

Summary

Economic data for the week included a slight gain in manufacturing PMI, but a minor decline in services PMI, although both remained in expansionary mode. Construction spending also fell back, as did consumer sentiment.

Equities were mixed around the world last week, with declines in the U.S. but gains in developed Europe and Asia. Bonds fell back as well, along with rising interest rates. Commodities were led higher by energy and industrial metals prices.

Economic Notes

(+) The preliminary **S&P Global US manufacturing PMI** for March showed a rise of 0.9 of a point to 52.4, above the forecast of 51.5, and represented a move further into expansion. By segment, new orders and output both increased, further into expansion, while employment fell by a few tenths, but remained in expansion. Input and output prices rose by over 4 points each, in the 60-65 range, so also remained solidly expansionary. Future output also rose about a point to 71, which was extremely expansionary.

(0/+) The preliminary **S&P Global US services PMI** for March fell by -0.6 of a point to 51.1, below the expected rise to 52.0, but remained in expansion. Under the hood, new business and employment showed declines of up to a point, with the former staying in expansion, while the latter fell just under the 50 neutral level. Input and output prices both rose, averaging around 60, so also remained in solid expansion. Future output fell by a point, but remained at a solid expansionary level of almost 63.

Commentary from S&P for these reports noted that the data “signal an unwelcome combination of slower growth and rising inflation” after the outbreak of the Middle East conflict, and that companies are noting a “hit to demand from the additional uncertainty and cost of living impact generated by the conflict” and that they’re also “building safety stocks” due to concerns about the war leading to “more protracted supply issues and price rises” and some were “trimming headcounts to reduce overheads.” While energy prices are a direct economic input negatively impacted by the conflict, corporate behavior around the uncertainty (as seen by last year as well, due to tariffs) can lead to slowdowns in spending in its own right, creating a self-fulfilling spiral in the worst case.

(-) **Construction spending** declined by -0.3% in January, contrary to an expected small increase of 0.1%, although Nov. and Dec. spending growth was each revised decently upward by 0.5-1.0%. Private construction spending fell by -0.6%, in both private residential and non-residential. Public spending, on the other hand, rose by 0.6%, all from residential, as non-residential was flat for the month. Construction costs rose at the fastest pace in over three years, translating to a ‘real’ spending decline of -2.0% for the month. Year-over-year, total construction spending was up 1.0%, with highlights being in public and private residential, as well as public spending in sewage/waste infrastructure, recreation, commercial, and health care; the only dramatically lagging area was private manufacturing, where spending fell by -15%.

(-) The final **Univ. of Michigan consumer sentiment** index for March showed a decline of -3.3 points (or -5.8%) to 53.3, just below the 54.0 reading expected. While assessments of present conditions only declined by just over a percent, expectations for the future fell by nearly -9%. Over the past year, the overall index was down over -6%, led by present conditions declining by -12% and future expectations only declining by -2%. Inflation expectations for the coming year rose 0.4% to 3.8%, while those for the next five years fell a tenth to 3.2%. According to the survey sponsor, sentiment declined across all demographic and political groups, coinciding with the Middle East conflict, and related higher energy prices and more volatile financial markets. However, as with financial markets themselves, it appears that consumers “may not expect recent negative developments to persist far into the future.”

(0) **Initial jobless claims** for the Mar. 21 ending week ticked up by 5k to 210k, matching the median forecast. These were mixed by state, with a rise in MI and IL and drop in KY, each of which reversed earlier movements. Continuing claims for the Mar. 14 week fell by -32k to 1.819 mil., well below the 1.849 mil. expected by consensus. With weather effects now having drifted away, claims activity continues to look fairly contained, and below levels of 2025, and still pointing to a lack of layoffs in the broader economy.

Market Notes

Period ending 3/27/2026	1 Week %	YTD %
DJIA	-0.90	-5.65
S&P 500	-2.10	-6.68
NASDAQ	-3.22	-9.73
Russell 2000	0.47	-1.05
MSCI-EAFE	0.05	-1.40
MSCI-EM	-1.74	2.66
Bloomberg U.S. Aggregate	-0.12	-0.79

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2025	3.67	3.47	3.73	4.18	4.84
3/20/2026	3.74	3.88	4.01	4.39	4.96
3/27/2026	3.73	3.88	4.06	4.44	4.98

U.S. large cap stocks fell back for yet another week, with the Nasdaq reaching -10% correction territory from the recent peak on Feb. 25. The S&P 500 is close to correction at just over -8%. By sector, energy again led (up 6%), followed by materials (4%) and utilities (3%); these were offset by declines in communications (-7%) and technology (-3%). Interestingly, small cap stocks saw gains, to trim their year-to-date declines to minimal.

