

Michael Gibbs, Managing Director, Lead Portfolio Manager | (901) 579-4346 | michael.gibbs@raymondjames.com
 Joey Madere, CFA | (901) 529-5331 | joey.madere@raymondjames.com
 Richard Sewell, CFA | (901) 524-4194 | richard.sewell@raymondjames.com
 Mitch Clayton, CMT, Senior Technical Analyst | (901) 579-4812 | mitch.clayton@raymondjames.com

MARCH 18, 2026 | 3:25 PM EDT

Weekly Market Guide

Near-Term Volatility, but Maintain a Constructive Long-Term Bias for Equities: U.S. equities continue to digest the recent spike in oil prices and the potential downstream effects on the global economy. Markets have posted negative returns for three consecutive weeks, before seeing a modest reprieve to start this week. While equities have backpedaled as new headwinds emerge, it is important not to become complacent and to remember that the broader backdrop prior to the recent escalation in geopolitical tensions was generally constructive.

- Historically, wars and geopolitical conflicts tend to drive short-term weakness in equities; however, that weakness has typically proven temporary, with markets ultimately finding their footing and rebuilding lost ground. Given our **base case that the current situation is unlikely to be long-lasting or terminal in nature**, we would expect a similar cadence of events. As such, the longer-term market backdrop remains supportive. Heading into 2026—prior to the escalation in the Middle East—macro conditions were expected to improve following pockets of softness in 2025. This outlook was supported by a combination of fiscal and monetary stimulus, significant capital expenditure plans, a recovery in manufacturing activity toward expansionary territory, strong earnings growth expectations, and a Federal Reserve anticipated to maintain a more accommodative policy stance. While developments in the Middle East have introduced additional uncertainty, this strong underlying backdrop should help cushion markets against near-term shocks and provide a degree of resilience amid ongoing volatility. **Ultimately, we expect the economic impact to be limited and view the current weakness as a potential opportunity.**

Could Get Worse Before It Gets Better: Despite recent turbulence, there has been little evidence of downside extremes typically associated with a market washout. The market is down only approximately 5% from its highs, with the VIX hovering in the mid-20s. **In the absence of capitulation, we believe further volatility—and potentially additional weakness—remains possible.** That said, we would characterize any additional downside as more consistent with a “normal” correction in the 5–15% range, rather than a prolonged or structural downturn. We continue to see notable technical support in the 6,520–6,550 range. Markets often have a tendency to briefly undercut well-defined technical levels, which can facilitate a shakeout and ultimately set the stage for a rebound.

In Summary: Despite the possibility of further near-term weakness, we continue to view the current environment as a buying opportunity. Valuations have come off previously elevated levels, allowing for an intriguing opportunity as excesses are worked off. Meanwhile, earnings expectations continue to point to solid growth, and the combination of stimulus and a supportive macro backdrop should help absorb near-term shocks, especially if geopolitical tensions prove temporary, as is our base case.

