

April 1, 2026

The first quarter of 2026 presented a shift in momentum for investors after a strong 2025. Despite a resilient economy, the macroeconomic crosscurrents of persistent inflation, slower growth, cooler interest rate expectations, geopolitical uncertainty, and energy market disruptions created a more volatile and eventful backdrop.

Major stock indices opened the year on solid footing, but investor sentiment soured around the escalating tensions with Iran. The launch of Operation Epic Fury drove a significant spike in crude oil prices amid growing concerns over potential supply disruptions and the possible closure of the Strait of Hormuz, a critical channel for global energy flows. This energy-driven shock rippled through equity markets, stoking inflation fears and prompting a broad shift toward risk aversion across global assets.

The March 2026 pullback reflected an increase in investor anxiety with widespread declines across market caps and styles. Ultimately, the quarter finished weaker, but financial markets absorbed tighter conditions without too much damage. See the first quarter total returns below.



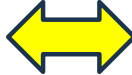









- Domestic Large Cap - S&P 500 dropped 4.33%.
- Technology - Nasdaq 100 tumbled 6.96%.
- Domestic blue-chip - Dow Jones Industrial Average slipped 3.19%.
- Developed International - MSCI EAFE Index fell 1.24%
- Emerging Markets - MSCI EM Index declined 0.17%

Positive performance during the quarter was notably scarce, with gains concentrated in a narrow set of asset classes. Commodities, real estate (REITs) and domestic small-cap equities were among the few areas to post advances. In fixed income, shorter-duration securities provided positive returns as yields remained elevated, while longer-duration securities remained flat. Cash and equivalents continued to deliver modest income with minimal volatility.

Despite the shifting narrative in the financial markets, the economic landscape remained cautiously supportive as the slower pace of 4<sup>th</sup> quarter growth evolved into higher expectations of growth for the first three months of 2026. Additional data revealed encouraging conditions for household finances, manufacturing activity, and corporate profits.

Unfortunately, supportive conditions for the economy were partially offset by a tight labor market, rising inflation (driven by higher energy costs), an unemployment uptick, restrictive monetary policy, sluggish housing activity, and a lower trend to consumer confidence.

See the chart below for a summary of economic trends.

GDP	Inflation	Interest Rates	Jobs	Unemployment Rate	Manufacturing
					
Housing	Consumer Spending	Business Spending	Corporate Profits	Energy Prices	Stock Market
					

Once again, the Federal Reserve settled into a “wait and see” approach due to sticky inflation conditions and geopolitical pressures. At their March meeting, the Committee affirmed that current conditions remained supportive, noting that real gross domestic product (GDP) continued to expand at a solid pace, particularly after accounting for the negative effects of the fourth quarter 2025 federal government shutdown. The Fed also judged that upside risks to inflation and downside risks to employment were a concern, and the effects of higher crude oil prices and tariffs have raised their inflation forecast higher. While the Fed believes inflation conditions will wane later in 2026, uncertainty around the forecast remained elevated considering the developments in the Middle East, government policy changes, and AI adoption. Based on current conditions and in support of the Federal Open Market Committee’s goals, almost all members voted to maintain the target range for the federal funds rate at 3.50% to 3.75%. The Committee agreed that additional adjustments to the target range for the federal funds rate would be based on their assessment of the incoming data, evolving outlook, and the balance of risks. Following a cumulative 75-basis-point reduction over the final four months of 2025, the Fed believes policy rates are now within a range consistent with its estimates of the neutral level. Officials also indicated that maintaining current rates would keep the Committee well positioned to respond as needed. Reflecting this stance, the Fed’s latest “dot plot” points to expectations for just one additional rate cut over the remainder of this year.

Looking further into 2026, our outlook can be described as sanguine (optimistic despite the challenges). The primary threat to economic stability is the path of the Middle East conflict, as it will shape how long the energy disruption lingers and the extent of its ripple effects on inflation, growth, and market volatility. We hope the reopening of the Strait of Hormuz and any successful diplomatic resolution will ease inflationary risks and restore greater predictability to markets. Barring an unforeseen event, we believe domestic growth will continue at a measured pace as inflation gradually eases. We anticipate consumer spending to remain supported and business investment to be driven by technology and infrastructure expenditures, even as trade policy pressures and elevated financing costs present ongoing challenges for other sectors. We think the Federal Reserve will stay neutral on additional rate cuts as long as possible this year, and we agree that one rate cut is the most probable outcome. We expect financial markets to experience periods of volatility as investors adjust to lower expectations and geopolitical uncertainty. Globally, we foresee an outlook that points to a modest but uneven growth environment supported by easing inflation pressures and selective policy support.

We continue to monitor a broad range of risks that could influence financial markets and the economic outlook. Key areas of concern include evolving trade dynamics, shifts in immigration policy, mounting fiscal pressures, the potential for stagflation, rising economic nationalism, and elevated valuations within AI-driven segments of the market.

Among these factors, however, we believe the following macroeconomic themes represent the most significant risks to monitor in the months ahead.

