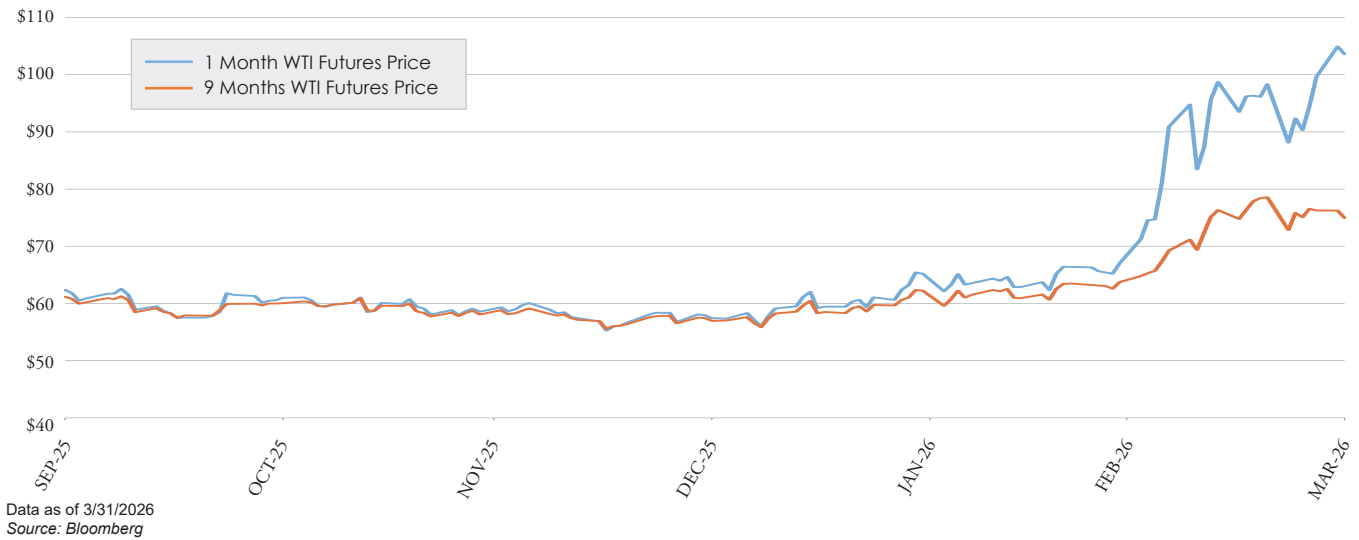


Oil Prices and the Market

Stocks fell sharply in March as the Iran War led oil prices to surge over 50%. The ripple effects of the spike in oil price included higher bond yields, rising costs for other petroleum-related materials, and falling consumer confidence. As of this writing, the situation remains incredibly fluid, with daily news headlines leading to sharp movements in the market, both up and down.

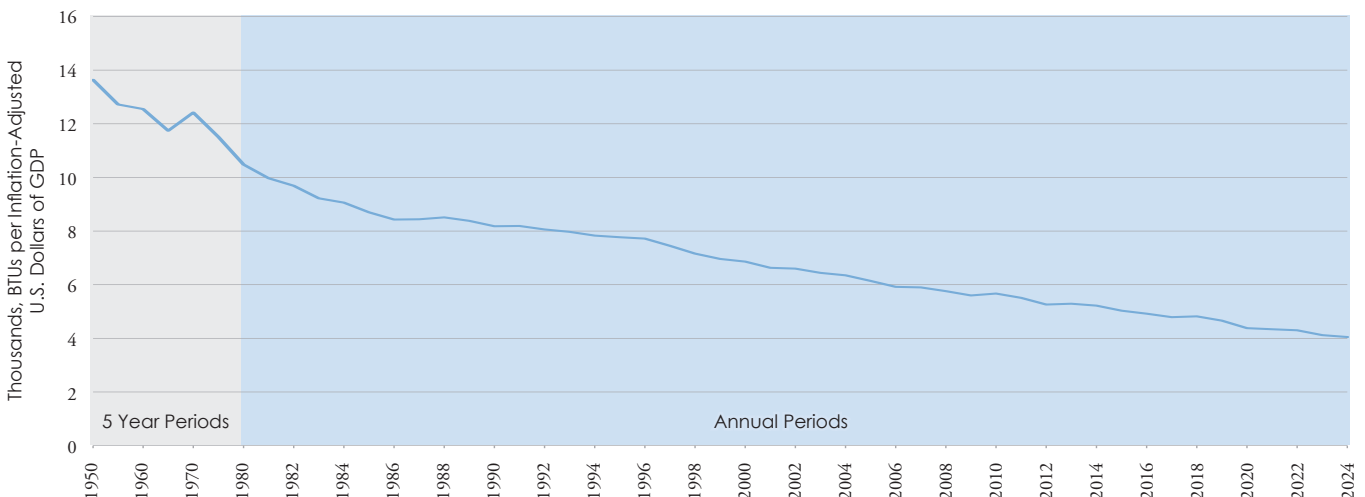
However, oil traders seem to believe that the spike in oil prices will be short-lived. Oil futures prices for nine months ahead are well below those of current prices and are below their levels of only two years ago. If these expectations play out, they imply a significant drop in oil prices over the next several quarters.

OIL BREAKS THROUGH \$100, BUT FUTURE PRICES ARE EXPECTED TO DECLINE



Elevated oil prices are clearly not positive for economic growth, as higher energy costs can negatively impact consumer spending and corporate profitability. Nevertheless, the United States has become markedly more efficient in its energy use over the past several decades. The chart below illustrates the amount of energy consumed by the U.S. in relation to a dollar of overall GDP over time. As the country has moved from a manufacturing-oriented economic base to a more

ENERGY CONSUMPTION PER REAL DOLLAR OF GDP⁽¹⁾



Data from 12/31/1950–12/31/2024

⁽¹⁾ Calculated as energy consumption in British Thermal Units (BTUs) divided by U.S. gross domestic product (GDP) in chained (2017) dollars.

Source: U.S. Energy Information Administration, Monthly Energy Review – February 2026

service-related economy, the relative amount of energy consumed has steeply declined from the levels of the 1970s and early 1980s. Efforts toward energy efficiency and conservation have also reduced energy consumption. As a result, a surge in oil prices similar to the surge we experienced in the 1970s and 1980s is unlikely to result in the same level of negative economic effect as it did then.

While we remain cognizant of the possible market risks in the current environment, we also remain alert to investment opportunities that may emerge from the first meaningful market decline of the past several years.

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