New York Life Investment Management
Global Market Strategy team
Lauren Goodwin · Julia Hermann · Sarah Hirsch · Michael LoGalbo

Macro Pulse for March 8

- U.S. jobs growth turned negative in February with nonfarm payrolls down 92k, well below expectations for a 55k gain. Along with October 2025, this is the worst jobs report since the pandemic. With the downward revision to December's data, the 3-month uptrend in hiring we'd thought was forming...is not. We believe the labor market is still fragile enough to merit modest Fed easing, but the range of possibilities for policy rates has widened given geopolitical risk, along with mounting questions around AI-related labor disruption.
- U.S. and Israeli strikes on Iran, as well as regional retaliation by Iran, continue to accelerate. With the Strait of Hormuz effectively closed, approximately 20% of global oil transport has come to a halt, sending oil prices to nearly $90/bbl and European natural gas futures up approximately 50%. With the market focused this new upside risk to inflation, investors may "look through" February's backward-looking CPI figures this week.

Macro Pulse: The cycle extends but volatility returns

Our latest monthly Macro Pulse report for March is now available. We summarize the key changes to the market environment and our team's view here.

The year has started with a tug-of-war between resilient growth and rising policy risk. Markets have held up, but the path forward looks more punctuated by event risk than driven by clean fundamentals.

What's happened & what's next?
The first two months of the year have featured market re-pricing in both AI disruption and geopolitical risk. Most recently, the U.S. military operation in Iran and the Supreme Court's decision striking down reciprocal tariffs have pulled escalation risk and trade policy back to the center of market narratives, keeping volatility and hedging behavior more sensitive to headlines – even as the U.S. growth backdrop remains resilient.

This environment is difficult because uncertainty is coming from multiple directions at once. The path of growth looks stable for the time being, but shifts in trade policy, inflation risks of higher oil prices, and swings in investor sentiment have the potential to derail the constructive domestic outlook. Accordingly, the range of macro *and* market outcomes is wider, making conviction harder to hold, and increasing the odds that markets re-price in short bursts rather than in a gradual trend. Investors are left with more open questions than answered ones as the year unfolds.

What's our view?
Our base case over the next six months remains fundamentally unchanged: constructive, but less linear. The risks we identified at the start of the year, including upside inflation risk and geopolitical risk, are obviously louder today than they were in January. In our view, three forces will be responsible for shaping market outcomes this year.

1. **Geopolitical regime change is changing the investing backdrop**. With geopolitical risk rising, we are using the new U.S. National Security Strategy to help us contextualize recent U.S. foreign policy operations

in Venezuela, Iran, and elsewhere. In that context, we expect more policy (and potentially more use of force) aimed at securing supply chains, energy and critical resource access, and hemispheric primacy. This is a shift in the investing framework, and, in our view, it brings the old economy toolkit back into focus, where metals, minerals, and the industrial and energy supply chains behind them matter again.

2. **AI remains a concentrated market driver**. We believe AI will remain a concentrated market driver, even though big tech performance has been impacted by an arbitrary shift in investor focus to the winners and losers of AI application. Hyperscalers still have strong earnings and cash flow – large cap tech led Q4 2025 earnings growth at over 30% – and continue to recycle cash from core businesses into AI investment. In our view, monetization concerns are premature, but disintermediation in the broader software space is reasonable given the pace of disruption potential from agentic AI. This is why we emphasize quality, even as we still see room for debt financing of AI capex to expand throughout the year.

3. **U.S. monetary and fiscal engines remain supportive**. The U.S. policy mix is likely to remain an important support for capital markets in 2026 – but this mix may shift. We expect modest Fed cuts, but rising inflationary risks may skew the Fed hawkish. On the fiscal side, we already expected pro-growth policies to stem from both existing provisions of the One Big Beautiful Bill Act and marginal support given the midterm elections. Now, if the U.S. sees an increase in defense spending, the fiscal thrust could expand.

