HIGHLAND

MARCH 9, 2026

Multi-Asset Solutions Weekly Commentary

Key Observations

U.S. stock indices closed the week in negative territory, but on a relative basis stocks stateside held up far better than international developed and emerging markets abroad. At the sector level, unsurprisingly, energy led the charge, but rallied a paltry 1%, falling well short of the 35% weekly gain in the price per barrel of West Texas Intermediate (WTI) crude oil. Communication services and information technology weren't far behind as investors sought safety in the 'Magnificent 7' cohort of stocks viewed as most capable of weathering a storm of heightened geopolitical uncertainty.

Abroad, both developed and developing market stocks traded down as a stronger U.S. dollar and rapidly rising energy prices pose headwinds for the economic growth outlook. Central banks abroad could face pressure to hike policy rates to combat inflationary pressures in the coming months should those conditions persist.

U.S. Treasury yields rose throughout much of the week as rising energy prices stoked inflation fears, and even a weaker than expected February nonfarm payrolls report on Friday failed to spur buying of higher quality, longer duration bonds. The selloff in Treasuries on the week highlights how difficult playing 'defense' can be as asset prices can disconnect from tried-and-true historical playbooks at times.

What We're Watching This Week

The National Federation of Independent Business (NFIB) Small Business Optimism index for February is released Tuesday, with the reading expected to improve to 99.6 from 99.3 in January.

The February Consumer Price Index (CPI) is released Wednesday. Headline CPI is expected to rise 0.2% month over month and 2.5% year over year, compared to 0.2% and 2.4% readings the prior month. Core CPI, which excludes volatile food and energy prices, is expected to rise 0.3% month over month and 2.4% year over year, compared to 0.2% and 2.5% readings in January.

On Friday, the University of Michigan releases its March preliminary consumer sentiment index, with the reading expected to fall to 56.3 from 56.6 in February.

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	Price/Yield			Total Return (%)			
	3/6/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	6,740.02	-1.99	-1.94	-1.32	18.96	20.81	13.54
NASDAQ 100	24,643.02	-1.24	-0.91	-2.28	23.77	27.55	15.13
S&P Mid Cap 400	3,410.32	-4.58	-2.35	3.38	16.65	11.40	7.94
S&P Small Cap 600	1,520.07	-3.80	-3.54	3.80	18.22	9.27	4.85
MSCI World ex US	437.48	-6.47	-2.22	4.10	26.86	16.87	8.34
MSCI EM	1,499.72	-6.88	-2.06	6.94	35.41	17.69	4.80
Bloomberg U.S. Aggregate	4.36	-0.96	0.80	0.77	5.73	4.93	0.38
Bloomberg Corporate	4.90	-0.95	0.47	0.51	6.09	6.05	0.94
Bloomberg U.S.High Yield	6.95	-0.44	-0.28	0.26	7.05	9.13	4.45
Bloomberg EM USD Aggregate	5.87	-1.09	0.06	0.48	9.11	8.81	2.24
Bloomberg Global Aggregate ex-USD ($Hedged)	2.94	-1.34	0.46	0.43	3.30	3.55	-0.14
Bloomberg Municipal Bond	3.44	-0.77	0.30	1.41	4.70	4.15	1.22
	Price/Yield						
	3/6/2026	1 Week Ago	1 Month Ago	12/31/2024	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.66	3.68	3.64	4.49	4.35	4.55	0.02
30 Year Mortgage (average rate)	6.11	6.12	6.31	7.28	6.75	7.08	3.23
2 Year Treasury (yield)	3.56	3.37	3.50	4.24	3.96	4.89	0.14
10 Year Treasury (yield)	4.14	3.94	4.21	4.57	4.28	3.96	1.57
30 Year Treasury (yield)	4.76	4.61	4.85	4.78	4.58	3.89	2.30
WTI Crude (closing price)	90.90	67.02	63.55	71.72	66.36	80.46	66.09
Gold (NYM $/oz)	5,158.70	5,247.90	4,951.20	2,641.00	2,926.60	1,854.60	1,698.50

Source: Bloomberg (3- and 5-Year Annualized)

Stocks

U.S. Indices Challenged, But Fare Well On A Relative Basis; Some Surprising Moves At The Sector Level Worth Pondering; Stronger U.S. Dollar, Higher Energy Prices Pose A Formidable Foe For Foreign Markets.

