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Economic & Market Insights

Stocks posted hefty losses in March as the war in Iran heightened volatility and pushed energy prices much higher. The S&P 1500 and S&P 500 both declined by 5.0% during the latest month.

Meanwhile, the Federal Reserve left interest rates unchanged at its March meeting, although policymakers still have one interest rate penciled in for later this year.

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Higher Fares Ahead? Rising Jet Fuel Prices Threaten 20% Fare Hikes

Scott Kirby, CEO of United Airlines, recently noted that airline fares may have to increase by 20% if jet fuel prices remain elevated for longer. While travel demand remains solid for now, Kirby noted that he expects consumer pushback and fewer people traveling if ticket prices continue to rise.

Fed Being Patient, Still Considering Rate Cuts for 2026 and 2027

The Federal Reserve left interest rates unchanged at its March 18 meeting, noting that the committee is attentive to the risks to both sides of its dual mandate. In its Summary of Economic Projections (SEP), the Fed raised its real GDP growth estimates for the next several years, reflecting stronger productivity. At the same time, the Fed increased its estimate of Personal Consumption Expenditures (PCE) inflation to 2.7% this year, up from 2.5%, due to higher energy prices and geopolitical uncertainty.

Small Business Sentiment Softens Amid Economic Uncertainty

Confidence amongst small business owners declined for a second month in February, as optimism about the economy and sales dimmed. The percentage of business owners who expect conditions to improve declined to a three-month low, while the share of companies planning to increase employment fell to the lowest since May.

Wholesale Prices Jump on Services

U.S. producer prices increased by 0.7% during February, well above expectations, with services costs accounting for more than half of the increase. Food prices also jumped sharply, even before the recent surge in energy prices. Producer Price Index (PPI) feeds directly into the Fed's preferred inflation gauge, so inflation remains a moving target.



Headline Highlights

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War in Iran Sends Ripples Across Markets and the Economy

	2024	2025	2026 Est	2027 Est
GDP Growth	2.4%	2.1%	2.3%	2.3%
Change in Consumer Prices	2.9%	2.7%	3.0%	2.7%
Fed Funds Target Rate	4.50%	3.75%	3.50%	3.50%
5-Year Treasury Yield	4.38%	3.73%	3.75%	3.85%
10-Year Treasury Yield	4.57%	4.17%	4.50%	4.60%
S&P 500 EPS	\$239	\$271	\$298	\$341

Source: Factset

Like most investors, we did not anticipate the conflict in Iran when we began 2026. The conflict began on February 28. So far, the primary impact on the U.S. economy has been higher oil prices, which have driven higher gasoline prices. In addition to higher energy costs, several countries now face potential supply disruptions and shortages due to their reliance on Middle Eastern oil and gas.

Since the conflict began, West Texas Intermediate (WTI) oil prices have increased from \$67 to over \$110 per barrel, a rise of more than 60%. As a guideline, a sustained \$10 increase in oil prices typically results in 0.3% higher inflation and a 0.15% reduction in GDP growth.

Due to the war and recent economic data released over the past several weeks, we have reduced our estimate of 2026 GDP growth by 0.3% and now expect the economy to grow at an annualized rate of 2.3% for the full year.

We expect the economy to grow at a similar pace during 2027 as well.

Alongside slower growth, we have raised our 2026 inflation forecast by 0.6 percentage points to 3.0%, leaving consumer prices above the Fed's 2.0% target. We have also reduced our 2026 S&P 500 earnings growth forecast by 2% due to higher energy and related input costs. These revisions assume oil prices will stay elevated through September.

While some strategists have increased the odds of a recession to 35%, we caution that the impact of the Strait of Hormuz closure is not linear. The longer it is closed, the more economic degradation compounds, especially for energy-importing countries such as Japan, Europe and many emerging markets.

