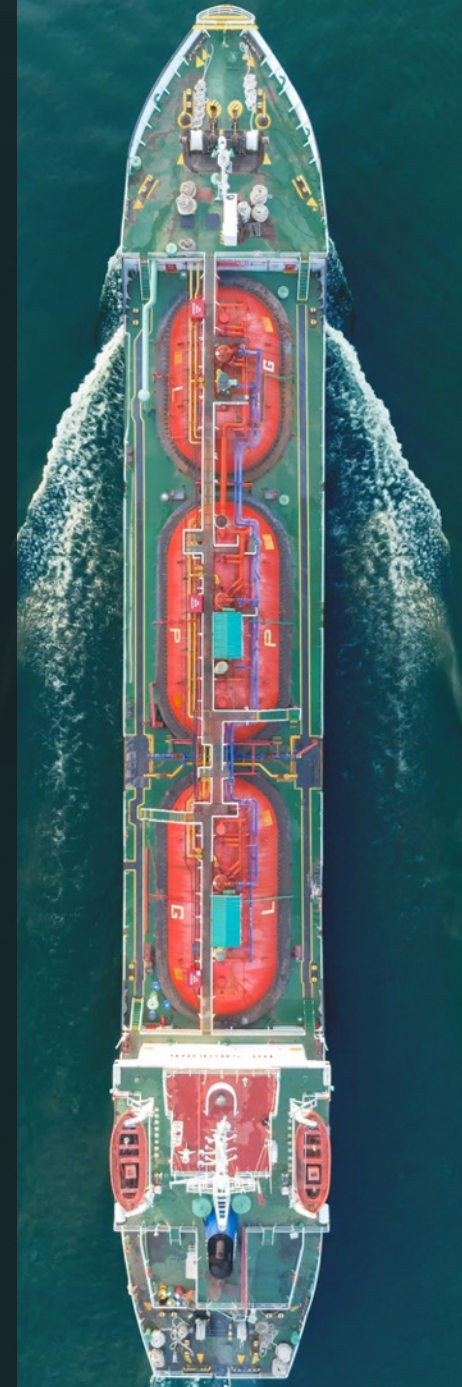




INVESTMENT STRATEGY STATEMENT | March 31, 2026

Surge in Oil Prices

by Darren Hinshaw, Pierre Allard, Christopher Fidler, &
Adam Newton



Performance Review & Outlook

The conflict in Iran dominated March, driving elevated uncertainty and volatility across equity markets as WTI Crude futures pushed above \$100 a barrel and disruptions to Strait of Hormuz shipping raised the prospect of broader inflationary pressures.

A near-term resolution would likely contain the damage to a transitory energy price spike, while a prolonged engagement risks amplifying inflationary pressures across raw materials and industrial inputs well beyond the gas pump.

Encouraging geopolitical headlines on the final day of the month were welcomed by markets, though it remains far too early to conclude that a resolution is at hand—history suggests equity markets are resilient after such shocks, typically absorbing the impact within one to three months.

Rotation from growth to value accelerated through March as capital continued shifting toward industrials, energy, and other sectors with steadier cash flows—reinforcing the importance of balance and diversification as market leadership evolves away from concentrated mega-cap growth names.

Rates surged amid geopolitical inflation fears: The 10-year Treasury jumped from 3.94% to 4.43% in March—its largest monthly move in over a year—as rising oil prices tied to Iran conflict risks sparked concerns the Fed may need to combat renewed inflation.

