

March 30, 2026

News Flow Driving Whipsaw Market

The U.S. stock market declined for four straight weeks from late February through March 20 and, following overnight selling in Asian equities, appeared on track for another deep sell-off on March 23. Hours before the market open that day, President Donald Trump posted on Truth Social that the U.S. and Iran had been engaged in productive conversations over the prior two days. He further indicated that the U.S. would hold off on any strikes on Iran's energy and nonmilitary infrastructure for five days. Although no mention was made of reopening the Strait of Hormuz, U.S. stocks rallied strongly into the open.

The instant pivot on perceived good news has been a feature of the market in 2026, even as the general direction of the market has been down since the war began. Prior to the war's start, and particularly from mid-to-late-February, stocks rose and fell with the news flow, including inflationary Producer Price Index (PPI) data, weak gross domestic product (GDP) growth, the Supreme Court striking down the use of the International Emergency Economic Powers Act to impose tariffs, the administration's use of a different statute to reimpose tariffs, and other data points and announcements. Barring a lasting truce in the Iran war and given the relative quiet in corporate news in the period before 1Q26 earnings season begins early in April, we see a high likelihood that stocks will continue to jump and slump on breaking geopolitical news.

Stocks: The General Direction is Down

As of the market close on March 20 and prior to the strong upward move in stocks on March 23, the major indexes were all down for the year-to-date. The S&P 500 was down 5.0% year-to-date (down 4.7% on a total return basis, including dividends). The Dow Jones Industrial Average was off 5.2% (down 4.8% including dividends), while the Nasdaq Composite Index was off 6.9% (down 6.7% with dividends).

For the first two months of 2026, value stocks were positive while growth stocks were negative. The decline in growth stocks has intensified during March, and now value stocks are also in negative territory. The FT Wilshire U.S. Large Cap Value index was down 0.5% as of March 20, while the FT Wilshire U.S. Large Cap Growth index was down 7.6%. Small caps continue to relatively outperform, but the Russell 2000 Index (down 1.5%) has slipped into negative territory.

The bond market has round tripped in 2026 to date, with bond yields broadly falling across the first two months of the year before shooting higher on inflation concerns in March. The Bloomberg U.S. Aggregate Bond Index was unchanged for the year as of March 20.

Upward Pressure on Energy Prices

Underlying the market's jumpiness on news flow, the overall direction of stocks in March has been set by oil prices. President Trump's Truth Social post on March 23 provided immediate relief in crude oil prices. Heading into the market open on March 23, 2026, the West Texas Intermediate (WTI) benchmark had declined by about 8.8% overnight, or by about \$8.60. That brought WTI to just under \$90 per barrel, after closing on March 20 at a multiyear high of \$98.23. A month earlier, on February 23, WTI was trading at \$66.31.

The national average price for a gallon of regular gasoline on March 23 was \$3.96 per gallon, up 35% from \$2.94 a month earlier, according to AAA. Normally, gasoline prices reflect the level of crude prices with a four- to six-week lag. The jump in gasoline prices is not fully reflective of actual input costs and includes anticipation of higher input costs. AAA also reports that diesel prices are up 43% over the past month, reaching \$5.29 per gallon as of March 23.

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ECONOMIC & MARKET COMMENTARY (CONT.)

The Strait of Hormuz is also used to transport fertilizer and predecessor products. Rising fertilizer prices will drive up food commodity prices, and rising diesel prices will drive up prices for food commodities and everything else that moves by ship, train, or truck. The urgency to reopen the Strait of Hormuz, either fully or on a limited basis, continues to rise on a daily basis.

Fatih Birol, executive director of the International Energy Agency, stated on March 23 that at least 40 energy assets across nine countries had been severely or very severely damaged since the Iran war began. The global supply of liquefied natural gas (LNG) has been reduced by about 20% since the war began. Analysts estimate that damage to Qatar's LNG capacity, the largest in the world, could take years to repair.

Including both damage to facilities and the slowdown in shipping through the strait, Mr. Birol compared the disruption from the Iran war as equivalent to the 2022 surge in prices following the invasion of Ukraine and the major oil crises of the 1970s combined. Beyond reopening the strait to tanker traffic, there is growing global urgency to minimize any further damage to oil and gas production assets in the region.

Economic and Inflation Data

Investors typically assess economic data releases knowing they come with a lag of one month or more. The war with Iran has so upended the energy price environment that prewar data reports no longer carry the weight they once did. Energy is not the entire economy, and reports with prewar data carry important information.

Inflation reports are back to the level of investor prioritization and scrutiny they were experiencing in the 2022-23 period. The PPI for January 2026, released in mid-February, showed a 0.5% month over month hike and alerted investors that pipeline (preconsumer) inflation had rekindled. The February PPI, released in mid-March and capturing monthly data up to the war's first day of February 28, showed a 0.7% jump for the month -- more than double the 0.3% consensus forecast. The index for final demand increased 3.4% on an annual basis, and the 12-month change in PPI excluding food, energy, and trade services was up 3.5%. Both were at their highest levels since February 2025, when economic activity was impacted by prepositioning ahead of April tariff announcements.

Pipeline inflation had not fully filtered down to consumers in the month before the Iran war began. The Consumer Price Index rose 0.3% month over month in February and was up 2.4% on a trailing-12-months basis. The core (excluding food and energy) CPI was up 0.2% monthly and 2.5% annually in February 2026.

