

"One of our distinguishing features is that we are not beholden to a bank or broker, so we don't blindly follow any cookie cutter investment strategy. Every single plan, every strategy is a little unique to each client, one at a time."

- Thor McIlrath

2026 1st Quarter Market Review

Author: Caden Kline

2026 began with the same momentum that had ended 2025, as major stock indexes reached record highs amid soaring tech valuations. However, by the end of the quarter, investors had been plagued with volatility and global uncertainty amid global disruptions to oil supply. This newsletter aims to fully unpack the volatile start to 2026 and how one should handle it.

Shifting Market Sentiment

Despite starting with a similar sentiment in 2025, the three-year climb in tech companies' values left investors much more skeptical of their true valuations. This sentiment was further reinforced in February, when the jobs report showed the economy shed 92,000 jobs.¹ With signs of the market cooling and sticky inflation keeping interest rates steady, investors' appetite for risk decreased, shifting away from speculative growth toward companies with durable earnings and strong financial health.

Given the shift in market characteristics, here is how the market finished the first quarter of 2026:

- S&P 500: **-4.30%**
- International-Developed Stocks: **-0.86%**
- International-Emerging Stocks: **-0.24%**
- Global Market: **-2.70%**

Markets contracted globally, with some names in the Mag 7: Nvidia, Tesla, Apple, and Microsoft leading the slide. While global markets struggled to find footing, energy markets stood out as the quarter's clear outlier.²



(Queiroz, 2026)

Energy Stocks and Gas Prices - Both Up

Despite global markets contracting at the start of the first quarter of 2026, **energy markets** stood out as the best-performing sector, posting a **33.6% return**². The main reason behind the surge in the energy market's value is due to the U.S. & Israel missile strikes on Iran, targeting energy infrastructure and restricting oil tanker movements. This has led to the closure of the Strait of Hormuz, a critical chokepoint for oil and other natural gas flows. With the world's oil supply taking a massive hit, crude oil skyrocketed to over \$100 a barrel.³

While these developments have undeniably shaped the near-term landscape of global markets, the more pressing question is what lies ahead.

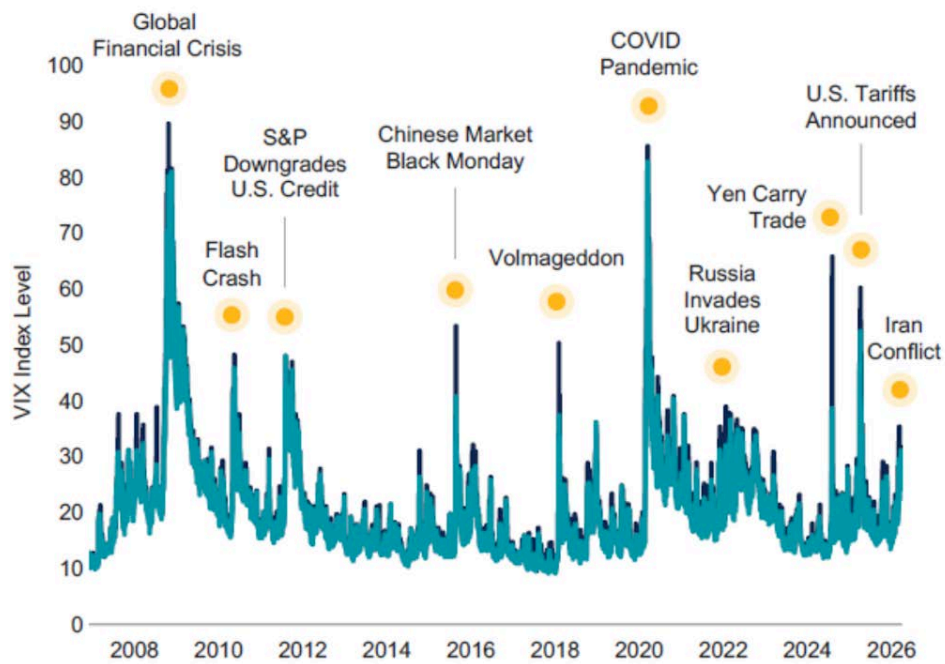


(Moses, 2026)

A Prudent Investor's Perspective

While the current investment landscape may contain underlying distress, taking a step back and adopting a longer-term perspective can help put current events into perspective. A good tool for this would be the *CBOE Volatility Index (VIX)*, often referred to as the market's short-term **fear gauge**, which measures expected volatility over the next 30 days; higher numbers indicate greater investor anxiety.

Examining the chart below, we can see the market's fear gauge increased throughout this conflict but remained below levels seen in other recent events, such as the global pandemic of 2020 or the Liberation Day tariffs implemented last year. Similarly, oil prices have remained below the highs reached in 2022 during the Russia-Ukraine conflict, with the U.S. cost of oil at \$124/barrel in March 2022, compared to \$103 as of the end of March 2026.



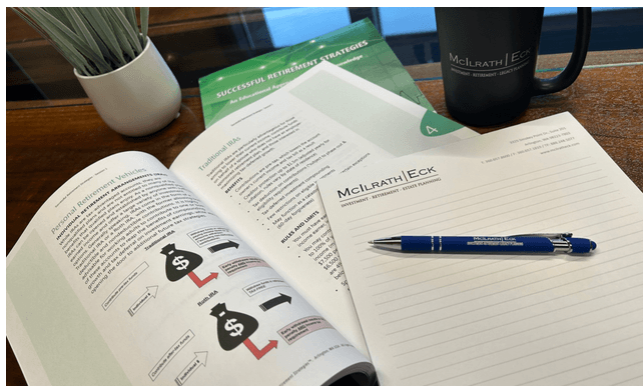
Source: (Avantis Investors, 2026)

As of the making of this newsletter, Israel & Lebanon have agreed to a 10-day ceasefire, with the U.S. & Iran having discussions to prolong their ceasefire, but a final resolution remains to be seen. The renewed optimism has led to most of the losses incurred throughout the quarter being erased, though this is less pertinent to our portfolios, as we positioned our investments to have increased exposure to value companies with durable earnings and strong financial health.

We discuss these topics to remind you that volatility, while unsettling, is inevitable. When sitting at an economic inflection point, the most prudent course of action is to remain disciplined and maintain a well-diversified portfolio. Maintaining a diversified approach during periods of volatility enables participation in long-term opportunities while building a resilient portfolio that can weather periods of economic uncertainty.

References

1. Stahle C. February 2026 Jobs Report: an Overwhelmingly Disappointing Report - Indeed Hiring Lab. Indeed Hiring Lab. Published March 6, 2026. <https://www.hiringlab.org/2026/03/06/february-2026-jobs-report-overwhelmingly-disappointing/>
2. Dimensional. *Markets Navigate Volatile Start to 2026 amid Energy Shock and Divergent Sector Performance.*; 2026.
3. Avantis Investors. *Avantis Investors Field Guide.*; 2026:3-9.



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