



THE DANA VIEWPOINT

March 25, 2026

Dow: 46,429

Uncertainty: 2.0

One year ago, the S&P 500 Index closed at 5,675.29. On March 20, 2026, it closed at 6506, a six-month low. Our 2025 March Viewpoint opened with a word that had already become a cliché: uncertainty. At the time, we were navigating a "Trump correction" driven by aggressive policy shifts in immigration, government efficiency, and tariffs. Today, as we look at the financial landscape of March 2026, it is striking how much the narrative remains the same, even if the specific "proximate causes" have evolved.

If 2025 was defined by domestic policy pivots, 2026 is being shaped by a fundamental or systemic reshaping of global relationships. We are currently witnessing:

- **Geopolitical Flashpoints:** We have captured and removed the Venezuelan dictator and his wife in a nighttime raid and brought them to New York for trial. We are driving the potential fall of the regime in Cuba. We have initiated a war in the Middle East to defang Iran. Strategic tensions have escalated significantly, particularly with conflicts impacting energy markets and disrupting global trade routes.
- **Energy & Inflation:** Similar to last year's concerns over tariffs, we are now dealing with energy price volatility that has forced the Federal Reserve to hold interest rates steady in the 3.5–3.75% range. This persistent "higher for longer" environment continues to battle inflation projected at near 3%.
- **Market Corrections & Private Credit:** Major indexes have felt the weight of this environment, with many closing below their recent 200-day moving averages. Equally notable is the stress emerging in private credit markets. For years, this "shadow" asset class grew alongside traditional bank lending. Now, it is facing its first real test. We are seeing a rise in "Payment-in-Kind" (PIK) toggles—where borrowers defer cash interest—creating a familiar sense of unease. We have warned this correction was coming in our last two annual prediction Viewpoints, and it was the only prediction we carried over for 2026 from 2025. Investment vehicles that provide illiquid investments in a supposedly liquid wrapper are doomed when everyone runs for the exits. Much like the public market corrections of last March, this repricing of risk in private markets is a necessary, albeit uncomfortable, return to disciplined underwriting.

There are two key points we would make about the current geopolitical conflicts, although they are far from resolved. The first is that, by any measure, Cuba, Venezuela, and Iran pose less of a threat to the United States and its interests than they did twelve months ago. The second is that Russia and China, after witnessing recent U.S. military action, should be less certain that they can take any aggressive military steps against their neighbors without serious U.S. repercussions.

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Despite these headlines, it is important to remember a core tenet we discussed last year: periodic corrections are necessary to keep valuations aligned with future prospects. Last March, we noted that 60% of stocks were outperforming the S&P 500 index itself, suggesting a healthy underlying breadth despite a volatile surface.

We see a similar pattern of resilience today. While large-cap equities have faced headwinds, certain cyclical sectors and disciplined credit structures have shown leadership. Historically, such leadership often foreshadows an acceleration in economic activity once the "wall of worry" is climbed. Since the equity market has moved sideways while earnings have increased, the forward P/E ratio of the S&P 500 has fallen below 20x.

The "unpredictability" we noted a year ago remains a key feature of the current landscape. While this creates short-term discomfort, it also creates the "new worries" that eventually pave the way for new opportunities.

Markets often march to a different beat than the headlines suggest. Just as the S&P 500 rallied significantly from its 2025 lows despite constant skepticism, the current volatility in both public and private markets is likely a reassessment of expectations rather than a breakdown of economic fundamentals. When investors are most certain about the future, markets are usually near a high, and when investors are most uncertain about the future, markets are often near lows. At Dana, we continue to monitor these interrelated factors closely, remaining disciplined in our approach and looking past the "cliché of uncertainty" to find value where others see only risk.

Random Thought: "History doesn't repeat itself, but it often rhymes." – Mark Twain

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