

Q1 2026 MARKET VIEWS

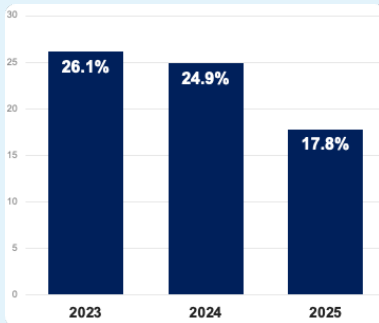
END OF QUARTER UPDATE | MARCH 31, 2026

SENTIMENT: A MESS, BUT NOT A BREAKDOWN

Sentiment is a mess right now. Everybody knows it. The question is whether it tips into something worse before it gets better, and the honest answer is we don't know yet. What we do know is earnings forecast revisions haven't really started moving lower. When they do, that's when the multiple compression story gets a second act. That's the thing to watch, not the daily ceasefire headlines.

We've been cautious coming into this year for good reason. After back-to-back 20%+ years and a 15%+ year in 2025, we said core up, don't chase multiples, stay diversified. That call has held up. Earnings are still growing 13-15%. The damage has been entirely sentiment and P/E compression, not a fundamental breakdown.

The Fed quietly upgraded its long-term potential growth estimate from 1.8% to 2.0% in a single quarter, something that almost never happens. That tells you the structural growth story is intact underneath the noise.



