Elgin
Wealth Management

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Market Commentary 3rd of April 2026

March saw a significant escalation in Middle Eastern tensions, specifically joint military operations involving the U.S. and Israel against Iran. "Operation Epic Furry" sent shockwaves through global markets, triggering a sharp decline in global equities, a rotation into the U.S. Dollar and a massive spike in energy prices.

Equities: US, Europe, and UK

The equity landscape in March was a sea of red as investors grappled with the dual threats of supply-chain disruptions and renewed inflation.

The S&P 500 Index fell 5.09%. Despite the drop, the U.S. outperformed its global peers. This relative strength is attributed to its near self-sufficiency in oil & gas providing a "buffer" against the energy shock that hit importers harder.

Eurozone equity markets were hit harder, with the MSCI Euro Index dropping 9.01%. Europe's heavy reliance on energy imports made it particularly vulnerable to the surge in crude prices, leading to fears of stagflation (the combination of high inflation, stagnant economic growth, and elevated unemployment).

The FTSE 100 Index retreated 6.73%. While the index's heavy weighting in energy majors provided some support, it was not enough to offset the broader sell-off in financials and consumer-discretionary sectors as the "risk-off" sentiment took hold.

Fixed Income: Aggregate Bonds

The global bond market saw a brutal selloff. While investors typically flock to "safe haven" bonds during war, the inflationary nature of the oil spike led to expectations of higher-for-longer interest rates. The Global Aggregate Bond Index fell 3.07%, which is a lot for fixed income.

Commodities: Oil and Gold

Crude oil (WTI) was the month's outlier, surging a staggering 51.27% to end at $101.38. This parabolic move was driven by the closure of the Strait of Hormuz and significant production shut-ins across the Gulf region, creating a global shortfall estimated at 10 million barrels per day.

Interestingly, gold failed to act as a traditional safe haven, falling 11.57% to $4668/oz. Analysts suggest this was a "liquidity event," where investors sold off profitable gold positions to cover margin calls and losses in equity portfolios.

Currencies & Digital Assets: Dollar and Bitcoin

The Dollar Index (DXY) rose +2.41%. The greenback benefited from a flight-to-quality as global growth concerns mounted.

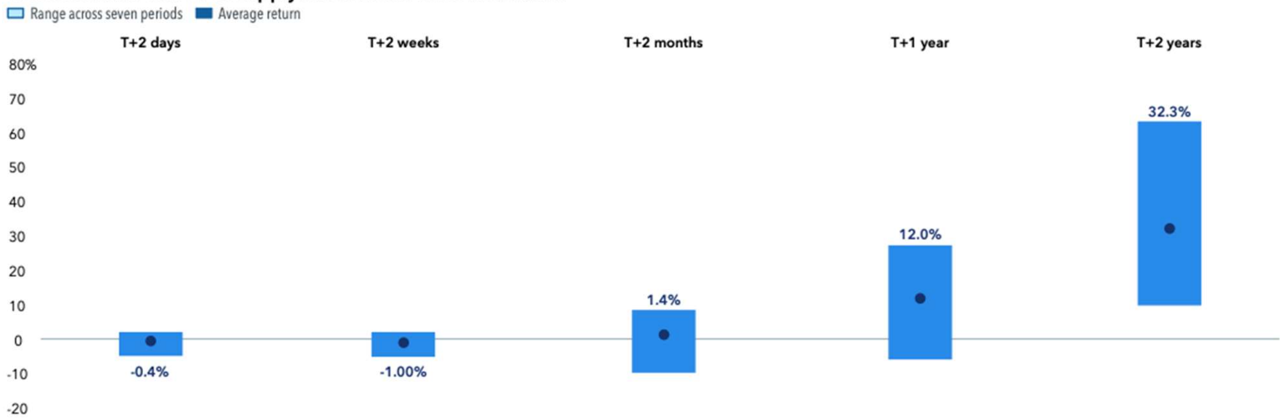
Bitcoin showed surprising resilience compared to equities, posting a gain of 4.07% to $68,194. While volatile throughout the month, Bitcoin appeared to decouple slightly from the broader tech sell-off.

