OpenArc
CORPORATE ADVISORY

Market Brief

MACRO

Growth: The labor market painted a two-sided picture in February. The January jobs report showed +130,000 nonfarm payrolls, well above the +65,000 consensus, led by healthcare (+82,000), social assistance (+42,000), and construction (+33,000). The unemployment rate declined to 4.3%. However, sweeping benchmark revisions overshadowed the headline: full-year 2025 employment was revised down by 403,000 jobs, reducing annual gains to just +181,000, averaging only +15,000 per month. Federal government payrolls shed another -34,000. Q4 2025 GDP came in at roughly +1.4% annualized, a notable step down from Q3's +4.4%.

Inflation: The January CPI report surprised to the downside, with headline inflation at +2.4% year-over-year, down from +2.7% in December and below consensus, the lowest since May 2025. Core CPI declined to +2.5%, its lowest since March 2021. Energy fell over -1% and shelter moderated to +3.0% annually, the lowest since 2021. The Fed's preferred gauge remains firmer: January PCE is estimated around 2.8% with core near 3.0%, a reminder that the last mile toward target remains elusive.

Monetary Policy: There was no FOMC meeting in February. The January minutes reinforced a patient stance, though two dissents (Governors Miran and Waller) favored an additional cut. In a February 23rd speech, Waller argued labor market weakness warranted bringing the policy rate closer to neutral. Markets ended February pricing in two cuts for 2026, with the first not expected until July, though the late-month Middle East escalation complicated the outlook.

MARKET

Equities: U.S. equities finished February lower as a late-month geopolitical shock offset a constructive backdrop. The S&P 500 declined nearly -1%, the Nasdaq 100 fell over -2%, while the Dow posted a small gain. Rotation dominated: Value gained over +2% while Growth dropped over -3%, and midcaps surged over +4%. Energy led at nearly +10%, followed by Utilities, Materials, and Consumer Staples, all up between +7% and +10%, while Technology, Financials, and Consumer Discretionary all fell between -3% and -4%. The month ended abruptly on February 28th when the U.S. and Israel launched strikes against Iran, triggering a sharp risk-off move.

Bonds: Fixed income had a strong February as yields moved lower on cooling inflation. The Bloomberg Aggregate gained over +1.5%, while long-duration Treasuries surged over +4.5%. The 10-year yield dropped over -30 bps on the month to close February at 3.94%. Credit conditions remained orderly with IG corporates returning nearly +1.4%. High yield was essentially flat.

Currencies: The dollar was roughly flat for February (+0.5%), masking two different halves. The greenback continued its 2025 downward trend for most of the month before reversing sharply as the Iran strikes triggered a flight-to-safety bid, with the DXY surging nearly +1% on March 1st. Investors favored the dollar given U.S. energy independence, while the euro and yen came under pressure.

Commodities: Commodities surged broadly, with the Bloomberg Commodity Index up nearly +3%. Gold rallied nearly +9% to around $5,100 per ounce on safe-haven demand. Silver gained over +12%. Oil rose roughly +3%, though crude spiked sharply in the final days of the month on Iran and Strait of Hormuz fears. Natural gas plunged over -30%, though did rally significantly into March.

CIO SNAPSHOT

We maintain a tactical risk-on stance in our asset allocation, reflecting our confidence in the current market's return potential. We remain overweight equities, and recently increased exposure to U.S. markets funded from International Developed, as we believe robust U.S. earnings growth continues to underpin domestic equity performance. Within equities, we are responsibly bullish on the AI supercycle, with targeted allocations to technology and power infrastructure, and are optimistic on financials and defense, supported by lighter regulation and elevated fiscal spending, respectively. In fixed income, we hold a small overweight position in duration to manage rate sensitivity, while emphasizing higher-yielding opportunities that deliver compelling income generation in today's environment.

▲ Overweight
— Neutral
▼ Underweight

	Asset Class	CIO View
	Equities	
Regions	US Large Cap	▲
Regions	US Small Cap	▼
Regions	Developed International Equities	▼
Regions	EM Equities	—
Factors	Growth	▲
Factors	Quality	—
Factors	Value	▼
Sectors	Industrials	▲
Sectors	Technology	▲
Sectors	Healthcare	▼
Sectors	Financials	▲
	Fixed Income	
Factors	Credit	▲
Factors	Duration	—

