

Monthly Market Insights Podcast - MARCH 2026

[00:00:07] **Denise Chisholm:** Welcome back to the Market Insights podcast. I'm Denise Chisholm, Director of quantitative market strategy with Fidelity's Quantitative Research and Investments division. And today we're going to talk about what's been making headlines geopolitics, oil, software stocks, and I'm going to walk through what history actually says about these episodes and dislocations, how markets differ from some of the historical instances and what that might mean. And we're going to shift to the sector opportunity side of the ledger as well, specifically technology, because every time something else seems more interesting, tech gets mathematically interesting again. And as of right now, valuations in some parts of the sector are sending a very familiar signal. But let's start with geopolitics and oil. Given the headlines whenever geopolitics and oil move at the same time, the instinct is to assume it's a serious threat to markets, and that certainly makes sense. Geopolitical events tend to take over the headlines and oil prices are very visible and felt immediately. But history is unfortunately filled with events like that, and the patterns as it relates to the long historical view of the equity market tend to look a lot different than that first instinct. So, when you look back across nearly a century of crises, from Pearl Harbor to the first Gulf War to Russia, Ukraine, more recently, geopolitical shocks actually rarely derail long term equity returns. And look, even though definitions vary and the data sets certainly aren't perfect, the conclusion is actually remarkably stable for most of the research. In the cohort of crises, I looked at in the chart that I show on my LinkedIn page, the average equity return over the following year after events like this is close to 8%, meaning it's almost identical to the market's long run average.

[00:01:58] **Denise Chisholm:** That doesn't mean geopolitics don't matter, of course, but it does mean that it's been the exception, not the rule, for these events to become prolonged market headwinds. Now, where it does tend to matter is when there's a clear transmission mechanism, which has historically been oil. And that's where most of the questions are coming from today. But it's important to understand that this transmission mechanism looks nothing like it did in the 1970s. Now, back then, US consumers were spending nearly 8% of their income on energy. Today, it's closer to 3%. Near the lowest levels on record. And that isn't to say that higher energy prices won't be a drag on real

income, but when you start to see analogues of the oil embargo of the 70s, it highlights that we're starting from a fundamentally less vulnerable place. And perhaps more importantly, the supply side is just as different. In oil crises in the 70s, OPEC produced more than twice as much oil as the major developed market producers outside the Middle East, and that imbalance doesn't exist anymore. U.S. shale lifted OECD output to nearly match OPEC's, and for the first sustained period in modern history, the US is actually net exporter of crude.

[00:03:11] **Denise Chisholm:** And that dramatically changes the macro sensitivity. So, a supply shock still matters, but it doesn't flow through the economy the way it once did. So, it's quite different. But outside geopolitical events we can actually evaluate any spike in oil prices, right. Ours is potentially, it's obviously a very moving situation. Up 40% or more over a two-month period. Because this is the situation we found ourselves in before as well. And the data here is interesting. Many spikes of that nature have been demand driven. They're common and strong recoveries, especially from deflationary busts like coming out of the financial crisis or Covid. So, when you just run a screen of history, you find that most times after this consumption runs above average the following year. Which leads me to point number one. Just remember that the economy has the potential to absorb much more than you might think. But look, that's not our situation today. This spike is very clearly supply driven. And when you isolate those episodes the pattern does flip. Consumption growth does slow although it remains positive 80% of the time. But point number two, if you look out a year, oil prices historically end up lower, not higher as the shock fades. So sometimes high prices simply cure high prices, as the quote goes. And other times, the geopolitical impulses behind the surge eventually fade. Now, we saw this as recently as 2022, when oil prices fell back after the initial surge following Russia's invasion of Ukraine.

[00:04:47] **Denise Chisholm:** There's a takeaway. Nobody knows nothing about commodities, but based on the data, oil spikes often come with a lot of whipsaw potential. But speaking of 2022, there's an inflation concern. The last time we saw a price spike like this, it was coincident with the biggest inflation spike since the 70s. But is that the way it usually happens? And the answer, looking back to the mid 80s, which is a better structural analogy, is no, not typically. Again, check out the charts on my LinkedIn. But even when oil prices surge and stay elevated for six months, the odds of core inflation picking up or accelerating are less than 50%. And slightly ironically, in the

six months after an oil spike, the Fed has actually been less likely to hike. Meaning the bigger the spike has been, the less the Fed is likely to hike. So more often than not. Which is not to say that it has to be the case this time. But they viewed the spike as a tax on consumers rather than a reason to tighten. It's another reminder that the intuitive story isn't always the empirical one. None of these probabilities are overwhelming either. I mean, most live in the 40 to 60% range, but they all run counter to the usual expectations and they reinforce another useful reminder, oil might dominate the headlines at the moment, but other forces typically end up driving the economic and market outlook far more.

