

Making Sense

Market Update | March 2026



Brent Ciliano
Chief Investment Officer



Phillip Neuhart
Head of Market and
Economic Research

Recorded on March 24, 2026

What are we going to cover?

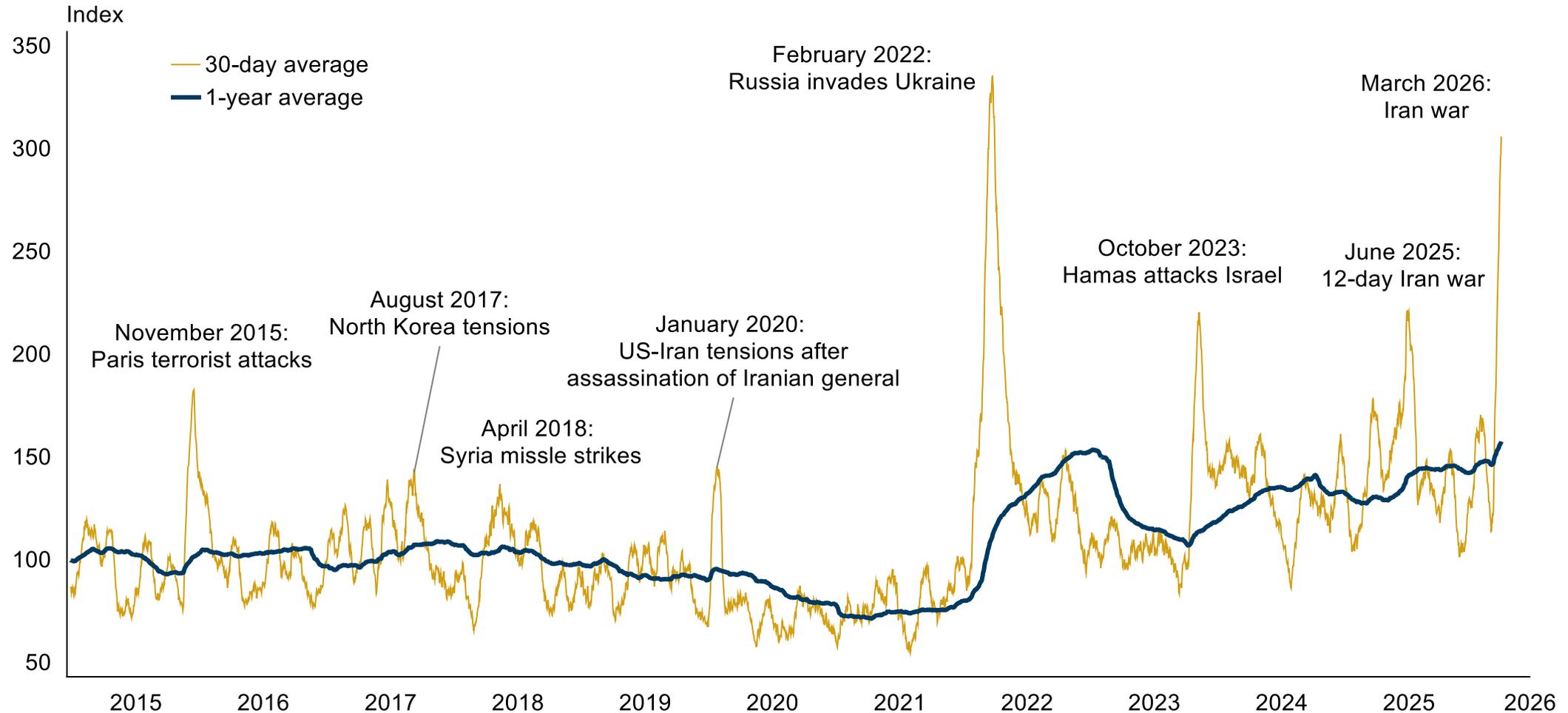
- 1. Special update: War in the Middle East**
 - 2. Economic update:**
Growth expectations | Labor market | Policy developments | Housing outlook
 - 3. Market update:**
Equity markets | Artificial intelligence | Fixed income
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Special update: War in the Middle East



Geopolitical risk has moved higher this decade

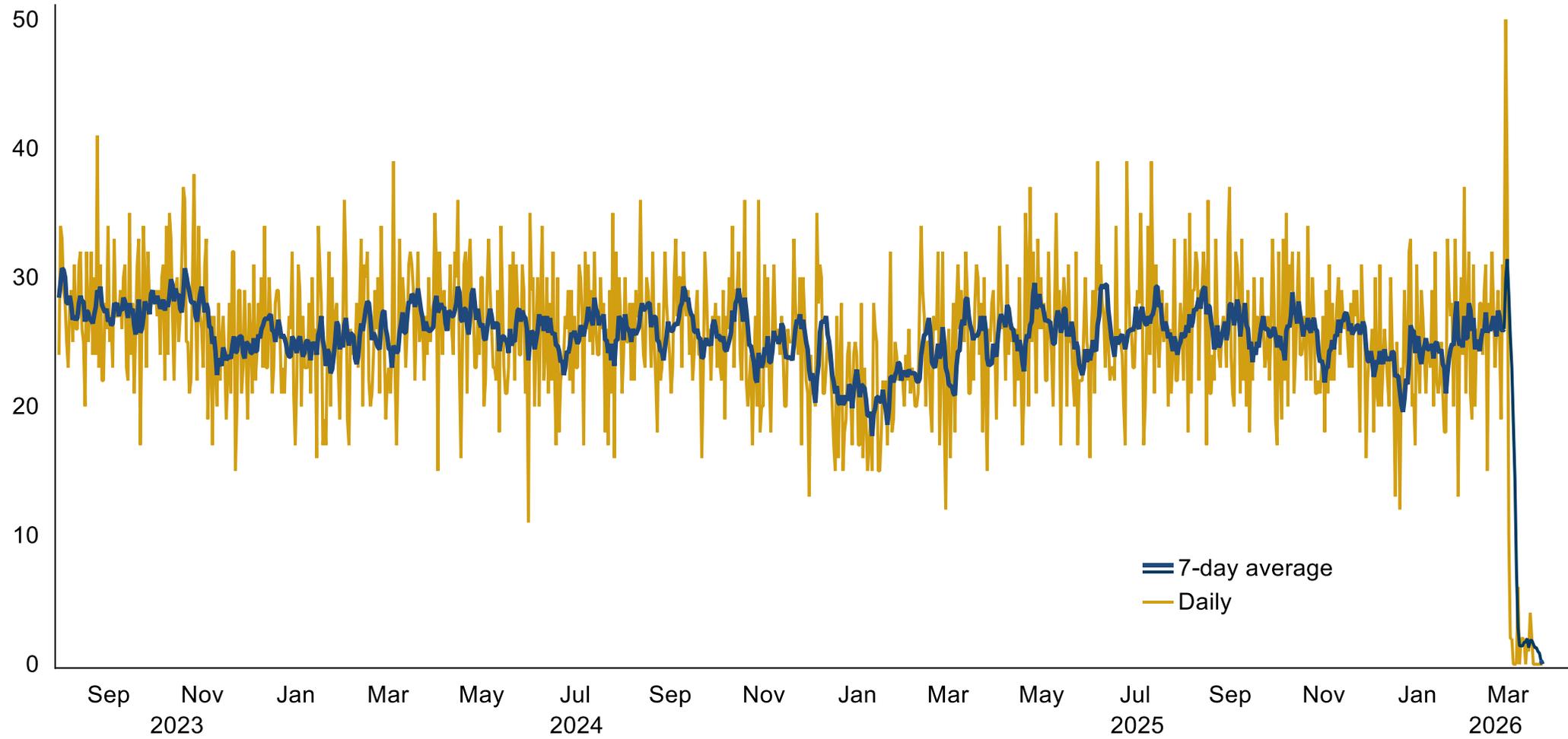
Geopolitical Risk Index



Source: Matteo Iacoviello, First Citizens Bank
Data as of March 23, 2026

The Middle East war is causing the largest oil supply disruption in history

Number of Crude Oil Tankers Crossing the Strait of Hormuz



Source: Bloomberg, First Citizens Bank
Data as of 3/20/2026

Energy markets have seen the most disruption so far

	Year to date, pre-conflict (Jan. 1 - Feb. 27)	Change since conflict began (Mar. 1 - Mar. 23)	Year to date (Mar. 23)	Latest (Mar. 23)
Energy				
WTI Crude Oil Futures	+17%	+32%	+54%	\$88.50
Brent Crude Oil Futures	+19%	+37%	+64%	\$99.65
Natural gas (Europe) Futures	+18%	+77%	+109%	\$56.68
Natural gas (United States) Futures	-22%	+2%	-21%	\$2.91
Equities (U.S. & International)				
S&P 500	+1%	-4%	-4%	6,581
European Markets (Euro Stoxx 50)	+6%	-9%	-4%	5,574
Asian Markets (Nikkei 225)	+14%	-12%	+2%	51,515
Fixed Income & Currency				
2-year U.S. Treasury yield	-10 bp	+47 bp	+37 bp	3.84%
10-year U.S. Treasury yield	-25 bp	+40 bp	+17 bp	4.34%
US Dollar Spot Price	-1%	+2%	+1%	99
Market-implied cumulative number of rate cuts through Dec. 2026 (basis points)	-61 bp	+1bp (Mar. 23)		+1bp
Other Assets				
Gold Spot Price	+22%	-17%	+2%	4,393
Bitcoin Spot Price in USD	-25%	+8%	-19%	70,660