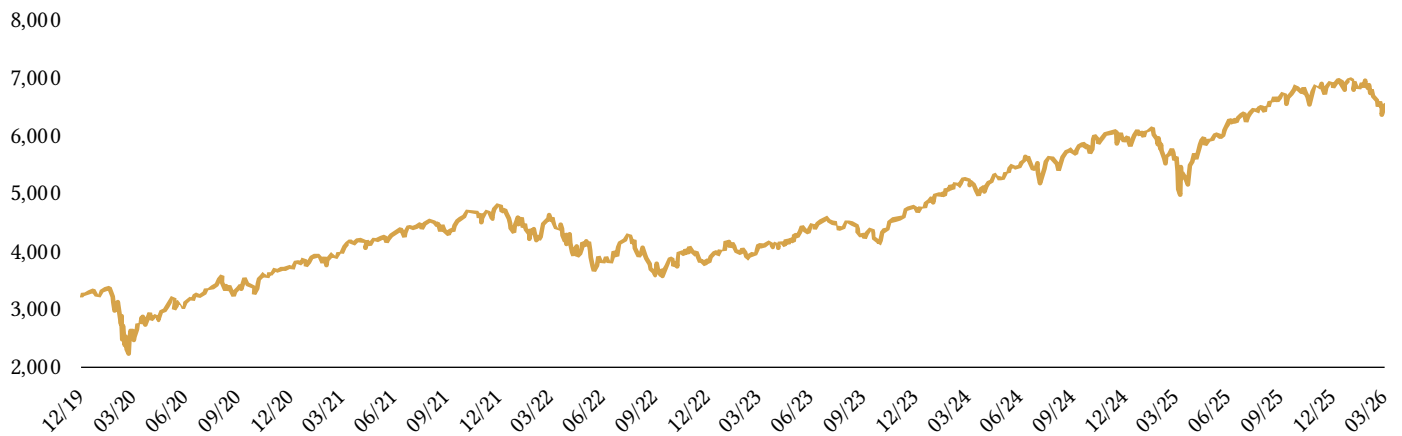
Fed remains patient despite rising uncertainty: While holding rates steady at 3.50%–3.75%, Powell emphasized a measured approach—acknowledging near-term inflation pressures but signaling no immediate policy shift as longer-term expectations remain anchored.

Equity Market Overview

March was dominated by headlines and developments surrounding the conflict in Iran, leading to elevated volatility and declines across equity markets. What began in late February with U.S. and Israeli strikes on Iranian targets has evolved into the primary uncertainty

confronting both investors and policymakers, disrupting shipping through the Strait of Hormuz, pushing WTI Crude futures above \$100 a barrel, and raising the prospect of broader inflationary pressures that extend well beyond energy prices alone.

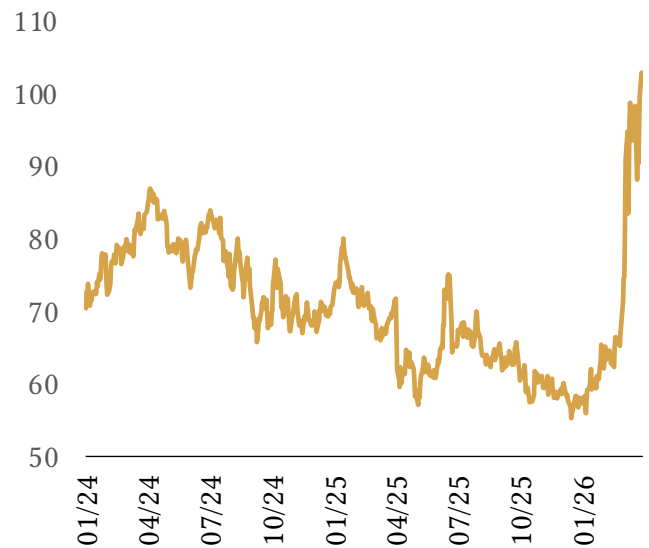
S&P 500 Price Index



The central question markets are wrestling with is not whether the conflict has an economic cost, but how large and how lasting that cost will be.

