

Weekly Market Perspectives

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Monitoring The Conflict in Iran: What Investors Should Be Watching

Last week, major averages here and abroad wobbled in response to growing conflict across the Middle East and a surge in crude oil prices. Thus far, investors have taken the developments in stride. However, this week, investors will be closely watching headlines from the Middle East to gauge whether the sharp escalation in conflict will sustain higher oil prices and possibly risk economic growth worldwide.

Last week in review:

- The S&P 500 Index dropped 2.0%, while the NASDAQ Composite fell 1.2%, each lower for a second straight week. The Dow Jones Industrial Average and Russell 2000 Index fell 2.9% and 4.0%, respectively. International stock benchmarks, which had been outperforming the U.S. this year, fell more aggressively.
- U.S. Treasury prices sold off as yields jumped higher amid rising inflation concerns driven by quickly spiking oil prices. The U.S. Dollar Index posted its best week since August 2025, and Gold ended the week lower.
- West Texas Intermediate (WTI) crude surged roughly +36% in response to escalations in the Middle East last week, a record weekly gain. Brent crude rose +27% on the week, reaching its highest level since 2023.
- February non-farm payrolls declined by 92,000, missing the +55,000-gain expected, with the unemployment rate rising to 4.4% from 4.3% in January. Weather and seasonal factors were cited as reasons for the miss. In addition, January retail sales came in mixed, while February ISM Services jumped to its highest level since August 2022, and ISM Manufacturing expanded for the second straight month.

Monitoring the conflict in Iran: What investors should be watching

Markets have a long history of eventually looking through unsettling geopolitical headlines, but they sometimes struggle in the near-term when a conflict begins to interfere with the flow of commodities, agriculture and the cost of moving goods. Over the coming days and weeks, investors' reactions to Middle East dynamics will likely hinge on a handful of key market- and economic-related signals. In our view, these signals could help investors better judge whether the conflict between Iran and the U.S. and Israel remains contained or becomes a global energy-driven problem that lasts long enough to affect inflation, interest rates, and economic growth across key regions of the world.

At the top of the list, investors' attention will likely remain on the Strait of Hormuz. This narrow corridor is one of the world's most important energy chokepoints. Roughly 20% of global oil shipments transit the Strait, and the seaway accounts for over 30% of seaborne oil trade. If ship traffic remains materially reduced or halted, we believe the oil market could tighten quickly, not necessarily because production is a problem, but because oil barrels and Liquefied Natural Gas (LNG) cargoes can't reach their destination. Importantly, insurance rates for cargo ships in the area have skyrocketed, which is why the White House quickly announced last week that it would provide temporary insurance and, if necessary, military support through the Strait. This dynamic could help calm markets over time if the support leads to a clear improvement in ship traffic through the Strait in the coming weeks and months. That said, investors should assume

the current risk premium in oil could remain sticky until investors are comfortable that the Strait is operating normally. As it stands, insurers have withdrawn coverage or sharply repriced it, causing shipowners to pause transit through the Strait even when the route is technically open, which, if sustained, could become a significant problem for oil flows and production even with U.S. support.

Importantly, the market will continue to monitor whether oil disruptions in the Middle East are spreading beyond shipping to physical energy infrastructure. Several Iranian attacks across neighboring Gulf States last week pointed to disruptions affecting major energy assets, including Qatar's LNG operations and Saudi Arabia's refining infrastructure. These developments could become more concerning if the frequency of attacks intensifies over the coming days and weeks, as LNG and refined oil products can quickly transmit inflationary pressures to import-dependent regions, particularly across Europe, China, and large parts of Asia. Increased attacks by Iran or its proxies in the region on oil infrastructure or broader supply issues may cause producers in the area to shut production, either because facilities have been damaged or because products can't easily reach their destinations.

Closer to home, higher energy prices feed directly into consumer and producer prices and, importantly, can also pressure consumer spending if sustained for a long enough period. Consumer spending accounts for roughly 70% of U.S. GDP, and the spike in oil prices last week is already showing up in higher gasoline prices at the pump all across the country. Over the last week, the price of West Texas Intermediate (WTI) crude jumped by roughly +36%, resulting in the average price of a gallon of gasoline in the U.S. rising to \$3.32, up +11.3% last week, according to AAA. As a result, central bank commentary is quickly beginning to treat the situation in the Middle East as a fresh complication for policy direction, with a potential energy shock increasing inflation risks at the same time higher energy prices could weigh on growth.

According to Ameriprise Financial Chief Economist Russell Price, for every \$10 increase in the price of WTI, the cost of gasoline at the pump increases by about \$0.20 to \$0.30 per gallon. Additionally, for every 10% hike in crude prices, U.S. Gross Domestic Product could decrease by approximately 0.3% to 0.4% on an annualized basis. In our view, the most negative economic impact on the U.S. economy from prolonged conflict in the Middle East would likely come from higher oil and gasoline prices reducing consumer spending.

That said, if oil disruptions in the Middle East were to rise, we believe the U.S. is better positioned than most other major global economies. The U.S. is a net exporter of crude oil, produces much of the oil it uses domestically, and has additional buffers, including the Strategic Petroleum Reserve, Canada, and Latin America, to lean on for its energy needs. And while the U.S. is not insulated from rising oil prices, production disruptions overseas are less of a concern here at home, in our view. In contrast, major energy importers such as China, Japan, India, and, to some extent, Europe, are more exposed to supply disruptions, especially those that rely heavily on Middle Eastern crude and LNG flows routed through the Strait of Hormuz. If the Strait remains meaningfully impaired for any length of time, we believe these economies are more likely to face sharper energy cost increases with more direct economic consequences. At least initially, international stocks have seen greater selling pressure relative to the U.S. based on the rise of violence in the Middle East and its closer supply connections.

