



A Fed Balancing Act: Oil, Iran, Slower Growth

Few Fed meetings in recent memory have presented the FOMC with a more uncomfortable set of competing signals than yesterday's. The Iranian conflict and its impact on oil and oil-dependent product prices have created the potential for an inflationary impulse, yet higher oil prices would likely slow economic activity, leading to higher unemployment. As if the balance between the Fed's two Congressional mandates, stable prices and maximum employment, wasn't challenging enough, they just learned that fourth-quarter GDP was revised lower to a mere 0.7% growth rate. Moreover, consumer spending is showing signs of fatigue, the labor market is slowly weakening, and financial conditions have tightened due to private credit stress and the dollar's recent appreciation.

Against that backdrop, the FOMC held rates steady as expected. Stephen Miran was the lone dissenter, voting for a 25 bps cut. The Fed left the prior statement largely unchanged. The only notable addition was the following sentence regarding the Iranian conflict:

The implications of developments in the Middle East for the US economy are uncertain.

The Fed released its quarterly Summary of Economic Projections (SEP), shown below. The only notable change was an increase in their collective inflation forecast. Its PCE forecast was raised by 0.3% from the December SEP, while core PCE was raised by 0.2%. Per the projections, the Fed still expects to cut rates one time this year.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2026

Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2026	2027	2028	Longer run	2026	2027	2028	Longer run	2026	2027	2028	Longer run
Change in real GDP	2.4	2.3	2.1	2.0	2.2-2.5	2.0-2.4	2.0-2.3	1.8-2.0	2.1-2.7	2.0-2.7	1.8-2.7	1.7-2.5
December projection	2.3	2.0	1.9	1.8	2.1-2.5	1.9-2.3	1.8-2.1	1.8-2.0	2.0-2.6	1.8-2.6	1.7-2.6	1.7-2.5
Unemployment rate	4.4	4.3	4.2	4.2	4.3-4.5	4.2-4.4	4.0-4.4	4.0-4.3	4.3-4.6	4.0-4.5	4.0-4.5	3.8-4.5
December projection	4.4	4.2	4.2	4.2	4.3-4.4	4.2-4.3	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.5	4.0-4.5	3.8-4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6-3.1	2.0-2.3	2.0	2.0	2.3-3.3	1.8-2.4	1.9-2.2	2.0
December projection	2.4	2.1	2.0	2.0	2.3-2.5	2.0-2.2	2.0	2.0	2.2-2.7	2.0-2.3	2.0	2.0
Core PCE inflation ⁴	2.7	2.2	2.0		2.5-2.8	2.0-2.4	2.0		2.2-3.0	2.0-2.5	2.0-2.2	
December projection	2.5	2.1	2.0		2.4-2.6	2.0-2.2	2.0		2.2-2.7	2.0-2.5	2.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.1	3.1	3.1	3.1-3.6	2.9-3.6	2.9-3.6	2.9-3.5	2.6-3.6	2.4-3.9	2.6-3.9	2.6-3.9
December projection	3.4	3.1	3.1	3.0	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.1-3.9	2.4-3.9	2.6-3.9	2.6-3.9

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 9-10, 2025.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

What To Watch Today

Earnings

Thursday Mar 19	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
FedEx <small>FDXUS</small>		4.01	4.51		23.38B	22.2B	\$69.25B	Q3	PM
Darden Restaurants <small>DRIUS</small>		2.95	2.80		3.33B	3.2B	\$22.66B	Q3	AM
Scholastic <small>SCHLUS</small>		-0.55	-0.13		347.27M	335.4M	\$772.4M	Q3	PM

Economy

Thursday March 19 2026			Actual	Previous	Consensus	Forecast
07:30 AM	US	Initial Jobless Claims <small>MAR/14</small>		213K	215K	215.0K
07:30 AM	US	Philadelphia Fed Manufacturing Index <small>MAR</small>		16.3	10	11
09:00 AM	US	New Home Sales <small>JAN</small>		0.745M	0.72M	0.73M
09:00 AM	US	New Home Sales MoM <small>JAN</small>		-1.7%		-0.9%

Market Trading Update

Yesterday, we discussed managing portfolio risks and the fallacy of *Missing The 10-Best Days?* in the market. Adding on to that discussion is a warning from the credit markets. As we have discussed previously, if you are worried about a market correction, the only thing you need to watch is credit spreads. The reason is that credit is the lifeblood of the economy, and since yields are a function of fundamental factors, shifts in spreads have a very strong correlation with market outcomes.

For more discussion on this topic: [Credit Spreads: The Market's Early Warning Indicators ? RIA](#)

The Junk to Treasury bond spread provides signals of market stress or impending market corrections. The reason is that if you are buying bonds that have a high risk of default (aka junk bonds?), you should be paid a premium for the risk that is undertaken relative to the risk-free rate offered by U.S. Treasury bonds. The spread identifies when investors are willing to speculate in the markets and forgo the risk premium.

