Ascentis
Asset Management

March 2, 2026

Trend Report Commentary

G. R. I. P.

Monthly Trend Report – GRIP Framework

March 2026 – Trend Report and GRIP Update

Executive summary

Our GRIP framework (Growth, Risk Appetite, Inflation, Policy) continues to describe a market that is *not* simply “risk-on” or “risk-off,” but rather a rotation-heavy environment with meaningful dispersion across assets and styles. The macro backdrop remains soft: The Conference Board’s Leading Economic Index declined again in December 2025 (97.6; 2016=100), marking a fifth consecutive monthly decline and signaling continued weakness into early 2026.

At the same time, there are credible “green shoots” that make the next phase of the cycle look more like a *coiled spring* than a straight-line deterioration: Institute for Supply Management manufacturing data rebounded sharply in January 2026, with the headline PMI back in expansion and New Orders surging (57.1 vs 47.4).

The market narrative remains dominated by two cross-currents: (1) cooling labor demand and credit-market stress signals; and (2) powerful capex and commodity impulses tied to AI infrastructure, electrification, and defense/energy realities in a more geopolitically fragmented world.

GRIP framework and current read

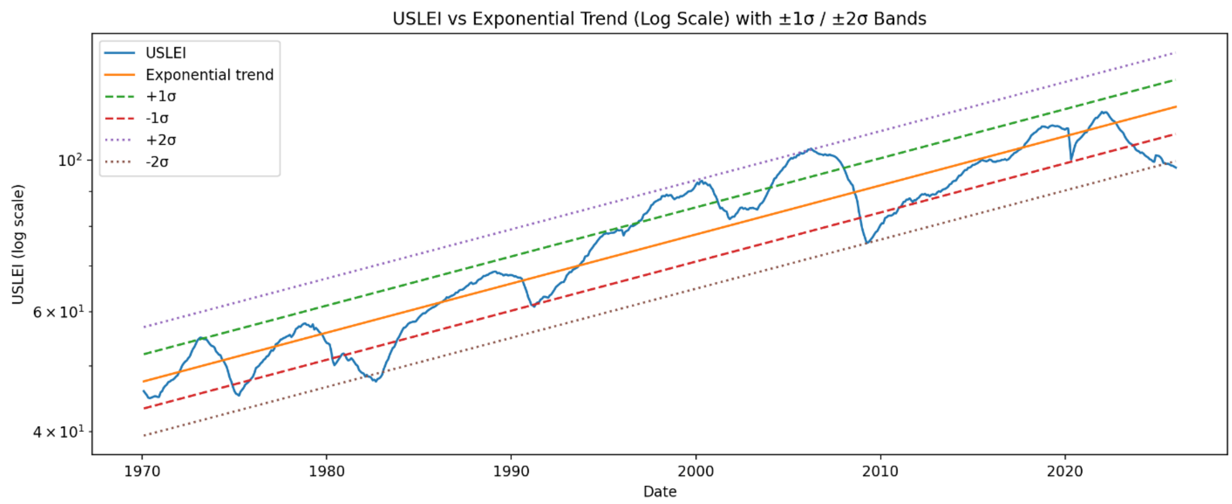
GRIP is an equal-weight blend of four composites built using a consistent multi-time frame trend measurement, designed to classify regimes rather than forecast precision points. In plain English: each sleeve answers “is the dominant trend improving, deteriorating, or mixed?” and GRIP summarizes the combined message.

As of this writing (data cutoffs differ by sleeve), the framework is best described as neutral-to-negative overall, with sharp internal dispersion, which is supportive for diversification and active tilts, but challenging for passive, cap-weighted exposures to deliver “easy beta.” This is consistent with the prominent dispersion observed across sectors, factors, and geographies in recent market commentary.

