



Market Commentary

March 2026

Equity and Bond Market Update

(as of March 9, 2026)

<u>Index</u>	<u>YTD</u>	<u>1-Year</u>
Dow Jones Industrial Average TR	-0.3%	+13.5%
S&P 500 Total Return Index	-0.5%	+19.3%
Russell 2000 Total Return Index	+3.1%	+24.7%
MSCI EAFE Index (net)	+1.1%	+19.9%
MSCI Emerging Markets Index (net)	+3.7%	+31.7%
Bloomberg US Aggregate Bond TR	+1.1%	+6.2%

Recent Economic Indicators

	<u>Statistic</u>	<u>Data as of</u>
Unemployment Rate	4.3%	Jan 2026
Gross Domestic Product (GDP)	+1.4%	Q4 2025
Consumer Price Index (CPI) – Y/Y	+2.4%	Jan 2026
Consumer Confidence (1985=100)	91.2	Feb 2026
30-year fixed mortgage rate	6.05%	Wk of Mar 1
Housing Starts (single family)	981,000	Dec 2025
10-Year Treasury Yield	3.96%	2/27/2026

Most of the equity market gains we saw through the end of February have been given back after the U.S. and Israeli militaries began their operation in Iran on the morning of February 28. Since that time, we have also seen a reversal in the value of the U.S. dollar, which had been declining earlier in the year but has now strengthened to levels above where it began the year. This strengthening of the dollar during this period confirms that the U.S. dollar is still viewed as a safe-haven asset during periods of geopolitical turmoil. In addition, foreign markets, both equities and bonds, have declined more than their U.S. counterparts due largely to the strength of the dollar over the last ten days.

The volatility we are experiencing is largely tied to the price of oil and speculation about how long this conflict will last. In mid-September, a barrel of crude oil was trading in the low-to-mid \$60s. Since the conflict began, that same barrel has traded as high as \$120 before falling back to around \$85 per barrel, where it stands today.

Currently, the United States is a net exporter of oil, so domestic supply should not be materially affected. However, when global supply and demand dynamics are considered, along with headlines regarding potential disruptions to distribution channels such as the Strait of Hormuz, the U.S. can still feel the effects of oil price volatility. Oil futures out to December 2026 are currently trading around \$70 per barrel, suggesting that energy traders expect these price spikes to moderate and move closer to where prices stood just a few weeks ago by the end of the year.

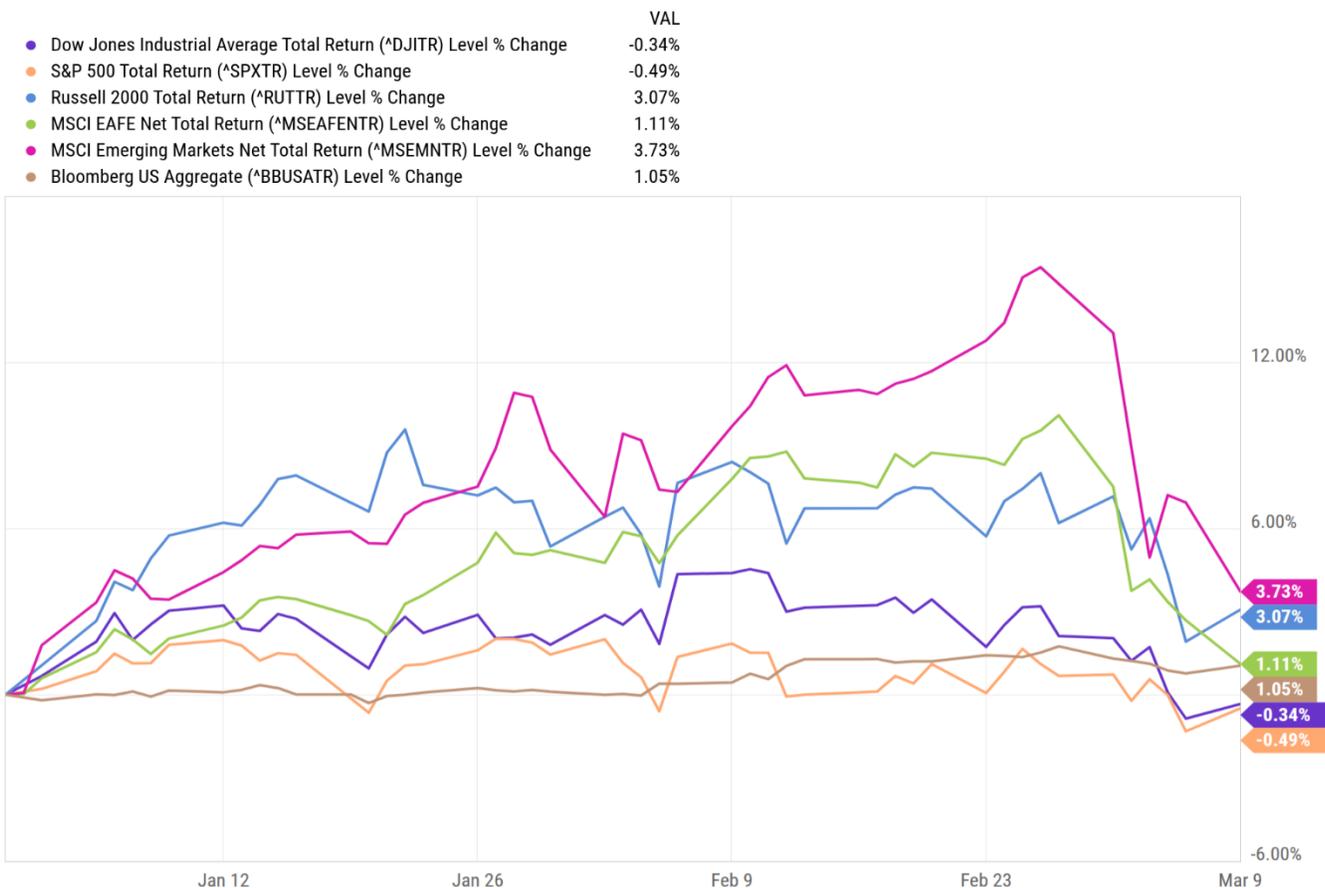
Financial markets continue to navigate a landscape defined by moderating inflation, resilient economic growth, and persistent geopolitical uncertainty. While the aggressive monetary tightening cycle of the past several years appears to be nearing its end, the effects of higher interest rates are still working their way through the economy and financial markets.

