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Hello everyone,

In today's update, amidst no shortage of noise from global events, we're sifting through the recent market turbulence to provide some clear insights. Often, markets find a sense of calm once the initial noise is digested and clearer signals emerge. With tensions in the Middle East influencing sentiment, let's break it down into what's happening now, market analysis, conflict and a bit of historical context to help put things in perspective.

Short-Term Outlook

Overall, markets are navigating significant tension and pressure from the ongoing situation in the Middle East, yet they've shown fair resilience so far. Behind closed doors, it's likely the administration is pushing for a swift resolution to help ease oil prices lower and stabilize the broader environment. Recent news highlights efforts to secure maritime trade, with President Trump announcing that the US Navy will begin escorting oil tankers through the Strait of Hormuz if necessary, alongside providing political risk insurance for ships. This move aims to ensure the free flow of energy to the world and provide financial cover for shipping companies amid Iranian threats to attack vessels. The effect could be a stabilization of oil prices by mitigating disruptions, with reports indicating a slight drop in oil prices following the announcement, encouraging more tankers to resume transit and potentially reducing the current spike in supertanker rates and energy costs.

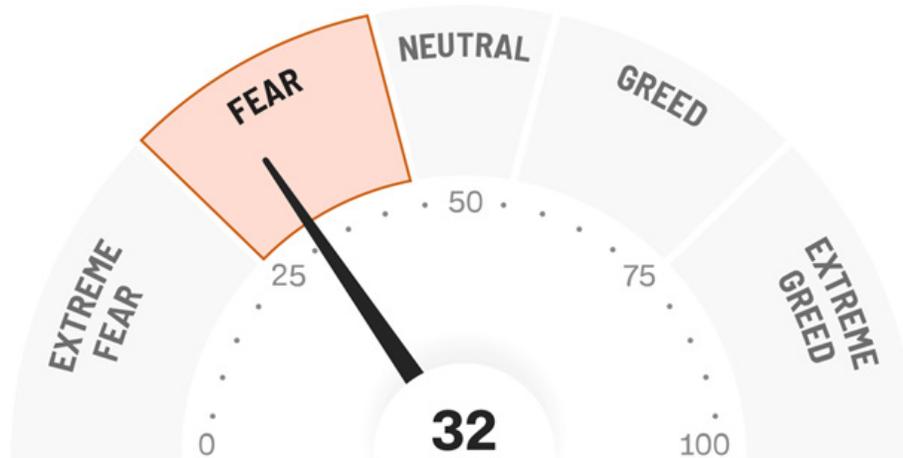
Short-Term Analysis

US equities managed to hold their ground once again, even after a volatile early-session dip to multi-month lows. Crude oil continues its upward trajectory, while interest rates and the US dollar have also climbed in recent days. That said, we could see a bit more downside pressure on US equities over the next 3-4 trading sessions, despite a market that feels stubbornly resistant to breaking down. While the S&P 500 (SPX) and Nasdaq-100 (QQQ) might hold technically on a closing basis, today's decline revealed concerning damage to market breadth. We also noted weakness in high-yield bonds and a notable absence of capitulation at the lows. WTI Crude hasn't shown signs of peaking yet, even as some energy stocks have underperformed lately. On balance, the coming 3-5 days may offer clearer signals of weakness, suggesting that lows could be approaching. For now, it's premature to get overly optimistic about a bottom based solely on Tuesday's (March 3, 2026) rebound.

Market Sentiment

Adding to the short-term picture, the CNN Fear & Greed Index currently stands at 32, firmly in "Fear" territory, reflecting heightened investor caution amid the Middle East tensions. This is down from 41 a week ago and 43 a month ago, underscoring a shift toward more pessimistic sentiment driven by recent volatility, rising gas prices, and

stock declines in major indices like the Dow, S&P 500, and NASDAQ. While fear levels like this can signal potential buying opportunities if conditions stabilize, they also highlight the ongoing pressure from geopolitical risks.