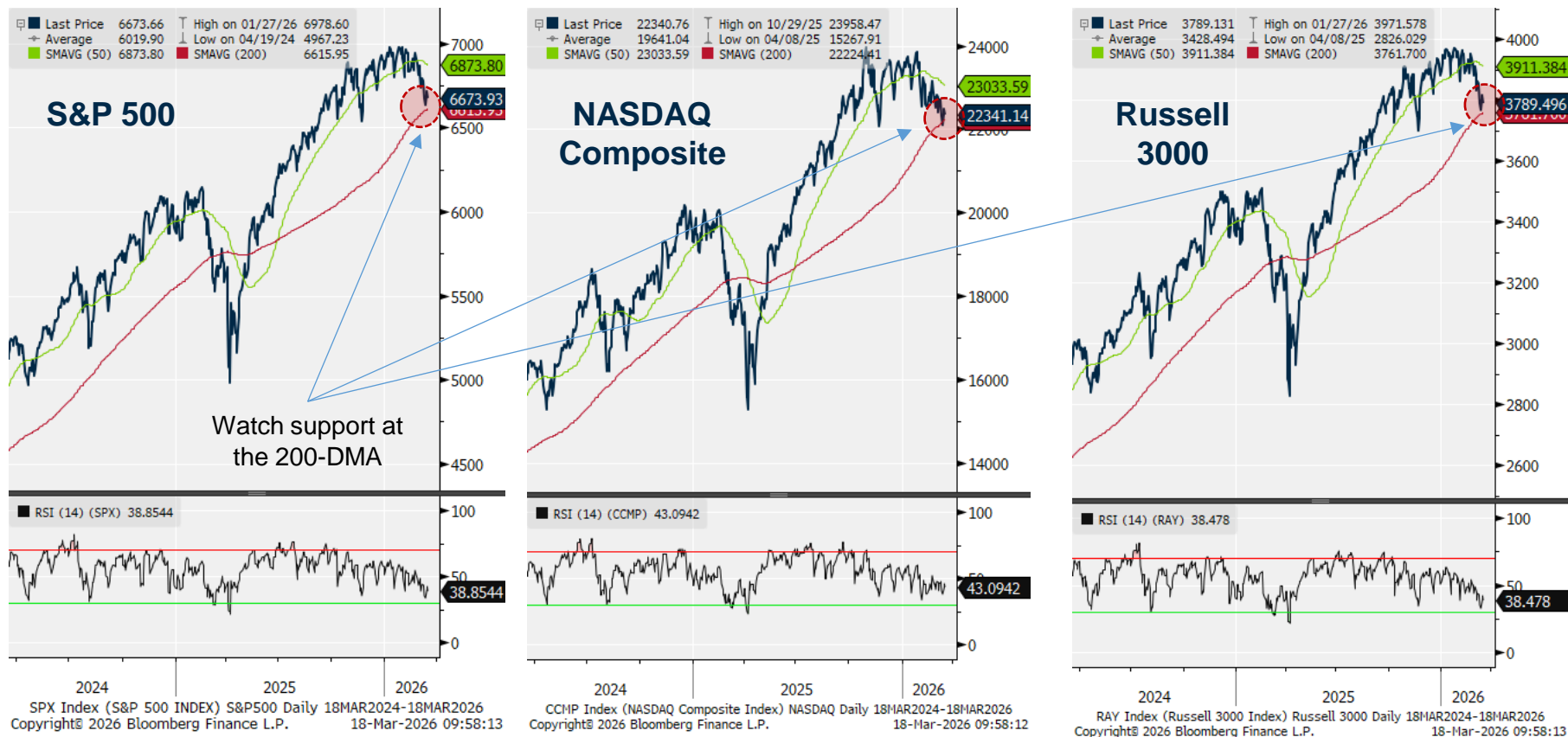
Equity Market Indices	Price Return	
	Year to Date	12 Months
Dow Jones Industrial Avg	-2.2%	12.3%
S&P 500	-1.9%	18.3%
S&P 500 (Equal-Weighted)	1.9%	12.0%
NASDAQ Composite	-3.3%	26.2%
Russell 2000	1.5%	21.8%
MSCI All-Cap World	-0.2%	20.1%
MSCI Developed Markets	1.7%	17.8%
MSCI Emerging Markets	6.5%	32.2%
NYSE Alerian MLP	15.1%	5.8%
MSCI U.S. REIT	8.1%	6.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	30.1%	3.7%
Utilities	9.7%	2.5%
Consumer Staples	9.6%	5.3%
Materials	8.3%	2.0%
Real Estate	8.2%	1.9%
Industrials	7.1%	8.9%
Communication Svcs.	-1.4%	10.6%
S&P 500	-1.9%	-
Health Care	-3.7%	9.4%
Information Technology	-5.2%	33.3%
Consumer Discretionary	-5.9%	10.0%
Financials	-9.9%	12.3%

Source: FactSet

Technical Support: 200-DMA

The 200-day moving average has historically served as an important support level for equities. At present, the S&P 500, NASDAQ Composite, and Russell 3000 are all approaching this threshold. In environments characterized by a clear upward trend, the 200-DMA has often presented attractive buying opportunities. However, when markets are under pressure from exogenous shocks, these levels do not always hold as cleanly. Whether this support proves durable remains uncertain, but it represents a key inflection point to monitor closely.