Our Economic & Market Forecast



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Last Month's Rates and Total Returns				
March 31, 2026	Value	One Month	Year to Date	1 Year
Fed Funds Target (Upper)	3.75%	0.00%	0.00%	-0.75%
3-Month Treasury Yield	3.68%	0.02%	0.05%	-0.61%
2-Year Treasury Yield	3.79%	0.41%	0.32%	-0.10%
5-Year Treasury Yield	3.94%	0.43%	0.22%	-0.01%
10-Year Treasury Yield	4.32%	0.36%	0.15%	0.11%
Mortgage News 30-Year	6.47%	0.48%	0.27%	-0.24%
S&P SuperComposite 1500	1,477	-5.0%	-3.81%	17.85%
S&P 500 Index	6,566	-5.0%	-4.33%	17.80%
S&P 500 Equal Weight Index	7,779	-6.0%	0.67%	12.85%
S&P Midcap 400	3,401	-5.4%	2.50%	17.35%
S&P SmallCap 600	1,525	-4.1%	3.51%	20.50%
S&P 500 Growth	4,561	-5.3%	-8.11%	22.67%
S&P 500 Value	2,084	-4.6%	0.03%	12.91%
World ex-US, USD	403	-10.8%	-7.10%	24.92%
BB U.S. Aggregate	93	-1.76%	-0.05%	4.35%
Crude Oil – WTI Near Term	101	51.27%	76.56%	41.83%
Gold – Near Term	4,648	-11.14%	7.44%	48.83%
U.S. Dollar Index	100	2.41%	1.67%	-4.08%

Source: Factset

March Market Slide Fueled by Geopolitics and Higher Oil

Markets were pressured by geopolitical tensions following the current administration's decision to strike Iran, which drove a spike in oil prices. This followed last month's so-called "AI apocalypse," reflecting concerns over AI cyber risks and regulation. The S&P 500 recorded two consecutive monthly declines, resulting in a year-to-date loss of 4.3%.

Stock prices halted their slide on March 31st though with a 2.9% rally on the final trading day of the month. From peak to trough, the stock market was down 9%. The average intra-year decline since 1980 has been 14.2%. So, if this correction was over, it was relatively mild.

Despite the March 31 rally, stocks posted significant losses for the month, with both the S&P 1500 and S&P 500 down 5.0%.

International stocks performed worse, declining 10.8%, as Europe, Japan and Asia are more exposed to higher energy prices than the U.S.

Value stocks outperformed growth stocks by 0.8%, increasing their year-to-date advantage to 8.1%. The S&P 500 Equal Weight Index declined 6.0%, slightly underperforming the headline S&P 500.

Market & Interest Rate Insights



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The first quarter marked the worst showing for the S&P 500 Index since the second quarter of 2022, with 10 of the 11 market sectors finishing lower. Energy stood out as the clear outperformer, rallying more than 10% on a spike in oil prices. Utilities posted the next-best performance as investors sought its safety. At the other end of the spectrum, industrial stocks recorded the sharpest decline, falling nearly 8.5%.

With the first quarter now in the rearview mirror, investor focus is shifting toward a potential wave of mega-initial public offerings (IPOs) slated for 2026. SpaceX is aiming for a mid-June IPO and plans to raise an estimated \$80 billion. This would surpass the total amount raised in IPOs in 2025 (\$66.8 billion). A significant portion of this funding is expected to come from Magnificent Seven's (Mag 7) existing stock, further pressuring its stock price. We remain cautious about the near-term outlook for Mag 7 stocks for this reason.



Company	Cash Raised \$ billion
SpaceX	\$80
Anthropic	\$60
OpenAI	\$60
Cerebras	TBD
Anduril	TBD
Databricks	TBD
Stripe	TBD
SK Hynix US listing	\$14

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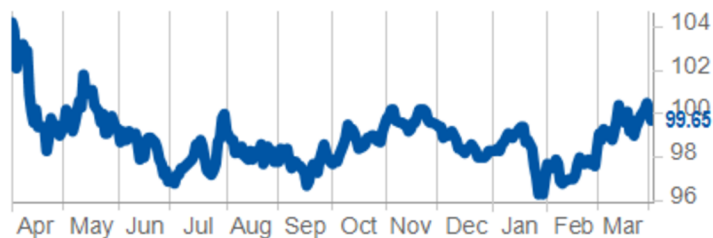
Energy Shock Lifts Inflation Outlook and Interest Rates

Looking at interest rate trends in March, rates rose across the board, especially at the long end of the curve. This upward movement is likely due to concerns about higher inflation. Mortgage rates also climbed, with the 30-year mortgage ending March at 6.47%, nearly 50 basis points higher than in February.

