

Perspectives

A Quarterly Newsletter for Clients of Parsons Capital Management



Quarter 1, 2026

by John Mullen and Ruth Mullen



PARSONS
Capital Management, Inc.

www.parsonscapital.com

Corporate Headquarters
40 Westminster Street, Suite 400
Providence, RI 02903
Phone 401.521.2440
Fax 401.521.4870
Toll-Free 888.521.2440

Florida Office
11450 SE Dixie Highway, Suite 205
Hobe Sound, FL 33455
Phone 561.868.2440

As the first quarter of 2026 came to a close, the S&P 500 was headed for a fifth consecutive weekly decline. The index traded in a fairly narrow band in the first two months of the year as positive results from fourth quarter earnings reports were weighed against continued concern over the economy and the sustainability of aggressive AI related spending. That push-pull was swamped when the U.S. and Israel launched an expansive attack on Iran, introducing a level of geopolitical uncertainty that markets had not seen in decades. With the transportation of 20% of the world's oil shipments in question, crude shot higher. WTI (West Texas Intermediate crude oil price) shot up nearly 50% just in March, dragging the rest of the energy complex along with it. Fears of inflation and economic damage rippled through global markets. In both stocks and bonds, international markets were notable laggards compared to the U.S., thanks in large part to the near energy independence enjoyed domestically. The declines witnessed in March clawed back some of the prevailing investment trends established over prior months. Domestic markets outperformed international, large-cap held in better than smaller capitalization names, long dated bonds plunged and Bitcoin managed to arrest its fall. Stocks outside the U.S. still outperformed domestic indices for the quarter, due to their strength earlier in the year.

Data as of March 31, 2026	March '26	Qtr. 1 '26	YTD '26
S&P 500	-4.98%	-4.33%	-4.33%
MSCI AC World Index (incl. US)	-7.13%	-3.11%	-3.11%
MSCI EAFE (Europe, Asia, Far East)	-10.19%	-1.12%	-1.12%
MSCI EM (Emerging Markets)	-13.03%	-0.10%	-0.10%
Russell 1000	-4.97%	-4.18%	-4.18%
Russell 1000 Growth	-5.21%	-9.78%	-9.78%
Russell 1000 Value	-4.83%	2.10%	2.10%
Russell Midcap	-5.33%	1.29%	1.29%
Russell 2000	-5.00%	0.89%	0.89%
Bitcoin	1.85%	-22.03%	-22.03%

Data provided by Tamarac Inc.



Fixed Income Markets

The first two months of the year saw longer dated bonds reassert their leadership after faltering the prior quarter. That was upended in March, with the Bloomberg U.S. Treasury 20+ Year index returning -4.15% compared to the 1-3 Year Index at -0.47%, taking the full quarter returns to -0.30% and 0.27% respectively. Similar to equities, domestic bonds fared better than their foreign counterparts in the March sell-off. The Bloomberg U.S. Aggregate Index returned -1.76% in March compared to the Bloomberg Global Aggregate at -3.07%. Unlike equities, the quarter ended with domestic bonds outperforming the rest of the world, -0.05% versus -1.07%. For all the investor angst, the High Yield Index held in, -1.13% in March and -0.55% for the quarter.

Lots of movement to end at the same place...

Wild swings in the commodities market...



