



## Summary

Stocks were hit again last week as early-week optimism that the war in Iran would be resolved gave way to late-week pessimism, amid rising doubts that a cease-fire deal would be struck. On Friday, oil prices rose back over \$100 per barrel. Although treasury yields were relatively tame, mortgage rates jumped 16 bps last week, adding to the affordability crisis that has been hitting the housing market, and putting next week's home price data in focus. Data tracking activity and prices before the war started are already sending stagflationary signals which will only

become more pronounced as the conflict continues. Construction spending dropped 0.3% in January, hit by severe winter weather and continued uncertainty. Private residential spending fell 0.8%. As mortgage rates rose and supply chains continue to be disrupted, it is likely that residential construction will continue to face headwinds throughout 2026. Data center construction continues to be a source of strength, but data centers are also likely to be disrupted by the conflict in Iran. Import prices jumped 1.3% month-over-month in February, the

month prior to the outbreak of the war in Iran. Price rises were driven by core prices (excluding food and fuel). With global energy prices rising, and eventually leaking into core prices, import prices are likely to continue to come in hot. University of Michigan consumer sentiment fell to 53.3 in March from 56.6 in February as households become increasingly concerned about rising price pressures and financial headwinds caused by the conflict in the Middle East. One-year forward inflation expectations rose from 3.4% in February to 3.8% in March.

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| Last Week: Indicator                                           | Number Reported        | Consensus Expectation* | Comment                              |
|----------------------------------------------------------------|------------------------|------------------------|--------------------------------------|
| Construction Spending (Jan – Mon 10:00)                        | -0.3%                  | 0.1%                   |                                      |
| Productivity - Revised (Q4 – Tue 08:30)                        | 1.8%                   | 2.5%                   |                                      |
| Unit Labor Costs - Revised (Q4 – Tue 08:30)                    | 4.4%                   | 3.1%                   |                                      |
| S&P Global U.S. Manufacturing PMI - Prelim (Mar – Tue 09:45)   | 52.4                   | NA                     |                                      |
| S&P Global U.S. Services PMI - Prelim (Mar – Tue 09:45)        | 51.1                   | NA                     |                                      |
| MBA Mortgage Applications Index (03/21 – Wed 07:00)            | -10.5%                 | NA                     |                                      |
| Import Prices (Feb – Wed 08:30)                                | 1.3%                   | NA                     | Core Import Prices: 1.1%             |
| Export Prices (Feb – Wed 08:30)                                | 1.5%                   | NA                     | Core Export Prices: 1.7%             |
| Initial Claims (03/21 – Thu 08:30)                             | 210K                   | 210K                   |                                      |
| Continuing Claims (03/14 – Thu 08:30)                          | 1819K                  | NA                     |                                      |
| Univ. of Michigan Consumer Sentiment - Final (Mar – Fri 10:00) | 53.3                   | 55.5                   |                                      |
| Next Week: Indicator                                           | Consensus Expectation* | Prior                  | Comment                              |
| FHFA Housing Price Index (Jan – Tue 09:00)                     | 0.0%                   | 0.1%                   |                                      |
| S&P Case-Shiller Home Price Index (Jan – Tue 09:00)            | 1.3%                   | 1.4%                   |                                      |
| Consumer Confidence (Mar – Tue 10:00)                          | 88.0                   | 91.2                   |                                      |
| JOLTs - Job Openings (Feb – Tue 10:00)                         | 6.795M                 | 6.946M                 |                                      |
| MBA Mortgage Applications Index (03/28 – Wed 07:00)            | NA                     | -10.5%                 |                                      |
| ADP Employment Change (Mar – Wed 08:15)                        | 42K                    | 63K                    |                                      |
| Retail Sales (Feb – Wed 08:30)                                 | 0.5%                   | -0.2%                  | Retail Sales ex Auto: 0.5% consensus |
| S&P Global U.S. Manufacturing PMI - Final (Mar – Wed 09:45)    | NA                     | 52.4                   |                                      |
| ISM Manufacturing Index (Mar – Wed 10:00)                      | 52.3%                  | 52.4%                  |                                      |
| Initial Claims (03/28 – Thu 08:30)                             | 215K                   | 210K                   |                                      |
| Continuing Claims (03/21 – Thu 08:30)                          | NA                     | 1819K                  |                                      |
| Trade Balance (Feb – Thu 08:30)                                | -\$55.8B               | -\$54.5B               |                                      |
| Business Inventories (Jan – Thu 10:00)                         | NA                     | 0.1%                   |                                      |
| Nonfarm Payrolls (Mar - Fri 8:30)                              | 51k                    | -92k                   |                                      |
| Unemployment Rate (Mar - Fri 8:30)                             | 4.4%                   | 4.4%                   |                                      |
| Average Hourly Earnings (Mar - Fri 8:30)                       | 0.4%                   | 0.4%                   |                                      |
| S&P Global U.S. Services PMI - Final (Mar - Fri 9:45)          | NA                     | 51.1                   |                                      |
| ISM Non-Manufacturing Index (Mar - Fri 10:00)                  | 54.9%                  | 56.1%                  |                                      |

