

Index	Asset Class	2026		2025
		Feb.	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	(4.8)%	(5.8)%	21.0%
S&P 500	Large Cap U.S. Equity	(5.0)	(4.3)	17.9
S&P 400	Mid Cap U.S. Equity	(5.4)	2.5	7.5
S&P 600	Small Cap U.S. Equity	(4.1)	3.5	6.0
MSCI All Country World	Global Equity	(7.1)	(3.1)	22.9
MSCI All Country World (Ex U.S.)	International Equity	(10.7)	(0.6)	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	(10.2)	(1.1)	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	(13.0)	(0.1)	34.4
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(1.8)	(0.1)	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(2.2)	(0.2)	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(1.7)	0.3	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	(1.2)	(0.5)	8.6
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(6.1)	(2.5)	19.8
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(5.0)	(1.8)	16.6
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(3.9)	(1.2)	13.5
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.8)	(0.6)	10.4
Data as of 3/31/2026. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

A Sticky Situation. The U.S. and Israeli military action in Iran (aka the Iran War) appears to have become much more difficult to unravel than the Trump Administration may have anticipated going in. It seems naïve to think that the U.S. can simply withdraw and leave others in the Middle East and International Community to deal with or wait out the problems left behind – most prominent of which, with respect to the global economy, would be the maritime logjam at the Strait of Hormuz.

Since the start of the Iran War on February 28, global equity markets have responded with only modest pull-backs – with the S&P 500 down 4.2% and the MSCI EAFE Index down 7.8%, on a total return basis (as of this writing). It appears that the “base case” being discounted by global equities is for a cease fire and negotiated resolution in the not-too-distant future. Brent Crude Oil prices, on the other hand, appear to be expressing more concern based on their 50% appreciation from pre-War levels.

The differences in the reaction across global equity markets reflects the fact that the U.S. is a net exporter of crude oil, whereas Europe significantly relies on imports – including directly from Saudi Arabia, Iraq, and elsewhere in the Middle East. Regardless, crude oil prices are correlated across the globe, and a material disruption somewhere impacts prices everywhere. For the U.S., from a corporate perspective, higher oil prices do benefit oil producers, refiners, and distributors, but they negatively impact users (i.e., transportation companies and, of course, the general driving public). We’ve also learned that besides crude oil many other commodity markets are highly reliant on the Strait of Hormuz –

from fertilizers (e.g., ammonia, sulfur, phosphates), aluminum (i.e., urea), and even helium. As such, the rippling impact to the global economy is not immaterial.¹

At this point, we do concur with the general conventional wisdom that the Iran War would have to last much longer and/or get worse (e.g., boots on the ground) before a recession forecast would trump the current base case (pun intended). Based on historical precedents, there have been several Middle East conflicts and oil price spikes that have not directly resulted in recessions. The last one that did was the Gulf War which broke out after Iraq's invasion of Kuwait in August of 1990. That led to the forming of a 42-country coalition led by the U.S., and the retaliations on Iraq and the liberation of Kuwait in January to February of 1991 (Operation Desert Storm).² That conflict and the associated disruption to oil markets resulted in a 150% increase in crude oil prices, which resulted in a near immediate global recession which lasted about three quarters based on typical economic criteria.

Equity Markets

Global equity indexes pulled back in March, primarily as a result of concerns related to the Iran War and the uptick in inflation risks stemming from high oil prices. The laggards within March were International stocks, owing to their greater dependence on oil imports. On the YTD basis, however, International stocks do remain ahead of U.S. Large Caps as of quarter-end. The YTD leaders within the U.S. have been Small and Mid Caps, premised on the anticipated declines in Fed Fund Rates – as Small and Mid Cap companies are more dependent on debt financing than Large Caps. The fact that SMID stocks remain ahead YTD denotes the aforementioned “base case” expectations that the Iran War will be resolved in the near future. However, were it not to be, the growing inflation threat could prompt Fed Fund Rate hikes rather than cuts, regardless of the change in the Fed Chair. Not a forecast, just a reference point...

Fixed Income Markets

Reflecting a War-related uptick in market interest rates in March, all bond indexes we track in this report declined. On a YTD basis, however, all these indexes remain about flat with no leadership worth highlighting.

Reference(s):

- 1) Wall Street Journal, “The Other Markets Being Rattled by the Blockage of Hormuz”, March 28, 2026 – [Link](#)
- 2) Wikipedia, “Gulf War” – [Link](#)

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