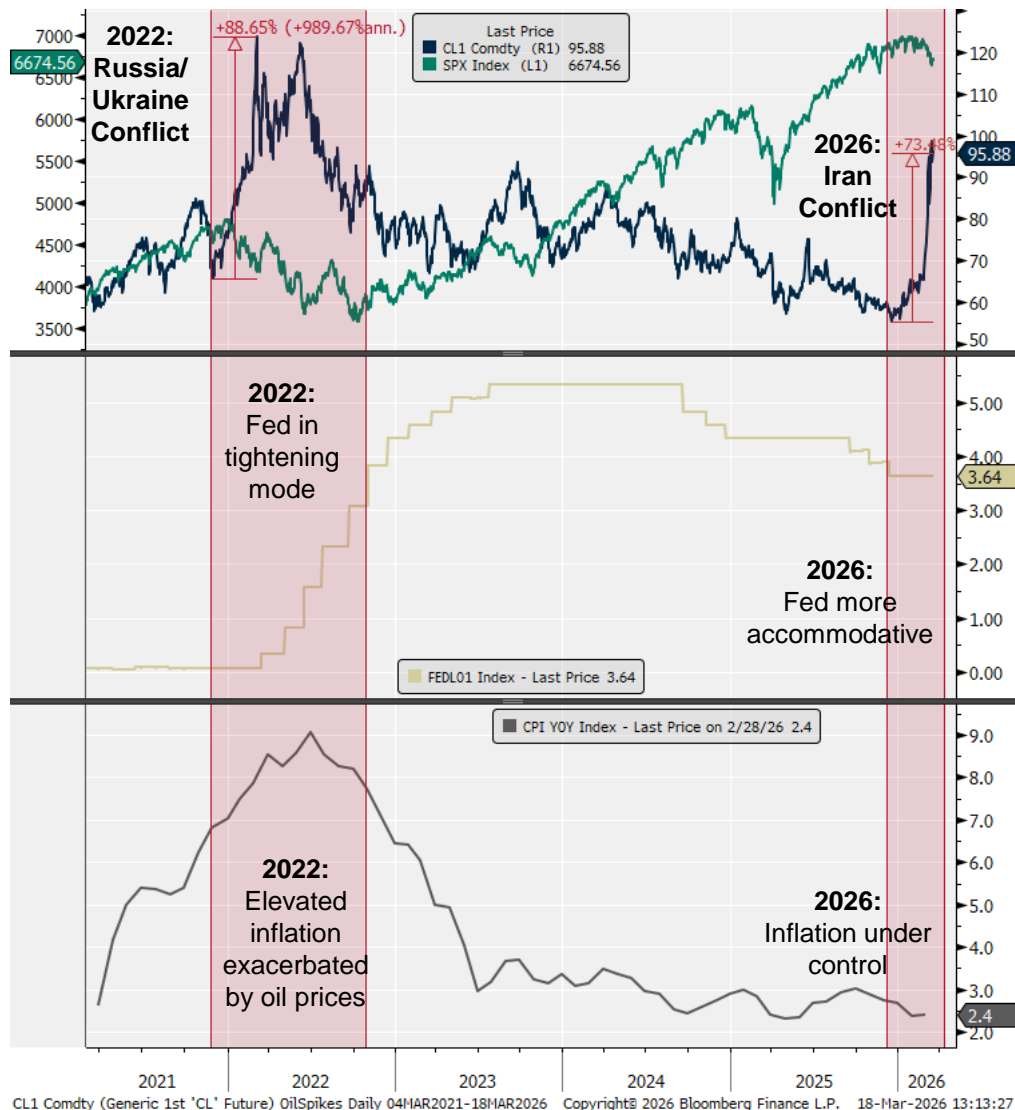
Source: Bloomberg, FactSet

2022 Oil Spike vs. Today

We believe comparing the spike in oil prices and subsequent 2022 equity sell-off—when markets declined more than 20%—to today’s environment is challenging. While both periods experienced sharp increases in oil prices, it is important to contextualize those moves within the broader macro and policy backdrop, particularly inflation dynamics and Federal Reserve policy.

In 2022, the Fed was firmly in tightening mode, aggressively moving interest rates off zero toward a more neutral policy stance following the pandemic. Inflation was already elevated and not yet under control, and the surge in energy prices further exacerbated price pressures. That combination proved highly destabilizing for both economic expectations and equity valuations.

Today’s environment looks meaningfully different. The economy remains on solid footing, inflation is largely contained—even if oil-related pressures drive a temporary uptick—and the Federal Reserve, while recently holding rates steady, has been operating from a more accommodative posture overall. This backdrop provides greater flexibility for policymakers. **Thus, we believe the current episode is more likely to resemble a “normal” correction in the 5–15% range, rather than a deeper or more systemic downturn.** However, the longer tensions persist without a clear off-ramp, the greater the risk of sustained pressure on consumers and inflation.