As shown, this has typically not ended well, which is why understanding credit spreads is important to investing outcomes.

I bring this up because credit spreads are starting to widen. As noted by [Senitmentrader.com](#) yesterday:

One of the main drivers of the rise in stock prices this year has been loose financial conditions. That's something of a tautology because stock prices are a portion of most financial condition models, but other inputs carry just as much, if not more, weight. One of those factors is bond spreads. As spreads widen, showing distress, it feeds into tighter financial conditions. Many of those models show tightening conditions, which have preceded more challenging environments for stocks.

As shown, over the past 20 years, whenever credit spreads reached 9-month highs while the S&P remained within 5% of its high, a bear market followed.



While there is no guarantee that it will happen this time, the track record is at least worth paying attention to. The rise in credit spreads is notable and suggests there are *?cracks?* in the market's foundation. As such, our suggestions for tighter risk controls and rebalancing remain key until things begin to correct themselves.

Track credit spreads on [SimpleVisor](#). As we show below on our soon-to-be-released version, spreads have been widening, but on a long-term basis, they remain very tight.



SimpleVisor™ Don't invest alone. Tap into the power of SimpleVisor. [Sign up now](#)

Gold Falls On Higher PPI And Oil Prices: Confused?

The price of gold opened about 2% lower on Wednesday despite oil trading near \$100 and PPI coming in hotter than expected. If you think gold is an inflation hedge, you must be a little confused. Let us explain.

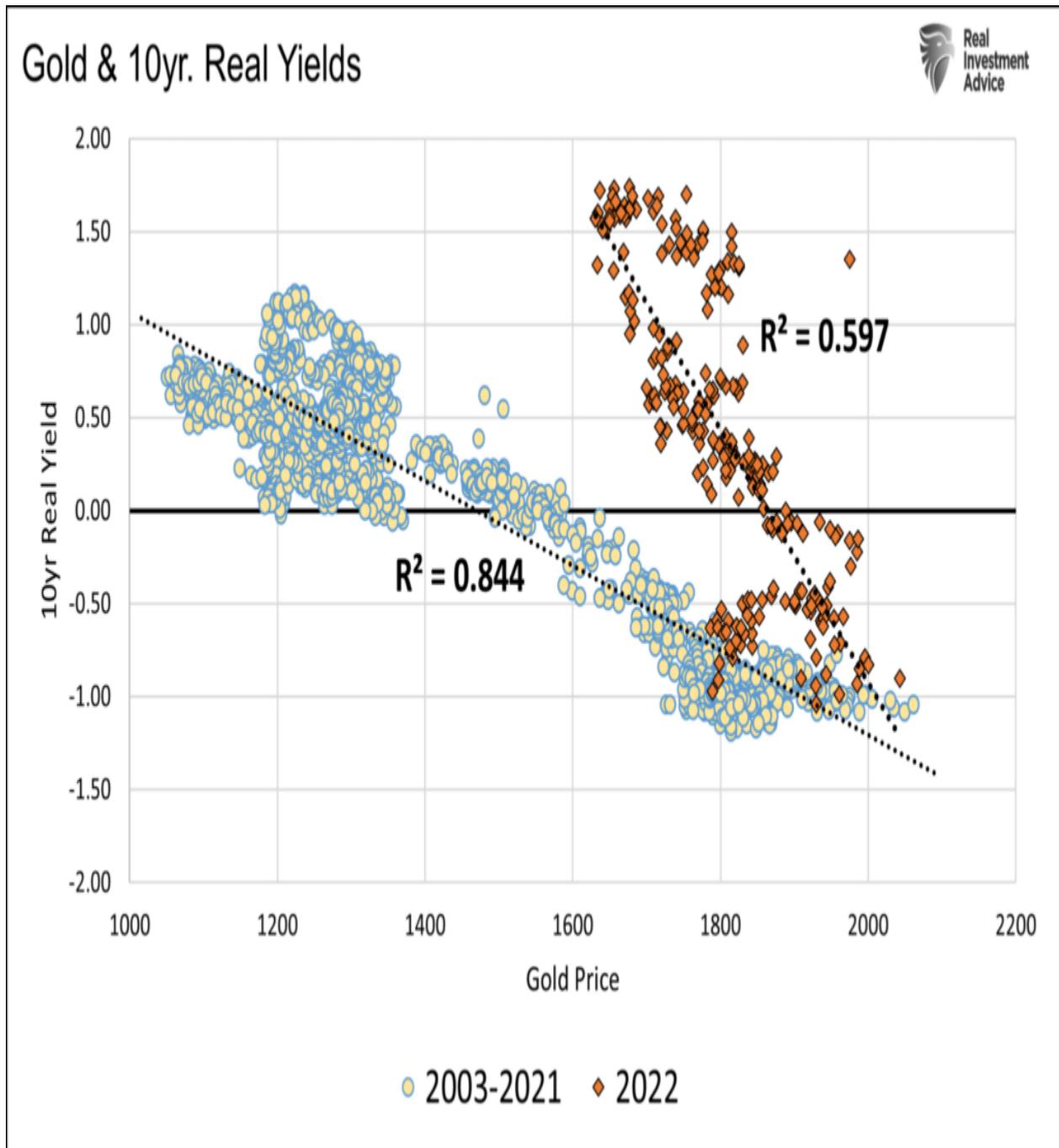
For starters, the daily gyrations of gold or any other asset are not always aligned with fundamentals. Longer-term trends tend to better reflect fundamentals. However, Wednesday's price decline has some rationale. The quote below from FinViz explains why.