| # | Week Ending | SPX Close | SPX 5 Week Losing Streak? | SPX ROC(5) | SPX % Close Below ATH Weekly Close | SPX FWD 1 Week Return | SPX FWD 2 Week Return | SPX FWD 3 Week Return | SPX FWD 4 Week Return | SPX FWD 6 Week Return | SPX FWD 12 Week Return | SPX Max FWD 12 Week Drawdown | SPX Max FWD 12 Week Drawup | SPX Max FWD 12 Week Drawup *Close | |
|------------------|-------------|-----------|---------------------------|------------|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------------|----------------------------|-----------------------------------|--------|
| 1 | 3/27/2026 | 6376.62 | Yes | -7.71% | -7.02% | ? | ? | ? | ? | ? | ? | ? | ? | ? | |
| 2 | 5/6/2022 | 4123.34 | Yes | -9.29% | -13.49% | -2.41% | -5.38% | 0.85% | -0.36% | -10.88% | 0.17% | -11.80% | -10.88% | 1.31% | 0.85% |
| 3 | 6/3/2011 | 1300.16 | Yes | -4.65% | -16.75% | -2.24% | -2.20% | -2.44% | 3.04% | 1.23% | -9.49% | -15.28% | -13.29% | 4.33% | 3.45% |
| 4 | 7/4/2008 | 1262.9 | Yes | -9.23% | -19.14% | -1.85% | -0.18% | -0.41% | -0.21% | 2.80% | -3.93% | -10.25% | -3.93% | 3.98% | 2.80% |
| 5 | 7/16/2004 | 1101.39 | Yes | -3.09% | -17.89% | -1.38% | 0.03% | -3.40% | -3.32% | 0.58% | 1.88% | -3.69% | -3.40% | 3.69% | 2.75% |
| 6 | 9/27/2002 | 827.37 | Yes | -12.66% | -45.83% | -3.24% | 0.96% | 6.89% | 8.49% | 8.14% | 8.27% | -7.10% | -3.24% | 15.34% | 13.17% |
| 7 | 6/21/2002 | 989.14 | Yes | -10.61% | -35.24% | 0.07% | -0.01% | -6.85% | -14.29% | -12.63% | -10.04% | -21.58% | -14.29% | 1.69% | 0.07% |
| 8 | 3/2/2001 | 1234.18 | Yes | -8.91% | -19.20% | -0.06% | -6.78% | -7.64% | -5.98% | -4.11% | 3.54% | -12.40% | -8.57% | 6.62% | 4.68% |
| 9 | 10/6/2000 | 1408.99 | Yes | -7.35% | -7.76% | -2.47% | -0.86% | -2.09% | 1.26% | -2.93% | -6.30% | -11.00% | -7.31% | 2.09% | 1.26% |
| 10 | 4/11/1997 | 737.65 | Yes | -8.36% | -8.76% | 3.89% | 3.76% | 10.21% | 11.81% | 14.83% | 24.30% | -0.56% | 3.76% | 24.42% | 24.30% |
| 11 | 8/17/1990 | 327.83 | Yes | -10.75% | -10.75% | -4.98% | -1.61% | -1.35% | -3.36% | -6.64% | -4.30% | -10.16% | -8.48% | 0.63% | -1.35% |
| 12 | 12/4/1987 | 223.92 | Yes | -11.07% | -33.34% | 5.09% | 11.27% | 12.55% | 10.34% | 12.56% | 17.21% | 0.00% | 5.09% | 19.57% | 17.21% |
| 13 | 2/10/1984 | 156.3 | Yes | -7.67% | -8.49% | -0.36% | 0.77% | 1.88% | -1.25% | 0.36% | 1.80% | -2.67% | -1.25% | 3.72% | 2.30% |
| 14 | 3/5/1982 | 109.34 | Yes | -9.19% | -22.19% | -0.67% | 1.16% | 2.30% | 5.29% | 6.83% | 2.22% | -4.46% | -0.67% | 9.66% | 9.26% |
| 15 | 3/14/1980 | 105.43 | Yes | -10.61% | -12.05% | -2.96% | -4.51% | -3.11% | -1.56% | -0.26% | 7.37% | -10.62% | -4.63% | 8.49% | 7.37% |
| 16 | 8/26/1977 | 96.06 | Yes | -5.52% | -19.86% | 1.45% | 0.32% | 0.44% | -1.06% | -0.09% | -0.76% | -6.30% | -4.66% | 2.47% | 1.45% |
| 17 | 2/4/1977 | 101.88 | Yes | -5.19% | -15.01% | -1.63% | -1.36% | -2.36% | -0.67% | -0.02% | -3.38% | -5.25% | -3.46% | 0.80% | -0.02% |
| 18 | 7/12/1974 | 83.15 | Yes | -10.16% | -30.63% | 0.47% | -0.90% | -5.48% | -2.75% | -13.95% | -25.03% | -26.69% | -25.03% | 3.03% | 0.47% |
| 19 | 11/30/1973 | 95.96 | Yes | -13.84% | -19.95% | 0.57% | -2.78% | -2.52% | 1.65% | -2.40% | -0.59% | -6.70% | -3.85% | 5.19% | 3.06% |
| 20 | 5/28/1971 | 99.63 | Yes | -4.25% | -8.06% | 1.68% | 1.45% | -0.66% | -1.65% | 1.06% | -1.30% | -6.85% | -5.40% | 2.45% | 1.68% |
| 21 | 5/1/1970 | 81.44 | Yes | -9.43% | -24.85% | -2.46% | -5.57% | -11.28% | -6.00% | -9.28% | -4.44% | -15.75% | -11.28% | -0.20% | -2.46% |
| Average: | | | | | | -0.67% | -0.62% | -0.72% | -0.03% | -0.74% | -0.13% | -9.45% | -6.25% | 5.97% | 4.61% |
| Median: | | | | | | -1.02% | -0.52% | -1.72% | -0.86% | -0.86% | -0.48% | -8.63% | -4.65% | 3.70% | 2.52% |
| Min: | | | | | | -4.98% | -6.78% | -11.28% | -14.29% | -13.95% | -25.03% | -26.69% | -25.03% | -0.20% | -2.46% |
| Max: | | | | | | 5.09% | 11.27% | 12.55% | 11.81% | 14.83% | 24.30% | 0.00% | 5.09% | 24.42% | 24.30% |
| % Higher: | | | | | | 35.00% | 40.00% | 35.00% | 35.00% | 45.00% | 45.00% | 5.00% | 10.00% | 95.00% | 85.00% |

TECHNICALS: OVERSOLD ISN'T THE SAME AS CHEAP

Technically, 6300 is where we are and 6150 should hold as support. Since COVID, the market has repeatedly found support at prior highs — the question is whether that pattern holds now. The tape is oversold, but oversold and cheap are two different things.

