

# What Q1 2026 Market Turbulence Means for Long-Term Investors



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The first quarter of 2026 showed why being prepared matters in investing. After strong gains in 2025, markets faced a difficult mix of global conflict, rising oil prices, and economic uncertainty. A conflict in Iran that began in late February became the biggest market story, pushing oil prices sharply higher and causing the first notable market decline of the year.

Despite these challenges, markets have still done well over the past twelve months. Energy and defensive sectors helped cushion portfolios. Looking ahead, investors will face new questions, including a leadership change at the Federal Reserve (the U.S. central bank) and midterm elections later in 2026.

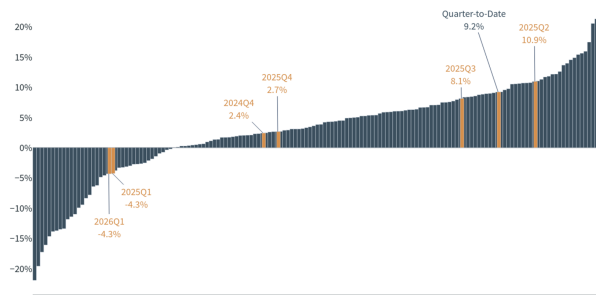
## Key Market and Economic Highlights

- The S&P 500 (a broad measure of U.S. stocks) returned -4.3% in Q1, the Nasdaq (technology-heavy index) -7.0%, and the Dow Jones Industrial Average -3.2%.
- The Bloomberg U.S. Aggregate Bond Index was flat for Q1 2026. The 10-year Treasury yield ended at 4.3%, after dipping as low as 3.9% in late February.
- International developed market stocks (MSCI EAFE) fell -1.1% and emerging market stocks (MSCI EM) declined -0.1%, both measured in U.S. dollar terms.
- Oil prices spiked, with Brent crude reaching \$118 per barrel at the end of March, up from under \$61 at the start of the year. WTI ended the quarter at \$101 per barrel.
- Gold ended the quarter at \$4,668 per ounce after reaching as high as \$5,417 in January. The U.S. Dollar Index (DXY) strengthened slightly to 99.96.
- February inflation showed headline CPI rising 2.4% year-over-year and core CPI (which excludes food and energy) climbing 2.5%. The Fed's preferred inflation measure, core PCE, rose 3.1% year-over-year in January.
- The Federal Reserve held interest rates steady in a range of 3.50% to 3.75% at both of its meetings during the quarter.

## Markets saw their first pullback of the year

## Stock Market Quarterly Performance

S&P 500 Total Return Index, ranked quarterly returns since 1988



Latest data point is Apr 17, 2026

Sources: Clearnomics, Standard & Poor's © 2026 Clearnomics, Inc.

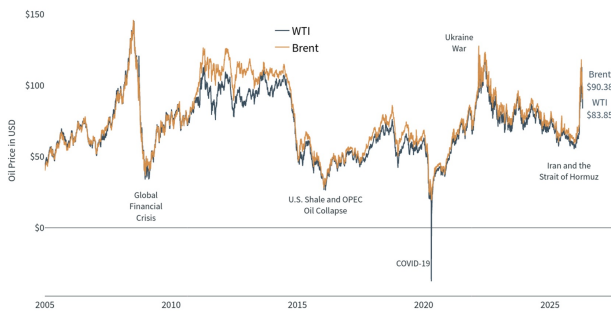
18% total return.

For long-term investors, short-term market declines driven by news headlines are simply part of the normal investing experience. Portfolios built around long-term financial goals are designed to handle exactly these kinds of moments.

### Geopolitics and oil prices are driving uncertainty

## Global Oil Prices

WTI and Brent Crude



Latest data point is Apr 17, 2026

Sources: Clearnomics, IHS © 2026 Clearnomics, Inc.

economists generally view these kinds of “supply-side shocks” as temporary, since oil prices typically stabilize once the underlying conflict eases. This pattern was seen in 2022, when gas prices reached \$5 before declining within months.

History also shows that geopolitical events rarely have a lasting impact on markets. Investors who made major portfolio changes in response to past events often did so at the wrong time.

### Economic growth is slowing but still positive

### The first quarter of 2026 mirrors early 2025, when markets also fell 4.3%

It is natural to compare the start of 2026 to the start of 2025 — both quarters saw the S&P 500 drop by 4.3%. Last year's decline was driven by tariff concerns, while this year's was caused by conflict in the Middle East. In both cases, rising uncertainty caused short-term market swings.

History shows that these kinds of pullbacks are normal. Since 1980, the S&P 500 has experienced an average intra-year drop of around 15%, even though markets tend to finish positive in more than two-thirds of all years. In a typical year, there are four or five drops of five percent or more. Last year saw six such drops, yet the S&P 500 still finished with an

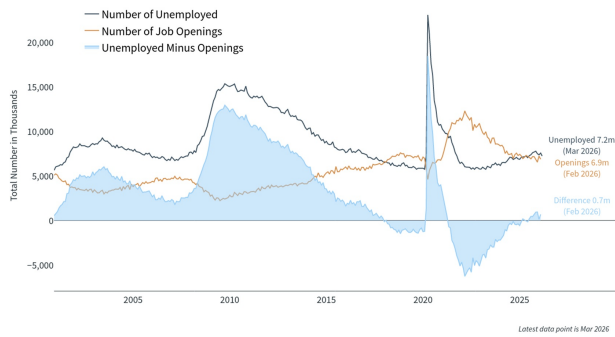
### Rising oil prices are being felt at the gas pump and in everyday goods

The biggest market story of Q1 2026 was the conflict in the Middle East, which pushed oil prices sharply higher. Disruptions to the Strait of Hormuz — a critical shipping route that carries roughly 20% of the world's oil — led to production cuts. Brent crude ended the quarter at \$118 per barrel, up over 94% since the start of the year, while WTI crude topped \$100 per barrel for the first time since the war in Ukraine began in 2022.

