Monthly Market Commentary

MARC H 2026

WIP EQUITY STRATEGY		S&P 500		MSCI ACWI	
-6.2%	+12.7%	-5.2%	-4.7%	-6.1%	-2.2%
March	YTD	March	YTD	March	YTD

STRATEGY OVERVIEW

Crises rarely announce themselves. They build in the background, pressuring the seams of a market that, on the surface, may have looked intact. March 2026 was a useful reminder of that.

The Watson Investment Partners equity strategy delivered a -6.2% return for the month of March, representing a gain of 12.5% year to date.

Our equity strategy weathered much of the storm of this month's tumult, protecting much of the gains already established in the year while the broader market turned negative.

THE MARKET ENVIRONMENT

The conflict between the United States and Iran, which began in late February, sent oil prices surging almost 80%[1] as the Strait of Hormuz closure disrupted roughly 20%[2] of global petroleum exports. The S&P 500 dropped approximately 8% from its prior peak. International developed and emerging markets fell between 10%[3] and 12%[4] from their peaks. The VIX, Wall Street's measure of expected volatility, climbed above 31[5], its highest reading in months. The market, by early March, had revealed itself to be sitting on fragile ground.

WHAT CRISES REVEAL

This is what crises do. They do not create risk; they expose what was already there. Elevated valuations, concentrated positioning in mega-cap technology, and sensitivity to energy costs were already present in the market. The geopolitical shock did not manufacture these vulnerabilities. It was the catalyst that caused the market to confront them.

PROCESS OVER PREDICTION

At Watson Investment Partners, our approach to market stress is disciplined and process driven. We measure and monitor key market dynamics that provide us with a detailed perspective on developing stress or opportunity. Signals such as volatility structure, breadth, price authority, and volume behaviour, across our portfolio and the broader equity universe, provide clear indication of developing risk or shifting conditions.

Beginning in early February, as multiple signals triggered in sequence, we took action to reduce exposure and move into a more defensive position. Our volatility scaling program informs risk sizing, pulling back when conditions become unstable. As a result, there is no need to predict the catalyst of any crisis. The underlying dynamics of the market inform our positioning well in advance of critical thresholds.

This distinction matters for how we think about risk management. Macro forecasting, while useful for context, is an unreliable basis for portfolio action. The list of interwoven influences that move a market in any given period is effectively infinite, and positioning around predictions introduces as much risk as it removes. Our approach recognizes the foundations upon which market crises are built and allows us to respond systematically.

OUTLOOK

March reinforced a principle central to our process: risk can be measured, catalysts are defined in hindsight. What matters is not predicting the trigger, but being positioned correctly when it arrives. That is what systematic risk management is designed to do.

We continue to monitor our signals for evidence of stabilization. When volatility contracts, breadth recovers, and trend authority returns, we will re-engage methodically. Until those conditions are met, discipline matters more than narrative.

SOURCES

1. U.S. Energy Information Administration, Europe Brent Spot Price FOB (USD per Barrel): www.eia.gov/dnav/pet/hist/RBRTED.htm. Data source: Thomson Reuters.
2. Brookings Institution, “Why Iran’s Disruption of the Strait of Hormuz Matters,” Brookings: www.brookings.edu/articles/why-irans-disruption-of-the-strait-of-hormuz-matters/
3. Vanguard FTSE Developed Markets ETF (VEA-US), FactSet
4. iShares Core MSCI Emerging Markets ETF (IEMG), FactSet
5. CBOE Volatility Index (VIX), FactSet

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