



Quarterly Market Review: January-March 2026



Key Dates/Data Releases

4/1: Retail sales, S&P Global Manufacturing PMI

4/2: International trade in goods and services

4/3: Employment Situation, S&P Global Services PMI

4/9: GDP, Personal Income and Outlays

4/10: Consumer Price Index, Treasury budget statement

4/13: Existing home sales

4/14: Producer Price Index

4/15: Import and export prices

4/16: Industrial production

4/23: New home sales

4/29: Durable goods orders, FOMC meeting statement, international trade in goods, housing starts

4/30: GDP, Personal Income and Outlays

The Markets (first quarter through March 31, 2026)

The first quarter of 2026 saw a shift in market preference. After years of index performance dominated by a handful of tech giants and AI companies, investor preference moved toward value, small caps, and real economy sectors. The three major U.S. indexes, the Dow, the S&P 500, and the NASDAQ, each declined by the end of March. Conversely, the Russell 2000's relative resilience and the strong performance of energy and defensive sectors underscored the investor preference shift. Energy, utilities, and consumer staples outperformed, replacing consumer discretionary, information technology, and communication services. The energy surge was driven by a sharp spike in oil prices following the escalating conflict involving Iran, including disruptions in the Strait of Hormuz, which accounts for 20%-30% of global crude flows. The primary drivers of the stock market in the first quarter were an escalation of Middle East tensions, sustained triple-digit oil prices, and a sharper-than-expected deterioration in the labor market.



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Stock Market Indexes

Market/Index	2025 Close	As of March 31	Monthly Change	Quarterly Change	YTD Change
DJIA	48,063.29	46,341.51	-5.38%	-3.58%	-3.58%
NASDAQ	23,241.99	21,590.63	-4.75%	-7.11%	-7.11%
S&P 500	6,845.50	6,528.52	-5.09%	-4.63%	-4.63%
Russell 2000	2,481.91	2,496.37	-5.17%	0.58%	0.58%
Global Dow	6,169.34	6,225.90	-6.95%	0.92%	0.92%
fed. funds target rate	3.50%-3.75%	3.50%-3.75%	0 bps	0 bps	0 bps
10-year Treasuries	4.16%	4.31%	35 bps	15 bps	15 bps

US Dollar-DXY	98.26	99.86	2.28%	1.63%	1.63%
Crude Oil-CL=F	\$57.46	\$101.51	50.88%	76.66%	76.66%
Gold-GC=F	\$4,323.90	\$4,700.30	-10.99%	8.71%	8.71%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

The U.S. bond market was relatively stable in the first quarter. As the Federal Reserve maintained a cautious stance during a period of rising inflation and geopolitical unrest, the bond market was influenced by economic growth, a steepening yield curve, and a shift in stock market focus. The U.S. Treasury market experienced significant volatility and a notable steepening of the yield curve. Ten-year Treasuries hovered around 4.16% at the start of the year, rising to 4.30% by the end of March. The two-year note remained in the 3.4%-3.6% range for the quarter. The yield curve, which had been inverted for much of the previous two years, began to move back toward positive territory.

Despite a backdrop of geopolitical volatility and sticky inflation, U.S. corporations showed resilience and broadening growth. FactSet projects double-digit earnings growth for the sixth straight quarter. So far in the first quarter, 60 S&P 500 companies have issued positive earnings per share (EPS) projections, compared to 50 companies reporting negative guidance. This ratio is significantly better than the five and 10-year averages. In spite of a drop in stock market share, information technology and communication services sectors were the primary engines of growth, with the IT sector projected to see a nearly 41% price increase, while the energy sector has seen some of the largest upward revisions in EPS.

The first quarter saw gold prices deliver one of the most volatile and consequential periods in years. After surging to historic highs at the beginning of the year, gold prices fell dramatically mid-quarter before leveling off at the end of March. Ultimately, gold prices ended the quarter well below their January peak but still elevated relative to 2025 year-end values.