Since the conflict with Iran began on February 28, 2026, WTI oil has increased from \$67 to over \$100 per barrel, a rise of more than 50%. Typically, a sustained \$10 increase in oil prices leads to a 0.3% rise in inflation. As a result, we have raised our 2026 inflation estimate by 0.6%.

We expect this price shock to subside by year-end, which should allow inflation to decrease next year. However, we project long-term inflation will remain near 2.9%, above the Federal Reserve Bank's 2% target. Market indicators, such as the 5-Year Breakeven Inflation Rate, suggest inflation will average 2.6% over the next five years, up 0.1 percentage point from last month.

U.S. Dollar Index



Source: FactSet Prices

International Outperformance Reverses in Wake of War

The streak of international outperformance ended abruptly in March, as the war in Iran triggered notable declines across international markets. Higher energy prices tend to weigh more heavily on international stocks than U.S. stocks, particularly in regions that rely heavily on energy imports.

These pressures have been a major issue for several Asian countries, where many import nearly all of their oil and natural gas, amplifying the economic impact of rising energy costs.

As a result, international stocks fell 8.4% in local currencies and 10.8% in U.S. Dollars during March. The U.S. Dollar appreciated nearly 2.5%, retaining its safe-haven status as oil-importing countries were forced to purchase more dollars to meet rising energy bills.



Interest Rate Insights

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Manufacturing Reaccelerates, but Supply Shocks Complicate the Outlook

U.S. manufacturing delivered one of its strongest signals of momentum in years in March, with activity growing at the fastest rate since 2022. However, rising input costs, driven by geopolitical disruptions, are quickly becoming a major concern.

The Institute for Supply Management's (ISM) manufacturing index rose to 52.7, moving firmly back into expansion and beating the 52.0 that investors widely expected.

At the same time, input costs rose sharply. ISM's prices-paid index jumped to 78.3, its highest since mid-2022. In just two months, the index climbed nearly 20 points, a jump rarely seen outside major supply disruptions.

The war with Iran has effectively shut down the Strait of Hormuz, a critical artery for global energy and industrial goods. This has caused oil prices to spike, along with shipping delays and longer lead times, which are rippling through manufacturing supply chains. The disruption is also impacting materials like aluminum, fertilizers and specialty inputs such as helium, which is essential for making semiconductors.

Factory output remains steady, but overall sentiment is much less positive. ISM reported that almost two-thirds of survey comments were negative, with many companies blaming tariffs and Middle East tensions for higher costs and operational uncertainty.



Manufacturing Trend Insights

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Fed Holds Steady as Inflation and Geopolitics Complicate the Path Forward

The Federal Open Market Committee (FOMC) left the funds rate unchanged at 3.5%-3.75% at its meeting this past month and the dot plot continued to show a median forecast of one interest rate cut in 2026 and another in 2027. The Committee statement acknowledged that the “implications of developments in the Middle East for the U.S. economy are uncertain,” and Fed Chair Powell noted the FOMC will have to “wait and see” four times during his press conference.

The Fed Funds Futures market has been volatile due to developments in the Middle East. Market expectations have shifted to two rate cuts this year, from earlier expectations of no cuts or a possible hike. We continue to forecast one rate cut in 2026, now expected in October rather than June. The Federal Reserve will require additional time to assess the impact of hostilities involving Iran, particularly the potential inflationary effects of higher energy and input costs.

