

Quarterly Market Update

Key Developments

- ✓ Military conflict between the U.S. and Iran quickly drove oil prices higher, increasing inflation concerns and market volatility.
- ✓ Large tech stocks struggled under the weight of massive AI-related spending as investors are concerned about whether and when these investments will pay off. Market volatility has been intensified by many of the biggest tech stocks being highly concentrated in the index.
- ✓ The Federal Reserve held interest rates steady in its ongoing effort to balance lingering inflation with signs of a softening labor market.

Middle East War Tests Markets

After a solid start to the new year, markets took a turn in late February and March as war with Iran led to the closure of the Strait of Hormuz, blocking roughly a quarter of the global seaborne oil trade. With so much Middle East crude stuck in the Strait, the price of oil rose quickly.

Higher oil prices tend to ripple across the economy, putting pressure on businesses to raise prices and making it harder for some consumers to meet their daily needs. Stock markets have been volatile as a result, especially in sectors sensitive to energy costs, global growth, and geopolitical risk. These movements have again ignited inflation concerns as the Federal Reserve continues to seek balance in the U.S. economy.

Should you panic? History says no. Past geopolitical conflicts tend not to cause long-term damage to the markets. Rather than making reactionary investment decisions, rely on the fundamentals and maintain a diverse portfolio. Corporate earnings, company innovation, and macroeconomic policies continue to be more reliable long-term drivers.

Market Snapshot

Domestic

- The S&P 500 Index declined 4.33% in the first quarter to begin 2026.
- The Russell 2000 Index rose 0.89% to start 2026.
- The Bloomberg U.S. Aggregate Bond Index decreased only slightly, falling 0.05% in the first quarter.

International

- The FTSE All-World Developed Index (excluding the U.S.) rose 0.30%.
- The FTSE All-World Emerging Index declined 2.79% in the first quarter.
- The FTSE All-World Index declined 3.10% to start 2026.

Market Concentration and AI Magnify Swings

Tech stocks struggled in Q1 as uncertainty around the payoff for large capital investments led investors to reassess expectations. Tech has long been an important sector, but lately it's been a major market mover. The Magnificent Seven stocks continue to represent about a third of the S&P 500, which means the performance of even a few tech companies can intensify volatility.

A key driver has been artificial intelligence spending. While AI still offers opportunity for strong long term growth, the high cost of building data centers and other infrastructure has lowered excess cash and has contributed to recent drops in tech stocks.

Meanwhile, other sectors fared better. Energy, Materials, and Utilities stocks rose amid higher oil prices and increased electricity demand, reinforcing diversification as an effective tool during periods of uncertainty.

The Fed Is Staying Patient

The Federal Reserve continued its "wait-and-see" posture in Q1, keeping interest rates steady despite inflation that's above the Fed's long-term target and a labor market that shows signs of cooling. Investors should take note and stay patient as well. Consumer spending remains resilient despite new uncertainties, and while stocks faced pressure during the quarter, higher starting bond yields mean bonds have regained relevance as a source of income and diversification.

We can't say it enough: markets go through cycles. There will be ups. There will be downs. Diversifying your portfolio while avoiding reactive decisions and staying focused on long-term goals is the heart of every successful retirement savings strategy. Don't let noise drive you off course.



Your Partner in Retirement

Fisher\SMB helps businesses navigate the complexities of offering an employer-sponsored retirement plan, while setting employees up for a comfortable retirement.

Fisher\SMB \ 6404 International Pkway, Ste 1100 \ Plano, Texas 75048 \ FisherSMB.com

Sources: FactSet, S&P Global.

This content is developed from sources believed to be providing accurate information. The opinions expressed herein are subject to change without notice. Past performance does not guarantee future results. Investing involves the risk of loss, including the loss of principal. Fisher Retirement Solutions®, Fisher\SMB™, FisherSMB™, and all related logos and designs are trademarks of Fisher Retirement Solutions, LLC, which is not connected to Fisher Investments. © 2026 Fisher Retirement Solutions. K042627VC