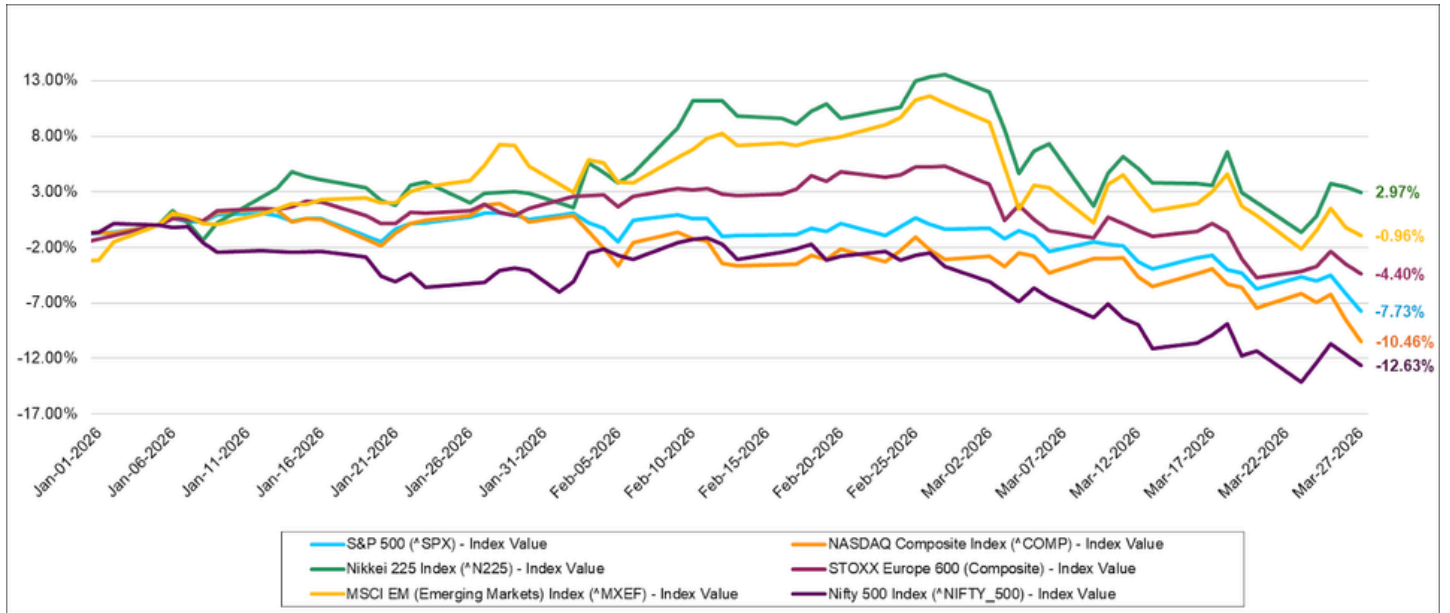


NEWSLETTER

THE QUARTER THAT BROKE THE BULL: WAR, DEBT, AND THE MARCH MARKET SHOCK



Q1 2026 Wrap-Up: The Late-March Reality Check

Welcome back to our quarterly market review. If our February newsletter was a warning about the gathering clouds of volatility, Q1 2026 was the thunderstorm. It was a quarter defined by breathtaking swings, fueled by a terrifying new geopolitical reality, and capped by a stark realization: the global economy is now operating under wartime dynamics.

When we initially reviewed the quarter last week, there were whispers of a potential "buy the dip" rescue. Today, as we close out March, that optimism has evaporated. We are watching the realities of the US-Iran conflict interact with America's \$38 trillion debt burden, fundamentally rewriting the rules for Q2.

Here is a breakdown of how the quarter ended, the sectors feeling the most heat, and what you need to know to navigate the months ahead.

The Numbers: S&P 500 Performance Review

The defining characteristic of Q1 2026 was violent intra-quarter volatility. The quarter began with leftover enthusiasm from 2025, pushing the S&P 500 to new all-time highs in January. However, the paradigm shifted dramatically in late February with the initiation of the US-Israel joint "Operation Epic Fury."

Instead of a late-quarter recovery, the final week of March delivered a harsh reality check. US markets suffered a sharp, continuous selloff, capping a fifth consecutive week of declines and pushing the Dow Jones Industrial Average firmly into correction territory.

S&P 500 Performance Snapshot

Period	Estimated Return	Context
Jan 2026	3.20%	Continued momentum, new highs breached.

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Period	Estimated Return	Context
Feb 2026	-1.50%	Pre-war nerves; the peak-to-trough drop started late in the month.
Mar 2026	-7.70%	War begins. Continuous selloff with no end-of-month relief rally.
Q1 2026 (Total)	-6.90%	A severe quarterly contraction driven entirely by late-quarter geopolitical shock.

