ENR Market Outlook

March 2026

Global Macro News & Views

- **U.S. and Israel Wage Historical Conflict against Iran and Proxies; Markets Tank in March**. After 47 years, the Iranian regime is probably on its way out. The U.S.-Israeli coordinated military effort marks the first time both nations are simultaneously engaged against a common adversary. Gold, silver, oil and other select commodities gained significantly on Monday before pulling back. The USD Index posted its biggest gain since last summer. After an initial sell-off of March 2, global markets headed sharply lower again on March 3 as fears grow this will be a long-term conflict, possibly drawing American ground troops to occupy Iran. Credit markets, already buckling since last month, are under more pressure as risk-off accelerates;
- **Big Tech Stock Price Dispersion Compared to Cyclicals.** According to *Morgan Stanley*, the performance difference this year between the top 50 biggest companies and the bottom 50 companies show the widest dispersion since 2006. The shift into cyclicals like energy and manufacturers and health care has been pronounced as investors dump technology stocks and hide into cheaper corners of the market. The trigger for the seismic change in investor perceptions: Artificial Intelligence and a separate research report from *Citrini Research* painting a dark portrait about AI in the future. Software stocks have plunged since the beginning of the year because Anthropic has been using its LLM (large language models) tools to code better versions of them. If code can write code, who needs coders? Who needs software companies? We think the panic selling is over. This week, we purchased **Salesforce.com** (NYSE-CRM) for some clients. I also made a personal investment in the stock – down more than 50% from its high on February 24;

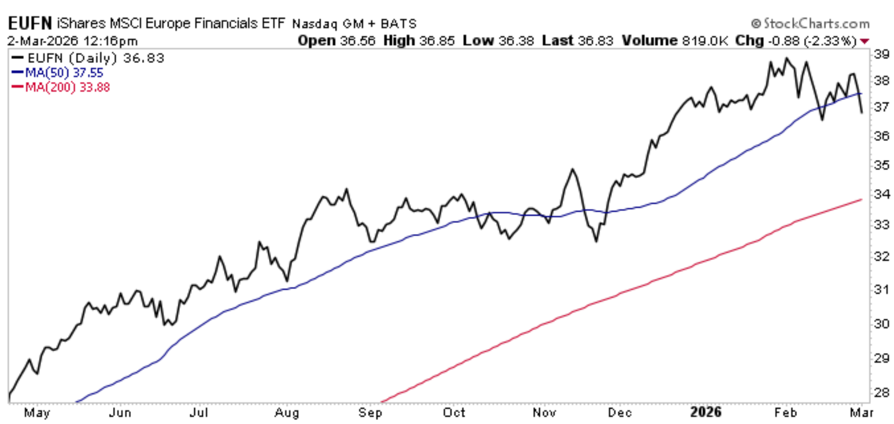
- **Tariffs Shot Down.** After the February 20th Supreme Court ruling, Trump imposed a 15% global tariff on imports. Accounting for exemptions and other trade deals, the new tariff brings the average effective U.S. tariff rate just slightly lower than where it was before the ruling. The *Yale Budget Lab* estimates it is now at 13.7%, compared with 16% before the ruling, according to *The Wall Street Journal*. By comparison, over the course of last year, the effective tariff rate soared more than 10 percentage points to levels not seen for decades. *ENR Comment*: Nobody benefits from these tariffs. Businesses are more confused than ever, and most consumers are simply paying more for goods, not less. Unfortunately, the amount already collected is a 'drop in the bucket' and won't even dent the ballooning national debt;
- **Private Credit Defaults set to Rise.** We've never been a fan of private credit, poor liquidity provisions and the promise of higher returns without commensurate risk. Shares in the biggest private investment managers worldwide tumbled last week after **Blue Owl Capital** (NYSE-OWL) permanently restricted clients from exiting a debt fund for retail investors. The entire space has been in a corrective process for weeks,

including managers in Europe. Those especially linked to software deals have been hard hit. Private investment groups have been buffeted by mounting concerns in recent months, including an uptick in redemption requests at many of their flagship credit funds. In December, the House of Reps passed bipartisan legislation called the Invest Act of 2025, which aims to expand retail investor access to private funds. *ENR Comment*: Retail investors have no business owning these products and sponsors are fat enough without soliciting the poor, unsuspecting individual investor. Bad legislation;

- **Office Building Defaults Rising.** The delinquency rate for office loans in commercial mortgage-backed securities climbed to a record 12.34% in January, the highest level since *Trepp* began tracking. The shift comes as the volume of distressed commercial real estate debt has climbed to levels not seen since the aftermath of the 2008-2009 financial crisis. Since 2022 when interest rates started to rise, refinancing property debt has become more challenging;
- **Air Pollution Levels Tied to Alzheimer's Risk.** *The Financial Times* recently reported that 'breathing tiny air pollution particles is linked to a higher risk of developing Alzheimer's disease,' data on tens of millions of older Americans suggest. The study, published in February by San Francisco-based *PLOS Medicine* draws on health and location data from 28 million people over 65 in the United States between 2000 to 2018. It shows that incidence of dementia increased in postal codes with a higher concentration of fine particles in the air. The study found that people living in more polluted areas were more likely to develop not just Alzheimer's but also hypertension, stroke and depression, common risk factors for dementia.

