Where We Stand

John Stoltzfus, Oppenheimer Asset Management's Chief Investment Strategist, explains his top-down view of markets, the economy, and asset allocation.

First Quarter 2026

Current View



Economic Growth

Economic indicators showed resilience through the end of March 2026. Growth in the quarter should rebound from the 0.7% pace of Q4 as the government shutdown shifted demand into Q1. The oil price shock of late February from the war with Iran clouds the outlook as consumers and business cope with higher fuel prices.



Equities

Despite a 9.1% decline between January 27 and March 30, 2026 over concerns about the Middle Eastern conflict, the S&P 500 we believe will continue to climb the wall of worry. Revenues and earnings have remained resilient; results and guidance suggest that the boom in AI investment is yielding gains in productivity and profits.



Fixed Income

The U.S. 10-year bond yield fluctuated within a range of 3.9% to 4.5% over the March quarter of 2026. While we currently have a more favorable view on equities relative to fixed income, we continue to find bonds to be complementary to equities and other asset classes within diversified portfolios.



Inflation

A long period of tight monetary policy blunted the trajectory of inflation in 2024 and 2025. Though the headline inflation rate is slated to rise in Q2:2026 due to high energy prices, the core index is likely to remain more stable as the Fed remains vigilant on containing inflationary pressures.



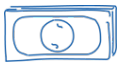
Employment

The labor market softened over the last half of 2025 but job growth has remained resilient, if at lower levels. The Fed is likely to be watchful for increases in the unemployment rate as it remains sensitive to its dual mandate for full employment and low inflation.



Oil

Oil prices jumped in late February as Iran disrupted traffic at the Strait of Hormuz, through which 20% of the world's crude oil passes. The jump in oil and Liquefied Natural Gas prices could slow global growth the longer the strait is impeded.



Currencies

On a trade-weighted basis the Bloomberg U.S. dollar index fell 8.1% over 2025. A flight to quality and increased demand for dollars for oil purchases led to a 3.2% rise in the index from January 27 to March 31. A resolution of the war in the Middle East should allow the dollar to soften, which would enhance the competitiveness of U.S. exporters.



Monetary Policy

Even as inflation remained above target, the Fed eased its monetary policy stance three times in late 2025 to support jobs growth. The jump in energy prices could keep the Fed on hold over much of 2026, pending a resolution to the war with Iran.



Public Policy

Large deficits and rising debt levels could bring a rise in bond yields and bouts of uncertainty to financial markets.



International Markets

Developed international and emerging equities outperformed U.S. equity markets over 2025. The potential for a weakening in the dollar could provide tailwinds for foreign assets held by U.S. investors.

Positive: Neutral: Negative:

Keys to Allocation



1

Core-Satellite Approach
We advocate combining individual securities and actively managed portfolios around a core of other broadly diversified and strategically allocated investments.

2

Broad Market-Cap Exposure
We favor exposure across large-, mid-, and small- cap equities when making stock- and sector-specific allocations as global markets remain prone to frequent rotation and rebalancing.

3

Knowing What You Own
Understanding how different investments interact with each other and how they behave in certain market environments is helpful for investors in achieving their long-term investment goals.

Sector Views

Sector	Rating	Rationale
Technology	Outperform	**Rationale:** Products vital to business and consumers are poised to deliver greater efficiencies and convenience from innovation. Tariff policy presents near term risks.
Financials	Perform	**Rationale:** Potential reduction in regulation stateside offers opportunity. Sector should benefit if the Fed resumes cutting rates.
Healthcare	Perform	**Rationale:** Regulation and litigation risks persist. AI offers the potential to streamline the process of research and development in pharmaceutical products, biotechnology and diagnostic tools.
Consumer Discretionary	Outperform	**Rationale:** Leisure, hospitality, and entertainment spending remains supportive. Valuations create prospects for M&A.
Industrials	Outperform	**Rationale:** Aerospace, infrastructure, robotics, agriculture, power generation, energy, and defense equipment needs drive demand for products.
Consumer Staples	Perform	**Rationale:** This defensive sector remains attractive given resilient consumer demand and M&A opportunities. Although valuations remain full, opportunities may arise in market downdrafts.
Energy	Perform	**Rationale:** The conflict with Iran has boosted prices and underscores the importance of fossil fuels as a bridge to alternative energy technologies.
Utilities	Underperform	**Rationale:** Longer term, normalization of interest rates creates opportunity with bond proxy risk lessening. AI energy demand also provides support.
Real Estate	Perform	**Rationale:** Pressure on commercial real estate valuations in major U.S. cities remains a drag but whets appetite of distressed asset buyers for repurposing.
Materials	Perform	**Rationale:** This sector is likely to benefit as domestic and international infrastructure needs are addressed.
Communications	Perform	**Rationale:** Exposure to tech-driven segments (AI, 5G, search, advertising and streaming) provides opportunity.

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