\*Sources: [www.briefing.com](http://www.briefing.com) and [www.federalreserve.gov](http://www.federalreserve.gov)



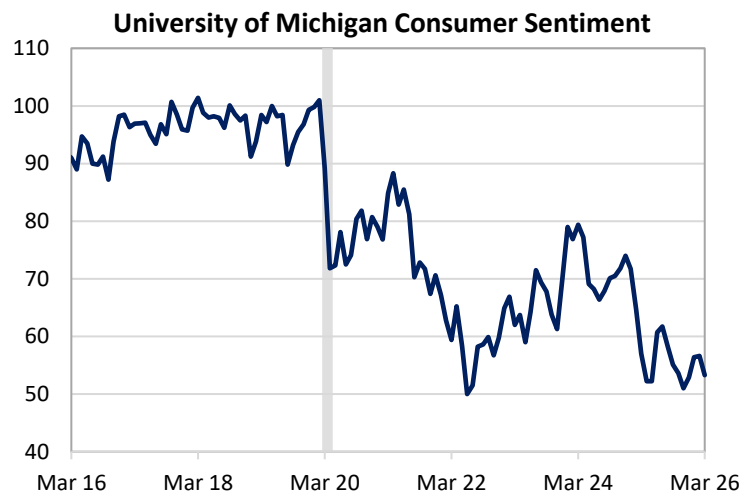
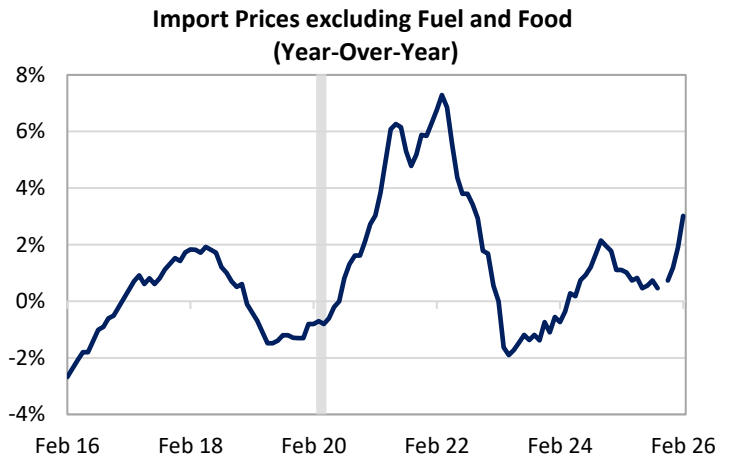
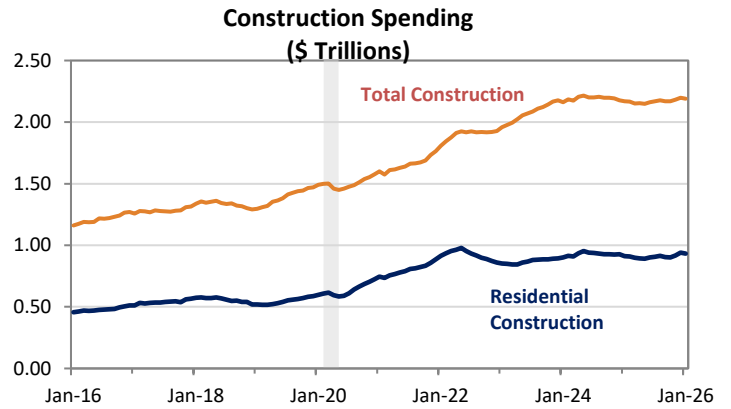
# Economic Review