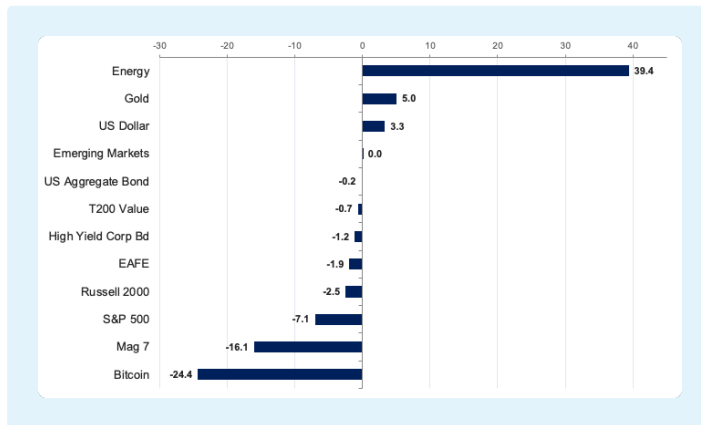
Five straight weeks down isn't historically encouraging. When the S&P nears correction territory, it tends to extend the drawdown rather than snap back immediately. It would take something genuinely catastrophic to crack another 5-10% quickly from here, but we're not calling a bottom until buyers visibly take control, not just defend a level. Per @SJD10304 on X.com:

DISPERSION: THE MARKET IS TELLING YOU WHERE TO BE

Underneath the surface there's historic dispersion. IWM down barely 1% while MAGS are off 16% from the January high. AGG is essentially flat. That's not a broken market, that's a market telling you exactly where to be. The pockets of attractiveness are real, they're just not where the last three years trained everyone to look.

Diversification is doing exactly what it was supposed to. Small caps, value, and international have all held up materially better than Mag 7. Energy has been a twofor: the AI data center buildout thesis plus the geopolitical hedge. We had that positioning before Iran made it obvious.

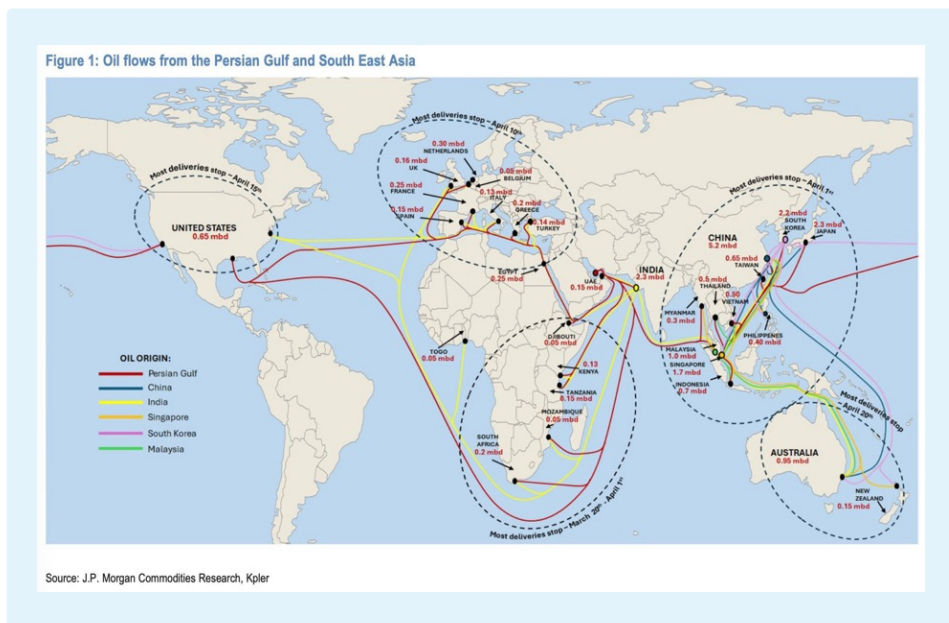
The best opportunities in Q2 probably come from buying what got sold indiscriminately this quarter. But not until the beatings stop and buyers visibly take control.