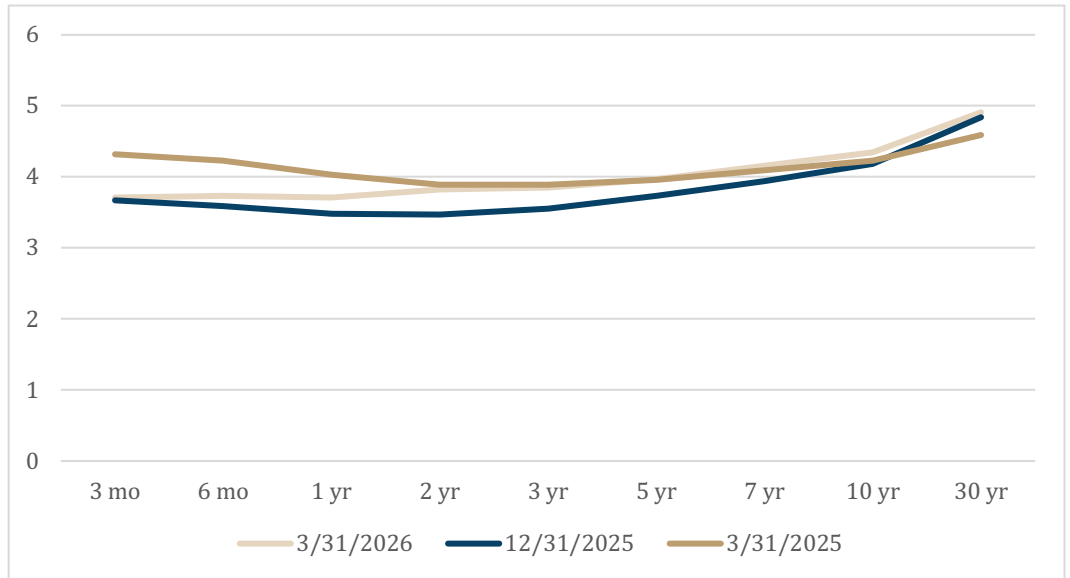
PARSONS
Capital Management, Inc.

www.parsonscapital.com



US Treasury Yields

The 30-year U.S. Treasury yield began the year at 4.86% and slowly worked lower in the following weeks, as inflation looked like it would remain above target but anchored and the economic growth outlook remained cloudy. On February 27th, the 30-year yield hit its low point for the year at 4.64% before the sell-off in stocks and bonds into the end of March left the benchmark just two basis points higher than when the year began.



Data from U.S. Treasury



Commodities

When the passageway for 20% of the world's oil is suddenly shut, the resulting price action should come as no surprise. The oil entry in our chart is the West Texas Intermediate price, the typical U.S. benchmark. Brent, which is the global benchmark, saw a significantly greater spike with prices up 107% in the quarter and closing in on highs last seen in early 2008.

The surge higher in energy prices, which had already been trending higher into the conflict, dragged many food and textile prices higher for the quarter as investors began to price in the ripple effect of higher oil.

The one area notably hurt in March was metals. While gold was still higher for the quarter, the momentum reversal took the yellow metal down nearly -10% in March. Silver, the "Devil's Metal," nearly hit the bear market threshold for March falling -19.94%, though it too was still up on the year at 4.77%.

Commodity	Qtr. 1 '26	Year to Date '26
CRB (broad index)	4.71%	4.71%
Oil	77.86%	77.86%
Gold	8.07%	8.07%



Policy having an outsized impact on markets...

Uncertainty spiking higher...

Middle East conflict driving energy prices...

Eco data holding up, will be key support...



PARSONS
Capital Management, Inc.

www.parsonscapital.com

We are taking a slightly different approach to this section, at least for this quarter. With so much happening in the world, exerting more influence on economic activity, we want to expand beyond just an overview of the economy and instead explore the various macro developments occurring globally.

The first quarter of the year exemplified this; it was defined less by traditional economic cycles and more by policy—both in terms of direction and, just as importantly, uncertainty. The sheer volume of fiscal, monetary, regulatory, and geopolitical developments has created an environment where muscular government policy is taking a primary role in market returns.

Political uncertainty has accelerated meaningfully. The U.S. has already engaged in multiple military “excursions” across two continents. At the same time, domestic policy has become increasingly unpredictable, with shifting trade policy (particularly tariffs), legal challenges to prior initiatives, and rising tension between the administration and the Federal Reserve. The result is a level of policy volatility that rivals prior crisis periods, even if markets have, for now, absorbed it reasonably well.

Geopolitically, the Middle East has re-emerged as a central risk factor—not just as a headline issue, but as a real economic swing point through energy markets and global trade routes. Oil prices have responded accordingly, rising on supply risk, approaching levels not seen in 20 years. The unfolding energy shock is occurring just as inflation is showing signs of percolating. At the same time, supply chains are still adjusting to the tariff shock from last year, as well as the potential for a reordering of global trade that may be emerging.

From an economic standpoint, the underlying data continues to send mixed signals. On the one hand, the domestic economy entered the year on relatively solid footing, with above-trend growth, stable employment, and moderating (though still elevated) inflation. On the other hand, forward-looking indicators are beginning to deteriorate. Labor demand is softening, hiring intentions are declining, and housing remains constrained by elevated interest rates. The (so-far) steady labor market provides important support for the economy and, by extension, markets.

