



**The Weekly Market Update – 3/16/26: S&P 500 Pullback Touches 5%**

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,632.19	-1.60%	-3.12%	-3.12%	11.38%	6,978.60	5.2%
Dow Jones Industrial Average	46,558.47	-1.99%	-3.13%	-3.13%	6.20%	50,188.14	7.8%
NASDAQ Composite	22,105.36	-1.26%	-4.89%	-4.89%	17.29%	23,958.47	8.4%
Russell 2000	2,480.05	-1.79%	-0.07%	-0.07%	14.65%	2,718.77	9.6%
MSCI EAFE (USD)	2,901.06	-2.13%	0.29%	0.29%	19.75%	3,179.91	9.6%
MSCI Emerging Markets (USD)	1,469.47	-2.02%	4.64%	4.64%	33.92%	1,619.28	10.2%
Bloomberg Commodity Index	134.94	2.63%	23.02%	23.02%	31.33%	237.95	76.3%
Barclays U.S. Aggregate Bond	93.28	-0.98%	-0.85%	-0.85%	0.83%	112.07	20.2%

Source: FactSet

**Equity markets turned cautious in March as war in Iran enters its third week.** The S&P 500 equity index dropped -1.6% last week, moving to 6,632 on 3/13/26, its lowest closing price of the year. As of 3/13 the index was down -3.6% in March-to-date, following the initial U.S. and Israel military attacks on Iran on 2/28/26. The war creates elevated economic uncertainty that, in our view, is directly linked to global oil markets, U.S. fuel prices and inflation pressures. Over the weekend (3/15/26) U.S. oil, as measured by West Texas Intermediate (WTI) crude, traded at \$99 per barrel, up +36% since closing at \$73 per barrel on 2/27/26. This has pushed fuel costs higher as well, with the U.S. average price of unleaded gasoline moving to \$3.70 per gallon on 3/15/26 (data from the Automobile Club, or AAA) up +24% in two weeks from \$2.98/gallon at the end of February. Prices for diesel fuel, a key cost in transportation services, increased +30%. A rule of thumb from petroleum economics is that for every \$10 increase in a barrel of oil, unleaded gas prices in the U.S. will rise +\$0.25/gallon. Oil prices have surged due to supply disruption caused by limited traffic through the Strait of Hormuz, a critical shipping lane leaving the Persian Gulf. In our view, equity markets still expect a quick resolution to the conflict, as President Trump in March discussed a “four to five weeks” engagement. We expect elevated gas prices over the near term, driving new inflation pressure and headwinds to consumer spending. However, we believe that economic damage can be limited if the oil disruption is contained to several weeks and not months. Consumers can tap savings and/or utilize tax refunds to offset higher gas expenses but sustained higher gas prices can lead to lower confidence and lower spending. We estimate gas prices comprise about 3% of consumer inflation, as measured by the Consumer Price Index (CPI), which suggests that the average gas price increase in March-to-date of +24% can add 72 basis points to the CPI on a monthly basis. This can cause higher interest rates and be a drag on economic growth, creating more risks for investors, especially if the war is extended through April.

**The S&P 500 has pulled back -5.0% since its 2026 closing high peak on 1/27/26.** Prior to the Iran conflict, the S&P 500 rallied in January as broad sector participation reflected investor expectations for sustained economic and earnings growth in 2026. But the largest sector (as measured by MSCI’s GICS, Global Industry Classification Standards) Technology, traded lower in January as investors considered potential disruption from artificial intelligence (AI). AI disruption fears include potential job loss if AI agents replace software programmers, consultants, data providers and others. As that debate continues, the Technology sector has outperformed in March, providing a perceived safe haven (in our view) since the start of the war. The Energy sector gained +3.1% in March (as of 3/13) to lead the market, but Technology has declined just -1.2%, holding up relatively well, while Materials and Industrials have declined -8.6% and -7.1% respectively. The Tech sector becomes more defensive during uncertainty, on the view that AI spending remains robust.

**We expect no change to the Federal Reserve Bank’s (Fed) interest rate targets at this week’s monetary policy meeting.** The current Fed target range for overnight fed funds interest rates is 3.50% to 3.75% (the most recent Fed rate cut was December 2025). In our view, the Iran war makes the Fed’s job more difficult as higher oil prices cause inflation and can restrict employment and economic growth. These outcomes are on the opposite side of the Fed’s dual mandate to promote stable prices and maximum employment. We expect the Fed to wait for more data but is likely to offer warning signs for the U.S. economy if the Iran war becomes an extended conflict. In Monday trading, the S&P 500 has posted modest gains while WTI oil prices were modestly lower.

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

**Important Disclosure:** The information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. Assumptions, opinions, and estimates constitute our judgment as of the date of this report and are subject to change without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield, as well as broader market and macroeconomic fluctuations and unforeseen changes in the fundamentals or business trends affecting the securities referred to in this report. Investors should also remember that past performance is not indicative of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. The information is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it should not be construed as advice designed to meet the particular investment needs of any investor. It is not a representation by us, or an offer, or the solicitation of an offer, to sell or buy any security. Further, a security described in a report may not be eligible for solicitation in the states in which a client resides. D.A. Davidson & Co. does not provide tax advice and investors should consult with their tax professional before investing. Further information and elaboration is available upon request.

**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 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 3/16/26 very limited shipping vessels were using the Strait of Hormuz.

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 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).