

Week in Review

Equity Markets:

The economic effects of the Iran War, especially the continued closure of the Strait of Hormuz and the resulting energy crisis, weighed heavily on Wall Street last week. The S&P 500 fell -1.87% while the Dow Jones Industrial Average sank -2.09% and the Nasdaq marketplace gave up -2.06%.¹ The Forward 12-month Price/Earnings Ratio for the S&P 500 came down to 20.3; that is still above both its 5-year average [20.0] and its 10-year average [18.9].²

All the major US indices ended last week down on a year-to-date basis. In fact, the Russell 2000 index for small cap stocks officially entered correction territory last Friday, having come down 10% from its most recent high close.³

Oil continued to be the most fundamental factor in terms of market conditions, both its price and its availability. Friday's commodities markets ended with West Texas Intermediate at a closing price of \$98.12/barrel; that puts Oil up by about 74% for the year.⁴

Fixed Income Markets:

Yields came up for US Treasuries, led by higher oil prices and ongoing geopolitical uncertainties. The 10-year recognizing theirs rising by 10 basis points to stand at 4.38%, alongside the 2-year rising 18 basis points to 3.90%. These yields are each the highest they've been since last July. Meanwhile, both Investment-Grade Corporates and High-Yield bonds saw their spreads tighten while they widened for Emerging Markets and Mortgage-Backed Securities.⁵

Economic Updates:

The Federal Open Market Committee acted to hold the Key Rate at its current level of 3.50%-3.75%. This was the second consecutive FOMC meeting that concluded with our interest rates remaining unchanged, notable for Fed Chair Jerome Powell stating economic uncertainty had risen. Future expectations are for only one interest rate cut possible in the second half of the year.⁶ Also deciding to hold their current interest rates last week were the European Central Bank; the Bank of Japan; the Bank of England; the Riksbank of Sweden; and the Swiss National Bank.

The Producer Price Index gave further indication that broader inflation remains elevated, up 0.7% month/month and 3.4% year/year. And while Pending Home Sales were shown to have risen 1.8% in February, January's New Home Sales total reflected a -17.6% decline.

Looking Ahead

Equity Markets:

The Iran War remains the primary impetus for market performance, and this Monday morning began with a potential major pivot. The President said there is an opportunity for an end to the conflict, one strong enough that he ended his ultimatum to Tehran to reopen the Strait of Hormuz or face attacks on their domestic energy production capacities by this evening [and to which Tehran counter-threatened infrastructure strikes on their neighbors].⁷

We remind equity investors to remain focused on long-term objectives and allocations, especially amidst geopolitical instabilities such as those we are confronting today. Because market conditions can shift rapidly, some investors may choose to pause trading activity during periods of elevated volatility while monitoring developments.

Fixed Income Market

Last week's bond actions reflected a bear-flattening for Treasuries amidst growing concerns over inflation.⁸ Concurrently, increased Oil prices have many investors concerned that near-term inflation may rise as increased energy costs reverberate across the economy.

Bond markets still anticipate a future interest rate cut by the end of this calendar year, although this expectation is not as strong as it was before the Iran War began. Recent volatility has even led certain observers to state that it's possible the FOMC could act to raise interest rates before they cut them. In the face of such uncertainties, perhaps it's best to focus primarily on how conditions remain unchanged for interest rates.

Economic Updates:

The week ahead sees announcements being made on Construction Spending in January; US Productivity (revised) for the Fourth Quarter of 2025; and the final Consumer Sentiment results from the University of Michigan.

As the Iran War continues, and recognizing its impactful nature on the broader markets, it's advisable for investors to keep their eyes on developing news headlines as well as upon their portfolios. For humanitarian goodwill as well as for portfolio objectives, let us hope for peace.

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
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- 8) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-march-13-2026.html>

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