



BIONDO

PERSPECTIVES

FIRST QUARTER MARKET COMMENTARY

The first quarter of 2026 will be remembered for one event – the launch of Operation Epic Fury on February 28, the joint US-Israeli military campaign against Iran. That decision reset the investment landscape in ways that will be felt throughout the rest of the year and beyond. Understanding Q1—and positioning well for what follows—begins there.

Before the conflict erupted, the quarter had a distinct character. January and much of February brought a quiet but meaningful shift away from the handful of giant tech companies that had powered markets since 2023. Investors began to question whether the AI-driven premium baked into software and large growth stocks had become too expensive. Value stocks outperformed, and the average S&P 500 stock beat the index itself (which is dominated by its biggest names). It briefly looked like the long-awaited broadening of the market was finally underway. Our strategies felt these effects. Our Focus and Growth strategies were hurt by both the drop in growth-stock valuations and our exposure to software companies. Our Dividend strategy held up well as investors rotated into more value-oriented companies.



Joseph P. Biondo

Operation Epic Fury targeted Iranian military facilities, nuclear sites, and command-and-control infrastructure. Within days, the Islamic Revolutionary Guard Corps confirmed that the Strait of Hormuz—the shipping lane carrying roughly 20% of the world’s crude oil and liquefied natural gas exports—was effectively closed. Qatar Energy invoked an emergency clause allowing it to halt all exports without penalty. The International Energy Agency announced a historic release of 400 million barrels from emergency reserves, the largest coordinated action in its 50-year history.



Markets responded immediately and with conviction. West Texas Intermediate (WTI) serves as the primary pricing benchmark for the North American oil market. It is widely considered one of the two most important oil benchmarks in the world, alongside Brent Crude (world). WTI crude oil surged 77% during the quarter, the sharpest percentage increase since 2020. Brent crude rose from \$61 to \$118 per barrel, its largest inflation-adjusted quarterly increase since 1988. These pressures carried through to refined products – by March 30, US gasoline averaged \$3.99 per gallon and diesel \$5.40, both the highest real prices in more than two years. Gold, which had reached a record high near \$5,600 per ounce in January, reversed sharply in March as central banks temporarily sold gold holdings to raise cash.

Energy stocks dominated Q1, with the S&P 500 energy sector surging over 37%, making it the quarter’s strongest performer by far. ExxonMobil jumped 42% alone. In contrast, sectors tied to consumer spending and economic growth moved sharply lower, with Microsoft falling 23%.

The headline numbers confirm a market caught between an energy windfall and a growth scare. The S&P 500 declined 4.3% for the quarter—its worst Q1 since 2022. The Nasdaq Composite fell 7%, with large technology stocks driving the losses, and the Dow Jones Industrial Average was down 3.2%. The Russell 2000, which tracks smaller US companies, finished roughly flat to slightly positive—a notable outperformance as money moved away from expensive growth stocks. International markets fell slightly, with the MSCI EAFE (developed markets outside the US) declining 1.1%, and MSCI Emerging Markets down 0.1%.

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The shift between investing styles was equally pronounced. Value stocks gained about 1.3% for the quarter, while growth stocks declined by over 8%. Importantly, value beat growth in each of the three months of the quarter—a consistency that points to real fundamental pressure on expensive, high-growth names rather than a short-lived trade.



By sector, the divergence was the widest we have seen since 2020. Energy's 37%+ gain stood alongside a 7.5% decline in Information Technology, with defensive sectors like Materials and Utilities also rounding out the leaders. This combination would have seemed improbable at the start of the year.

Economic conditions were already fragile before Operation Epic Fury intensified the strain. Q4 2025 GDP growth came in far weaker than expected at 0.5%, a steep drop from 4.4% in Q3, and underscoring how soft the economy was heading into 2026. The Federal Reserve had cut interest rates three times in late 2025, leaving its benchmark rate at 3.50%–3.75%. Markets entered Q1 with pricing for two to three additional cuts for the year. That math became much harder by February—and nearly impossible by March.

The Fed held rates steady at its January 28 meeting, with two dissenters preferring a cut. By the March meeting, the situation had flipped entirely – the Iran conflict had pushed inflation to 3.3% over the past twelve months (gasoline alone accounted for nearly three-quarters of the monthly gain), and February payrolls came in showing a loss of 92,000 jobs—later revised to a 133,000 loss, the worst monthly job performance since December 2020. The Fed held again, with only one Fed Governor dissenting in favor of a cut.