The Federal Reserve is meeting next week, and current fed funds futures are indicating that a rate cut at this meeting is unlikely. Given the current geopolitical environment, expectations for two to three rate cuts this year have shifted closer to just two. The Fed will also receive new inflation data later this week. These reports will not yet reflect the recent spike in energy costs that may show up in future releases due to the current situation involving Iran.

Despite historically rapid rate increases from the Federal Reserve, the U.S. economy has continued to demonstrate notable resilience. Consumer spending has remained solid, supported by a still-healthy labor market and steady wage growth. Corporate balance sheets also entered the tightening cycle in relatively strong condition, helping businesses absorb higher borrowing costs.

At the same time, there are signs of gradual moderation. Job openings have declined from their peak, wage growth has slowed from pandemic highs, and interest-sensitive sectors such as housing and manufacturing have cooled. These trends suggest the economy may be transitioning toward slower, but still positive, growth rather than an abrupt contraction.

Major Market Indices Total Return (YTD through March 9, 2026)



Inflation has declined meaningfully from the highs reached in 2022, although the final stage of the process tends to be the most difficult. Goods prices have largely normalized as supply chains have healed, but services inflation, particularly housing and labor-related costs, remains somewhat sticky.

For policymakers, the central question is whether inflation can continue to move toward the Fed's long-term target without triggering a sharp slowdown in employment. Markets currently expect a gradual easing of monetary policy, but the central bank has signaled it is prepared to keep interest rates elevated if progress on inflation stalls.

This "higher-for-longer" interest-rate environment remains one of the most important variables for financial markets.

Another increasingly important issue is the size of the U.S. federal deficit and the resulting supply of government debt. Treasury issuance has risen substantially in recent years, and the market must absorb a significant volume of new bonds.

Large debt issuance combined with reduced bond-buying from central banks has contributed to upward pressure on longer-term interest rates. As a result, movements in Treasury yields have become one of the primary drivers of equity market volatility.

Looking ahead, markets will likely remain focused on several key questions: whether inflation continues to decline toward central bank targets, how long interest rates remain elevated, and whether economic growth can moderate without slipping into recession.

While geopolitical risks and fiscal challenges remain part of the backdrop, corporate earnings growth and the trajectory of interest rates will ultimately be the most important determinants of market performance.

For long-term investors, maintaining diversification and focusing on fundamentals remains the most reliable approach in an environment where economic and geopolitical conditions continue to evolve.

Always keep in mind that fear, panic, and optimism are not investment strategies, but rather emotions that drive short-term markets.

Please contact Lifestyle Asset Management, Inc. at (281) 992-9220 or by email at pjackson@lsaminc.com should you have any questions or comments.

Sources:	S&P Dow Jones Indices website (us.spindices.com)	FTSE Russell (www.ftserussell.com)
	MSCI Barra website (http://www.msccibarra.com)	Bankrate.com (www.bankrate.com)
	The Conference Board (www.conference-board.org)	Bureau of Labor Statistics (www.bls.gov)
	Bureau of Economic Analysis (www.bea.gov)	United States Census Bureau website (www.census.gov)
	JP Morgan Guide to the Markets	Federal Reserve Bank of Atlanta (https://www.atlantafed.org/cqer/research/gdpnow)
	CME FedWatch Tool (www.cmegroup.com)	OpenAI, ChatGPT

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities. The index is meant to reflect the risk/return characteristics of the large capitalization U.S. universe.

The S&P 500® Equal Weight Index is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Russell 2000 is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of the 3,000 largest stocks in the United States. The Russell 2000 serves as a benchmark for small-cap stocks in the U.S. and is meant to reflect the risk/return characteristics of the small capitalization U.S. universe.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra, a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.

The MSCI Emerging Markets Index is an index created by Morgan Stanley Capital International (MSCI) designed to measure equity market performance in global emerging markets.

The Barclays US Aggregate Bond Index is a broad-based benchmark index that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

The Dow Jones Equity All REIT Index is designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. These companies are REITs that primarily own and operate income-producing real estate.

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