

Index	Asset Class	2026		2025
		Feb.	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	(2.3)%	(1.1)%	21.0%
S&P 500	Large Cap U.S. Equity	(0.8)	0.7	17.9
S&P 400	Mid Cap U.S. Equity	4.1	8.3	7.5
S&P 600	Small Cap U.S. Equity	2.2	7.9	6.0
MSCI All Country World	Global Equity	1.3	4.3	22.9
MSCI All Country World (Ex U.S.)	International Equity	5.0	11.3	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	4.6	10.1	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	5.5	14.9	34.4
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	1.6	1.8	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	1.3	2.0	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	1.1	2.0	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.2	0.7	8.6
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.4	3.8	19.8
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.4	3.3	16.6
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.5	2.8	13.5
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.6	2.3	10.4
Data as of 2/28/2026. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

Inflation Risks are Now Front and Center. Whatever was the conventional wisdom regarding the conditions and trends of the global economy in general, and inflation risks in particular, some reassessment appears necessary. Now layered on to previously sticky inflation levels are new risks from rising oil prices, fueled by an expanding military conflict in the Middle East. A potential offset to these risks, in our view, are the likely lower U.S. tariff rates owing to the recent SCOTUS ruling. We review both these developing situations below.

- 1) **Iran War** – On February 28, 2026, the United States and Israel launched coordinated attacks against Iran, with bombings that included military and political targets. Among Iran’s political leaders killed in the initial bombings was its Supreme Leader Ayatollah Khamenei. We’ll defer to others to postulate on the underlying motivations, strategic rationale, and legal justifications of the U.S./Israel’s joint attacks on Iran. Our focus here will be to provide succinct views on the potential implications for the global and U.S. economies, and for investment markets.

Based on historical precedents, investment markets tend to look through the human tragedies of wars abroad. On the other hand, markets do respond to conflicts in the Middle East that may substantially impact oil prices. While crude oil prices have jumped in reaction to the attacks on Iran, up over 14% to just over \$83/barrel (Brent), overall crude prices remain no higher than their trading range in 2023-2024. In our view, it would take an extended disruption of oil supplies (production and/or transport) prompting crude to spike to \$100+/barrel in order to present a substantial threat for heightened inflation with materially adverse implications for global economic activity.

As of this writing, Iran has already retaliated by bombing at least nine of its Mid-East neighbors, including a Saudi oil refinery and a Qatar LNG facility. And the Iran-backed militant group Hezbollah has also launched retaliatory strikes at Israel, to which Israel has responded with a ground incursion into Lebanon. Also, oil tankers, for the time being, have essentially stopped trying to navigate through the Strait of Hormuz, the only sea passage from the Persian Gulf to the open ocean which Iran boards on the north, and through which about 25% of the world's oil supplies pass. And U.S. intelligence has also warned that Iran and its proxies could attack targets in the U.S.¹

- 2) **SCOTUS Rules Against IEEPA Tariffs** – On February 20, 2026, the U.S. Supreme Court ruled against President Trump's unilaterally imposed tariffs, which relied on the International Emergency Economic Powers Act (IEEPA). The Court thereby also reaffirmed Congress' sole authority to raise revenue through tariffs. Over \$170 billion has been collected through tariffs over the last 10 months and, according to Bloomberg News, over 2,000 lawsuits have been filed seeking tariff refunds. While the refund process is making judicial progress, it could take years to play out.²

Just hours after the SCOTUS tariff ruling, President Trump imposed 10% global tariffs under a statute that allows the President to impose temporary levies for up to 150 days; the day after that he threatened to raise the temporary tariffs to 15%. As tariffs have not been well-received by the majority of the American people, it appears unlikely to us that Congress will move to restore tariffs in line with Trump's original plans – particularly as Republicans are facing some headwinds in the polls ahead of next year's mid-term elections.

With respect to a number of the trade deals announced over recent months, a few were not finalized before the SCOTUS ruling and/or not ratified as necessary by the counterparty country's parliament/legislature (e.g., European Union, Indonesia, Malaysia, and Vietnam). It remains to be seen whether these deals will be fully honored, and what other political wranglings may be attempted by the Trump Administration to reimpose trade tariffs.³ While some uncertainties will linger, it appears safe to assume that whatever future tariff rates may average, they will be less than otherwise would have been had SCOTUS not ruled against the IEEPA tariffs. Whether tariffs boost inflation has remained a matter of debate; in our view, we continue to believe that they do and now believe they will less.

Equity Markets

The leadership shifts which came into focus mid-way through Q4 2025, and which we highlighted in our last *Monthly*, gained traction so far this year – namely moves toward risk-off and away from the previous Mega Cap growth leaders, and towards everything else, particularly International stocks. On the table on the preceding page, this was all personified last month and YTD through the end of February by the downticks in the NASDAQ 100 and S&P 500, the recoveries by S&P 400 and S&P 600, and the material outperformance logged by the MSCI EAFE and MSCI EM indexes.

Fixed Income Markets

Among the bond indexes included in the table on the preceding page, the move toward risk-off is apparent by upticks in the investment grade bond indexes, which actually outpaced U.S. Large Caps stocks YTD through the end of February, and by the lagging performance of the Bloomberg U.S. Corp. High Yield index.

We note that in the first couple trading days of March, global equity and bond markets have declined in response to the Iran War. This is due to the heightened inflation risks and the related increase in market interest rates.

Reference(s):

- 1) Yahoo! News, "Intelligence assessment warns of Iranian attacks on U.S. ...", March 2, 2026 – [Link](#)
- 2) CBS News, "Federal appeals court rejects... push to delay... tariff refund process", March 2, 2026 – [Link](#)
- 3) The New York Times, "They Did Deals With Trump to Get Lower Tariffs. Now They Are Stuck.", Feb. 22, 2026 – [Link](#)

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