Meeting Date	Futures Market 3/31/26	SNB Forecast
April 29	3.75%	3.75%
June 17	3.75%	3.75%
July 29	3.75%	3.75%
September 16	3.75%	3.75%
October 27	3.75%	3.50%
December 9	3.75%	3.50%
January 27	3.75%	3.50%



Federal Policy Insights



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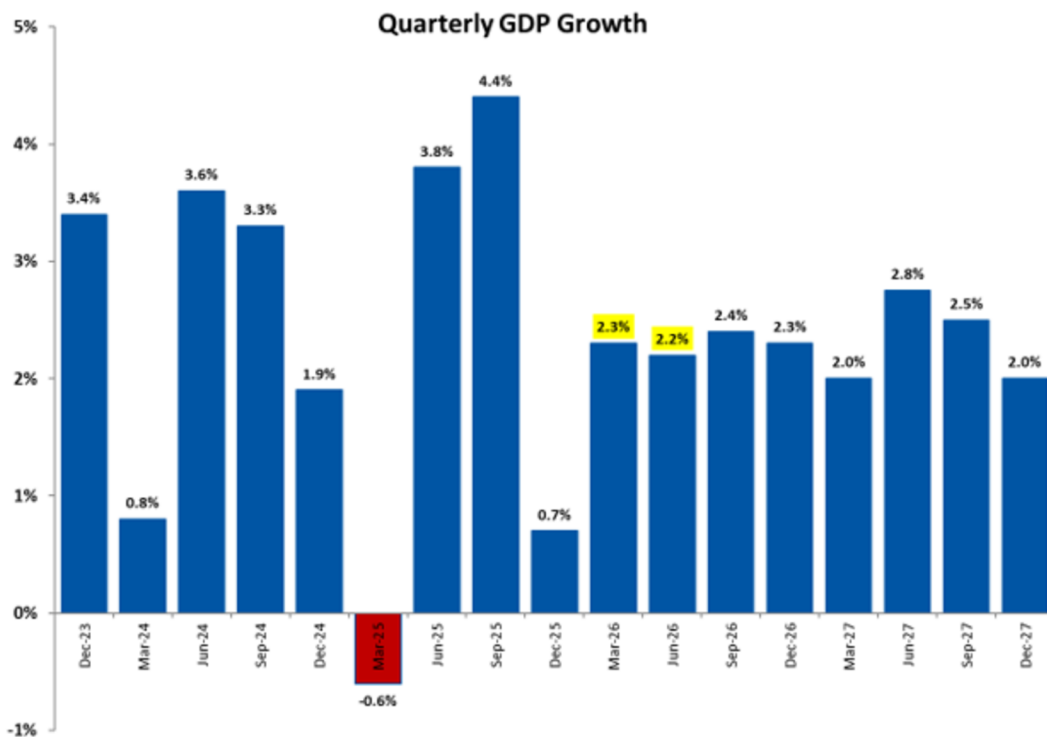
Economic Momentum Fades Amid Rising Recession Concerns

Core fourth-quarter 2025 GDP was revised down to a 1.9% annual rate from the initial reading of 2.4%. The revision is due to weaker consumer spending on services, lower commercial construction and reduced business investment in intellectual property.

We recently lowered our 2026 GDP growth forecast by 0.3% to reflect higher energy prices and resulting demand reduction. The Atlanta Federal Reserve Bank's GDPNow model estimates that 1Q26 real GDP will grow at a 1.9% pace, substantially lower than last month's 3.0% pace.

Based on recent developments and economic data, we have reduced our 1Q26 growth estimate from 3.1% to 2.3% and our 2Q26 growth estimate from 2.8% to 2.2%. Higher interest rates and gasoline prices are expected to strain consumer finances and slow economic growth in the near term.

In addition, the risk of a recession is rising as the conflict with Iran continues. Over the past week, for instance, strategists have raised the probability of a U.S. recession from 25% to 35%.