CONSTRUCTION SPENDING fell 0.3% to a seasonally adjusted annual rate of \$2,190.4 billion in January as severe winter weather and policy-related uncertainty weighed on builders and buyers alike. Private residential construction dropped 0.8%, with single-family construction falling 0.2% and multi-family construction falling 0.7% month-over-month. Within private non-residential construction, data center construction remained a persistent bright spot (+2.3%). Spending in the office category, which includes data centers, rose 1.1% in January. Public construction was buoyed by healthcare spending, which rose 0.8%. Healthcare has been a source of strength in the U.S. economy, with recent gains in payroll employment and construction spending alike. With mortgage rates rising and supply chains disrupted, it is likely that construction will face headwinds moving further into 2026.

IMPORT PRICES accelerated in February, jumping 1.3% month-over-month. CORE IMPORT PRICES, which exclude fuel and food, accelerate even faster, rising 1.2% month-over-month and 3.0% year-over-year, the most since 2022. Prices from major U.S. trade partners accelerated as well. Import prices from the European Union increased 0.6%

month-over-month, prices from the United Kingdom increased 1.2%, prices from Canada increased 1.6%, and prices from Asian Newly Industrialized Countries (NICs), which include Hong Kong, Singapore, South Korea, and Taiwan jumped 2.7% month-over-month. With rising energy prices caused by the war in Iran most heavily impacting trade partners in Asia and Europe, import prices are likely to continue to accelerate in 2026.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT declined 3.3 points to 53.3 in March from 56.6 in February. The current economic conditions index fell a more modest 0.8 points to 55.8, but consumer expectations fell sharply, declining 4.9 points to 51.7. One-year forward inflation expectations accelerated from 3.4% to 3.8%, the largest increase since the Liberation Day tariff shock in April 2025. The drop in consumer sentiment and the rise in inflation expectations coincide with the supply chain and energy market shocks caused by the war in Iran. Consumer sentiment closely tracks household finances, so it is often more responsive to financial market shocks than consumer confidence, which more closely monitors consumers' views on the labor market.





## Fed Speeches

At a Friday speech to the Appalachian Highlands Economic Forum, Richmond Fed President Tom Barkin struck a cautious tone on the U.S. economic outlook, arguing that while headline data remain resilient, rising uncertainty is clouding the path forward and complicating monetary policy.

Barkin likened the current environment to “driving through fog,” noting that businesses continue to hold back on hiring and investment despite clearer policy signals on taxes, regulation, and trade. New sources of uncertainty, including rapid AI adoption and the escalating conflict in Iran, have replaced last year’s ambiguities.

*“They didn’t cut back, but they didn’t lean into new investments either... They sat on the side of the road, waiting for the fog to lift.”*

The economy itself remains steady. GDP grew around 2%, consumer spending is intact, and unemployment remains historically low. However, Barkin emphasized that

the labor market feels weaker than headline figures suggest, with near-zero job growth and subdued hiring demand offset by declining labor supply.

