

GLOBAL MARKET SQUARE



Markets Slide Sharply as Dow Hits 2026 Low Amid Inflation Shock, Fed Caution, and Rising Energy Risks

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets closed lower, with U.S. equities experiencing a sharp selloff amid hotter-than-expected inflation data, a cautious Federal Reserve stance, and escalating geopolitical tensions in the Middle East. The confluence of persistent inflation pressures, rising oil prices, and policy uncertainty pushed markets into a more volatile regime, with risk assets repricing lower across the board.

U.S. Markets

U.S. equities declined significantly, led by a broad-based selloff across major indices. The Dow Jones Industrial Average fell 768.11 points, marking a new low for 2026 and breaking below its 200-day moving average, a key technical threshold. The index is now down more than 5% month-to-date, putting it on pace for its weakest monthly performance since 2022.

The S&P 500 declined 1.36%, while the Nasdaq Composite dropped 1.46%, reflecting pressure across both cyclical and growth sectors.

The selloff was driven by a combination of macro and policy factors. Elevated inflation readings, particularly at the wholesale level, reinforced concerns that price pressures remain persistent. At the same time, the Federal Reserve's cautious tone and lack of urgency to cut rates further weighed on sentiment.

Treasury yields remained elevated, reinforcing tighter financial conditions, while the U.S. dollar strengthened as investors sought safety amid rising uncertainty.

European Markets

European equity markets closed lower, reversing earlier gains as global macro pressures and geopolitical risks weighed on investor sentiment. The pan-European STOXX Europe 600 declined approximately 0.7%, with losses broadly distributed across sectors and major indices.

Investor focus remained centered on the Federal Reserve's policy outlook and the implications of rising energy prices linked to disruptions in the Middle East. These dynamics contributed to a more defensive tone across European markets.

Corporate developments provided selective support. U.K.-based industrial distributor Diploma surged after upgrading its full-year outlook, while IT services firm Softcat also posted strong gains following robust earnings and improved guidance. However, these gains were insufficient to offset broader market weakness.

Federal Reserve Policy & Economic Outlook

The Federal Reserve concluded its March meeting by maintaining the federal funds rate within the 3.50%–3.75% range, reinforcing a deliberate pause as policymakers assess a complex and evolving macroeconomic environment. While the decision was widely expected, the updated Summary of Economic Projections—particularly the Fed's closely watched “dot plot,” which we share as a chart—provides deeper insight into the trajectory of monetary policy and the Committee's internal thinking.

The Fed's projections continue to reflect an economy that is expanding at a steady, sustainable

pace. Real GDP is expected to grow modestly above trend in the near term before gradually converging toward its long-run potential. At the same time, labor market conditions remain stable, with unemployment projected to hold in the low 4% range, signaling a controlled cooling rather than a meaningful deterioration. This combination reinforces the baseline expectation of a soft landing. Inflation, however, remains the central challenge. While price pressures are expected to moderate gradually, both headline and core PCE inflation are projected to remain above the Fed's 2% target through 2026 before converging closer to the target over time. This slower path to disinflation underscores why policymakers continue to emphasize patience and caution in adjusting policy. The dot plot reinforces this narrative. The median projection for the federal funds rate declines only gradually over the forecast horizon, moving from approximately 3.4% in 2026 to near 3.1% in the outer years—closely aligned with the Fed's estimate of the long-run neutral rate. This suggests that the Committee is not signaling an aggressive easing cycle, but rather a measured normalization of policy as inflation trends improve.

Importantly, the distribution of projections shows meaningful dispersion in policymakers' views. The wide range of expected policy rates across the forecast period highlights ongoing uncertainty around the inflation outlook, the resilience of economic growth, and the potential impact of external risks. This internal divergence was further underscored by a dissenting vote in favor of an immediate 25-basis-point rate cut, indicating that while the broader Committee remains aligned on holding policy steady for now, the debate around the timing of easing has begun to take shape.

