March Investment Review 2026

Markets Reprice a Changing Policy Landscape

Overview

Markets are transitioning to a regime where inflation, policy uncertainty, and fiscal dynamics—not just growth—are driving outcomes. The conflict involving the United States, Israel, and Iran introduced a level of uncertainty that extends beyond typical cyclical risks, contributing to elevated volatility across asset classes and a meaningful shift in market behavior.

At its mid-March meeting, the Federal Reserve held rates unchanged and reinforced a patient, data-dependent stance. Policymakers characterized the economy as broadly in "balance," while emphasizing that inflation remains above target and that additional progress is required before easing can begin. At the same time, the Fed's projections continue to imply eventual rate cuts even as inflation forecasts remain elevated, highlighting a growing disconnect between policy expectations and market concerns.

This shift reflects more than a typical economic cycle. In prior environments, markets were largely driven by growth expectations and monetary policy adjustments, with inflation trending lower and bonds providing reliable diversification. Today, structural forces—including persistent inflation uncertainty, elevated fiscal deficits, and geopolitical risk—are influencing both interest rates and asset valuations. Markets have begun to reflect this tension as oil and related commodity prices have become a key transmission channel, reinforcing inflation pressures and complicating the policy outlook.

In the meantime, the Fed remains on hold, awaiting clearer disinflation signals. With policy constrained and uncertainty rising, the risk of a misstep is increasing. In this environment, the risk is not that policy moves too quickly, but that it moves too late.

Macro View	MTD (%)	YTD (%)	1Y (%)	10Y (%)	10Y STD (±)
DJIA	-5.20	-3.19	12.23	12.49	15.07
S&P 500	-4.98	-4.35	17.77	14.13	15.02
NASDAQ	-4.68	-6.96	25.63	17.14	18.10
Eqty EM Mkts.	-13.04	-0.13	30.26	8.24	16.74
EM Bond Mkt.	-2.89	-1.35	7.11	3.56	7.30
High Yield	-1.19	-0.53	6.94	6.03	7.26
Commodity	11.50	24.41	32.29	8.01	13.73
COMEX Silver	-19.17	5.40	106.91	15.13	30.83
COMEX Gold	-11.44	6.15	42.38	12.18	14.39
Brent Oil	62.41	97.72	82.89	20.56	40.75
Dollar Index	2.41	1.67	-4.08	5.68	6.50

Taxable Markets

Taxable fixed income markets weakened in March as yields moved higher across the curve, producing negative returns across nearly all major sectors. The Bloomberg U.S. Aggregate Bond Index returned - 1.76%, while U.S. Treasuries declined 1.74%. Corporate bonds underperformed at -1.98%, reflecting both rising rates and modest spread widening. More defensive segments, including U.S. Agency securities (-0.99%), TIPS (-1.34%), and Agency MBS (-1.65%), held up relatively better.

Treasuries did not provide their typical offset to equity weakness, as rising yields dominated safe-haven demand. This reflects a market increasingly driven by inflation expectations and policy uncertainty rather than by recession or credit stress.

Performance across the curve highlighted the vulnerability of intermediate maturities. The 3–10-year segment underperformed, as it is most sensitive to changes in both policy expectations and term premium. Short maturities remain anchored by current policy rates, while longer maturities reflect structural pressures, including inflation uncertainty and elevated Treasury supply.

Credit added further pressure. While corporate bonds offered approximately 100 basis points (bps) of additional yield over Treasuries, that income was insufficient to offset the combined impact of duration and modest spread widening. With similar or slightly longer duration profiles, investors are exposed to both interest rate and credit risk simultaneously, resulting in underperformance relative to Treasuries for both the month and year-to-date period. Agency MBS also experienced volatility but held up somewhat better on a relative basis -1.65% MTD and 0.40% YTD. Improved income levels and wider spreads are beginning to create more selective opportunities in this sector.

US Fixed Income	Price	Cpn	Total Returns (%)		Dur	Yield
	(%) Rtn	(%) Rtn	Mo.	YTD	+/-	+/-
Agg. Bond	-2.09	0.33	-1.76	-0.05	5.88	4.57
US Treasury	-2.03	0.29	-1.74	-0.04	5.82	4.14
US Agency	-1.32	0.32	-0.99	0.23	3.37	4.20
Corporate	-2.36	0.39	-1.98	-0.54	6.78	5.14
Tax.Muni	-2.51	0.37	-2.14	0.43	7.60	4.94
Agency MBS	-1.99	0.31	-1.65	0.40	5.36	4.83
Gov/Credit	-2.14	0.33	-1.81	-0.20	6.10	4.48
TIPs	-1.45	0.11	-1.34	0.26	4.16	4.26
AAA Corp	-2.80	0.35	-2.45	-0.71	10.67	4.96
AA Corp	-2.35	0.35	-2.00	-0.45	7.84	4.89
A Corp	-2.32	0.37	-1.95	-0.54	6.81	4.99
BBB Corp	-2.40	0.40	-2.00	-0.55	6.48	5.34

Duration remains an important source of income and potential price appreciation; however, its ability to consistently provide diversification has diminished in an environment increasingly driven by inflation and policy uncertainty. As a result, we are more selective in how we position along the curve—favoring shorter maturities for stability, while being opportunistic in longer-duration exposures when valuations are compelling.

