GUGGENHEIM investments

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Weekly Viewpoint

Stocks Slip as a Surge in Oil Prices Reignites Inflation Worries

Performance for Week Ending 3.6.2026

The Dow Jones Industrial Average (Dow) fell 3.0 percent, the Standard & Poor's 500 Index (S&P 500) lost 2.0 percent, and the Nasdaq Composite Index (Nasdaq) declined by 1.2 percent for the week ending Mar. 6. Sector breadth was negative, with ten of the 11 S&P sector groups closing lower. The energy sector (+1.0 percent) was the best performer, while the materials sector (-7.2 percent) was the weakest.

Index*	Closing Price 3.6.2026	Percentage Change for Week Ending 3.6.2026	Year-to-Date Percentage Change Through 3.6.2026
Dow	47501.55	-3.0%	-1.2%
S&P 500	6740.02	-2.0%	-1.5%
Nasdaq	22387.68	-1.2%	-3.7%

Market Observations: 3.2.2026–3.6.2026

The S&P 500 finished lower for a second straight week—its fourth decline in the past five weeks. Driving the weakness was worries over the duration of the conflict in the Middle East and the impact it may have on inflation through a jump in energy prices. The price of West Texas Intermediate (WTI) oil rose by over 35 percent last week to the highest level since September 2023, reflecting supply related concerns stemming from the closure of the Strait of Hormuz, which about 20 percent of global supply flows through on a daily basis.

Gasoline prices also surged, with the national average for gas touching the highest level this year at $3.32 per gallon, up $0.34 from a week ago, according to AAA data. A sustained rise in gasoline prices tends to act as a headwind to consumer spending. Gasoline is a necessity with very inelastic demand, so when prices rise, households are forced to spend more of their budget on fuel with little ability to cut back quickly. High gas prices are also highly visible—people see the price every time they fill up—so they tend to have an outsized effect on consumer confidence relative to their actual dollar impact.

Worries over economic growth also weighed on investor sentiment after the Labor Department reported that non-farm payroll employment declined by 92,000 in February and the unemployment rate rose to 4.4 percent. The headline reading fell well short of consensus forecasts, which called for net monthly job gains of 55,000 and for the unemployment rate to remain steady at 4.3 percent. The unusually cold weather last month likely affected the reading, with sectors like leisure & hospitality and construction impacted, though the report still came in more than 80,000 jobs below even the lowest forecast provided by the 75 economists surveyed. Private payrolls also fell well short of the consensus, declining 86,000 versus a consensus forecast of a 60,000 increase, and the labor force participation rate contracted meaningfully. Payrolls over the past two months were also revised lower, indicating the hiring environment was not as strong as last month's blowout report had suggested. As a reminder, investors have been advised to expect lower jobs numbers going forward as the "breakeven" rate for payroll gains thought to be needed to absorb new entrants into the job market has fallen due to immigration, demographic, and methodology changes.

Fed Speak: Richmond Fed President Barkin said still high inflation and stronger recent jobs numbers may shift the Fed's risk outlook at a time when the U.S. conflict with Iran could further push up key consumer prices. Fed rate cuts last year were based on "the sense that the risks of the labor market were up while the risk to inflation were down. The data that's come in over the last couple months suggests it has moved in the other direction," Barkin said. Fed Governor Miran said on Bloomberg TV that inflation and other risks from the U.S. military conflict with Iran haven't changed the need for the U.S. Federal Reserve to keep cutting interest rates this year, with price pressures expected to ease and the job market still at risk. Miran added that the Fed in his view should make four quarter-point rate cuts this year to reach a roughly neutral level. Minneapolis Fed President Kashkari said that the Iran conflict has increased uncertainty about the U.S. economic outlook and made it harder to know what lies ahead for central bank interest rate policy. New York Fed President John Williams said it is too early to determine how the war with Iran will affect U.S. inflation and growth, but the American economy is less reliant on imported oil than in the past and has shown resilience to energy price shocks.