Growth

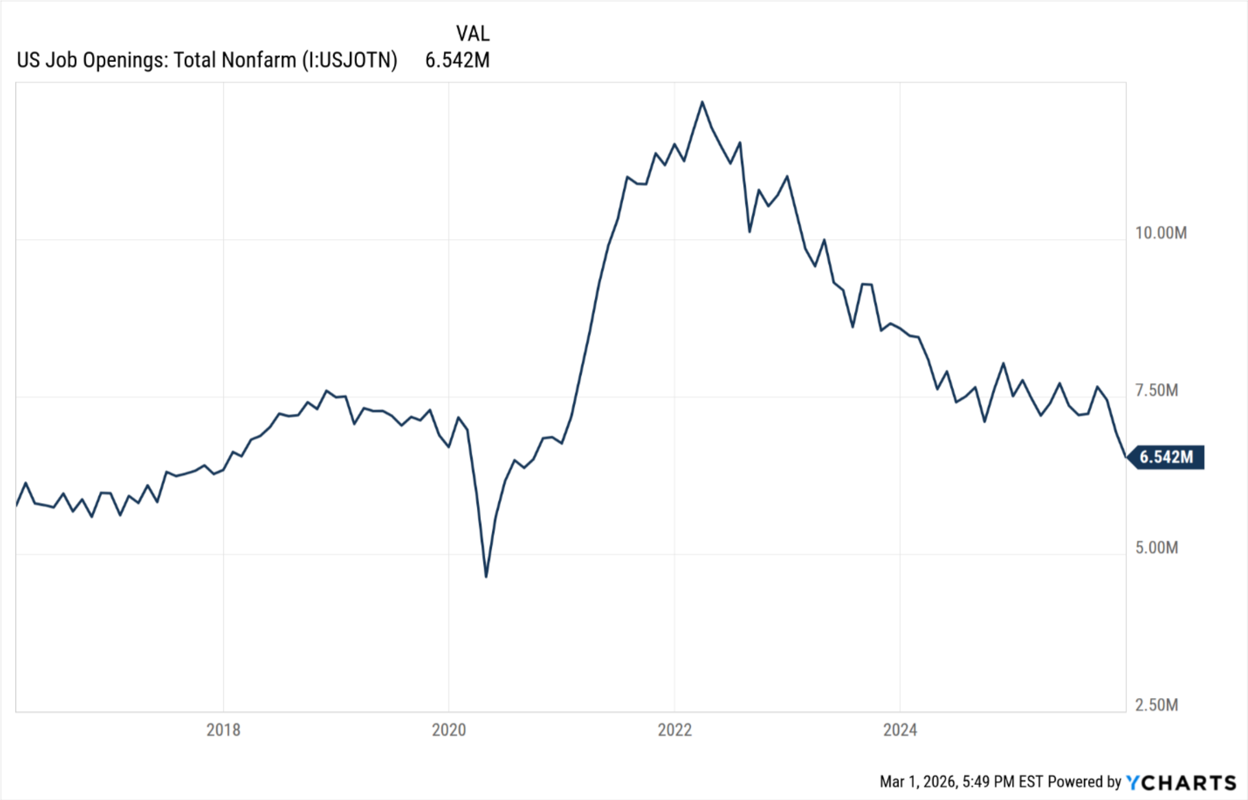
Leading indicators remain negative, but the setup is asymmetric

The Conference Board LEI fell 0.2% in December 2025 to 97.6, following declines in November and October, and the organization highlighted continued softness into early 2026. This aligns with a "rate-of-change negative" signal from leading indicators, an important GRIP input because LEI is explicitly designed to provide early indication of turning points in the business cycle.



