What's on Our Minds

March 2, 2026

MARKET HIGHLIGHTS

- **President Trump recently announced a joint US–Israel military operation in Iran.** It is too early to assess the total market impact, but the main concern centers on oil prices.
- **US equities have had a rocky start to the year,** although activity reflects a rotation away from big names in technology and communication services and toward cheaper cyclical and defensive stocks rather than a broad risk-off move.
- Contrary to initial statements following the Supreme Court ruling, **the Trump administration introduced the Section 122 global tariff to replace the illegal tariffs at a 10% rate**—below the 15% allowed for 150 days under the law.
- January producer prices came in hot, with **headline Producer Price Index rising 2.9% year over year and core producer inflation even higher at 3.6%.**
- **Ten-year Treasury yields dropped below 4.0% and 30-year mortgage rates fell below 6.0%.** These moves may signal slower demand growth in the economy and housing sector but could also reflect declining inflation expectations and term premiums adjusting toward Federal Reserve targets.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.54%	1.75%
Municipal Bonds 1-10Y	0.17%	1.91%
U.S. High Yield	-0.31%	0.59%
S&P 500	-0.42%	0.68%
Russell 2500 (SMID cap)	-0.93%	7.56%
MSCI EAFE (International)	1.24%	10.09%
MSCI Emerging Markets	2.82%	14.83%
MSCI ACWI (Global)	0.38%	4.29%
Crude Oil (NYMEX WTI)	1.05%	17.11%
Gold LBMA PM	0.60%	19.56%
60/40 ACWI/Agg Portfolio	0.44%	3.27%

WHAT CAUGHT OUR EYES THIS WEEK

Military Operations and Oil Prices: A Quick Historical Analog

As is typical with geopolitical issues in the Middle East, the primary conduit for global economic impact is through energy markets. The market's immediate reaction to Operation Epic Fury was as expected, with oil and gas prices spiking higher. Looking ahead, the future trajectory will depend on the duration of the disruption and the severity of any damage to energy facilities in the region. Even in the event of a more prolonged conflict, history tells us that market behavior can often be surprising. For example, after rising for weeks amid reports that Russian troops were building along the Ukraine border in early 2022, oil prices spiked sharply when news broke of the invasion on February 24. However, that spike ultimately marked a high point for crude oil that still holds to this day, even as that war rages on. In other words, even if you knew upfront that the war in Ukraine would stretch for several years, you would have lost money trying to buy oil for all but the briefest of windows in the very beginning. We don't want to understate the gravity of the current situation, but we take dramatic calls for massive and sustained increases in oil prices with a grain of salt. The commodity market is a fickle beast, and predictions involve deciphering a complex web of supply and demand.

Please see important disclosures and other key information on page 4.

What's on Our Minds

OUR CURRENT OUTLOOK

- **The U.S. economy is resilient**, but softer labor markets translate into slower (albeit still positive) trends for consumer spending.
- **Our current expectations of a recession in the next 12 months are moderately low**, which should allow credit spreads to remain tight.
- **Benefits from the One Big Beautiful Bill Act will accelerate in 2026**, providing a tailwind for consumer spending and capital expenditures.
- **The Federal Reserve is still looking to cut interest rates**. We expect one or two cuts for 2026.
- **We expect S&P 500 profits to continue with their momentum from 2025,** growing in the low to mid-teens again in 2026, and broadening to create new sector leaders in the equity markets.
- **AI capital spending, driven by the hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.
- **Potential risks to our outlook include** disappointments in return on investment for AI spending, growing signs of speculative excess in certain pockets of equity markets, continued geopolitical uncertainty, and further deterioration in foreign sentiment for U.S. dollar assets.

IN CASE YOU MISSED IT

INSIGHTS

Notable Liquidity Trends in the Pre-IPO Market

Integrating Opportunity Zone Investments and Estate Planning

Moving to the UK: The Foreign Income and Gains Regime for US Expats and Returning UK Citizens