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 03/12/2026

US Related

ETF	Description	February 2026	2026
SPY	S&P 500	-0.86%	0.60%
DIA	Dow Jones Ind	0.25%	2.05%
QQQ	Nasdaq 100	-2.34%	-1.14%
IJH	S&P Midcap 400	4.11%	8.32%
RSP	S&P 500 Eq Weight	3.48%	7.00%
QQQE	Nasdaq 100 Eq Weight	0.11%	1.63%
IWB	Russell 1000	-0.58%	0.76%
IWM	Russell 2000	0.68%	6.20%
IWV	Russell 3000	-0.51%	0.98%

Factors

ETF	Description	February 2026	2026
IVW	Russell Growth	-3.50%	-3.00%
IVE	Russell Value	2.23%	4.72%
IJK	Midcap 400 Growth	5.87%	10.04%
IJJ	Midcap 400 Value	2.40%	6.51%
IJT	Smallcap 600 Growth	2.97%	7.85%
IJS	Smallcap 600 Value	1.40%	7.98%
DVY	DJ Dividend	3.87%	10.73%
MTUM	Momentum	-1.15%	1.06%
USMV	Low Volatility	2.97%	3.88%
SIZE	Size	2.36%	4.81%
QUAL	Quality	1.21%	3.14%

Global

ETF	Description	February 2026	2026
EWA	Australia	8.43%	14.89%
EWZ	Brazil	4.56%	21.91%
EWC	Canada	6.86%	7.51%
MCHI	China	-5.35%	-1.68%
EWQ	France	5.56%	6.40%
EWG	Germany	2.85%	4.33%
EWH	Hong Kong	3.55%	13.93%
INDA	India	1.02%	-3.29%
EWI	Italy	2.59%	5.52%
EWJ	Japan	7.76%	14.40%
EWW	Mexico	7.75%	16.75%
EIDO	Indonesia	0.96%	-4.71%
EWP	Spain	1.69%	6.18%
EIS	Israel	-0.18%	7.95%
EWU	UK	5.46%	10.69%
EFA	EAFE	4.61%	9.74%
EEM	Emerging Mkts	5.89%	14.38%
IOO	Global 100	-0.98%	0.72%
VT	All World	1.64%	4.81%
CWI	All World ex US	5.46%	10.86%

Sectors

ETF	Description	February 2026	2026
XLY	Cons Disc	-3.56%	-2.14%
XLP	Cons Stap	7.78%	15.87%
XLE	Energy	9.54%	25.07%
XLF	Financials	-3.76%	-6.10%
XLV	Health Care	3.53%	3.49%
XLI	Industrials	7.07%	14.20%
XLB	Materials	8.40%	17.77%
XLRE	Real Estate	5.82%	8.65%
XLK	Technology	-3.56%	-3.62%
XLC	Comm Services	-1.69%	0.28%
XLU	Utilities	10.36%	11.81%
SMH	Semis	0.72%	12.84%

Currencies

ETF	Description	February 2026	2026
FXB	British Pound	-1.30%	0.33%
FXE	Euro	-0.30%	0.70%
FXY	Yen	-0.99%	0.27%
DXY	Dollar	0.51%	-0.65%

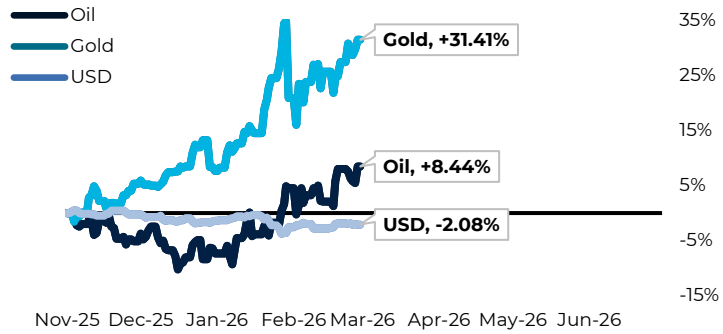
Fixed Income

ETF	Description	February 2026	2026
SHY	1-3 Yr Treasuries	0.53%	0.74%
IEI	3-7 Yr Treasuries	1.46%	1.46%
IEF	7-10 Yr Treasuries	2.47%	2.24%
TLH	10-20 Yr Treasuries	3.73%	3.66%
TLT	20+ Yr Treasuries	4.63%	4.60%
AGG	Aggregate Bond	1.60%	1.85%
TIP	T.I.P.S.	1.27%	1.79%
JNK	High Yield	-0.01%	0.62%
MBB	Mortgage-Backed	1.63%	2.13%
LQD	IG Corporate	1.38%	1.73%