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Fed Chair Jerome Powell was direct about the dilemma: “The forecast is that we will be making progress on inflation; not as much as we had hoped, but some progress on inflation.” He declined to call the situation stagflation, drawing clear distinctions from the 1970s. The Fed’s March forecast showed the middle expectation holding at just a single 0.25% cut for the year, with a meaningful share of officials expecting no cuts at all. The Fed’s preferred inflation measure was revised up to 2.7% for the year-end 2026.

Adding to the uncertainty, Powell's term as Fed Chair expires on May 23, 2026. Kevin Warsh, widely viewed as more inclined to keep rates higher to fight inflation, is the leading candidate to succeed him. The transition clouds the Fed's path at precisely the moment when clarity would be most valuable.

By quarter-end, market pricing had shifted dramatically. Longer-term Treasury yields rose over the quarter, and the whole curve moved sharply higher in the final month—with longer-term rates now above shorter-term rates across the board.

Q4 2025 earnings—reported throughout the first quarter—were a bright spot. Corporate profits grew roughly 13.9%, well ahead of the 8.3% analysts had projected at the start of the period. More S&P 500 companies issued positive forecasts for 2026 than at any point in the past five years. The Q1 2026 earnings season is now underway. Analyst expectations for the full year remain constructive, with 2026 earnings growth projected at roughly 18%. The main test of this season will not be the Q1 results themselves, it will be what companies say about the road ahead. Companies that demonstrate they can absorb higher energy costs will be rewarded. Those that signal real risk to their profits from sustained cost pressure will face scrutiny. We are paying particular attention to what management teams say about the Iran conflict.

“The near-term outlook hinges on a variable no financial model can reliably price – how long the Iran conflict lasts and how it ends. ”

The near-term outlook hinges on a variable no financial model can reliably price – how long the Iran conflict lasts and how it ends. Research from the Dallas Federal Reserve estimates that if the Strait of Hormuz remains closed into Q2, WTI crude would rise to about \$98 per barrel and global economic output would shrink by nearly 3 percentage points, annualized. That is a scenario we are watching closely, not one we assume will happen.

What we know with greater certainty: The first reading of Q1 2026 GDP is released on April 30 and will set the tone for how investors interpret the first full quarter shaped by the energy shock. The Fed meets April 28-29 and June 16-17, with Powell’s term expiring on May 23. Q1 2026 earnings season runs through May and will be the first real-world test of how well companies are holding up in this environment.



Amid the uncertainty, there are reasons for measured confidence. The shift toward value and away from overpriced growth stocks was, in our view, a healthy and overdue correction. Corporate earnings at the start of the year were solid. The labor market, while softening, has not broken. And the inflation challenge—while real—remains concentrated in energy rather than built into wages or everyday services.

We continue to monitor conditions closely and remain committed to the disciplined, long-term approach that has always guided our work on your behalf. If further portfolio adjustments are warranted, we will make them, as we

have throughout the first quarter. Please do not hesitate to reach out with any questions or to schedule a review of your portfolio or financial plan. We appreciate the trust and confidence you have placed in our firm, and we look forward to navigating this environment together.



Joseph P. Biondo
CEO, CIO & Portfolio Manager

Sources: Oil/Gold prices – US Energy Information Administration, Wall Street Journal, Bullion Vault; Index/Sector/Stock returns – Bloomberg, S&P Global, Morningstar, JP Morgan; Economic data – Bureau of Labor Statistics, JP Morgan, Wells Fargo Advisors, Yahoo Finance; Earnings data – FactSet; Market outlook – Morningstar, FactSet

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Much to Celebrate at Biondo Investment Advisors

Joseph P. Biondo, CEO, CIO, and Portfolio Manager, has been ranked on the prestigious 2026 Barron’s List for Financial Advisors as well as the 2026 Forbes Best-in-State Wealth Advisors list.

These respected recognitions are a testament to the values of integrity and service that our firm strives to uphold.

Joseph reiterates his appreciation for the support of the entire BIA team and, most importantly, the continued trust of our clients.

Our Congratulations!



Published March 2026;
 Data as of September 2025.



Published April 2026;
 Data as of June 2025.

