

# 1ST QUARTER 2026 MARKET OVERVIEW

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## A RESET FOR THE STOCK MARKET

Conditions for equities remain broadly favorable despite the recent downturn driven by rising oil prices and the war. For investors who rely on their capital to grow, a meaningful allocation to U.S. stocks continues to be one of the most compelling long-term strategies.

That said, markets have not rewarded bullish sentiment in the short term. Major indices have declined roughly 10% from their February highs, and March posted a 5.4% loss—the weakest monthly performance since the difficult stretch of 2022. Rather than viewing this pullback as a cause for concern, we believe it is more constructive to see it as a reset—one that offers the opportunity to invest at more attractive valuations. Periods like this often help surface emerging and underappreciated areas of growth.

Market disruptions are inevitable, and the current environment is no exception. At the start of the year, Wall Street analysts broadly projected approximately 10% market growth for 2026. While such forecasts are inherently unreliable, a significant portion of the year remains, and those expectations are still within reach.

What is clear is that recent events have repriced the market. Approximately half of all stocks are now down more than 20% from their highs, including many of the widely followed “Magnificent 7” companies. Some declines have been even more pronounced—Nike, for example, is down roughly 40% this year and about 75% from its 2022 peak. Many holdings across portfolios have also experienced meaningful drawdowns.

Importantly, while March was challenging, it has not been as uniformly negative as prior periods of stress. Unlike last April’s sharp, broad-based decline—when markets fell 12% in just two weeks and 20% from peak levels—recent weakness has been more selective. In fact, several of our holdings demonstrated resilience and even posted gains during the month.

Meanwhile, the broader economy continues to send constructive signals. Interest rates may stabilize, and under that scenario, the outlook remains favorable. With a “glass half full” perspective, we believe many equities are positioned to rebound with gusto.

## THE MENU

If you have ever looked at the menu at The Cheesecake Factory, you know it offers something for nearly every taste — spanning cuisines, preferences, and dietary needs. Today’s market presents a similarly broad set of opportunities for investors.

Technology and AI companies, for instance, are now trading at more attractive levels. Industrial and manufacturing firms — an area we continue to favor—have also been discounted. If consumer activity strengthens, companies providing goods and services remain well below prior highs. Even innovation-driven businesses across sectors have seen widespread repricing.

In short, opportunities are no longer concentrated—they are abundant. This stands in stark contrast to the beginning of the year, when elevated valuations left markets more vulnerable to profit-taking.

## PEREGRINE STRATEGY

As the saying goes, individual stocks are the foundation of successful investing. With that in mind, Peregrine portfolios continue to emphasize industrial companies that manufacture essential goods and serve business customers.

One area of particular interest is power and energy infrastructure. Demand for electricity is rising, and the pressure to expand capacity is increasing. Companies operating in this space appear especially well positioned.

We are also focused on businesses with strong order backlogs supported by long-term contracts. These companies may be underestimated, particularly where operational efficiencies can reduce costs and enhance margins. For example, future production costs at a company like Boeing may prove lower than current Wall Street expectations.

International markets remain a meaningful component of portfolios. While this segment performed well through 2025 and into early 2026, rising oil prices have recently created headwinds. We are monitoring conditions closely and may reduce exposure in the second quarter if risks persist.

In fixed income, the current environment presents challenges. A strong economy combined with the potential for higher inflation is generally unfavorable for longer-duration bonds. As a result, we currently favor holding cash yielding approximately 3.5% while waiting for more attractive opportunities in fixed income.

We are also exercising caution in areas where asset prices appear to have peaked. Bitcoin has declined nearly 50% from its highs, while gold and silver may be entering downward trends. Leadership among the “Magnificent 7” is also less certain, and we are approaching these names selectively.

## FINAL THOUGHTS

Overall, we maintain a constructive outlook on equities. Current fiscal policy targets approximately 3% economic growth, and both fiscal and monetary conditions are likely to remain supportive of that objective.

While volatility may persist in the near term, periods of market reset often lay the groundwork for future gains. We believe this environment presents not only challenges, but also meaningful opportunities for our clients in the months ahead.

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