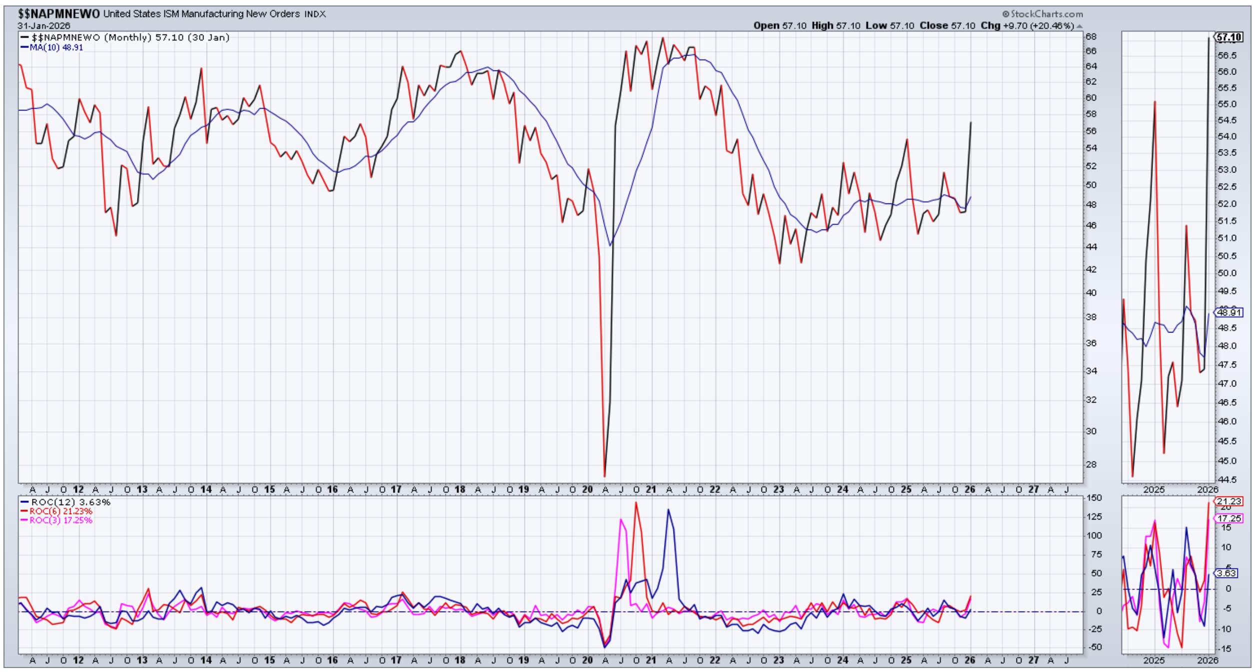
The labor market data also supports the "cooling/deteriorating" component of the Growth discussion. Bureau of Labor Statistics reports that payroll employment "changed little" in 2025, averaging roughly +15,000 per month, and while January 2026 added 130,000 jobs, the broader context is a significant downshift versus prior expansions.

On the demand side of labor, job openings continue to trend down. Job openings fell to 6.5 million in December 2025 and were down by 966,000 over the year per the Bureau of Labor Statistics.



