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Highland ReCAP

A Review of Capital Markets

March 2026

Summary

Global markets tumbled and energy prices surged in March, as the U.S. moved beyond rhetoric and plunged into war with Iran, entering the month with the hope for a swift regime change, but finishing March with the situation unresolved. Disruptions to the supply and accessibility of oil from key Middle East producers reverberated across the global economy, as growth forecasts took a hit. Net energy importers across developed and emerging markets absorbed the bulk of the damage. Global interest rates were broadly higher, as optimism around Central Bank easing faded, due to rising inflation risk. Oil prices increased over 50% for the month, leading commodities to a 11.5% return for the month.

Equities

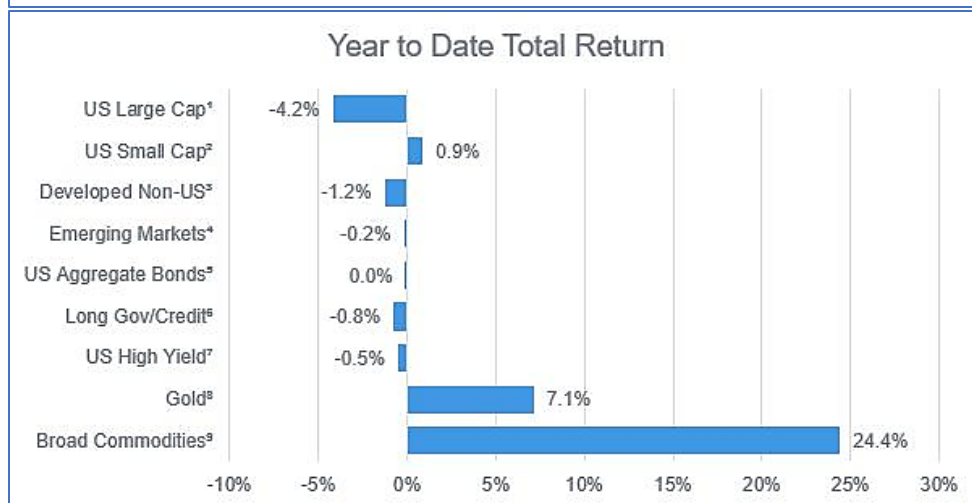
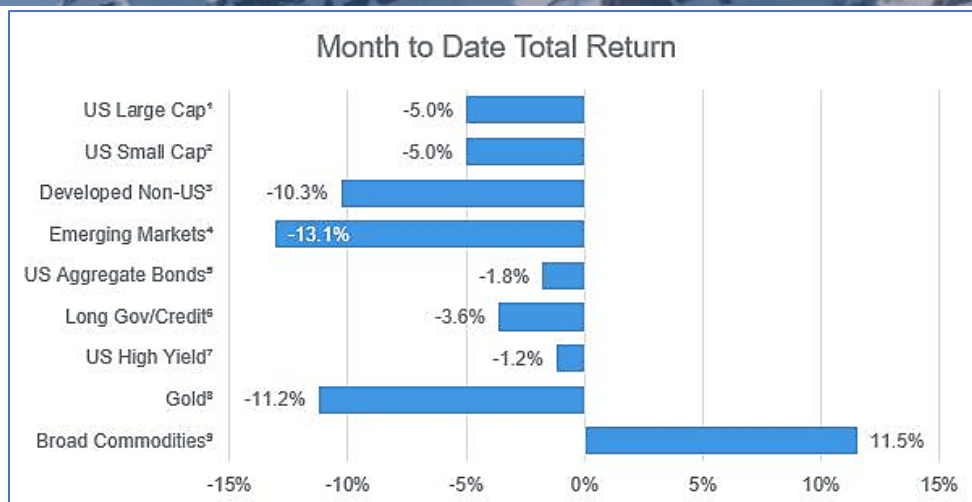
Non-U.S. stocks plunged, erasing double-digit gains year-to-date, as the onset of U.S. strikes brought a steep decline in global equities. The MSCI Emerging Markets Index slid by over 9% in the first week of trading, while the MSCI EAFE fell by nearly 8% over the same time frame. U.S. markets were far from insulated, as the prospect of higher prices at the pump and the effects of a pullback in consumer spending led investors to shed stocks during the month. Domestic stocks held up the best in March but still lost 5% for the month.

Fixed Income

Bond markets also reeled from the fallout of the war and resulting energy shock, as the spectre of inflation returned once again. Fixed income investors reset their expectations around Fed rate cuts, at one point pricing in a full rate hike for the year, before acquiescing. The long-hoped-for return to an accommodative, or even neutral policy rate was pushed out to 2027 by rates traders battered by false starts since the onset of 2022's hiking cycle. The 10-year Treasury flirted with 4.5% but settled at 4.32%, while the 30-year touched 4.99% before abating into month end. The curve flattened on a spike in near-term inflation forecasts, and bond indexes finished March lower across the board.

Market Trends

As of March 31, 2026



	1M	YTD	1Y	3Y	5Y	10Y
US Large Cap ¹	-5.0%	-4.2%	17.7%	18.1%	11.3%	14.0%
US Small Cap ²	-5.0%	0.9%	25.7%	13.0%	3.8%	9.9%
Developed Non-U.S. ³	-10.3%	-1.2%	21.3%	13.6%	7.9%	8.4%
Emerging Markets ⁴	-13.1%	-0.2%	29.6%	14.8%	3.7%	7.8%
US Aggregate Bonds ⁵	-1.8%	0.0%	4.3%	3.6%	0.3%	1.7%
Long Gov/Credit ⁶	-3.6%	-0.8%	2.2%	0.9%	-2.9%	1.2%
US High Yield ⁷	-1.2%	-0.5%	7.0%	8.6%	4.2%	6.1%
Gold ⁸	-11.2%	7.1%	47.2%	32.0%	21.2%	13.1%
Broad Commodities ⁹	11.5%	24.4%	32.3%	13.9%	14.0%	8.0%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

Bloomberg

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FTSE Russell

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