

MARKETS COOL AS AI HEADLINES STIR VOLATILITY

MARCH 2026



The markets, as measured by the S&P 500, finished February slightly down, falling approximately 1%, with day-to-day volatility increasing as investors reacted to fresh economic data and changing expectations around interest rates.

Artificial intelligence developments primarily drove February's volatility. After leading the market higher for much of the past year, AI-related companies entered earnings season with high expectations. AI spending, product developments, and future growth plans led to sharp moves, in both directions, for several large technology stocks. The stock prices of many software companies declined as new AI tools led investors to question the certainty and predictability of their cash flows.

Outside of the Technology sector, other areas of the market were more stable. Energy, Materials and Consumer Staples showed relative resilience as they rose the most among the S&P sectors. Oil prices moved higher in February, providing support for many energy companies and helping offset some of the near-term weakness in growth-oriented sectors.

Economic reports continued to reflect steady growth. Inflation is now running in the low-to-mid 3% range, which is well below the peak levels seen in 2024 but still above the Federal Reserve's 2% target. The U.S. unemployment rate remains around 4%, a level that is low by historical standards and consistent with a stable labor market. In February, the average 30-year mortgage rate fell below 6% for the first

time since 2022, providing some relief to prospective homebuyers and the housing market.

In the first few days of March, markets faced pressure following escalating tensions involving Iran, which contributed to a modest pullback in major indices. Geopolitical uncertainty often leads to short-term volatility, particularly in energy prices and global markets. While headlines can drive temporary corrections, such events have historically had limited long-term impact on the market.

With tax season underway, now may be a good time to review your retirement savings strategy. You have until April 15 to make your 2025 Individual Retirement Account contribution. Taking advantage of that deadline, and beginning 2026 contributions early, can strengthen long-term growth through tax-advantaged compounding.

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