The Federal Reserve also explicitly acknowledged heightened uncertainty about the economic outlook, particularly amid geopolitical developments in the Middle East. The potential for energy market disruptions to influence inflation dynamics adds another layer of complexity to the policy path, reinforcing the Fed's data-dependent approach.

Looking ahead, the Committee emphasized that future policy decisions will be guided by incoming data, evolving economic conditions, and the balance of risks to its dual mandate of maximum employment and price stability. Policymakers reiterated their readiness to adjust monetary policy as appropriate should conditions change.

Taken together, the Fed's message can be characterized as one of measured patience. Policy is no longer tightening, but it is not poised to ease aggressively either. Instead, the central bank is navigating a narrow path—seeking to ensure that inflation returns sustainably to target without undermining the expansion.

For markets, this reinforces a “higher for longer, then gradually lower” framework. The path toward rate cuts remains intact, but the timing and pace will depend critically on continued progress in inflation, particularly in a global environment where geopolitical risks and energy prices remain key variables.

Inflation Watch: Producer Prices Signal Persistent Pressures

Producer price data came in above expectations, reinforcing concerns that inflation remains sticky. The Producer Price Index (PPI) rose 3.4% year-over-year through February, driven largely by persistent services inflation.

This reading remains notably above consumer inflation levels and suggests potential pipeline effects that could keep broader inflation measures elevated in the coming months. Given that elements of PPI feed into the Fed's preferred PCE measure, the data support a more cautious monetary policy stance in the near term.

Energy & Geopolitics

Energy markets remain a central driver of the global macro narrative. Oil prices moved higher, with Brent crude trading above \$108 per barrel and West Texas Intermediate approaching \$98, as disruptions in the Strait of Hormuz and attacks on energy infrastructure tightened supply expectations. The geopolitical backdrop continues to inject volatility into global markets, heightening inflation risks and complicating central banks' policy outlook.

Fixed Income & Global Allocation

The current environment continues to favor diversified fixed income strategies. International bonds provide exposure to differing economic and interest-rate cycles, while emerging-market debt offers attractive income opportunities amid elevated yields.

Within equities, opportunities remain across geographies. U.S. large- and mid-cap stocks continue to benefit from quality and earnings durability, while international developed and emerging markets present compelling valuation opportunities supported by global economic resilience.

Economic Data:

- **U.S. Producer Price Index YoY:** rose to 3.40%, compared to 2.90% last month.
- **U.S. Core Producer Price Index YoY:** rose to 3.90%, compared to 3.50% last month.
- **Target Federal Funds Rate Upper Limit:** is unchanged at 3.75%, compared to 3.75% yesterday.
- **Japan Machinery Orders YoY:** rose to 18.39%, compared to -1.35% last month.
- **Japan Industrial Production Index MoM:** rose to 2.16%, compared to -0.10% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 597.93, down 4.52 points or 0.75%.
- **FTSE 100:** closed at 10,305.29, down 98.31 points or 0.94%.
- **DAX Index:** closed at 23,502.25, down 228.67 points or 0.96%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,225.15, down 768.11 points or 1.63%.
- **S&P 500:** closed at 6,624.70, down 91.39 points or 1.36%.
- **Nasdaq Composite:** closed at 22,152.42, down 327.10 points or 1.46%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,992.67, down 1.65 points or 0.04%.
- **Birling Capital U.S. Bank Index:** closed at 8,827.87, up 61.40 Points or 0.76%
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.76%.

