



## Executive Summary

- Global equities have been mixed year to date, with emerging markets and Latin America driving gains.
- Developed international markets were flat, and U.S. large-cap equities were slightly negative, while small caps rose modestly.
- Energy was the top performer for the month and year as supply disruptions drove prices higher.
- Most other sectors declined, indicating a defensive stance and increasing correlations across global markets.
- Rising oil prices and the closure of the Strait of Hormuz created broad market pressure and weaker sentiment.
- Investors boosted hedging activity as optimism waned and demand for downside protection grew.
- Earnings growth stayed steady but faces risks from rising energy costs and fragile supply chains.
- Investment-grade corporate spreads reached their highest level since last year's selloff.
- Mortgage-backed securities spreads kept widening as interest-rate volatility grew.
- Federal Reserve liquidity operations supported funding market stability and increased bank reserves.
- Credit conditions displayed increasing dispersion as weaker issuers declined more rapidly than stronger ones.
- Interest-rate fluctuations caused mortgage spreads to reach their widest levels since early January.
- Investment-grade spreads stayed below recession-related stress levels, showing selective rather than widespread widening.
- Corporate bond performance is anticipated to diverge more as issuer quality becomes increasingly important.
- Treasury demand should stay supported by contained term premia and ongoing policy backstops.

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## Markets at a Glance:

Equity - TR (%)	1M	3M	YTD	1Y
MSCI EM LATIN AMERICA	-8.9	11.9	9.9	47.4
MSCI EM	-5.6	8.3	5.4	32.9
MSCI AC ASIA PACIFIC	-5.4	8.1	5.6	29.6
MSCI EAFE	-8.2	1.0	-0.2	18.7
MSCI WORLD x USA	-7.9	1.0	-0.1	20.5
S&P500 EQUAL WEIGHTED IX	-5.3	0.7	1.0	12.7
MSCI WORLD	-5.3	-2.1	-2.5	18.7
RUSSELL 2000 INDEX	-7.3	-2.2	-0.4	20.8
S&P 500 INDEX	-5.1	-3.9	-4.1	17.1
DOW JONES INDUS. AVG	-7.6	-4.6	-4.5	10.9
NASDAQ COMPOSITE	-4.7	-6.3	-6.1	24.1
Sectors - TR (%)	1M	3M	YTD	1Y
Energy	9.8	37.9	34.8	34.5
Utilities	-1.1	8.3	7.3	18.9
Consumer Staples	-6.2	5.5	6.1	8.3
Industrials	-8.1	4.8	5.0	24.1
Materials	-10.7	4.4	3.9	11.4
Real Estate	-5.5	3.6	2.5	2.6
Communications	-4.1	-3.0	-4.3	33.6
Healthcare	-6.7	-5.2	-5.5	1.3
Information Technology	-4.3	-7.4	-7.6	27.2
Financials	-6.8	-10.6	-10.8	-0.2
Consumer Discretionary	-6.7	-11.1	-9.8	11.5
Alternatives - TR (%)	1M	3M	YTD	1Y
ALERIAN MLP INDEX	3.5	20.0	19.0	15.5
FTSE NAREIT All Eq REITS	-4.8	5.1	4.2	4.1
LS Managed Futures Index	-2.3	-0.6	-0.7	-2.0
S&P LISTED PRIV EQUITY	-8.9	-15.4	-16.3	-11.5
BBG Galaxy Bitcoin Index	3.2	-20.6	-20.1	-17.0

Data source: Bloomberg

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## US Style Returns (%) - Russell Indices

### 1M

	Value	Core	Growth
Large	-5.2	-5.1	-5.0
Mid	-6.0	-4.8	-4.6
Small	-7.8	-7.3	-6.9

### YTD

	Value	Core	Growth
Large	1.6	-3.9	-8.8
Mid	2.5	1.7	-5.1
Small	2.3	-0.4	-2.9

## US Factor Returns (%)

	1M	3M	YTD	1Y
MSCI Value	-4.2	6.9	6.9	38.4
MSCI High Dividend Yield	-4.8	4.6	4.6	12.9
S&P 500 High Beta	-4.4	0.3	1.7	46.0
MSCI Size	-5.0	-1.3	-0.8	11.2
MSCI Momentum	-3.4	-2.4	-1.7	16.6
MSCI Quality	-4.7	-2.7	-2.5	16.0
MSCI Growth	-3.5	-8.0	-8.0	22.4

