NASDAQ DORSEY WRIGHT

Client Newsletter

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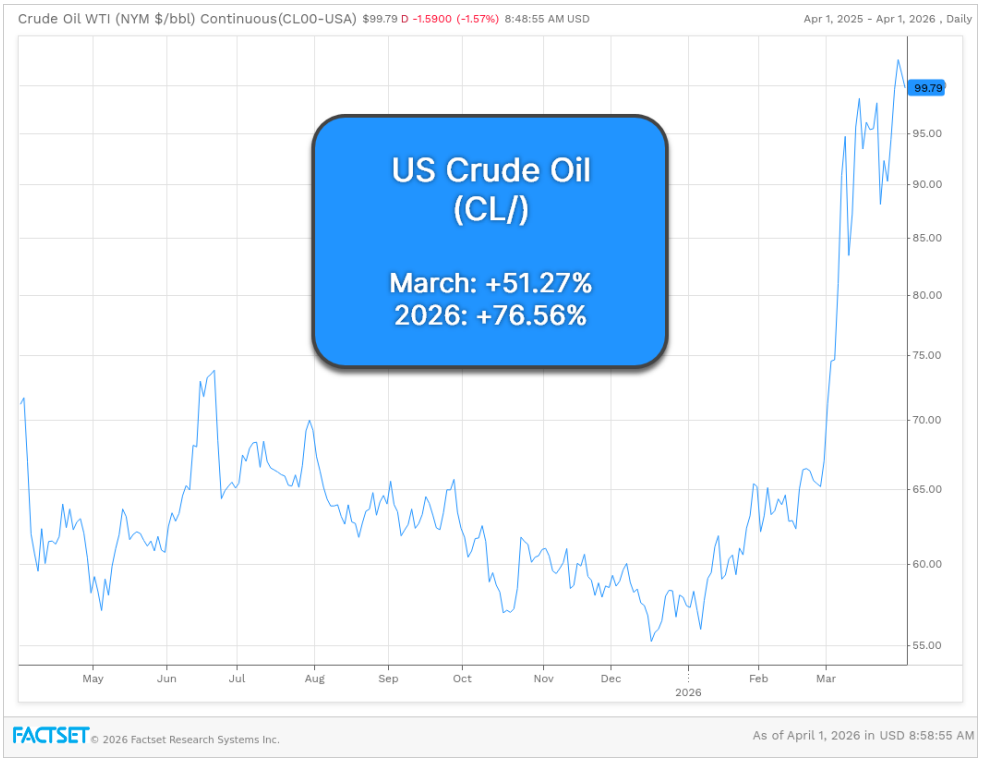
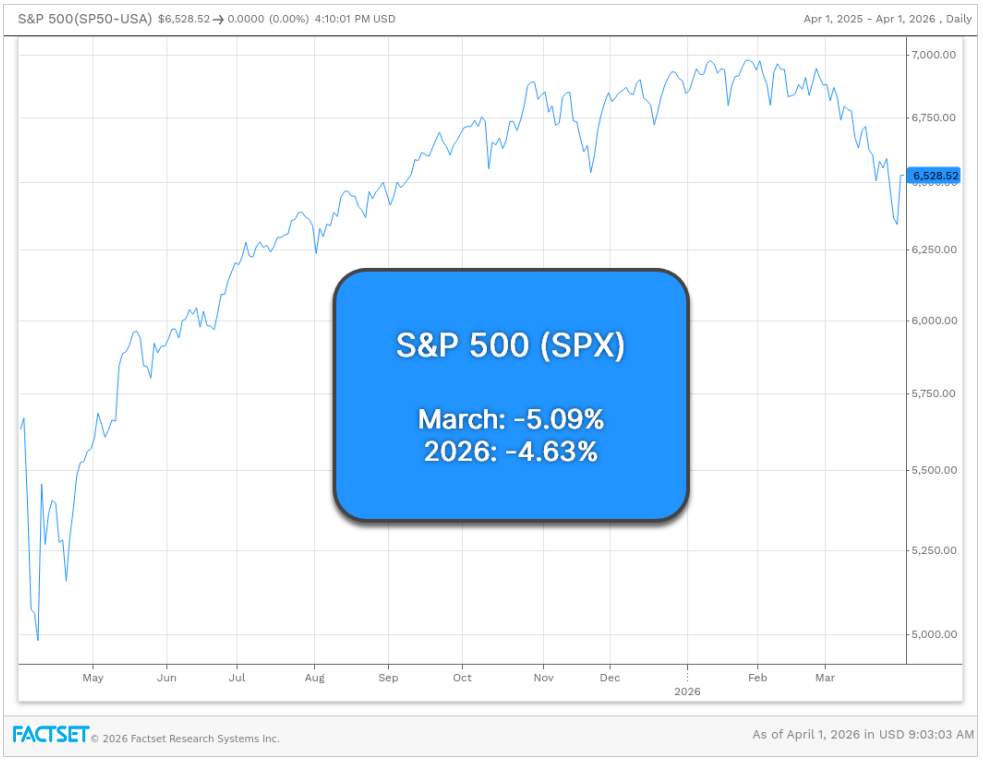
PANORAMA WEALTH ADVISORS

