Quarterly Market Commentary

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Markets in a Box

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"Happiness is when what you think, what you say, and what you do are in harmony."

- Mahatma Gandhi

The world is getting happier, but not in the English-speaking world. While global life satisfaction has improved, the Anglosphere is falling behind due to rising pessimism among the younger generations.[1] The newly released *Gallup 2026 World Happiness Report* surveyed more than 1,000 respondents per country, asking them to rate their lives on a scale from zero—the worst possible life—to ten—the best. For the second consecutive year, no English-speaking country cracked the top ten.

The 272-page report can largely be distilled into a simple, modern paradox: the small boxes we carry in our pockets are making us miserable. As social media usage rises, happiness scores tend to fall. The speed and accessibility of information—once celebrated as unequivocal progress—has proven to be both a remarkable blessing and a subtle, persistent curse.

That tension feels strikingly familiar in today's economic and market backdrop. By many objective measures, we entered 2026 with strong momentum. Economic growth remained resilient, corporate earnings held up better than expected, and observable tailwinds from expected rate cuts and tax cuts cleared a path for another strong year.

And yet, during the quarter, headlines flashed regarding cracks in private credit, the threat of AI to once highly valuable software businesses and employment, and of course the hot war between the US and Iran. These events led investors to question the strength and resilience of the global economy. In both life and markets, it seems more information doesn't always lead to greater clarity – sometimes, it simply keeps us in a box.

Boxed out by Bots?

One of the more persistent narratives this quarter has been the idea that artificial intelligence is beginning to displace younger workers. The concern is intuitive: entry-level roles—long considered the first rung on the career ladder—often consist of repetitive, process-driven tasks that are increasingly susceptible to automation. From drafting emails to analyzing data and even generating code, AI tools are now capable of performing functions that were once the domain of recent graduates. At the same time, companies facing cost pressures are incentivized to do more with less, raising fears that firms may slow hiring at the junior level in favor of technology that can scale instantly. For younger workers already navigating a competitive job market, the narrative that "AI is taking the jobs" has gained traction quickly—and, in many cases, convincingly.

However, the data tells a far more measured story. Since the release of ChatGPT in 2022, there is little empirical evidence that unemployment among younger workers is structurally rising. The unemployment rate for those aged 20–24 remains broadly in line with the overall population, showing no meaningful divergence, while trends among recent college graduates have largely tracked the broader labor market. More importantly, this aligns with how past technological shifts have unfolded—reshaping roles rather than eliminating them outright. AI is likely to change the nature of entry-level work, but it is also enhancing productivity and accelerating skill development. For now, the narrative of widespread AI-driven job loss appears to be driven more by perception than reality—another example of how an abundance of information can amplify concern before the data confirms it.

[1] Gallup - https://files.worldhappiness.report/WHR26.pdf

Oil Shock, Inflation Aftershocks

Since the onset of Operation Epic Fury, oil prices have surged more than +50%[2], with certain refined products nearly tripling in parts of Europe and Asia—underscoring just how dependent those regions remain on Middle Eastern energy supply. Given the region's importance to the global economy, the reaction across financial markets was swift and broad. The initial spike in energy prices acted as the catalyst for a synchronized selloff across asset classes, pressuring U.S. equities, international markets, and even bonds as investors repriced risk. Historically, oil supply shocks have often led to demand destruction and, in several instances since the 1970s, recession. Yet, at least for now, equity markets—particularly in the U.S.—have shown a degree of resilience that stands in contrast to those past episodes.

Rather than an immediate growth scare, the market's focus has shifted more squarely toward the inflationary implications of higher energy prices. Coming into the year, investors widely expected two interest rate cuts; in just a matter of weeks, that outlook has shifted dramatically. Markets are now pricing in zero cuts, with some even beginning to entertain the possibility of additional tightening. We don't have to look far for a precedent—following the 2022 surge in oil prices after Russia's invasion of Ukraine, inflation proved more persistent than anticipated, forcing central banks to maintain a more hawkish stance for longer.

The current environment carries a similar risk: that higher energy costs could reaccelerate inflationary pressures just as they appeared to be easing, complicating the path forward for policymakers and reinforcing the market's cautious tone.

Quarter To Date as of March 31, 2026[3]	
S&P 500 Total Return Index	-4.3%
Dow Jones Industrial Average	-3.2%
Nasdaq Composite Index	-7.1%
Russell 2000 Index	0.9%
MSCI EAFE Index	-1.1%
MSCI Emerging Markets Index	0.9%
Bloomberg Aggregate Bond Index	-0.1%

Escaping the Echo Chamber

The human brain is not wired for balance—it is wired for survival. We are conditioned to focus on immediate threats, to scan for risk, and to overweight negative information, even when the broader picture is more stable. In today's world, where those "little boxes" deliver a constant stream of headlines, that instinct is amplified. The result is a loud, steady siren that can distort our perception, making the world feel more fragile, and the future more uncertain, than it truly is. It is no surprise, then, that both happiness surveys and investor sentiment reflect this same underlying tension.

But perspective matters. When we widen our lens and lengthen it beyond the day-to-day noise, a different narrative begins to emerge. The global economy continues to rest on a solid foundation—labor markets remain healthy, corporate balance sheets are generally strong, and innovation continues to drive productivity forward. Even the risks highlighted this quarter—whether technological disruption or geopolitical conflict—exist within a system that has historically proven resilient and adaptive. Markets, much like people, have a tendency to overreact in the short term while underappreciating progress and prosperity in the long-term.

In both life and investing, the challenge is to resist the immediate urges of the moment. Periods of uncertainty are inevitable, but they are rarely

[2] Factset

[3] Black Diamond

permanent, and often are diminished if not fully resolved in time. By stepping back and focusing on the long-term trajectory rather than the latest headline, we can better align our decisions with reality rather than reaction. While volatility may persist in the near term, the underlying conditions suggest that the path forward remains constructive—and that better days are likely ahead.

As always, we thank you for your trust and partnership.

Respectfully,

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