At the same time, we complement duration with targeted exposure to inflation-sensitive assets, including TIPS and select securitized sectors, to better navigate a more uncertain rate environment.

Tax-Exempt Markets

Municipal bonds declined in March, with the Bloomberg Municipal Bond Index returning -2.32%, as rising Treasury yields, and unfavorable technical conditions weighed on performance.

Weakness was most pronounced in the intermediate portion of the curve, where 7–10-year maturities declined between -2.62% and -3.09%, underperforming both shorter and longer segments. This segment is particularly sensitive due to the structure of many municipal bonds with embedded call features in the intermediate 7–10-year range as changes in rate volatility and expectations can materially affect valuations.

Shorter maturities were more resilient, with 1-year municipals declining -0.33%, reflecting lower sensitivity to rate volatility. While performance across broader sectors remained consistent, with revenue bonds (-2.33%) and general obligation bonds (-2.34%) moving largely in line.

Municipal Market	Price	Cpn	Total Returns (%)		Dur	Yield
	(%) Rtn	(%) Rtn	Mo.	YTD	+/-	+/-
Municipal Agg	-2.68	0.36	-2.32	-0.18	6.81	3.77
1-Yr Muni (1-2)	-0.70	0.37	-0.33	0.64	1.25	2.68
3-Yr. GO (2-4)	-1.27	0.36	-0.91	0.47	2.34	2.82
5-Yr.GO (4-6)	-2.13	0.36	-1.77	0.01	3.67	3.02
7-Yr. (6-8)	-2.97	0.35	-2.62	-0.56	4.87	3.26
10-Yr. (8-12)	-3.43	0.34	-3.09	-0.79	6.05	3.54
15-Yr. (12-17)	-3.34	0.35	-2.99	-0.41	7.54	3.94
30-Yr. (22+)	-2.74	0.39	-2.35	-0.22	11.26	4.73
Gen. Oblig.	-2.70	0.35	-2.34	-0.32	6.51	3.55
State GO	-2.49	0.36	-2.13	-0.31	5.57	3.32
Revenue	-2.70	0.37	-2.33	-0.13	6.96	3.87
California	-2.72	0.35	-2.37	-0.32	6.59	3.57
New York	-2.73	0.37	-2.36	-0.11	7.27	3.84

While technical factors, including elevated issuance, fund outflows, and seasonal tax-related selling are contributing to near-term pressure, higher yields are beginning to create more compelling value, particularly at the long end of the curve. The spread between 10- and 30-year AAA municipals—approximately 140 basis points to the nominal yield, or roughly 220 basis points on a taxable-equivalent basis—is notably steep by historical standards. This steepness provides meaningful compensation to extend duration, not only through higher carry but also through potential roll-down benefits as bonds age along the curve.

Looking ahead, supply is likely to remain a structural factor, driven by ongoing infrastructure needs and increased investment in power generation tied to AI-related demand. Greater issuance has the potential to keep upward pressure on municipal yields even as the broader rate environment evolves, a combination that is relatively uncommon and is contributing to more attractive valuations further out the curve.

Equity Markets

Equity markets declined in March as higher interest rates, rising energy prices, and geopolitical uncertainty weighed on sentiment. The S&P 500 fell approximately -5.1%, outperforming non-U.S. equities, which declined more sharply, supported in part by a stronger U.S. dollar.

Sector performance reflected a shift toward a higher cost of capital. Energy was the only sector to post positive returns, while rate-sensitive and cyclical sectors lagged. Value modestly outperformed growth, as investors favored companies with more immediate cash flows and less reliance on long-duration earnings.

Market leadership continued to evolve, with capital rotating toward more defensive, income-oriented, and real asset-linked sectors. Current weakness appears to be tied more to rising discount rates and uncertainty rather than fully pricing in a recession.

Precious Metals

Commodity markets were a central driver of cross-asset performance in March, led by a sharp increase in oil prices tied to geopolitical developments. The move higher in energy reinforced inflation concerns and contributed to rising global interest rates.

Precious metals declined during the period, with gold and silver falling -11.9% and -19.6%, respectively. This pullback followed a period of unusually strong performance and reflects sensitivity to rising real yields and a stronger dollar in the near term.

The longer-term case for gold remains tied to structural factors, including central bank demand and reserve diversification. However, its behavior in the current environment highlights the complexity of using traditional hedges when inflation and interest rates are the dominant drivers.

Outlook

March reinforced that the investment landscape is evolving beyond a traditional economic cycle. Markets are increasingly influenced by structural forces, including inflation uncertainty, fiscal dynamics, and geopolitical risk. A key implication is the changing role of diversification. While corporate fundamentals remain stable, higher borrowing costs and increased uncertainty warrant a more selective approach.

Within fixed income, we continue to emphasize high-quality exposures, active duration management, and selective sector positioning. Income remains an important component of return, while inflation-sensitive assets provide additional diversification.

Markets are adjusting to a higher and more variable cost of capital. Navigating this environment requires a focus on fundamentals, disciplined risk management, and an understanding that traditional relationships may not hold in the same way they have in prior cycles.