Offsetting positives: manufacturing and "capex gravity" from AI

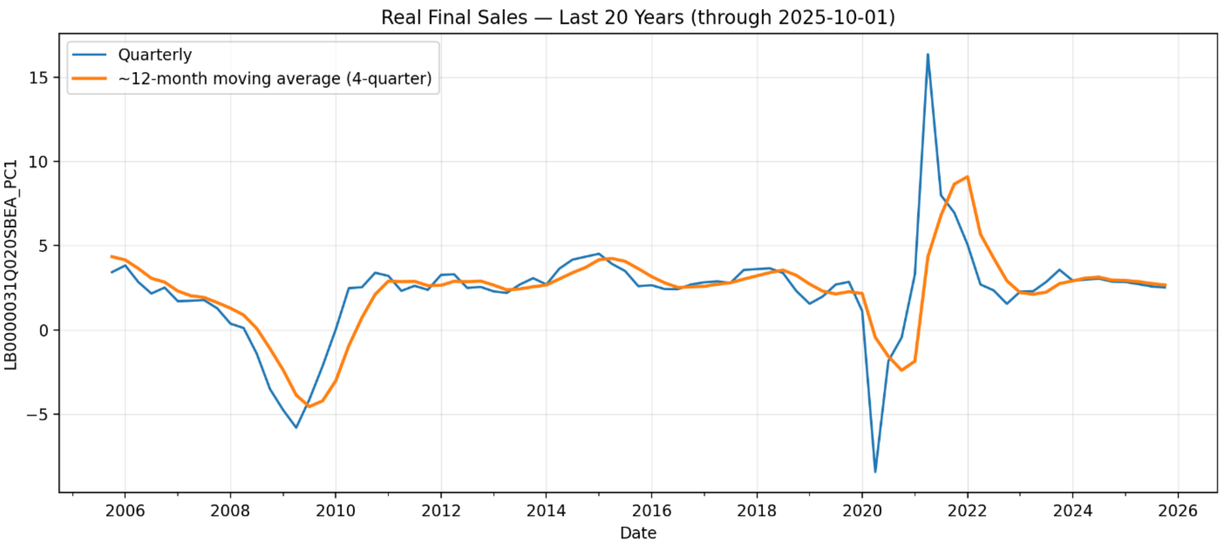
The countervailing evidence is that manufacturing sentiment and orders have improved meaningfully. The Institute for Supply Management manufacturing PMI rebounded to 52.6 in January 2026 from 47.9 in December, with New Orders jumping to 57.1 (a very large one-month increase).



We also believe the next-stage growth narrative increasingly hinges on the scale and durability of AI-driven infrastructure investment. Reuters cites analysis suggesting major U.S. technology firms may invest on the order of hundreds of billions in AI infrastructure in 2026, a sharp step-up versus 2025. This is not "free": it comes with real-economy constraints (power, grid interconnect, turbines, permitting). But