



Providence, Rhode Island

WEEK OF MARCH 16, 2026

Market Navigator

Ongoing military action in the Middle East continued to drive markets last week. Oil prices rose, approaching \$100 per barrel, and global equity markets declined. The potential impact of oil prices on inflation weighed on bond markets. U.S. 10-year Treasury yields closed at 4.28 percent.

Quick Hits

1. **Beyond the headlines:** What is the Federal Reserve (Fed) to do?
2. **Report releases:** Inflation moderated, and personal income and spending remained robust.
3. **Financial market data:** Higher oil prices once again pressured global markets.
4. **Looking ahead:** Although no changes to interest rates are expected, the Federal Open Market Committee (FOMC) meeting is this week's highlight.

Beyond the Headlines: What Is the Fed to Do?

Ongoing military action in the Middle East has made an already difficult policy landscape even more challenging for the Fed to navigate. The closure of the Strait of Hormuz—a narrow waterway through which roughly 20 percent of the world's oil passes—and its impact on oil prices have been a key driver. On Friday, oil prices closed 48 percent higher than they were on February 27. The average U.S. gas price at the pump has increased more than 25 percent to \$3.72. The longer oil prices remain high, secondary impacts are likely across products that use oil as an input; fertilizer costs, for example, could lift food prices. As the Fed meets this week, it will discuss and develop a view on the potential impact on inflation—and how long it could last.

The Fed's Dual Mandate

Two principles guide the central bank as it determines monetary policy and interest rates: maximum employment and price stability. These data points are trending in opposite directions. The February employment report, for example, was disappointing—92,000 jobs were lost when 55,000 jobs were expected to be created. Job market concerns were a primary reason the Fed cut interest rates three times last year.

Meanwhile, the Fed's preferred measure of inflation, the personal consumption expenditures (PCE) price index, remains well above its 2 percent target at 2.8 percent year-over-year, according to last week's update. Core PCE, which excludes food and energy, rose 3.1 percent.

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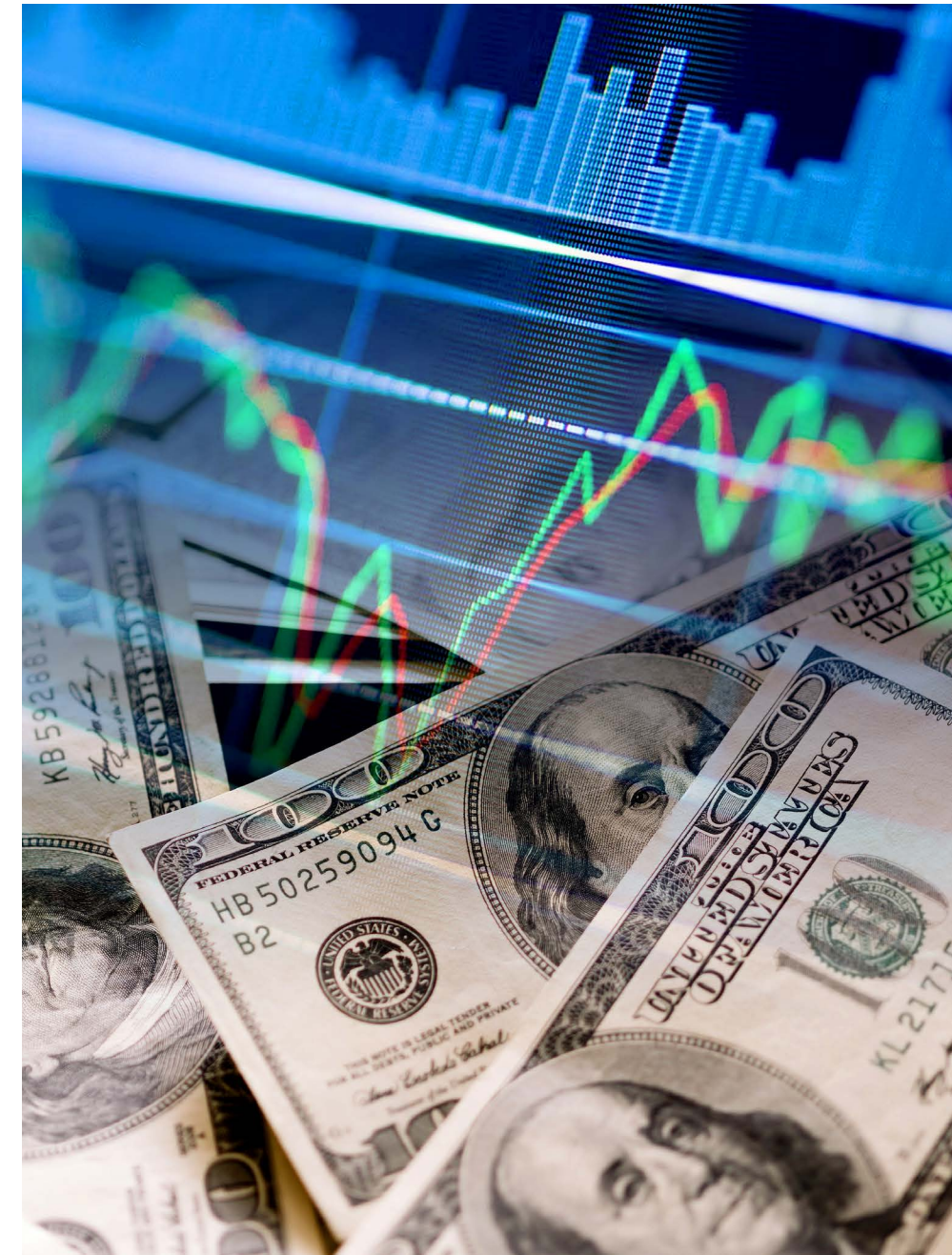
The Likely Path Forward

It's unlikely the war in the Middle East will affect policy when the FOMC meets this week. The market had already expected that the Fed would hold off on interest rate changes until at least June, which would coincide with Kevin Warsh's first meeting as chair. Although the market anticipated two interest rate cuts of 25 basis points (bps) later this year, those expectations were built on a gradually improving labor market and moderating inflation.