## Commodities TR (%)

	1M	3M	YTD	1Y
WTI Oil	45.5	71.2	69.0	49.7
BBG Commodities Index	11.7	22.9	21.9	26.4
Wheat	3.4	15.3	15.8	-6.4
Sugar	10.6	6.6	5.7	-14.6
Gold	-10.6	2.8	5.7	50.0
Silver	-15.8	2.8	-1.8	96.5
Natural Gas	3.6	-2.7	-2.0	-21.8
Copper	-9.0	-3.5	-6.4	0.7

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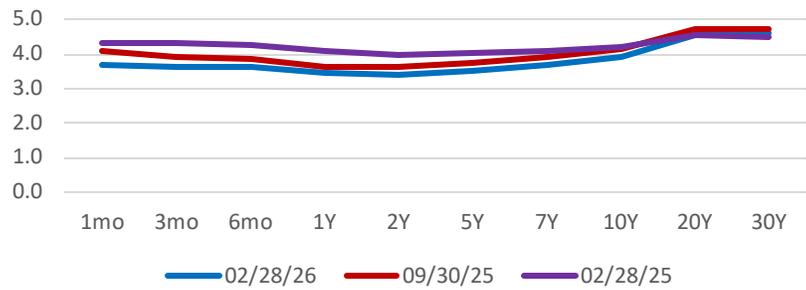
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Index Characteristics	FWD ERP	P/E TTM	P/S TTM	Div Yield
S&P 500	3.9%	25.9	3.2	1.3
MSCI EAFE	5.3%	17.4	1.7	3.1
MSCI EM	7.7%	17.0	1.8	2.6

#### US Treasury Yield Curve



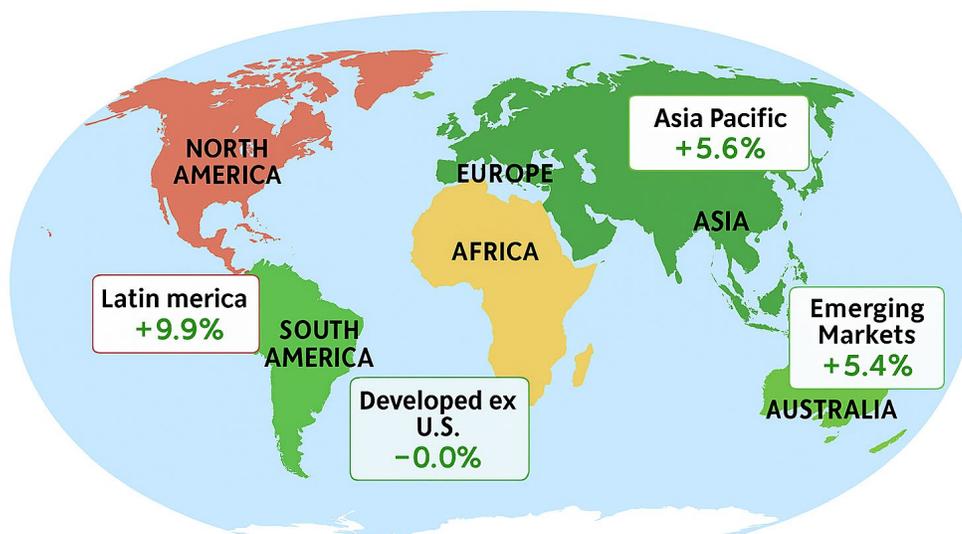
Fixed Income - TR (%)	1M	3M	YTD	1Y
Municipal Bond Index	-1.1	0.9	0.8	4.7
1-3 Yr	-0.3	0.4	0.2	4.1
US Agg 1-7 Yrs.	-0.6	0.3	0.1	4.7
10 - 20 Yrs	-1.8	0.1	-0.1	6.6
Corporate	-1.6	-0.1	-0.4	4.8
U.S. Corporate High Yield	-1.3	-0.1	-0.4	6.5