(While -10% corrections can be unnerving at the time, from a historical perspective, they've tended to occur once every 1-2 years. More severe -20% corrections have happened every 5-7 years on average, coinciding with more extensive economic concerns, such as recessions.)

Markets started sharply higher Monday after the U.S. administration offered several back-and-forth announcements concerning the Iranian conflict, finally announcing a temporary pause on military strikes against Iranian energy infrastructure—seen as a positive to progress toward an end to the conflict but also the stoppage of taking additional oil off the market. The rest of the week echoed the market's back-and-forth sentiment surrounding changing prospects for a more permanent end to the conflict. Thursday, for example, featured a warning from the U.S. administration to Iran, to “get serious” about a deal before it's “too late,” which caused sentiment to drop, along with additional concerns in the technology space.

As has been the case all month, the primary pressure valve for this uncertainty has been oil prices, now moving into distillate products made from petroleum. Markets appear to continue to view the conflict as temporary, by not pricing in economic slowdown, as might be implied through a deeper equity price correction (as in -10% perhaps deepening to -20%). Equity prices so far have laid out the assumptions—in that Europe and Asia continue to face a stronger negative response from Middle East oil reliance, while the U.S. remains more insulated. Nevertheless, higher oil prices ultimately would make their way through all global economic activity, although the world is less oil-intensive than it was in the mid-1970s, which is the comparative that everyone has been using. The best case is that both sides might be looking for a graceful ‘off-ramp’ to the conflict. As one example, Goldman Sachs has used a benchmark of a 10% rise in oil prices corresponding to a 0.2% rise in headline inflation, and -0.1% decline in global GDP, after netting out the various impacts on income and spending in various countries.

Foreign stocks were mixed, despite the headwind of the U.S. dollar strengthening by a fraction of a percent, with developed markets seeing positive returns, led by the U.K. The chances of a European central bank hike have risen in recent weeks, as energy prices have translated to inflation, although, as in the U.S., that could depend on potential economic damage that would normally push policymakers towards cuts. Emerging markets came in negative on net, with gains in commodity-oriented Brazil, Mexico, and South Africa offset by declines in India, South Korea, and China. Both developed and emerging markets had reached -10% correction territory as well, due to the uncertainty surrounding their higher dependence on Middle East oil, especially across Asia. The possibility of energy price caps exists as a form of fiscal stimulus if the current situation continues, although that has other side effects (by neutralizing the usual demand destruction response created by higher prices).

Bonds fell back a fraction of a percent last week as well, with yields ticking up across the longer end of the U.S. Treasury curve, along with higher inflation concerns, which would keep the Fed and other central banks from hoped-for rate cuts. While bond sectors performed similarly for the most part, international lagged, especially on the unhedged developed market side, due to the stronger dollar during the week.

Commodities saw gains overall, led by rising prices in industrial metals and energy, which offset a continued pullback in precious metals. The most obvious asset related to the U.S.-Iran conflict, Brent

crude closed up last week by less than a percent to \$113/barrel, while West Texas crude oil gained 2% to over \$100/barrel. Despite the reputation of being seen as an inflation and geopolitical 'flight to safety' hedge, gold has been pulled down by the competition of higher U.S. Treasury interest rates and strengthening dollar.

Have a good week.

Ryan M. Long, CFA
Palouse Capital Management

Pending close, the FocusPoint Solutions investment division is being rebranded under the affiliated registered investment advisor Advisory Solutions Group, DBA Palouse Capital Management, as part of the merger with Wealth Enhancement Group. The decades-long investment philosophy, process, and strategies remain unchanged.

Sources: Palouse Capital Management, American Association for Individual Investors (AAIL), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

The information presented is for informational purposes and is intended for financial professionals only. This should not be distributed beyond its intended audience. All information has been obtained from sources considered reliable, but no representation is made as to its completeness, accuracy, or timeliness. This information should not be relied upon as investment advice, research, or a recommendation by Palouse Capital Management regarding the use or suitability of the model portfolio or any security or asset class in particular. The information provided is not intended to be and should not be construed as investment, legal or tax advice. Only the investor and their financial professionals know enough about the investor's individual circumstances to make an investment decision.

Information and opinions expressed are subject to change without notice. Any forecasts, opinions or statements of financial market trends expressed are those of Palouse Capital Management and are subject to change without notice.

Past performance is not a guarantee of future results. Advisory Solutions Group is a registered investment advisor.



Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931