March Client Newsletter

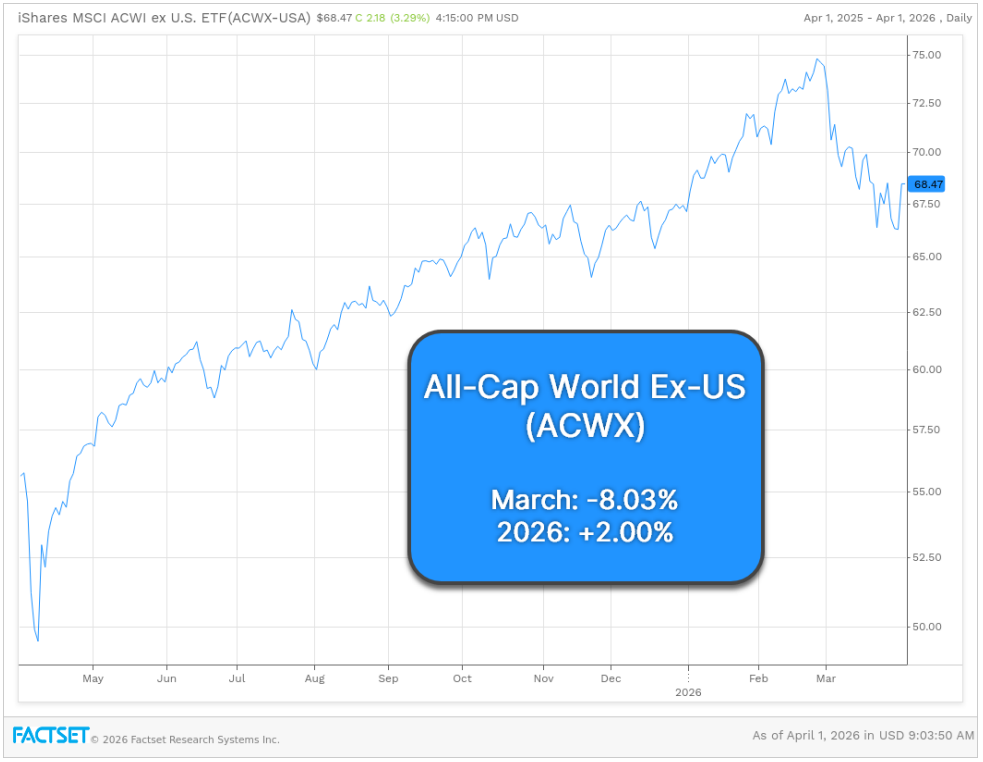
March was one of the most volatile months in recent years, driven by geopolitical shocks, surging energy prices, rising inflation expectations, and shifting interest-rate forecasts. To start the month, the US and Israel initiated attacks against Iran, causing the Strait of Hormuz—the largest passage of oil in the world—to shut down while many energy facilities in the region were damaged. As a result, the price of oil skyrocketed (as gas prices can confirm), with crude oil rising more than 50% on the month, serving as a major headwind for the global economy.



Markets experienced broad-based declines, with equities struggling under the weight of higher oil prices and stagflation concerns, apart from the energy sector. The S&P 500 fell 5.1%, with the index declining in each of the last five weeks. Growth areas of the market also took a hit, as the Nasdaq-100 (NDX) fell 4.9% while the Russell 2000 (RUT) small cap index fell 5.2%, resulting in both indices moving into a correction. Energy sector fund XLE gained 9.6% across the full month as oil companies benefited from higher energy prices, bringing the fund's year-to-date return north of 37%. For reference, the next best major sector in March was Utilities, with proxy XLU declining 3.9%. Energy now holds the most long-term strength of any major sector, with the 2nd- and 3rd-place industrials and communications services trailing by a significant margin.



With the US being the largest producer of oil, domestic energy prices were more contained, meaning foreign economies faced even greater disruption. Broad international equity representative ACWX fell almost 10%, with emerging and developed markets both taking major hits. Sharp movement has left both domestic and international equities oversold in the near-term, so it wouldn't be surprising to see the two asset classes bounce back over the next couple weeks. Additionally, international and domestic stocks continue to display long-term relative strength, sitting in the top two spots of our asset class rankings, respectively.



Energy disruption over the last month also caused significant shifts in inflation expectations, hurting the fixed income market as interest rates rose. The iShares US Core Bond ETF (AGG) declined 2.1% while the ten-year treasury rate (TNX) rose from 3.96% to 4.31%. The Federal

Reserve's FOMC committee revised its rate forecast by a good margin due to inflationary pressures, even as it held rates steady last month as expected. At the end of February, markets priced in a 96% chance of at least one additional rate cut in 2026, but those odds fell as low as 1.3% this month, underscoring the institution's much more hawkish stance. Fortunately, the last day of March brought news of renewed interest from both sides in resolving the Iran conflict. The odds of a rate cut this year are back up to 28% while the S&P 500 rose nearly 3% on the day, leaving investors on a positive note as we look ahead to the rest of the year.

Past performance is not indicative of future results and there is no assurance that any forecasts mentioned in this report will be attained.
Sources: statistical data was obtained from Nasdaq Dorsey Wright & Associates, LLC and is believed to be reliable.