Global Markets: Disruption Spreads

Global markets are currently telling a story of fragmentation and acute distress, particularly for nations dependent on imported energy.

As of March 27, 2026, the year-to-date (YTD) performance of the indices, relative to the base date of January 5, 2026, shows a general downward trend across most global markets, with only one index remaining in positive territory.

- **Nikkei 225 is the Outperformer:** The Nikkei 225 Index (^N225) is the only index in the group with positive YTD performance, standing at +2.97%.
- **Significant Declines in Tech and Indian Markets:** The Nifty 500 Index (^NIFTY_500) has seen the sharpest decline at -12.63%, followed closely by the NASDAQ Composite Index (^COMP) at -10.46%, indicating significant pressure on growth and emerging market equities.

- **US and European Markets Under Pressure:** The S&P 500 (^SPX) is down -7.73%, while the STOXX Europe 600 has fared slightly better but is still down -4.40%.
- **Resilience in Emerging Markets:** The MSCI EM Index (^MXEF) has shown relatively more resilience compared to the US and Indian indices, with a modest decline of -0.96%.

Sector Resilience: A K-Shaped Quarter

The volatility revealed a sharp divergence between winners and losers, creating a "K-shaped" sector performance chart.

The Resilient Winners

- **Energy (Oil & Gas):** Energy finished the quarter as the undisputed top performer. Brent crude spiked back up to \$116.75 a barrel this morning, marking its steepest monthly rise since the 1990 Gulf War.
- **Defense & Aerospace:** Companies in this sector are riding high on sudden, massive re-armament and operational demands. The onset of active US conflict ensures order books will remain overflowing.
- **Gold Miners:** Capital seeking a true safe haven flowed into gold, driving the metal to historical highs amidst the chaos.

The Distressed Losers

- **Consumer Discretionary:** Retailers, travel, and leisure companies are being crushed. \$116 oil acts as a massive tax on the global consumer, instantly slashing discretionary spending forecasts.

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- **Airlines & Transportation:** Soaring jet fuel costs have decimated airline earnings outlooks. Shipping companies are facing astronomical insurance surcharges and rerouting costs.

The Macro Trap: Debt, War, and Escalation

We must address how this rapidly expanding war is interacting with America's \$38 trillion national debt. The macro environment is vastly different from previous conflicts, creating a terrifying "policy trap" for the Federal Reserve.

The Geopolitical Escalation:

Over the weekend, the conflict widened significantly. Yemen's Houthis officially entered the fray, and Iran expanded its retaliatory strikes, directly targeting critical infrastructure—including power and desalination plants—in the UAE, Saudi Arabia, Kuwait, and Bahrain. Simultaneously, the US bolstered its presence, with the USS Tripoli arriving with 3,500 Marines, while President Trump floated the possibility of seizing Iran's Kharg Island oil terminal.

The Economic Impact:

- **The Inflation Monster:** The active bombardment of GCC infrastructure ensures oil prices will remain elevated. This imports massive inflationary pressure right back into the US economy, undoing the Fed's hard work from 2024 and 2025.

- **Trapped Policymakers:** The US is funding an incredibly expensive war entirely through new borrowing at a time when national debt is \$38 trillion. Because inflation is resurging via oil, the Fed cannot cut interest rates to help the government service this debt. In fact, they may be forced to hike rates into a wartime economic slowdown.

Conclusion

Q1 2026 started with a bull market and ended with a global reality check. The interaction of an expanding Middle Eastern war, a renewed inflation threat, and a staggering \$38 trillion debt burden has removed the safety nets investors relied on in 2025. As we move into Q2, portfolio resilience and active risk management will be about survival of the fittest.



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Month in review

Date		Company Name	Report Name	CMP	TP	Rating
02 Mar		Advanced Micro Devices Inc.	Stable execution with limited upside "hold"	\$196.60	\$220.00	BUY
02 Mar		Nvidia Corporation	Pure efficiency unlocked at 100% ROE	\$184.89	\$220.00	BUY
04 Mar		Arm Holdings Plc	Future dominance with 28% YoY ACV growth	\$128.14	\$144.00	BUY
08 Mar		Microsoft Corporation	Strong AI growth alongside rising capex	\$449.13	\$403.93	BUY
15 Mar		Palantir Technologies, Inc.	U.S. Momentum supports a "Buy" view	\$156.43	\$172.08	BUY
17 Mar		Emerson Electric Company	Steel to Silicon: The case for re-rating	\$132.24	\$150.56	BUY
20 Mar		Atlassian Corporation	AI concerns overshadow strong growth	\$76.17	\$80.68	HOLD
26 Mar		Cloudflare, Inc.	Accelerated growth with near term uncertainties	\$220.65	\$223.39	HOLD
27 Mar		Enphase Energy Inc.	From rooftops to fleets: The re-rating of virtual power plant	\$42.53	\$31.90	SELL