Equities typically rally – sometimes sharply – after major global events

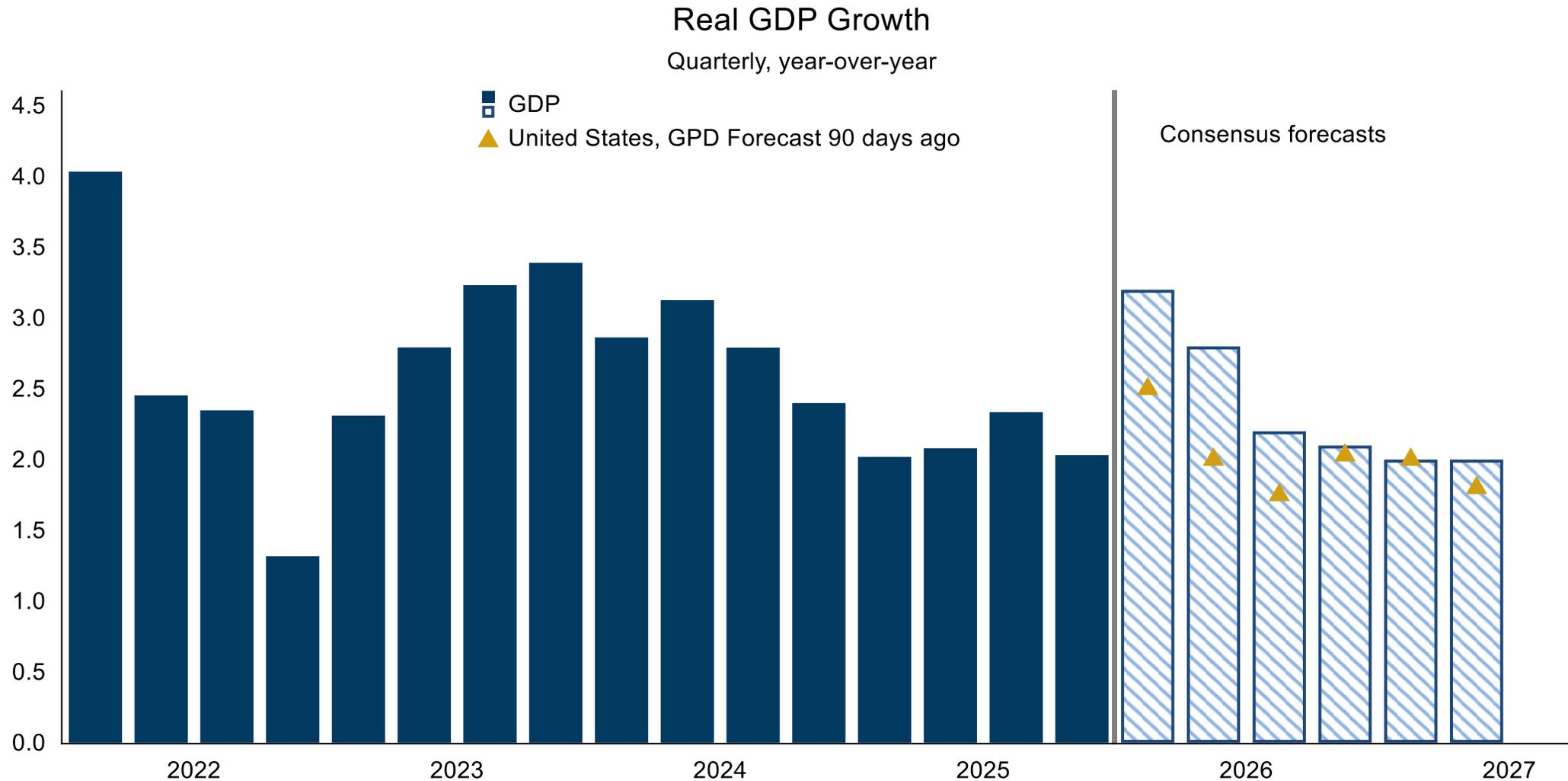
Stock Market Performance Around Geopolitical Events

Event	Event date	Time to bottom (trading days)	Time to recover			1-week from bottom	1-month from bottom	3-months from bottom	6-months from bottom	12-months from bottom
			Time to bottom (trading Days)	Size of selloff (%)	prior level					
WW-II Germany annexes Czechoslovakia	3/15/1939	22	108	-20.5	2.3	8.3	8.5	23.2	18.9	
WW-II Germany attacks France	5/9/1940	22	745	-25.8	11	10.9	17.1	18	9.2	
WW-II Pearl Harbor	12/7/1941	17	201	-10.8	11	6.5	-3.8	-1.1	15.3	
N. Korea invades S. Korea	6/24/1950	17	43	-12.9	4.8	11.2	19.2	29.2	31.4	
Suez Crisis	10/29/1956	17	131	-6.8	5.5	4.9	-1.4	6.2	-6	
Berlin Wall Built	8/13/1961	25	18	-3.9	1.4	4.1	8	6.2	-14.6	
Cuban missile crisis	10/14/1962	7	9	-6.6	5.7	15	22.7	30	36.5	
Assassination of President Kennedy	11/22/1963	2	1	-2.8	5.2	6.7	11.5	16	23.9	
Authorization of military in Vietnam	8/7/1964	15	36	-3.2	1.3	1.7	4.8	7.3	5.8	
Six Day Israel Arab war	6/5/1967	20	40	-6.5	4.1	3.3	6.5	7.7	13	
Assassination of Martin Luther King Jr	4/4/1968	2	2	-0.6	3.5	5.8	8.2	11.2	7.9	
Israel Arab war/oil embargo	10/16/1973	27	1475	-17.1	1.5	7.3	5.6	-2	-28.2	
President Nixon impeachment proceedings	2/6/1974	9	16	-6.6	1.8	9.1	0.9	-10.8	-13.3	
Shah of Iran exiled	1/16/1979	9	34	-4.6	1.8	1.3	1.9	8.7	19.7	
Iranian hostage crisis	11/4/1979	24	51	-10.2	3.5	7.7	16.4	7.3	29.3	
Soviet invasion of Afghanistan	12/24/1979	12	6	-3.8	4.4	9.4	-2.9	11.6	29.6	
Invasion of Grenada	10/25/1983	22	304	-6.3	2.2	2.1	-3.7	-0.8	4.3	
Bombing of Libya	4/15/1986	20	7	-4.9	3.7	5.7	6.2	5	23.5	
First Gulf War	10/2/1990	50	87	-15.9	3.5	6.2	6.7	27.8	29.1	
President Clinton impeachment proceedings	12/19/1998	6	5	-3.9	5.4	6.2	13.4	13.4	23	
Kosovo bombing	3/24/1999	4	9	-4.1	3.1	7.5	5.6	1.4	21	
9/11 Attacks	9/11/2001	6	15	-11.6	7.8	11.1	18.5	19.4	-12.5	
Iraq war	3/20/2003	7	16	-5.3	3.7	8	15.8	20	32.8	
Arab spring (Egypt)	1/25/2011	2	3	-1.8	2.7	4	6.6	1.9	3.1	
Intervention in Libya	3/19/2011	18	29	-6.4	3.2	5	0.9	-3.3	11.7	
Ukraine conflict	3/1/2014	6	13	-2	1.4	-0.6	5.2	7.8	11.5	
Intervention in Syria	9/22/2014	21	12	-7.4	4.7	9.5	8.4	13	9.1	
Brexit Vote	6/23/2016	14	9	-5.6	5.1	8.3	8	13.4	20.9	
Airstrike on Syrian Airbase	4/7/2017	32	16	-2.8	1.2	2.7	5.1	9.6	14.1	
Russia-Ukraine War	2/24/2022	9	14	-1.3	2.3	7.8	-0.9	-3.2	-2.7	
"Liberation Day" tariffs	4/2/2025	5	23	-12.1	8.3	13.7	20.8	36.0	-	
Median		15.0	16.0	-6.3	3.5	6.7	6.6	8.7	13.6	
Average		15.1	112.2	-7.6	4.1	6.8	7.7	10.6	12.2	

Economic update

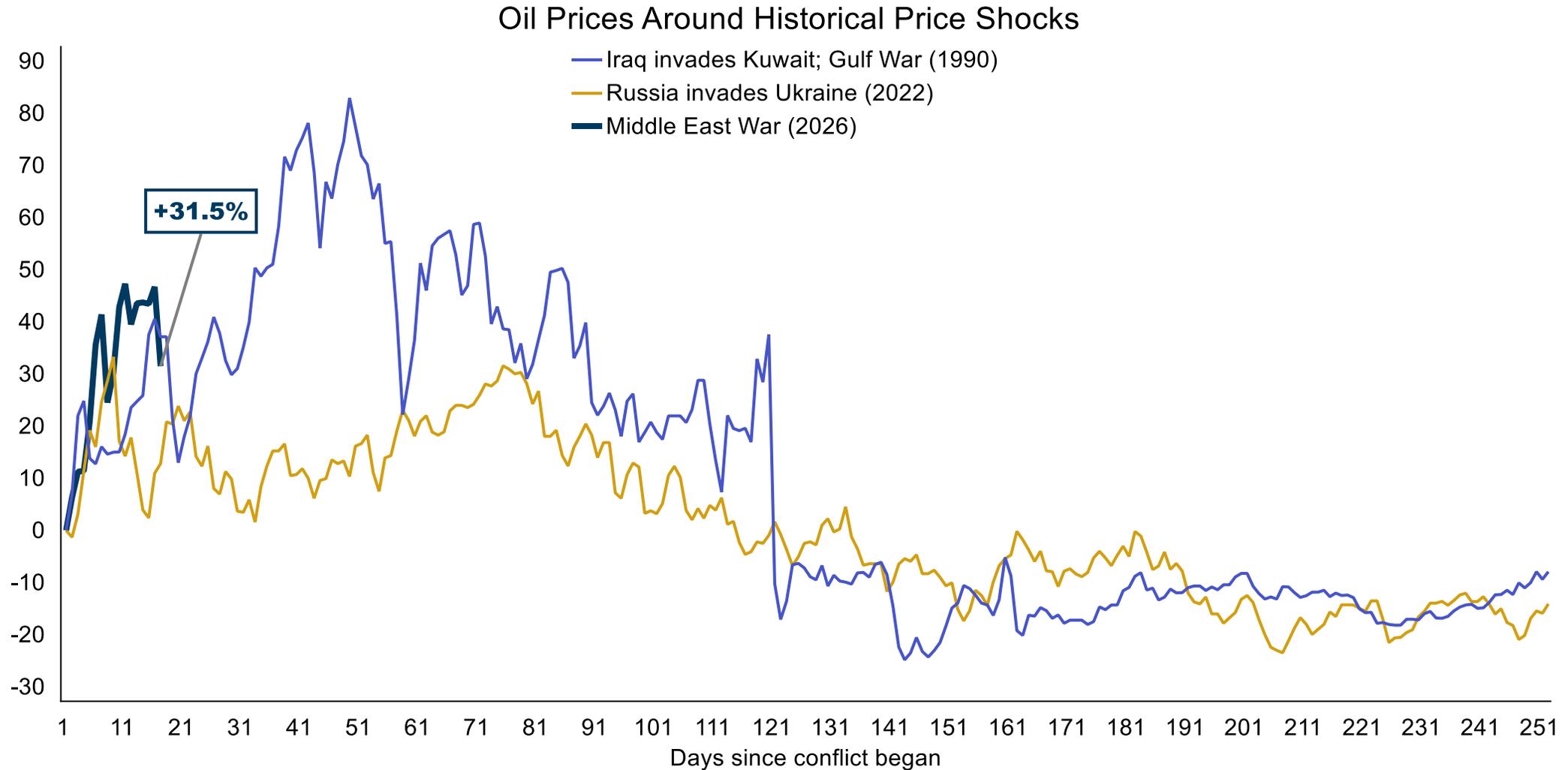


GDP is still growing at a solid, above-trend pace



Source: U.S. Bureau of Economic Analysis (BEA), Bloomberg, First Citizens Bank
Data as of 3/23/2026

