

# Market commentary notes

Monthly call notes  
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Wealth  
Management

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## Summary

1. The war in Iran continues to raise oil, natural gas and fertilizer costs globally and increase market volatility due to the day-to-day uncertainties. The net effect in the U.S. has been both to erode equity values and to raise interest rates. The latter, probably due to concerns that inflation will accelerate. However, the bigger issue may not be inflation so much as higher costs eroding U.S. living standards and discretionary incomes, thereby hurting growth prospects.
2. The news on tariffs is that the administration is imposing Section 122 tariffs broadly. Section 122 authorizes the administration to impose tariffs in response to a balance of payments crisis. It has a maximum life of 150 days. The administration appears to be planning to replace these with Section 301 tariffs which require a finding of unfair trade practices on the part of our trading partners. [<https://www.tradecomplianceresourcehub.com/2026/02/24/trump-2-0-tariff-tracker>, April 6, 2026].
3. U.S. large cap stock market returns were negative in March (-4.98%). International stocks dropped about twice as much (-10.79%), probably due to concerns that rising energy costs and outright shortages would impact other countries even more than they would the U.S. Investment grade bonds in the U.S. also sold off, probably on inflation fears. [Morningstar as of March 31, 2026].
4. March nonfarm payrolls were up +178,000, which is a healthy reading. U.S. manufacturing PMIs indicate modest growth. Globally 26 of our 36 countries had positive manufacturing PMIs—a multi-year high. Early indications of 1Q S&P 500 earnings growth are coming in at a surprisingly strong +13.2% yoy. All of these are lagging indicators but taken together, they suggest that a recession isn't on the horizon currently. [<https://tradingeconomics.com/country-list/manufacturing-production>, <https://tradingeconomics.com/country-list/services-pmi>, April 5, 2026]. [<https://www.bls.gov/news.release/empsit.nr0.htm>, April 5, 2026]. [[https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight\\_040226.pdf](https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_040226.pdf), April 5, 2026].

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## Key issues summary

**Jobs** — Surprisingly normal March. The March new nonfarm payroll numbers came in at a surprisingly positive +178,000, with gains in health care, construction and transportation and declines in federal government employment. However, February's estimate was revised down by 41,000 to -133,000, while January was revised up by 34,000 to +160,000. The March figure, while promising, is in line with the average from recent prior years. On the other hand, for those of us on constant "recession watch," this is pretty good news. [<https://www.bls.gov/news.release/empsit.nr0.htm>, April 5, 2026].

**Inflation** — What's worse than inflation? **A: Declining standard of living and disposable income.** The CPI inflation index is showing a 2.4% rate of inflation for the last 12 months. However, the PCE inflation index, which the Federal reserve focuses on—is still at 3.1% and has trended up slightly since last year. [<https://www.bea.gov/data/personal-consumption-expenditures-price-index-excluding-food-and-energy>, April 5, 2026].

The key differences between the CPI and PCE indexes are that CPI measures the cost of a fixed basket of goods and services while the PCE measures what people actually spend on a GDP basis. So, shelter costs are 36% of CPI but 15% of PCE. In health care, CPI measures only out of pocket expenses, while PCE measures the full cost of health services including insurance costs. [<https://maseconomics.com/inflation-reports-explained-what-the-cpi-pce-and-ppi-really-mean>, April 5, 2026].

What does all of this mean for the economy and investments? I think the most important factor is what price changes mean for U.S. consumers. Due to the Iran war, energy prices have increased rapidly in March. On average, U.S. families spend 2% of their budgets on gasoline, and another 5% on heating. Another 2% on electricity—46% of which is generated using natural gas. Groceries are another 8% of the typical household budget and these costs are affected by fertilizer costs, transportation and refrigeration. Agriculture amounts to about 4% of U.S. GDP and costs may rise 10–15% due to oil, gas and fertilizer cost increases. Folding all of that together, the 9% of direct energy costs, may increase by some 30%—adding 1.4% to costs. Indirect costs through groceries could add another 0.4%—so household costs could rise by 1.5–2% total. That would constitute a significant hit to U.S. disposable income—possibly as much as \$2–\$300 billion per year. That is a one-time hit to inflation, but potentially a longer term drag on U.S. discretionary spending. [[The Economic Costs of the Iran War | AEI](#), April 6, 2026].