Last updated Mar 3 at 6:59:47 PM ET

Source: CNN Fear and Greed Index

Iran Conflict So Far

The conflict, which began on February 28, 2026, with joint US-Israeli strikes on Iran, has escalated into a multi-front engagement. Here's a summary of key developments:

Damage to Armory and Military Facilities: US Central Command (CENTCOM) reports that over 1,250 targets have been struck in the initial 48 hours, including IRGC command and control facilities, air defense installations, missile and drone launch sites, and ballistic missile programs. This includes the destruction of the IRGC headquarters, 11 Iranian ships, and ballistic missile facilities targeted by B-2 stealth bombers. Overall, more than 2,000 targets have been hit across Iran, dealing a severe blow to command centers and naval assets.

Nations Participating: The primary belligerents are the United States and Israel, conducting coordinated strikes aimed at dismantling Iran's military capabilities. Several nations are involved in defensive actions only, including Bahrain, Qatar, France, Greece, Jordan, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates, which host US bases and have intercepted Iranian attacks. On the opposing side, Iran is supported by proxies such as Hezbollah, Popular Mobilization Forces (PMF), and Yemen's Houthis, with Iran launching retaliatory strikes on US bases in the Gulf region and Israel.

Iran's Missile Stockpiles: Estimates indicate Iran possesses around 2,500 ballistic missiles, with production accelerating prior to the conflict. Prior to a June 2025 conflict, Iran had approximately 3,000 missiles, but roughly half were destroyed, leaving an estimated 1,500-2,000 medium-range ballistic missiles capable of reaching Israel and US bases in the region. CENTCOM and other assessments highlight Iran's largest arsenal in the Middle East, including types like Sejil (2,000-2,500 km range) and Emad (1,700 km).

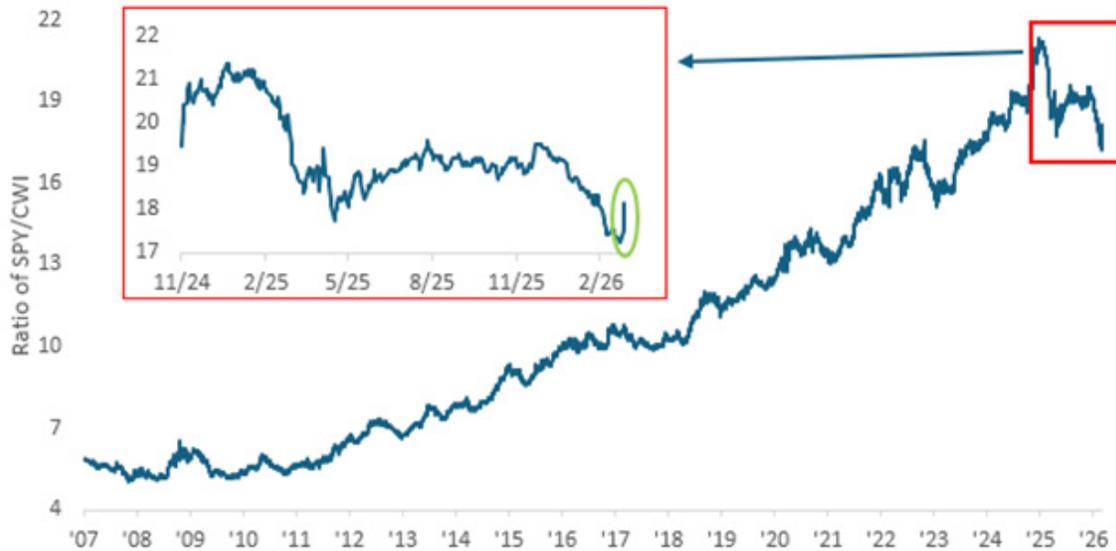
Historical Perspective

- US stocks are outperforming the rest of the world by the widest two-day margin since 2008.
- Crude oil has been the main driver of this US outperformance and is on track to close well over three standard deviations above its 50-day moving average.
- Historically, oil prices tend to retreat after reaching such extreme overbought levels, while equities often stage a rally.

Chart of the Day

If the US equity market feels challenging this week, it's worth noting that it's far milder compared to the rest of the world—almost like a picnic in comparison. In a shift that echoes pre-2024 election dynamics, US equities (as tracked by the SPDR S&P 500 ETF, SPY) have markedly outperformed global peers (via the SPDR MSCI ACWI ex-US ETF, CWI) since the US-Israeli strikes on Iran over the weekend.

