

# Monthly Download

## March 2026

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### Summary

- ◆ **Markets were** marked by elevated volatility in March, driven by geopolitical uncertainty surrounding the Iran conflict. Equity markets broadly fell, while high-grade bonds failed to provide typical diversification benefits in a risk-off environment. U.S. equities held up better than international markets on a relative basis, as countries with greater reliance on energy imports were more adversely affected by rising energy prices. Emerging markets faced additional pressure from a sharp reversal in memory chip stocks. Fixed income markets sold off, particularly at the front end of the yield curve, as investors priced in the likelihood of more hawkish actions by global central banks to address inflationary pressures stemming from the energy shock caused by the closure of the Strait of Hormuz.

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### Market Overview

- ◆ **Equity markets** declined sharply in March, with the Energy sector standing out as a notable exception. US Large Cap and Small cap stocks delivered roughly comparable performance, while value stocks modestly outperformed growth stocks, especially within the small cap space. International markets lagged the US, weighed down by weakness in Financials and Industrials as growth outlooks for Europe became more clouded amid a sharp rise in energy prices.
  - US Large Cap stocks (S&P 500) fell 5.0% with every sector except Energy posting negative returns. The S&P 500 Equal Weight Index was down 6.0%, underperforming the market cap-weighted index due to its greater exposure to weakest performing sectors, including Industrials, Consumer Staples and Healthcare. Year to date, the S&P 500 is down 4.3%.
  - US Small Cap stocks (Russell 2000) declined 5.0%, as gains in Energy and Biotech were offset by weakness in Industrials, Materials and Technology. Despite the March drawdown, Small Cap stocks remain positive, up 0.9% year to date.
  - Non-US stocks (MSCI EAFE Net) fell 10.2% reflecting the greater impact of energy supply disruptions on international markets. Japan declined 11.8% in March. Year to date, the index remains up 1.1%.
  - Emerging Markets (MSCI Emerging Markets Net) dropped 13.0%, pressured by a strong U.S. dollar and momentum reversal in memory chip stocks including Samsung, SK Hynix, and Taiwan Semiconductor. Korea was down 21% while Taiwan declined 11%. Year to date returns are marginally positive at 0.1%.
- ◆ **Interest rates** rose sharply in March, with the curve flattening as short-term yields rose more than long-term yields. The 10-year Treasury yield climbed 37 bps to 4.31% from 3.94% at the start of the month, reflecting heightened inflation pressures from rising energy prices. Yields at the front end of the curve rose even more sharply, increasing 42bps and peaking near 4%, approximately a quarter point above the current upper bound of the Federal Fund Rate.
  - High Grade Taxable bonds (Bloomberg US Aggregate) fell 1.8% in March, as rising Treasury yields weighed on performance in higher quality fixed income sectors. Year to date losses are now 0.03%.
  - Municipal bonds (Bloomberg 1-10 Year Muni Bond) declined 1.9%, driven by higher yields and further cheapening relative to Treasuries. Municipal bonds are now down 0.1% in 2026.

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*All market performance data are sourced from FactSet or Bloomberg.*

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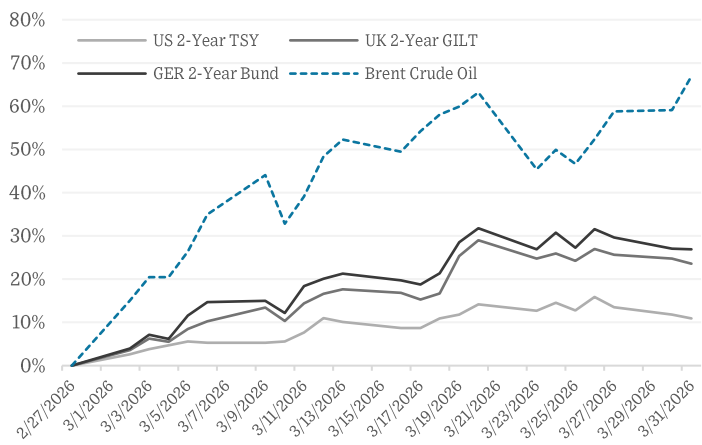
- Investment Grade bonds (Bloomberg US Corporate Investment Grade) were down 2.0% for the month, lagging High Yield as longer duration was hurt from rising yields. High Yield bonds (Bloomberg US Corporate High Yield) fell 1.2% benefiting from shorter maturities, higher exposure to Energy, and limited spread widening. Year to date both Investment Grade and High Yield bonds are down 0.5%.