those constraints, while potentially inflationary, also represent a tangible mechanism through which investment can lift industrial activity.

Real final sales context

Real final sales to private domestic purchasers (a core Growth input in our construction) is conceptually close to "private domestic demand," as the U.S. Bureau of Economic Analysis defines it as final sales to domestic purchasers less government consumption and gross investment, and also equal to the sum of consumer spending and gross private fixed investment. This matters: it frames why a "soft LEI + steadier private demand" mix can produce a fragile-but-not-collapse baseline.



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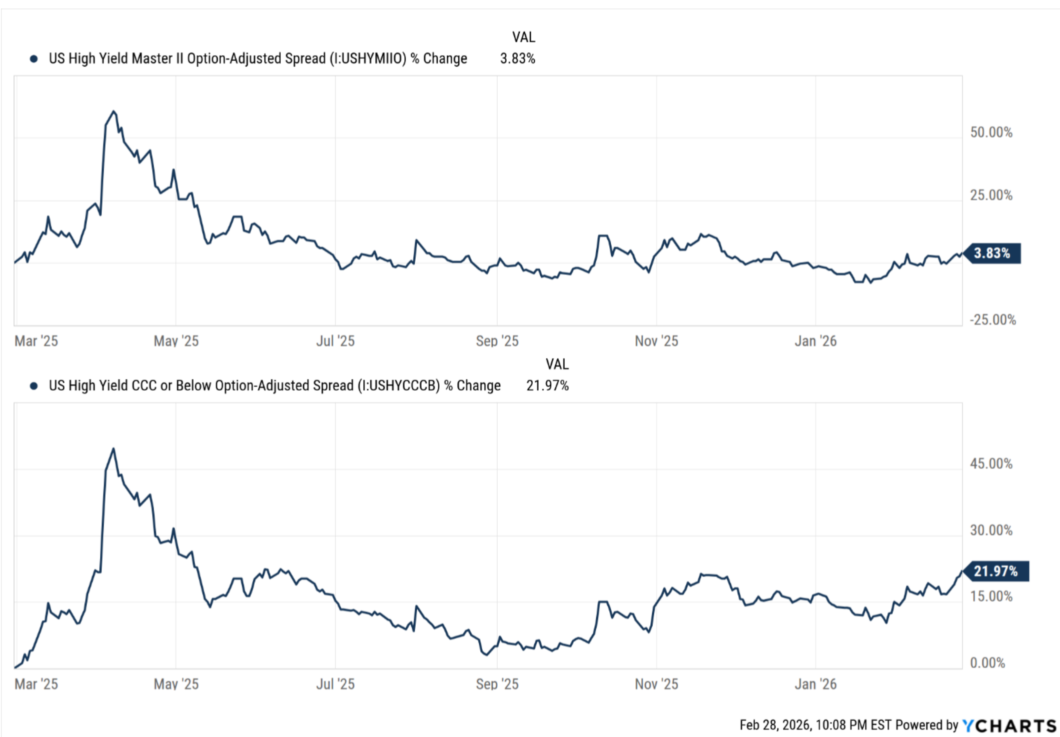
Risk appetite