Commodities

ETF	Description	February 2026	2026
DBC	Commodities	2.74%	12.25%
DBA	Agric Commod.	1.40%	1.96%
USO	Oil	3.06%	18.49%
UNG	Nat. Gas	-31.83%	-6.04%
GLD	Gold	8.72%	22.06%
SLV	Silver	12.66%	31.93%

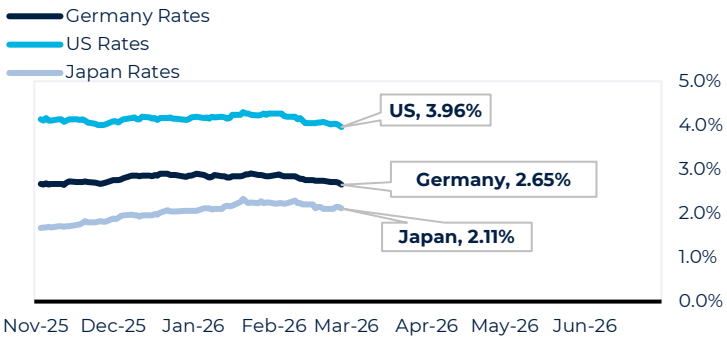
Commodity & Dollar Performance



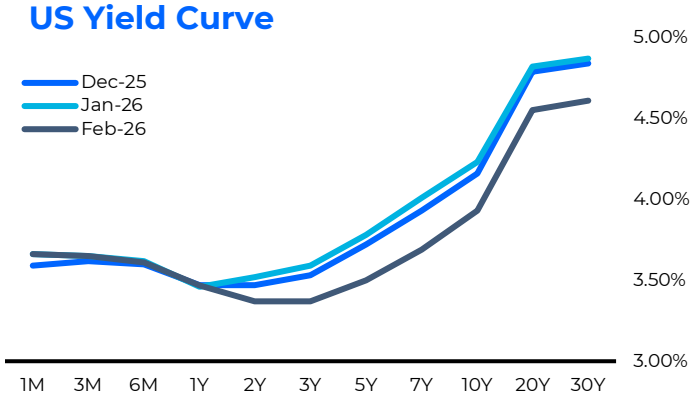
Growth Gives Way to Value in February

February saw a meaningful rotation into Value, with market leadership broadening into Utilities (+10%), Energy (+9%), Materials (+8%), and Industrials (+7%), while Financials (-4%), Technology (-3%), and Consumer Discretionary (-3%) lagged. Growing investor concerns around AI capital expenditures weighed on broader performance, though names tied to the AI infrastructure buildout proved resilient and benefited from the theme. Late in the month, geopolitical tensions in the Middle East contributed to a rise in market volatility, which remains as a key focus towards the end of Q1.

10-Year Bond Yields



US Yield Curve



Economic Data	Prior Release Date	Prior Estimate	Prior Actual	Next Release Date	Upcoming Forecast Estimate
Effective Federal Funds Rate	1/28/2026	350bps–375bps	350bps–375bps	3/18/2026	No change expected
US Total Nonfarm Payrolls	3/6/2026	59K	-92K	4/3/2026	--
US Unemployment Rate	3/6/2026	4.3%	4.4%	4/3/2026	--
Core PCE Index YoY%	3/13/2026	3.1%	3.1%	4/9/2026	--
US CPI YoY%	3/11/2026	2.4%	2.4%	4/10/2026	--
US Real GDP QoQ%	3/13/2026	1.4%	0.7%	4/9/2026	--

