

MARKETS & MORSELS

QUARTERLY NEWSLETTER

Recap

STIFEL

1 Quarterly/Annual Markets & Economy Bullets:

-4.42%

- Q1 S&P 500 Total Return

38.25%

- Q1 S&P 500 Energy Sector Total Return

-9.13%

- Q1 S&P 500 Info Tech Sector Total Return

67.63%

- Crude Oil WTI Price Increase YTD

2.3%

- Latest Annual CPI Reading

4.4%

- Employment Rate

2 Our Thoughts

A war with Iran, fears that SaaS (Software as a Service) companies will be swallowed by AI, and turbulence in the private credit space – that is quite a bit of headwind to start the year. Through the first quarter, the S&P 500 is down 4.42%ⁱ. Tech, which tends to underperform during periods of volatility, has been hit even harder, down 9.13% year-to-date (using the S&P 500 Info Tech Sector Index as a proxy)ⁱⁱ. On top of the previously mentioned headlines dragging down returns, it also happens to be a midterm election year, which generally is the archetype for a volatile market year. Still, the biggest question looming over investors revolves around the current conflict with Iran.

A frequent question from clients has been, “how long will this conflict last”? It really is impossible to predict. For many reasons, such as a decapitated Iranian leadership and pressures from several large foreign administrations that rely on oil from that region, we could see this conflict ending promptly. That said, these things tend to last longer than anticipated. That very reliance many nations have on oil from this region gives Iran powerful economic leverage.

It is this very regional disruption that led to a spike in oil. WTI Crude priced at over \$100 per barrel for the first time since 2022ⁱⁱⁱ. Not coincidentally, that previous oil shock was triggered by the Russian invasion of Ukraine. (The S&P 500 is up 45.25%, or 9.78% annualized since then)^{iv}. We don’t know how long this will last, and we don’t know if it will get worse before it gets better. What we do know is (most) stocks do not like oil shocks. Spikes in the price of oil squeeze profit margins, can curb consumer spending (as a greater share of income is spent at the pump), are inflationary (which may make it harder for the Federal Reserve to cut interest rates), and possibly worst of all, increase the general level of uncertainty. Markets and uncertainty are not friends. But these effects don’t last forever.

Are there reasons investors really shouldn't be worried about the events occurring in the Middle East and their subsequent effects on their strategies? Yes – many. Here are three.

1. **The U.S. is an energy superpower.** The U.S. is not heavily dependent on foreign oil; it is actually the top oil-producing country on the planet and a net energy exporter^v. While consumers will still feel price increases at the pump, this acts as a major tailwind for domestic energy companies. This is why it is often prudent to remain at least market-neutral in your exposure to the energy sector. It tends to be the only sector that “works” during oil shocks – hence its 38.25%^{vi} return through Q1.
2. **Decreased Oil Demand.** As fuel efficiency continues to improve, the U.S. consumes much less oil per unit of economic output. Moreover, consumer spending on oil as a share of their total spending has trended downward for the last 30 years. Historically, fuel accounted for ~5% of household spending; today it sits closer to around 3%^{vii}.
3. **Market Resilience.** Geopolitical conflicts are as old as the hills. This is not new, and we can look at the S&P 500 returns following these events to find comfort. Here is a list of major geopolitical shocks going back to 1950: *Korean War, Suez Crisis, 1958 Lebanon Crisis, Berlin Crisis, Cuban Missile Crisis, Vietnam (Tonkin), India-Pakistan War, Six-Day War, Vietnam (Tet Offensive), Yom Kippur War, Fall of Saigon, Iran Hostage Crisis, Soviet-Afghan War, Iran-Iraq War, Force in Lebanon, Gulf War, Croatian War, Kosovo War, 9/11 Attacks, Iraq War, Madrid Bombing, Crimea Annexation, COVID-19 Crash, Russia-Ukraine War, Israel-Iran War...*there has been no shortage of conflicts. The average S&P 500 price return 12 months following these conflicts: **8.1%**^{viii}. I don't mean to trivialize war and conflict. I do mean to say that it is more or less inconsequential for market returns in the long run.

Given the current war, the subsequent oil shock, and general uncertainty, how has this changed our clients' long-term strategy? **It hasn't.** The events occurring and headlines we read have NOTHING to do with our long-term goals and objectives. That point is more important than any piece of data I shared previously. As long as we remain diversified and properly positioned, we can't let headlines lead to strategy deviation.