**International trade** — **Still where it was ...** The current account deficit for February was -\$85.4 billion—about typical for a month—meaning that imports \$372 billion exceeded exports \$315 billion plus some other financial

flows. In general, the trade deficit—a large component of the current account—narrowed so far this year as exports increased a little and imports declined a little. [<https://www.bea.gov/news/2026/us-international-trade-goods-and-services-february-2026>, April 5, 2026].

**GDP growth** — The 4Q 2025 second estimate for real GDP growth was revised down to +0.7% (annualized) from the previous 1.4%. The 4Q saw exports decline a little, offset by a decline in imports as well. Consumer spending and investments were up a little. [<https://www.bea.gov/news/2026/gdp-advance-estimate-4th-quarter-and-year-2025>, April 5, 2026].

**The Fed** — At their mid-March meeting, the FOMC decided to keep short term interest rates unchanged, with one dissent. I think the Fed is in a bit of a quandary. On the one hand, if the job market deteriorates, they may be inclined to reduce rates. On the other hand, if inflation doesn't come down, they may be reluctant to do that. In fact, some members of the board (Beth Hammack, Cleveland Fed, Goolsbee, Chicago Fed) are talking about raising rates if inflation stays stubborn. There's an issue however: raising rates is intended to cool an overheating economy. That typically means that demand outstrips the capacity to produce. But, if the problem is on the supply side—for instance, if oil price increases are causing inflation—raising rates doesn't cure the problem. In fact, it might make things worse by raising other production costs. By the way, the Fed's most recent projections still indicate that they are expecting inflation in the low 2's next year. I guess hope springs eternal. [<https://www.chicagotribune.com/2026/04/06/key-fed-official-possible-rate-hike>, April 6, 2026]. [<https://www.federalreserve.gov/newsevents/pressreleases/monetary20260318a.htm>, April 6, 2026]. [<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20260318.pdf>, April 6, 2026].

**Earnings update** — According to FactSet's latest report, with 110 companies reporting on 1Q26, it looks like earnings are headed to be up 13.2% from a year ago. The proportion of companies providing negative EPS guidance is lower than it has been in recent years. Fifty-four percent issued positive EPS guidance versus a five-year average of 42%. Also, 77 of the 110 companies issued positive revenue guidance—as high since at least 2006. [[https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight\\_040226.pdf](https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_040226.pdf), April 5, 2026].

**Tariffs** — There's not much new news on the tariff front. Apparently, the U.S. Trade Representative is preparing Section 301 findings for about 60 countries. These are findings of unfair trade practices that can be used to justify tariffs. To give you a sense of where the findings are going, it appears that Canada is going to be accused of using forced labor in its exports to the U.S., via goods that Canada imports. There may also be findings on the dairy

and lumber industries. Apparently, the EU and Mexico are also going to be accused of using forced labor. [<https://www.tradecomplianceresourcehub.com/2026/02/24/trump-2-0-tariff-tracker>, April 5, 2026].

**March — The war may change things.** The S&P 500 was down nearly 5% in March with midcaps and small caps down similarly, although both of these were still up for the YTD. International stocks were pummeled, down 10.8%, probably due to the thought that rising energy costs would be even worse outside the U.S. than for us. Curiously, bonds also sold off, with the index down 1.3% and just about zero for the YTD. Normally, in stressful times you'd expect bonds to do better but it seems that inflation concerns might have turned that around. Gold was also down for the month, though it remains up YTD.

### Global stock indexes

Total Index	March %	YTD %	1 yr. %	Estimated PE Trailing/Projected
S&P 500	-4.98	-4.33	17.80	28.58/21.98
S&P Mid Cap	-5.39	2.50	17.35	26.08/17.80
S&P Small Cap	-4.07	3.51	20.50	47.62/16.29
FTSE All REIT	-6.11	3.76	3.28	
MSCI All Country xUS	-10.79	-0.71	24.91	
MSCI Emerg Mkt	-13.06	-0.17	29.55	

Source: Morningstar as of March 31, 2026. Estimated PEs are 12-month values from <https://www.spglobal.com/spdji/en/index-family/equity/us-equity/#overview>. Trailing PEs are as of September 30, 2025. Projected PEs are as of February 27, 2026. Figures are provided for comparisons over time.