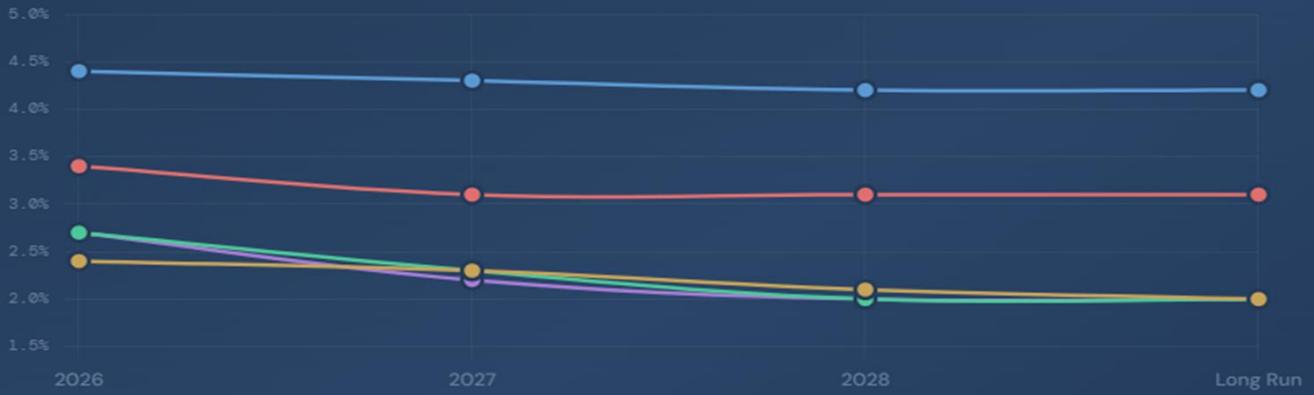
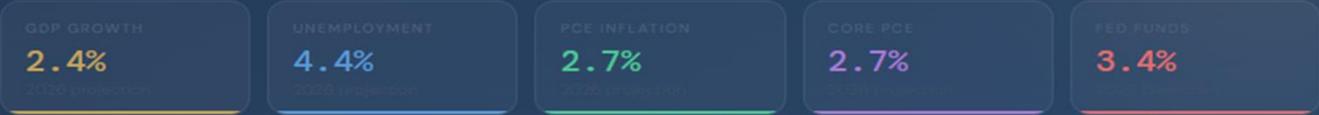
Federal Reserve Bank Projections March 2026

FEDERAL RESERVE · FOMC

March 2026

Economic Projections — Median

Summary of Economic Projections (SEP) · March 2026



● Real GDP Growth ● Unemployment Rate ● PCE Inflation ● Core PCE Inflation ● Fed Funds Rate



Federal Reserve Bank Economic Projections Updated 3.18.26

For release at 2:00 p.m., EDT, March 18, 2026

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2026

Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2026	2027	2028	Longer run	2026	2027	2028	Longer run	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0	2.2-2.5	2.0-2.4	2.0-2.3	1.8-2.0	2.1-2.7	2.0-2.7	1.8-2.7	1.7-2.5
December projection	2.3	2.0	1.9	1.8	2.1-2.5	1.9-2.3	1.8-2.1	1.8-2.0	2.0-2.6	1.8-2.6	1.7-2.6	1.7-2.5
Unemployment rate	4.4	4.3	4.2	4.2	4.3-4.5	4.2-4.4	4.0-4.4	4.0-4.3	4.3-4.6	4.0-4.5	4.0-4.5	3.8-4.5
December projection	4.4	4.2	4.2	4.2	4.3-4.4	4.2-4.3	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.5	4.0-4.5	3.8-4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6-3.1	2.0-2.3	2.0	2.0	2.3-3.3	1.8-2.4	1.9-2.2	2.0
December projection	2.4	2.1	2.0	2.0	2.3-2.5	2.0-2.2	2.0	2.0	2.2-2.7	2.0-2.3	2.0	2.0
Core PCE inflation ⁴	2.7	2.2	2.0		2.5-2.8	2.0-2.4	2.0		2.2-3.0	2.0-2.5	2.0-2.2	
December projection	2.5	2.1	2.0		2.4-2.6	2.0-2.2	2.0		2.2-2.7	2.0-2.5	2.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.1	3.1	3.1	3.1-3.6	2.9-3.6	2.9-3.6	2.9-3.5	2.6-3.6	2.4-3.9	2.6-3.9	2.6-3.9
December projection	3.4	3.1	3.1	3.0	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.1-3.9	2.4-3.9	2.6-3.9	2.6-3.9