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 03/12/2026

Tactical Asset Allocation Guide

Q4 2025

OpenArc CORPORATE ADVISORY

Legend

Underweight | Slight Underweight | Neutral | Slight Overweight | Overweight

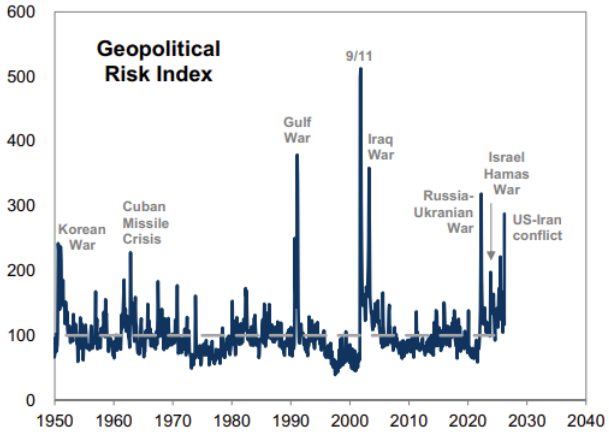
	Asset Class	View	Commentary
Equities	US Large Cap		Public company count has halved over the last two decades, concentrating quality in large caps. These firms benefit from diversified revenue streams and stronger balance sheets, positioning them to weather slowing growth better than smaller, cyclical peers.
	US Small Cap		Despite historical optimism during rate-cut cycles, small caps have underperformed when recessions are avoided—averaging +6% vs. +12% for large caps. Current leverage, weaker pricing power, and lower quality fundamentals suggest limited upside unless cuts accelerate and growth rebounds sharply.
	Developed International		Europe's fiscal push on defense and infrastructure and ECB flexibility to ease are positives. However, earnings delivery remains weak. Until growth materializes, we favor regions where valuations align with earnings momentum.
	Emerging Markets		Neutral stance persists as growth and earnings remain uneven. China's pivot to domestic consumption is structural but challenged by trade frictions. Upside in EM will be driven by AI growth, particularly in South Korea, Taiwan, and China
Factors	Growth		AI-driven demand continues to underpin growth stocks, supported by robust margins, free cash flow, and capex. In addition, adoption is starting to accelerate. While valuations are elevated, earnings delivery remains strong.
	Value		Value has lagged as growth dominates performance, fueled by AI and tech capex. Without a clear catalyst—such as a sharp rate-driven rotation – we maintain an underweight bias.
	Quality		We are neutral quality in our portfolio, as we believe that this current cycle has a combination of early innings as well as late stage.
Sectors	Technology		Tech earnings and profitability outpace the market, driven by structural AI demand and strong balance sheets. Despite trade tensions, secular growth trends remain intact.
	Financials		Easing regulation, steeper yield curve, and improving capital markets activity support financials. IPO and M&A pipelines are strengthening, adding cyclical upside. We are watching for credit quality deterioration if growth slows.
	Industrials		AI-driven power demand and infrastructure upgrades create tailwinds for industrials. Execution risk lies in cost inflation and project delays. Accelerated grid modernization funding is adding fuel to the fire.
Fixed Income	Duration		Two cuts priced in for 2026, but sticky inflation and fiscal stress limit downside for yields. We prefer favoring the front end of the yield curve as we expect curve steepening to continue.
	Credit		Elevated yields and stable fundamentals make credit attractive. IG spreads remain tight and HY offers carry but limited upside. We are comfortbale with the income from credit and like select structured credit assets.

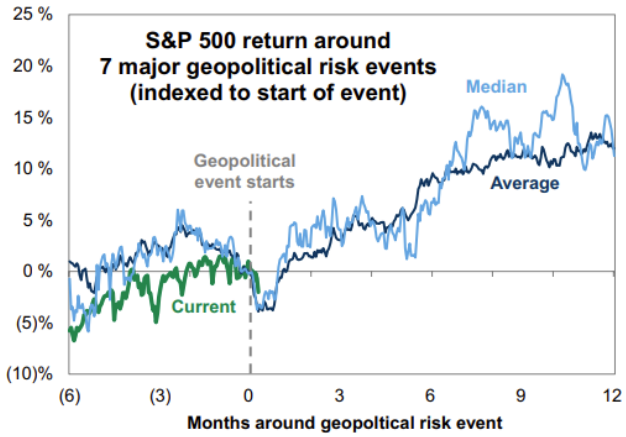
Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 03/12/2026

CIO Spotlight: Staying the Course Through Geopolitical Turbulence

What history tells us

The U.S.-Israeli strikes on Iran at the end of February understandably rattled markets and raised questions from clients about what comes next. Geopolitical shocks always feel different in the moment, but the historical record offers a remarkably consistent message. Markets process conflict-driven volatility quickly, and the long-term trajectory remains driven by economic fundamentals, not headlines. Across seven major geopolitical risk episodes since 1950, the S&P 500 has declined by an average of -4% in the first week but recovered to pre-event levels within the subsequent month. This pattern has held remarkably consistently, from the Cuban Missile Crisis to the Gulf War to September 11th to the Russia-Ukraine invasion. Broader studies examining over 50 geopolitical events dating back to the 1950s reinforce the same conclusion.



