

Monthly Equity & Debt Market Report

Month Ending March 31, 2026



'Am I still long on energy stocks?'

Executive Summary

March 2026 was defined by a sharp geopolitical shock. Escalating conflict following U.S. military strikes on Iran in late February sent crude oil prices surging past \$100 per barrel for the first time since August 2022. The resulting inflation fears triggered a broad, correlated selloff across equities, while fixed income markets demonstrated relative resilience despite meaningful upward moves in Treasury yields.

S&P 500 (March Return)	10-Yr Treasury Yield	Brent Crude
-5.1%	4.44%	>\$100/bbl
Worst since Sep 2022	+38 bps in March	+70.9% in March

Geopolitical has become a primary driver of market behavior in the last several months. For the first time in 2026, geopolitical risk overtook AI, capex, credit spreads, and Fed policy as the dominant driver of asset prices. The conflict's primary transmission channels were oil prices, inflation expectations, and Treasury yields. March marked a rare episode in which diversification across styles and market caps offered limited protection.



Equity Market Performance

U.S. Equities

March 2026 marked a significant inflection point for U.S. and global equity markets. The broad selloff reflected macro-level de-risking driven by the U.S.-Iran conflict and the resulting surge in energy prices and inflation expectations — not a rotation between styles or sectors.

Index	Monthly Return
S&P 500	-5.1%
Nasdaq Composite	-4.8%
Russell 2000	-5.2%
Dow Jones Industrial Average	-5.4%

Sector Performance

Energy was the sole sector to advance in March, gaining approximately 9.6–10.3%, reflecting the surge in oil prices triggered by Middle East supply disruption concerns. All remaining ten large-cap sectors finished the month lower, including both cyclical groups (Industrials, Materials, Consumer Discretionary) and defensive areas (Healthcare, Consumer Staples). Growth and value declined together — an unusual outcome confirming macro de-risking as the dominant driver.

Fixed Income & Interest Rates

Treasury yields rose sharply in March as investors scaled back expectations for near-term Fed easing, reflecting growing concern that inflation could remain stubbornly above target. Despite broader market stress, fixed income demonstrated relative composure compared to equities — credit spreads widened but in an orderly fashion.

Treasury Yield	Level	Monthly Change
2-Year Treasury	3.88%	+42 bps
10-Year Treasury	4.44%	+38 bps
30-Year Treasury	4.98%	+30 bps

The 10-year Treasury yield closed March at 4.44%, its highest level since July 2025. The 2-year yield rose the most - up 42 basis points to 3.88% - as markets repriced the near-term inflation path.



Bond prices fell modestly as yields increased across most maturities.

Credit markets remained relatively stable:

- Investment grade spreads widened slightly
- High yield held up relatively well due to still-resilient corporate fundamentals

Commodities

Energy markets experienced extreme volatility and massive price surges following the closure of the Strait of Hormuz due to US-Iran conflict, with Brent crude exceeding \$114 per barrel. This caused one of the most significant supply disruptions in recent history, driving up gasoline and energy costs and triggering a shift toward cash-equivalent investments.

Monetary Policy Outlook

The FOMC held rates steady at its March 18, 2026 meeting. The March Summary of Economic Projections (SEP) showed the median participant projecting a 4.4% unemployment rate by Q4 2026 and core PCE inflation at 2.7% - a 0.1 percentage point upward revision from September 2025, reflecting stubborn non-housing services inflation and tariff pass-through effects. The federal funds rate path was left unchanged from prior projections, with the Fed signaling caution about additional easing.

Key dynamics:

- Labor market weakness increases the probability of rate cuts later in 2026
- Energy-driven inflation risks could delay easing
- Markets currently expect two rate cuts in the second half of 2026

Recent developments complicating the Fed outlook:

1. Rising oil prices potentially reigniting inflation
2. Weak employment data suggesting slowing economic momentum
3. Financial conditions tightening through higher yields

The result is a policy environment where the Fed may need to balance growth risks versus inflation persistence.



Fiscal Policy Considerations

Fiscal policy remains expansionary relative to historical norms.

Key themes:

- Continued elevated federal deficits
- Increasing Treasury issuance placing upward pressure on long-term yields
- Potential geopolitical spending increases

High levels of government borrowing are contributing to the structural upward bias in long-term interest rates, even as markets anticipate eventual monetary easing.

Economic Indicators & Macro Environment

The U.S. macroeconomic backdrop entering Q2 2026 is constructive but increasingly complex. Strong AI-driven business investment and resilient household demand underpin growth, while the Iran conflict has introduced renewed inflationary pressure that complicates the Fed's path toward easing.

Investment Implications

Equities

- Near-term volatility may persist influenced by geopolitical developments and inflation uncertainty
- Large-cap quality and defensive sectors may outperform in risk-off environments
- Earnings growth expectations remain supportive for equities longer term

Fixed Income

- 10-year Treasury yields above 4% are elevated relative to recent history and may influence income asset evaluations
- Investment-grade credit remains relatively stable
- Duration exposure should be managed carefully given policy uncertainty

Macro Themes to Watch

1. Oil prices and geopolitical developments, in particular the Iran conflict and oil market resolution



2. Q1 2026 earnings season which begins in April
3. Upcoming CPI inflation data and its potential impact on inflation trends
4. Federal Reserve communication on potential rate cuts
5. Labor market trends

Market Outlook

Despite short-term volatility, the broader investment environment remains defined by:

- Moderating but persistent inflation
- Slowing economic growth
- Market expectations for potential gradual monetary easing later in the year

Markets may remain sensitive to macro data and geopolitical developments in the coming months.

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