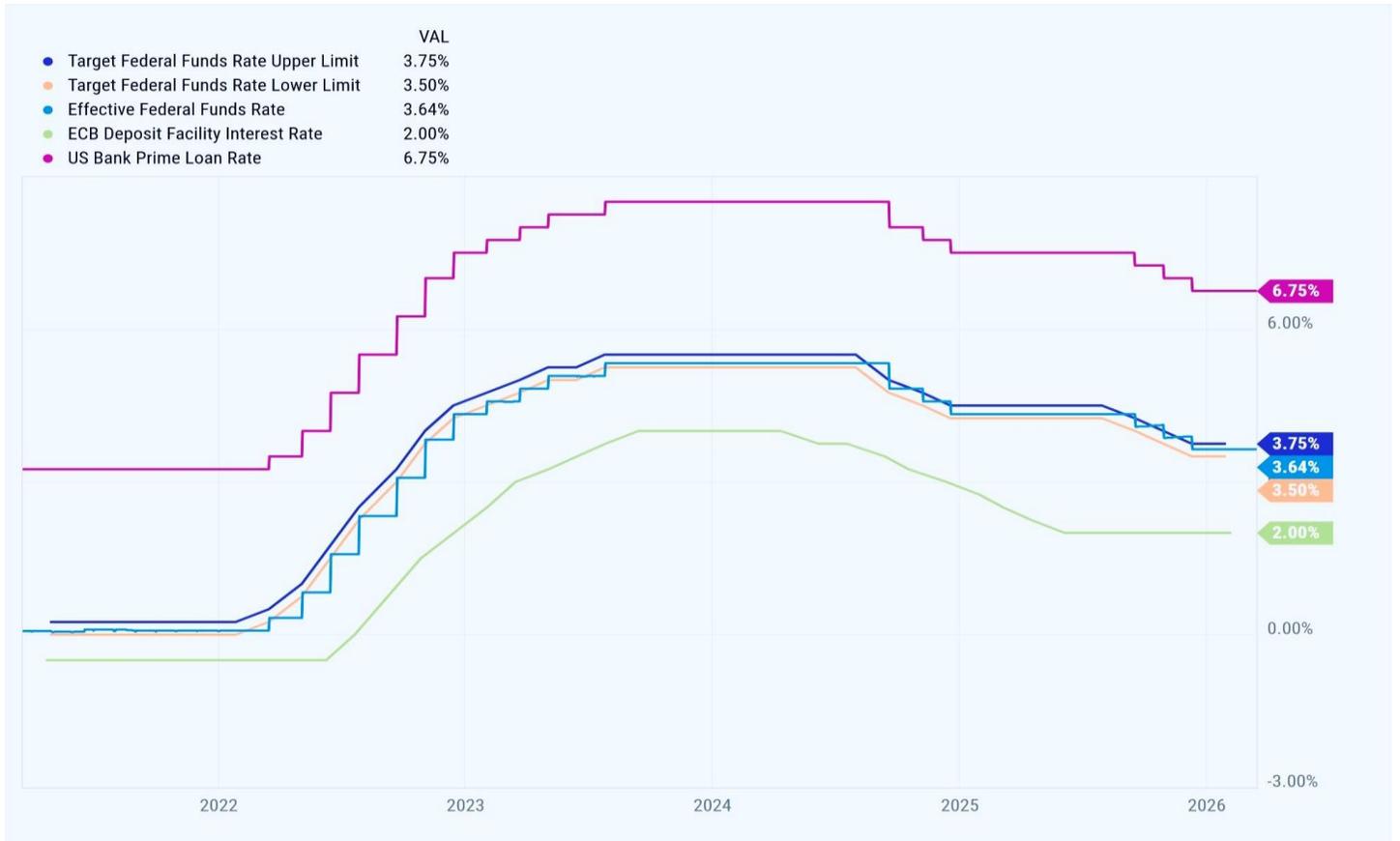
NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 9-10, 2025.