Crude oil prices entered 2026 on relatively stable footing, only to experience one of the most turbulent quarters in history, driven by dramatic conflict in the Middle East and shifting supply sources. Crude oil prices began the year at around \$57.50 per barrel, driven lower by abundant supply. However, the oil market's entire trajectory changed when the conflict in Iran escalated sharply, which resulted in the blockade of the Strait of Hormuz, a major passageway for the shipment of crude oil. This event effectively flipped the market from oversupply to suddenly fragile, vaulting prices up in February and March to well over \$100.00 per barrel. The retail price for regular gasoline was \$3.990 per gallon on March 30, \$1.053

above the price at the end of February and \$0.828 more than the price a year ago. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.38% as of March 26. That's down from 6.65% one year ago.

From an economic perspective, the first quarter of 2026 may best be defined as a tug-of-war between slow but steady economic stimulus and the energy shock from the conflict in the Middle East. Gross domestic product (GDP) slowed in the fourth quarter of 2025, rising at a rate of 0.7% versus 4.4% in the third quarter. The Philadelphia Fed's Survey of Professional Forecasters in March projected the economy to expand at an annual rate of 2.6% in the first quarter of 2026. Consumer spending, the major component of GDP, remained resilient despite sticky inflation, credit costs, and labor market uncertainty. The labor market continued to cool following a slowdown at the close of 2025. Job growth increased in January from the previous month, only to drop precipitously in February, while the unemployment rate remained in the 4.3%-4.4% range.

Inflationary pressures stabilized somewhat in the first quarter but remained above the Fed's target of 2.0%. The personal consumption expenditures (PCE) price index showed a 12-month price increase of 2.8%, while the Consumer Price Index rose 2.4% for the 12 months ended in February.

March unfolded as a month marked by geopolitical tensions, inflation anxiety, and a continued shift in investor preferences. The economy remained relatively stable in March, even as the markets reacted sharply to external influences, particularly the escalating conflict involving Iran. Despite a bump at the end of the month after the Iranian president indicated an openness to ending the war, the major indexes closed below their February ending values.

Latest Economic Reports

The following section contains a review of the latest economic data available as of March 31, 2026.

- **Employment:** Job growth declined in February, as employment edged down by 92,000 after expanding 126,000 in the previous month. The change in employment for December was revised down by 65,000, from +48,000 to -17,000, and the change for January was revised down by 4,000, from +130,000 to +126,000. With these revisions, employment in December and January combined was 69,000 lower than previously reported. The unemployment rate was 4.4% in February, 0.1 percentage point higher than the previous rate and 0.2 percentage point above the February 2025 estimate. The number of unemployed persons in February, at 7.6 million, rose by 203,000 from the previous month and was 467,000 above the February 2025 figure. The number of long-term unemployed (those jobless for 27 weeks or more), at 1.9 million in February, was 86,000 above the January rate and accounted for 25.3% of all unemployed persons. The

total number of long-term unemployed in February was 438,000 above the estimate from a year earlier. The labor force participation rate inched down 0.1 percentage point to 62.0% in February and was 0.1 percentage point below the rate from a year earlier. The employment-population ratio in February, at 59.3%, decreased 0.1 percentage point from January and 0.6 percentage point from February 2025 (59.9%). In February, average hourly earnings increased by \$0.15, or 0.4%, to \$37.32. Over the past 12 months ended in February, average hourly earnings rose by 3.8%. The average workweek was unchanged at 34.3 hours last month.