Interest Rates (%)	02/28/26	12/31/25	09/30/25	02/28/25
US Fed Funds Effective Rate	3.64	3.64	4.09	4.33
US Generic Govt 1 Mth	3.67	3.59	4.10	4.29
US Generic Govt 3 Mth	3.66	3.63	3.93	4.29
US Generic Govt 12 Mth	3.47	3.47	3.61	4.08
US Generic Govt 5 Yr	3.50	3.73	3.74	4.02
US Generic Govt 10 Yr	3.94	4.17	4.15	4.21
BBG Tax Muni AGG YW	4.88	5.09	5.11	5.14
BBG UA Corporate YW	4.73	4.81	4.81	5.08
BBG U.S. Corp HY YW	6.71	6.53	6.70	7.15

Data source: Bloomberg

## Equity Highlights

Equity markets experienced a clear shift toward caution over the past month as rising oil prices and the prolonged closure of the Strait of Hormuz weighed on sentiment. Global performance remains mixed year-to-date, with emerging markets and Latin America posting the strongest gains. In contrast, developed international markets are roughly flat, and U.S. large-cap stocks are slightly negative. U.S. small- and mid-cap stocks see modest gains, but sector leadership has narrowed. Energy stands out as the top performer for both the month and the year, driven by supply disruptions and higher fuel costs. Several defensive sectors, including Utilities, Consumer Staples, Industrials, Real Estate, and Materials, have performed better, while Communications, Healthcare, Technology, Consumer Discretionary, and Financials have declined. The uneven sector performance reflects a more defensive market tone, and recent declines across regions suggest correlations are tightening as markets become more synchronized.



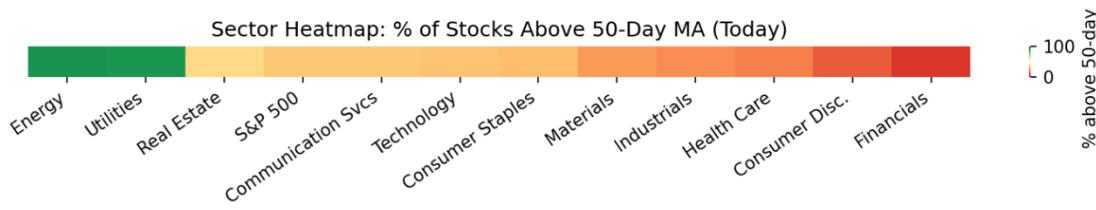
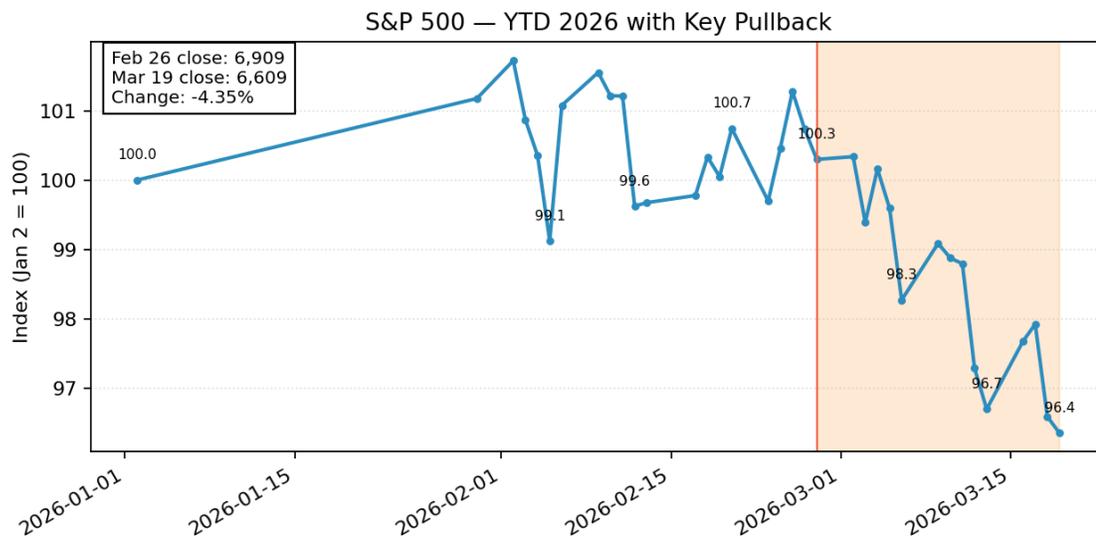
The key market driver in recent weeks has been the oil shock, which has put pressure on various asset classes. Most sectors have declined, and overall index performance has softened as investors seek protection against losses. Measures of optimism have dropped, and options trading indicates increased hedging activity. Although Technology has stayed relatively stable, the market's reaction highlights its sensitivity to rising energy prices, higher shipping costs, and ongoing geopolitical conflicts. These factors, combined with slower consumer spending and weaker business investment seen in recent economic data, have raised concerns that the economy might be losing momentum. While the recent earnings season showed a strong number of earnings beats and healthy revenue growth, profit expectations remain vulnerable to rising input costs if energy prices continue to climb.