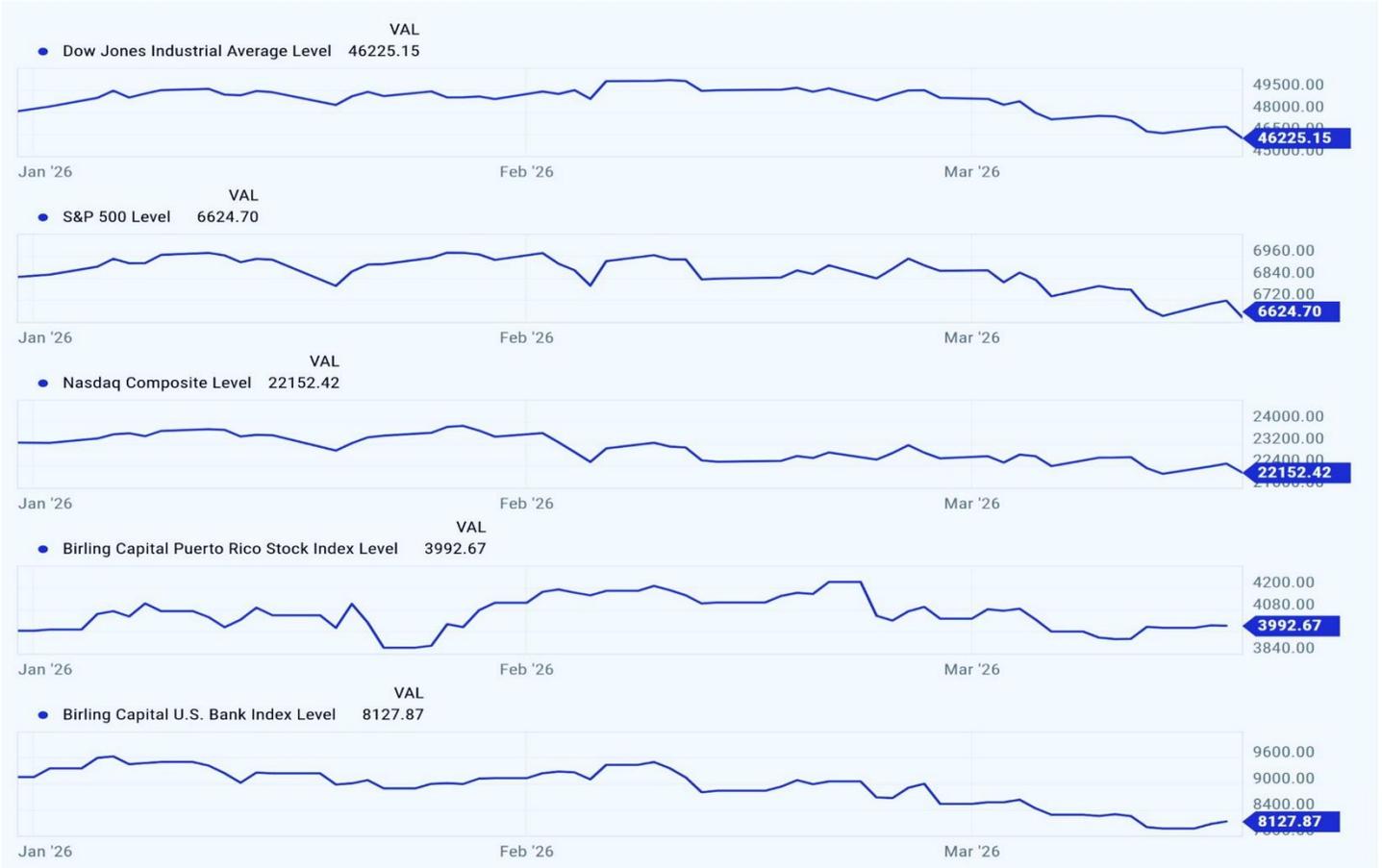
1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

US Producer Price Index YoY & US Core Producer Price Index YoY



Target Federal Funds Rate Upper Limit; Target Federal Funds Rate Lower Limit; Effective Federal Funds Rate; ECB Deposit Facility Interest Rate & US Bank Prime Loan Rate





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