



**The Weekly Market Update – 3/23/26: Rates Rise, Fed Can't Control Oil Prices**

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,506.48	-1.90%	-4.95%	-4.95%	9.27%	6,978.60	7.3%
Dow Jones Industrial Average	45,577.47	-2.11%	-5.17%	-5.17%	3.96%	50,188.14	10.1%
NASDAQ Composite	21,647.61	-2.07%	-6.86%	-6.86%	14.86%	23,958.47	10.7%
Russell 2000	2,438.45	-1.68%	-1.75%	-1.75%	12.73%	2,718.77	11.5%
MSCI EAFE (USD)	2,840.61	-2.08%	-1.80%	-1.80%	17.25%	3,179.91	11.9%
MSCI Emerging Markets (USD)	1,463.33	-0.42%	4.20%	4.20%	33.36%	1,619.28	10.7%
Bloomberg Commodity Index	134.11	-0.62%	22.26%	22.26%	30.52%	237.95	77.4%
Barclays U.S. Aggregate Bond	92.76	-0.56%	-1.40%	-1.40%	0.27%	112.07	20.8%

Source: FactSet

**U.S. interest rates lifted to the highest levels in nearly eight months as uncertainty in global oil markets added to inflation fears.** The U.S. 10-year Treasury yield (a proxy for long-term interest rates) closed at 4.38% on 3/20/26, up from 3.96% in the three weeks since 2/27/26, with the yield now back up to late July 2025 levels. U.S. 2-year Treasury yields (a proxy for short-term interest rates) at 3.90% on 3/20 also made an 8-month high, surging 51 basis points in March (from a yield of 3.39% on 2/28/26). Yields rose following the Federal Reserve Bank's (Fed) monetary policy meeting last week on 3/18/26. The Fed largely fulfilled market expectations by holding its fed funds interest rate target range unchanged at 3.50% to 3.75% (fed funds is a very short-term overnight interest rate), and the Summary of Economic Projections (SEP) reflected a slightly higher (vs. the December SEP) median estimate for 2026 economic growth, and the potential for one 0.25% fed funds rate cut by the end of 2026. However, Fed Chair Jerome Powell, at the post-meeting press conference, added to market uncertainty by highlighting concern about rising inflation data in early 2026 and new pressure from higher gasoline prices. When those "hawkish" (higher rates for longer) comments were paired with the third week of oil tankers avoiding the Strait of Hormuz, it drove interest rates higher. In fact, the fed funds futures market (analyzes trading data to calculate the implied probability in markets of future changes in fed funds rates), as of 3/20/26, reflects a higher probability of a 0.25% fed funds increase (30% probability) than a 0.25% rate cut (6%) by December 2026 (no change in rates is implied at a 64% chance). We are surprised by this shift in investors' interest rate outlook because spikes in oil prices rarely lead to Fed intervention as oil prices often self-correct when higher prices for fuel (gas, diesel, jet fuel) lead to lower demand and a fall in prices. The Fed has very little control over that process. For now, the Fed has downplayed the potential for interest rate increases (Fed tightening), but bond investors have embraced a more hawkish view and will need sustained good news on the oil price disruption in the days ahead.

**On Monday (3/23), oil prices moved sharply lower as President Trump suspended threats to attack Iranian power generation facilities.**

The five-day suspension of attacks, pending peace talks, represents a pause in tensions that had escalated over the past several days. In early Monday trading, U.S. oil prices, as measured by West Texas Intermediate crude (WTI), had pulled back more than -9% to \$89 per barrel, and the S&P 500 equity index gained nearly +2%, recovering some of the decline over the prior three days. Treasury yields (TY) moved modestly lower with the 2-year and 10-year TY's trading at 3.84% and 4.34%, respectively. Iranian officials disputed the status of peace negotiations, and we will watch tanker traffic through the Strait of Hormuz as an indication of de-escalation. Should the conflict wind down over the next few weeks, we expect a positive market reaction, but we caution against excessive optimism for now as uncertainty remains high.

**Consensus estimates for U.S. first quarter (1Q26) economic growth have remained steady despite potential disruptions to consumer spending.**

The FactSet consensus estimate for 1Q26 gross domestic product (GDP) is +2.3% as of 3/20/26, unchanged since the end of January. Estimates reflect still solid expectations for consumer spending and technology investment, although the impact of higher gasoline prices and escalating airport disruptions from the latest government shutdown began in March and could create challenges to end the quarter. Both are headwinds that can be resolved, and if settled in the next couple of weeks, will likely have a limited impact on the growth outlook. But lingering headwinds (through April or beyond) would soften the outlook.

**James D. Ragan, CFA**  
Co-CIO, Director of Investment Management & Research  
(206) 389-4070  
[jragan@dadco.com](mailto:jragan@dadco.com)

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**Market Indices:** The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices is provided by FactSet.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at [www.bea.gov](http://www.bea.gov). Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 3/13/26, the BEA reported that 4Q25 GDP increased +0.7% annualized from the previous quarter.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26 the [White House published a release](#) detailing the operation.

**Generative Artificial Intelligence (GenAI):** We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI). This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX).

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels per day are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 3/20/26, very limited shipping vessels were using the Strait of Hormuz.

Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA).

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Federal Reserve Summary of Economic Projections (SEP) is sourced from [federalreserve.gov](https://www.federalreserve.gov), as of 9/30/24. Year-over-year projections of changes in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the first quarter of the previous year to the first quarter of the year indicated. Projections for the unemployment rate are for the average civilian unemployment rate in the first quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The Summary of Economic Projections is compiled from Federal Reserve Board members and Federal Reserve Bank presidents.

The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: [gasprices.aaa.com](https://gasprices.aaa.com).

Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA).

The U.S. Congress has not passed a spending bill to fund the Transportation Security Administration (TSA) and other functions within the Department of Homeland Security (DHS). TSA officers are working without pay in March until a bill is passed, which has disrupted security wait times at many airports.

Data on fed funds future pricing and probabilities comes from the [CME Group Fed Watch Tool](#). It uses 30-day fed funds futures prices to determine the implied market probabilities of future changes in fed funds targets and upcoming scheduled Federal Reserve Bank policy meetings.