

Beacon Weekly Investment Insights

Now 20 days into the Iran conflict there does not seem to be an end in sight. In fact, both sides' rhetoric and escalating actions would suggest this could go on longer than originally anticipated. This uncertainty continues to fuel rising energy prices as production is curtailed. Energy input costs run broadly through our economy influencing prices of numerous consumables; hindering the US Central Bank from lowering rates because of heightened inflation fears which were a catalyst for markets prior to the war. The probability of a meaningful rate cut is now late this year if at all. The markets continued their risk-off bias with all major equity indices down approximately 2% on the week. All sectors declined except for oil & gas, and treasury yields rose across the curve with the highly watched 10- year closing the week at 4.40%; up 45bp since the beginning of March, which is significant in such a brief period. Suffice it to say that, apart from cash, there has been nowhere to hide as we await the Iranian conflict to play out.

Throughout the week the economic data releases were, for the most part, surprising to the downside. Both the Producer Price Index and Core PPI, ex food and energy, came in much hotter than expected while factory orders were sluggish. The February reports do not reflect the surge in energy prices so one should expect future announcements to be worse before trending lower. Food prices were high pre-war due to tariffs and could remain elevated as farmers struggle with higher fertilizer costs. Much of the supply comes from the Middle East through the Strait of Hormuz. Initial jobless claims declined 8,000 to 205,000 while continuing claims rose 10,000 to 1.857mil.

As all this data was being released the FOMC met to discuss the future path of interest rates. In the end, they voted 11-1 to keep rates unchanged. Only Stephen Miran voted to lower them and advocated 100bp of cuts by year end. In light of the current environment, it seems unlikely for such a move unless the economy becomes stressed. In Chair Powell's remarks, he commented that the committee is looking through the near-term oil shocks saying "the implications of developments in the Middle East for the US economy are uncertain." He went on to say that "job gains have remained low and that the jobless rate has lifted in recent months." If these trends continue "Stagflation", which is persistent high inflation combined with high unemployment and stagnant demand, could enter the conversation. However, for the moment we are hopeful that a resolution is near and talk of stagflation or worse, recession can be avoided. Powell further announced, in response to a question, that he would stay on beyond May if his successor, Kevin Warsh, was not yet confirmed by the Senate and hasn't yet decided if he will remain a FOMC member for the balance of his term.

Corporate earnings announcements are largely behind us, and they will begin in earnest in about a month. It will be particularly interesting how CEOs discuss the impacts of the war on their businesses and their future strategy. For the upcoming week we will get the ADP employment number and S&P Global releases on both Manufacturing and Services Purchasing Manager's Index for March.

Market Scorecard:	3/20/2026	2026 Price Change
Dow Jones Industrial Average	\$45,557.47	-5.17%
S&P 500 Index	\$6,506.48	-4.95%
NASDAQ Composite	\$21,647.61	-6.86%
Russell 1000 Growth Index	\$4,304.60	-9.65%
Russell 1000 Value Index	\$2,079.61	0.39%
Russell 2000 Small Cap Index	\$2,438.46	-1.75%
MSCI EAFE Index	\$2,817.99	-0.43%
US 10 Year Treasury Yield	4.40%	10 basis points
WTI Crude Oil	\$98.32	73.51%
Gold \$/Oz.	\$4,570.40	6.21%

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