

# NAVIGATING FIRST QUARTER VOLATILITY

APRIL 2026



In the first quarter of 2026, the S&P 500 Index of the largest stocks in the U.S. declined 4%. After a positive start to the year in January and February, U.S. equities moved lower in March as investors reassessed the outlook for interest rates and responded to rising geopolitical tensions in the Middle East.

A key development during the quarter was the re-emergence of inflation concerns. While inflation had been trending lower earlier in the year, escalating tensions in the Middle East pushed oil prices substantially higher. Higher energy costs can weigh on consumer spending and increase business expenses, leading to a more cautious and inflationary market environment.

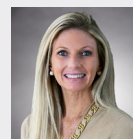
Interest rate expectations shifted over the course of the quarter. At the start of the year, markets anticipated the Federal Reserve would likely cut rates in 2026. By quarter-end, markets scaled back expectations for rate cuts as inflation remained somewhat persistent and rising oil prices introduced additional uncertainty. As a result, both markets and the Federal Reserve moved toward a more cautious “higher for longer” outlook.

Sector performance was mixed during the quarter, with six out of 11 S&P 500 sectors finishing higher. Energy led the market, gaining over 38%, supported by higher oil prices. Materials, Utilities, Consumer Staples, Industrials, and Real Estate sectors also posted positive

returns. In contrast, more growth-oriented sectors such as Technology and Consumer Discretionary declined. Financials also lagged, as shifting rate expectations and inflation concerns weighed on the sector.

Economic data has reflected a slowing, but still resilient, U.S. economy. The unemployment rate remained near 4%, yet hiring slowed, with recent reports indicating monthly job growth of approximately 60,000 positions, well below historical averages. Inflation measured 2.4% over the 12 months ending in February 2026, modestly above the Federal Reserve’s long-term target of 2%.<sup>1</sup>

Periods of changing expectations and emerging risks often lead to increased market volatility. Maintaining a long-term perspective remains important. A diversified portfolio is designed to help manage periods of market fluctuation while remaining aligned with your long-term financial goals. While the first quarter presented challenges, these environments are not unusual and are often part of the broader investment cycle. As always, at Jemma Financial, we continue to monitor developments closely and remain focused on positioning portfolios in a way that supports your long-term objectives.



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<sup>1</sup> U.S. Bureau of Labor Statistics.

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