



## The Markets

Energy disruptions, rising prices, and a weak jobs report cloud the economic outlook.

It would take a lot more space than we have here to discuss everything that happened last week and the many ways these events may affect financial markets and the economy. So, we are going to focus on energy, inflation, and employment.

### Energy: Strait to a standstill

The Strait of Hormuz is in the news. As we learned during the Iran-Iraq War (1980-88), the narrow passage is a vulnerable point in the supply chain for oil.

“The Strait of Hormuz is the narrow mouth of the Persian Gulf through which about a fifth of the world’s oil passes. Tankers traveling through the strait, which is bordered in the north by Iran, carry oil and gas from Saudi Arabia, Kuwait, Iraq, Qatar, Bahrain, the UAE and Iran. Most of that oil goes to Asia,” reported Jon Gambrell and Mae Anderson of AP.

In the 1980s, both Iran and Iraq attacked noncombatant tankers. The toll on shipping was severe. According to the Strauss Center for International Security and Law at the University of Texas in Austin, about 23 percent of petroleum tankers, 39 percent of bulk carriers, and 34 percent of freighters that were attacked sank or were declared a constructive total loss (CTL).

Today, vessel owners remain wary of the risks of traveling through the Straits. As a result, the current conflict in Iran has brought travel through the Strait of Hormuz to a standstill. “More than 200 tankers are idling on both sides of the strait, leaving Iraq, Kuwait, and Qatar unable to transport crude oil and petroleum products,” reported Ben Cahill in Barron’s. “

### Inflation: Oil and gas prices rising

In recent months, lower gasoline prices have helped keep U.S. inflation low. However, “The attack on Iran is unraveling that. Crude prices have soared, ramping up inflation concerns and complicating the Fed’s path to cutting interest rates again. Treasury yields have jumped as a result, counter to the administration’s stated wish for lower borrowing costs,” reported Phil Serafino of Bloomberg. Last week, the benchmark price for crude oil rose to a two-year high, reported Laura Sanicola, Alex Kozul-Wright, and Anita Hamilton of Barron’s.

Natural gas prices are increasing, too.

Qatar’s state-owned oil and gas company is one of the world’s largest producers of liquefied natural gas (LNG). Last week, it stopped “production at the world’s largest export facility after it was targeted in an Iranian drone attack,” reported Elena Mazneva, Stephen Stapczynski, and Salma El Wardany of Bloomberg. “While Asian countries buy most of the LNG shipped from the Middle East, a disruption will increase competition for alternative supplies and push up prices worldwide.”

In addition, Qatar offered “a total of 10 liquefied natural gas tankers that it controls for lease, as the country’s massive export facility in the Persian Gulf remains shut due to the ongoing war in the Middle East,” reported Stephen Stapczynski and Ruth Liao of Bloomberg.

Rising energy prices and higher inflation have the potential to disrupt the global economy. In the United States, rising energy costs could affect:

- **Individuals as inflation moves higher**, interest rates rise, and the cost of borrowing increases.
- **Businesses as the cost of producing goods and delivering services grows** and borrowing costs increase.
- **Government as interest on the national debt increases** along with interest rates. The United States national debt stands at about “\$33 trillion, or more than \$250,000 per household,” reported Jack Hough of Barron’s.

**Employment: A lot fewer jobs than expected for February**

Last Friday, the jobs report blindsided markets. Economists had expected 60,000 new jobs in February. Instead, the economy lost 92,000, reported Barron’s, and the U.S. unemployment rate ticked up to 4.4 percent.

“The decline...was largely due to one-time factors such as striking health-care workers, freezing temperatures, and benchmark methodology revisions—all of which cloud the signal about underlying labor conditions. But the sharp job losses also laid bare the fact that there has been little hiring across industries nationwide, and February continued this trend. Only two sectors added jobs last month,” reported Megan Leonhardt of Barron’s.

It’s too early to know whether these numbers will be revised favorably over the coming months.

Last week, stock and bond markets were volatile as investors tried to make sense of the multitude of factors affecting financial markets. Major U.S. stock indexes finished the week lower. The yield on all but the shortest maturities of U.S. Treasuries moved higher over the week.

Data as of 3/6/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-2.0%	-1.5%	17.5%	18.5%	12.0%	12.9%
Dow Jones Global ex-U.S. Index	-6.4	4.1	24.2	13.5	5.6	6.6
10-year Treasury Note (yield only)	4.1	N/A	4.3	4.0	1.6	1.9
S&P GSCI Gold Index	-1.6	19.0	76.5	40.7	25.2	15.1
Bloomberg Commodity Index	8.1	19.9	25.9	8.0	9.0	5.2

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**WHAT IS PRIVATE CREDIT?** Private credit is money that investors lend directly to companies outside the public bond market. In broad terms, it’s like lending money to a local restaurant instead of buying a bond from a large national restaurant chain.

When a big chain issues bonds, its financial information is public. The bonds usually have credit ratings to help investors understand risk. These bonds also trade in public markets, so prices are updated regularly, and investors can easily see what the bonds are worth.

With a private loan, the terms are worked out directly between the lender and the company. The details are not public. The lender may get financial updates from time to time, but there is no active market setting a daily price.

Private credit can be riskier than highly rated corporate or government bonds because less information is available to the public and it can be harder to sell the assets quickly if you need your money back. To

compensate for those risks, private loans usually offer higher interest payments, reported Eliza Ronalds-Hannon and Silas Brown of Bloomberg.

### **The private credit market has grown fast**

The private credit market grew quickly in recent years as investors searched for higher returns. According to data from the Federal Reserve Bank of New York cited by Ronalds-Hannon and Brown, the U.S. private credit market more than doubled between 2020 and late 2024 and now accounts for roughly 30 percent of debt issued by below-investment-grade companies, up from 13 percent after the global financial crisis.

Typically, private credit investors include large institutions, pension funds, insurance companies, family offices, and high net worth individuals, reported Fang Cai and Sharjil Haque in FEDS Notes.

### **Recent investor anxiety**

In 2024 and 2025, more than 50 companies restructured their debt, reducing returns for lenders, according to Ronalds-Hannon and Brown. Defaults have remained relatively low, but these restructurings raised questions about what could happen if the economy weakens.

Investor concerns about the strength of private loans also increased after a broad selloff in software stocks. Abby Latour of Morningstar noted that private credit lenders favored software companies for years because of their strong profit margins, loyal customers, and predictable subscription revenue. More recently, concerns that AI may erode those advantages, lowering barriers to entry and enabling customers to build their own software tools, caused lenders to reassess the underlying value of those loans.

While these developments bear watching, it's unclear whether current concerns will prove prescient or overblown. Either way, private loans have become a meaningful part of the lending market, and it's important to understand how they differ from traditional bonds.

### **WEEKLY FOCUS – THINK ABOUT IT**

“Risk comes from not knowing what you're doing.”  
— *Warren Buffett, Oracle of Omaha*

Best regards,



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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor’s 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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