

MARKET & ECONOMIC OUTLOOK
Insights from Multi-Asset Solutions' Portfolio ManagersQuarter ending
MARCH | 2026On the
Radar Screen

- 1. The Strait of Hormuz “traffic report”.**
As long as this chokepoint remains contested, energy volatility is the primary threat to global recovery; any sustained shift in tanker volume here will likely dictate the inflationary floor for the remainder of the year.
- 2. The low-hire, low-fire stasis.** Despite the February payrolls dipping by 92,000, the unemployment rate has remained relatively anchored at 4.4%; we are watching to see if this “precarious balance” holds as the Middle East energy shock begins to pressure sectors like transportation and retail that were already cooling.
- 3. The “guidance gap” risk.** While Q1 earnings are currently projected to enjoy robust growth, the real story will be in the forward guidance; with the S&P 500 trading at a forward P/E north of 20, any war-related downward revisions to H2 2026 outlooks could trigger a valuation reset.
- 4. The April 30th central bank triple header.** The Fed, the European Central Bank (ECB,) and the Bank of England all conclude policy meetings on the same two days (April 29–30). We are looking for a unified signal on how central banks intend to balance sticky war-driven inflation against simmering credit and employment risks.
- 5. The OBBB vs. The Strait.** The OBBB Act was designed to be a pro-growth adrenaline shot, but even the most “beautiful” bill can't outrun a \$120 barrel of oil; we will be watching the April and May retail data to confirm if the new “no tax on tips and overtime” provisions are actually boosting discretionary spend, or if those gains are simply being left at the gas pump.

“The direct use of force is such a poor solution to any problem, it is generally employed only by small children and large nations.”

– David Friedman

The winds have shifted. To say the Iranian conflict has “muddied the waters” would be a polite understatement; it's more like a torrential downpour in a basin already filled with silt. As of this writing, we still have a few trading days left in March, and the direction of travel for the war itself and its likely impact on the global economy remains as clear as a London fog.

Before the first strikes in late February, the economy had a decent spring in its step. Fourth-quarter growth, while cooling to a 1.4% annual rate¹, was supported by a resilient consumer. Personal consumption was humming along, and with a fresh round of tax refunds hitting bank accounts, bolstered by the 2025 tax credit expansions and a series of Fed rate cuts, we were looking at a stiff tailwind to household spending. Business investment in plant and equipment was accelerating, CEO confidence was climbing along with healthy corporate profits, and even the judicial system was playing ball, with court-ordered tariff adjustments finally offering some relief to supply chains.

Then came the war. Our sound footing morphed into unstable ground almost overnight. The effective closure of the Strait of Hormuz, which handles roughly 20% of the world's oil and gas along with numerous other industrial and agricultural inputs, has turned a manageable inflation problem into a systemic shock. Brent crude, which we hoped would settle in the \$70s, recently peaked near \$125 per barrel. Even were hostilities to cease immediately, significant damage has already been done. The Organization for Economic Co-operation and Development (OECD) is already bracing for US inflation to hit 4.2% this year, while global growth forecasts have been slashed to 2.9%.

We are now staring down a classic “squeeze.” Higher energy and input costs will eat into the elevated profit growth we were anticipating just a month ago while also grabbing a larger share of consumer wallets, cannibalizing other purchases. Inflationary concerns have taken any additional Fed rate cuts off the table, driving up borrow costs and further curtailing both household consumption and business investment. The peace dividend we were enjoying has been spent; we’re now paying the premium for a much more volatile world.

“If you find one cockroach in the kitchen, as the year goes on, you usually find his friends.”

—**Warren Buffet.** Riffing off the Oracle of Omaha, Jamie Dimon, CEO of JPMorgan, has recently spotted a few such pests himself, warning that the high-profile failures we’ve seen in the subprime auto and industrial space aren’t just isolated “idiosyncratic” events. They are the first visible signs of a broader infestation.

For the last several years, private credit has been the darling of the yield-hungry investor, growing into a \$2.1 trillion asset class. However, much of this growth occurred during a period of “free money” and loose terms. Now that the tide is going out, we’re seeing who was swimming without a suit. Thus far, the narrative has been largely one of liquidity as interval fund managers have been gating redemptions. Actual defaults have been relatively few, but as the Iran conflict pushes Treasury yields higher - the two year Treasury Note has jumped 50 basis points in March alone - liquidity issues may curdle into solvency stories.

The silver lining so far is that these challenges remain largely cordoned off within private markets, meaning a “Lehman moment” for the broader economy is unlikely. However, the contagion isn’t purely financial; it’s psychological. Underwriting standards are tightening across the board as lenders realize that recurring revenue doesn’t pay the bills when interest expenses double. As banks and private lenders alike pull up the drawbridge, this more restrictive stance will inevitably slow the economy’s roll, turning a private credit headache into a public market migraine...

“The Gentle Singularity. We are past the event horizon; the takeoff has started.” – Sam Altman.

While geopolitical headlines and mounting credit stress might suggest we are retreating into a defensive crouch, there is a concurrent revolution underway that demands an offensive posture. Altman’s singularity isn’t the flashy, chrome-plated sci-fi takeover we were promised in movies; it’s a series of exponential improvements that are quickly becoming routine—and changing the world in which we live and work dramatically.

In knowledge-based lines of work, we’ve moved past simple call and response chatbots to sophisticated agents that proactively perform tasks on our behalf. By the end of this year, we expect systems to move from merely processing data to generating genuine scientific breakthroughs. The productivity pop is already visible: current data suggests that AI-integrated firms are seeing task completion speeds jump by as much as 25% to 50%. When you compound that across the entire service sector—which accounts for roughly 70% of US GDP—you start to see how a “Gentle Singularity” can offset a lot of macroeconomic “noise.”

This acceleration is now moving from the screen to the street. Embodied AI, the marriage of LLMs with robotics and autonomous vehicles, is reaching a commercial tipping point. Autonomous vehicle production is projected to grow by over 30% this year alone, with LiDAR costs plummeting from north of \$50,000 to under \$500².

This is the “Mobility Multiplier”: as we automate the movement of goods and people, we are effectively slashing the cost of the physical world. If the last decade was defined by an abundance of information, the next couple of years in our view will be defined by an abundance of capacity. We are climbing an exponential curve that looks vertical from the front but will look like a smooth, inevitable arc in the rearview mirror.

“In three words I can sum up everything I’ve learned about life: it goes on.” – Robert Frost. The convergence of global conflict, credit recalibration, and the “Gentle Singularity” of AI creates a landscape that is as exhilarating as it is exhausting. It is tempting to view this particular moment as uniquely volatile, yet the history of the markets is a history of navigating the “unprecedented.” The headlines will always find a reason to demand your immediate emotional investment, but the most successful investors understand that the news cycle is designed to capture attention, not to build wealth.

Predicting the precise interplay of these tectonic shifts is a fool’s errand. Our best counsel remains unchanged: We believe a disciplined, diversified strategic plan is an effective way to help hedge against uncertainty. By maintaining a broad exposure across and within asset classes, your portfolio may be more resilient to withstand the cockroaches in the credit markets while remaining positioned to capture the exponential productivity dividend of the coming years.

Tether yourself to your long-term objectives and let the short-term noise fade into the background. In a world of accelerating change, the most sophisticated strategy is often the simplest: **stay the course.**

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