Oil prices have risen sharply since the start of the war



Source: Bloomberg, First Citizens Bank
Data as of 3/23/2026

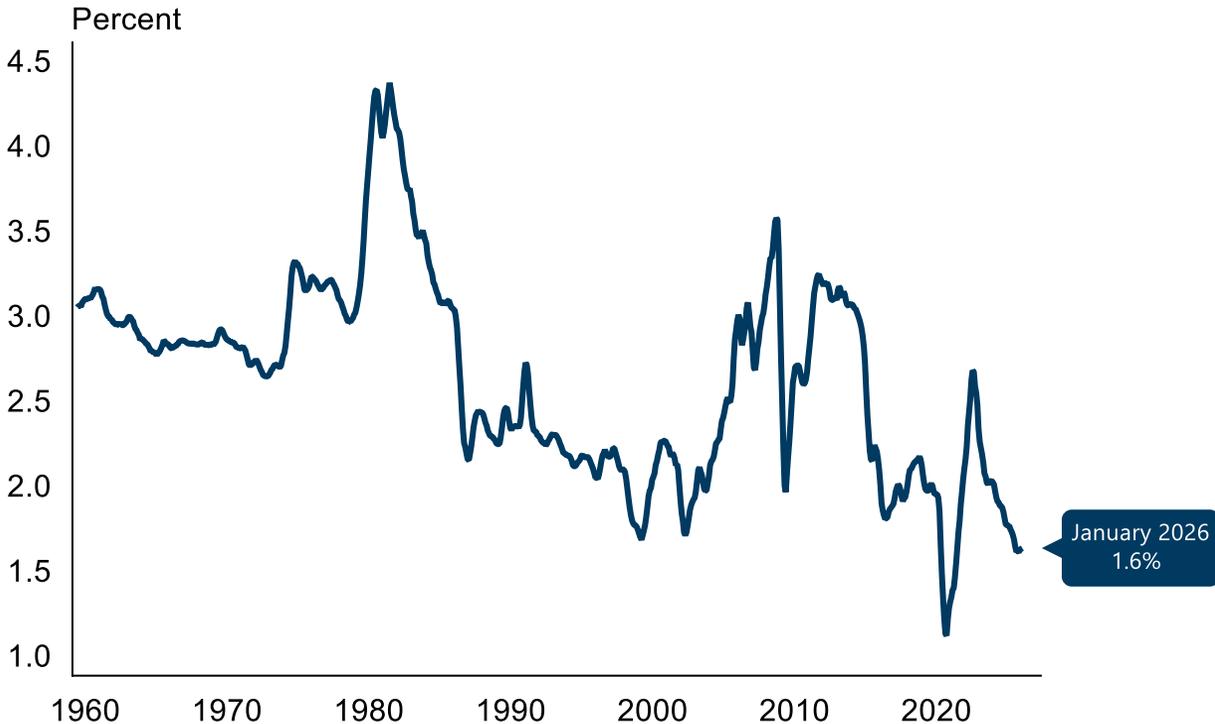
Households have never spent so little of their incomes at the pump

Retail Gasoline Price



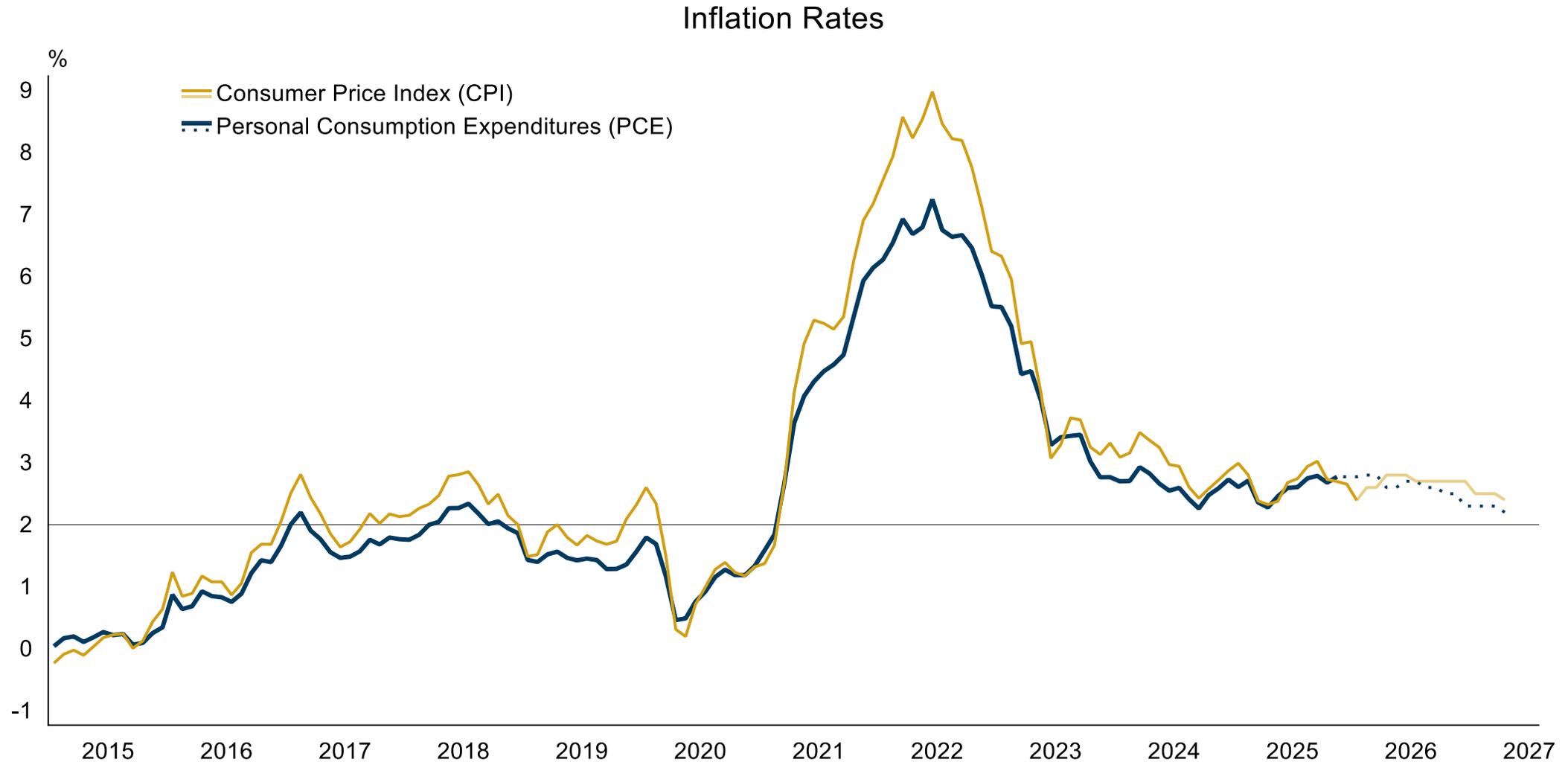
Source: Energy Information Administration (EIA), First Citizens Bank
Data as of March 17, 2026

Gasoline and Motor Fuel Spending Share of Disposable Personal Income



Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data as of March 13, 2026

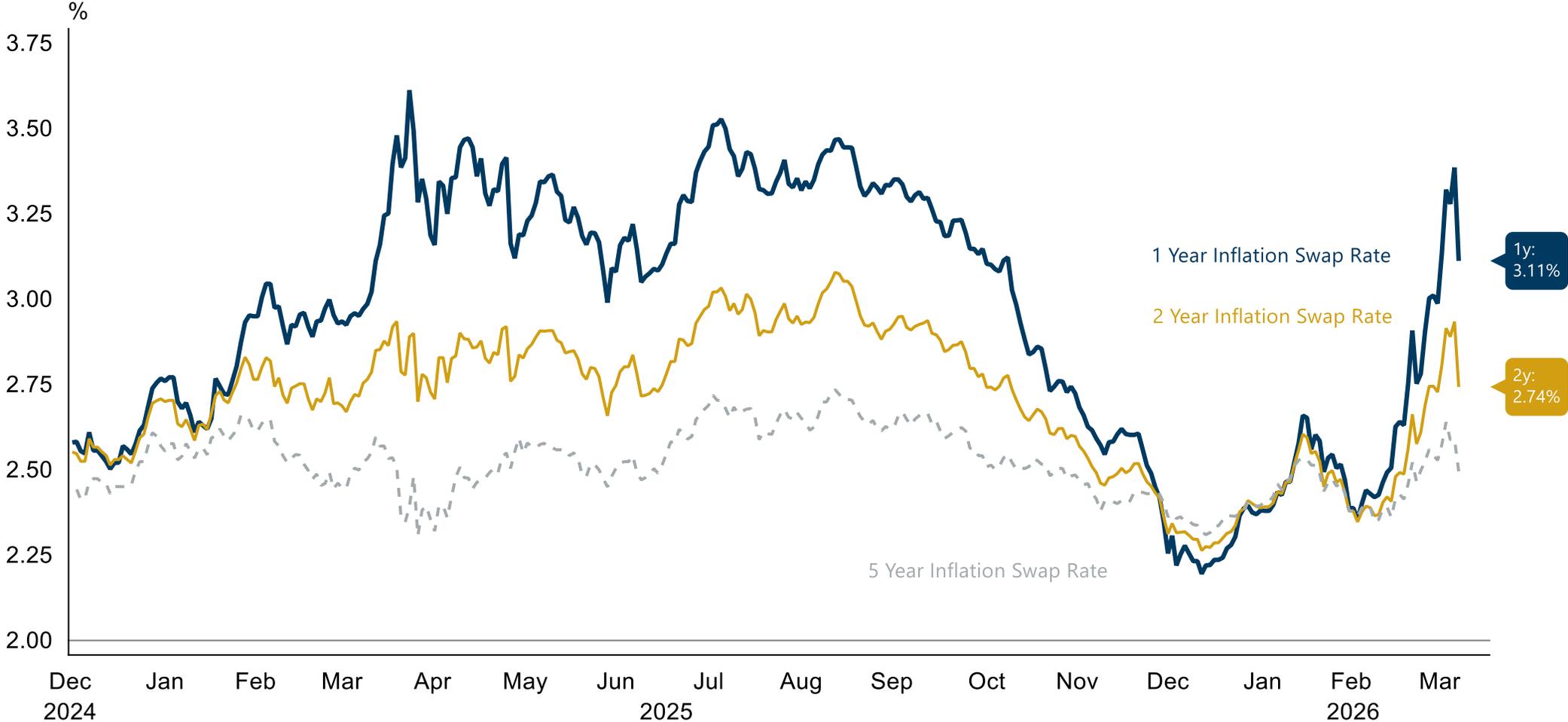
The last mile back to 2% inflation is proving to be the hardest



Source: U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of February 13, 2026