Inflation remains a key swing factor. While headline pressures have eased, multiple leading indicators suggest upward pressure may be building again—particularly in services and wage-related components. This leaves the Federal Reserve in a difficult position: caught between an economy that is slowing at the margins and inflation that has proven sticky. Not surprisingly, the Fed has shifted into a “wait and see” posture, though the risk of a policy mistake—either tightening too much or easing too soon—remains elevated.

Overlaying all of this is fiscal policy, which continues to act as both a support and a risk. Stimulus—whether explicit or embedded through tax policy, tariffs, and spending—has helped cushion the economy from external shocks. At the same time, rising deficits and sharply increasing interest costs are becoming structural issues. The trajectory of government spending, particularly with defense and industrial policy back in focus, suggests that fiscal pressures will remain a key theme going forward.

Lastly, the upcoming elections are beginning to come into focus. Historical precedent would tell us that the party in power is set to lose seats in the House and Senate. Couple that with the outperformance of Democratic nominees in recent special elections, and a “Blue Wave” seems increasingly possible. Such an outcome would leave the Democrats in charge of the House, with a path for Senate control as well, providing many prospects for change in political policy and outcomes over the next two years.



2026 largely following mid-term election script...

Sense of disconnect between world events and market returns...

Multiple supports in place for markets...

Headwinds continue to build...



PARSONS
Capital Management, Inc.

www.parsonscapital.com

As we have written repeatedly, midterm election years are notable for their heightened level of volatility compared to the other four years of an election cycle. While almost everything about the current four-year presidential cycle has seemed unprecedented, market action so far this year has tracked remarkably closely with the normal pattern of non-presidential election years since 1954.

The year began with the S&P 500 trading in a tight range as a strong earnings season was buffeted by a seemingly unending wave of macro uncertainty. Perhaps no single issue drove the push-pull more than AI. While the domestic large-cap market was held back, smaller U.S. company stocks and many foreign markets continued their run higher. The U.S./Israeli move against Iran halted the market trends that had begun to establish themselves as far back as October of last year.

While markets have been dented by geopolitical events, and Google searches for "Strait of Hormuz" have surged, many investors have questioned why the market hasn't fallen further. We'll examine the supports for the market, and economy, that were in place at the end of February and where they stand now to give a clue to what may drive returns in the months to come. Many of the supportive factors are technical in nature, and they're being driven by U.S. Treasury Department actions as well as fiscal policy.

You have heard us say that liquidity is the lifeblood of markets, and here investors have been fortunate. Even while oil prices jumped past \$100 a barrel, an increase in liquidity of \$350 billion has kept financial conditions loose. Economic growth remained solid, if unspectacular, and even with higher energy prices inflation expectations stayed anchored as the incentives in the OBBB appear to be positively influencing business investment. Company earnings have been strong and appear to be accelerating. Importantly, analysts' higher earnings expectations have broadened beyond the "Magnificent 7" stocks to the other 493 in the index. Of particular note, earnings expectations for the S&P 500 rose 3.6% from the beginning of the Iran conflict into quarter-end, the fastest such increase in expectations in such a short time period since 2021.

All of the above have helped buoy the markets so far during the war. In addition, investors are pricing in a relatively quick conclusion to hostilities. Some macro issues are arising, however. While liquidity has expanded, it is set to tighten with tax payments associated with the filing deadline. Financial conditions could further tighten with a continued rise in interest rates, driven either by a worry concerning the health of the private credit market or spiraling inflation. Planned U.S. Treasury actions will move from loose to tight. The labor market has wobbled but not cracked which will be important for economic growth. Finally, while earnings expectations have risen, there is now a higher bar which companies must clear as reporting season begins.

Looking past this year, stocks have not fallen in the 12 months following a mid-term election since 1938. We expect volatility to remain elevated in the months to come, but in times of market stress great opportunities can present themselves, especially in individual stocks and bonds.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Parsons Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Parsons Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Parsons Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. If you are a Parsons Capital Management, Inc. client, please remember to contact Parsons Capital Management, Inc., in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising our previous recommendations and/or services. A copy of the Parsons Capital Management, Inc.'s current brochure discussing our advisory services and fees is available upon request.