Global Equities

- **Trump Stock Market Booming.** Since his election in November 2024, President Trump has presided over a strong stock market. The bulls are happy. The S&P 500 has gained 19%, the Dow is up 16.5% and the NASDAQ is up 24%. The MSCI World Index is up more than 24%. International investors have more to rejoice, however, with MSCI EAFE up 33% since Nov 4, 2024;



- **EU Bank Mergers set to Accelerate as Sector Booms**. While still trailing the American banking sector on profitability since the financial crisis in 2008, European banks are making a big comeback since 2023. Over the last five years the **iShares MSCI Europe Financials ETF** (NASDAQ-EUFN), which includes British banks, has surged more than 103% (see chart). Cross-border mergers between European Union (EU) banks have hit their highest value since the financial crisis. The UK left the EU in 2020 following Brexit in 2016. But several multi-billion-euro bank mergers were inked in 2025 worth more than €17 billion compared to only €3.4 billion the previous year, according to *Financial Times* and *Dealogic*. According to *McKinsey*, the rise in EU banking mergers is part of a wider global trend. The value of worldwide bank mergers and acquisitions more than doubled last year to $190 billion;

- **Bank Stocks Walloped by Credit Woes and AI Fears.** February was a dreadful month for bank stocks and other financial shares, including asset managers and private equity. Lenders, payments providers and asset managers have endured a barrage of blows over the past two weeks, most prominently from new AI applications and private credit woes. Private equity shares have been especially massacred. Blue Owl, a major private credit manager, has been leveled over the past month as investors flood the sponsor with redemptions. Is there value amid the carnage? Executives at **KKR & Co**. (NYSE-KKR) think so. The venerable Wall Street private equity firm dating back to 1976 saw four insiders purchase a combined $35 million in company stocks in mid-February. The stock price has declined even further;

- **Global Investors Pour into Europe, Set Record Inflows**. European stocks drew record net inflows in February, according to EPFR. Since last year, most European stock markets have continuously fresh record highs, and not just in Western Europe. Markets across East and Central Europe are booming, too. Europe has been cheaper than America for years, but it's not a great bargain anymore: the Stoxx Europe 600 trades at a price-to-earnings ratio of 18.3 compared to 27.7 for the S&P 500, according to *LSEG Data*. The biggest winners among European stocks over the last several years are banks and defense companies with triple-digit gains off the 2022 bear market lows;

- **Equal-Weight S&P Beats Market-Cap S&P 500.** From the introduction of Chat-GPT in November 2022 through the end of 2025, the equal-weight index (RSP) trailed the S&P 500 by an unusual 41 percentage points. There was a 49-point lag between the start of 1997 and the peak in the tech stock bubble in March 2000 – a similar length of time. The equal weight index is off to one of its best starts in decades as old economy stocks like cyclicals, materials and healthcare capture the spotlight. Small-cap stocks have also posted big gains this year;

- **Vanguard Cuts Fees on 25% of its Funds.** The pioneer of low-cost investing under the late great John Bogle, announced last month that it would cut fees on a quarter of its U.S. products. According to Vanguard, 53 funds or 25% of its product line are getting a 27% fee reduction on average. That will bring Vanguard's average expense ratio across all funds to just 0.06% or 60 cents annually on a $1,000 investment;

- **Walmart Becomes First Retailer to Reach $1 Trillion Market-Cap**. In February, **Walmart** (NYSE-WMT) became the first trillion-dollar retailer in the world as it joined a prestigious club of others to hit similar milestones. Sales have ballooned as more shoppers have turned to Walmart for low prices, fast delivery and a broad selection of consumer goods. Most of the 11 companies that at any point reached $1 trillion valuation are technology-focused, though investment firm Berkshire Hathaway joined the club in 2024. Eli Lilly crossed that milestone last November before slipping below $1 trillion.

Fixed Income & Credit

- **U.S. T-Bond Yield Drops Below 4% in February**. Bonds continue to find a strong bid with the benchmark ten-year Treasury finishing February at 3.95%. But the prospect of a long conflict in the Middle East and substantially higher energy prices might change that positioning. The Bloomberg U.S. Aggregate Bond Index has gained 1.75% in 2026 and is up 6.68% over the last 12 months. Benchmark yields on most investment-grade debt now trades at 52-week lows. On February 26, long-term mortgage rates also hit their lowest levels since September 2022;
- **Tech Borrowing Spree Dominates Corporate Issuance.** According to *Apollo Global Management*, a leading private equity firm, half of the ten largest borrowers by 2030 in the U.S. investment grade corporate bond market will be so-called hyper-scalers like Alphabet, Microsoft, Meta and Oracle. Until now, the major borrowers in the league table have mostly been big banks and telecom companies. Investors have grown increasingly concerned that the gap between runaway capital expenditure on AI and the returns that it generates could amount to a 'bubble' that ultimately hits both equities and the credit market.

