



Apr 8, 2026

Quarter Ending March 31, 2026

Quarterly Performance	Q1 Index	YTD	Close
Dow Jones Industrial Average	-3.6%	-3.6%	46,341.51
NASDAQ Composite Price	-4.6%	-4.6%	21,590.63
Standard & Poor's Averages	-7.1%	-7.1%	6,528.52

The first quarter of 2026 was defined by rising geopolitical tensions, renewed inflation concerns, and increased volatility across global markets. After beginning the year with strong momentum, investor sentiment shifted sharply in late February following U.S. strikes on Iran and escalating conflict in the Middle East. The resulting spike in energy prices raised inflation expectations and pressured both equities and bonds. The three major indices registered their worst quarterly performance since the second quarter of 2022. The Nasdaq, S&P 500, and Dow closed the first quarter of 2026 down a respective 7.1%, 4.6%, and 3.6%.

Technology stocks experienced notable pressure as investors reassessed the impact of artificial intelligence on software business models. U.S. software stocks declined roughly 23% through late February, as concerns grew that new AI capabilities could disrupt traditional Software-as-a-Service models. At the same time, investors began scrutinizing the ability of large technology firms to generate adequate returns from rising AI-related capital spending.

Persistent inflation pressures kept the Federal Reserve on hold, with policy rates remaining in the 3.50%–3.75% range. Rising energy costs reduced expectations for near-term rate cuts and contributed to higher bond yields late in the quarter.

While equity markets declined modestly, credit markets began signaling rising financial stress. Corporate credit spreads widened, with the CDX index reaching a nine-month high even as the S&P 500 remained near record levels. Historically, widening credit spreads have often preceded broader equity market weakness. At the same time, equity valuations remain elevated. The Cyclically Adjusted Price-to-Earnings (CAPE) ratio recently exceeded 40, a level rarely seen outside the peak of the dot-com bubble. Typically, such valuations have been associated with lower long-term market returns.



QUANTITATIVE ASSET MANAGEMENT, LLC  
*Investment & Advisory Services*

Looking ahead, several factors will influence markets in the coming months. The duration and impact of Middle East tensions on global energy supply, inflation expectations and the timing of potential Federal Reserve rate cuts, signals from credit markets regarding economic stress, and political uncertainty as the U.S. midterm elections approach.

The events of the first quarter reinforce a truth we have long held: markets are unpredictable in the short term, but value endures. While geopolitical tensions, inflation pressures, and stretched valuations present real challenges ahead, they also create the conditions in which disciplined investing has proven most rewarding. We remain deeply focused on protecting and growing your capital, guided by the same principles that have served our clients well through previous periods of uncertainty. As always, we welcome your questions and look forward to updating you on our progress.

Lastly, we wanted to provide clients with a public service announcement. Cyber threats are a constant in today's world. At QAM, we go through extraordinary measures to make sure client's information is kept confidential and safe. Please note that Schwab should NEVER reach out to a client directly. If you do get a call from a Schwab representative, tell them you are going to contact your advisor for assistance.

Have a great Spring and please reach out to us with any questions.

Jeffrey L. Farni, Sr.

John C. Farni