[00:06:13] **Denise Chisholm:** And that sets the stage for the next question I get. Okay, so what areas of the market look interesting here? And every time I think another sector is starting to look more interesting than technology, something in the math pulls me right back in. And that's essentially what's happening now. The valuation compression we've seen inside technology and specifically inside software, which I'll get to in a minute, has brought the sector back to historically supportive levels. Now, Tech's relative valuation is close to the bottom third of its history, something we haven't seen in almost a decade. And it's important because it's a zone that's associated with roughly 70% odds of outperformance. And those odds don't depend on fundamentals holding up. In fact, low valuations typically emerge precisely because investors are already discounting deteriorating fundamentals. So, it's really another way of saying that whatever investors are worried about markets might have already priced in a meaningful amount of it, leaving the balance of risk tilted back towards opportunity rather than fear. But here again, it is different because software is different. The valuation compression we've seen in this industry has been extreme, right? So, earnings multiples have fallen towards the lower end of their historical range rapidly. We're now in the 15th percentile of history even as operating margins are still pinned at peak levels. Now this gap is very rare. The market is essentially assuming a sharp deterioration in business conditions before there's any evidence of it pricing in the group, as if the business were at risk of going away.

[00:07:49] **Denise Chisholm:** So we can look across all the data across all the decades, across all the industries we have in our database. And this kind of disconnect occurs only a small fraction of the time, less than 2%. And it tends to cluster around recessions and severe growth scares like the financial crisis standing out as the most

dramatic period where this type of pricing was widespread. So in other words, look this the speed might feel dramatic. But one way to think about this is that the pattern itself is consistent with recession style pricing, rather than something entirely new. And industries within technology historically more prone to this kind of disconnect. Now, software has never made the top 20, but communications equipment, computers and semiconductors do appear frequently in the data, both in and out of recessions. And outside that, you see a lot of those classically cyclical groups like construction materials and chemicals and metals and mining. Now, as for what these episodes have meant historically, the overall pattern is mixed. The average returns on a relative basis are close to zero, so not a whole lot of upside, but not a whole lot of downside either. And the odds vary by industry, technology and semiconductors in particular. That's not there on this signal has shown a more favorable skew, perhaps maybe reflecting the sector's unique ability to adapt more quickly than the rest of the market.

[00:09:15] **Denise Chisholm:** Now, 50/50 odds don't sound great, but the fact that they held even during something as devastating as the financial crisis does suggest, the downside might be more limited than you think. And you get some stabilization in software and the rest of the sector showing a decade low valuation. And you've got, at least from a data perspective, a pretty positive risk reward again. So, while there may be absolutely sectors that benefit if manufacturing momentum improves, and I think that that's a real possibility. Technology keeps earning its place on the sector outperformance list. Now, if you're looking for a white paper of what we just talked about, you can check out five takeaways from the recent volatility on our website. It's under viewpoints. It's a summary of what's been driving the swings we've seen across markets. What I think might be noise, what I think might be signal and what the historical data suggests about episodes like the one we're in now. And if you want a deeper dive, I'll be hosting my quarterly sector and investment research update in late April, and I'll walk through many of the charts you just heard about today, plus some additional ones that we just didn't have time for. And you can sign up for that at [Fidelity.com/qsiru](https://www.fidelity.com/qsiru) . That's it for today's episode. And as always, you can find me on LinkedIn where I post my charts of the week and ongoing market commentary. I'm Denise Chisholm. Thanks for listening.

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Sources: Haver Analytics, FactSet, Fidelity Investments, as of March 2026.

“5 takeaways from the recent volatility” by: Denise Chisholm and published March 12, 2026.

OPEC stands for the Organization of the Petroleum Exporting Countries, an intergovernmental group founded in 1960 to coordinate and unify petroleum policies among member nations.

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Title	Market Insights: Geopolitics, Oil, and the Tech Reset
Description (250 characters)	Denise Chisholm breaks down geopolitical tensions, oil price moves, and tech valuation resets, highlighting what history suggests for markets and where risks and opportunities may lie. Recorded on March 12, 2026.
Image	 The image shows the 'Market Insights' logo. The words 'Market Insights' are written in a large, green, serif font. Below the text is a stylized graphic of a mountain range with peaks in green, yellow, and blue. At the bottom of the graphic, the word 'Fidelity' is written in a smaller, green, italicized serif font. The entire logo is set against a light beige background.