*Gold futures plunged 2% as oil prices held above \$100/barrel from Iran-Israel conflict escalation fueled inflation fears and **hawkish Fed bets***

Because higher oil prices are potentially inflationary, it becomes more likely that the Fed shifts to a more hawkish policy stance. Historically, gold prices are more closely correlated with real interest rates (yields less inflation) than with inflation. When real rates are low or negative, it means the Fed's policies are overly dovish. Such aggressive monetary policy often goes hand in hand with higher gold prices. Conversely, when real rates are high, as they are today and as investors expect going forward, gold tends to do poorly. That has not been the case over the last few years, although it has been for many years, as we share in the graph below from our article, [Gold Investors Are Betting On the Fed \(2/22/2023\)](#). The orange squares indicate that the correlation

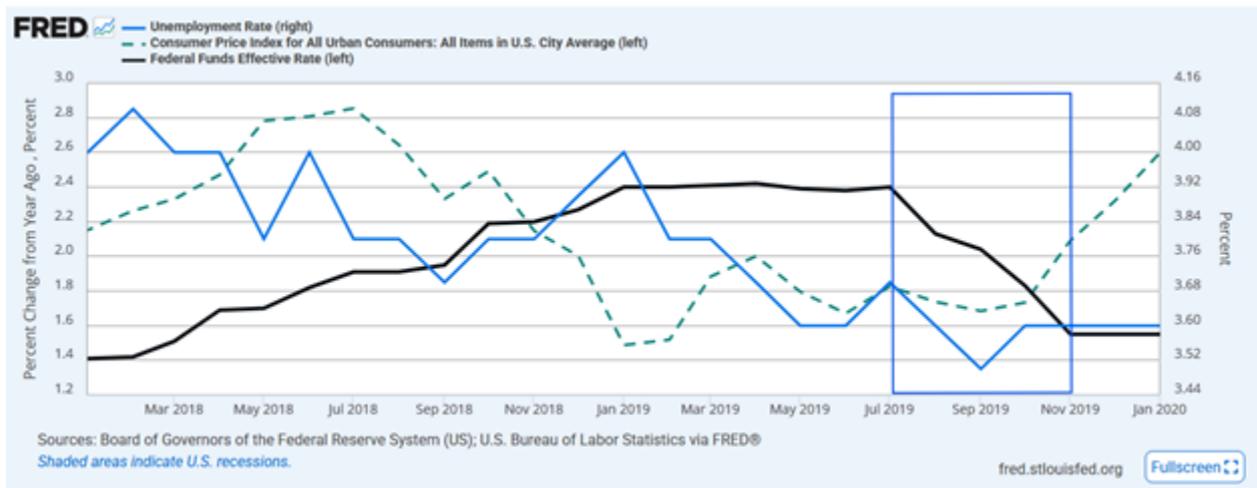
weakened in 2022. It has further eroded since then.

The consideration for gold bulls is whether gold prices may be returning to their real rate basis. If so, a hawkish Fed may not bode well for gold prices.



Private Credit Stress: Will The Fed Backstop Exuberance Again?

The Fed has a history of cutting rates and boosting liquidity when the labor market and inflation levels don't necessitate action. For instance, in 1998, the Fed cut rates three times in rapid succession and orchestrated a private-sector rescue of Long-Term Capital Management to prevent the hedge fund's collapse from cascading through Wall Street. More recently, in 2019, the Fed injected hundreds of billions of dollars into the repo markets and cut rates when overnight funding rates spiked, but with no immediate connection to inflation or unemployment, as we show below.



To help you evaluate whether rising stress in the private credit market will warrant Fed action, we explain what private credit is, identify the key players, compare the current situation to the subprime crisis, and explain how this stress could prompt the Fed to act.

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This chart illustrates the incredible power of compounding.

Think bigger swings mean bigger returns? Let's take a look at the math.

A steady +5%/year beats alternating +60%/-40% over 25 years...and it's not even close. The math of compounding punishes volatility, the exact characteristic leveraged single-stock ETFs amplify.

Check out our latest piece for more deep insights.

kailashconcepts.com/leveraged-etfs/

Source: Kailash Capital Research, LLC

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