3 What Else We Are Seeing

Let's talk about the Chicago Board Options Exchange (CBOE) Volatility Index, or VIX. The VIX index is a real-time market index representing the market's expectation for 30-day forward-looking volatility in the stock market. In an effort to not get too technical, it simply measures market volatility and investor anxiety, hence its nickname, the “fear index”. The higher the VIX, the higher the expected volatility and “fear”.

The average trading level of the VIX is 19.46 dating back to 1/1/1990^{ix}. Through Q1 of 2026, the VIX has averaged at 20.49, slightly elevated above its mean. Following the surprise airstrikes against Iran on February 28th, the VIX has averaged 25.55^x. This is a

sign of market angst, especially in the last month. This elevation in the VIX is understandable – there is more than enough uncertainty to go around.

We highlight the VIX not just to substantiate the heightened short-term expected volatility, but to provide some context. An elevated VIX historically has been a good buy signal for the market, especially when measuring 12-month returns following spikes in the index. When the VIX closes 1-2 standard deviations above its mean, the following 12-month return of the S&P 500 has averaged 13.2%^{xi}. When the market bottomed on April 8th of last year – post-Liberation Day speech – the VIX hit 52.33^{xii}. The S&P 500 has seen a price return of 31.03% since then.

This isn't to say that the VIX can readily be used to make a quick profit in the market; the VIX can continue to rise above current levels and the market can continue to drop in the short term. However, if there is an excess of cash on the sidelines, dry powder if you will – an elevated VIX can serve as a nice nudge to get invested.

A word of caution: the VIX generally does not serve as a great signal if we are in the middle of a bear market (2000 or 2008, for example). These periods will have a perpetually high VIX, and the market can experience continual short-term rallies on its way down to a bottom.

4 Recipe of the Quarter

My family commonly will have ravioli or lasagna for Easter. While I wouldn't dare share the recipe of my family's sauce to the public, I will share another Italian dish I love to make.

Bucatini alla Puttanesca

Ingredients:

- 1 lb. bucatini
- ½ cup Kalamata olives, pitted and chopped
- 3 tbsp capers, drained and chopped
- 4 cloves garlic, finely minced
- 1 can crushed tomatoes
- 6 anchovy fillets, finely chopped
- 1 tbsp tomato paste
- 3 tbsp olive oil
- 1 tsp Calabrian chili paste (red pepper flakes work too)
- ¼ cup fresh parsley, chopped
- Salt and pepper to taste
- ½ cup reserved pasta water

Instructions:

1. **Boil the Water:** Bring large pot of salted water to rolling boil.

2. **Sauté Aromatics:** Heat the olive oil in a large skillet over medium-low heat. Add the garlic, anchovies, and Calabrian chilies (I like to add while the oil is still room temperature). Sauté for around 2-3 minutes – don't let the garlic brown. Add the tomato paste and allow it to cook for another minute.
3. **Simmer the Sauce:** Stir in the olives, capers, and crushed tomatoes. Let cook uncovered for around 15 minutes.
4. **Cook the Pasta:** Cook the bucatini until al dente. Grab a mug and scoop out ½ cup of the pasta water.
5. **Combine, Toss, Garnish:** Add the cooked and strained pasta directly into the skillet. Add the pasta water and toss the pasta in the sauce. Top with the parsley and serve and enjoy.

Disclosures

Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results and no one can predict the markets with any certainty. Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees. The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The NASDAQ Composite Index is a capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies. The S&P 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets DM countries, excluding the United States. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. The S&P 500® Information Technology comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

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Sources

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- ⁱ (S&P Global, 2026)
 - ⁱⁱ (S&P Global, 2026)
 - ⁱⁱⁱ (Crude Oil, 2026)
 - ^{iv} (S&P Global, 2026)
 - ^v (World Population Review, n.d.)
 - ^{vi} (S&P Global, 2026)
 - ^{vii} (Seeking Alpha, 2026)
 - ^{viii} (Stifel CIO Office, 2026)
 - ^{ix} (Federal Reserve Bank of St. Louis, 2026)
 - ^x (Federal Reserve Bank of St. Louis, 2026)
 - ^{xi} (DataTrek Research, 2025)
 - ^{xii} (Federal Reserve Bank of St. Louis, 2026)