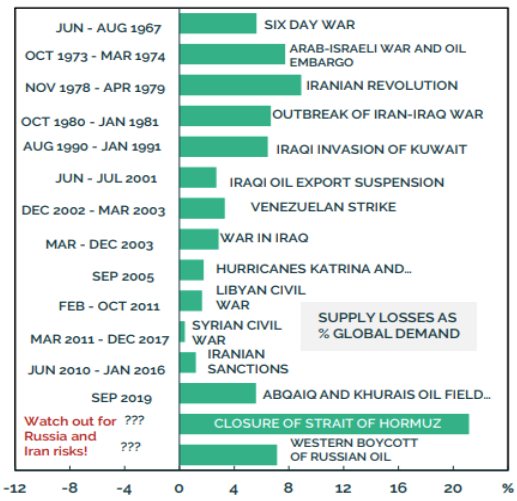


The critical exception is when a conflict causes or coincides with a recession. The 1973 Yom Kippur War and oil embargo remains the cautionary case. Oil prices quadrupled, the S&P 500 fell over -40% in the following year, and the economy tipped into a deep stagflationary recession. That is the scenario we are watching for and the one we do not believe is the most likely outcome.

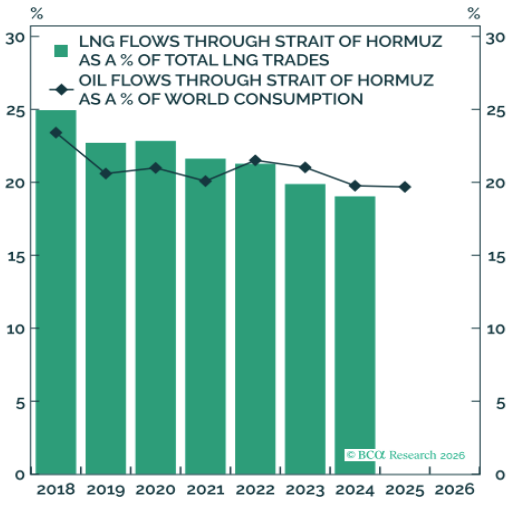
The oil variable

The key risk is energy prices. This represents the largest threat to global oil supply since the First Gulf War, with the Strait of Hormuz as the focal point. Roughly 20% of global oil consumption and a significant share of liquified natural gas (LNG) trade flows through the Strait. A prolonged disruption would meaningfully change the calculus by pushing oil prices higher for longer, reigniting inflationary pressures, and potentially tying the Fed's hands at a moment when the economy is already navigating a softening labor market.

Oil Supply Losses as % of Global Demand



Energy Flows Through Strait of Hormuz



Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 03/12/2026

That said, the direct impact of modestly higher oil prices on S&P 500 earnings should be roughly neutral on a net basis, as Energy sector gains tend to offset headwinds to consumer-facing and oil-input industries. Goldman Sachs estimates that a sustained $10/barrel increase in oil would reduce GDP growth by about 10 basis points and boost core CPI by less than 5 basis points. The bigger risk to earnings is not the price of oil itself but a sustained period of severe disruption that weighs on economic growth and undermines corporate confidence. In top-down earnings models, every 1 percentage point change in real U.S. GDP growth corresponds to a 3-4% change in S&P 500 EPS.

Duration of conflict matters most

Ultimately, the market impact comes down to how long the disruption lasts. A rapid de-escalation lasting days would likely see oil prices retreat and markets recover swiftly. A punitive air campaign lasting weeks could maintain a moderate risk premium but likely remain manageable. A prolonged conflict lasting months could push oil well above $100 and meaningfully raise recession odds. Early signals are worth watching closely. The White House has suggested the operation could last four to five weeks, diplomatic channels remain active, and Iran's ballistic missile capacity appears to be diminishing, with the pace of attacks declining as of early March. The 1990 Gulf War saw oil prices double temporarily but resolve within months, while the 1973 embargo dragged on for six months with far more lasting damage.

We believe today's environment is meaningfully more resilient than the 1970s. U.S. domestic oil production is near record highs, making the economy far less dependent on Middle Eastern supply. The energy intensity of GDP has fallen dramatically over the decades. And the starting point for the U.S. economy remains solid, with consumers still spending, corporate earnings holding up, and the Fed retaining meaningful policy flexibility with rates well above zero.

Bottom Line

History suggests that geopolitical shocks create volatility, not lasting damage, so long as the underlying economy remains intact. The key variables to watch are the duration of the conflict and whether energy disruptions prove temporary or prolonged. For now, the U.S. economy's relative energy independence, solid fundamentals, and the Fed's ability to respond if conditions deteriorate all argue for staying the course. We continue to favor a diversified, risk-on posture while remaining vigilant on energy-driven inflation risks. As always, the biggest risk for long-term investors during periods of geopolitical stress is not staying invested but stepping to the sidelines and missing the recovery.

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 03/12/2026

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