### Fixed income and alternatives

Total Return Index	March %	YTD %	1 yr %
Bloom Agg Intermed	-1.34	0.11	4.83
ICE BofA U.S. Convertibles	-2.29	4.73	26.89
S&P GSCI	24.53	40.02	43.00
Bloom U.S. Corp HY	-1.18	-0.50	7.01

Source: Morningstar as of March 31, 2026.

**Sector performance** — In March, the energy sector was the only positive sector within the S&P 500. The three best performing sectors were energy, IT and utilities. The worst three in March were health care, staples and industrials—a complete contrast to February. YTD energy, utilities and materials led the pack while consumer discretionary, financials and technology brought up the rear. [<https://www.spglobal.com/spdji/en/documents/performance-reports/dashboard-us.pdf>, April 5, 2026].

[<https://digital.fidelity.com/prgw/digital/research/sector>, April 5, 2026].

## Commodities

### Commodity and food price changes, current month and YoY

Commodity	March %	YoY %
Copper	-3.67	15.82
Lumber	7.67	-1.32
Cotton	10.48	11.98
Sugar	8.97	-20.91
Coffee	3.40	-19.27
Wheat	4.54	11.61
Corn	4.15	-1.15
Oil	49.60	66.60
Natural Gas	-8.32	-32.33

Source: <https://tradingeconomics.com/commodities>, April 5, 2026.

In February, only two of our nine major commodities experienced price declines. That's a first for us. On a 12-month basis, five experienced price declines— one less than in the last two months. Apart from oil and gas, the average annual increase in commodities prices was about +0.5%, which tracks with what we're seeing in general for pricing.

Looking more broadly at commodities, when we look at 22 categories of agricultural commodities and 26 categories of industrial commodities, 38 of the 48 saw price increases in March, which is a high for us. Thirty-four saw higher prices than a year ago versus 25 in February and 20 in December. That suggests some upward pressure— probably due to the war.

## U.S. Economy

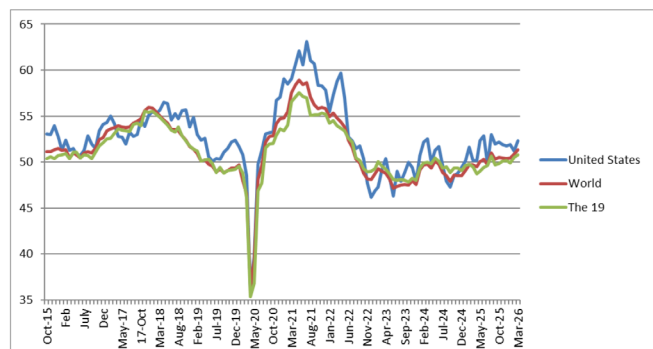
**U.S. PMI statistics** — The U.S. manufacturing PMI rose to 52.3. The services PMI, most of our economy, dipped some more to 49.8. Between the two, it looks like U.S. production is growing modestly to moderately. I'd say this is roughly consistent with what we saw in 4Q GDP growth. [<https://tradingeconomics.com/country-list/services-pmi>, April 5, 2026]. [<https://tradingeconomics.com/country-list/manufacturing-pmi>, April 5, 2026].

## International

**Manufacturing PMI** — Every month we look at global Purchasing Managers Index (PMI) statistics for 36 countries. In March 26 of them reported PMIs of 50 or more. That's up from 23 last month and is one of the highest proportions that we've seen in a few years. The average reading of 51.3 is also up a little. China is up slightly at 50.8 and the Euro Area is also up at 51.3. Sweden, Switzerland and Greece are especially up. I was in Portugal last week in Porto, the second city. Informally, I think I saw at least 15 construction cranes, which suggests good growth and optimism.

On the services side, the Euro area dipped to 50.1. China was about the same at 52.1. [<https://tradingeconomics.com/country-list/services-pmi>, April 5, 2026].

Here’s our updated graph of Manufacturing PMIs:



Source: Author’s calculations based on published PMI statistics, as of April 5, 2026.

### Table summary

Region	Manu PMI	Last Month	12 mo. Ago
U.S.	52.3	51.2	50.2
19 majors	50.8	50.5	49.5
38 world	51.3	50.9	49.7
EU	51.6	50.8	48.6
China	50.8	50.3	51.2

Source: Author’s calculations based on published PMI statistics April 5, 2026.