Use of the rankings, once released, for marketing purposes have been licensed for a fee. The full methodologies can be found on our website, www.TheBiondoGroup.com.

A Financial Safety Net: Why Life Insurance Still Matters



Imagine this life event: It’s a cool summer evening. Sarah and Mike, a married couple both in their mid-40s, are sitting at the kitchen table reviewing college-fund statements for their two teenagers. Mike’s income covers their mortgage, car payments, and the family’s comfortable lifestyle. Then, without warning, Mike suffers heart failure and passes away.

Over the course of the weeks that follow, the grief is overwhelming, but financial panic is never experienced. Because Mike had purchased a 20-year term life insurance policy a few years ago, Sarah receives a tax-free death benefit that is substantial enough to pay off the mortgage, cover college tuition for both of their children, and replace Mike’s income for a period of time until she is able to make a career adjustment. The family’s financial future remains stable.

This is the core purpose of life insurance – to replace the financial value of a life that is suddenly lost. It’s not an investment or a retirement account, but a promise that people you love will not experience financial hardship because you are no longer here to provide for them.



When Term Life Serves the Purpose

For many families, the need for life insurance is temporary. Protection is needed while you still have a mortgage, young children, or any dependents that rely on your income. Once those responsibilities end—the children graduate, mortgage is paid off, retirement savings have accumulated—the initial purpose for a large death benefit generally fades.

Term life insurance offers pure protection at a price that is more broadly affordable. Unlike whole, universal and variable life policies, it does not offer or accrue any cash-value. The premium goes toward the death benefit and keeps the cost lower. Term insurance does offer the option to extend coverage or convert it to another policy type later. At the end of the term, you can let the policy expire if you are no longer in need of the coverage.

Term life does precisely what insurance is supposed to do, by assuming the risk of financial vulnerability for a period of time at an affordable rate.

Permanent Life Insurance Policies

Whole, universal and variable life insurance policies combine a death benefit with a savings component that generates cash value over time. Optional insurance riders can be added to a standard policy to broaden coverage, address a specific need such as long-term care, or protect valuable items. Most riders will increase the policy premium.

In addition to cash-value, a few key benefits of permanent policies include coverage after retirement to address a lifelong need (e.g., special-needs family member) or the utilization of the policy as an estate planning tool that provides a tax-free benefit to heirs or beneficiaries. A permanent policy can offer greater peace of mind for older policy holders or if health concerns arise.

In theory, you can borrow against the cash value or even use it to cover future premiums. In practice, these types of permanent policies come with significantly higher premiums, which are utilized to fund the insurer’s own profit margins and investment strategies responsible for crediting interest to a policy’s cash-value component.

Some factors may diminish the need for “cash-value” policies or result in the policyholder discontinuing payment of the premiums, such as:

Life Changes: When the kids are grown, the mortgage is paid, and the surviving spouse no longer needs a large death benefit, maintaining an expensive permanent policy may not make sense.

Opportunity Costs: Other investment opportunities or financial priorities may take precedent over funding a permanent policy.

Underperformance or Increased Fees: Variable and indexed polices are subject to market volatility and universal life policies can be subject to premium increases when interest rates decline.

It’s important to note that discontinuing payment of premiums on a cash-value policy can cause it to lapse, trigger taxes on any gains above the premiums paid and leave a family without coverage when they may still need it. Before purchasing a permanent policy, it should be known that surrendering (canceling) a policy can result in surrender fees that vary depending on how long you’ve held the policy.

The Bottom Line

Life insurance is not something you just buy and forget about. Markets, your family, your life, and your needs change and evolve over time. A policy that made perfect sense in your mid-30’s may be an expensive drag on your finances in your mid-50’s. These circumstances emphasize the importance of talking to your wealth advisor, or reaching out to one for clarity on questions such as:

- What policy is right for me?
- Is a term life policy most suitable?
- When might a permanent life insurance policy make sense?
- Do I need a new policy, additional coverage or maybe no coverage at all?

At Biondo Investment Advisors, we welcome the opportunity to discuss these topics with you and your heirs to determine strategies that are most suitable. An advisor will look at your complete financial picture—your income, assets, debts, estate plan and future goals to determine an approach that is well aligned to you. You are always welcomed to reach out to me or any member of our investment advisory team to learn more.



Luke Barbalich, MBA
Wealth Advisor

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