Higher oil prices raise the cost of gasoline and push up prices for goods and services across the economy. The national average gas price reached \$4 per gallon by the end of March. However,

## Unemployment and Job Openings

U-3 unemployment compared to JOLTS job openings



Latest data point is Mar 2026

Sources: Clearnomics, Bureau of Labor Statistics, © 2026 Clearnomics, Inc.

## The economy has cooled but has not entered a recession

Beyond oil prices, the broader economy has slowed over the past year but remains fundamentally healthy. The labor market, which is closely watched because it drives consumer spending, showed February job gains falling by 92,000, with the unemployment rate edging up to 4.4%. For the first time in years, job seekers now outnumber job openings.

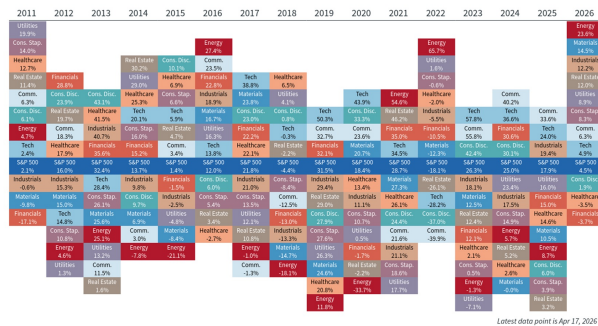
However, context matters. Fewer people are entering the workforce due to lower immigration and an aging population, which means the unemployment rate remains near historically healthy levels. Consumer spending — which makes

up more than two-thirds of the overall economy (GDP) — has been stronger than many expected.

## Sector performance has been very mixed

## Sectors Relative to the S&P 500

S&P 500 Index and GICS Sector Total Returns



Latest data point is Apr 17, 2026

Sources: Clearnomics, ISEG, Standard & Poor's, © 2026 Clearnomics, Inc.

## Six of eleven S&P 500 sectors are still positive for the year

While the overall S&P 500 is down for the year, performance has varied widely across different parts of the market. Six of the eleven S&P 500 sectors are positive year-to-date, and the gap between the best and worst performing sectors widened to nearly 50 percentage points in Q1.

Energy has been the standout leader, gaining nearly 40% through the end of March. Defensive sectors — those that tend to be more stable regardless of economic conditions — such as Consumer Staples, Utilities, Materials, and Industrials, have also held up well. Meanwhile, the Information Technology sector has fallen approximately 9%, and many

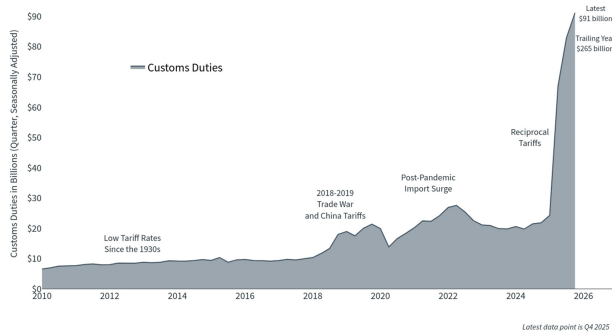
Magnificent 7 stocks have underperformed. This marks a shift from recent years when a handful of large technology companies drove most of the market's gains.

Sector leadership changes regularly. Energy led the market in 2021 and 2022, then lagged for three years. Because it is very difficult to predict which sector will lead in any given year, a well-diversified portfolio is better positioned to handle changing market conditions.

## The tariff landscape continues to shift

## Government Tariff Revenue

*U.S. customs duties measured quarterly on a seasonally adjusted basis*



Latent data point is Q4 2025

Sources: Cleonomics,  
Bureau of Economic Analysis  
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Trade policy shifted at the end of January after the Supreme Court ruled 6-3 that broad tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unlawful. The administration responded by imposing a temporary global import duty under a different law, Section 122 of the Trade Act of 1974, and opened new Section 301 trade investigations in March, while about a dozen Section 232 investigations continue.

For investors, the key point is that while the legal basis for tariffs has changed, the broader direction of trade policy will likely continue. Tariffs may continue to affect consumer prices, business costs, and investor confidence. Last year showed that markets can adapt to policy changes over time. Regardless of how the tariff story unfolds later this

year, staying invested and avoiding overreactions remains the sound approach.

**The bottom line? The first quarter of 2026 brought real challenges — geopolitical conflict, higher oil prices, and economic uncertainty. Yet well-balanced portfolios have done what they were designed to do, and long-term investors are best served by staying focused on their financial goals rather than reacting to short-term headlines.**

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