Des Moines, Iowa

WEEK OF MARCH 23, 2026

Market Navigator

With no sign of a resolution to the war in the Middle East, equity markets sold off for a fourth consecutive week. Concerns about inflation—and its effect on the Federal Reserve's (Fed's) interest rate path—pushed the 10-year Treasury yield up 11 basis points (bps) to 4.39 percent.

Quick Hits

1. **Beyond the headlines:** Has the bad news been priced in yet?
2. **Report releases:** The Fed left interest rates unchanged, as rising inflation expectations led to a hawkish outlook.
3. **Financial market data**: Equity markets sold off yet again as oil prices remained near $100 per barrel.
4. **Looking ahead:** With no major economic or earnings reports expected, developments in the Middle East are likely to drive markets.

Beyond the Headlines: Has the Bad News Been Priced In Yet?

Has bad news already been factored into stock market prices? The short answer is we can't know for sure. Timing markets is difficult—if not impossible—and this time is no different. Periods of heightened geopolitical tensions have historically led to market volatility and concerns about how conditions will unfold. While history never repeats exactly, it can provide useful context. The key takeaway? Sell-offs driven by geopolitical risk have historically been short-lived and relatively mild.

Geopolitical events alone rarely alter corporate earnings expectations. Unless a conflict significantly disrupts global trade, damages supply chains, or meaningfully weakens economic growth, the long-term earnings outlook typically remains intact.

What History Shows Us

When declines are driven by geopolitical risk—such as military conflicts, terrorist attacks, or sudden diplomatic escalations—markets have generally bottomed in weeks, not months. In many cases, equities reached their low point within two to four weeks of the initial shock. Recovery to pre-event levels has often followed in one to two months.

Just as important, these events have rarely derailed long-term market returns. On average, equity markets have delivered positive returns over the subsequent year, as uncertainty faded and investors refocused on fundamentals such as earnings growth and valuations.

Why Does That Happen?

Geopolitical shocks tend to have limited staying power for several reasons. Markets are forward-looking and typically factor in uncertainty quickly. The initial sell-off often reflects fear of the unknown. As investors gain greater clarity around the magnitude of an event and its potential economic impact—even if the conflict is ongoing—markets often stabilize.

More importantly, geopolitical events alone rarely alter corporate earnings expectations. Unless a conflict significantly disrupts global trade, damages supply chains, or meaningfully weakens economic growth, the long-term earnings outlook typically remains intact.

This leads to a key question surrounding the conflict in the Middle East: what is the ultimate long-term impact on the global economy—particularly energy prices, inflation, and, by extension, Fed policy? Headlines can create volatility, but sustained damage to economic fundamentals is what drives prolonged market downturns.