Should we be worried?

The world has become scarier than it was before the end of February. The war in Iran has created legitimate worries that are hurting the world economy. It is very easy to make a bear case for financial markets as a result of what is happening in the gulf. But the world's media is doing a good job of this, so there is no need for us to mirror them and start lamenting in this newsletter. Instead, we'll provide a more hopeful perspective derived from the excellent research at Capital Group.

When in doubt, zoom out

Think back to early 2022. Russia's invasion of Ukraine delivered a geopolitical shock that rattled markets and dominated headlines, much like today. Brent crude climbed nearly 30% to a high of $128 per barrel. At the same time, central banks led by the U.S. Federal Reserve moved aggressively to raise interest rates, compounding uncertainty for investors already on edge. How did stocks react? Fears that war and the fastest Fed rate hikes in decades would tip the global economy into a recession sent the S&P 500 Index down 19% in 2022. But the index staged a powerful rebound in 2023, gaining nearly 24% as inflation cooled, energy markets stabilized, and earnings proved more resilient than many investors expected. The episode serves as a reminder that markets often absorb shocks faster than headlines suggest. Whether the market choppiness of early 2026 might give way to smoother sailing is impossible to know. But the upcoming midterm elections could steer the Trump administration to focus on more bread-and-butter issues that inspire economic optimism.



Sources: Capital Group, Bloomberg, Standard & Poor's. Specific geopolitical events that are reflected in average returns figures include: First Gulf War (August 1990), Second Gulf War (March 2003), Niger Delta supply disruptions (February 2006), Arab Spring and Libyan civil war (February 2011), Hormuz closure risk and Iran sanctions (December 2011), drone attack on Saudi oil stations (September 2019), Russian invasion of Ukraine (February 2022). Event dates are aligned to the nearest observable market price ("T"). If a shock occurs on a nontrading day, the prior trading day is used as the start date. Horizon returns are measured using the first available trading day on or after the stated calendar horizon (e.g., "T+2 days"). Figures reflect total returns. As of March 10, 2026. Past results are not predictive of results in future periods.

Market declines

How often have market corrections of 10% or more turned into entrenched bear markets? Turns out, not often. Instead, short periods of pullbacks ranging from 5% to 10% have been more common. While these may feel unsettling, a drop of 5% occurred on average twice per year while corrections of 10% or more happened every 18 months on average. And while intra-year declines are common, the good news is 38 of the last 50 calendar years have finished with positive returns. That's pretty good odds.

S&P 500 Index (1954-2025)

Size of decline	-5% or more	-10% or more	-15% or more	-20% or more
Average frequency	about twice per year	about once every 18 months	about once every three years	about once every six years
Average length	46	133	247	402
Last occurrence	October 2025	February 2025	February 2025	January 2022

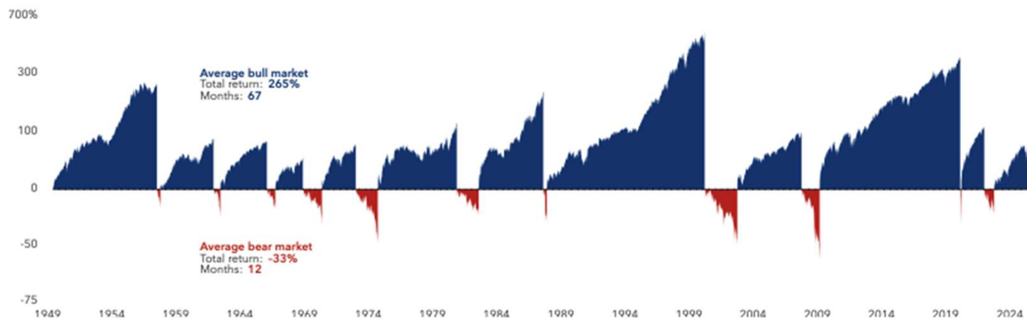
Sources: Capital Group, RIMES, Standard & Poor's. As of 12/31/25. Size of decline thresholds are based on price returns. Average frequency assumes a 50% recovery of lost value. Average length measures the number of days from market high to market low. Last occurrence reflects the month and year the drawdown began.