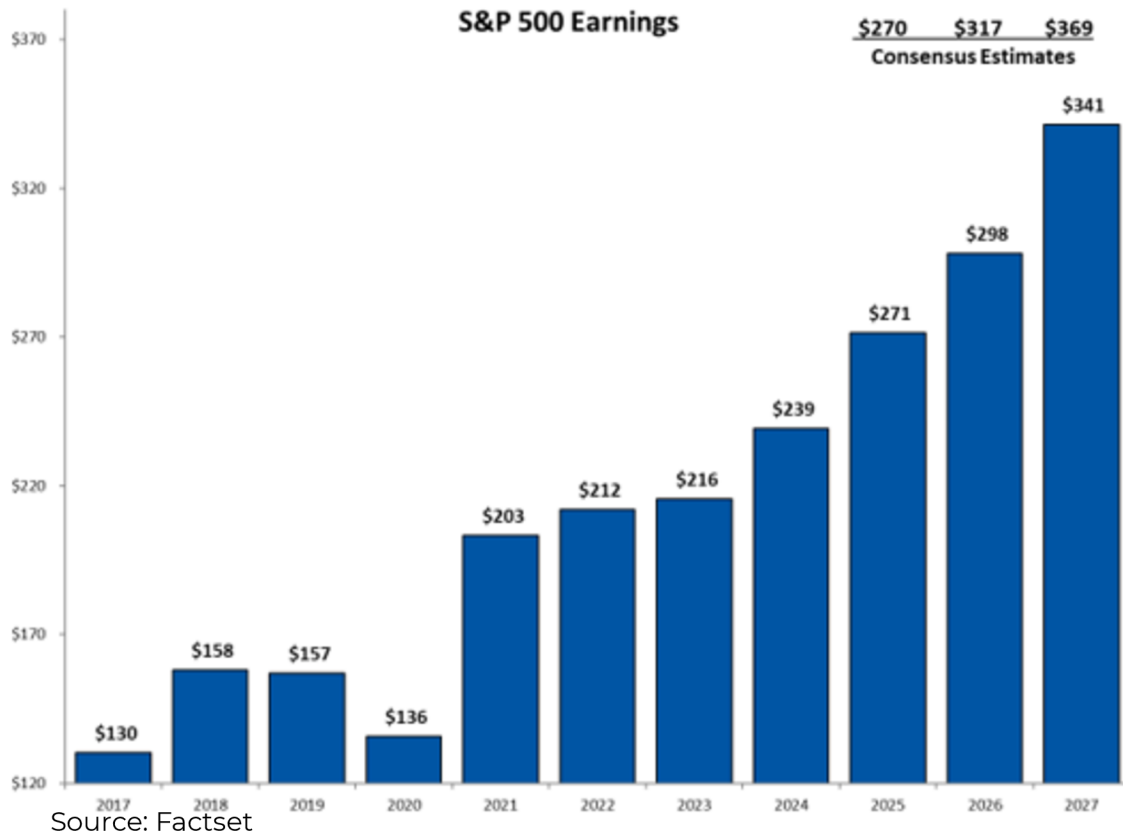
Source: Factset

Economic Growth Insights



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Strong Earnings Expectations Persist Amid Global Turbulence

Despite the conflict with Iran and the AI apocalypse, corporate earnings estimates for 2026 increased last month.

The consensus 2026 earnings estimate for the S&P 500 Index increased from \$308 to \$317 per share, a 3% rise. Full-year 2026 earnings are now projected to grow 17% from 2025.

As the first-quarter earnings season approaches, investors will closely monitor commentary on current business and economic trends.

We expect companies to address the impact of AI and the conflict in Iran during their earnings calls.

At this juncture, it is unlikely that analysts have incorporated higher energy prices into their profit outlook, as they typically wait to make changes until after receiving input from companies. We have already reduced our 2026 S&P 500 earnings estimate by 2% to account for the recent spike in energy prices, but our forecast still indicates solid earnings growth.

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Labor Market Reaccelerates in March as Payroll Gains Impress

In March, the U.S. labor market demonstrated renewed momentum. Nonfarm payrolls increased by 178,000, surpassing expectations and marking the strongest monthly gain since late 2024. The unemployment rate declined to 4.3%, indicating underlying resilience after the weather- and strike-related weakness observed in February.