Bottom line: From a market and economic perspective, the critical question is whether the conflict in the Middle East meaningfully restricts energy flows long enough to keep oil and gas prices elevated at current levels for a sustained period. If shipping traffic and insurance normalize over the coming weeks and key facilities remain operational and intact, investors' inflation concerns could quickly fade, allowing markets to refocus on a still positive earnings and economic backdrop. However, if disruptions persist, market risks could shift further toward higher inflation, delayed rate relief, and weaker consumer spending. This could result in softer GDP growth, with some international economies facing pressure from direct energy supply challenges and the U.S. primarily feeling the pressure through higher energy costs.

Should markets experience larger disruptions in the near term, it's important to remember that periods of increased stock volatility are a normal and often healthy occurrence in markets and have occurred for a variety of reasons over the last twenty years. **Although volatility may feel uncomfortable, could rise from here, and possibly cause a near-term drawdown in stocks, volatility in itself tends to be brief when it reaches more extreme levels.** And, more often than not, the extreme volatility provides investors with a solid long-term entry point to buy stocks rather than sell. For now, we believe investors should stay the course, ensure they are comfortable with what they own, and reach out to their financial advisor with questions or concerns.

The week ahead:

- Headlines from the Middle East, as well as the price direction of oil, will likely heavily influence investor sentiment this week. That said, U.S. stocks have shown resiliency early on, with investors rotating back to areas, such as Tech, where the fundamental outlook looks less shaky or previous price dislocations have provided buying opportunities.
- On the economic front, the February NFIB Small Business Index is out on Tuesday, while February CPI hits on Wednesday. Housing data, a second look at Q4 GDP, and January PCE are also on deck throughout the week.

Stock Market Recap							
Benchmark	Total Returns			LTM PE		Yield %	
	Weekly	MTD	YTD	Current	5-Year Median	Current	5-Year Median
S&P 500 Index: 6,740	-2.0%	-2.0%	-1.3%	27.2	25.7	1.1	1.3
Dow Jones Industrial Average: 47,502	-2.9%	-2.9%	-0.9%	22.5	22.4	1.6	1.8
Russell 2000 Index: 6,276	-4.0%	-4.0%	1.9%	58.5	45.0	1.2	1.3
NASDAQ Composite: 22,388	-1.2%	-1.2%	-3.6%	37.6	38.1	0.6	0.7
Best Performing Sector (weekly): Energy	1.0%	1.0%	26.5%	20.6	13.1	2.7	3.5
Worst Performing Sector (weekly): Materials	-7.1%	-7.1%	9.5%	30.1	23.6	1.7	1.9

Source: Factset. Data as of 03/07/2026

Bond/Commodity/Currency Recap			
Benchmark	Total Returns		
	Weekly	MTD	YTD
Bloomberg U.S. Universal	-0.9%	-0.9%	0.7%
West Texas Intermediate (WTI) Oil: \$90.86	35.7%	35.7%	58.7%
Spot Gold: \$5,171.50	-2.0%	-2.0%	19.6%
U.S. Dollar Index: 98.99	1.4%	1.4%	0.7%
Government Bond Yields	Yield Chg		
	Weekly	MTD	YTD
2-year U.S. Treasury Yield: 3.55%	18 bps chg	18 bps chg	7 bps chg
10-year U.S. Treasury Yield: 4.15%	18 bps chg	18 bps chg	-3 bps chg

Source: Factset. Data as of 03/07/2026. bps = basis points



Source: S&P Global, Factset. Data as of 03/07/2026

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

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Diversification does not assure a profit or protect against loss.

There are risks associated with **fixed-income** investments, including credit (issuer default) risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

Stock investments involve risk, including loss of principal. High-quality stocks may be appropriate for some investment strategies. Ensure that your investment objectives, time horizon and risk tolerance are aligned with investing in stocks, as they can lose value.

Investments in **small cap companies** involve risks and volatility greater than investments in larger, more established companies.

Generally, **large-cap** companies are more mature and have limited growth potential compared to smaller companies. In addition, large companies may not be able to adapt as easily to changing market conditions, potentially resulting in lower overall performance compared to the broader securities markets during different market cycles

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Past performance is not a guarantee of future results.

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

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The **S&P 500 Index** is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall US equity market. Over 70% of all US equity value is tracked by the S&P 500. Inclusion in the index is determined by Standard & Poor's and is based upon their market size, liquidity, and sector.

The **NASDAQ Composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Dow Jones Industrial Average (DJIA)** is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the largest 2000 securities in the Russell 3000.

The **US Dollar Index (USDx)** indicates the general international value of the USD. The USDx does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

The **Institute for Supply Management (ISM) manufacturing index** is a national manufacturing index based on a survey of purchasing executives at roughly 300 industrial companies. It is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

The **ISM Services PMI (formerly the Non-Manufacturing NMI)** is compiled and issued by the Institute of Supply Management (ISM) based on survey data. The ISM services report contains the economic activity of more than 15 industries, measuring employment, prices, and inventory levels; above 50 indicating growth, while below 50 indicating contraction.

West Texas Intermediate (WTI) is a grade of crude oil commonly used as a benchmark for oil prices. WTI is a light grade with low density and sulfur content.

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