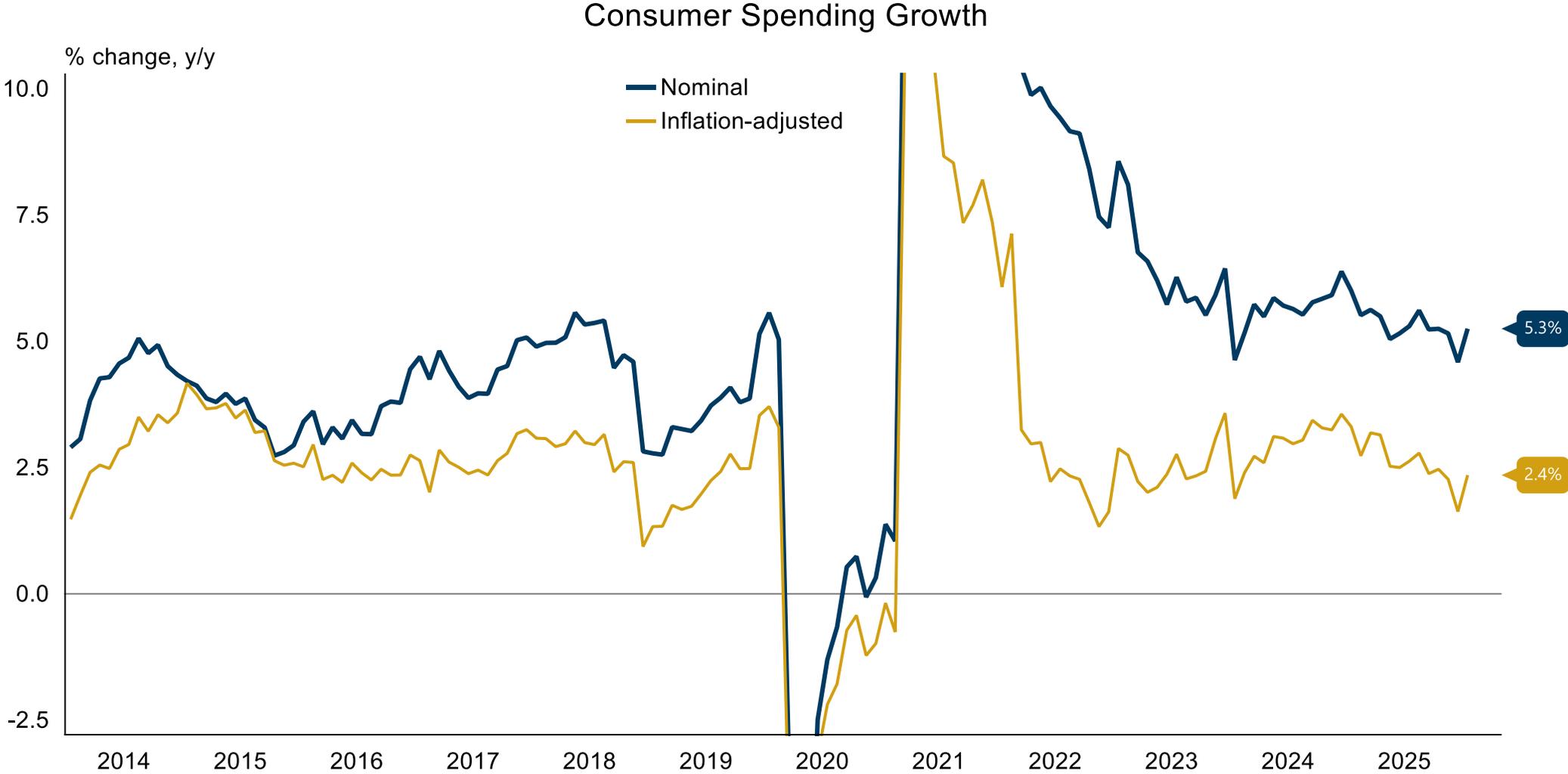
Markets now see inflation at about 3% for the next 2 years

Market Inflation Expectations



Source: Bloomberg, First Citizens Banks
Data as of 3/23/2026

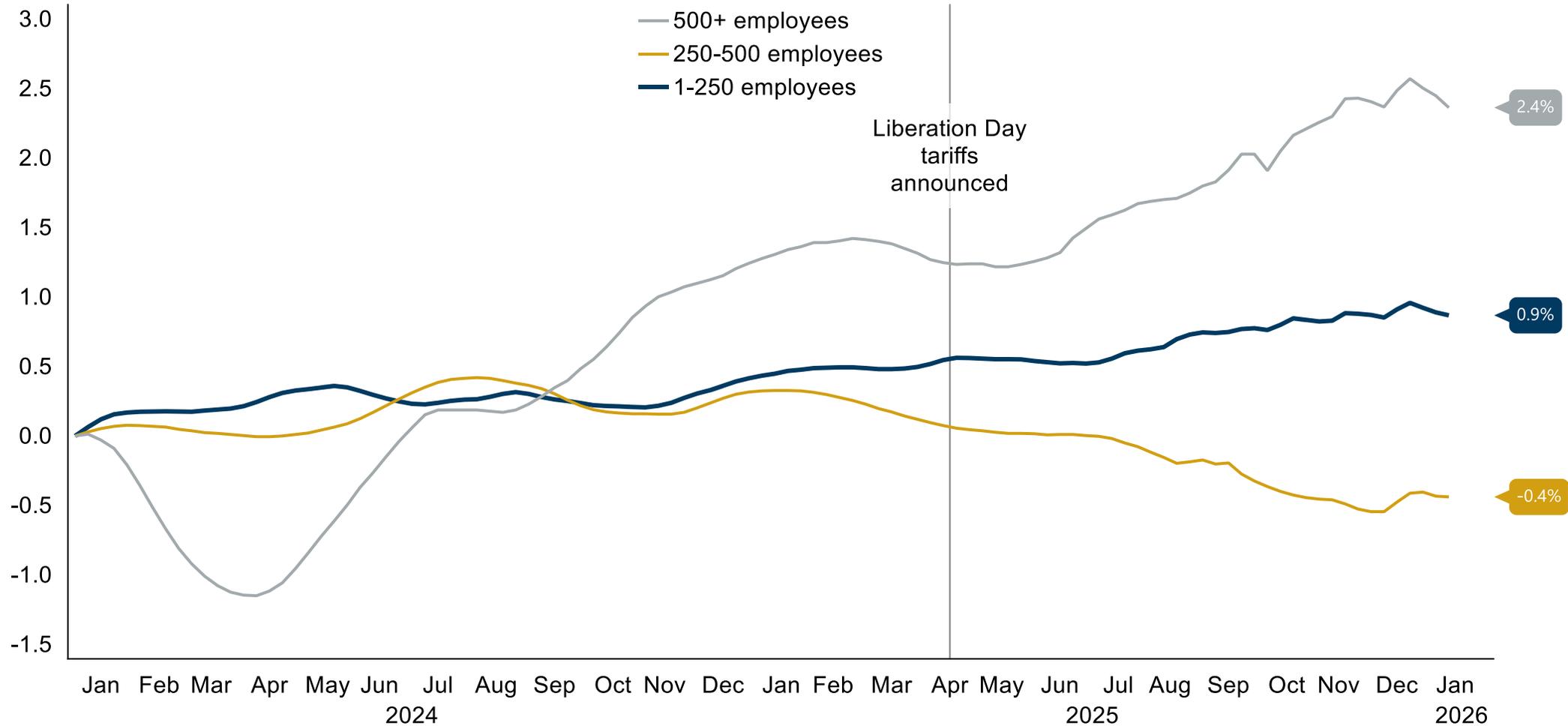
Household spending growth has decelerated – to a still decent pace



Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data through January 2026

Smaller businesses are facing slower employment growth

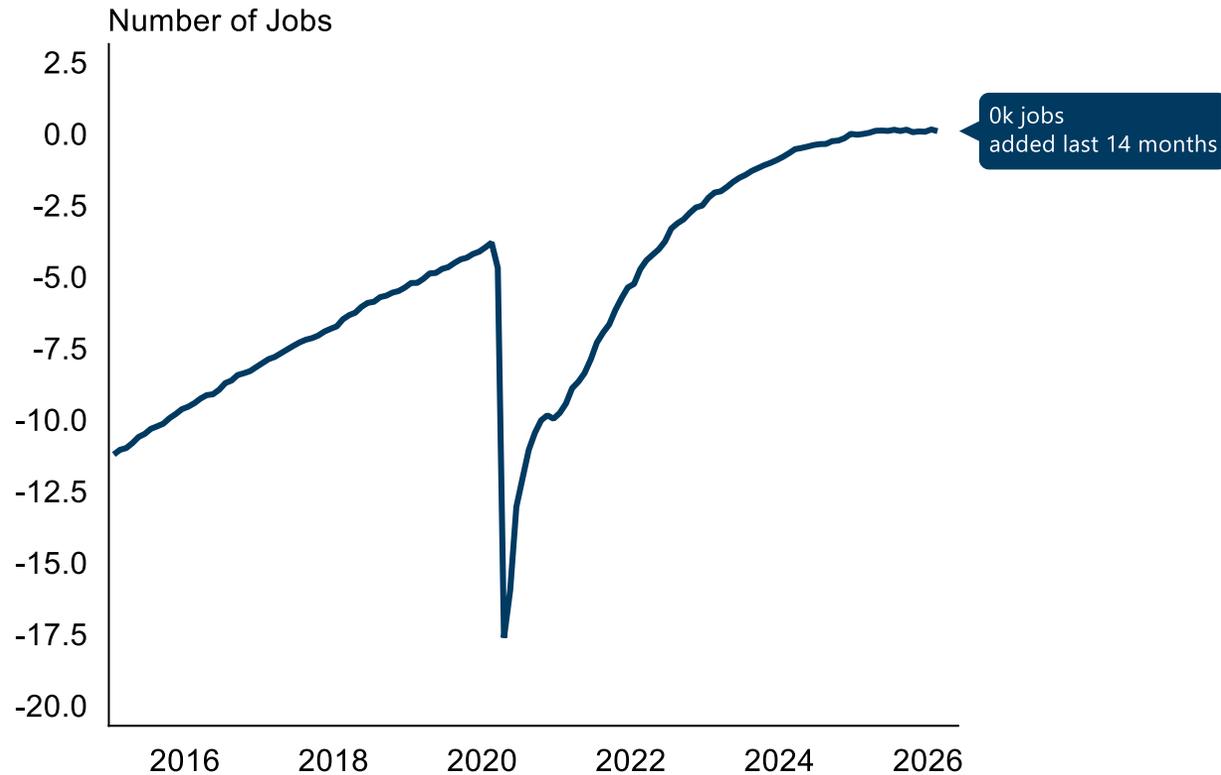
Cummulative change in employment since January 2024, by firm size



Source: Automatic Data Processing, Inc. (ADP), First Citizens Bank
Data as of March 4, 2026

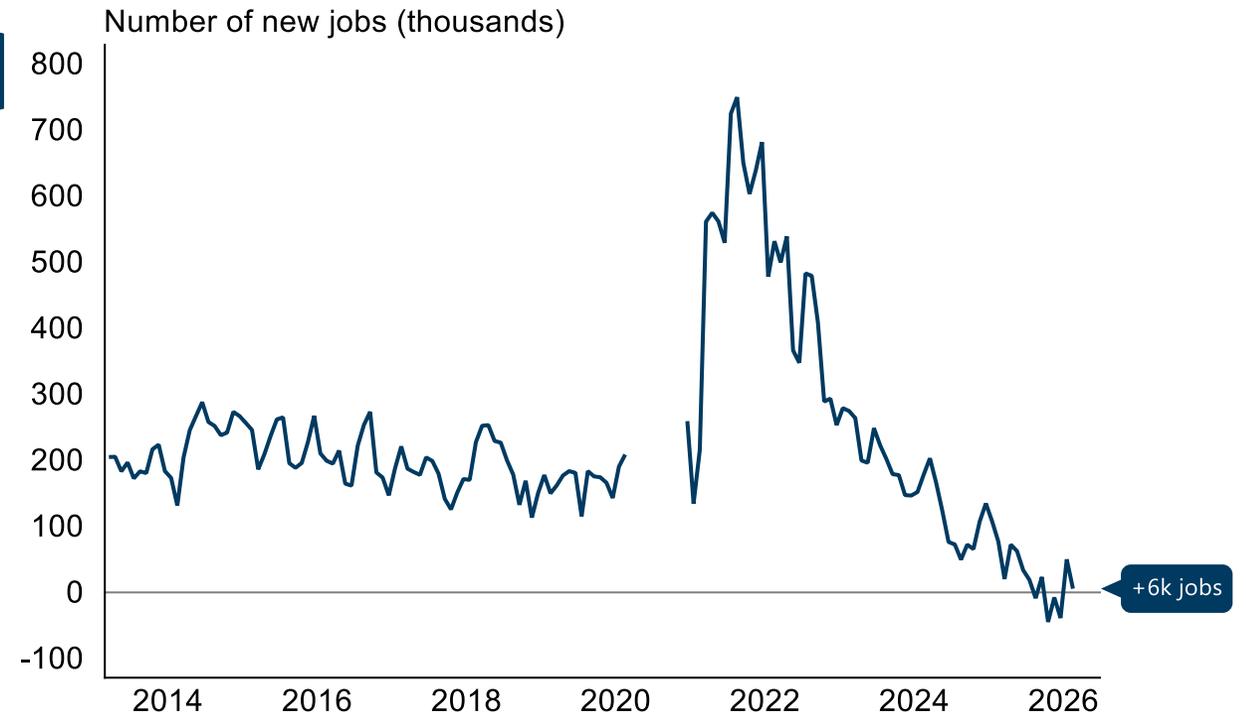
Payroll job growth has slowed to a stall

