



FINANCIAL INSIGHTS

FIRST QUARTER COMMENTARY 2026

The first quarter of 2026 was marked by heightened volatility driven by geopolitical developments that unfolded more abruptly than anticipated. Equity markets declined during the period, with the S&P 500 down 4.37%.

A significant driver of market weakness was the disruption in global energy markets following the onset of conflict involving Iran. Oil prices rose sharply, briefly reaching approximately \$120 per barrel, as concerns over restricted access through the Strait of Hormuz—an important global oil transit route—intensified. Given that a substantial portion of global oil supply flows through this region, supply constraints contributed to higher energy prices and increased market uncertainty.

Elevated oil prices tend to weigh on economic growth while contributing to inflationary pressures. These dynamics were reflected in the approximately 7.6% market drawdown during the height of the disruption.

Since quarter-end, markets have recovered a portion of those losses. This rebound appears to reflect improving sentiment that conditions in global energy markets may stabilize over time, although the timing and outcome remain uncertain.

Oil prices have since moderated to approximately \$95 per barrel. While a further decline toward historical norms is possible if supply conditions improve, this will depend on geopolitical developments and may occur gradually.

The Federal Reserve continues to address inflation, which remains above its long-term target. Persistently elevated energy prices could influence the pace and extent of future policy adjustments. Interest rate expectations, in turn, continue to affect areas such as housing, lending, and broader economic activity.

Outside of energy-related pressures, many areas of the economy and corporate earnings trends remain relatively stable. Market performance in early second quarter has improved, although short-term movements continue to reflect changing expectations and external developments.

Our portfolio construction continues to emphasize diversification and risk management, with the objective of participating in market advances while seeking to moderate downside exposure during periods of stress.

Looking ahead, market conditions are likely to continue to be influenced by economic data, monetary policy, and geopolitical developments. While the broader economic backdrop remains constructive in several areas, uncertainty may contribute to ongoing volatility.

As always, we encourage you to contact your advisor with any questions, concerns or updates.

Kind Regards,

The Socha Financial Group Team

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