

# MARKET NEWSLETTER

The latest news from Gasaway Investment Advisors



*"Helping you navigate your financial course."*

<b><i>What's New</i></b>
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## A Word from Jim Gasaway

It's human nature, when negative headlines abound, to let our minds drift towards worst-case scenarios. The current conflict with Iran is no exception as the uncertainties mount. Will this conflict drag on and escalate into a full-scale war? Will the Strait of Hormuz remain closed, causing oil prices to continue rising dramatically? Will this cause inflation to reaccelerate, leading to higher interest rates and borrowing costs?

While markets are not immune to these headlines, it is important for investors to keep a historical perspective shaped by previous shocks and crises. Such events often lead to short-term volatility and,

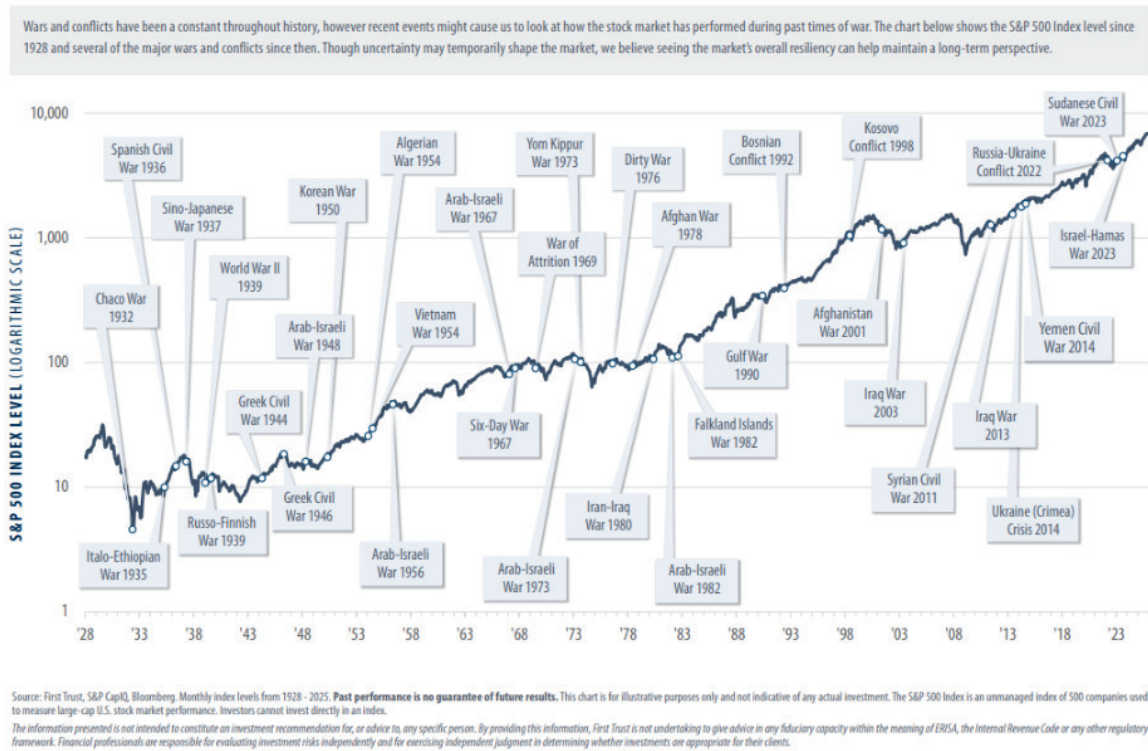


Figure 1. First Trust. S&P 500 since 1928 with wars and conflicts

at times, significant drawdowns that can last for years. However, as seen in the figure below, the market has maintained its upward trajectory through every war, conflict, and recession it has encountered. As long as the American economy continues to grow and innovate, there is no reason to doubt the continuation of this upward trend.

This is not said to downplay the horrors of war and the loss of life and livelihood that it brings. Rather, it is meant to remind that emotional, reactionary decisions made during times like this can be detrimental to long-term financial progress. Instead, take these times to review your risk tolerance and ensure your current allocation aligns with your long-term investment goals.