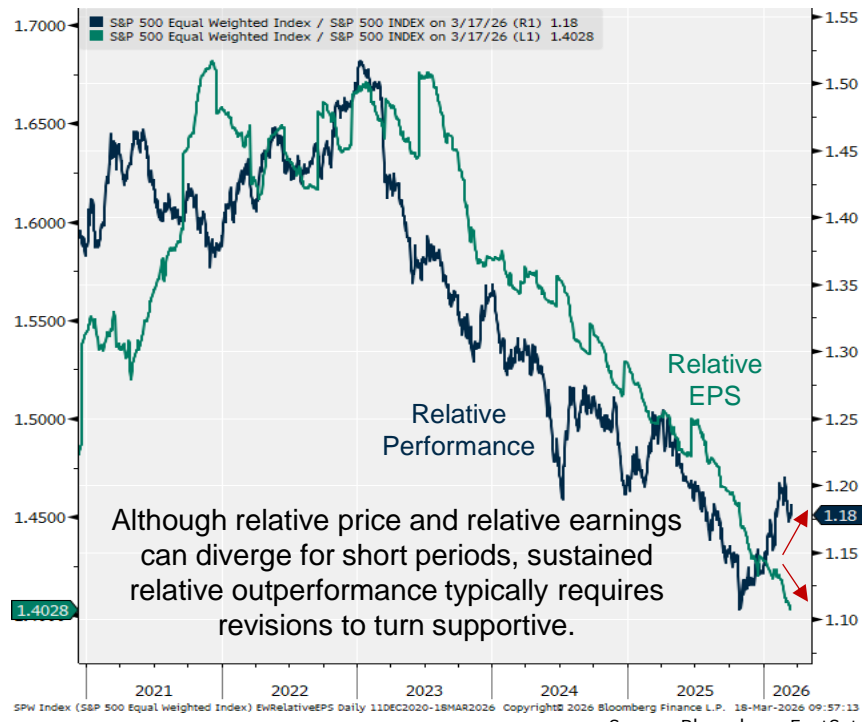
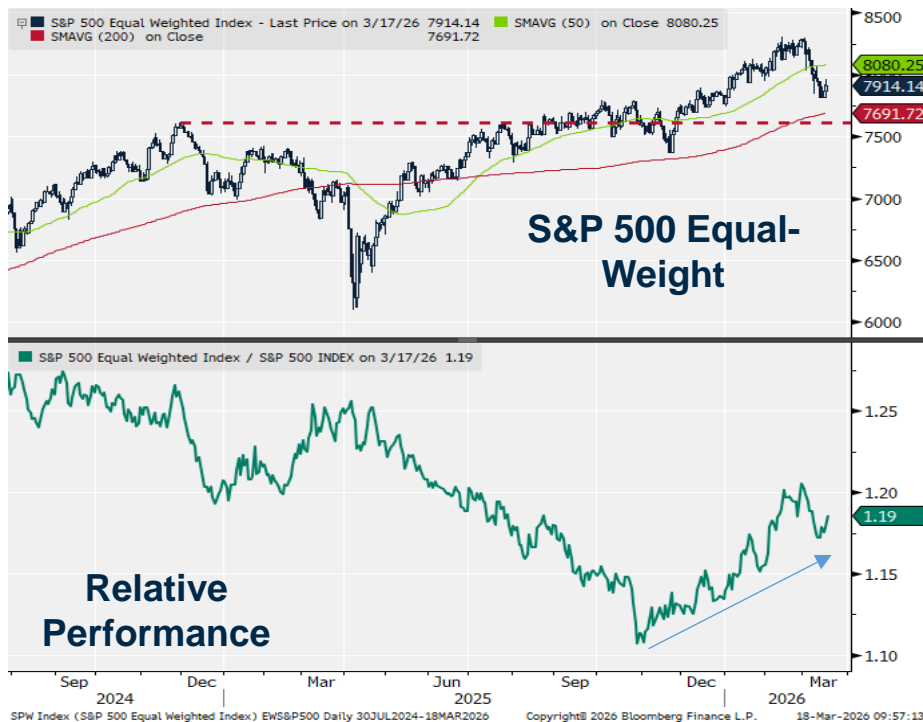


Source: Bloomberg, FactSet

Equal-Weight S&P 500: Mind the Gap in Relative EPS and Performance

One key divergence we are monitoring closely is the gap between relative performance and relative earnings for the equal-weight S&P 500. Since late last year, market breadth has been improving, with the equal-weight index outperforming its cap-weighted counterpart and establishing a series of higher lows for relative performance. This trend points to healthier participation beneath the surface of the market.