Job gains were broad-based, with health care employment rebounding by 76,000 positions following the resolution of labor disruptions. Over the past 12 months, the health care sector has averaged nearly 30,000 new jobs per month. The construction, leisure and hospitality sectors also recovered after previous declines, while manufacturing hiring reached its highest level since late 2023.

However, some indicators were less robust. The labor force participation rate declined to 61.9%, and the number of individuals working part-time for economic reasons increased. Wage pressures continued to moderate, with average hourly earnings rising 3.5% year-over-year, representing the slowest pace in nearly five years.



A Soft Start to the Year for U.S. Consumers

U.S. retail sales declined in January, reflecting a pullback in consumer spending, particularly on big-ticket items such as vehicles. Winter weather also played a role, with severe storms disrupting travel and shopping, shifting some purchases online and negatively affecting restaurants and bars.

The Commerce Department reported that retail sales fell 0.2%, matching the consensus estimate. Sales declined across seven of the 13 categories tracked by the government, led by apparel, health and personal care and gas stations. However, building materials and home furnishing stores posted gains.

Harsh winter weather prompted more consumers to shop online in January, with online sales rising nearly 2% from December and almost 11% from January 2025.

Labor and Retail Sales Insights



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Inflation Progress Continued in February, Though Food and Utility Prices Rise

The February Consumer Price Index (CPI) report delivered some welcome news on the inflation front. Core inflation slowed as expected, offering a bit of relief before the impact of recent geopolitical events on the economic outlook.

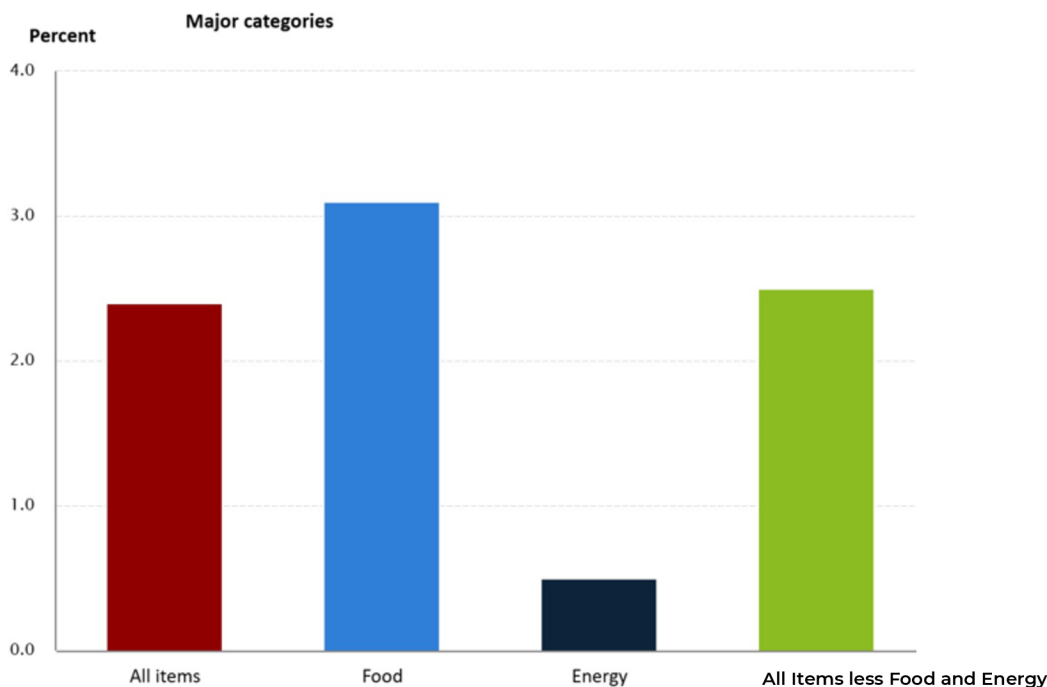
Core inflation rose by 0.2% compared to January, consistent with market expectations. Annually, core CPI increased by 2.5%, representing the slowest rate of inflation in nearly five years.