“March Madness” in markets: rotation, not a single tape

March Madness is not just an NCAA Division I men's basketball tournament reference (and yes…Go Tar Heels). It’s a good metaphor for the current market dichotomy: leadership is fragmenting, credit is sending selective warning signs, and yet several pro-cyclical and real-asset signals remain constructive. This “two-handed” tape is consistent with the broad observation of high dispersion and opportunity in active management we have discussed in previous months.

Credit and defensive signals to respect

On the caution side, high-yield spreads have shown signs of stress. The ICE BofA U.S. High Yield OAS was ~2.98% as of Feb 26, 2026. In parallel, private credit has moved from “background concern” to headline risk: Reuters reports heightened strain in the U.S. private credit sector tied to liquidity and valuation concerns, including fund actions that raised questions about “liquidity mismatch” dynamics. The Federal Reserve has also repeatedly highlighted private credit as a growing concern, pointing to opacity and potential spillovers (including to banks) under stress scenarios.



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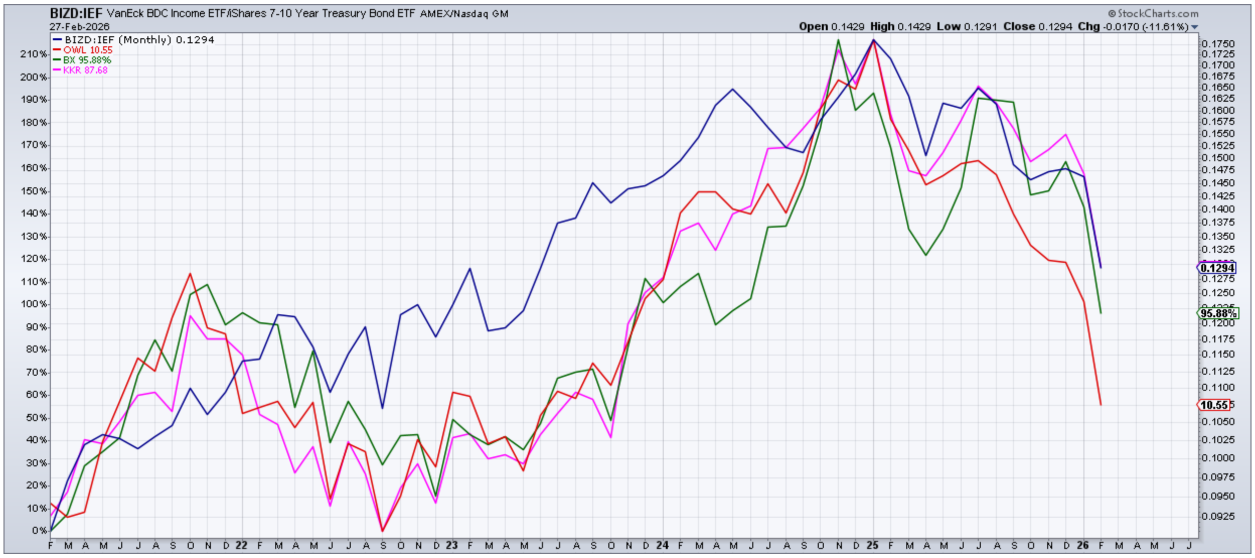
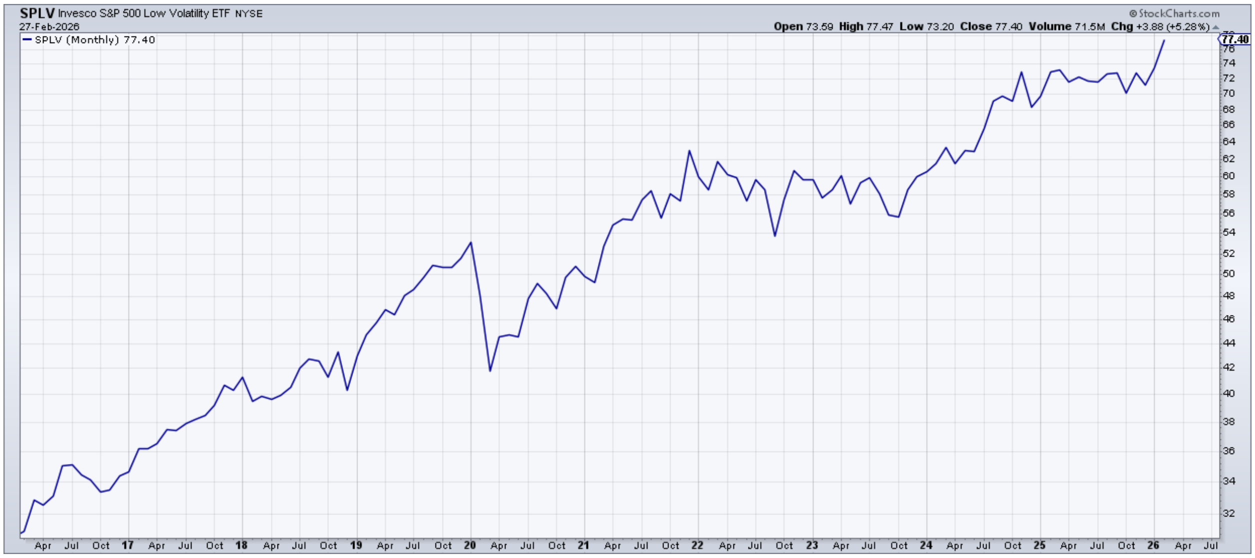


Alongside signs of instability in the credit markets, there are notable positive developments in low volatility equities, defensive sectors—including consumer staples and utilities—as well as treasuries and gold. Conversely, bitcoin and other crypto assets continue to exhibit weak performance. These are all historically risk-off characteristics indicating caution. The resilience of these asset classes suggests that investors are positioning for potential market stress, and their outperformance underscores the importance of monitoring defensive signals alongside cyclical opportunities.