◆ **Commodities** (Bloomberg Commodity Index) gained 11.5% in March, driven primarily by a sharp surge in energy prices. Crude oil (WTI) rose 55% over the month, the highest single month surge since the Global Financial Crisis in 2008, while Gold failed to provide its safe heaven protection, falling 11.2%. Bitcoin futures stabilized from their 2026 sell-off to date, advancing 2.9%. Commodities are now up 24.4% in 2026.

**Economic Commentary**

**US and Israel military operations in Iran** triggered a dramatic repricing of short-term government bonds during March. Entering 2026, markets anticipated at least two Federal Reserve rate cuts, as inflation appeared well anchored, and the tariff-related pressures appeared stable. A 67% increase in oil prices and closure of the Strait of Hormuz quickly reversed that outlook. Market pricing of global two-year government bonds, which are most sensitive to central bank expectations, not only eliminated expected rate cuts, but also began to reflect the possibility of rate hikes. The trajectory of short-term rates tracked movements in crude oil throughout the month, as illustrated in the

accompanying chart. The US 2-Year Treasury yield rose 42bps in March, peaking near 4%, above the upper bound of the Federal Fund rate target range at 3.75%. 2-Year government yields climbed even more sharply in the U.K. and Germany, rising 89bps and 62bps, respectively. The U.K. and Europe are considerably more sensitive to energy supply shocks than the U.S, reflecting their heavier reliance on imported energy. The U.K. imports roughly a third to two fifths of its total energy consumption, with more than half of its natural gas sourced abroad, mainly



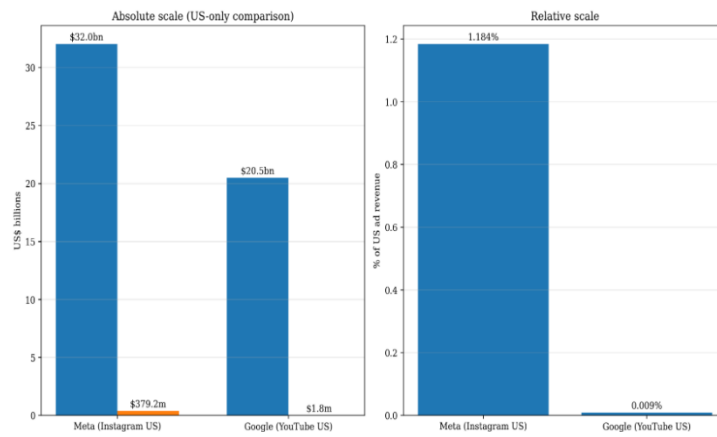
**% Increase: 2-Year Government Bond Yields vs. Brent Crude Oil Price**  
Source: Bloomberg

through Liquefied Natural Gas (“LNG”), compared with the U.S. which is a net energy exporter. Approximately 20% of global crude oil and LNG flow through the Strait of Hormuz, which was effectively closed following the outbreak of the hostilities. As a result, short-term interest rates in the U.K. and Europe proved far more responsive to the shock than in the U.S. Despite the near-term impact on inflation expectations, 5-year inflation expectations have declined in 2026. This divergence may allow central banks to resist rate hikes and point to market expectations that inflation impact will be temporary (they will likely avoid the word “transitory” given its use post-Covid). The Iran conflict has made the job for central bankers even more difficult as they estimate the impact of yet another disruption on global growth. Central banks in Europe may have the toughest challenge where they face weaker growth prospects, tighter fiscal constraints, and heavier reliance on Middle East infrastructure that has seen unprecedented damage.

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**Social media giants** Meta and Google were on the wrong side of landmark verdicts in March, widely described as the “tobacco moment” for the industry. The jury decisions, which will be appealed, may represent a significant shift in the legal risk facing large technology platforms. In New Mexico, Meta was found to have misled users about platform safety while failing to protect children from online predators. In California, both Meta and YouTube (owned by Google), were ruled negligent in a Los Angeles case charging that the companies designed their platforms to be addictive and failed to warn users of the associated risks. For the first time, U.S. juries held social media companies liable not for user generated content, but for the way their platforms were deliberately engineered with features such as infinite scrolling, autoplay and algorithmic content recommendations without adequate regard for user well-being. This marks a fundamental departure from the traditional legal protection afforded by Section 230, which has historically shielded platforms from liability by treating them as neither publishers nor speakers of user content. While Section 230 was originally focused on protecting early internet companies and innovation, the law has enabled social media companies to scale rapidly without assuming liability for content hosted on their platforms. These recent