Fed's Beige Book: The release of the Beige Book report showed US economic activity increasing at a slight-to-moderate pace across most regions in recent weeks, though a growing number reported flat or declining activity. Employment levels were generally stable, with firms looking to artificial intelligence to bolster efficiency; companies reported wages rose at a modest or moderate pace in most regions. Eight of the Fed's 12 districts reported moderate inflation, with firms expecting prices to rise at a somewhat slower pace in the near term, and policymakers considering the likelihood that interest rates may need to be raised if inflation stays elevated.

Q4 Earnings: Through Mar. 6, 493 companies in the S&P 500 have released fourth quarter results, with just over 74 percent beating expectations. Aggregate earnings for this group are up 13.7 percent from a year ago, solidly ahead of the 8.6 percent projected year-over-year growth rate from early January. All eleven S&P sector groups have posted positive year-over-year growth, with technology, energy, and communication services pacing the gains. Looking ahead, full-year estimates remain supportive with the Bloomberg consensus expecting S&P 500 earnings to post 2025 growth of 13.4 percent, followed by 14.2 percent this year and 16.4 percent in 2027.

Economic Roundup: The number of Americans filing new applications for unemployment benefits was unchanged last week while layoffs dropped sharply in February, consistent with stable labor market conditions. Meanwhile, U.S. manufacturing activity expanded steadily in February, but a measure of prices paid by factories for inputs rose to the highest level in nearly 3-1/2 years, highlighting upside risks to inflation amid import tariffs even before a U.S.-led attack on Iran sent oil prices higher. Meanwhile, U.S. services sector activity surged to more than a 3-1/2-year high in February as businesses rebuilt inventories in anticipation of strong demand, consistent with hopes for an acceleration in economic growth this quarter.

Outlook: Despite the uptick in volatility in recent weeks, it is important to separate headline political and geopolitical noise from an otherwise robust macroeconomic backdrop. The focus should be on what actually drives stock prices—earnings, the economy, and interest rate policy, all of which we think remain in a favorable place. The U.S. economy is growing, earnings are forecast to grow at a double-digit pace this year, the Fed is expected to maintain an easing bias, and fiscal policy from the One Big Beautiful Bill Act will likely be a tailwind during the first half of the year. History books suggest that bull markets rarely end when the Fed is easing and both the economy and earnings are growing. Typically, bull markets end when the Fed begins raising rates, not cutting, and we just don't see rate hikes any time in the foreseeable future.

While news flow and negative headline risk will continue to dictate trade in the near-term, we have to remember that turmoil and sharp selloffs have occurred many times throughout market history. During October 1987, the market plunged 26 percent within a five-day period. During 2001, terrorists attacked the World Trade Center and the market plunged over 11 percent in the days that followed. The market tumbled 41 percent in a two-month period following the Lehman Bros. debacle. Last year, the S&P fell 19 percent from mid-February to early April after the tariff rollout. When these events were unfolding, it felt like the market would never recover. However, over time the losses were recouped and the markets moved to new highs. Sometimes the greatest opportunities are born from the biggest obstacles.

Very few people make good investment decisions in the throes of panic. While headline risk is likely to weigh on markets in the near term and the overall risk profile has increased, the U.S. equity market still offers a solid risk/reward proposition for longer-term investors. Sharp selloffs are healthy in that they help cleanse the excesses in the markets. Think of the recent drawdown as a flu shot—while the shot itself is painful, it is a necessary discomfort before the healing process can begin. While we operate in the here and now, we must also look forward while understanding the past.

The Week Ahead: The conflict in the Middle East will remain front and center in the week ahead, as investors digest the implications for energy prices and what, in turn, that would mean for inflation, central bank policy, and growth. On the data front, inflation will be the focal point ahead of the next Fed meeting on March 18, with both the February consumer price index (Wednesday) and the January PCE (Friday) due this week. Other notable releases include the January durable goods orders as well as the preliminary University of Michigan consumer survey for March on Friday. The earnings calendar will continue to wind down with just 7 members of the S&P 500 scheduled to release results. Among this group will be updates from homebuilder Lennar, and tech firms Oracle and Adobe. The Fed speaking calendar will be nonexistent as Fed members are subject to the traditional blackout period ahead of next week's Federal Open Market Committee meeting.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

Standard and Poor's 500 Index 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 Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three Nasdaq tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of Feb. 5, 1971.

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