Several specific categories contributed to moderating inflation. Declines in auto insurance and used car prices reduced overall inflation readings.

Additionally, underlying inflation benefited from more moderate increases in housing costs. Rent for primary residences rose by only 0.1% during February, the slowest rate of increase in five years (Bloomberg).

However, inflation continued to percolate in several key areas this past month, with food prices rising by 3.1% (including a 3.9% increase in the food-away-from-home category). Electricity costs also rose, increasing by nearly 5% during the month.

12-month percentage change, Consumer Price Index, selected categories, February 2026, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

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Consumer Confidence Softens in March on Higher Energy Prices

U.S. consumer sentiment declined to a three-month low in March, coinciding with rising gasoline prices following the conflict with Iran. The University of Michigan Consumer Sentiment Index fell to 53.3 in March, below the consensus estimate of 54.2 and down from 55.5 in the previous month.

Year-ahead inflation expectations rose to 3.8%, marking the largest increase since April 2025. At the same time, perceptions of personal financial health declined to a five-month low in March.

With gas prices up about \$1 per gallon on average, consumers are feeling the pinch just as economists raise inflation forecasts, dial back growth and spending expectations.

Long-term inflation expectations have remained relatively stable. However, short-term inflationary pressures continue to weigh on consumer sentiment.



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Housing Market Finds Its Footing in February as Affordability Improves

Sales of previously owned U.S. homes increased by 1.7% in February, rising to an annualized sales pace of 4.09 million units, marking a much better-than-expected reading versus the 3.84 million annualized sales pace widely expected for the latest month. On a year-over-year basis, existing home sales declined by 1.4%.

The recent increase in existing home sales offset a significant decline observed in January, when severe winter weather adversely affected overall sales conditions across much of the country.

Multiple factors contributed to the increase in home sales activity, notably improved housing affordability. The National Association of Realtors' housing affordability index reached its highest level since 2022.

The median selling price of an existing home was \$398,000, representing a year-over-year increase of only 0.3%. This is among the smallest annual increases in home prices recorded since the onset of the pandemic.

Another important factor contributing to the smaller year-over-year increase in home prices is the trend in existing home inventories. The inventory of existing homes for sale increased by nearly 5% this past month, marking the highest February inventory reading in six years.

First-time home buyers represented 34% of purchases, an increase of three percentage points from January, suggesting that improving market conditions are encouraging more buyers to enter the market.



U.S. Housing Market Insights

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This report reflects the author's current opinion and is subject to change without further notice. There can be no assurance that any of the projections cited will occur.

Abbreviations and Other Terms Used

This report will utilize the following acronyms: FRB for the Federal Reserve Bank, FOMC for the Federal Open Market Committee and BLS for the Bureau of Labor Statistics. The FOMC is part of the Federal Reserve Board (FRB), which meets eight times a year to set monetary policy. The primary tool for monetary policy is the Federal Funds Rate (FFR). FFR is the rate set by the FOMC and is the rate at which banks borrow and lend their excess reserves to each other overnight. It forms a floor for short-term interest rates.

We will use the following abbreviations for various governmental agencies.

BEA = U.S. Bureau of Economic Analysis
BLS = U.S. Bureau of Labor Statistics

We will use the terms nominal and real. Nominal values are measured in terms of money or things that are counted in the real world. Retail sales, personal income, expenditures and corporate earnings are usually reported in nominal dollars. Real values are adjusted for inflation (nominal minus inflation). Real values enable comparisons that are not distorted by inflation. GDP numbers are usually reported as real growth.

Other abbreviations are commonly used.

QTD = Quarter-to-date TMA = Trailing Three-Month Annualized
YTD = Year-to-Date Y/Y = Year Over Year
M/M = Month Over Month MBPD = Million Barrels per Day

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