### Critical points for the equity markets:

- Global equities have been mixed year to date, with emerging markets and Latin America driving gains.
- Developed international markets were flat, and U.S. large-cap equities were slightly negative, while small caps rose modestly.
- Energy was the top performer for the month and year as supply disruptions drove prices higher.
- Most other sectors declined, indicating a defensive stance and increasing correlations across global markets.
- Rising oil prices and the closure of the Strait of Hormuz created broad market pressure and weaker sentiment.
- Investors boosted hedging activity as optimism waned and demand for downside protection grew.
- Economic data indicated slowing growth, with reduced consumer spending and weaker business investment.
- Earnings growth stayed steady but faces risks from rising energy costs and fragile supply chains.

Current risks mainly involve geopolitical tensions and their economic effects. The conflict in the Middle East has increased uncertainty, raising commodity prices and inflationary pressures, complicating policy decisions. Recent core inflation data show that price pressures stay strong, limiting the central bank's options. Additionally, the latest GDP revisions indicate slower growth at the end of last year, even after accounting for temporary effects from the government shutdown. Consumer spending has cooled, and revenue growth in energy-sensitive industries could decline further if demand drops. Markets are also watching areas like credit spreads more closely, which, even though they are not yet indicating a recession, might widen if market volatility continues.

The outlook remains closely linked to developments in energy and global supply conditions. Even after shipping routes reopen, bottlenecks and limited refining capacity could keep oil prices high for a while, putting more pressure on growth outside the United States. Meanwhile, valuations have cooled, sentiment has become very pessimistic, and financial conditions stay stable enough to support markets at current levels. Leadership is expanding in some sectors, earnings continue to grow, and a more defensive rotation is happening. While these factors provide some basis for further gains, investors face a limited window in which relief from geopolitical and inflationary pressures could help stabilize sentiment.



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## US Fixed Income Highlights

Fixed-income markets over the past month have been affected by changing rate volatility, selective widening of credit spreads, and steady demand for safer assets. Year-to-date performance reflects this balance, with liquidity dynamics playing a key role. Investment-grade corporate spreads have increased to about ninety-two basis points, the highest since last year's selloff. Meanwhile, mortgage-backed securities have gradually widened as interest rate volatility has risen. Beneath these broad measures, dispersion among issuers and sectors has expanded, indicating a growing gap between stronger and weaker credits, even though overall default risk remains manageable. This pattern of differentiation has recurred, signaling a late-cycle environment in which investors are paying closer attention to credit quality.



The Federal Reserve's policy continues to prioritize market functioning, reinforcing stability amid recent funding stresses. The Fed reintroduced reserve-management purchases late last year and extended them into early 2026, adding over \$38 billion in December and nearly \$50 billion in January and February. These operations increased bank reserves to above three trillion dollars and helped reduce volatility in secured funding markets, especially in SOFR, the main overnight lending rate for repurchase agreements. By stabilizing liquidity, the Fed has strengthened the Treasury market's role as the key anchor of fixed-income pricing, even as broader economic data remains inconsistent. Term premia have stayed flat or declined, highlighting ongoing demand for safe assets despite changing macro conditions.