Level of Nonfarm Payrolls, Indexed to Jan. 2025



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of March 6, 2026

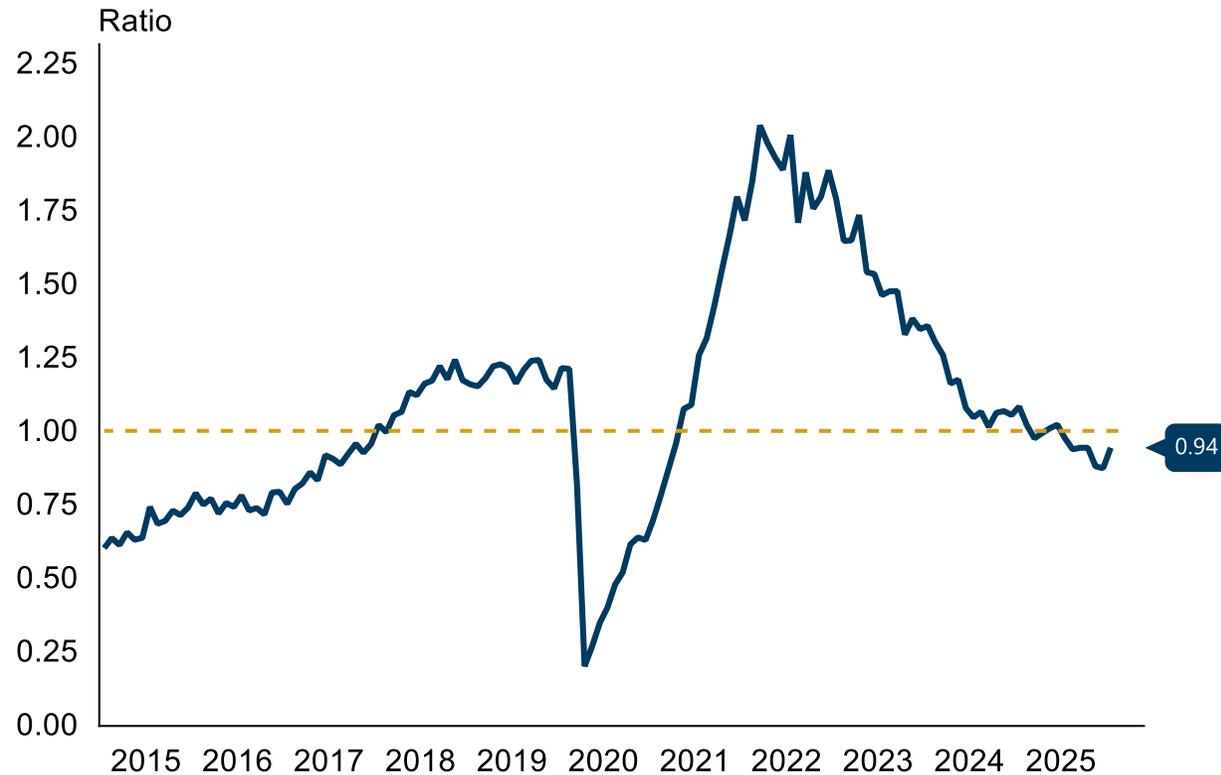
Monthly Change in US Payroll Employment (3-month average)



Source: Macrobond, First Citizens Bank.
Data as of: February 2026

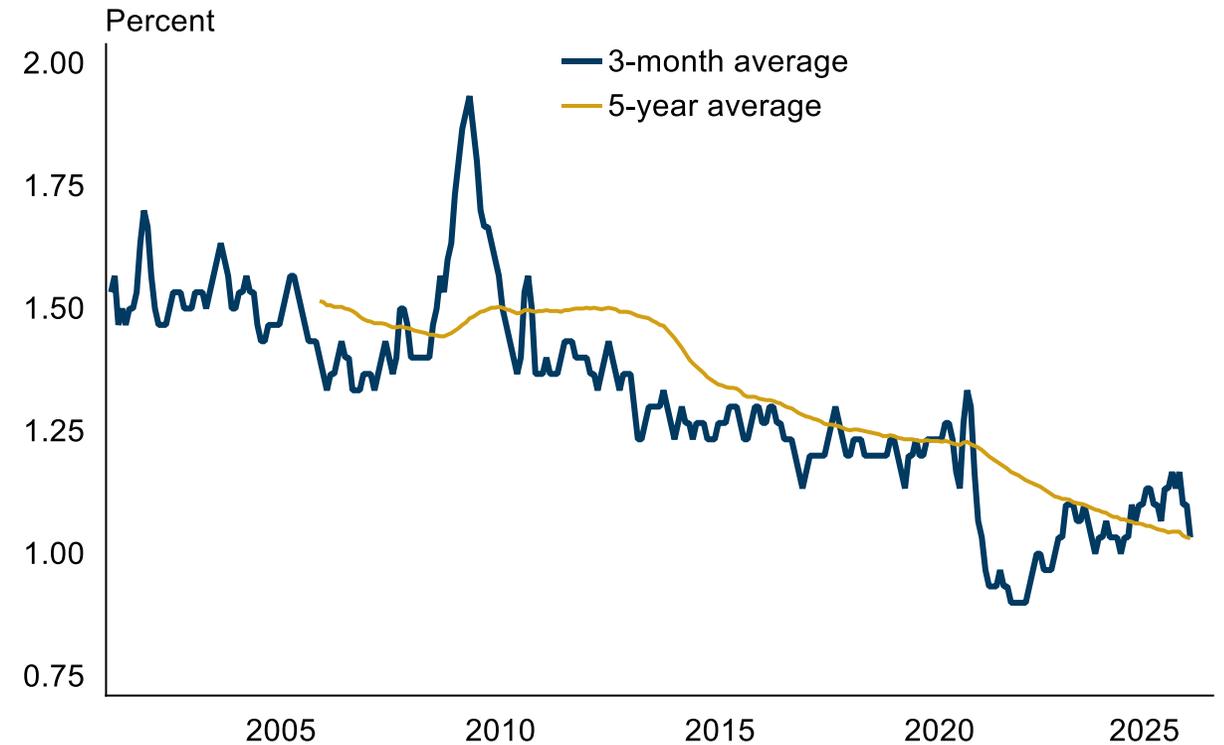
There are fewer jobs available, but aggregate layoffs remain low

Number of Job Openings per Unemployed Worker



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data through January 2026

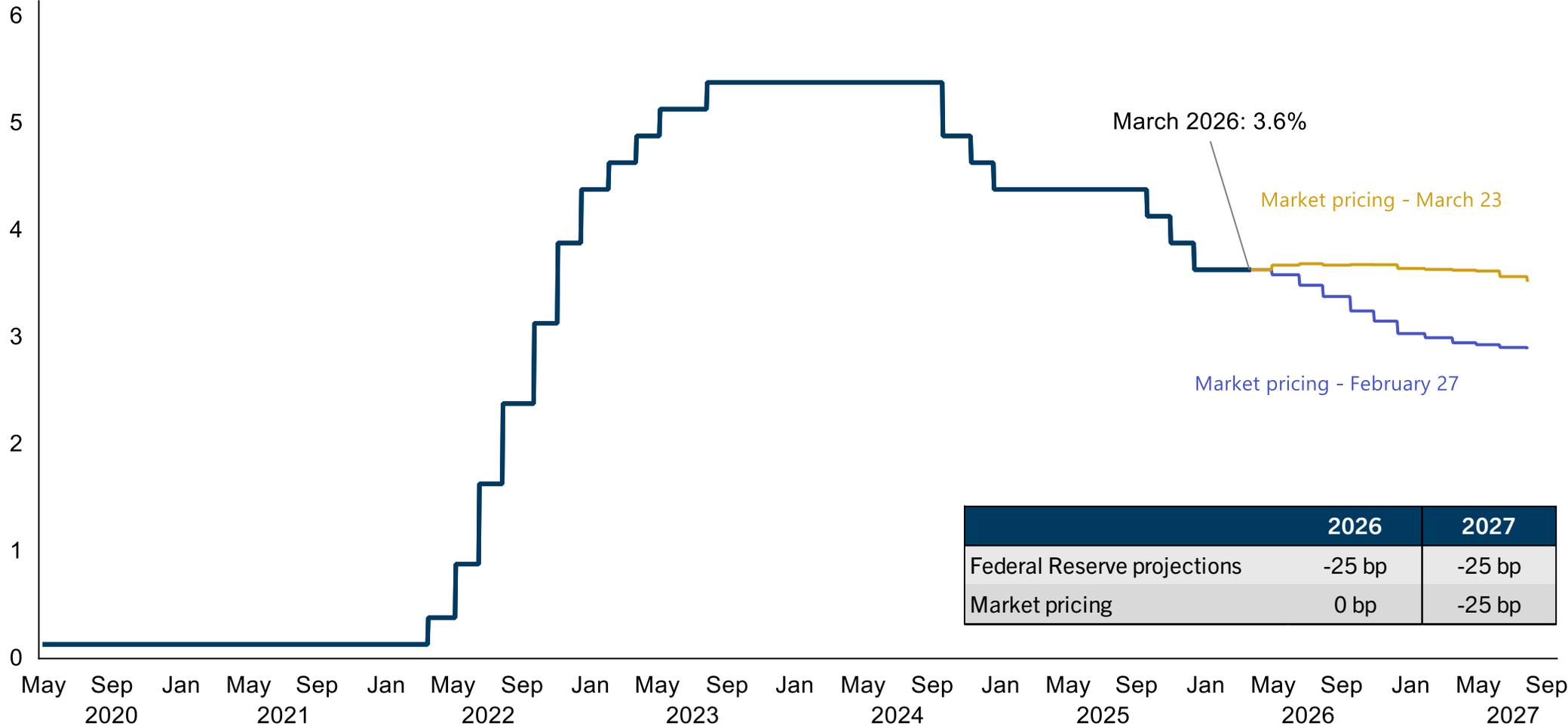
JOLTS: Layoffs Rate



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Note: Data for 3/2020 - 6/2020 excluded.
Data as of January 2026