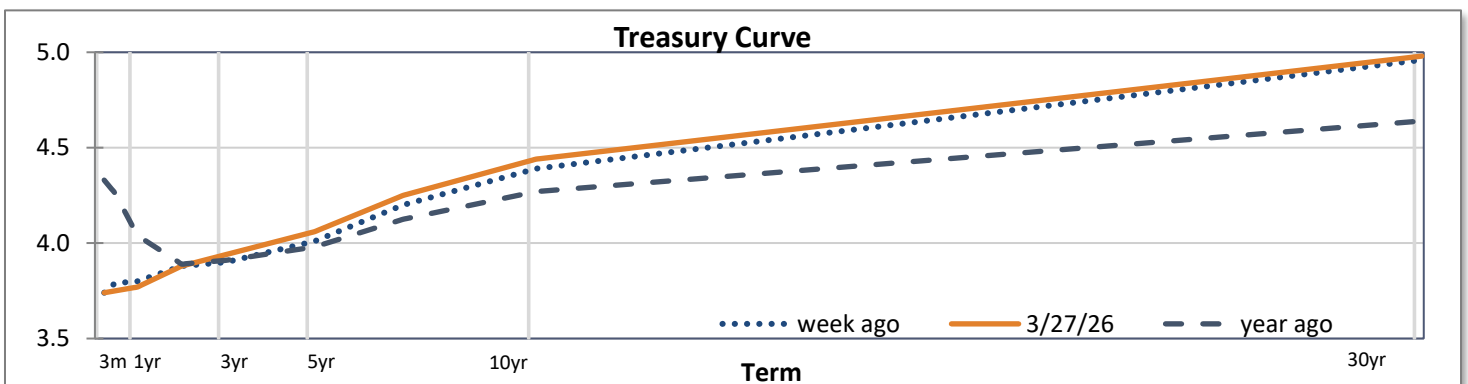
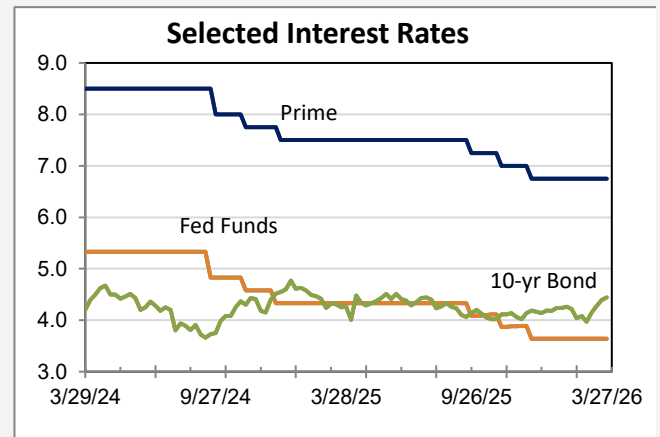
He highlighted a bifurcated demand picture, with strength concentrated in AI-related sectors and wealth-driven consumption, leaving broader activity more fragile. Meanwhile, rising oil prices tied to Middle East tensions risk weighing on sentiment and feeding through to inflation.

On prices, Barkin acknowledged progress but warned of renewed risks. Easing wage pressures and declining pricing power among firms point to disinflation, yet recent data and supply shocks—including energy—suggest inflation could stall above the Fed’s 2% target.

With interest rates already reduced by 175 basis points, Barkin said policymakers are in a holding pattern, balancing risks to both inflation and employment. For now, he signaled patience, awaiting clearer signals before adjusting policy direction.

## Financial Markets

Stocks fell again last week as the war in Iran continues to be an overarching source of uncertainty. The Nasdaq fell 3.2% last week, bringing the index into correction territory; the S&P 500 fell 2.1%, and the DJIA fell 0.9%. Over the past 13 weeks, the Nasdaq is down 11.2%, the S&P 500 is down 8.1%, and the DJIA is down 7.3%. Treasury yields were relatively tame compared to prior weeks, with 6-month and 1-year yields falling and 5-year and higher yields rising. The 30-year conventional mortgage, however, jumped 16 bp, pressured by previous weeks’ treasury yield rises. Oil prices continue to drive global markets. WTI ended the week up 2.5% to \$100.73 per barrel. Retail gasoline prices are up 33% over the past month, diesel prices are up 43%, and fertilizer prices are up 29%, all adding pressure to consumers, manufacturers, and agriculture. Jet fuel prices have risen 106% over the past month, putting additional pressure on travelers and the airline industry, compounded by TSA funding-related delays.





