

## April 2026

The Koehler Group at Morgan Stanley is excited to announce the arrival of AJ (Alexander James) Koehler. Born on March 3<sup>rd</sup> he has been the bright spot in March for our team. Mom, baby, puppy brother Otto and Scott are all settling into life as a family of 4 (picture below).

### **On to the markets.**

The market news this month has been dominated by what is happening with the war in Iran. We started March with strikes on Iran by both the US and Israel. The unknowns around the conflict have caused the S&P 500 to fall 6.70% through Friday March 27<sup>th</sup>, and both the Dow and NASDAQ fell into correction territory, which is a drop of greater than 10% (source: Wall Street Journal). In addition to the uncertainty about what the end game is, the conflict has caused gas prices to increase. The Strait of Hormuz is a vital shipping lane that has about 20 million barrels of petrol flow through it every day in addition to other key products. Due to the conflict, traffic has effectively come to a halt, which has caused oil prices to skyrocket and the price for a barrel of Brent Crude that would be delivered in June rose to 108.73 (source: Huffington Post).

This month the Federal Reserve voted to keep rates where they are. Before the conflict with Iran, markets had been pricing in two cuts this year, with a small chance of a third. Due to rising oil prices and a string of firm inflation readings — entailing data from before the energy shock — have pushed expectations down to at most one cut in 2026 (source: CNN). Federal Reserve Chair Powell spoke with Harvard University Monday and offered the following take, “he sees inflation expectations as grounded despite rising energy prices, so the central bank does not currently need to respond with higher interest rates. In the near term the proper move is to look beyond the short-term gyrations of the energy market and focus on the Fed’s goals of stable prices and low unemployment” (source: CNBC).

On the unemployment front, the US Bureau of Labor Statics report that nonfarm payrolls fell by 92,000 in February, a sharp contrast from the downwardly revised January gain of 126,000 and far below the growth of 50,000 that economists polled by Dow Jones expected for the month. Several explanations for the drop were a major healthcare strike in California and Hawaii and the severe weather we experience across the country (source: CNBC). This contrasts with the ADP private payrolls report showing that private employers added 63,000 jobs in February. The unemployment rate did rise slightly to 4.4% from 4.3% (US Bureau of Labor and Statistics).

Consumer prices rose 2.4% in February from a year earlier, as reported by the Labor Department. This is compared with 2.4% in January and was in line with what economists surveyed by The Wall Street Journal had expected. Core prices, which exclude volatile food and energy items, rose 2.5% from a year earlier, in line with expectations. Wholesale prices on the other hand increased 0.7% for the month of February and on a 12-month basis Producer Price

Inflation sits at 3.4% (source: CNBC). None of the inflation data so far has captured price increases associated with the war.

Historically, geopolitically driven market declines are short-lived: The S&P 500 Index has gained an average of 8.4% in the 12 months following major geopolitical risk events that we analyzed (source: Morgan Stanley). Business investment and consumer spending both remain strong. Manufactures new orders for non-defense capital goods ex aircraft remain near recent highs and real personal consumption expenditures rose 0.4% month over month in January (source: Zacks). Every day brings more news and until there is an exit plan in place the Koehler Group believes volatility will continue.

If you need anything as tax season wraps up, please let our team know.



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