain focused on managing risk while staying positioned to participate in recovery. As always, we are actively monitoring conditions and will continue to make thoughtful adjustments with your long-term goals in mind.

**Thank you.** We sincerely appreciate your continued trust and loyalty to Zuma Wealth.

S&P 500 Index returns following geopolitical-related oil supply disruptions, 1990-2024



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