## Interest Rate Forecast\*

During the Fed's March policy meeting, the Federal Open Market Committee (FOMC) maintained the federal funds target rate at 3.50% to 3.75%. In the statement released following the meeting, the FOMC stated, "In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. In considering the extent and timing of

additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data,

the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum

employment and returning inflation to its 2 percent objective."

| Avg. for:               | Prime | Fed Funds | SOFR | 6-Mo. T-Bill | 2-Yr. Note | 10-Yr. Treasury | 30-Yr Bond | 30-Yr Mortgage |
|-------------------------|-------|-----------|------|--------------|------------|-----------------|------------|----------------|
| 1 <sup>st</sup> Qtr '26 | 6.75  | 3.63      | 3.66 | 3.69         | 3.62       | 4.17            | 4.77       | 6.09           |
| 2 <sup>nd</sup> Qtr     | 6.58  | 3.46      | 3.49 | 3.53         | 3.54       | 4.03            | 4.63       | 5.98           |
| 3 <sup>rd</sup> Qtr     | 6.50  | 3.38      | 3.40 | 3.45         | 3.50       | 3.93            | 4.52       | 5.93           |
| 4 <sup>th</sup> Qtr     | 6.25  | 3.13      | 3.15 | 3.22         | 3.32       | 3.81            | 4.35       | 5.79           |
| 1 <sup>st</sup> Qtr '27 | 6.09  | 2.96      | 2.99 | 3.06         | 3.19       | 3.73            | 4.21       | 5.68           |

March 2026

### FINANCIAL MARKET SUMMARY

|                                                             | As of 03/13/26 | As of 03/06/26 | Weekly Change | 4-Week Change | 13-Week Change |
|-------------------------------------------------------------|----------------|----------------|---------------|---------------|----------------|
| <b>MONEY MARKETS (Changes in BPs)</b>                       |                |                |               |               |                |
| Prime                                                       | 6.75           | 6.75           | 0             | 0             | 0              |
| Secured Overnight Financing Rate (SOFR)                     | 3.65           | 3.62           | 3             | (2)           | (11)           |
| Fed Funds (Wed close)                                       | 3.64           | 3.64           | 0             | 0             | 0              |
| <b>TREASURIES (BE) (Changes in BPs)</b>                     |                |                |               |               |                |
| 3 Months                                                    | 3.74           | 3.74           | 0             | 7             | 10             |
| 6 Months                                                    | 3.75           | 3.79           | (4)           | 15            | 17             |
| 1 Year                                                      | 3.77           | 3.80           | (3)           | 29            | 28             |
| 2 Years                                                     | 3.88           | 3.88           | 0             | 50            | 42             |
| 5 Years                                                     | 4.06           | 4.01           | 5             | 55            | 38             |
| 10 Years                                                    | 4.44           | 4.39           | 5             | 47            | 30             |
| 30 Years                                                    | 4.98           | 4.96           | 2             | 34            | 17             |
| <b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b> |                |                |               |               |                |
| 2-Year Muni                                                 | 2.45           | 2.31           | 14            | 42            | 1              |
| 5-Year Muni                                                 | 2.46           | 2.48           | (2)           | 37            | 7              |
| 10-Year Muni                                                | 3.13           | 2.97           | 16            | 104           | 40             |
| 30-Year Muni                                                | 4.55           | 4.44           | 11            | 45            | 36             |
| 30-Year Conventional Mortgage                               | 6.38           | 6.22           | 16            | 40            | 20             |
| <b>MARKET INDICATORS (Changes in %)</b>                     |                |                |               |               |                |
| DJIA                                                        | 45,166.64      | 45,577.47      | (0.9)         | (7.8)         | (7.3)          |
| S&P 500                                                     | 6,368.85       | 6,506.48       | (2.1)         | (7.4)         | (8.1)          |
| NASDAQ                                                      | 20,948.36      | 21,647.61      | (3.2)         | (7.6)         | (11.2)         |
| CRB Futures                                                 | 466.41         | 463.82         | 0.6           | 18.3          | 23.9           |
| Oil (WTI Crude)                                             | 100.73         | 98.23          | 2.5           | 51.5          | 77.8           |
| Gold                                                        | 4,527.30       | 4,574.90       | (1.0)         | (14.6)        | (0.1)          |
| Yen / Dollar                                                | 160.31         | 159.23         | 0.7           | 3.4           | 1.6            |
| Dollar / Euro                                               | 1.15           | 1.16           | (0.5)         | (2.6)         | (2.2)          |



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