Risk Appetite Subdued As Tensions Flare In The Middle East, Sending Oil Prices Sharply Higher. The prospect of a prolonged conflict in the Middle East put sustained upward pressure on energy prices over the balance of the week and weighed on investor sentiment and risk appetite. The S&P 500 posted a 2% weekly decline, easily outperforming the MSCI EAFE and MSCI Emerging Markets (EM) indices, which fell 6.7% and 6.8%, respectively on the week. On a relative basis, the U.S. economy is in a better position to weather a sharp rise in energy prices than are many economies abroad, but market participants find themselves weighing potential outcomes on economic growth and inflation should a prolonged conflict in the Middle East take root. One byproduct of higher energy prices and elevated geopolitical uncertainty has been a stronger U.S. dollar as investors have sought safety in the greenback. In our view, sustained upward pressure/strength in the dollar could benefit U.S. stocks at the expense of international developed and emerging markets abroad which were winners in 2025 and into early 2026.

Noteworthy, And Somewhat Surprising Moves At The Sector Level. While WTI spiked 35% on the week to close at $90.90 per barrel, the S&P 500 energy sector experienced a far more modest 1% weekly advance, although the sector is still higher by 25% so far this year. The lackluster return out of the energy sector last week was partially influenced by the strong year-to-date return out of the sector, which brought with it expectations of higher energy prices. Energy-related equities may also be factoring in skepticism that upward pressure on energy commodity prices won't be sustained. Outside of energy, consumer staples were a notable laggard, with the sector falling 4.9% on the week, pulled lower by drops in Brown-Forman, Clorox, Colgate Palmolive, and Walmart, among others. The lack of relative safety exhibited by staples is interesting as the sector is viewed as more defensive, less volatile, and higher yielding, typically benefiting from higher volatility. Surprisingly, consumer discretionary stocks outperformed staples on the week, the former falling 1.4% and the latter dropping a more meaningful 4.9%. This is a relationship we've been watching closely in recent months as staples have outpaced discretionary – a potentially worrisome development and indicator that the U.S. consumer could be strained. While we weren't surprised that both discretionary and staples fell on the week, the fact that discretionary stocks held up as well as they did in the face of a sharp rise in energy prices is a valuable piece of information, in our opinion.

Higher Crude Oil, Natural Gas Prices Could Be A Problem For Developed Markets Abroad. The dollar's advance and the price jump in crude/natural gas weighed heavily on foreign markets last week, with the MSCI EAFE developed markets index dropping 6.7%. This stands in contrast to the S&P 500's more measured decline, evidence that even amid heighted AI disruption concerns, U.S. large-cap stocks are still viewed as relatively defensive, garnering inflows as market participants jettison more economically sensitive exposures abroad. Weakness was broad-based and profit taking appeared indiscriminate with the MSCI Europe, MSCI Japan and MSCI U.K.

indices each falling over 6% on the week. These markets have been leading since the start of 2025 and rose largely unimpeded since then, leading to larger pullbacks when they do materialize as the need to book profits dominates for those failing to do so along the way. The Eurozone, Japanese and U.K. economies are susceptible to weakness stemming from a prolonged period of higher energy prices due to their reliance on crude oil and natural gas imports, and the hands of the Bank of England and European Central Bank, specifically, could be forced to hike policy rates should inflation expectations rise rapidly.

Forced De-Risking In Emerging Market Stocks Leads To Indiscriminate Selling. Emerging markets bore the brunt of last week's sell-off as the MSCI Emerging Markets index fell by 6.8%. That decline marked the worst weekly return for the index since March 2020, with year-to-date leaders South Korea and Taiwan experiencing drawdowns of 14% and 6.4%, respectively, and with greater volatility than the broader EM benchmark. Both countries are heavily reliant on importing energy commodities so rising crude and natural gas prices are a headwind, but the extreme price action in South Korea, specifically, strikes us as more of a function of offsides or overly bullish positioning after the MSCI Korea index had risen by 56.1% in the first two months of the year.