GEOPOLITICS: TWO REALITIES

2026 has been a packed geopolitical calendar. Greenland. Venezuela. And now Iran, which has dominated everything since late February. None of us are geopolitical experts, and anybody claiming a firm read on the timeline is overselling it.

There are two realities running in parallel. The narrative says Iran is crushed and the war is effectively over. The material reality looks nothing like that. The Strait of Hormuz is functionally closed, down to roughly 6 vessels a day versus 185 at normal times, and almost all traffic moving is headed to China. Iran's oil exports are actually up 8% year over year, nearly all of it going to China. That gap between headline and reality is a problem for anyone positioning off news flow.



On Iran's incentive structure — this is the part most people are glossing over. Iran is battered but holds maximum leverage right now. They have zero reason to allow the world to restock on oil or the US to restock on missile interceptors before round two. Markets need confirmation, not proposals.

The longer-term implication that isn't getting enough attention: if the US withdraws and the Strait stays effectively closed, the petrodollar accord is under real pressure. Oil priced in yuan routed east isn't a fringe scenario anymore. Watch the dollar.

Practically, fuel rationing is showing up across multiple countries. That's not a financial market story yet, but it becomes one if this drags into Q2.

THE FED: NO PUT HERE

The Fed setup is worrisome. Jobs have been grinding sideways, one month up 100k, next month down 100k, nothing breaking in either direction. The labor market is quietly soft. But the Fed can't move because oil is pushing inflation optics in the wrong direction.

Two-year sitting right at Fed Funds. Essentially no cuts priced for 2026. Weak labor, sticky inflation, no policy backstop. Some investors are expecting a safety net that looks like the Bernanke or Yellen era. That's far from guaranteed. There's no QE cavalry here.

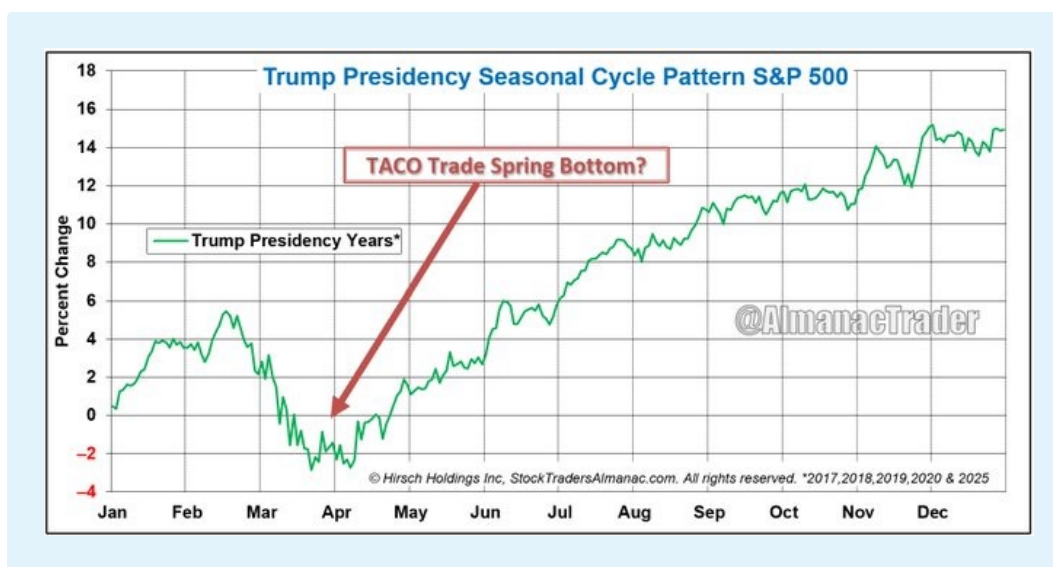
The bond market told you what the real pressure point was before equities did. The 10-year moved first, and that's what got the administration's attention. Bonds rallying hard on ceasefire news confirmed it.

| CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES | | | | |
|--|---------|---------|---------|---------|
| MEETING DATE | 300-325 | 325-350 | 350-375 | 375-400 |
| 4/29/2026 | 0.00 % | 0.00 % | 97.41 % | 2.59 % |
| 6/17/2026 | 0.00 % | 5.14 % | 94.86 % | 0.00 % |
| 7/29/2026 | 0.00 % | 9.41 % | 90.59 % | 0.00 % |
| 9/16/2026 | 0.00 % | 8.99 % | 91.01 % | 0.00 % |
| 10/28/2026 | 0.00 % | 13.41 % | 86.59 % | 0.00 % |
| 12/9/2026 | 0.00 % | 26.82 % | 73.18 % | 0.00 % |
| 1/27/2027 | 0.00 % | 31.41 % | 68.59 % | 0.00 % |
| 3/17/2027 | 0.00 % | 36.20 % | 63.80 % | 0.00 % |
| 4/28/2027 | 0.00 % | 39.41 % | 60.59 % | 0.00 % |
| 6/9/2027 | 0.00 % | 56.24 % | 43.76 % | 0.00 % |
| 7/28/2027 | 0.00 % | 68.41 % | 31.59 % | 0.00 % |
| 9/15/2027 | 38.38 % | 61.62 % | 0.00 % | 0.00 % |
| 10/27/2027 | 15.41 % | 84.59 % | 0.00 % | 0.00 % |
| 12/8/2027 | 32.94 % | 67.06 % | 0.00 % | 0.00 % |

THE TRUMP PUT: CREDIBILITY UNDER PRESSURE

The market is starting to question the Trump Put. Two straight Q1 drawdowns will do that. He's very aware of it, and you still have to believe he'll find an exit ramp and take it quickly. The midterm math is real. A lot of people missed the buy tweet moment last year and won't want to miss it again. That's a genuine market dynamic worth respecting.

That said, the market has stopped trending higher, which changes the psychology. The administration either finds a credible off-ramp on Iran or this starts bleeding into approval ratings and midterm polling in ways that matter. The clock is running.

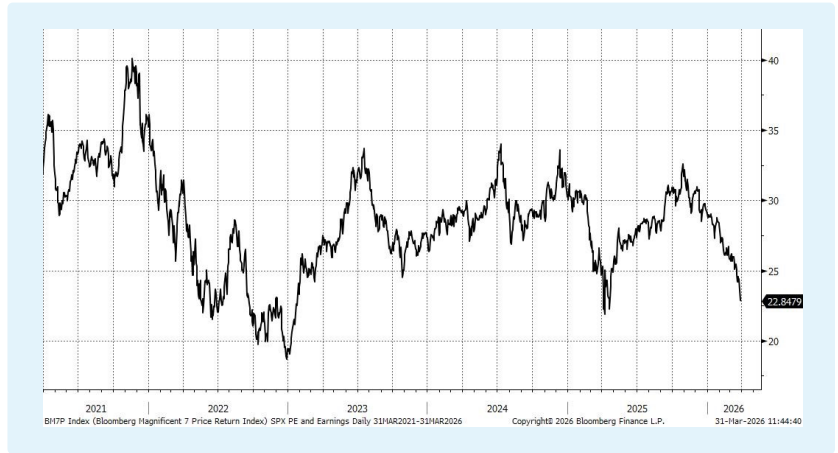


EARNINGS AND HYPERSCALERS: THE UNDERAPPRECIATED SETUP

We've been saying since fall 2025 that peak optimism was priced in. The market has essentially moved sideways since then with the S&P only barely approaching correction territory. That's time doing its work.

