

# 2026 1st Quarter Market Summary

It was a volatile First Quarter across the global financial markets as the outbreak of war with Iran disrupted energy supplies, spiked oil prices, and reignited fears of rising inflation and slower economic growth. In the US, the market saw early quarter rotation from Growth into Value, as investors moved away from the AI trade over concerns of valuation and pushback on what seems limitless capital expenditures for infrastructure. Both the S&P and Nasdaq (Technology/Large Growth) suffered losses for the quarter. Meanwhile, the Bond market struggled as sentiment shifted dramatically from expectation of the Fed easing to possible tightening later this year. Inflation remains stubbornly above the Fed's target and will likely be pressured higher from rising energy costs. Despite the turmoil and uncertainty over rising energy prices, the US economy showed resilience and the labor market remains strong. In sum, it was a period of testing valuation and recalibration in the markets.

Index Returns:	1st Quarter	12 Months	1st Quarter	12 Months	1st Quarter	12 Months		
S&P 500 (SPY)	-4.37%	18.38%	U.S. Growth (SCHG)	-10.59%	16.91%	U.S. Short Bond (BSV)	0.13%	4.19%
S&P 500 Equal Weight (RSP)	0.61%	13.57%	U.S. Value (SCHV)	3.48%	18.29%	Intermediate Aggregate Bond (AGG)	0.03%	4.57%
Foreign Developed (MAIIX)	1.09%	21.96%	Small Blend (IWM)	0.93%	25.05%	High Yield Bond (HYG)	-0.35%	7.02%

**Market Outlook:** All eyes on Oil prices. Sustained prices on oil at or above \$120 a barrel are considered the potential 'breaking point' or recessionary trigger for the global economy. Today, oil sits at \$110 which if it remains, will dampen discretionary spending and be a headwind for stocks. At the moment, the global economy (and financial markets) are tightly linked to the movement and price level of oil. But sooner or later the energy issue will be resolved. There is not a 'supply' issue, but a 'delivery' issue. Setting this major factor aside, the stock market is actually in a good place with earnings growth and valuation quite solid. Thus, once the delivery issue of oil resolves, the global markets should recover speedily. And, if there is true peace established in the Middle East, it could be a whole new frontier for the financial markets, and positive for global growth. There are good reasons to be optimistic, but patience is the order for now.