

# QUARTERLY MARKET REVIEW

FIRST QUARTER 2026



## SARGENT

INVESTMENT GROUP



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APRIL 6, 2026

Dear Investors,

In the first quarter of 2026, the S&P 500, Nasdaq, and Dow Jones Industrial Average posted returns of -4.3%, -7.0%, and -3.2%, respectively. International equity markets proved volatile but still outperformed domestic equity markets with the MSCI EAFE, MSCI World Ex U.S., and MSCI Emerging Markets indices posting quarterly returns of -1.2%, -0.6%, and -0.2%. In U.S. fixed income markets, intermediate duration bonds, represented by the Bloomberg Barclays U.S. Aggregate Bond Index, were essentially flat for the quarter<sup>i</sup>. The real story was the change in oil prices as Brent Crude increased an astounding ~95%, rising from \$60.75 per barrel on January 2, 2026 to \$118.35 per barrel on March 31, 2026, while WTI Crude increased ~77% rising from \$57.30 per barrel on January 2, 2026 to \$101.40 per barrel on March 31, 2026.

Markets didn't stumble in the first quarter because of winter weather, the real potholes came from geopolitics. The dominant storyline has been the escalating tension in the Middle East.

In late February, the U.S. and Israel carried out coordinated strikes on Iranian nuclear and missile facilities. Predictably, investors immediately turned their attention to the energy markets, more specifically the Strait of Hormuz, which is a narrow waterway that moves about 20% of the world's daily energy supply. While the majority of that oil heads to Asia (and not the U.S.), the possibility of disruption was enough to send crude prices sharply higher, which in turn revived concerns surrounding inflation, higher interest rates, and lower growth expectations.

While the headline returns for the first quarter have been modestly negative, the story below the surface has been more extreme, as evidenced by the fact that while the technology sector fell more than 9% during the quarter, the energy sector has provided meaningful support to portfolios posting a return of more than 37%. This represents a ~46% differential between the top and bottom performing sectors in the S&P 500 in only the first quarter of the year.<sup>ii</sup>

The question is, with energy performing so well, how is the S&P 500 negative for the year? The answer has to do with how the S&P 500 is constructed. More specifically its "market cap weighting."

While the technology sector represents ~34% of the S&P 500 market-cap weighted index, the energy sector represents less than 3%, which is down from over 10% in 2013. This means that the performance attribution of technology companies, the largest allocation within the index, far outweighs the contribution of the smaller sectors. As seen below, the Magnificent 7 companies themselves accounted for ~83% of the market return in the first quarter of this year.<sup>iii</sup>

## Magnificent 7 performance in the S&P 500

Indexed to 100 on 1/1/2021, price return



J.P. Morgan. Guide to the Markets® US 2Q2026. *Magnificent 7 Performance in the S&P500*. Page 9. 31 March 2026.