The hyperscaler story is the most underappreciated setup in this environment. 30-40% return on equity at low-20s multiples (right). That's not a bubble, that's a buying opportunity hiding inside a sentiment storm. Earnings revisions haven't moved materially lower yet. When the fog clears, quality is what you'll want to own.

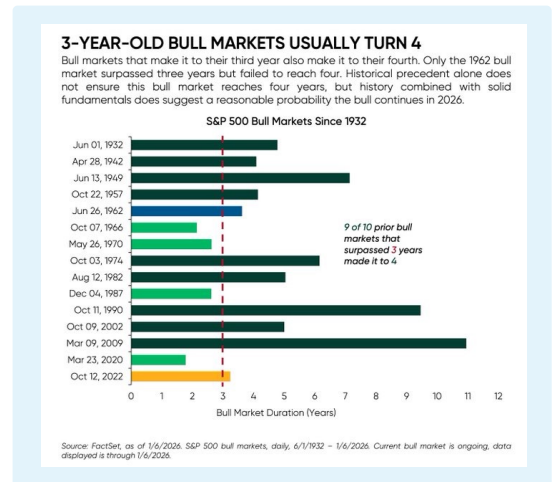
Oil would need to stay above \$100 for the full year before it threatens 2027 earnings in any meaningful way. We're not there yet. The K-economy consumer dynamic is intact near-term: the upper-income cohort barely notices gas going from \$600 to \$1,000 a month, and that cohort drives the majority of spending.



THE BINGO CARD: MIDTERMS STILL ON THE CLOCK

Midterm election years historically front-load the pain. Average drawdowns around 16%, with several deep selloffs in the 20-35% range, before the market resets and recovers. That shakeout historically sets up one of the more reliable washout-before-recovery patterns investors see.

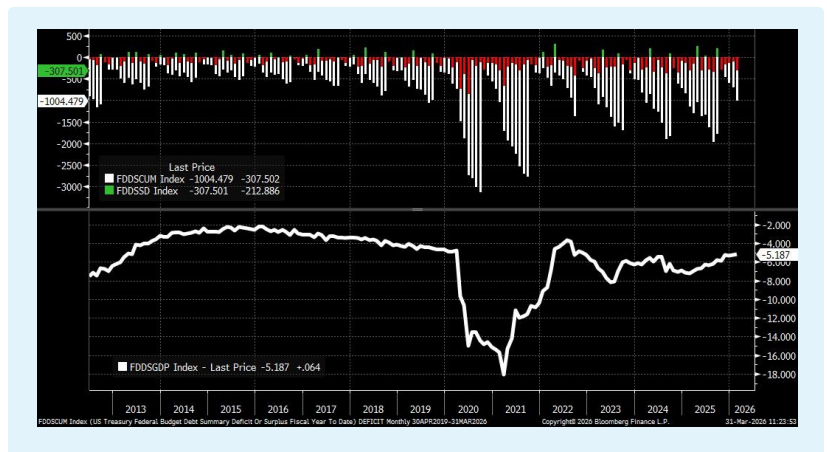
This bull market is three years old. They usually make it to four. 6150 support would put us down roughly 13% from the January high. The wheels would need to come off considerably from here to trigger a full bear market, which starts at 20%. Time tends to heal these things when the fundamental backdrop hasn't broken.



CAN WE GROW OUR WAY OUT OF IT?

Bessent was touting 7-8% GDP growth not long ago. With oil where it is and uncertainty at these levels, that number looks ambitious. Maybe he was referring to nominal rather than real, which would track if inflation is running hotter than expected.

Continued fiscal spending is still a tailwind for risk assets. Add the war on top and the picture gets more complex, but the underlying spending machinery hasn't stopped.



