1201 Wills Street
Suite 700
Baltimore, MD, 21231
410.837.8800 800.636.5541

303 International Circle
Suite 500
Hunt Valley, MD, 21030
410.229.8200

Morgan Stanley



The Harbor Park Wealth Management Group At Morgan Stanley

An indepth insight and comprehensive analysis of market insights on significant developments and trends that unfolded in first quarter.

	Jan.	Feb.	March.	1Q 2026
DJIA	1.8%	0.3%	(5.2)%	(3.2)%
S&P 500	1.5%	(0.8)%	(5.0)%	(4.3)%
NASDAQ Composite	1.0%	(3.4)%	(4.8)%	(7.1)%
Source: www.ajovista.com				

The first three months of 2026 included some events that were not expected at the end of 2025, with the most significant one being the United States and Israel launching coordinated, massive airstrikes on Iran at the end of February.

One of the side effects of the Iranian war has been a 70% increase in the price of Brent crude oil in the last ninety days.[i] I doubt many people expected the price of oil to go up five-fold over the last six years, after the price of Brent crude plummeted to $9.21 on April 21, 2020 during the COVID pandemic.[ii]

Artificial Intelligence (AI) continues to be in the news on a daily basis, and the current concern is the expected drop in free cash flow (FCF) of the major tech companies, including the Mag 7, which are now being called the Lag 7,[iii] and the potential ramifications on “Saas” (Software as a Service) companies.

The expected drop in tech companies FCF is due to the massive amount of capital spending that will need to be done for the AI infrastructure buildout, including equipment, data centers and power, with the current expected spending on total global data center infrastructure to be nearly $7 trillion by 2030.[iv] Recent estimates for the cost of US data center infrastructure and power (not including equipment) are estimated to be between $2-3 trillion by 2030.[v]

It can take time to build data centers, including the permitting process, other regulatory issues, and the potential for pushback from citizens not wanting the data centers anywhere close to their homes. A loose comparison is the excitement surrounding wind energy in the 1970s in the wake of oil shortages and environmental concerns, when the US Federal Government supported research and development of large wind turbines, including funding and tax & investment incentives.[vi] By 1990 the share of US electricity generation from wind energy was less than 1% and grew to about 10% by 2022 and it took until April 2023 for US wind generation to exceed coal-fired generation for the first time.[vii]

There's an old investing adage, "If it's in the news, it's in the price," and a lot of the above concerns resulted in many technology stocks underperforming the overall market in the first quarter.

Another investment sector that has been in the news on a daily basis in the last two months is private credit (PC). PC funds, as the name implies are private, meaning that they are not priced on a daily basis and they don't trade daily. Investors can usually request a small portion of their investment back on a quarterly basis. Given the concerns mentioned above about the potential ramifications of AI on tech companies coupled with the relative underperformance of technology stocks so far this year, some investors in technology-oriented PC funds have requested redemptions above the quarterly limit which has received a lot of press. For more information on the PC funds recent issues please see the attached Morgan Stanley piece titled, "Peak Private Credit Pain?"

A ten percent sell-off in a major US equity index is considered a "correction" and a 20% sell-off is considered a "bear market". Since World War II there have been 37 market corrections, so about one every two years, and 35% of those corrections turned into bear markets.

The DJIA and NADAQ Composite both experienced a 10% correction in March. As difficult as sell-offs are, they have historically been good entry points for long-term investors. That's not to say that the current sell-off is done - only time will tell – but quality companies with good management teams will find a way to navigate the current environment just as they've done during prior periods.

The volume of Zero Day to Expiration (ODTE) options continues to skyrocket with 63% of total S&P 500 Index option volume being ODTE during February.[viii] As a result, in the first three months of 2026 at least one of the major indices listed above has had a 1% move 25% of the days the stock market was open. Volatility seems to be here to stay.

US treasury yields have risen across the yield curve since the beginning of the year due to recent weak investor demand on the short end of the curve and concerns about higher inflation due to the Iranian War. The Federal Reserve has a dual mandate with the two goals being maximum employment and stable prices, defined as core inflation of 2%.[ix]

When the war ends the cost of oil will most likely decline back to pre-war levels, so the current level of gasoline prices is considered to be transitory,[x] and the costs associated with the war will be gone. However, there is an issue with the level of government spending continuing an upward trend. Given the three shutdowns we have had since last fall, including the two longest in US history,[xi] it's unlikely spending will be reduced anytime soon.

While 2026 has gotten off to a rough start, our country has been through tough times before, as I am often reminded when I listen to Billy Joel's song "We Didn't Start the Fire" that chronicles major events from 1949-1989. Hopefully, the current turmoil will be resolved in time for our country to celebrate our 250th Anniversary this summer in peace.

We will be posting a quarterly market update to our website on an ongoing basis, after the end of each calendar quarter. Please contact us with any comments and/or questions. We welcome your feedback.

For more information Click Here to Visit Our Team Website

Author



Nancy Dennin, CFA®

Consulting Group Analyst

The Harbor Park Group

Morgan Stanley Wealth Management

1201 Wills Street, Suite 700 | Baltimore, MD 21231

Toll Free 800-837-5833

Nancy is a Certified Financial Analyst for the Harbor Park Group. She started her career at Legg Mason (LM) in July 1982 as a secretary in the Accounting Department, shortly after graduating Cum Laude from Towson State University with a BS in Finance. Within six weeks she was promoted to a Staff Accountant and was involved in preparing the financial statements for Legg Mason's IPO in 1983. In 1985 she transitioned to the Funds Management division of LM, being hired by Ernie Kiehne to be a Securities Analyst for the group of mutual funds that he and Bill Miller were managing. In the 1990s she became the co-manager, then the sole manager of the Total Return Trust, a growth and income fund, and in 2000 became the assistant manager of the Value Trust, LM's flagship fund.

Nancy received her CFA in 1988 and her MBA from Loyola College at night, graduating as a member of the Beta Gamma Sigma honor society in 1989. She also received The Baltimore Association of Financial Planners Award upon her graduation from Towson State. She was the President of the Baltimore Security Analysts Society in 1996-1997. She currently volunteers as an InvestWrite Judge, grading student essays for the SIFMA Foundation and previously volunteered for the Maryland Special Olympics during and after college. In the early 2000s she served as a member of the Board of Directors for Chesapeake Academy, the elementary school her children attended.

Nancy and Mike were married in 1991 and had five sons within 3 ½ years – one born in 1994, one in 1996 and triplets in 1998! Nancy's desire to spend the majority of her time raising her children led her to transition to Mike's investment team, where she has worked part time since 2005.

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[i]Tradingeconomics.com, Brent crude oil prices
[ii] Investopedia.com, “What happened to oil prices in 2020,” December 30, 2025
[iii] Yahoo Finance, January 16, 2026
[iv] McKinsey.com, “The $7 trillion data center build-out.” March 27, 2026
[v] McKinsey.com, “The $7 trillion data center build-out.” March 27, 2026
[vi] U.S. Energy Information Administration (EIA), April 20, 2023
[vii] U.S. Energy Information Administration (EIA), August 13, 2024
[viii] Schaeffersresearch.com, March 24, 2026
[ix] Federal Reserve website
[x] Federal Reserve Chairman Powell comments on CNBC, March 30, 2026
[xi] Wikipedia.com, US longest government shutdowns