Bear markets have been relatively short lived

A long-term focus can help investors put bear markets in perspective. Since 1949, there have been 11 periods of 20%-or-greater declines in the S&P 500. Although the average 33% decline during these cycles is painful to endure, missing out on the average bull market's 265% return could be far worse. Bear markets are typically shorter than bull markets, lasting an average of 12 months. While that can feel like an eternity, it pales in comparison to the average bull market, which lasts for 67 months — another reason that trying to time investment decisions is ill-advised. Forecasting the start of the next recession is difficult. Many investors, for example, braced for a recession when the Federal Reserve raised rates in 2022 to combat sky-high

inflation. Instead, the U.S. economy grew, with markets posting double-digit gains in 2023, 2024 and 2025.

In the current environment, the closure of the Strait of Hormuz increases the risk of recession because of its significance as a vital passageway for one-fifth of the world's oil. Higher energy costs could weigh on businesses and consumers, reducing earning potential for many companies. But the economy has surprised to the upside before, and it's too early to tell if widespread job losses — the hallmark of a recession — will occur.

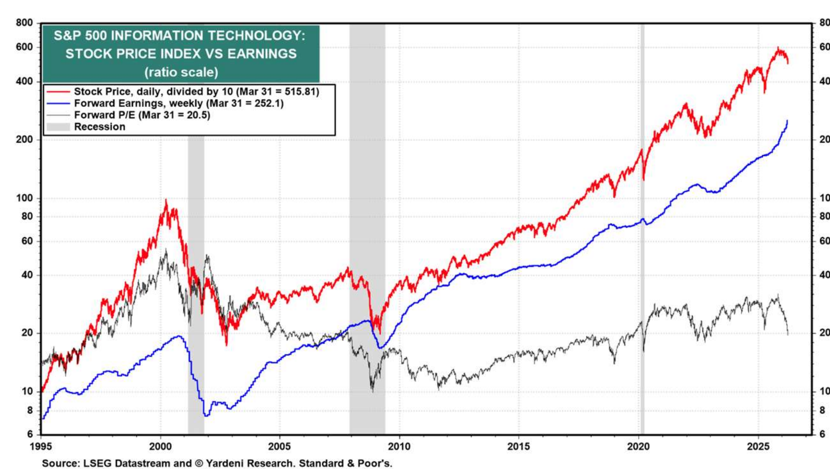


Troubles in tech

Technology has been hit especially hard, and it isn't only the Iran war. Since the end of October, worries about too much spending on AI as well as disruption to software from the AI threat have hammered the sector, which is down 15% as a whole over the six months to the end of March. Big tech names are down significantly, with Microsoft leading the declines at 33%, followed by Meta -28%, Nvidia -18% and Amazon -12%.

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	META US Equity	USD	-28.62%	-28.50%	-13.18%	-55.08%
2)	XLK US Equity	USD	-15.55%	-15.32%	--	-32.75%
3)	MSFT US Equity	USD	-33.78%	-33.50%	-18.18%	-62.22%
4)	NVDA US Equity	USD	-17.84%	-17.83%	-2.51%	-37.40%
5)	AMZN US Equity	USD	-12.34%	-12.34%	2.98%	-26.97%
6)						

And yet the earnings outlook for these companies is looking very strong. As a result, their valuations as measured by their P/E (Price to Earnings) ratios have compressed a lot. The graph below from Yardeni research shows clearly how tech earnings (blue line) are at an all-time high while the valuations (black line) have not been this low since 2018.



We are of the opinion that this has created a compelling buying opportunity for some high-quality names in a sector that has led growth in the US equity markets for decades. It takes some resolve to buy when the world is in so much turmoil, but anyone who actually buys will probably be very happy looking back.

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