- Geopolitical risks and energy – energy influences everything from transportation and manufacturing costs to consumer inflation. Higher energy prices are basically an extra tax on businesses and consumers. Long-term impacts of the war in Iran remain uncertain, but pressure will continue as the conflict persists.
- Federal Reserve policy – higher-for-longer interest rates impact everything from borrowing costs for consumers and companies to the relative attractiveness of equities versus bonds. Persistent inflation will cause the Fed to delay any decisions on rates.
- Consumer health and sentiment – consequences of surging oil and gas prices extend beyond financial markets. Inflation erodes real incomes. Higher oil prices for longer could jeopardize improvements in housing affordability by pushing mortgage rates back up. Additionally, rising costs could weaken job creation or spur layoffs. The impact on companies and market confidence could be significant.

Our investment philosophy is rooted in the fundamentals. ***We firmly believe that it is time, not timing***, that holds the utmost importance in investment decisions. This year has brought a mix of opportunities and challenges across markets and the broader economy, making it especially important for investors to stay grounded and focused.

An important tip for investors during volatile and uncertain times is to simply hit the pause button and take a deep breath. Here are some additional suggestions to help mitigate market volatility.

#### **DO**

- Stay calm and be patient
- Remain invested
- Maintain a diversified portfolio
- Monitor your investments
- Understand your risk tolerance
- Set realistic expectations
- Consult William Howard & Co. to make sure you stay on track

#### **DON'T**

- Panic
- Make emotional investment decisions (separate money from your moods)
- Attempt to time the market
- Lose focus of your long-term financial goals

Whether you are planning for retirement, saving for a child's education, or simply looking to review your investments, a financial check-up can provide valuable insights and strategies to help you achieve your financial objectives and bring peace of mind for you and your family. By conducting a thorough analysis, we can help identify any gaps or areas for improvement and provide recommendations to ensure you are on track.

On a personal note, I wanted to share an update with you. Our administrative specialist, Madilyn Morris, will soon be leaving the firm as she is relocating to Starkville, Mississippi in preparation for her upcoming wedding. Madi has been a valued member of our team, and her contributions will leave a lasting impact on all of us. We are excited for this next chapter in her life and wish her continued success and happiness in the future.

If you would like to discuss modifications to your financial situation, schedule a financial check-up meeting, or have any questions, please do not hesitate to reach out to us. We are here to support you every step of the way.

Enclosed you will find the William Howard & Co. Financial Advisors, Inc. Privacy Policy.

In closing, I want to thank you for the opportunity of working with you, and for your continued confidence and trust. I wish you and your family good health.

With kindest personal regards, I am

Very truly yours,

WILLIAM HOWARD & CO. FINANCIAL ADVISORS, INC.

A handwritten signature in cursive script that reads "Bill".

William B. Howard, Jr., ChFC®, CFP®

WBH/bdb

Enclosures: Index Performance and U.S. Economic Data  
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2026 Total Return Index Performance		
Asset Class	Index	1 <sup>st</sup> Qtr.
Cash	BofA/ML Three-Month U.S. Treasury	0.85%
U.S. Bonds	Barclays Intermediate-Term Treasury	0.05%
U.S. Large Co. Stocks	S&P 500	-4.33%
U.S. Small Co. Stocks	Russell 2000	0.89%
International Stocks	MSCI EAFE (net div.)	-0.17%
Real Estate	DJ Select Real Estate Securities Total Return	4.64%

Source: Dimensional Fund Advisors

U.S. Economic Data	
GDP	0.5% increase (annual rate) – 4 <sup>th</sup> Quarter 2025
Inflation	2.6% CPI (less food and energy) and 3.3% CPI (all items) over last 12-months ending March (Energy index rose 12.5%; Food index up 2.7%).
Interest rates	Federal Funds Rate range at 3.50% - 3.75%. No change at March FOMC meeting.
Jobs	March 2026 data - Unemployment at 4.3%; non-farm payroll employment rose by 178,000 jobs; Labor force participation rate 61.9%; Job gains occurred in health care, construction, and transportation-warehousing.
Manufacturing	Economic activity in the manufacturing sector expanded for the third consecutive month after a 10-month period of contraction. March ISM Report Manufacturing PMI registered at 52.7%. Demand and output strengthened, while inputs were mixed.
Business Spending	Private non-residential investment continued to trend higher (45.35% increase since Jan 2021); New orders for manufactured goods decreased in February, down four of last five months. Durable orders decreased 1.3% and Nondurable orders increased 1.5%.
Corporate Profits	4 <sup>th</sup> Quarter 2025 - U.S. corporate profits increased 6.02%. S&P 500 Earnings per share = \$71.87 (one-year increase of 17.42%).
Housing	March 2026 year-over year data - New home sales down 11.3%; Existing home sales declined 1.0%; Median sales price of existing homes increased 1.4% from the prior year to \$408,800; Housing starts increased 9.5%; Building permits fell 5.8%; Housing inventory was up 17.0% from last year; Unsold inventory = 4.1 month supply; MBA fixed 30-yr mortgage rates = 6.57% ending 4/1/2026.
Consumer Spending	Disposable income remained flat; Consumer Confidence Index increased by 3.03% since last quarter; Retail and food services sales increased; Total vehicle sales rose; Personal durable and nondurable spending remained high; Personal savings rate decreased to 4.0%.
Energy	Oil price (West Texas Intermediate) = \$102.86/bbl – 3/31/2026 (2026 increase of 79.64%); Gas price (U.S. average regular unleaded) = \$3.99/gal – 3/30/2026 (2026 increase of 41.94%)