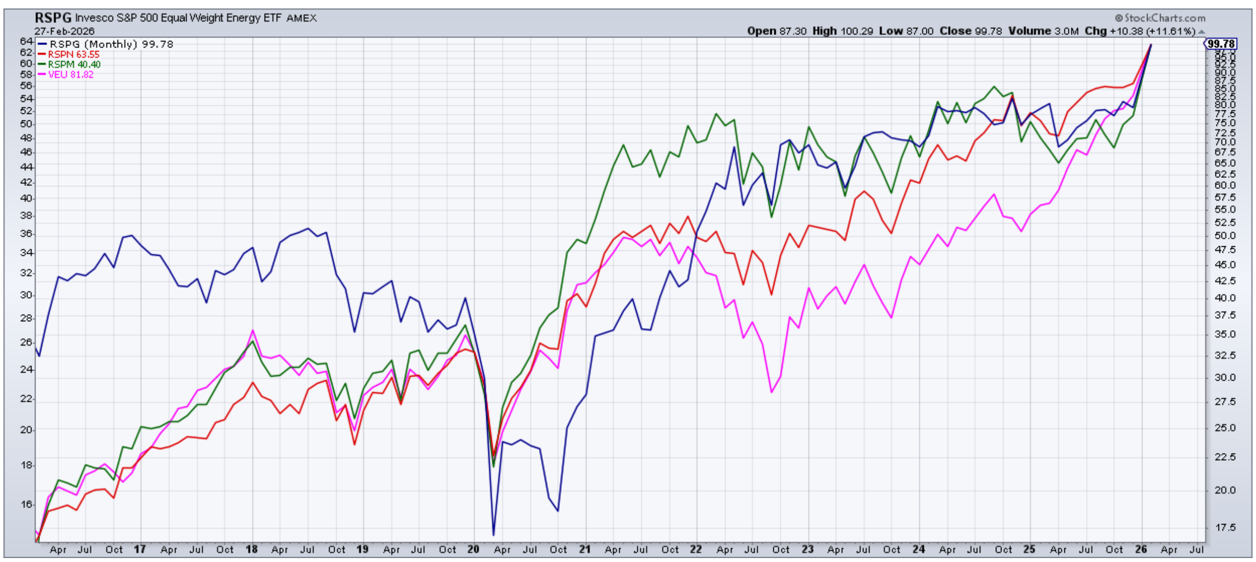


These are precisely the environments where passive portfolios can struggle: even if the broad index is not “crashing,” the distribution of returns narrows, leadership rotates, and factor bets embedded in cap-weighted benchmarks can underdeliver. The recent breakdowns in many of the Mag 7 stocks is a great example of broad index deterioration as leaders become laggards. This shift highlights how market leadership is fragmenting, with previously dominant technology names underperforming relative to the broader index. As these stocks lose momentum, the resulting dispersion reinforces the theme of rotation and selective risk signals discussed above, emphasizing the need for active management and vigilance in portfolio construction.

Pro-cyclical signals: commodities, infrastructure, and global breadth

On the pro-cyclical side, the industrial and commodity impulse has been powerful. Copper reached record levels last month, tied to speculative flows and expectations around demand from infrastructure linked to robotics, data centers, and power. This is directionally consistent with the larger "AI is physical" theme: grid capacity, power generation, metals, and logistics act as binding constraints, and markets are pricing those constraints.

Energy stocks have surged this year, with the equal weight energy sector (RSPG) reaching new highs even before the recent Iran attack and rising oil prices. Materials and industrial sectors also hit record levels. This shift toward real assets aligns with our view that AI may drive a real asset super cycle. For nearly two years, we've highlighted commodity trends and recommended focusing on real rather than financial assets.



Our base case interpretation: the current risk tape looks more like a rotation toward real assets and cyclical infrastructure beneficiaries than a uniform risk-off unwinding, but the credit warnings mean we want to see confirmation (or deterioration) in coming months before declaring that the rotation is durable.

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Inflation

Disinflation in the rearview mirror, but energy is the swing factor

Inflation cooled most recently on the headline CPI lookback: the CPI rose 2.4% over the 12 months ending January 2026, down from 2.7% in December 2025. Inflation expectations also eased in February 2026 in survey data: the University of Michigan Surveys of Consumers reported year-ahead inflation expectations fell (to 3.4% from 4.0%). Market-based longer-run inflation compensation remained relatively stable around ~2.22% in the 5Y5Y forward inflation expectation rate. The TIP/TLH ratio is also trending down, signaling lower expectations. This trend, alongside slower growth, often leads to more accommodative monetary policy.

Geopolitics reintroduces upside inflation tails

Near-term inflation is largely driven by energy prices, which are currently impacted by geopolitical events. Reuters reported that U.S.-Israel strikes on Iran have caused significant disruptions in energy markets, especially affecting oil flow through the Strait of Hormuz. Before the recent attacks, Brent crude moved into a positive trend and finished the month up over 5%. As of Sunday night, Brent crude oil futures were up an additional 9%.