### Observations

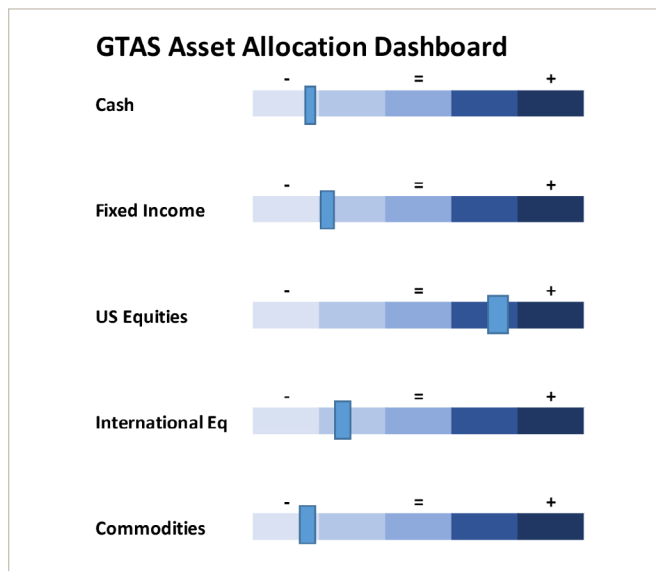
U.S. manufacturing PMIs seem to be stable and possibly trending downward a little. Global manufacturing PMIs and those of the 19 major economies seem stable and perhaps inclined upward a little over the last 12 months.

### Investment strategy:

- Gold** — Continuing to hold given the global uncertainties.
- Bonds** — Where it makes sense from a tax standpoint, Muni’s in the 5–12-year maturities seem to be priced well. For taxable bonds, treasuries around 2–10 years look attractive.
- Equities** — We remain overweight aerospace and defense. We are adding international stocks where we can. Keeping small- and midcap exposures.

In general, our strategy is to look past the current uncertainties and invest with an eye to a year or more out.

### GTAS allocation chart



(+/-) represents our group’s views over a 6 to 18 month time horizon concerning tilts relative to our strategic positions.  
 + implies an overweight in that asset class.  
 = implies a weighting similar to our strategic weight.  
 - implies an underweight.

## Index definitions:

Past performance is no guarantee of future results. You cannot invest directly in an index.

**Bar Agg Intermed** — Bloomberg Barclays U.S. Aggregate Intermediate Total Return index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns for the index are total returns, which includes the daily reinvestment of dividends.

**Bar U.S. Corp HY** — Bloomberg Barclays U.S. Corporate High-Yield Total Return index includes all fixed income securities having a maximum quality rating from Moody's Investor Service of Ba1, a minimum amount outstanding of \$100 million and at least one year to maturity.

**FTSE All REIT** — FTSE Nareit All Equity REITs Total Return index is an index of publicly traded Real Estate Investment Trusts (REITs) that own commercial property. All tax-qualified REITs with common shares traded on the NYSE, AMSE or NASDAQ National Market List are eligible. Additionally, each company must be valued at more than \$100MM USD at the date of the annual review.

**ICE BofA U.S. Convertibles** — ICE BofA U.S. Convertible Bonds Total Return index tracks the returns of US-traded convertible debt issued by companies with a significant presence in the United States. The index is composed of various combinations of convertible structure and credit quality, e.g. it includes investment-grade, speculative-grade, and non-rated issues. The returns for the index are total returns, which include reinvestment of dividends.

**MSCI All Country xUS** — MSCI All Country World Index Ex USA NR is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The index consists of 48 developed and emerging market country indices. The returns for the index are total returns, which include reinvestment of dividends.

**MSCI Emerg Mkt** — MSCI Emerging Markets NR index consists of 26 developing economies including Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

**S&P 500** — S&P 500 Total Return index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the U.S.; it's often used as a proxy for the U.S. stock market. Total Return (TR) indexes include daily reinvestment of dividends.

**S&P GSCI** — S&P GSCI Total Return index is a composite index of the commodity futures. It represents unleveraged, long only investments in commodity futures that are broadly diversified.

**S&P Mid Cap** — S&P MidCap 400 Total Return index is comprised of stocks in the middle-capitalization range and includes approximately 10% of the capitalization of U.S. equity securities. Total Return (TR) indexes include daily reinvestment of dividends.

**S&P Small Cap** — S&P SmallCap 600 Total Return index consists of 600 domestic stocks chosen for market size, liquidity and industry group representation. Total Return (TR) indexes include daily reinvestment of dividends.



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