PRIVATE CREDIT: ALL NOISE, FOR NOW

The headlines are louder than the data. Actual loan losses in the Cliffwater Direct Lending Index through Q4 2025 are running at 0.65%, below the 5-year average of 0.66%. The withdrawal requests at some funds are the mechanism working exactly as designed: quarterly redemption caps exist specifically to prevent forced selling of quality loans at distressed prices. That's not a flaw, it was in the product disclosure from day one.

Worth knowing who's driving the panic narrative. A significant chunk of the "private credit crisis" commentary is coming from traditional bank research desks. Banks aren't neutral observers here: private credit has taken their market share in middle-market lending from 36% in 2014 to 90% today. Bank of America's own analysts have acknowledged there's misinformation around private credit causing markets to overreact. Read the alarming headlines with that competitive dynamic in mind.

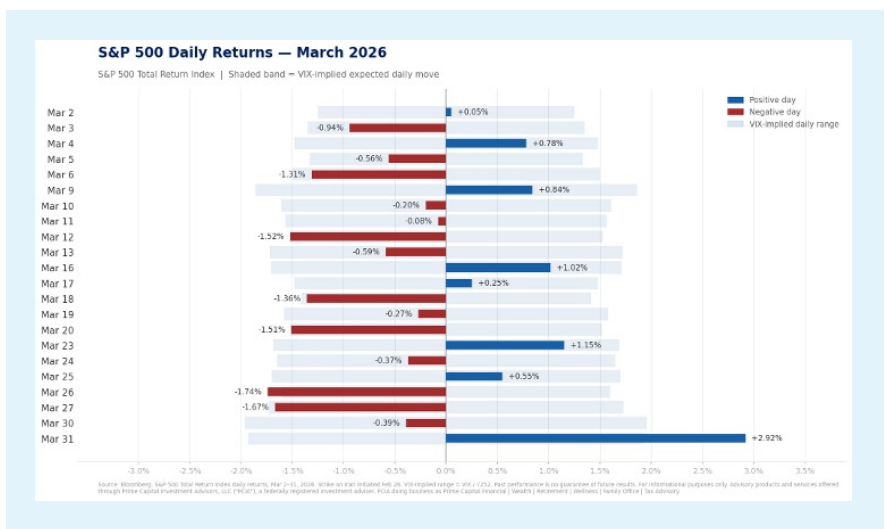
The software piece is real but narrow. Software loans are down roughly 756 basis points in 2026 while the rest of the loan market is down only 124 basis points. Software-specific event, not a broad credit crisis. And enterprise software budgets are actually up 27% as companies buy AI-enhanced tools. If software were dying, institutional buyers wouldn't have paid a record \$270 billion to acquire software companies in 2025.

HEADLINE WHIPSAWS: NO CARES

Markets Absorbed the Iran Shock With Surprising Calm: When U.S. and Israeli forces struck Iran on February 28, the selloff that followed was notably orderly. With the VIX trading between 20-30, options markets implied daily swings of $\pm 1.3\%$ to $\pm 1.9\%$... and day after day, the index obliged. Despite loud headlines around Strait of Hormuz tensions and surging oil prices, 20 of 22 trading days in March landed inside their VIX-implied range. The market was repricing risk deliberately, not panicking.

Quarter-End Gamma Was the Accelerant for the Snapback: March 31 was

a different story. With max pain on the March expiry sitting at 645, dealer gamma hedging became self-reinforcing as SPY climbed through key strikes, market makers short gamma had to buy futures into strength, amplifying every tick. The S&P posted +2.92% on the day, its biggest move of the month and the only one to convincingly break outside the VIX-implied band. The violence of the move was mechanical, not informational.



STAY INFORMED. STAY INVESTED.

Range-bound, not a breakdown. 6500 support, 6750 ceiling. Base case is a slog, $\pm 7-8\%$ YTD, until summer clarity on the conflict, Warsh, and midterms. Stay invested, stay diversified, stay disciplined.

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