

**BILLS ASSET MANAGEMENT**  
**BAM MARKET NOTE**  
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## Our Point

It has been a choppy week on Wall Street as the Iran war, now in its 13th day, continues to dominate the tape. On Monday, Iran's newly appointed Supreme Leader, Mojtaba Khamenei, broke his silence with a defiant first address where he vowed to keep the Strait of Hormuz closed as a 'tool of pressure' and called for additional attacks on U.S. military bases in the region. The statement renewed fears that this conflict may drag on and could keep the Strait closed longer than initially expected. Extended disruption to this critical chokepoint will result in a prolonged supply shock and will continue to inflate oil prices around the globe. In response to the shortage, the United States, Japan, Germany, and France agreed to release a record 400 million barrels of oil from strategic reserves. Despite the release of reserves, oil prices have remained stubbornly elevated and continue to threaten the health of the global economy. Aside from the developments in the Middle East, investors digested new inflation data in the form of CPI and PCE numbers that were released Wednesday and Friday morning, respectively. CPI came in as expected at 2.4% year-over-year while Core PCE came in at 3.1%, a tick above the prior reading of 3.0%. On the surface, the numbers were benign. The initial market reaction was muted. However, any relief was short-lived, as traders quickly recognized that the CPI data predates the oil shock entirely. With crude oil flirting with \$100 a barrel, the March and April inflation data is almost certain to be materially hotter. This puts the Fed in a tough spot as inflation remains sticky, and the oil surge is poised to make it worse. The odds of two or more rate cuts this year have collapsed over the past month from roughly 85% to about 35%. The Fed meets next week on Wednesday and is widely expected to keep rates unchanged. The press conference following the announcement will provide additional insight into what the Fed might be planning to do for the remainder of the year. We will be monitoring Fed Chair Powell's tone as he forecasts the last few months of his term, and we will be looking for any posturing that may indicate how incoming Fed Chair Kevin Warsh may implement his take on rate policy. While the headlines this week seemed to be predominantly negative, the major indices are still well within the bounds of a healthy correction. We remain cautiously optimistic but are keeping a close eye on the 200-day moving average. If the indices breach that key level (only about 1-2% away from current levels) we will begin to take on a more defensive posture. Caution at these levels is warranted but investors should resist the urge to make dramatic moves in their portfolios based on headlines that can change very quickly. With spring-like temperatures rolling into Nashville this weekend, I plan to step away from the screens, catch a few SEC Tournament games, and get my hands dirty preparing my garden for the season ahead. We hope you find some time to enjoy the weather as well. Have a wonderful weekend and go Vols!