

March 21, 2026

## CJ's Weekly Market Memo

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### **The Economy: Inflation Has the Mic Now**

Let's start with what the data is actually telling us, not what we wish it were saying. The labor market remains in decent shape—jobless claims are holding just above 200,000, which is below the strongest levels of the past three years at this point on the calendar. ADP's weekly private payroll estimate continues to show positive job creation for 17 consecutive weeks. That's the good news. The less good news is that the February jobs report showed 92,000 jobs shed, which signals some emerging softness even as weekly claims stay subdued. The labor market isn't broken, but it's not bulletproof either.

Inflation, however, is where the real action is. February PPI came in at +0.7% month-over-month versus the +0.3% consensus—a significant miss in the wrong direction. Core PPI (ex food, energy, and trade services) rose 0.5%, also beating expectations. More importantly, this wasn't just an energy story. Trade services and transportation/warehousing costs have been accelerating for a full year now. What we're seeing is the still-incomplete pass-through from tariffs that have yet to fully normalize in the supply chain. Layer on top of that the intermediate input costs across all stages of production, which are running at their 77th to 86th percentile readings historically, and you have a pipeline that's pushing prices forward, not pulling them back.

Then there's energy. Brent crude has been trending higher at roughly \$1.85 per day since the Iran war began on February 27, putting it in the mid-\$90s and suggesting \$150/barrel by mid-April on a straight-line basis. But the real pain point for the domestic economy isn't gasoline—it's diesel. Diesel demand is far less elastic than gasoline because its heaviest users are commercial: farmers running equipment during planting season and truckers moving freight across the country. And because diesel is a globally traded commodity, we're paying the world price, not some insulated domestic rate. US diesel futures are marching toward the 2022 highs set during the Russia-Ukraine disruption. For anyone who buys, ships, or grows anything, this is a tax that doesn't show up on a ballot.

The PPI-based estimate of core personal consumption expenditures—the Fed's preferred inflation gauge—rose at a 7.7% annualized rate in February, the sixth-fastest pace since 2014. Its 6-month annualized change is running at 4.6% versus 3.1% for the actual core PCE through January. That's before the Iran war's energy spike has had time to work through the system. The Fed held rates at 3.50–3.75% this week and Chair Powell indicated

willingness to “look through” energy effects—but only as long as long-term inflation expectations stay anchored. Further rate cuts are now very much in doubt, and the market is pricing roughly a one-in-three chance of a hike by year-end. Corporate earnings should still grow in 2026, but margins are going to get squeezed by input costs running well ahead of where anyone expected them three months ago.

### **Technical Conditions: Support Has Given Way**

The technical picture deteriorated meaningfully this week. Both the S&P 500 (closing Friday at 6,506) and the Nasdaq 100 broke below their 200-day moving averages and their November 2025 lows—two levels that had served as reliable support for months. The S&P is now 7.1% off its January 28 all-time high of 7,002, while the Nasdaq 100 is down 8.5% and approaching correction territory. Notably, the small-cap Russell 2,000 has held above its 200-day moving average and November lows so far, which at least prevents us from calling this a broad-based technical breakdown—but the large-cap leadership indices are clearly damaged.

What makes the current environment uncomfortable is that the selling has extended beyond equities. Bonds are down, with 10-year Treasury yields up 43 basis points since the war began and UK gilts breaching 5% for the first time since 2008. Gold—typically a safe haven—has fallen 14% month-to-date after rallying more than 20% in the first two months of the year. Silver is down nearly 28% for the month. When stocks, bonds, and gold all sell off simultaneously, it typically signals a liquidity squeeze. However, and this is important, the Fed’s liquidity indices still show plenty of room in credit markets. The corporate financing gap remains negative, meaning in aggregate the corporate sector’s cash flows are comfortably covering capital expenditures. Private sector balance sheets are in solid shape.

Sentiment, on the other hand, is about as dark as it gets. The CNN Fear & Greed Index is in “Extreme Fear” territory—the last time it hit comparable levels was April 2025 during the tariff tantrum. The AAll Sentiment Survey for the week ending March 18 showed bearish readings at 52%, well above the historical average of 31%, with bullish sentiment at just 30.4%. The VIX closed Friday at 26.78 and spiked late in the session on reports the President may be leaning toward ground forces in Iran. Vol-of-vol (the VVIX) is also trending steadily higher. Bespoke’s global index screen shows markets worldwide at extreme oversold levels, with the US among the most oversold. Market-related chatter on X and Reddit reflects extreme fear as well.

Here’s the tension: when fear gets this extreme, history strongly suggests a meaningful oversold bounce is coming. Sentiment at these levels tends to be a contrarian indicator.

But—and I want to be clear about this—bounces are not the same as bottoms. The S&P and Nasdaq have broken below major support. Until those indices stabilize and reclaim their 200-day moving averages, the prudent course is to wait before recommitting any reserves from earlier sales. Let the market prove itself first.

### **Prognostication: A Bumpy Road Through 2026**

Looking out through the balance of 2026, there are several cross-currents that argue for continued caution. The Iran-Hormuz crisis is the dominant variable right now, and the incentive structures on both sides suggest no quick resolution. Iran views this conflict as existential—regime survival is at stake. The US is treating it as a regional foreign policy priority, not an existential one. That mismatch in perceived stakes makes de-escalation harder, not easier. Roughly 15% of global oil supply remains disrupted, and the longer Hormuz stays closed, the further energy costs cascade into agriculture (fertilizer prices are at 2022 highs), transportation, and manufacturing.

Even if the Middle East situation resolves more quickly than expected, investors should prepare for elevated anxiety as the year progresses. This is a midterm election year, and if recent cycles are any guide, political rhetoric and policy uncertainty tend to increase as we move toward November. Markets historically experience higher volatility in midterm years before often rallying in the fourth quarter—but getting to that rally requires patience and strong nerves.

The silver lining: private sector balance sheets are healthy. Households, businesses, and the financial sector have all continued the deleveraging trend that began during the Global Financial Crisis. The corporate sector is not over-investing despite the AI boom. These are the kinds of structural buffers that allow an economy to absorb a shock without tipping into something worse. Energy stocks and refiners are the clear winners in this environment—refiners are up nearly 50% year-to-date—and that leadership rotation is worth respecting in portfolio positioning.

My posture remains cautious. The data supports patience, not panic—but also not aggression. Wait for technical stabilization before adding risk. The oversold bounce will come; the question is whether it leads to a sustainable recovery or just a rally to sell into. For now, capital preservation takes priority.

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