Marketline March 2026

Stocks

US stock indices were all down around 5% last month, give or take a few fractions of a percent, putting the S&P into negative territory for the year. In foreign markets, Mexico's Bolsa held up well – Mexico is an oil producer – dropping just 4%. Europe was worst-hit by tightened supplies, since its energy users depend largely on imports: the FT-SE was off 6.7%. Canada – also a producer – declined about 4.6%. The declines are associated with the Iran war, which has disrupted fuel supplies. Barrel prices are up, but remain below the $128 peak when Russia invaded Ukraine in 2022, or the $147 notched just before the real-estate recession that began in 2008.

While the year isn't over yet, it's worth repeating that except for one year (2016), every calendar year since 1926 has contained a stock market decline of at least 5%. Many years experience something worse, but still end with positive returns. Volatility is part and parcel of investing in stocks.

That said, Dave, Warren and I have all noted that the market seems to "want" to go up. By that we mean: days when stocks "ought" to be down based on the news, or that start with stocks down have culminated in mild losses or even gains. Our underlying economy is strong. Employment figures were reported today, significantly beating expectations and leading to a decline in the unemployment rate. Hourly earnings rose faster than inflation. Manufacturing activity has expanded at the fastest rate since 2022, registering three consecutive months of expansion. While we all hear about the housing malaise and poor consumer sentiment, it appears that despite what they say, folks are still visiting Home Depot and WalMart – both of which beat earnings expectations by wide margins.

Sharp-eyed readers will note that I've said in the past that the economy does not necessarily forecast stock returns – and that is right. But earnings (and interest rates, discussed below) do – and they've been strong as US companies receive orders both domestically and from overseas. Most of the stocks we follow have seen notable progress on the sales front – a needle that can be hard to move.

Bonds:

In reaction to the potential for higher inflation from oil prices as well as a Supreme Court decision declaring tariffs illegal, bond interest rates rose. Inflation pressures are obviously negative for bond rates, but tariff revenue refunds will make our ever-growing budget deficit worse. The long bond closed at 4.91%, while the all-important ten-year rose decisively above four percent to end at 4.32%. For the moment, that's going to drag mortgage rates higher.

Higher rates affect portfolios two ways: bonds already owned decline in value (though their income payments remain in place); and new bonds we buy will boost the cash flow from your investments. We can capture higher rates either by selling low coupon bonds at a loss (which can make sense if we have capital gains to offset or simply want more income) or using cash to buy new bonds. Mathematically, higher rates are the antidote for higher rates: if you're earning 6% where you used to earn 4%, you have better protection against the next round of rate hikes – should they arrive – because a 6% portfolio is worth more than a 4% portfolio.

As we wrote last month, "Our best opportunity to enhance bond portfolios has been to selectively sell shorter bonds to buy longer issues." We continue to pursue this strategy, selling a host of low coupon agency, Treasury, and corporate issues to inch out the maturity curve for higher cash flows. We've said before that successful bond management is a series of base hits, and that's what we're trying to string together over many, many innings.

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