A near-term resolution would likely limit the damage to a transitory spike in energy costs that markets can absorb without materially altering the economic outlook. A prolonged engagement, however, would continue to put sustained upward pressure on energy prices, which feed through supply chains into raw materials and industrial inputs including chemicals, fertilizers, and steel, amplifying inflationary pressures well beyond the gas pump. As we wrote last month, the U.S. enters this period from a position of relative strength: as the world's largest oil producer and an energy-independent nation since 2019, the domestic economy is meaningfully better insulated from Strait of Hormuz disruptions than it was during prior Middle Eastern conflicts. That said, insulation is not immunity, and a prolonged conflict would not leave the U.S. economy unscathed.

Oil (WTI \$/Barrel)



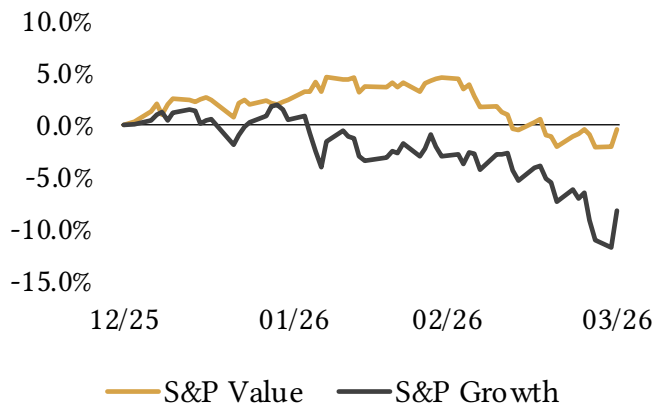
For the Federal Reserve, which entered this period already contending with inflation above its 2% target and a softening labor market, a prolonged conflict would present a particularly difficult challenge.

For now, we are maintaining our current investment outlook. A near-term resolution would likely contain the economic damage to a transitory bump, and we do not believe the data available today warrants a change in our broader view, a view that was perhaps supported by encouraging geopolitical headlines on the final day of the month that led to a relief rally in equity markets. While it is far too early to conclude that a resolution is at hand, the developments were a welcome reminder that this conflict, like those before it, will eventually come to an end. History supports this view: equity markets have typically demonstrated resilience after geopolitical shocks of this nature, often absorbing the impact within one to three months as uncertainty fades and focus returns to domestic economic fundamentals. The longer the conflict persists, however, the harder it becomes to dismiss the risks, and we will continue to reassess as events develop.

The outperformance of value over growth so far in 2026 has been one of the clearest and most consequential themes of the year, and portfolios that avoided excessive concentration in high-multiple growth names have fared considerably better during this volatile stretch. The S&P Value Index is roughly flat year-to-date through March, while the S&P Growth Index has declined over 8%, a spread that reflects the degree to which growth and technology-oriented names have borne the brunt of the selloff. March has served as a timely reminder of why avoiding overconcentration in any single theme is a core principle of sound portfolio construction, and of the value a balanced approach can deliver when leadership shifts as quickly as it has in recent months.

Sector and Index Performance

S&P Value vs. S&P Growth



The Iran conflict has added momentum to a shift in market leadership that was already underway before the first strike.

-5.1% S&P 500

-5.4% Dow Jones Industrial Avg.