Currencies

- **USD Index Surges to 12-month High.** The outbreak of hostilities in the Middle East sent the U.S. dollar through the roof this week, hitting a fresh 12-month high and trading at its highest level since before the Trump tariffs last April;
- In **2026,** the **ENR Global Currency Sandwich** is up 10% through February with gold and silver delivering the bulk of our gains. Gold is up 20.9% and silver up 31% YTD. The best performing currency in our FX basket so far this year is the Swedish krona, up 2%;
- The **ENR Global Currency Sandwich** includes gold, silver, the Swedish krona, the Swiss franc, the Polish zloty and the Singapore dollar on an equally weighted scale;
- The Singapore dollar hit an 11-year high vis-à-vis the American dollar in late January. That performance is far better than regional peers in China, Japan and South Korea. As a shipping hub linking China to the West, about 30% of global maritime trade passes its coastline, according to the International Maritime Bureau. The biggest threat to Singapore's economy is a protracted global trade war between the United States and China.
- **Australia Reverses Rate Cycle with a Hike**. The Australian dollar has a shot at the top performing currency this year vis-à-vis the USD. Australia's central bank hiked interest rates in February for the first time since 2023, bucking the trend among large economy central banks. The RBA lifted rates to a new target of 3.85%. The Aussie is up over 6% this year against the greenback – far more than other currencies. With Australian interest

rates higher than those in the U.S. for the first time since 2017, the Aussie could get additional tailwinds from gradual increase in commodity prices and a lower USD. Investors seeking some yield and the prospect of capital appreciation should look at short-term Aussie bonds. The 2.75% Government of Australia November 21, 2028, yields 4.16% and sells below par at A$96.40;

Commodities

- **Oil and Metals are Big Gainers**. The eruption of a Middle East war has lifted the energy complex and precious metals as we start the last month of the quarter. After initial hostilities over the weekend, oil and gold prices declined from their highs as markets possibly discount a short conflict. Brent has gained 27% this year. The gold price has also pulled back from its high on March 2 but remains more than 15% in 2026;

- The benchmark FTSE-CRB Index has rallied 4.6% this year with energy, precious metals and some base metals posting gains while soft agricultural commodities struggle. The Goldman Sachs Commodity Index or GSCI, heavily skewed towards energy, is up 14.4%. Outside of energy and precious metals, the best performers so far in 2026 are tin (+42%), rhodium (+29%), canola (+18%), bitumen (+16%), and wheat (+14%);
- **Buy Gold & Silver at a Discount**. If you're not invested in the precious metals bull market, it's not too late, especially as prices correct this month. One way to invest is to buy the **Sprott Physical Gold & Silver Trust** (NYSE-CEF), which owns physical gold and silver and trades at a 5.4% discount to its net asset value. This closed-end fund offers $1s worth of bullion for about $0.95 cents on the dollar. The Fund charges 0.48% in annual expenses.

Model Portfolio

- U.S. financial markets are in correction mode with risk-off pervasive across stocks, bonds and commodities. International stocks, dominating global performance tables since last year, are getting trashed. The ferocity of the USD's appreciation over the past several days has smashed foreign stocks, especially when translated back into dollars; the MSCI EAFE Index is down 7% from its all-time high, MSCI Emerging Markets off 10% and the S&P 500 is down 4% from its best level;

- America's recent military actions in Venezuela and Iran are designed to check China's ambitions to dominate these regions. China imports lots of oil from Venezuela and Iran and has invested significantly in both countries. A stable Middle East would allow the U.S. to position more of its military might in the Pacific and frustrate China's plans to invade Taiwan. Oil has been the star asset thus far since the onset of hostilities last weekend with energy stocks dominating performance tables; the State Street Energy Select Sector SPDR or XLE is up 3% this week. Brent crude has surged 11%;
- The markets' rotation over the past eight weeks from Big Tech to energy, consumer staples, materials and REITs is looking stretched. Big Tech is probably forming a bottom at these levels with good values in **Microsoft (MSFT)**, **Apple (AAPL)** and **Amazon.com (AMZN)**. In the bombed-out software space or SaaS, **Salesforce.com (CRM)** offers a good entry point after a 47% wipeout from its all-time high;
- I would maintain a market underweight in financials as the macro backdrop for credit is looking highly reminiscent to 2007 when private equity and high-risk bonds began to crumble. This might have wider implications for the U.S. and global economy. I would avoid private equity and private credit. The problems facing **Blue Own Capital (OWL)**, a huge private credit manager, might be suggestive of bigger liquidity problems facing riskier segments of credit and the market overall;
- The **ENR Market Outlook Portfolio** is not included in this month's issue. It will return in April.

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