A combination of powerful momentum and broad participation drew trend followers and traders into Korean equites, with some using futures to get leveraged exposure which appeared to be unwound last week leading to a series of 10%-plus daily moves in Korea's KOSPI index. That said, uncertainty could breed opportunity, and when volatility ramps up market participants sell what they can, not necessarily what they should, which looks to be the case for Latin American stocks, as Brazil and Mexico sold off last week. On a relative basis, Latin America could be a beneficiary of higher energy prices. The need for liquidity can potentially create tactical opportunities and that will likely be the case in developed and developing markets abroad.

Bonds

Rising Energy Prices Stoke Inflation Fears, Force Treasury Yields Higher; Rate Cut Expectations Downgraded With Inflation Expectations On The Rise; U.S. Economic Data Paints A Mixed Picture.

Treasury Yields Rise As Oil Price Spike Stokes Inflation Fears. Long-term U.S. Treasuries garnered inflows to close out February as investors sought safety in the face of geopolitical turmoil, forcing yields lower. But with energy prices rising sharply last week on the heels of ongoing military operations in Iran, inflation concerns have begun to dominate and have caused market participants to push out interest rate cuts, pushing yields higher across the U.S. Treasury curve. In our view, the longer energy prices remain elevated, the less likely it will be that the FOMC will have the comfort to cut the funds rate, which could put upward pressure on yields across the Treasury curve. Credit spreads could also continue to leak wider as uncertainty surrounding the economic growth outlook builds, which could present opportunities for investors that have been balking at low yields/tight credit spreads in recent quarters. Treasury yields don't appear to be at risk of running away to the upside in the near-term as geopolitical uncertainty persists, tamping down the outlook for economic growth for a broad swath of countries, but an inability to break lower amid elevated uncertainty is telling, in our opinion. The 10-year yield ended last week at 4.14%, a 20- basis point jump from the prior Friday's close of 3.94%. The 10-year yield remains entrenched in its 3.95% to 4.30% trading range that has been in place since mid-August, and with geopolitical uncertainty and rising inflation expectations having a push/pull impact on rates, we don't expect a near-term resolution to the now 7-month trading range so long as tensions flare.

Market Participants Recalibrate Rate Cut Expectations Amid Rapid Rise In Energy Prices. Entering last week, Fed funds futures were pricing in a total of 60-basispoints of cuts to the funds rate prior to year-end, with one full quarter-point cut priced in by the end of July, and another by the end of October. However, on the heels of the conflict in Middle East escalating and Iran 'closing' the Strait of Hormuz, oil prices rose sharply, leading to concerns that inflation expectations would rise in the near-term. This led market participants to downgrade their expectations for rate cuts throughout the balance of this year, and Fed funds futures are now projecting 44-basis points of cuts. This recalibration of rate cut expectations put upward pressure on short-term Treasury yields last week, and along with inflation expectations rising, generated a sizable bounce in long-term yields.

A Mixed Bag Of Economic Data. Last week was a busy one on the economic data front, with the Institute for Supply Management (ISM) Manufacturing and Services indices released early in the week, while the closely watched February nonfarm payrolls report was published Friday. The ISM Manufacturing index surprised to the upside coming in at 52.4, above the 51.5 estimate, but the prices paid component of the release jumped to 70.5, well above the 60.0 estimate. A reading above 50 indicates expansion or growth, so the 52.4 reading is respectable, but the sharp rise in prices paid served to stoke fears of inflationary pressures on the rise. The ISM Services index also surprised to the upside, with a reading of 56.1 surpassing the 53.5 estimate, evidence that the services sector of the U.S. economy continues to expand at a rapid pace even as the prices paid component cooled. Lastly, the February nonfarm payrolls report released Friday showed a loss of 92k jobs during the month, falling well short of the consensus estimate which called for 55k jobs to have been created. The unemployment rate rose to 4.4% from 4.3% the prior month, while the labor force participation rate fell to 62.0% from 62.5% the prior month, a potentially worrisome sign. Prior to last week, the lackluster payrolls report would have likely been met by rising stock prices as investors priced in more Fed funds rate cuts, in short, a 'bad news is good news' situation. However, with the rapid and unsettling rise in energy prices over the balance of the week, market participants chose to view the payrolls release as bad news, unlikely to be met by monetary policy easing in the near-term.

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