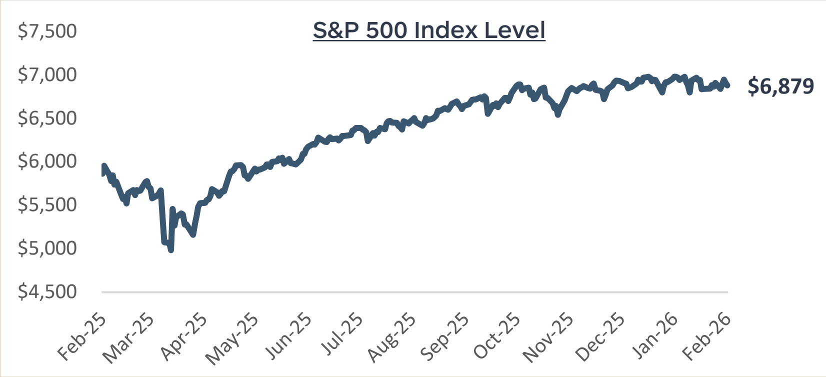
ARCHIVE

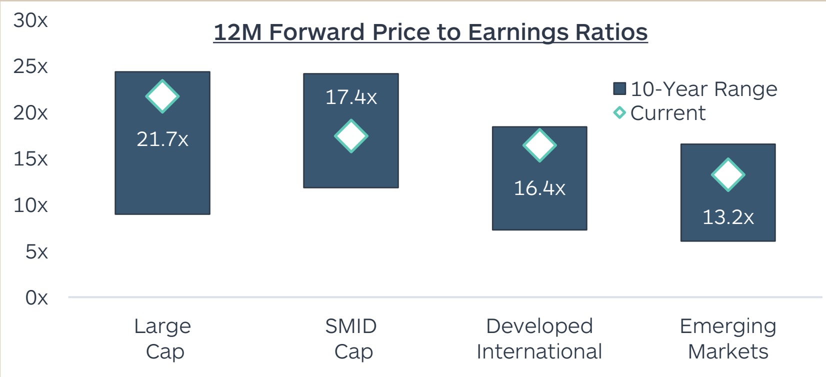
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q1 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Utilities	3.0%	11.9%
Consumer Staples	2.7%	16.3%
Health Care	2.2%	3.5%
Energy	2.0%	25.2%
Materials	1.3%	17.8%
Real Estate	0.8%	9.4%
Comm. Services	0.5%	0.4%
Industrials	0.0%	14.3%
Consumer Discretionary	-0.5%	-3.8%
Financials	-2.0%	-6.0%
Information Technology	-2.2%	-5.5%

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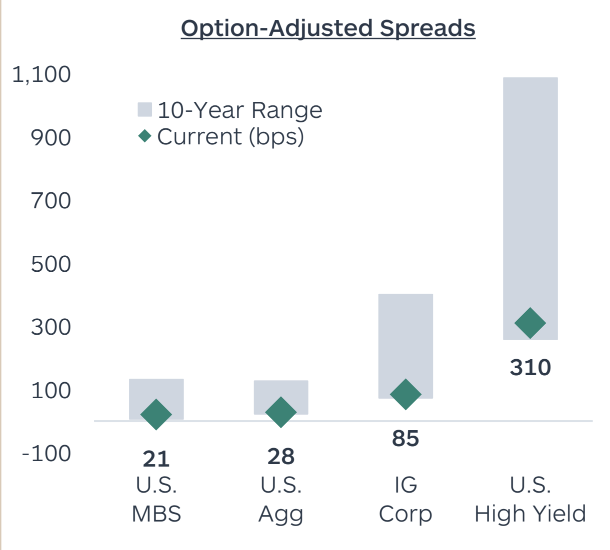
FIXED INCOME

KEY INTEREST RATES	2/27/2026	Δ YTD
Municipal Bonds 1-10Y	2.61%	-0.36%
Effective Federal Funds Rate	3.64%	0.00%
3M T-Bill	3.66%	0.03%
10Y Treasury Yield	3.96%	-0.21%
U.S. Aggregate	4.16%	-0.16%
30Y Mortgage Rate	6.12%	-0.13%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.16%	0.08%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	2/27/2026
Crude Oil	$67.06
Gold	$5,222.30
U.S. Dollar Index	$97.61
Bitcoin	$65,880.00

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THE WEEK AHEAD

Mar. 2 (Mon)	Mar. 3 (Tue)	Mar. 4 (Wed)	Mar. 5 (Thu)	Mar. 6 (Fri)	Coming Up
Feb. ISM Manufacturing PMI		Feb. ADP Employment Feb. ISM Services PMI	Initial Claims Import & Export Prices Q4 Productivity	Feb. Employment Report Jan. Retail Sales	Feb. CPI (3/11) Jan. Personal Consumption Expenditures (3/13)

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ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, YCharts.

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 2/27/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 2/27/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 2/27/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 2/27/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 2/27/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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