Relative Strength of US (SPY) vs Rest of World (CWI): 2007 - 2026



Source: Bespoke Investment Group

To highlight the extremity of these moves over the last two trading sessions: While SPY is down about 1.7% from Friday's (February 27, 2026) close (through early Tuesday (March 3, 2026) trading), CWI has dropped a staggering 6.8%—creating a performance gap of over five percentage points! Since CWI began trading in 2007, only two other instances in January and October 2008 showed a wider disparity. No other two-day periods come close to this level in favor of the US.

Two-Day Performance Spread of US (SPY) vs ROW (CWI): 2007 - 2026



Source: Bespoke Investment Group

The key factor? One word: oil. Crude has posted back-to-back daily gains of over 6% in the past two sessions, reaching 52-week highs. Unlike many other major economies reliant on Middle Eastern supplies, the US has become increasingly insulated over the past 10-15 years. This explains the relative underperformance of international stocks this week—and if crude stays elevated, it could remain a persistent headwind for them.

WTI Crude Oil: Last 12 Months



Source: Bespoke Investment Group

With this rally, crude oil has surged more than 3.7 standard deviations above its 50-day moving average (DMA), marking one of the most overbought readings in over 40 years.

Looking back, such “extremely extreme” overbought levels in crude (more than three standard deviations above the 50-DMA) have often preceded pullbacks. As the saying goes in commodities, the cure for high prices is high prices themselves. Historical data shows average WTI performance one, three, six, and twelve months after these events leans negative—particularly at the six-month mark, with an average drop of over 15%.

WTI Crude Oil Performance (%): 1985 - 2026



Source: Bespoke Investment Group

While spiking oil can weigh on economic growth and raise questions about equities, past examples suggest these extremes in crude have typically been followed by equity gains. For the S&P 500, one-month and six-month forward returns after similar overbought oil readings have been above average, while three-month and one-year returns are slightly below average but still positive.

Finally, mapping these prior overbought crude events onto the S&P 500 chart reveals that most surges were short-lived and had minimal long-term impact on stocks. Exceptions include the lead-up to the 1990 recession, the 2000 peak, and early 2022 amid Russia's invasion of Ukraine. If the current spike doesn't escalate into prolonged conflict, supply issues, or a Strait of Hormuz closure, history points toward this playing out like the majority of cases rather than the outliers.

Key Economic Data This Week

As we navigate the week, several important economic indicators are on the horizon that could influence market sentiment, especially amid ongoing geopolitical tensions. Here's a rundown of the key releases (all times Eastern):

- **Thursday, March 5:** US Productivity and Costs for Q4 2025 (Preliminary, 8:30 AM), US Import and Export Price Indexes for January (8:30 AM). Eurozone Retail Sales for January (5:00 AM).
- **Friday, March 6:** US Employment Situation for February (8:30 AM), including Nonfarm Payrolls, Unemployment Rate, and Average Hourly Earnings— a major market mover that could signal economic strength or weakness. US Retail Sales for January (1:30 PM).

Final word

While the Middle East conflict introduces short-term volatility and elevated oil prices, US markets have demonstrated resilience, outperforming global peers amid these tensions. Historical patterns suggest potential relief ahead if overbought crude levels correct, and measures like US Navy escorts could help stabilize energy flows. With market sentiment leaning toward fear, this may present opportunities for patient investors as the situation evolves. We'll continue watching closely for any shifts.

Thanks for reading—stay tuned for more updates as we monitor these developments. If you have questions or thoughts, we are here!

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The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies. The NASDAQ-100 Index is calculated under a modified capitalization-weighted methodology.

Dow Jones Industrial Average Index (DJIA): The oldest continuing US market Index, includes 30 "blue-chip" US stocks selected for their history of successful growth and wide interest among investors. It is called an average because it originally was computed by adding up stock prices and dividing by the number of stocks. This methodology remains the same today, but the divisor has been changed to preserve historical continuity.

SPDR S&P 500 ETF Trust is an exchange traded fund. The Trust corresponds to the price and yield performance of the S&P 500 Index.

MSCI World ex-US Index (World ex-US): An Index in US dollars based on the share price of companies listed on stock exchanges in 21 developed countries excluding the US. This Index is created by aggregating the 21 different country Indices, all of which are created separately. It is considered to be generally representative of overseas stocks markets.

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