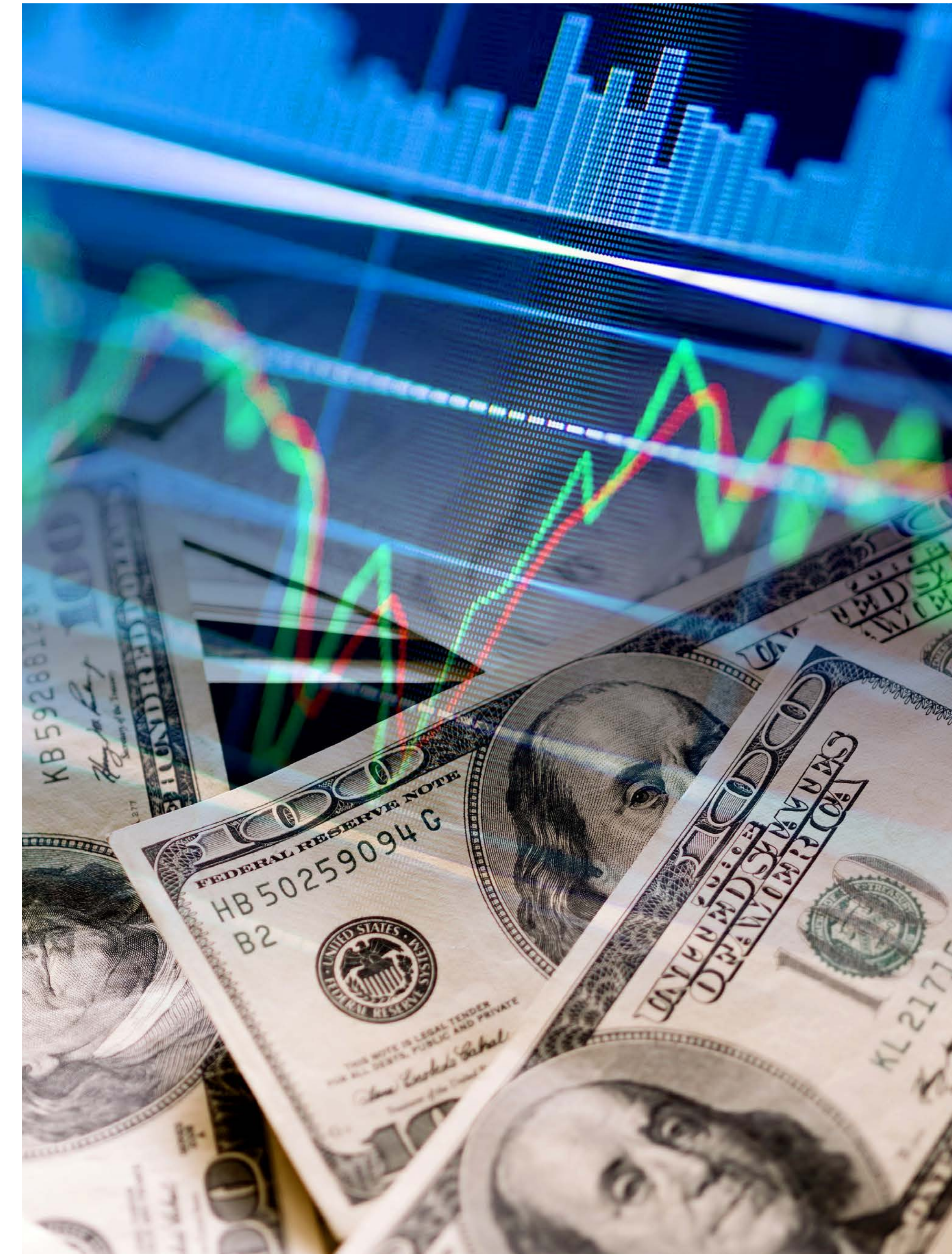
Macroeconomic Consequences

Market declines have historically lasted longer when geopolitical events triggered persistent economic stress, particularly in energy markets and inflation. The clearest example remains the oil embargo of the 1970s, when a geopolitical shock led to sharply higher energy prices, rising inflation, tighter financial conditions, and recession. In that case, geopolitics in isolation didn't prolong market weakness; macroeconomic consequences did.

Today, investors worry that elements of that pattern could reemerge. Oil prices have risen, gasoline prices have moved higher, inflation concerns have resurfaced, Treasury yields have increased, and expectations for multiple interest rate cuts have shifted toward the possibility of higher rates.

The Impact on Portfolios

Although today's environment echoes elements of the past, it's important to recognize how much the economy has changed over the past 50 years. The U.S. is far more energy independent, and the economy is significantly less energy intensive today than it was in the 1970s. Periods like this are understandably uncomfortable, but despite ongoing uncertainty, long-term earnings expectations remain resilient. Staying focused on long-term objectives—and invested in portfolios designed to achieve those goals—remains critical during times like this.



Report Releases: March 16–20, 2026

Industrial Production
February (Tuesday)

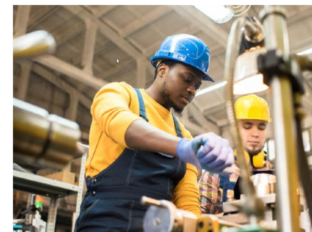
Industrial production improved slightly more than expected last month, driven in part by rising manufacturing production.

- Expected/prior month industrial production monthly change: +0.1%/+0.7%
- Actual industrial production monthly change: +0.2%

Producer Price Index (PPI)
February (Wednesday)

In a potential cause for concern for markets and the Fed, headline and core producer inflation exceeded expectations for the second consecutive month.

- Prior monthly PPI/core PPI growth: +0.5%/+0.8%
- Expected monthly PPI/core PPI growth: +0.3%/+0.3%
- Actual monthly PPI/core PPI growth: +0.7%/–0.5%
- Prior year-over-year PPI/core PPI growth: +2.9%/+3.5%
- Expected year-over-year PPI/core PPI growth: +3.0%/+3.7%
- Actual year-over-year PPI/core PPI growth: +3.4%/+3.9%



Federal Open Market Committee (FOMC) Rate Decision
March (Wednesday)

The FOMC kept interest rates unchanged after its March meeting. Fed Chair Jerome Powell indicated that the central bank would remain data dependent when setting monetary policy this year.

- Expected/prior federal funds rate upper limit: 3.75%/3.75%
- Actual federal funds rate upper limit: 3.75%

>> The Takeaway

- The highlight was that interest rates remained unchanged, as expected, after the March FOMC meeting. Comments from the Fed chair after the meeting were viewed as hawkish.
- Rising producer prices revealed that inflation was growing even before the impact of higher oil prices.

Financial Market Data

Equity

Equity markets declined for a fourth consecutive week amid ongoing concerns over the impact of the war in the Middle East. Major U.S. indices were down roughly 2 percent. Energy was once again the best-performing sector, rising 2.77 percent; financials eked out a small gain of 0.41 percent; and utilities, materials, consumer staples, and real estate each fell more than 4 percent. Emerging markets fared best, posting returns that were only modestly negative.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−1.87%	−5.33%	−4.70%	16.31%
Nasdaq Composite	−2.06%	−4.44%	−6.73%	23.16%
DJIA	−2.09%	−6.77%	−4.79%	10.51%
MSCI EAFE	−2.05%	−10.44%	−1.36%	17.31%
MSCI Emerging Markets	−0.33%	−9.01%	4.51%	31.74%
Russell 2000	−1.65%	−7.27%	−1.48%	19.48%

Source: Bloomberg, as of March 20, 2026

Fixed Income

Fixed income markets declined again. The Fed’s decision to leave rates unchanged and the surge in oil prices heightened concerns that the central bank could raise rates later this year. The 2-year Treasury yield rose 17 bps, and the 10-year yield increased 11 bps.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.51%	−2.38%	−0.68%	3.77%
U.S. Treasury	−0.55%	−2.27%	−0.59%	2.90%
U.S. Mortgages	−0.69%	−2.44%	−0.41%	5.02%
Municipal Bond	−0.49%	−1.92%	0.23%	4.16%

Source: Bloomberg, as of March 20, 2026

>> The Takeaway

- Without a resolution to the war in the Middle East, all major U.S. markets declined for a fourth consecutive week.
- Concerns that the Fed may be forced to raise rates later in the year led to higher yields across the Treasury curve.

Looking Ahead

This is a rare week with no major economic releases or impactful corporate earnings reports expected. Developments in the Middle East will continue to be the focus of investors, with particular attention paid to whether any progress is made toward reopening the Strait of Hormuz.

- On Thursday, we expect to see initial and ongoing jobless claims for the previous week. In an otherwise light week, this report will provide investors with insight into labor market conditions.

Johnson County, Iowa

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