Also in mid-March, the Personal Income and Outlays report reinforced concerns that inflation had returned, even though this lagging report was for prices in January. The Personal Consumption Expenditures (PCE) Price Index rose at a seasonally adjusted 0.3% for the month and at an annual rate of 2.8% for the preceding 12 months. The Core PCE Price Index, regarded as the Fed's primary tool for monitoring inflation, rose 0.4% month over month and 3.1% year over year.

On that same day, the Bureau of Economic Analysis revised down its estimate of 4Q25 GDP growth to 0.7% from an initially reported 1.4%. In the preliminary or second report, the categories of PCE, government spending, and exports were all revised lower from the first or advance report. Nonresidential fixed investment, the proxy for corporate capital spending, was revised slightly higher.

The March CPI is scheduled for release on April 10, and the March PPI is due for release on April 14. The Institute for Supply Management Purchasing Managers' reports will be released on April 1 for manufacturing and April 3 for services. The University of Michigan Consumer Sentiment Survey is scheduled for release on March 27. These reports will capture the current and still evolving state of inflation and how businesses and consumers feel about the outlook.

Conclusion

With the Trump administration declaring a five-day pause on attacking Iranian nonmilitary infrastructure, stocks rocketed higher even after Iran denied any meaningful talks were underway. Anything that allows a cooling in the volatile situation is perceived as positive.

Energy prices are unlikely to return to prewar levels even if hostilities were to cease immediately, given the damage done to assets in the region. Both sides need to continue conducting the war surgically because the global implications of destroying the region's energy infrastructure would be more impactful than achieving victory for either side.

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KEY ECONOMIC FORECASTS

- The \$31 trillion U.S. economy remains on course for productive long term growth, powered by corporate investments in AI and outsized spending by wealthy households. Nvidia CEO Jensen Huang estimated, in November, that \$3 - \$4 trillion will be spent on AI infrastructure in the next 5 years.
- Real Potential GDP – the sustainable speed limit of the US economy is poised to increase to 2.1% through 2030 according to the Congressional Budget Office. AI is likely to raise productivity, offsetting slower growth in the potential labor force from an aging population and reduced immigration.
- The war in Iran is affecting millions of lives. Oil supply disruptions are an economic risk to affordability that companies and consumers have faced before.
- The U.S. economy is more resilient, more diversified and less oil dependent, but it is managing additional supply headwinds from tariffs and reduced immigration. This triumvirate could raise inflation, slow growth, and complicate Fed policy. Tax benefits and AI should help the economy.
- A simple rule of thumb: National gasoline prices above \$4.00 begin to hurt consumer spending.
- We are monitoring financial conditions and high-frequency indicators including Nowcasts and weekly job-less claims.
- Argus expects S&P 500 EPS to rise almost 16% to \$315 in 2026 and increase about 15% to \$363 in 2027. EPS is helped by an increase in operating margins to about 18.0% this year, well above 13.9% in pre-pandemic 2019. Growing tech giants such as MSFT and NVDA have operating margins of 47% and 60% respectively while Dow stalwarts Walmart and Caterpillar earn 4% and 17%, respectively.
- Argus Fixed Income Strategist Kevin Heal expects the Fed to reduce the funds rate by 25 basis points in 2026 and by another 25 basis points in 2027 taking the target range to 3%-3.25%. We expect the dollar to be slightly stronger in 2026 driven by foreign demand for shares of innovative U.S. companies and economic resilience.
- Gold is likely to remain at elevated levels. The ancient safe-haven asset recently reached an all-time record above \$5,000 an ounce. We expect gold to trade in a range of \$4,000 - \$6,000 in 2026.
- Despite last year's economic-and-policy "uncertainty," the Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate, is approximately 6.8%, well below the average of 9.2% since 1949.
- What could go right? Big tax refunds, spending by wealthy consumers, strong S&P earnings, capital investment, productivity gains, inflation expectations remaining anchored, and ongoing innovation.
- Risks: Elevated Inflation, high fuel prices, weak housing market, low income consumers are struggling, spending by affluent may depend on stock market gains, AI may reduce entry-level hiring.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
19-Mar	New Home Sales	January	712K	725K	725K	578K
	Leading Index	January	-0.2%	0.1%	-0.1%	-0.1%
23-Mar	Construction Spending	January	1.0%	0.2%	NA	1.0%
25-Mar	Import Price Index	February	0.3%	-0.1%	NA	1.3%
31-Mar	Consumer Confidence	March	91.2%	89.0	89.4	NA
1-Apr	ISM Manufacturing	March	52.4	52.3	52.2	NA
	ISM New Orders	March	55.8	54.0	NA	NA
	Retail Sales	February	3.2%	3.2%	NA	NA
	Retail Sales ex-autos	February	3.9%	3.4%	NA	NA
	Business Inventories	January	1.6%	1.3%	NA	NA
2-Apr	Trade Balance	February	-54.5	-54.0	-55.0	NA
3-Apr	Nonfarm Payrolls	March	-92K	47K	51K	NA
	Unemployment Rate	March	4.4%	4.4%	4.4%	NA
	Average Weekly Hours	March	34.3	34.3	34.3	NA
	Average Hourly Earnings	March	3.8%	3.8%	NA	NA

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