rulings challenge that protection by shifting legal scrutiny toward platform design and behavior incentives rather than content moderation. Engagement optimization systems, central to these companies’ advertising driven revenue models, have proven highly effective at maximizing user time spent, driving engagement, and enabling targeted advertising through granular user profiling. The monetary damages awarded in these cases are modest relative to the scale of Meta and YouTube’s advertising revenues, representing approximately 1.2% and 0.1% of Instagram and YouTube’s US revenue in 2025, respectively, but the broader implications could be far more consequential. With numerous similar cases pending and plaintiff attorneys drooling at the prospects of deep-pocketed defendants, the rulings also pose a direct challenge to the sustainability of engagement maximization business models. The same mechanisms that drive revenue growth also contribute to addictive user behavior, amplification of harmful content, and the targeting of vulnerable populations. Advertisers, meanwhile, may become increasingly cautious about where to place ads, given the reputational risks that could arise if these legal and regulatory challenges remain unresolved.

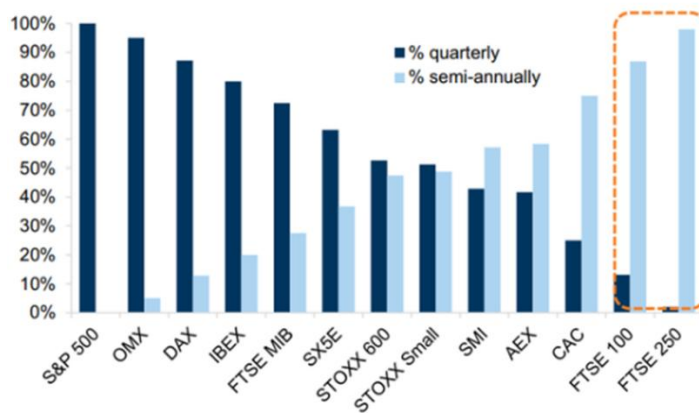


**Damages vs U.S. Advertising Revenue (Instagram vs YouTube)**  
Source: eMarketer, Resourcera.com

**The Securities and Exchange Commission (“SEC”)** submitted a proposal in March to the White House Office of Information and Regulatory Affairs that would effectively eliminate the long-standing requirement for quarterly financial reporting by publicly listed companies, a mandate that has been in place since 1934. Under the proposed rule, public companies would transition to semi-annual reporting. First introduced in 2018 and revived in late 2024, the initiative is part of a broader deregulatory effort from the Trump administration aimed at reversing the steady decline in the number of U.S. public companies as an increasing share of firms opt to remain private for longer. This proposal has sparked an intense debate between advocates of reducing regulatory burden and encouraging long-term corporate decision making and critics who emphasize the importance of transparency and investor protection. Proponents argue that the quarterly cycle incentivizes excessive focus on short-term earnings targets at the expense of long-term strategic investment. Opponents counter that less frequent reporting would reduce transparency, undermine investor confidence, increase information asymmetry, and ultimately lead to higher risk premiums and lower valuations. Less frequent reporting may also provide more opportunity for active managers to add value if they are able to take advantage of the longer time periods between required public disclosures. Europe offers a real world

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reference point for the debate. Prior to 2007, semi-annual reporting was the EU standard, followed by a brief shift to quarterly reporting between 2007 and 2014, before reverting back to semi-annual requirements in 2014. A Goldman Sachs study, examining companies included in the Euro Stoxx index (which is roughly evenly split between firms reporting semi-annually and those voluntarily reporting quarterly) found no meaningful valuation differences attributable to reporting frequency. Instead, the change in reporting frequency shifted disclosure incentives from regulatory mandates to market forces, with companies competing for capital remaining motivated to provide timely and comprehensive information even in the absence of formal requirements. While the proposed rule would reduce regulatory burdens for public companies, it would prove more challenging for small cap companies, which already have limited sell side analyst coverage and higher information asymmetry. Less frequent mandated reporting may exacerbate these disadvantages. If approved, implementation could begin later this year, and market attention will likely focus on how many companies continue to report quarterly on a voluntary basis and how investors adjust to this significant shift in the U.S. reporting regime.



**% of Companies by Reporting Frequency vs. Total Companies in Index**  
 Source: Seeking Alpha, Goldman Sachs Global Investment Research

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