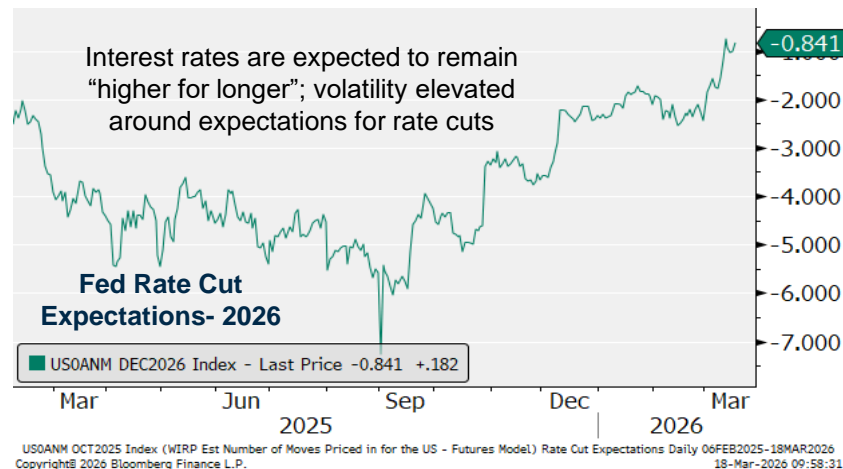
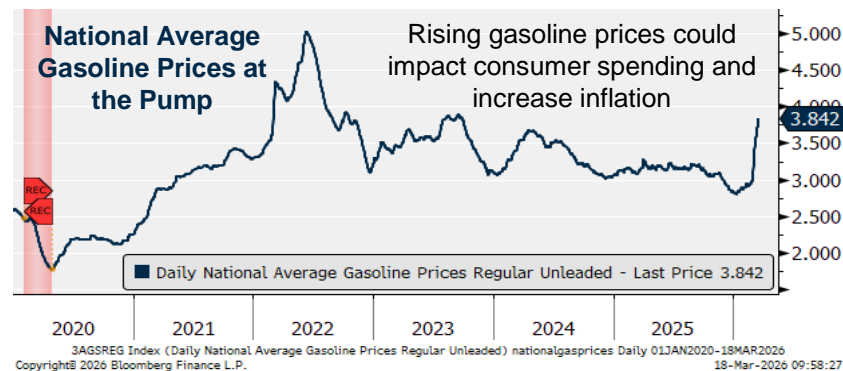
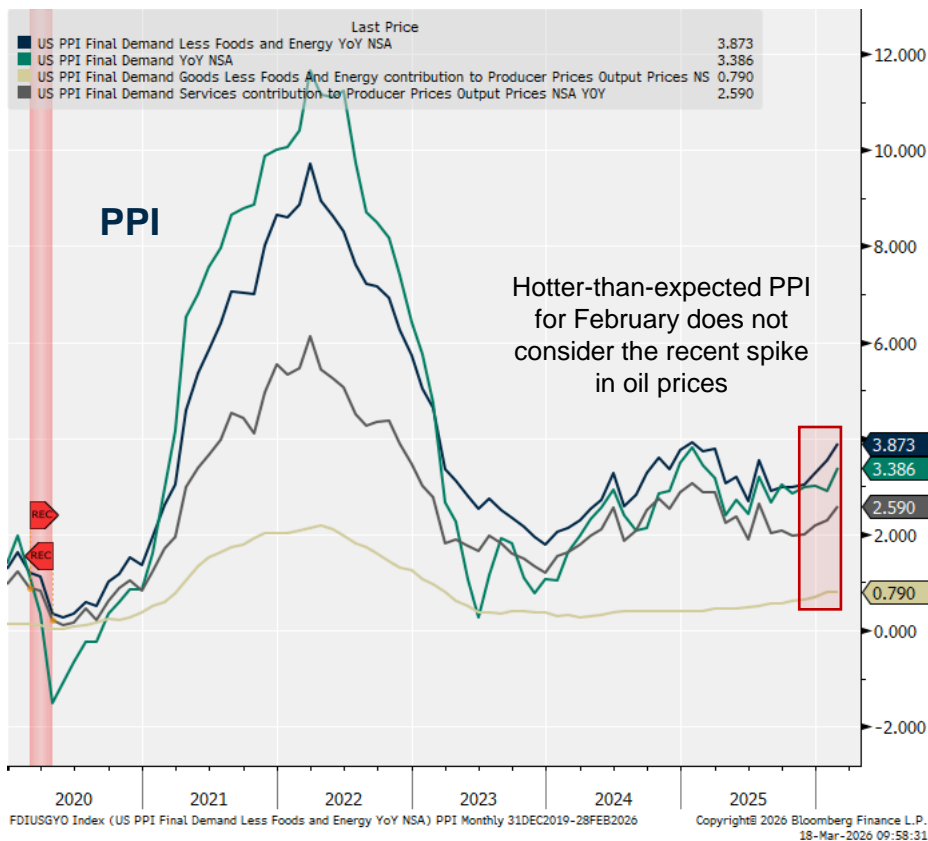
However, while the relative price uptrend remains intact, its durability ultimately depends on fundamental confirmation. At present, relative earnings have yet to validate the improvement in breadth, as relative EPS for the equal-weight S&P 500 continues to trend to new lows. Although relative price and relative earnings can diverge for short periods, sustained relative outperformance typically requires revisions to turn supportive. Without an inflection in earnings, the recent improvement in breadth risks losing momentum.