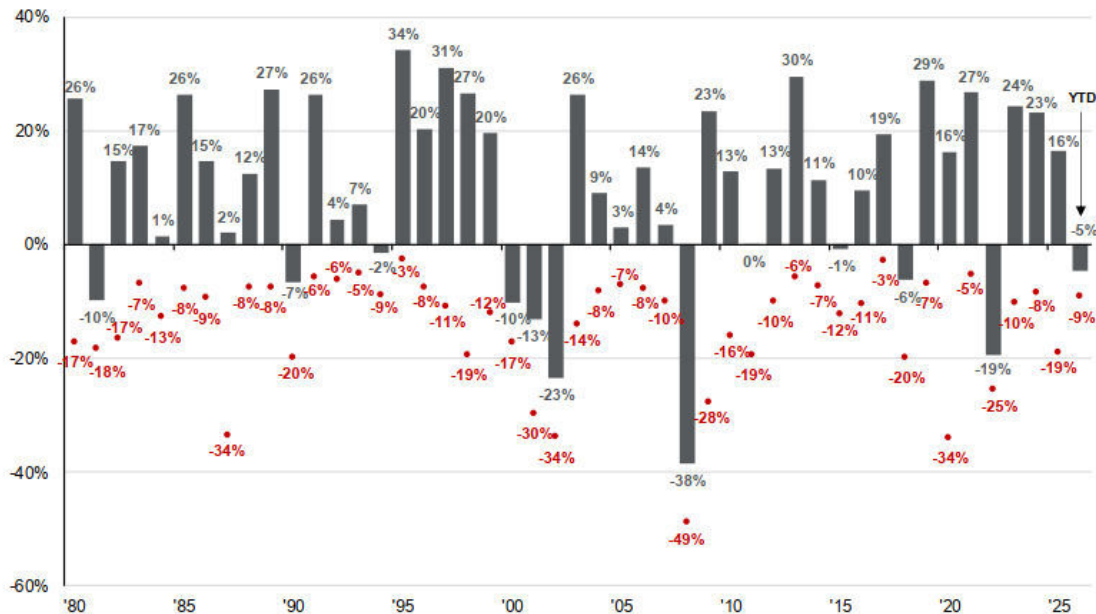
This said, while it may feel uncomfortable when markets pull back, it is important to remember that this is not the exception, but rather the rule. In fact, as the following chart shows, the S&P 500 almost always declines by more than 8% in a calendar year and has seen an average intra-year drawdown of roughly 15%, even as markets have delivered positive annual returns in more than two-thirds of those years! This is why Warren Buffett is often quoted saying, “Volatility is the price of admission for owning equities.”

## Annual returns and intra-year declines

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### S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results. Guide to the Markets—U.S. Data are as of March 31, 2026.

J.P.Morgan  
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J.P. Morgan. Guide to the Markets® US 2Q2026. *Annual Returns and Intra-Year Declines*. Page 17. 31 March 2026.

Aside from geo-political conflicts, the other headline dominating markets continues to be the impact that artificial intelligence is and will continue having. In short, many of the “hyperscalers” (i.e., Meta, Google, Amazon, Microsoft, etc.) are investing unprecedented amounts of capital in an attempt to win the “AI Race”, which analysts worry may decrease their near-term margins and earnings and is causing their stocks to sell off. At the same time, investors are concerned that AI will upend countless software companies, as evidenced by the iShares Expanded Tech Software ETF (“IGV”) being down more than 20% through the end of the quarter.

Yet, in both cases there remain many more unknowns than knowns because artificial intelligence is still in the very early stages of development, and we do not know its long-term impact on the broad market and economy, let alone individual companies.

New questions will inevitably arise in the months ahead, among them a leadership transition at the Federal Reserve and the upcoming midterm elections later this year. Volatility in energy prices is just one element of the broader economic picture. While we could experience an uptick in short-term inflation, other areas of the economy remain fundamentally sound. The first quarter of 2026 has once again tested investors’ resolve, yet several parts of the market have shown resilience, which is more evidence of why we believe in diversification, leaning into unloved parts of the market, and maybe most importantly, leaning on history to guide us. While these periods can be either difficult to experience or exciting to participate in, we believe it is paramount that investors look past any short-term impacts and remain focused on their long-term financial goals.

As always, we appreciate the trust and confidence that you place in us.

Sincerely,  
Your Sargent Investment Group Team

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<sup>i</sup>Orion Advisor Solutions. *Benchmark Performance*. 31 March 2026.

<sup>ii</sup>Fidelity. *Sector Performance*. 31 March 2026.

<sup>iii</sup>J.P. Morgan. *Guide to the Markets® US 2Q2026. Magnificent 7 Performance in the S&P500*. Page 9. 31 March 2026.

<sup>iv</sup>J.P. Morgan. *Guide to the Markets® US 2Q2026. Annual Returns and Intra-Year Declines*. Page 17. 31 March 2026.

<sup>v</sup>Morningstar.com. *iShares Expanded Tech-Software Sector ETF (IGV). YTD Performance as of Q1 end*. 31 March 2026.