-4.9% Nasdaq Composite

Outperforming Sectors

+10.0% Energy

-3.4% Utilities

-3.7% Financials

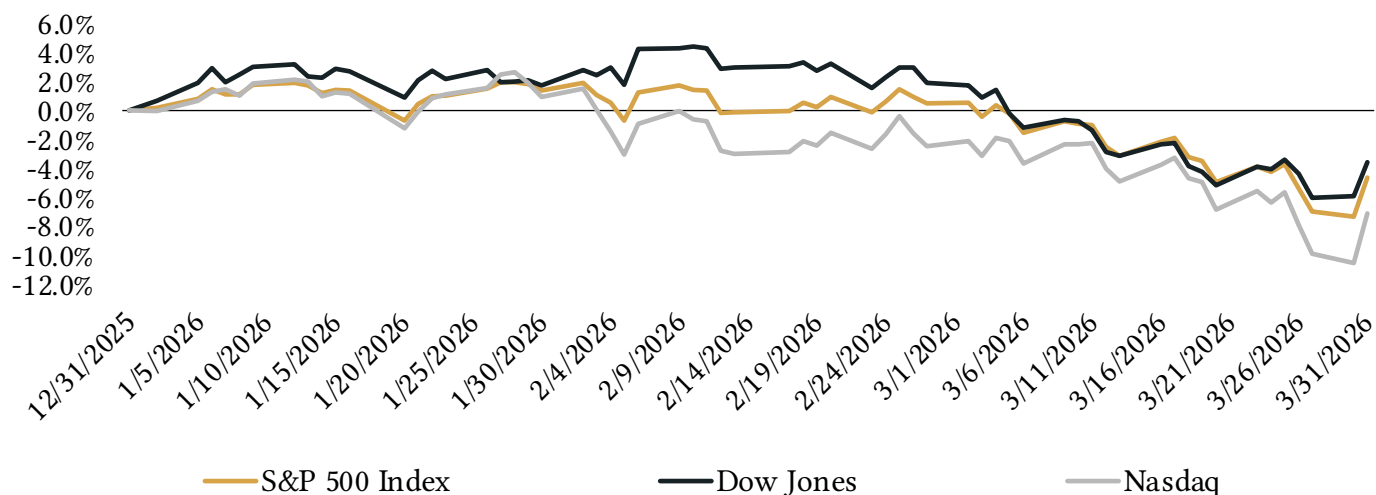
Underperforming Sectors

-8.5% Industrials

-8.3% Health Care

-7.7% Consumer Staples

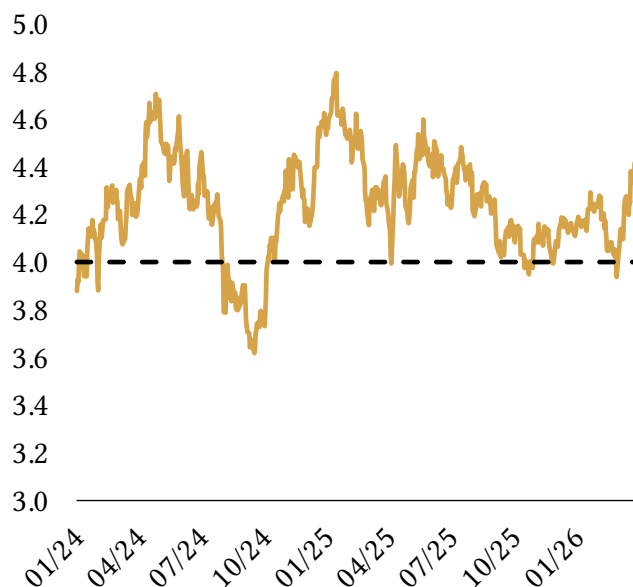
Index Returns YTD



Fixed Income Market Overview

March turned out to be one of the more volatile months we have seen in fixed income markets in recent memory, culminating in the largest single-month move on the 10-year U.S. Treasury Note in over a year.

10 Year U.S. Treasury Yield (%)



The 10-year Note closed February at a 12-month low of 3.94% and climbed to a peak of 4.43% on March 27th. This move was spurred by the realization that a prolonged conflict in Iran, resulting in drastically higher crude oil prices, could prove inflationary. This prompted the question: could the Federal Reserve actually raise rates to combat rising inflationary pressures? Speculation that the conflict could drag on longer than previously expected sent rates steadily higher throughout the month.

At this month's FOMC rate decision meeting, the Fed held its target rate steady at 3.50%–3.75%, marking a second consecutive pause following previous rate cuts.