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Recent data from the U.S. Energy Information Administration shows a steady increase in gasoline prices. Rising energy costs may temporarily drive inflation higher. Although overall inflation trends downward, unexpected increases are possible in the coming months.

Strategically, we view inflation as likely to remain noisy: AI dominance is inherently physical (power, grid, turbines, metals, land, water). Reuters and the International Energy Agency both emphasize that data center growth implies very large incremental electricity demand, and Reuters specifically notes grid bottlenecks as a binding constraint for the AI buildout. Physical constraints can be inflationary (if they bid up scarce inputs); the path matters more than the headline.

Policy

Policy is restrictive in level terms, easing in direction

At its most recent meeting, the Federal Reserve maintained the target range for the federal funds rate at 3.50%–3.75%, reaffirming its commitment to a data-driven policy approach. The effective federal funds rate has been approximately 3.64%, which currently exceeds the two-year Treasury yield of 3.38%. In our assessment, this positioning is restrictive.

Rates markets have also been volatile: the 10-year Treasury yield moved down materially from late-January highs to late-February levels (roughly ~4.30% on Jan 20 to ~3.95% on Feb 27), a move on the order of ~30 bps.

Data dependence is complicated by revisions and labor-market uncertainty

A key risk to clean policy calibration is the noisiness (and revisability) of labor data at critical turning points. Fed Governor Christopher Waller emphasized that annual revisions turned 2025 into one of the weakest job-creation years in decades outside recession. This matters because the Fed's reaction function leans heavily on labor-market conditions.

Leadership and political uncertainty into midterms

Policy uncertainty is also rising, both because of geopolitics and because of domestic political calendar effects. Reuters reports that Kevin Warsh has been identified as the president's Fed chair nominee, with Jerome Powell's chair term ending May 15, and that confirmation process dynamics are in flux.

The good news is that Warsh and Bessent seemingly have a similar view on the economy. The policy mix that ultimately emerges from this leadership constellation matters for the medium-term growth/inflation tradeoff.

The political calendar is also real: the 2026 general election is on Tuesday, Nov. 3, 2026. Even without taking a view on outcomes, markets typically price higher policy uncertainty as elections approach.

Portfolio implications

The GRIP message: make diversification great again

Given (1) negative leading indicators and cooling labor demand, (2) heavy dispersion and rotation within risk assets, (3) a neutral-to-noisy inflation path with asymmetric energy/geopolitical tails, and (4) a policy stance that is restrictive in level terms but easing at the margin, the GRIP framework is consistent with a stance of diversification-first and active tilts over passive concentration.

In that environment, we continue to favor the spirit of the following positioning guidance (expressed as factor and asset-class "biases," not single-ticker recommendations):

Active over passive: dispersion is elevated, and leadership is rotating rather than broadening cleanly.

Real assets over purely financial assets: commodity and infrastructure constraints tied to AI/electrification and geopolitics are becoming macro drivers rather than side narratives.

Equal weight over cap weight: recent commentary highlights stronger outcomes in equal-weight exposures during periods when mega-cap leadership softens.

Value and smaller companies overcrowded growth factor exposure: not a permanent call, but an appropriate tilt when markets rotate from "duration assets" toward cyclicals/real economy beneficiaries and when the broad index is near prior highs but internal breadth is mixed.

Megatrends that anchor the medium-term view

Even as the near term is noisy, three structural forces remain investable in our view:

Deglobalization / fragmentation: IMF research documents signs that trade and investment flows may be fragmenting along geopolitical lines, which tends to favor “security of supply” investment and regional buildout.

AI as physical infrastructure: the scale of planned AI capex is large, and the grid/power constraint is increasingly binding.

Fiscal/industrial policy and subsidies: fiscal dominance is a real macro concept in the literature, and the U.S. is actively leaning into industrial and infrastructure acceleration (including data-center permitting and grid capacity initiatives).

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