MONTHLY MARKET REVIEW

03 2026

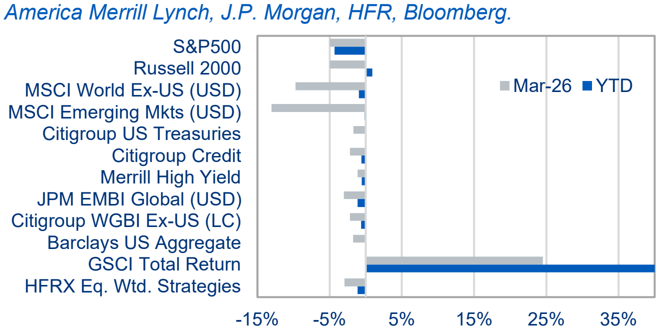
Strategic Investment Group®

Global Market Review

The fog of war enveloped markets in March. Oil markets experienced wild intra-day price swings and spiking prices. Global equity markets declined as hopes for a rapid conclusion to hostilities faded. U.S. Treasury prices also fell as inflation expectations rose. Many major central banks, including the Fed, the ECB, the BoC, the BoE, the BoJ and the SNB, kept their policy rates unchanged in March. However, citing the risks to inflation posed by the war, they struck a hawkish note. The U.S. dollar recovered its status as a safe haven, rising 2.4%. With the U.S. dollar rising and the prospect of higher rates ahead, gold prices fell sharply. Other commodity prices rose, as the effective closure of the Strait of Hormuz disrupted trade in a broad range of key commodities. Regional shortages have appeared in jet and diesel fuel and other distillates. Regular U.S. gasoline prices rose 36%. Knock-on effects of shortages and higher prices are being felt upstream.

Performance of Major Market Indices

Sources: S&P, MSCI, FTSE Russell, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, HFR, Bloomberg.



War roils oil market and sends global equities lower.

Molotov Cocktail

The Iran war exploded onto the oil market in March, sending prices and volatility sharply higher. Intra-day price swings reached a record level on March 9, with a barrel of crude spiking to over $119 and then plunging to $84 in less than 24 hours following conflicting statements on the duration of the war. Although oil is a globally traded commodity, stark regional differences have emerged, with the price spread between Brent and Omani crude widening significantly, reflecting their relative proximity to the conflict zone (Exhibit 1). Brent crude prices closed the month at $118 per barrel, up 63% in March and 94% from the beginning of the year, constituting the biggest oil shock in terms of percentage increase since the 1990 Iraqi invasion of Kuwait.

Exhibit 1. Oil Prices and Volatility Soar

Source: Bloomberg. Near-term futures contract prices on Brent crude, WTI, and Omani crude. January 2026 = 100.

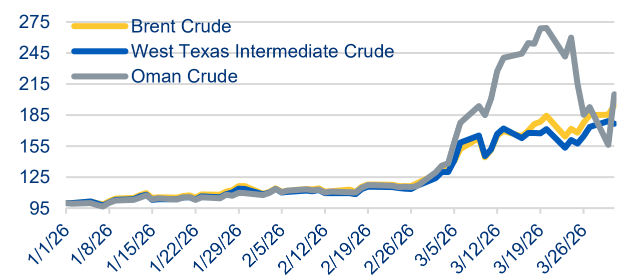
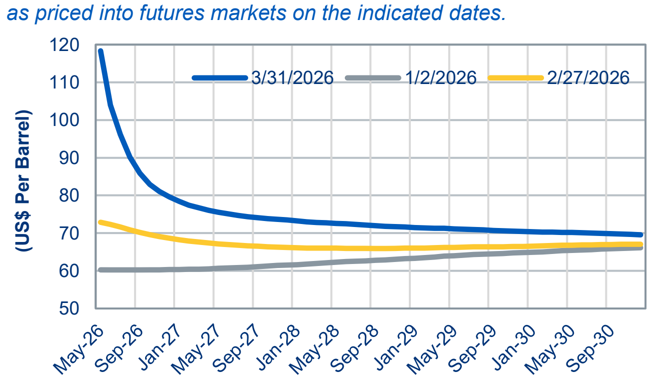


Exhibit 2. Oil Futures Suggest Transient Price Impact

Source: Bloomberg. Brent crude prices at various points in the future as priced into futures markets on the indicated dates.



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For the present, markets are pricing in immediate, but not long-lasting, market damage from the war (Exhibit 2). At the beginning of the year, the oil futures curve was slightly positively sloped, suggesting that spot prices would be relatively stable in future. As the war approached, the futures curve began to rise and invert. By the end of the month, the futures curve was steeply inverted, pointing to expectations that the spike in oil prices would be transient.

Oil is not the only commodity market impacted by the effective closure of the Strait of Hormuz. A large share of the export of other key commodities also passes through the Strait, including LNG (20-30%), fertilizer (25-35%), sulfur (40-50%), and helium (20-30%), and their prices have soared, with knock-on effects on the production of semiconductors, food, and metals. The disruption of LNG production and transport has hit European and Asian markets particularly hard. European LNG prices rose 59%, and Asian prices, 94%.