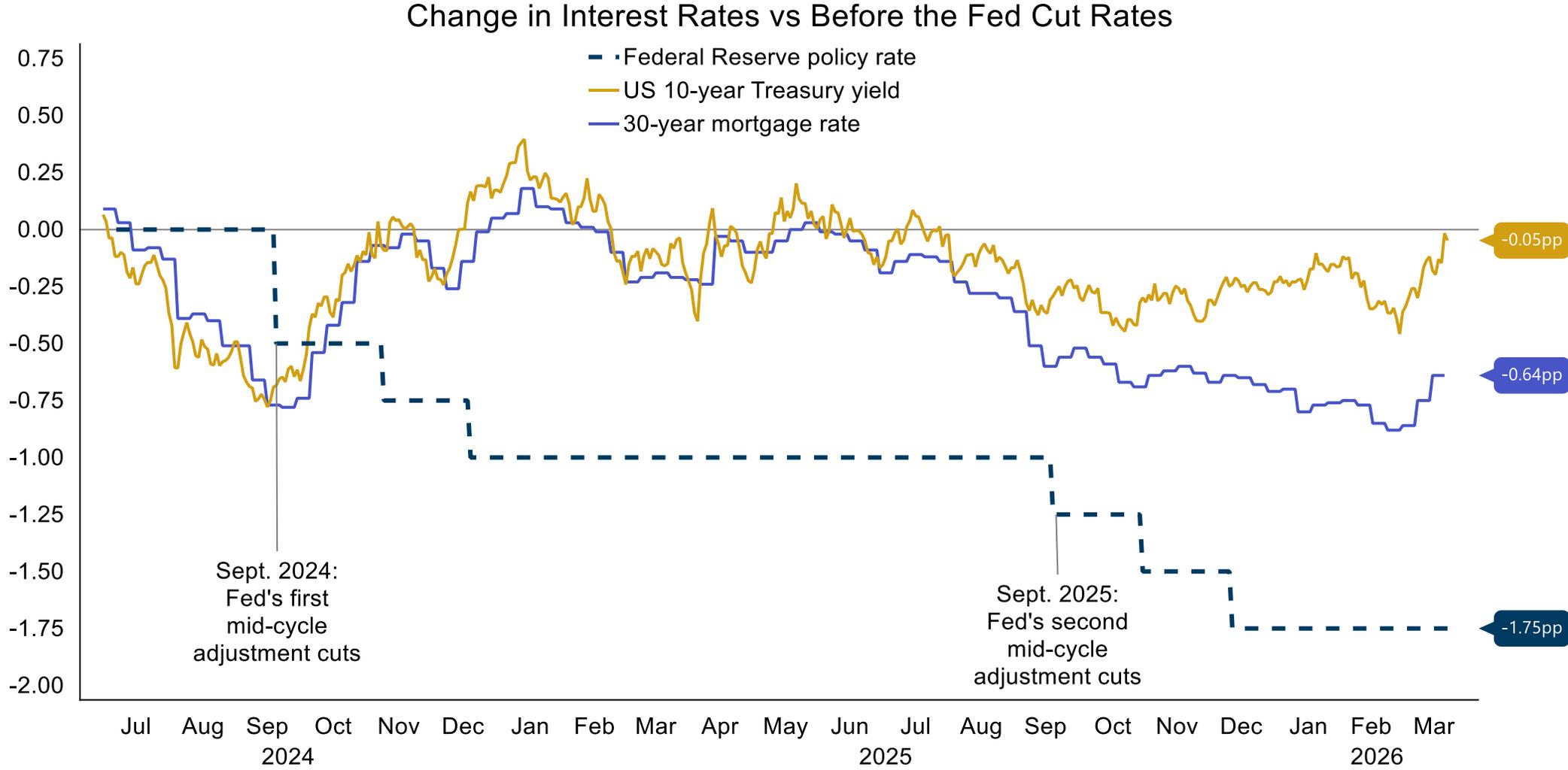
Markets no longer expect the Fed to cut interest rates this year

Federal Funds Rate & Market-Implied Path



Source: Federal Reserve, First Citizens Bank
Data as of 3/23/2026

Longer-term rates do not necessarily follow the Fed's policy changes

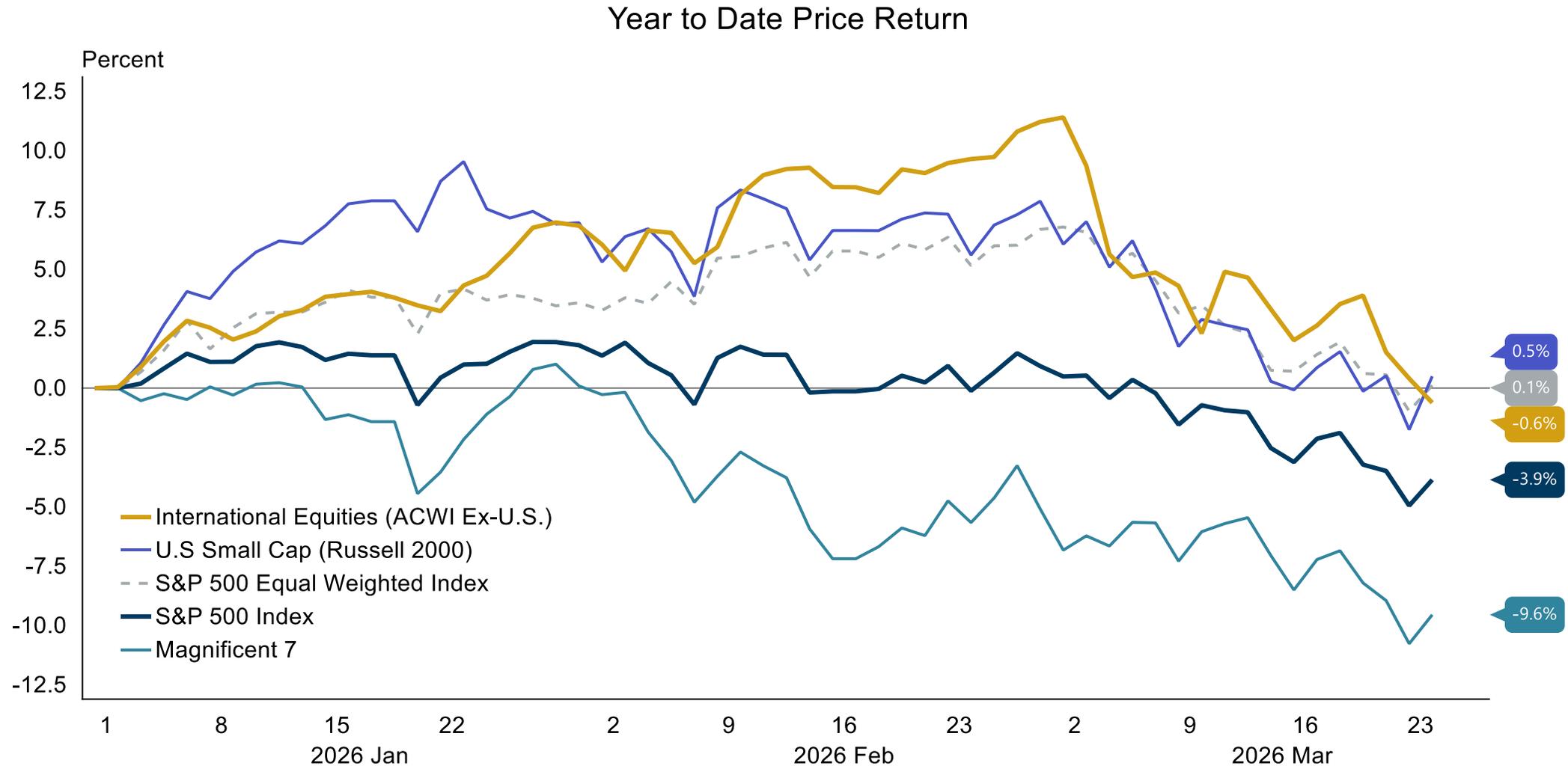


Source: Freddie Mac, Federal Reserve, Bloomberg First Citizens Bank
Data as of March 22, 2026

Market update



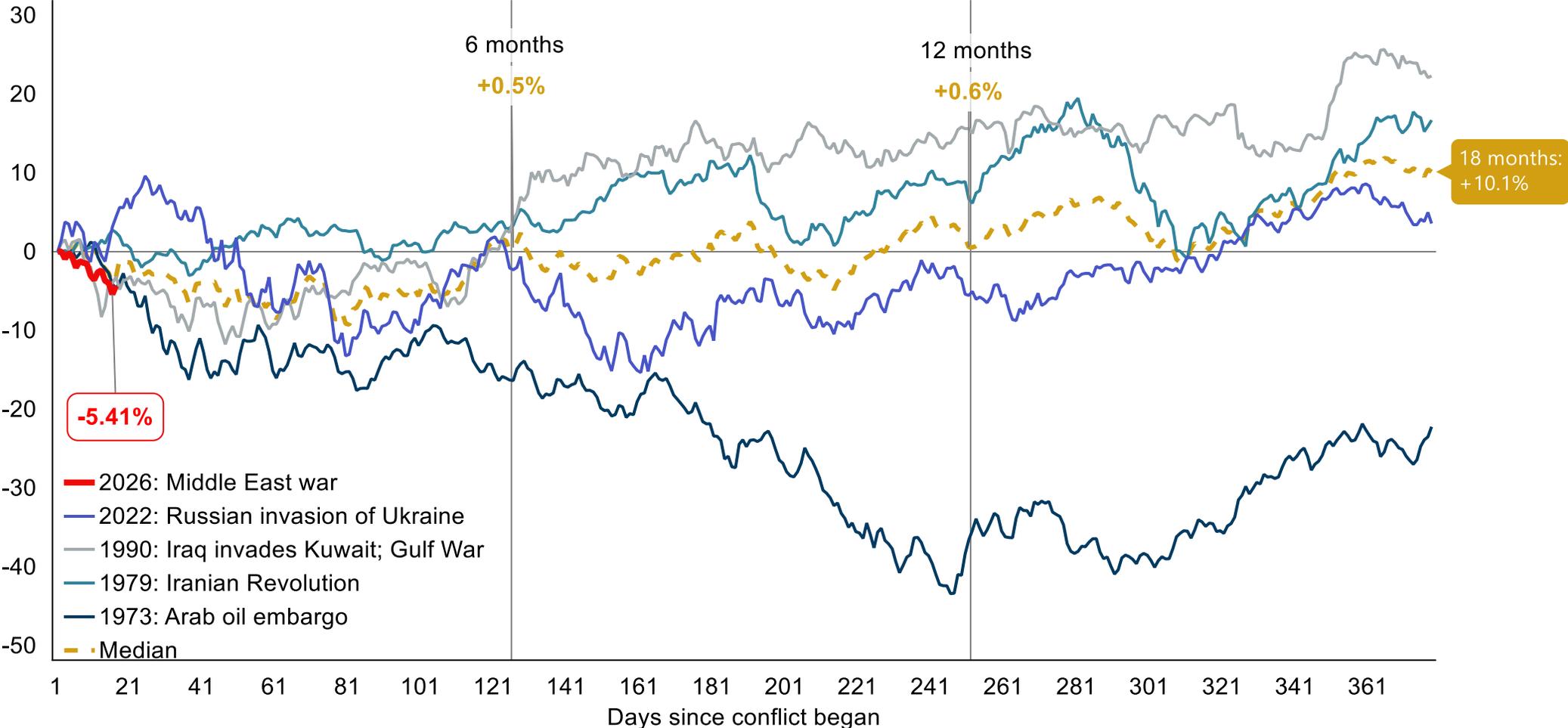
Small cap and international equities are outperforming US large cap this year