The situation in the Middle East remains fluid. A resolution to the conflict could come over the next couple of weeks. If that causes oil prices to normalize, the impact on the economy could be short-lived, and the Fed could follow through on rate cuts. The longer that oil supply and flow are affected, however, the Fed could hold off on rate changes for the rest of 2026—or even consider raising interest rates later in the year if inflation accelerates. No one would have predicted that outcome one month ago.

The Impact on Portfolios

Concerns about the impact of higher oil prices warrant consideration. It's important to monitor for changes in the consensus economic outlook that could affect Fed policy or corporate earnings. Thus far, markets have been orderly in how they perceive the risks. The S&P 500 has declined 3.12 percent this year and is down 5.3 percent from its all-time high on January 28. That's an encouraging sign that well-built, long-term portfolios should be well positioned to navigate the uncertainty.



Report Releases: March 9–13, 2026

Existing Home Sales

February (Tuesday)

Existing home sales improved more than expected last month after slumping notably to start the year.

- Expected/prior month existing home sales monthly change: −0.8%/−8.4%
- Actual existing home sales monthly change: +1.7%



Consumer Price Index (CPI)

February (Wednesday)

In an encouraging sign for the markets and the economy, consumer inflation cooled last month.

- Prior monthly CPI/core CPI growth: +0.2%/+0.3%
- Expected monthly CPI/core CPI growth: +0.3%/+0.2%
- Actual monthly CPI/core CPI growth: +0.3%/+0.2%
- Prior year-over-year CPI/core CPI growth: +2.4%/+2.5%
- Expected year-over-year CPI/core CPI growth: +2.4%/+2.5%
- Actual year-over-year CPI/core CPI growth: +2.4%/+2.5%



Personal Spending and Personal Income

January (Friday)

Personal income and spending rose solidly in January. Better-than-expected personal spending growth was a good sign for overall economic growth to start the year.

- Expected/prior personal income monthly change: +0.5%/+0.3%
- Actual personal income change: +0.4%
- Expected/prior personal spending monthly change: +0.3%/+0.4%
- Actual personal spending change: +0.4%



Preliminary University of Michigan Consumer Sentiment Survey

March (Friday)

Consumer sentiment fell less than expected in March; however, expectations for future economic conditions dropped to their lowest level in four months.

- Expected/prior month sentiment: 54.8/56.6
- Actual month sentiment: 55.5



>> The Takeaway

- With the important caveat that most data reported last week was collected before military action in the Middle East began, the economy appeared to be on reasonable footing.
- Moderating inflation and improving personal income and spending were encouraging signs.

Financial Market Data

Equity

Equity markets declined for the third consecutive week, with oil prices trading around \$100 per barrel. All major U.S. equity indices fell 1 percent–2 percent, with the Dow Jones Industrial Average down 1.91 percent. Energy was again the top-performing sector, rising 2.11 percent. Utilities were the only other sector to post positive returns. Financials, industrials, and consumer discretionary each fell more than 3 percent. International markets stabilized but still fell about 2 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–1.56%	–3.52%	–2.88%	21.62%
Nasdaq Composite	–1.23%	–2.44%	–4.77%	28.61%
DJIA	–1.91%	–4.77%	–2.75%	16.05%
MSCI EAFE	–1.98%	–8.56%	0.70%	22.56%
MSCI Emerging Markets	–1.96%	–8.70%	4.86%	36.46%
Russell 2000	–1.75%	–5.71%	0.17%	26.12%

Source: Bloomberg, as of of March 13, 2026

Fixed Income

Treasuries were once again down across the board. Higher oil prices have caused markets to recalibrate their expectations for interest rate cuts this year due to a potential acceleration in inflation. The 2-year Treasury yield rose to 3.73 percent, and the 10-year increased 14 bps to 4.28 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.92%	–1.88%	–0.16%	4.71%
U.S. Treasury	–0.78%	–1.73%	–0.04%	3.71%
U.S. Mortgages	–0.76%	–1.77%	0.28%	6.15%
Municipal Bond	–0.68%	–1.44%	0.73%	4.94%

Source: Bloomberg, as of of March 13, 2026

>> The Takeaway

- Equity markets remained under pressure as oil prices moved toward \$100 per barrel. Without a resolution to military action in the Middle East, investors are likely to continue to reduce portfolio risk.
- Lingering concerns about accelerating inflation led to another sell-off in bond markets.

Looking Ahead

Developments in the Middle East and their impact on oil prices will remain a key focus for investors in the days ahead. This week's highlight is the FOMC meeting. Although no interest rate changes are expected, central bank commentary afterward about the path forward could be a key driver for markets.

- The week kicks off Monday with **industrial production data** for February. This report is expected to show a slowdown in manufacturing activity.
- On Wednesday, we'll see the **Producer Price Index (PPI)** for February. After surging in January, economists expect producer prices to moderate.
- Also on Wednesday, the **FOMC** is expected to once again leave interest rates unchanged as it monitors how rising oil prices may affect the economy in the months ahead.





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convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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