

GREYCOURT Capital Market Flash Report

March 2026 The day before the month began, the US and Israel began a war with Iran. Markets were already digesting signs of a softening labor market, sticky inflation, and the threat of AI to software development and private credit. Almost everything declined except the US dollar and energy. Now the Fed is stuck between supporting employment and fighting inflation. Equity markets still appear ready to rebound as they partially did on the last day of the month.

US EQUITY

US stocks sharply retreated in March following the start of the Iran war. Energy was the sole bright spot for the month while industrials had their worst month since September 2022 with higher expected input costs. Consumer staples stocks in small caps also declined more than 11% with concerns of limited pricing power among higher input costs. The rotation out of growth and into value stocks was also evident due in part to higher rate expectations. The Magnificent Seven declined more than the S&P 500.

	Month (%)	YTD (%)
S&P 500	-5.0	-4.3
Russell 1000	-5.0	-4.2
Russell 1000 Value	-4.8	2.1
Russell 1000 Growth	-5.2	-9.8
Russell 2000	-5.0	0.9
Russell 2000 Value	-3.6	5.0
Russell 2000 Growth	-6.3	-2.8

CURRENCIES

The US dollar gained as a safe haven, and it helped that the US is a net energy exporter. The euro and yen fell as Europe and Japan are substantial energy importers. The euro fell further due to shifting expectations for the spread in rates between the US and Europe. Expected rate cuts declined in the US while Europe held rates steady deferring an expected narrowing of rates. Japan held rates steady but provided hawkish guidance. The Canadian dollar declined with an unexpectedly poor jobs report.

	Month (%)	YTD (%)
US Dollar	2.4	1.7
Euro	-2.4	-1.9
Yen	-1.9	-1.5
Renminbi	-0.8	1.2
Canadian Dollar	-2.3	-1.8
Bitcoin	3.3	-22.3

NON-US EQUITY

International equities broadly declined with exposure to rising energy prices and the geopolitical uncertainty that persisted throughout the month. Differences in sector mix and energy impact led Japan lower than Europe. Big energy producers stood out with a gain in Norway and a relatively lower decline in Canada. Semiconductor stocks in Japan and Korea pulled back from a recent surge in valuations. Memory chip producers in particular faced increasing costs from not only energy but helium from the Middle East.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-10.7	-0.6
MSCI Canada	-5.6	1.4
MSCI EAFE	-10.2	-1.1
MSCI Europe	-9.8	-2.7
MSCI Japan	-12.3	1.5
MSCI Emerging Markets	-13.0	-0.1
MSCI China	-7.7	-8.9

REAL ASSETS

Energy commodities surged on the supply shock from the Iran war. This lifted commodities broadly despite declines in other markets. Gold faced a steep decline as inflationary pressures adjusted rate expectations higher making other yield generating safe haven assets more attractive. Industrial metals declined with global growth forecasts. MLPs had limited gains as investors sought upstream energy assets and the steepening yield curve pressured valuations. REITs fell with the broader market and the steepening yield curve.

	Month (%)	YTD (%)
Commodities ¹	11.5	24.4
Energy	40.7	60.0
Industrial Metals	-1.0	4.6
Gold	-11.2	7.1
Master Limited Partnerships ²	1.0	16.9
Real Estate Investment Trusts ³	-5.7	4.8

FIXED INCOME

Fixed income markets declined broadly with a rising yield curve and widening credit spreads. Spreads ticked up with increasing risks to growth and negative press in private credit markets. Investment grade bonds underperformed high yield bonds with higher duration and lower coupons. Real yields rose as the nominal yield increased faster than inflation expectations, pushing TIPS lower. Intermediate Treasuries provided relative stability while tax-exempt bonds lagged as seasonal supply continued to weigh on valuations.

	Month (%)	YTD (%)
US Aggregate	-1.8	0.0
US Intermediate Treasuries	-1.1	0.1
US Long Treasuries	-4.0	-0.4
US TIPS	-1.3	0.3
Corporate IG Bonds	-2.0	-0.5
High-Yield Bonds	-1.2	-0.5
Tax-Exempt Bonds	-2.1	-0.2

HEDGE STRATEGIES

Hedge strategies did not provide shelter, unless your hedge strategy is to hold long positions in volatility, which generally has a significant carrying cost over time. Equity hedge and macro were left exposed to the fast-changing market dynamics while relative value arbitrage and equity market neutral offered relative protection. Event driven had a moderate loss while there were some mega deal announcements. The equity volatility index (VIX) rose above 30 at one point but did not breach its Liberation Day peak.

	Month (%)	YTD (%)
Equity Hedge	-5.3	-2.3
Equity Market Neutral	-1.7	-2.3
Event Driven	-2.4	-0.9
Relative Value Arbitrage	-1.6	-0.7
Macro	-3.6	1.6
Volatility Index (VIX = 25.25)	27.1	68.9

Data Source: FactSet. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Barclays Indices. ¹Bloomberg Commodity Indices. ²Alerian MLP Index. ³MSCI US REIT Index. Hedge Strategies reported on HFRX Indices SPA with a one-day lag. For complete Index Descriptions, see <http://www.greycourt.com/disclosure-of-indices/>. Investing involves risks and you may incur a profit or loss. Past performance is no guarantee of future results.

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