The Weekly Market Update – 3/2/26: War Disrupts Markets: Stay the Course

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,878.88	-0.44%	0.49%	0.49%	15.52%	6,978.60	1.4%
Dow Jones Industrial Average	48,977.92	-1.31%	1.90%	1.90%	11.72%	50,188.14	2.5%
NASDAQ Composite	22,668.21	-0.95%	-2.47%	-2.47%	20.27%	23,958.47	5.7%
Russell 2000	2,632.36	-1.18%	6.06%	6.06%	21.70%	2,718.77	3.3%
MSCI EAFE (USD)	3,179.91	1.22%	9.93%	9.93%	31.26%	3,179.91	0.0%
MSCI Emerging Markets (USD)	1,610.70	2.77%	14.69%	14.69%	46.79%	1,619.28	0.5%
Bloomberg Commodity Index	121.68	1.67%	10.93%	10.93%	18.43%	237.95	95.6%
Barclays U.S. Aggregate Bond	95.21	0.45%	1.21%	1.21%	2.93%	112.07	17.7%

Source: FactSet

The outbreak of war in the Middle East creates unsteady markets and elevated investor fear, but initial market moves can quickly reverse, and investors should stick to their long-term investment plans. Military conflict and wartime cause death and destruction and we hope for a quick resolution with minimal casualties and lasting peace, and we pray for our troops and their families. Following the U.S. and Israel joint strikes in Iran over the weekend, Monday markets reflect concern with equities initially lower, a stronger U.S. dollar, an uptick in gold futures, and a spike higher in oil prices. The S&P 500 equity index opened down -1.2%, but two hours later was positive on the day. U.S. interest rates moved modestly higher, reflecting less investor fear as U.S. Treasury bonds often become a safe haven security in times of crisis (driving yields lower). In early Monday trading, the U.S. 10-year Treasury yield was 4.05%, up from 3.96% on Friday, 2/27/26. U.S. oil prices, as measured by West Texas Intermediate (WTI), rallied more than +3% to $67 per barrel, but had settled back to flat on the day in morning trading. The mid-morning market reaction was muted, in our view, due to expectations that the conflict will be brief, perhaps lasting weeks and not several months or longer. But we caution that Iran is a very large country and ultimate success, which includes eliminating Iran's nuclear bomb and missile capabilities and allowing for an Iranian-led regime change, is a huge task that will include inevitable setbacks. The most immediate economic impact, in our view, will stem from energy markets as Iran has closed the Strait of Hormuz, a key global oil transportation choke point impacting an estimated 20%+ of global oil and liquified natural gas (LNG) supply. In addition, container ships transporting other goods will avoid the area, adding to shipping costs. Sustained higher oil prices will pressure inflation, driving fuel prices higher, affecting commuters, airlines, and travel companies, and adding transportation costs to supply chains. Stock prices in the Energy sector moved higher on Monday, and defense stocks also rallied, driving gains in Industrials. The Technology sector was also higher early Monday.

Pre-invasion (January/February) U.S. investment fundamentals were mixed but still healthy, in our view. This included strong fourth quarter (4Q25) corporate earnings growth, lower interest rates, and economic optimism fueled by consumer spending growth and strong business investment anchored by surging capital for artificial intelligence and data centers. Less positive trends included volatile monthly jobs data, sticky inflation above optimal levels, and weak relative performance from Technology (the S&P 500's largest sector) that has restricted year-to-date gains in the index. While the S&P 500 delivered a modest +0.5% gain year-to-date (YTD, 12/31/25 to 2/28/26), the Equal Weight S&P 500 increased +6.8% YTD, an indication that the average S&P 500 stock produced gains in 2026. Eight of 11 S&P 500 sectors (as measured by MSCI's Global Industry Classification Standards (GICS)) were positive YTD, including five sectors up more than +10% (led by Energy and Materials).

Our S&P 500 fair value estimate remains 7,100, a level that is +3.2% above the index closing level of 6,879 on 2/28/26. Monday's initial market decline and subsequent recovery reflects positive intelligence from three days of air attacks, stoking hopes that the conflict will be short-lived. In addition, investors were prepped for potential U.S. and Israeli strikes after a large military build-up in the region and lack of progress with direct negotiations. Since year-end 2025, WTI oil prices had moved to $65 per barrel from $57, and the U.S. 10-year Treasury yield dropped to 3.96% from 4.17%. The S&P 500 Energy sector gained +24.4% in 2026 through 2/28 to lead the market. Investors should stay the course with diversified equity portfolios as we expect solid economic and earnings growth in 2026.

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The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings. Both the S&P 500 Software sub-industry group and Semiconductors and Semiconductors Capital Equipment subgroup are part of the broader Information Technology sector. The subgroups are provided by S&P Global and MSCI.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices is provided by FactSet.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index. Fair value refers to a valuation method based on our view of the intrinsic value of an asset or index, determined by macroeconomic factors and earnings expectations rather than current market prices. This is our view of intrinsic value as of the date of this report. Our 2026 Market Outlook, Gifts of Fruit and Flowers was published on 1/6/26 and discusses our Fair value estimate for the S&P 500 of 7,100 with a potential trading range of 6,000 to 7,500.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 2/20/26 the BEA reported that 4Q25 GDP increased +1.4% annualized from the previous quarter. This was inflation-adjusted, or "real GDP. Major categories as a contribution to GDP included personal consumption expenditures +1.58%, non-residential fixed investment +0.51% and government expenditures minus -0.9%. Within government spending the federal government detracted -1.15%, while state and local spending added +0.25%.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26, the White House published a release detailing the operation.

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Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The BLS also publishes the Job Openings and Labor Turnover Survey (JOLTS) which measures job openings, hires, and separations from a monthly survey of U.S. business establishments.

The U.S. Dollar index is a measure used to evaluate the U.S. dollar vs. a basket of currencies from U.S. trading partners. These currencies are the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona. It has a base of 100 and values are interpreted relative to this base.

The price of gold was reflected in the U.S. NYMEX exchange on a continuous futures contract trading at $5,330 per ounce on 3/2/26.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI. This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX).

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels per day are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 3/2/26, no shipping vessels were using the Strait of Hormuz.