- There were 210,000 initial claims for unemployment insurance for the week ended March 21, 2026. During the same period, the total number of workers receiving unemployment insurance was 1,819,000. The insured unemployment rate was 1.2%, the same rate as a year earlier. A year ago, there were 224,000 initial claims, while the total number of workers receiving unemployment insurance was 1,852,000.
- **FOMC/interest rates:** The Federal Open Market Committee (FOMC) did not change the federal funds target rate range in February, leaving it at its current 3.50%-3.75%. The Committee is scheduled to meet on April 29.
- **GDP/budget:** The rate of economic expansion slowed significantly in the fourth quarter of 2025, with gross domestic product (GDP) rising 0.7%. In the third quarter, GDP rose 4.4%. Compared to the third quarter, the deceleration in GDP in the fourth quarter reflected downturns in government spending and exports and a deceleration in consumer spending that were partly offset by an acceleration in investment. The decrease in imports was smaller than in the previous quarter. A year ago, GDP expanded at an annualized rate of 1.9% in the fourth quarter. GDP increased 2.1% in 2025 from the prior year. In the fourth quarter, consumer spending, as measured by the personal consumption expenditures index, rose 2.0%, lower than in the third quarter (3.5%) and below the 2024 fourth quarter pace of 3.9%. Spending on services rose 2.7% in the fourth quarter, compared with a 3.6% increase in the third quarter. Consumer spending on goods increased 0.4% in the fourth quarter (3.0% in the third quarter). Private domestic investment advanced to 3.3% in the fourth quarter after being unchanged in the third quarter. Nonresidential (business) fixed investment rose 2.2% in the fourth quarter, compared with a 3.2% increase in the third quarter. Residential fixed investment declined 0.5% in the fourth quarter, lower than the 7.1% decrease in the third quarter. Exports fell 3.3% in the fourth quarter, compared with a 9.6% increase in the previous quarter. Imports declined 1.1% in the fourth quarter after falling 4.4% in the third quarter.
- February 2026 saw the federal budget deficit come in at \$308 billion, roughly \$213 billion higher than the deficit

from the previous month, and unchanged from a year earlier. In February, receipts totaled \$313 billion, while expenditures were \$621 billion. Over the four months of the current fiscal year, the government deficit sits at \$1,004 billion, \$142 billion less than the cumulative deficit over the same period of the previous fiscal year. Over the same four months, individual income taxes, at \$1,057 billion, account for more than half of the total receipts of \$2,098 billion. Total expenditures for this fiscal year equal \$3,102 billion, of which Social Security (\$678 billion) and Medicare (\$478 billion) account for the largest outlays.

- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, January saw personal income rise 0.4% and disposable (after-tax) personal income increase 0.9%. Personal consumption expenditures advanced 0.4% in January, the same increase as in December. Consumer prices, as measured by the PCE price index, rose 0.3% in January from the preceding month. Excluding food and energy, the PCE price index also increased 0.4% in January. From the same month one year ago, the PCE price index increased 2.8%. Excluding food and energy, the PCE price index increased 3.1% from January 2025.
- The Consumer Price Index advanced 0.3% in February and 2.4% over the last 12 months, the same increase as over the 12 months ended in January. The largest factor in the January increase was a 0.2% rise in shelter prices. Food prices increased 0.4% over the month, while energy prices rose 0.6% in February. Prices less food and energy rose 0.2% in February. Over the last 12 months, prices for shelter rose 3.0%, energy prices increased 0.5%, while food prices increased 3.1%.
- The latest data reveals that the Producer Price Index increased 0.7% in February after rising 0.5% in January. Producer prices increased 3.4% over the last 12 months, the largest 12-month advance since increasing 3.4% for the 12 months ended February 2025. In February, prices for goods rose 1.1% from the previous month, while prices for services rose 0.5%. Excluding foods and energy, prices increased 0.3% in February, a decrease of 0.3 percentage point from the previous month. Excluding foods, energy, and trade services, producer prices moved up 0.5% in February. For the last 12 months, prices less foods and energy rose 3.9%, while prices less foods, energy, and trade services increased 3.5%.
- **Housing:** Existing home sales rose 1.7% in February but declined 1.4% over the last 12 months. Inventory of existing homes for sale in February, at a 3.8-month supply, was unchanged from the prior month's estimate. The median sales price in February was \$398,000, higher than the January price of \$395,000 and above the February 2025 estimate of \$396,800. Sales of existing single-family homes increased 2.5% in February (-1.1% over the last 12 months). The median sales price for existing single-family homes in February was \$401,800,