Credit and funding spreads continue to show a mixed picture. Investment-grade spreads have widened compared to mortgages since late last year, reflecting some softening in corporate valuations. However, the strongest corporate issuers—those

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  - Mortgage-backed securities spreads kept widening as interest-rate volatility grew.
  - Federal Reserve liquidity operations supported funding market stability and increased bank reserves.
  - Credit conditions displayed increasing dispersion as weaker issuers declined more rapidly than stronger ones.
  - Interest-rate fluctuations caused mortgage spreads to reach their widest levels since early January.
  - Investment-grade spreads stayed below recession-related stress levels, showing selective rather than widespread widening.
  - Corporate bond performance is anticipated to diverge more as issuer quality becomes increasingly important.
  - Treasury demand should stay supported by contained term premia and ongoing policy backstops.

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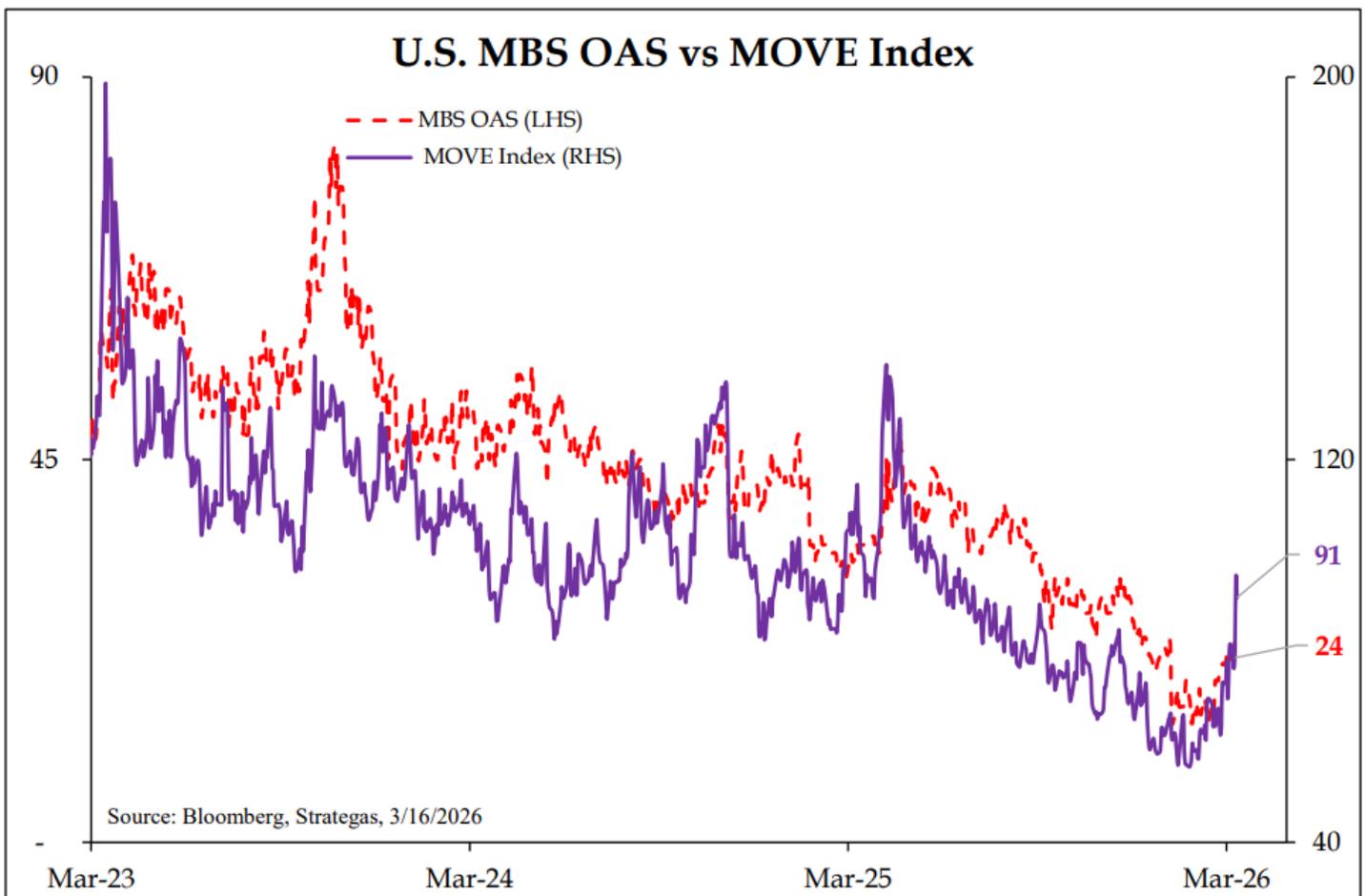
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whose credit default swaps trade at levels similar to U.S. government debt—remain near multi-year lows, signaling confidence in their top-tier balance sheets. Although equity markets have become more cautious, investment-grade spreads stay below levels that typically indicate recession risk, supporting the view that the recent widening is selective rather than widespread. This pattern of selectivity involves broader differences between sectors and issuers, suggesting that not all companies currently rated investment-grade will maintain that rating if conditions continue to shift.