Source: Bloomberg
Data as of: 3/23/2026

Equity market returns have been mixed around past oil price shocks

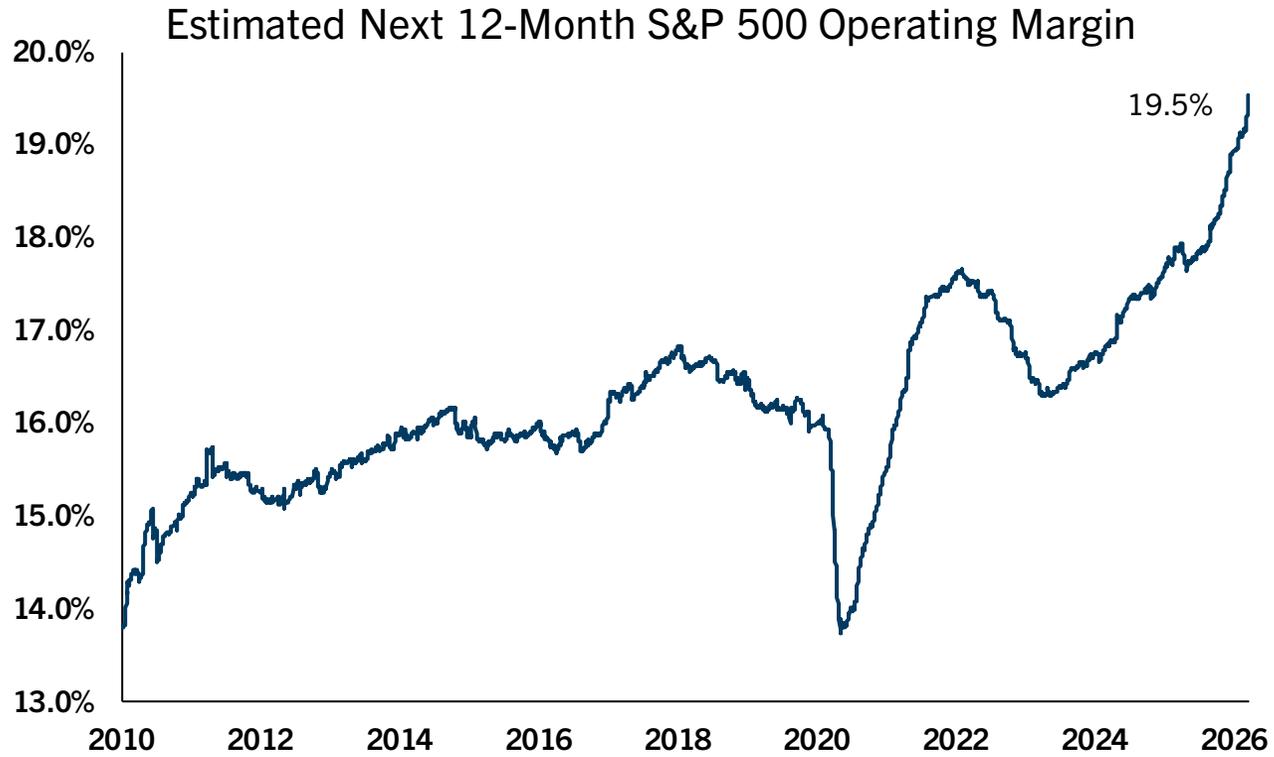
Change in S&P 500 Index Around Historical Oil Price Shocks After 18 Months



Source: Bloomberg, First Citizens Bank
Data as of: 3/23/2026

Estimates point to robust corporate earnings and margin growth for 2026

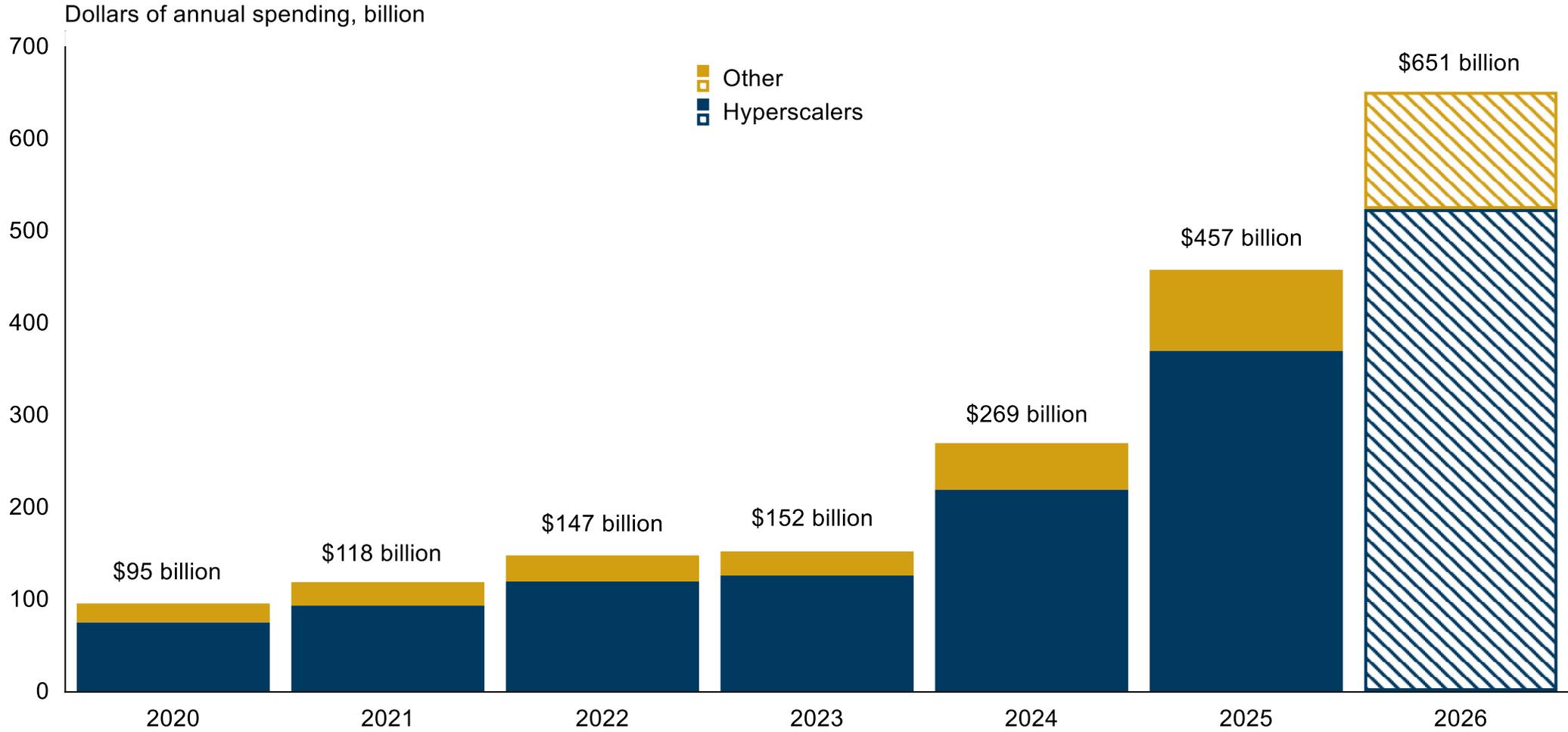
- CY 2025 estimated growth is **13.6%**
Q1 2026 estimated growth is **12.5%**
- CY 2026 estimated growth is **16.3%**
- Average growth since 1950 is **7.6%**



Source: FactSet, Bloomberg. Data as of 3/20/2025.

Mega cap tech companies are spending massively on AI infrastructure

Capex Spending on Generative AI



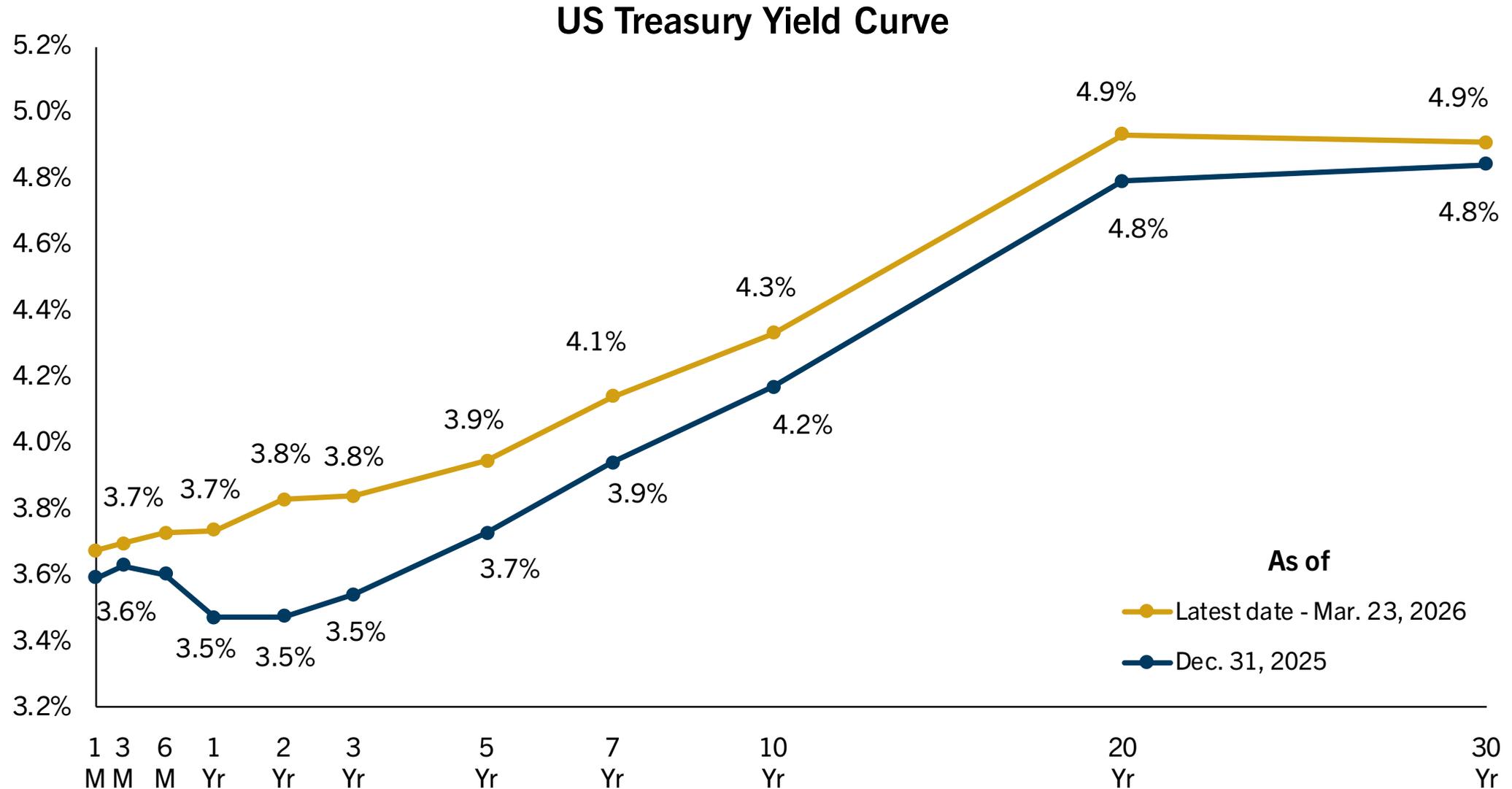
Source: Bloomberg
Data as of: 1/6/2026

We are cautiously constructive on the S&P 500

Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 3/23/2026
Bear	5,300	-19.5%
Base	7,300	10.9%
Bull	7,900	20.0%