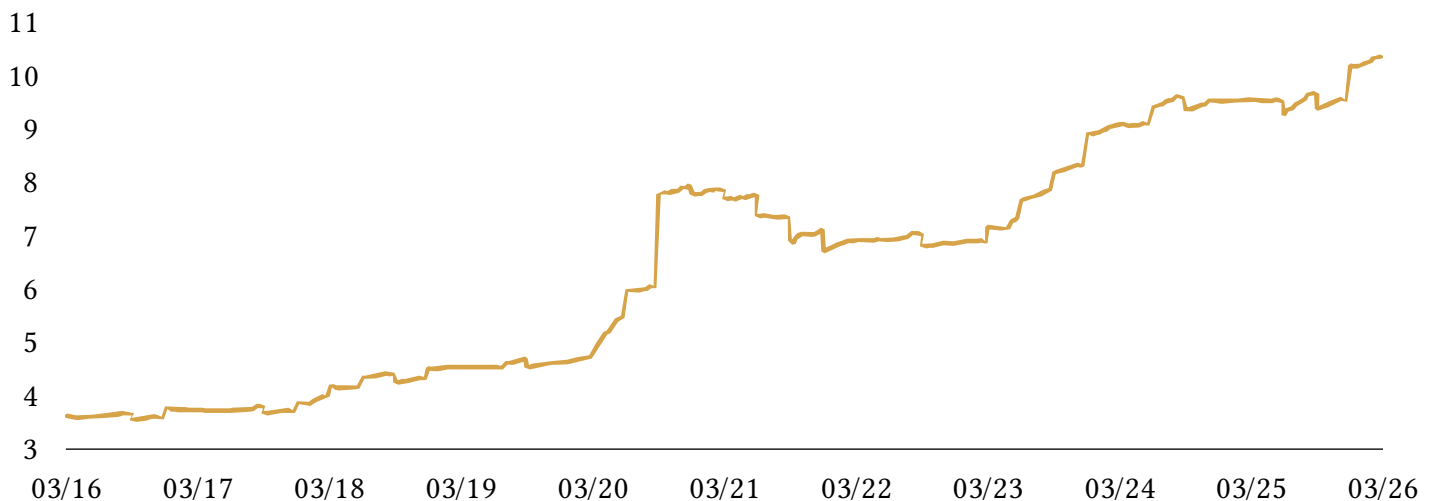
While the pause was widely anticipated, the tone of the decision was less hawkish than many had expected. The Fed joined a growing list of central banks acknowledging the conflict in Iran, with Fed Chair Powell stating, "Near-term measures of inflation expectations have risen in recent weeks, likely reflecting the substantial rise in oil prices caused by the supply disruptions in the Middle East."

As the month drew to a close, Fed Chair Powell sat down for an interview at Harvard University and continued to demonstrate the measured, even-handed approach to monetary policy that has defined his tenure. Powell stated that, "Inflation expectations do appear to be well anchored beyond the short term, but nonetheless, it's something we will eventually maybe face the question of what to do here. We're not really facing it yet, because we don't know what the economic effects will be, but we'll certainly be mindful of that broader context when we make that decision." Powell reinforced the Fed's near-term stance as one focused on looking beyond short-term moves in energy markets and remaining committed to its dual mandate of stable prices and low unemployment.

These comments, combined with encouraging headlines from Iran regarding a potential resolution, were well received by the bond market, sending the 10-year yield back down to 4.30% to close the month.

Interest rate policy has come into heightened focus in recent weeks with the growing realization that the U.S. Treasury has \$10.2 trillion in debt maturing in 2026—over 30% of total marketable U.S. debt outstanding. This substantial refinancing obligation has received relatively little attention from mainstream financial news outlets, but is increasingly drawing scrutiny. A prolonged conflict in the Middle East could put meaningful upward pressure on rates at a time when the cost of issuing new debt is already elevated against the backdrop of a ballooning national debt. This refinancing dynamic is something that NBCS Asset Management will be monitoring closely as we move through 2026.