Volatility trends have primarily affected credit and interest rate risk. As interest rate fluctuations increased, mortgage-backed securities experienced their widest option-adjusted spreads since early January, highlighting their sensitivity to rate changes. Historically, short-term increases in spreads caused by shocks have been temporary, and recent changes follow this pattern. In corporate credit, the growing difference between the highest- and lowest-risk issuers underscores the need for careful selection as dispersion expands.



The outlook remains cautious. Ongoing liquidity support and stable term premia should help stabilize Treasury yields. Corporate bonds may continue to vary in performance, making issuer selection more crucial, while mortgage spreads will depend on interest rate stability and market volatility. The broader themes of policy support, a gradual shift toward safer assets, and the increasing gap between strong and weak credits continue to influence fixed-income positioning as the year advances.

Sources: 3Fourteen Research, Strategas Research Partners LLC, and Capital Wars

### Asset Class Return Rank

Asset Class	2022	2023	2024	2025	2026	10Y Cumulative	10Y Annualized
Commodities	19.4	(6.2)	2.2	8.1	29.6	91.78	8.04
Gold	(0.8)	12.7	26.7	63.9	5.8	157.81	14.39
Agriculture	2.5	7.7	33.5	(0.6)	5.4	52.86	4.60
Emerging Market Stocks	(20.6)	9.0	6.5	34.1	2.8	85.46	7.02
US REITs	(26.3)	11.8	4.8	3.3	1.5	58.89	4.43
Cash (\$)	1.4	5.0	5.2	4.2	0.8	21.24	2.11
US Mid Cap Stocks	(17.5)	17.1	15.2	10.4	0.5	104.71	9.51
US TIPS	(12.3)	3.8	1.7	6.8	0.4	26.75	2.48
US Agg Bond Market	(13.1)	5.7	1.4	7.1	(0.6)	18.62	1.67
US Small Cap Stocks	(20.5)	16.9	11.4	12.7	(0.6)	83.40	7.37
20Y+ US Treasury	(31.3)	2.8	(8.1)	4.3	(0.7)	2.23	(0.74)
US Corporate High Yield Bonds	(11.0)	11.6	8.0	8.6	(0.9)	42.64	4.02
Preferred Shares	(18.2)	9.2	7.2	4.9	(1.2)	36.44	3.22
US Corporate Investment Grade Bonds	(18.0)	9.4	0.9	7.9	(1.3)	28.76	2.42
Developed International Stocks	(14.4)	18.5	3.5	31.6	(1.6)	90.09	7.94
International Agg Bond Market	(22.1)	5.6	(6.5)	10.0	(1.7)	(0.51)	(0.59)
USD Emerging Market Bonds	(18.7)	10.6	5.5	13.9	(2.0)	32.90	2.78
US Large Cap Stocks	(19.2)	26.5	24.3	17.2	(4.1)	139.76	12.70
US Large Cap Growth Stocks	(32.7)	55.0	25.6	20.8	(4.6)	212.05	18.11
Bitcoin (Digital Assets)	(63.9)	153.7	122.5	(6.5)	(20.1)	1984.64	53.75
<b>Highest Return</b>	19.4	153.7	122.5	63.9	29.6	1984.64	53.75
<b>Lowest Return</b>	(63.9)	(6.2)	(8.1)	(6.5)	(20.1)	(0.51)	(0.74)
<b>% Asset Classes Positive</b>	15%	95%	90%	90%	40%	94%	88%

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