



Market analysis | March 9, 2026

At a glance

Markets turned risk-off last week as Middle East tensions lifted oil prices, nudging inflation expectations higher and pushing yields up. However, macroeconomic and market fundamentals — steady spending and strong earnings — remain constructive, supporting a pro-growth stance paired with added diversification beyond traditional stocks and bonds.

Number of the week

21%

The percentage of the global oil supply moving through the Strait of Hormuz under normal circumstances.

Term of the week

The Strait of Hormuz – A narrow channel connecting the Persian Gulf with the Gulf of Oman and the Arabian Sea, between Iran to the north and Oman and the United Arab Emirates to the south. It is approximately 30 miles wide at its narrowest point.

The U.S. labor market is slowing but not deteriorating sharply. Payrolls fell by 92,000 in February and the unemployment rate edged up to 4.4%, though weather, a large healthcare strike and statistical updates distorted the report. Weekly initial jobless claims suggest layoffs remain contained, which is consistent with the narrative that job growth is slower, but the labor market hasn't broken.

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Global economy

Quick take: Growth signals remain constructive, but geopolitics and oil-driven inflation uncertainty are elevating near-term volatility.

- **Economic conditions continue to point to expansion, but the market's focus has shifted toward geopolitics** and the inflation pressure from higher energy prices. Conflict in the Middle East reduced shipping activity through the Strait of Hormuz — an important chokepoint for roughly 21% of global oil supply — driving oil prices higher and increasing uncertainty in capital markets. The U.S. produces more oil than it consumes, which reduces domestic vulnerability, but a prolonged price spike can still pressure consumers and companies by raising fuel and transport costs.
- **The U.S. labor market is slowing but not deteriorating sharply.** Payrolls fell by 92,000 in February and the unemployment rate edged up to 4.4%, though weather, a large healthcare strike and statistical updates distorted the report. Weekly initial jobless claims suggest layoffs remain contained, which is consistent with the narrative that job growth is slower, but the labor market hasn't broken.
- **Demand indicators remain supportive.** Retail sales rose 4.9% in January when excluding food, gasoline and motor vehicles, and average hourly earnings increased 3.8% year-over-year in February — above inflation — supporting “real” purchasing power (after inflation). Business surveys are also steady; purchasing manager indexes in the U.S., eurozone, Japan, United Kingdom and India signal expansion. Readings above 50 typically indicate expanding activity and those below indicate contraction.

Equity markets

Quick take: Equities pulled back on a risk-off week, but earnings strength continues to support a growth-oriented, diversified equity stance.

- **Global equities retreated and volatility increased last week**, with Middle East tensions pushing oil sharply higher and encouraging less risk taking. Major global equity benchmarks declined and all 11 S&P 500 sectors posted weekly losses. Even so, year-to-date leadership remains uneven: Energy is up 24.9%, while Financials and Information Technology have lagged at -7.7% and -5.8%, respectively — consistent with rotation as investors balance growth optimism against geopolitical and interest rate risks.
- **S&P 500 fundamentals continue to support U.S. equities.** The fourth quarter reporting season is essentially complete, with about 99% of S&P 500 companies having reported. Results exceeded expectations, with revenue up 9.2% and earnings up 13.7% versus initial forecasts of 7.9% for both.
- **Analysts continue to raise forward estimates**, projecting around 14% S&P 500 earnings growth in 2026 and 16% in 2027; the index trades near 21.5 times 2026 projections. Absent rising inflation or higher interest rates, markets can sustain elevated valuations for an extended period.
- **Consumers continue to spend**, particularly in middle- to higher-income cohorts, while prioritizing newness, value and convenience. However, persistent inflation pressures and shifting household spending patterns weigh on demand for non-essential goods.
- **Industrial demand remains mixed.** Companies that support the data center buildout and aerospace and defense markets continue to perform well, while railroad and trucking volumes vary depending on cargo type and route.
- **Companies continue to invest in technology despite heightened scrutiny around returns on artificial intelligence (AI).** In the near term, software companies face meaningful risk as firms worry about AI displacement and pause or reduce employment, which may translate into fewer software users and lower revenue. Nevertheless, Information Technology once again served as the primary engine of index-level earnings growth, delivering approximately 30% year-over-year gains, according to Bloomberg, driven by sustained AI-related investment in semiconductors, cloud infrastructure and enterprise digitization.

Bond markets

Quick take: Higher yields pressured bond prices last week, but starting yields and income-focused opportunities remain compelling, especially with diversification beyond core bonds.

- **Treasury yields rose last week, with markets pricing a higher inflation impulse from surging oil** and pared back expectations for aggressive Federal Reserve (Fed) easing. The 10-year Treasury yield moved up to 4.14% (up 0.19%). Markets expect the Fed to hold rates steady at its March 18 meeting, and bond yields reflect one to two cuts later this year, with the policy rate expected around 3.50%-3.75% before easing.
- **In 2025, municipal bond issuance totaled \$587 billion, a record.** Strong issuance continued in early 2026, with municipalities issuing \$75.6 billion through February. Elevated issuance can pose headwinds for bond prices, but municipal bonds have returned 0.9% so far this year, reflecting robust investor demand. Municipal bonds can generate material income, with investment-grade and high yield municipal bond tax-equivalent yields of 5.8% and 9.2%, respectively, for investors in the top federal tax bracket.
- **Bank loans delivered positive returns last week despite enhanced investor scrutiny.** Concerns that AI could disrupt software businesses weighed on bank loan performance so far this year. Passive funds tracking the Morningstar LSTA U.S. Leveraged Loan 100 Index have approximately one quarter of exposures concentrated in software companies, compared to less than 5% of high yield corporate bonds. Bank loans gained 0.7% last week, suggesting investor sentiment stabilized.
- **Rising Treasury yields weighed on corporate bond prices last week,** but credit spreads (the additional yield investors demand over Treasuries) were stable. Investment-grade and high yield corporate bond credit spreads have been lower than current levels less than 10% of the time over the last 20 years, indicating investors remain confident in most issuers' credit quality.

Real assets

Quick take: Real assets were mixed last week — rate-sensitive segments fell while commodities surged on oil — reinforcing their role as diversifiers when inflation risk rises.

- **Listed real estate investment trusts (REITs) fell 2.0% amid higher financing costs and a risk-off tone.** Higher Treasury yields can raise borrowing costs and make bond income more competitive, weighing on REIT prices. REIT price declines were broad-based, with all property types falling last week. Economically sensitive categories like industrial, retail and hotel/resort properties fell the most while single-family, multi-family and telecommunication properties performed the best. Despite losses last week, diversified REITs have gained 8.0% this year, outperforming most equity indices.
- **Global infrastructure declined 3.3% last week** as rising yields weighed on utility stocks and international exposures underperformed U.S. stocks. Infrastructure portfolios often include utilities and energy infrastructure; utilities can be sensitive to higher rates because they are capital-intensive and their dividends compete with bond yields. Energy infrastructure was a relative bright spot, rising 2.3% as oil and natural gas prices moved higher. Liquefied natural gas-linked companies led, with the largest U.S. exporter gaining almost 10%.
- **Oil surged 36% last week, with investors focused on the U.S./Israel-Iran conflict** and the cargo standstill in the Strait of Hormuz caused by security and insurance costs. Broad commodity exposure rose 8.7% to their highest level since 2011. Metals were weaker (gold -1.4%, silver -9.9% and copper -3.5%), illustrating why diversified real-asset exposures can help balance sub-sector swings.

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