U.S. Equity Market Posts Negative Quarter

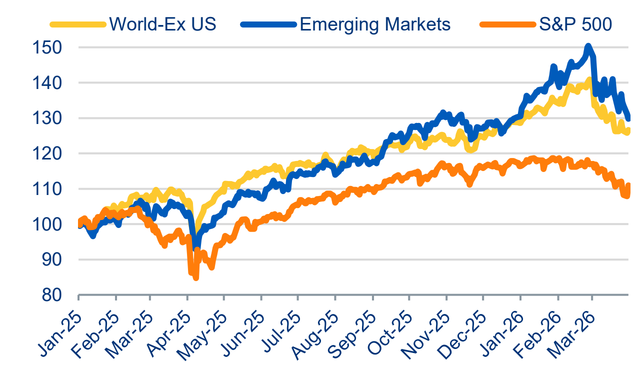
The S&P 500 fell 5.0% in March and is down 4.3% in the first quarter (Exhibit 3). Under the surface, there has been significant sector rotation. With the onset of the war, investors have increasingly shunned mega-cap tech stocks while favoring stocks in the energy, industrial and materials sectors. Software firms have also sold off heavily on fears that they will face increasing competition from AI. In contrast, defensive sectors, including utilities and consumer staples have benefitted from increasing investor caution.

Non-U.S. Markets Give Up 2026 Gains in March

Emerging equity markets declined 13.1% in March, erasing earlier first quarter gains (see Exhibit 3). Asian emerging markets fell particularly sharply. Korean shares plummeted 25.6% in March following their gain of 85.0% in 2025 as war dimmed the prospects of Korea's chip producers.

Exhibit 3. War Sends Global Equities Lower in March

Source: Bloomberg. Index January 2025 = 100.



The MSCI World ex-US index of advanced non-U.S. equities fell 9.7% in March (see Exhibit 3). The index is down 0.9% so far this year, reflecting the inflationary impact of energy prices, speculation about potential ECB tightening, and the stronger U.S. dollar.

Monetary Policy in the Fog of War

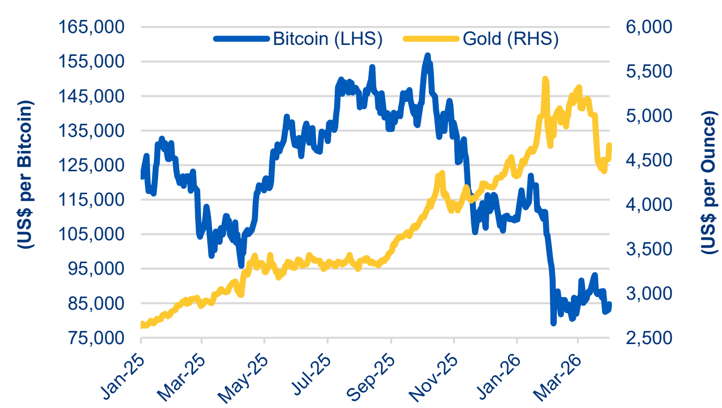
Although most major central banks kept their rates on hold in March, all pointed to the heightened uncertainty about the outlook for inflation and signaled that rising price pressures may require a shift toward tighter policies. The U.S. Treasury yield curve steepened in March. Relatively near-term inflation expectations are up, while real yields have driven the yield increase at longer maturities. Reflecting this shift, the broad U.S. Treasuries index fell 1.7% in March, and Treasuries with maturities of 10+ years lost 3.9%. U.S. credit markets also declined in March, led by the investment grade sector, which fell 1.9%. High yield bonds were down 1.1%.

Oil Crisis Tarnishes Gold's Safe Haven Status

Since the onset of hostilities, gold prices have plummeted, tarnishing its reputation as a safe haven asset (Exhibit 4). The reason for its collapse remains obscure. Possible explanations include a partial unwinding of gold's excessive price increase over the past two years. This hypothesis is supported by the increasing flows out of gold ETFs since the war's onset. Another possibility is that central banks that had been net buyers of gold have become net sellers to replace lost export revenue or, in the case of oil importers, to defend their currencies in the face of deteriorating external balances. Like gold, digital gold (cryptocurrencies) also has not proven to be a safe haven from the war's destructive market impact.

Exhibit 4. Neither Gold Nor Digital Gold Provide Solace

Source: Bloomberg. U.S. dollars per bitcoin and ounce of gold.



Performance of Major Market Indices through 03-31-2026

Sources: MSCI, FTSE, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, S&P GSCI, HFR, Bloomberg.

	1-Month	QTD	YTD	1-Year	3-Year	5-Year
S&P500	-5.0%	-4.3%	-4.3%	17.8%	18.3%	12.1%
Russell 2000	-5.0%	0.9%	0.9%	25.7%	13.0%	3.8%
MSCI World Ex-US (USD)	-9.7%	-0.9%	-0.9%	23.0%	14.3%	8.4%
MSCI Emerging Mkts (USD)	-13.1%	-0.2%	-0.2%	29.6%	14.8%	3.7%
Citigroup US Treasuries	-1.7%	0.0%	0.0%	3.3%	2.6%	-0.1%
Citigroup Credit	-2.2%	-0.6%	-0.6%	4.8%	4.8%	0.8%
Merrill High Yield	-1.1%	-0.5%	-0.5%	6.9%	8.5%	4.2%
JPM EMBI Global (USD)	-3.0%	-1.1%	-1.1%	9.6%	8.6%	2.5%
Citigroup WGBI Ex-US (LC)	-2.2%	-0.7%	-0.7%	0.2%	0.9%	-2.2%
Barclays US Aggregate	-1.8%	0.0%	0.0%	4.3%	3.6%	0.3%
GSCI Total Return	24.5%	40.0%	40.0%	43.0%	18.2%	19.6%
HFRX Eq. Wtd. Strategies	-2.9%	-1.1%	-1.1%	5.8%	5.1%	2.5%