Summary

During a short market week due to Good Friday, economic data included improvements in manufacturing and retail sales, continued decelerating home prices, while the employment situation report for March surprised on the upside.

Equities ended sharply higher to break a month-long negative streak with hopes for a near-term Middle East resolution. Bonds fared positively as well, with expectations for inflation pulling back leading to lower yields. Commodities remained strong with oil prices mixed to higher, as were metals.

Economic Notes

(+) The **ISM manufacturing index** rose by 0.3 of a point to 52.7 in March, exceeding the 52.3 expected. That represented minimal improvement, but was positive, and showed continued expansion in the manufacturing sector that had been so challenged for years. Under the hood, new orders fell by -2 points to 54, and employment was little-changed at a contractionary 49 level. However, production rose a few points to a solid expansionary 55 level. Prices paid rose by 8 points to 78, the highest level in nearly four years, as well as reported slower pace of deliveries, and drop in inventories further into contraction at 47. Anecdotally, it appeared that the Middle East tensions have resulted in shipping delays and higher costs, while tariffs continued to be mentioned a few times as “uncertainty” negatively affecting “purchasing strategies and cost forecasts.” No doubt, higher energy prices, if they persist, would only exacerbate such pressures in future months.

(+) **Retail sales** rose 0.6% in February, exceeding the median forecast by a tenth of a percent and reversing the slight decline of the prior month. Removing autos and gasoline brought the gain down to 0.4%, as autos and gas stations saw a 1% rise for the month, while core/control sales rose 0.5%. In the core segment, gains were led by health/personal care and clothing (each up 2% for the month), followed by non-store/online retail It appeared that the general theme was a bit of a recovery in sales versus the prior month of January, which had been held back by severe winter weather in several regions. Retail sales gained 3.7% for the past year, equating to a small ‘real’ after-inflation rise, with decent balance among the various categories, although the pace has fallen off over the last six months.

(0) The **FHFA house price index** for January saw a national gain of 0.1%, as well as an upward revision for December by a few tenths. Monthly gains were led by East South Central (KY/TN/AL/MS, up 1.7%), while West South Central lagged (OK/AR/TX/LA, -0.7%). Year-over-year, the national price index showed a 1.6% increase, well off the 5.2% rise for the year ended in Jan. 2025. Gains were largest, between 4.0-4.5% for East North Central (Great Lakes) and Middle Atlantic (NY/NJ/PA), while the West South Central and Pacific regions saw declines upwards of a percent.

(0) The **S&P Case-Shiller 20-city home price index** rose 0.2% for January on a seasonally-adjusted basis, while it fell -0.1% on an unadjusted basis. Monthly gains were led by Charlotte, Miami, and Phoenix, while San Diego and Seattle experienced declines. Year-over-year, the 20-city index decelerated

by another -0.2% to 1.2%, with the latter six months falling into negative momentum. Yearly gains were led by New York and Chicago (up nearly 5% each), and Cleveland, up 4%, while Tampa fell in last place, down over -2%, closely followed by Denver. Obviously, on a national basis, real price gains have stayed in the negative, with affordability and still-high mortgage rates being key factors.

(+) The Conference Board **index of consumer confidence** for March rose by 0.8 of a point to 91.8, well above an expected sharp decline to 87.9. Assessments of present conditions rose by nearly 5 points, although expectations for the future fell by -2 points. The labor differential, which measures how plentiful jobs are versus 'hard to get,' ticked up slightly from a multi-year low February prior-month reading. Inflation expectations for the coming 12 months rose by a dramatic 0.7% to 6.2%. Anecdotally, it appeared that consumers continued to comment about "prices," "cost of goods," and "cost of living" being top of mind, not to mention the early comments about the Iran conflict and negative responses to both "oil" and "war."

(-) The **JOLTS** job openings report for February showed a decline of -358k openings to 6.882 mil., below the 6.890 mil. expected by consensus, although Jan. openings were revised up by 294k. For Feb., by category, accommodation/food services jobs fell the most (-221k), while 'other' services saw gains of 77k. The hiring rate fell by -0.3% to 3.1%, and the job openings rate fell by -0.2% to 4.2%. On the departure side, the layoff ticked up a tenth to 1.1%, while the quits rate fell a tenth to 1.9%. All point to some deterioration, perhaps weather-related, although the impact was not dramatic.

(0) **Initial jobless claims** for the Mar. 28 ending week fell by -9k to 202k, below the 212k median expectations. Continuing claims for the Mar. 21 week, on the other hand, rose by 25k to 1.841 mil., just above the 1.837 mil. expected. Levels continue to run within recent ranges, not pointing to further stress in labor markets.

(+/0) The employment situation report for March came in stronger than expected, but with a few caveats. **Nonfarm payrolls** rose by 178k, well above the median forecast calling for only 65k. This was coupled with a downward revision of -41k to -133k for Feb., but an upward revision of 34k to 160k for Jan. Job gains were seen in health care (76k), construction (26k), transportation/warehousing (21k), and manufacturing (15k). On the other hand, federal government employment continued its decline (-18k), followed by financial activities (-15k). The U-3 **unemployment rate** fell by a tenth to 4.3%, better than the expectations for no change. The U-6 underemployment measure rose a tenth to 8.0%. **Average hourly earnings** rose by 0.2% for the month, representing a 3.5% increase for the trailing year. **Average weekly hours** declined by -0.1 to 34.2, although manufacturing hours remained high.

Market Notes

Period ending 4/3/2026	**1 Week %**	**YTD %**
DJIA	2.98	-2.83
S&P 500	3.38	-3.53
NASDAQ	4.46	-5.71

Russell 2000	3.34	2.26
MSCI-EAFE	3.04	1.60
MSCI-EM	0.33	3.00
Bloomberg U.S. Aggregate	0.96	0.17

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
3/27/2026	3.73	3.88	4.06	4.44	4.98
4/3/2026	3.70	3.79	3.94	4.31	4.88

U.S. stocks ended the shortened holiday week positively, up several percent, as the U.S. administration showed signs of optimism over the U.S.-Iran conflict, with the President hinting at flexibility on the Strait of Hormuz and Iran's increased willingness to negotiate.

Nearly all sectors ended higher, led by recent laggards communications and technology, as well as materials, all up several percent, while recent champion energy fell back by over -3% as hopes for a Middle East resolution is assumed to lead to ultimately lower oil prices (although U.S. prices rose for the week). Real estate also rose several percent along with a drop in interest rates.

Foreign stocks also saw even decent gains across Europe and the U.K., while Japan was flattish, with the optimism for oil supply disruptions ending sooner than later. Aside from the stress of higher oil prices, and higher regional dependence on Middle East supplies, the threat of several developed central banks raising policy rates to battle expected inflation has added a wrinkle not yet seen in the U.S. Emerging markets also saw gains, but to a lesser degree with commodity-oriented nations, such as Brazil, Mexico, and South Africa outshining other recent winners, including tech-focused South Korea and Taiwan.

Bonds also fared well for the week as interest rates came back down, with the trickle-down effect of potentially eased Middle East conflict leading to lower oil, to lower inflation, to lower yields. With a pro-risk environment, corporates fared better than U.S. Treasuries, with emerging market bonds faring best of all.

Commodities gained on net for the week, energy again leading the way, followed by gains of a few percent in precious and industrial metals. West Texas crude oil rose over 12% last week to $112/barrel, while Brent crude fell back by -3% to $109/barrel, with differing supply dynamics resulting from Middle East hopes.

Have a good week.

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

Sources: Palouse Capital Management, American Association for Individual Investors (AAII), 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.

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