U.S. Debt Maturing over next 12m (\$Trln)





12-Month Percentage Change of Indices

Index (Local Currency)	Level	March	YTD	12-Month
S&P 500	6,528.52	-5.0%	-4.4%	17.8%
Dow Industrials (DJIA)	46,341.51	-5.2%	-3.2%	12.2%
Nasdaq	21,590.63	-4.7%	-7.0%	25.6%
Russell 2000	2,496.374	-5.0%	0.9%	25.8%
U.S. 2yr Treasury	3.793	12.4%	9.2%	-2.3%
U.S. 10yr Treasury	4.3166	9.6%	3.6%	2.6%
Gold (NY Spot \$/oz)	4,668.06	-11.6%	8.1%	49.4%
Silver (NY Spot \$/oz)	75.169	-19.9%	4.9%	120.5%
Copper (\$/metric ton)	12,256.76	-7.8%	-1.6%	26.9%
Oil (WTI Spot/bbl)	101.38	51.3%	76.6%	41.8%
Oil (Brent Spot/bbl)	118.35	63.3%	94.5%	58.3%
Natural Gas (\$/mmBtu)	2.884	0.9%	-21.8%	-30.0%

Data as of March 31, 2026. Source: FactSet/Bloomberg

Economic Overview

Key Economic Indicators



JOB MARKET

Employment Report

The labor market experienced a sharp downside surprise in February, with nonfarm payrolls falling by 92,000, significantly missing the median estimate of a 60,000 gain. This represents a stark reversal from January's 130,000 increase. The unemployment rate moved higher to 4.4%, up from 4.3% the previous month. This cooling trend suggests that the "low-hire, low-fire" environment of late 2025 is shifting toward a more pronounced slowdown.

Productivity

Labor productivity in the nonfarm business sector increased at an annual rate of 1.8% in the fourth quarter of 2025. Conversely, unit labor costs increased 4.4%, reflecting the continued pressure on corporate margins as wage growth remains elevated relative to output.

HOUSING MARKET

House Prices

Home price appreciation continues to cool. The S&P Case-Shiller National Home Price Index reported a 0.9% annual gain for January, down from 1.1% in the prior month. For the eighth consecutive month, CPI inflation (2.4%) has outpaced national home price growth, meaning that in real terms, home values are edging lower. Geographic divergence remains high, with Tampa extending its decline to -2.5% year-over-year.



Energy & Manufacturing

Geopolitical tensions have rapidly altered the energy landscape. While WTI crude remained relatively stable initially, the "shutting" of the Strait of Hormuz—which handles 31% of seaborne crude—has introduced significant upward risk to headline inflation. Domestically, the U.S. remains a global leader in production at 13.22 million bpd, providing a critical "energy buffer" against these global disruptions.

Economic Overview

Key Economic Indicators

ECONOMIC GROWTH

GDP Growth

The second estimate for Q4 2025 GDP was revised down significantly to an annualized rate of 0.7%, compared to the advance estimate of 1.4%. The deceleration was driven by downturns in government spending and exports, alongside a slowdown in consumer spending. For the full year 2025, real GDP is now estimated to have increased by 2.1%. Early forecasts for Q1 2026 suggest a modest recovery, though data remains "noisy" as the economy works through the lingering effects of previous fiscal disruptions.



INFLATION

Consumer Price Index (CPI)

Inflation showed continued progress toward moderation before the recent oil price shocks. The February Consumer Price Index (CPI) rose 2.4% year-over-year, holding steady with January's reading.

Personal Consumption Expenditures (PCE) Price Index

The PCE Price Index (the Fed's preferred gauge) for January rose 2.8% year-over-year, slightly softer than the 2.9% consensus. However, Core PCE (excluding food and energy) remained stickier at 3.1% year-over-year, coming in above expectations and indicating that service-sector pressures persist.

Authors



Darren Hinshaw

Director of Research



Pierre Allard

Chief Investment Officer



Chris Fidler

Director of Fixed Income Trading



Adam Newton

Equity Desk Manager

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