   Globally, we expect policy to be neutral to constructive in Europe, Japan, and China, with Japan potentially more volatile as BOJ normalization, potential fiscal support, and currency dynamics drive rates and the yen. We still expect U.S. assets to remain central in global portfolios, while the geopolitical backdrop supports diversification across regions and asset classes.

Two risks clearly in focus

The primary risk to our base case is a reacceleration of inflation, and we see two likely drivers. First, higher energy prices tied to U.S. military action and the risk of disruption through the Strait of Hormuz. Second, economic overheating is a threat to inflation, especially if policy support meets an already above-trend pace of economic growth.

We're also keeping an eye on the labor market, where a fragile "low hire, low fire" equilibrium could flip into higher layoffs if margin pressure and tariff and energy-related uncertainty intensify, weighing on consumer activity. AI efficiencies have raised concerns that higher productivity will come at the expense of jobs. In our view, productivity gains are difficult to attribute, and recent labor supply changes tied to the pandemic and immigration policy are also playing a role in the changing labor environment.

Portfolio strategy

Last month, we said the biggest challenge for investors remains where to deploy new capital. This month, the biggest challenge for investors is where to deploy new capital, *amidst increasing volatility*. To meet that moment, we believe investors should continue to emphasize the two disciplines we've been calling out: **diversification** and **quality**. In our view, biasing portfolios toward these factors can help mitigate the effects of uncertainty and market volatility.

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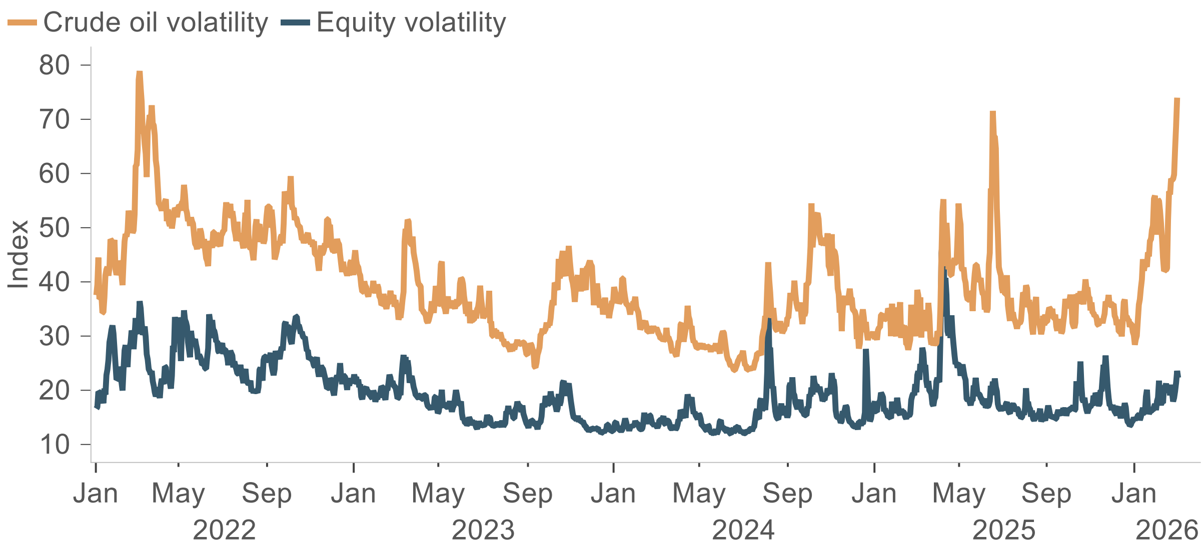
Macro Pulse this month: making sense of rising volatility and how to manage it

Crude oil volatility is at its highest since the Russian invasion of Ukraine.



Sources: New York Life Investment Management, Global Market Strategy, Bloomberg, Macrobond, March 2026. Crude oil volatility is represented by the Cboe Crude Oil VIX Index. Equity volatility is represented by the VIX index. Past performance is not a guarantee of future results. It is not possible to invest in an index.

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