Source: Bloomberg, FactSet

“Higher for Longer” for Rates

Rising gasoline prices for consumers, combined with today’s hotter-than-expected PPI report, further complicate the Federal Reserve’s policy outlook. While we still expect the Fed to ultimately maintain a more accommodative bias, expectations for future rate cuts have become increasingly volatile. Currently, the market is pricing in just one rate cut by year-end, with approximately 84% probability. This shift raises the risk that interest rates remain “higher for longer,” which could continue to pressure asset valuations in the near term.



Source: Bloomberg, FactSet

Technology Valuation Reset

We are intrigued by the sharp reset in valuations within the Technology sector. Earnings trends continue to strengthen even as valuation multiples have contracted meaningfully, resulting in an approximate 13% drawdown in prices. While some may argue that the pullback has been insufficient—particularly when compared with the nearly 30% drawdown during the tariff-induced sell-off—we believe a substantial amount of excess valuation has already been worked off as Technology valuations are now more than 30% below their peak levels—exceeding the valuation reset seen during the 2025 sell-off.

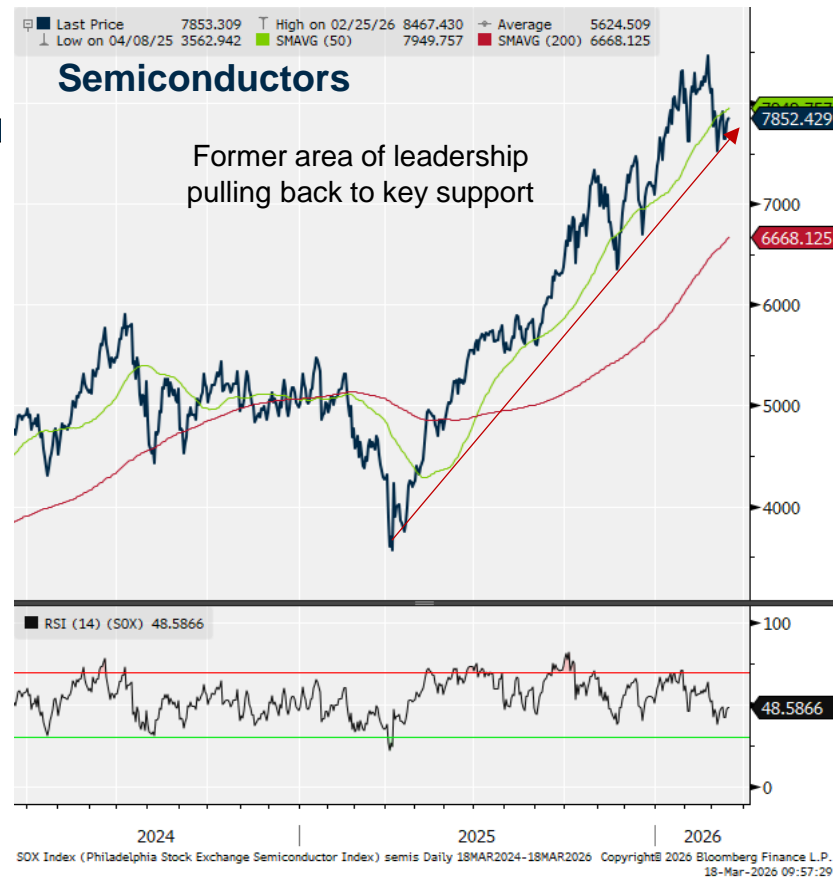
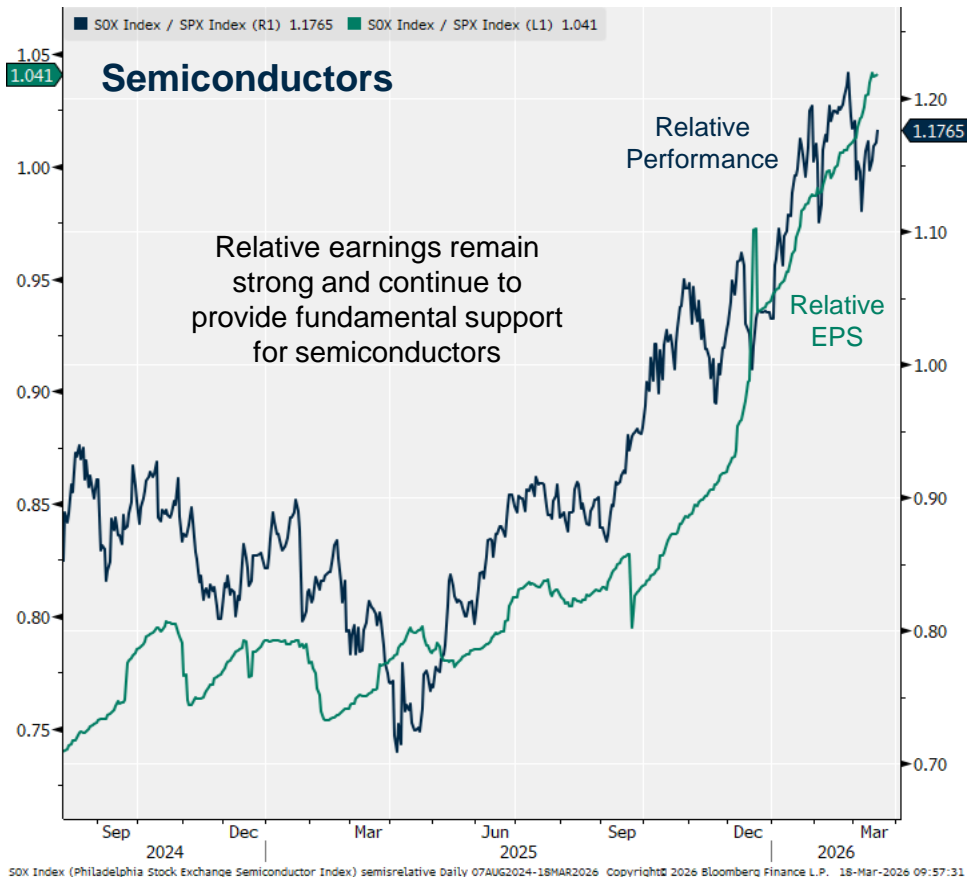
Prices have held up relatively well in the face of multiple compression, supported by improving earnings fundamentals. This divergence is a constructive signal and speaks to the underlying resilience of the sector. With much of the prior “nose-bleed” valuation excess now unwound, the risk-reward profile appears increasingly compelling.



Source: Bloomberg, FactSet

Semiconductors

During periods of drawdown, it is important to remain focused on areas of leadership prior to the shock events. Semiconductors were a key leader, with both price performance and relative performance making new highs before the recent pullback. The sector is now retracing toward key support levels. Relative earnings trends remain strong and continue to provide fundamental support. Should these support levels hold, the current pullback could present an attractive buying opportunity.



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.