

# THE CAPITAL MARKETS

New Covenant Trust Company

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## MARKET UPDATE AT A GLANCE

The Dow Jones Industrial Average (DJIA) finished March at 46,342, down -5.38% for the month, down -3.58% year-to-date. The S&P 500 closed March at 6,529, down -5.09% for the month, down -4.63% in 2026. The NASDAQ Composite lost -4.75% in March, down -7.11% for the year. Small-company stocks, as measured by the Russell 2000, lost -5.17% in March, up +0.58% year-to-date. Energy (+38.17%) was the best-performing sector in Q1.

## Q1 REVIEW: VOLATILITY RETURNS TO MARKETS AS THE U.S. STRIKES IRAN

The S&P 500 approached correction territory at the end of March, down more than -8% from recent highs, in part the result of spikes in energy and commodity prices globally. Uncertainty continues to swirl in global markets four weeks into the U.S. war with Iran.

While it wasn't clear heading into 2026 what the catalyst would be, most strategists expected that the table was set for heightened volatility if any negative or worrisome news unexpectedly hit markets. With the announcement of military operations in Iran, and as it became clear the conflict would persist and was spreading to include attacks on other Gulf states, market optimism quickly deteriorated. The volatility has been heightened as traders respond to a rapid news flow and bevy of daily tweets.

For investors navigating periods of market volatility, it's often helpful to consider the current moment in the context of long-term market history.

For example, pullbacks between -5% and -10% occur in the stock market on average multiple times per year. Two occurred each year in 2023, 2024 and 2025, respectively. Corrections of -10% to -20% are also common, occurring on average every 20 months or so.

There have been 56 such corrections in the past 100 years. Even bear markets, or drawdowns of >-20%, occur on average every 4.5 years. Several of these events will likely be a part of every long-term investor's investment experience.

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**“There is still plenty of risk of the conflict intensifying, which could unsettle markets, as well as mixed signals as to what will happen to the Strait of Hormuz, the narrow waterway that handled roughly a fifth of global energy flows before the conflict.”**

*The Wall Street Journal, April 1, 2026*

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## Today's Market Conditions

Importantly, the current market weakness is the result of an event-driven market. Event-driven market events are highly sensitive to the underlying event.

The tariff turmoil in 2025 began overnight, the result of a single press conference announcing new tariffs. Much of the relief also came swiftly — the result of various tariff delays, rollbacks and trade deals. Similarly, sharp market reactions have and will continue to occur as the result of any developments in the war or in anticipation of a resolution.

In contrast, structural weaknesses in markets take longer to create and to recover from. For example, by the time markets fell in 2008, the global economy had spent years integrating bad debt and mismanaged risk throughout the economy. It would take years for the system to fully recover from and build back from such an event.

While some cracks are being perceived as forming in the economy, led by a persistent low-grade fever in the labor market over the last year, and uncertainty around the U.S. fiscal trajectory and Fed independence, these issues were more flashing yellow than likely to trigger a recession.

Many expect if the war resolves relatively swiftly from here, the economy may still have the runway to remain healthy and grow in 2026.

From a market perspective, two key themes may be the primary drivers of performance in Q2:

### 1. Energy Prices & Their Impact on the Fed

Initial fears around energy prices revolved around a potential global slowdown due to higher input prices and scarce energy supply. While still very much a risk, markets in recent weeks have been more focused on the impacts of high energy prices on the Fed and the likelihood, or lack thereof, of any rate cuts in 2026.

Investors should expect that a swift resolution to the war would likely result in bond yields coming down, expectations for rate cuts increasing, and risk-on assets like growth stocks rallying.

Signs that the war may drag on, and oil supply disruptions will persist, will likely result in the opposite effects.

### 2. Consumer Demand & Corporate Earnings

A mix of artificial intelligence, policy uncertainty and economic volatility has contributed to a stagnant labor market over several months, and a dour and anxious U.S. consumer.

Hiring hit a six-year low in February and consumer sentiment surveys are registering a deteriorating confidence in the labor market among workers, and expectations for belt tightening on average among consumers.

Much uncertainty remains around the trajectory of AI's impact on the economy and the labor market. Whether companies can deliver the +14% or so earnings growth expected in 2026, in light of the increasingly hesitant U.S. consumer, will be a key signal in Q2 earnings reports.

### A Look Ahead

Despite the recent volatility, the S&P ended March down less than -5% YTD in 2026. It's still a good time, in our view, to evaluate any spending needs for the next 12-18 months and to raise cash reserves as appropriate.

We would otherwise encourage investors to view any additional volatility that we experience in 2026 in its appropriate long-term context.

Keeping long-term assets invested in a diversified portfolio, within an appropriate asset allocation through market cycles, remains the evidence-based approach to investing success for multi-decade investors.

**“The quarter began with one jolt to the oil market — the capture of Venezuelan leader Nicolás Maduro — only to end with one far larger: a weekslong conflict with Iran that shut down a key global maritime chokepoint. In between, a pivotal Supreme Court ruling against President Trump’s tariffs, and a broadening fear over artificial intelligence’s disruption to key sectors, left few corners of the market untouched.”**

*The Wall Street Journal,  
April 1, 2026*



# Market Metrics

Index or Metric	Close as of 2/28/2026	Close as of 3/31/2026	Change Previous Month End	2026 YTD % Change
Dow Jones Industrial Average	48,977.92	46,341.51	-2,636.41	-3.58%
S&P 500	6,878.88	6,528.52	-350.36	-4.63%
NASDAQ Composite	22,668.21	21,590.63	-1,077.58	-7.11%
RUSSELL 2000	2,632.36	2,496.34	-136.02	0.58%
Fed Funds Rate	3.50% - 3.75%	3.50% - 3.75%	UNCHANGED	
2-Year Treasury	3.38%	3.79%	+0.41%	
10-Year Treasury	3.97%	4.33%	+0.36%	
Crude Oil \$ per Barrel	\$67.02	\$101.38	+\$34.36	76.56%
Gold \$ per Troy oz.	\$5,247.90	\$4,678.60	-\$569.30	7.77%
UK Point in U.S. \$	\$1.3445US=1€	\$1.3187US=1€	\$ STRONGER	-1.96%
Euro in U.S. \$	\$1.1807US=1	\$1.1522US=1	\$ STRONGER	-1.89%
Canada \$ per U.S. \$	\$1.36385C=\$1.00US	\$1.39555C=\$1.00US	\$ STRONGER	1.81%
Japan Yen per U.S. \$	156.125¥=\$1.00US	159.09¥=\$1.00US	\$ STRONGER	1.50%