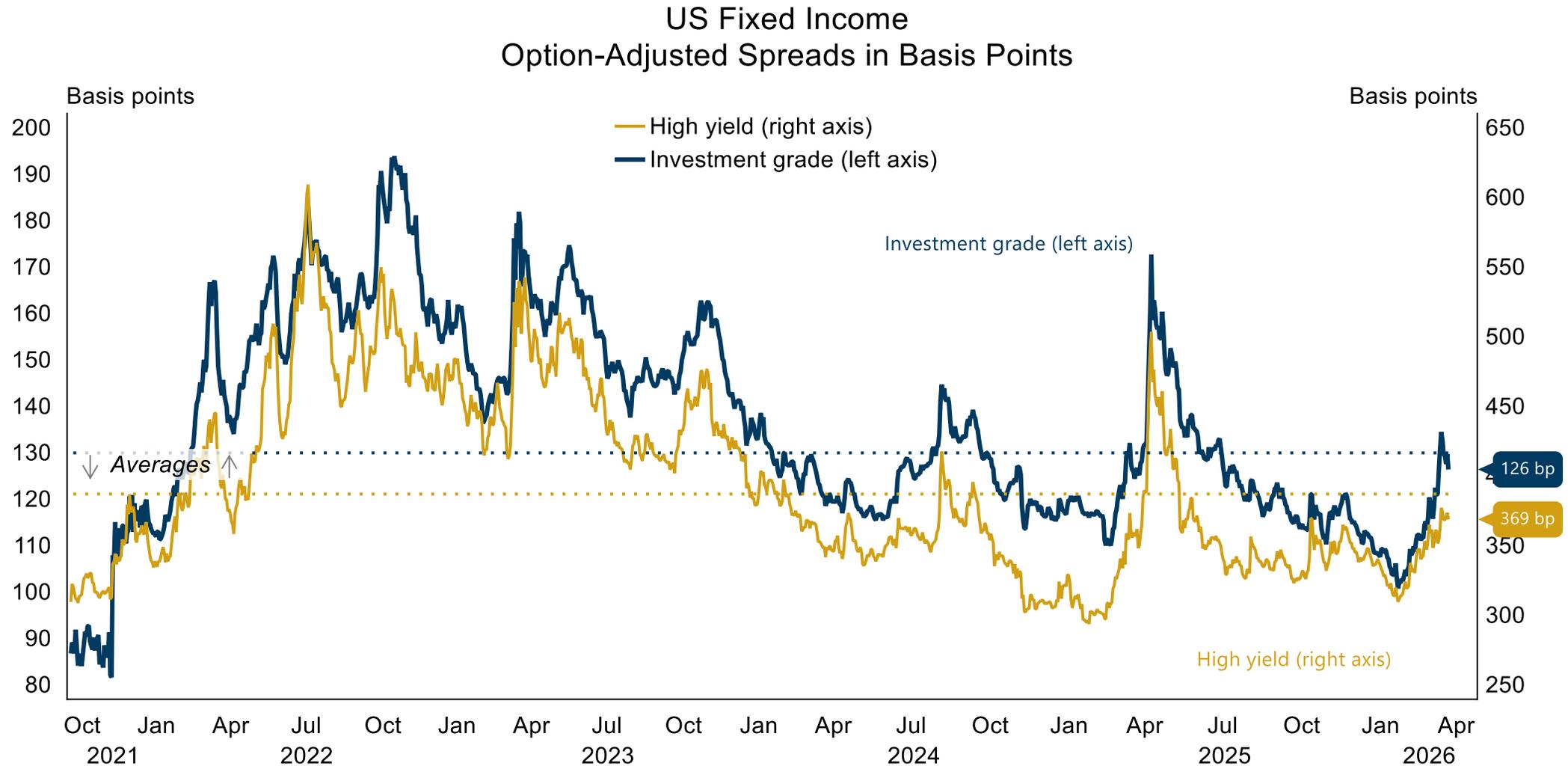
The yield curve has moved higher across the board



Interest rates have stepped higher in recent weeks

Fixed Income Indices			
	Yield to Worst		
	12/31/2025	2/27/2026	Latest
Aggregate Bond	4.3%	4.2%	4.7%
Intermediate Government/Credit	3.9%	3.8%	4.3%
Municipal Bond	3.6%	3.3%	3.7%
Investment Grade Corporate Bond	4.8%	4.7%	5.2%
High Yield Corporate Bond	6.5%	6.7%	7.5%

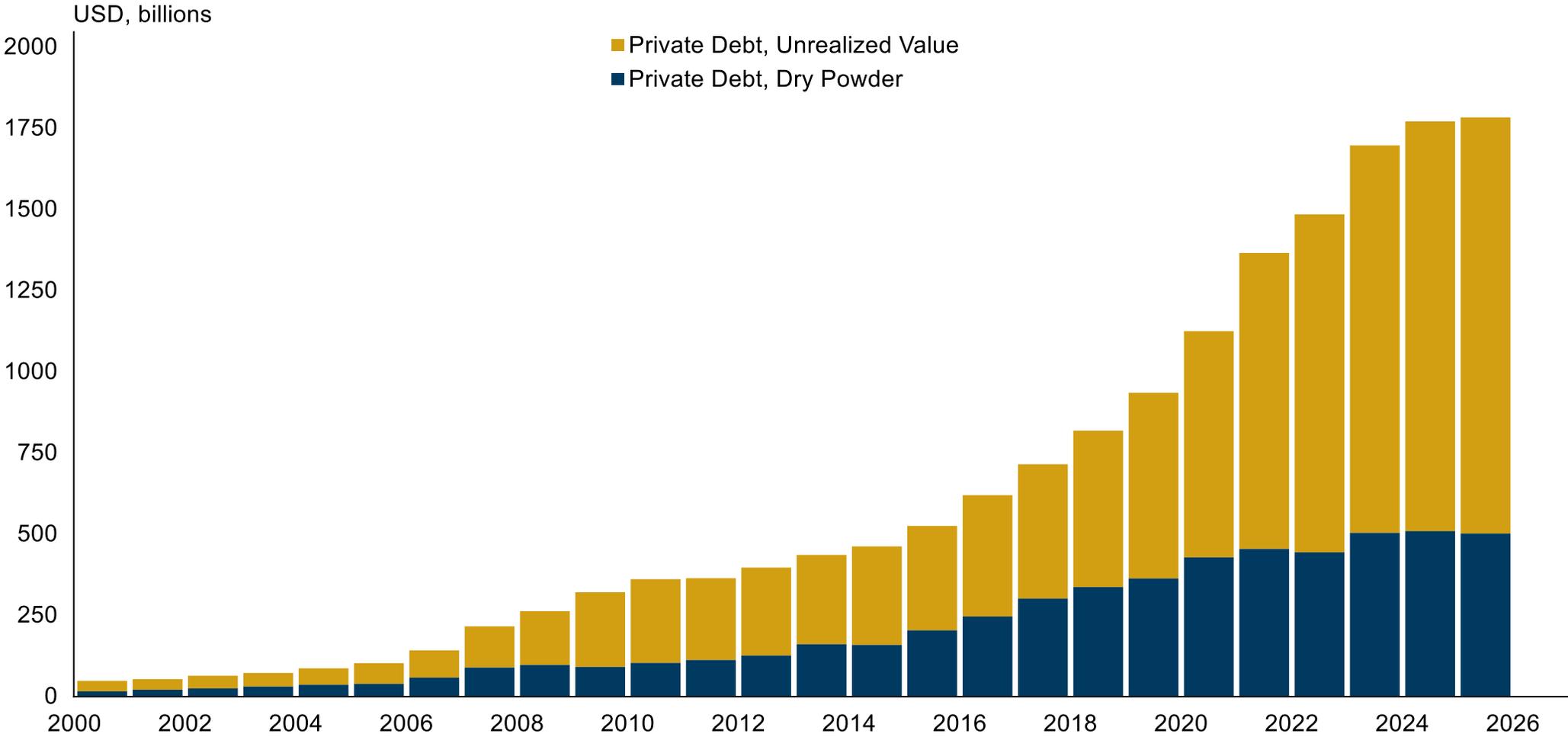
Credit spreads remain near their tightest in years



Source: Bloomberg
Data as of: 3/23/2026

Private debt has become a major asset class

Private Debt: Assets Under Management



Source: Preqin, First Citizens Bank
Data as of March 13, 2026

Making Sense

In Brief | A look at the week ahead in under two minutes every Monday morning

Q&As | Monthly conversations covering 2-3 of the top questions we're hearing from clients

Market updates | Monthly interactive discussions with in-depth analysis of markets and the economy

Written commentary | Often coinciding with market or economic events



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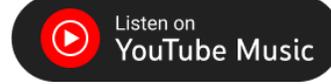
Brent Ciliano, SVP
Chief Investment Officer



Phillip Neuhart, SVP
Head of Market and Economic Research



Blake Taylor, VP
Market and Economic Research Analyst



Authors

Brent Ciliano, CFA | SVP, Chief Investment Officer
Capital Management Group | First Citizens Bank
8540 Colonnade Center Drive | Raleigh, NC 27615
Brent.Ciliano@firstcitizens.com | 919.716.2650

Phillip Neuhart | SVP, Head of Market & Economic Research
Capital Management Group | First Citizens Bank
8540 Colonnade Center Drive | Raleigh, NC 27615
Phillip.Neuhart@firstcitizens.com | 919.716.2403

Blake Taylor | VP, Market & Economic Research Analyst
Capital Management Group | First Citizens Bank
8540 Colonnade Center Drive | Raleigh, NC 27615
Blake.Taylor@firstcitizens.com | 919.716.7964

Jack Pettit | AVP, Research Analyst
Capital Management Group | First Citizens Bank
8540 Colonnade Center Drive | Raleigh, NC 27615
John.Pettit@firstcitizens.com | 919.986.3667

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