

Week in Review

Equity Markets:

Easing tensions in the Middle East spurred a strong market rally last week. The S&P 500 gained 3.58% while the Dow Jones Industrial Average grew 3.07% and the Nasdaq appreciated 4.68%.¹ The Forward 12-month Price/Earnings Ratio now stands at 20.4, back above both its 5-year average [19.9] and its 10-year average [18.9].²

This positive market activity directly correlated with the ceasefire declared in the Iran War, a.k.a. Operation: Epic Fury. Concurrently, the price of oil came back down below \$100/barrel last week following this announcement, easing back from its war-driven highs.³

Fixed Income Markets:

Yields broadly fell for US Treasuries last week following the ceasefire's declaration, with the relief of reduced conflict manifesting in reduced economic volatilities. The 10-Year Treasuries contracted by 3 basis points. More growth was recognized outside of Treasuries: Investment-Grade Corporate bonds appreciated 0.46% last week while High-Yield bonds almost doubled that amount with 0.90% growth.⁴

As with equities, fixed income markets breathed relief with the war's pause. This furthered strong sales at last week's Treasury auction of 3-year notes, 10-year notes, and 30-year bonds as investor fears of 'tail' risks eased. Perhaps most significantly, foreign buyer demand for US Treasuries held.⁵

Economic Updates:

The Consumer Price Index – which defines the Inflation Rate – spiked in March to a reading of 3.3% year/year. That's a 0.9% increase from February's CPI reading; the metric hadn't jumped that high in one month since May 2024. The cause of the spike in CPI is directly owed to Energy prices, which jumped 10.9% in March and is up 12.5% year/year.⁶

Personal Consumption Expenditures for February were reported at 3.0% year/year, a slight decline from January's 3.1%.

The final reading for US Gross Domestic Product determined the US economy grew by only 0.5% in the Fourth Quarter of 2025.

Looking Ahead

Equity Markets:

Market volatility has highly correlated with Operation: Epic Fury / the Iran War. Highly notable has been the resulting energy crisis, which is affecting economies around the world. The Strait of Hormuz, which has been closed off by Iranian forces, remains shuttered, and this week begins with the US Navy adding its own blockade to that which Iran had already established. Keep in mind that the US-Iran ceasefire remains in effect throughout the week.⁷

Meanwhile, this week recognizes the start of a new Earnings Season, with many of the largest Financial Services companies set to announce their results. Preliminary expectations are for companies in the S&P 500 to announce first-quarter earnings growth at a rate of 12.6%. These announcements will provide opportunities for insight into economic trends and behavior that will impact the broader markets in ways largely unrelated to international geopolitical tensions and war-impacted commodities shortages.⁸ Such a change will be appreciated by many.

Fixed Income Market

Updated economic metrics present formidable concerns for the US economy. Last week's CPI, PCE, and GDP figures portended to slower growth, stickier inflation, and a more patiently conservative outlook by the Federal Reserve where it comes to interest rates.

Amidst this economic environment, Wall Street overwhelmingly expects the Federal Open Market Committee to hold interest rates at their current level. The CME Group's FedWatch tool currently has that forecast expected by an astounding 99.5% of survey participants.⁹ The FOMC next meets at the end of the month.

Economic Updates:

The Producer Price Index for March will be announced this Tuesday, providing key insight into inflation from the perspective of the domestic goods sellers. Other metrics to be announced this week include Existing Home Sales for March; the NAHB Housing Market Index; the Import & Export Prices Index; and manufacturing surveys by the Federal Reserve Banks of both New York and Philadelphia.¹⁰

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
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