We appreciate the trust that you have placed in us. We are diligently watching your investments and will continue to make adjustments as we see fit. If you have any questions, please reach out to us.

# 2026 CHARITABLE GIVING LAWS: WHAT'S CHANGED AND WHY IT MATTERS

by: Chase Imberger, CFP®, ChFC®, CRPS™, CRPC™, Financial Advisor

The 2026 tax year introduces a major shift in how charitable giving is treated in the United States. Following sweeping tax reforms passed in 2025, the new rules are designed to broaden participation in philanthropy while scaling back some benefits for high-income donors and corporations. The result is a more inclusive but also more complex giving landscape.

## **A BROADER INCENTIVE TO GIVE**

For the first time in years, taxpayers who take the standard deduction can once again benefit from charitable contributions. Individuals may deduct up to \$1,000, and married couples up to \$2,000, regardless of whether they itemize.

This change opens the door for millions of households to receive a tax benefit for giving, something that had largely been limited to higher-income taxpayers in recent years. It signals a clear policy goal: encourage wider participation in charitable giving across income levels.

## **NEW RULES FOR ITEMIZERS**

Taxpayers who itemize will notice a new limitation. Only charitable contributions

that exceed 0.5% of adjusted gross income (AGI) are deductible.

While modest, this threshold reduces the tax value of smaller donations and encourages more strategic giving. Many donors may respond by consolidating contributions into fewer, larger gifts to maximize deductibility.

## **REDUCED INCENTIVES AT THE TOP**

High-income donors will also see a slight reduction in tax benefits. The maximum value of a charitable deduction is now capped at 35%, down from 37%.

Although this change may seem minor, it can meaningfully affect large-scale philanthropy, where tax considerations often play a role in timing and size of donations.

## **CORPORATE GIVING ADJUSTMENTS**

Businesses face similar changes. Corporations can now deduct charitable contributions only to the extent they exceed 1% of taxable income, while the existing 10% cap remains unchanged.

This adjustment may lead companies to rethink how and when they give, potentially shifting toward fewer but larger contributions.

## ***WHAT HASN'T CHANGED***

Despite these updates, key limits remain in place. Cash donations to public charities are still generally deductible up to 60% of AGI, while donations of appreciated assets remain capped at 30% of AGI. These provisions continue to shape major gift strategies.

## ***THE BOTTOM LINE***

The 2026 reforms reflect a rebalancing of charitable tax policy. More Americans can now benefit from giving, but the incentives for high-income donors and corporations have been modestly reduced.

For donors, the takeaway is clear: thoughtful planning matters more than ever. Whether you give occasionally or at scale, understanding these new rules can help ensure your contributions are both impactful and tax efficient.

# MARKET ANALYSIS

by: Ethan Thies, CIMA®, ChFC®,  
Investment Analyst

## MONTHLY HIGHLIGHTS

### January:

The stock market, measured by the S&P 500 index, rose 1.5% in January.<sup>1</sup> The unemployment rate fell to 4.3%.<sup>2</sup> Inflation, measured by the Consumer Price Index, came in at 2.4%.<sup>3</sup> The Federal Reserve maintained the current federal funds rate of 3.50%-3.75% as inflation remains above the 2% target.<sup>4</sup>

### February:

The S&P 500 fell -0.8% in February, breaking a 9-month winning streak.<sup>1</sup> The unemployment rate rose to 4.4%.<sup>2</sup> Inflation came in at 2.4% again.<sup>3</sup>

### March:

The S&P 500 fell -5.0% in March, ending the quarter down -4.3%.<sup>1</sup> The unemployment rate dipped back down

to 4.3%.<sup>2</sup> Inflation jumped to 2.6% as oil prices skyrocketed.<sup>3</sup> The Fed held rates steady again at 3.50% -3.75%.<sup>4</sup>

## THE ECONOMY

### Iran

The conflict in Iran and the closure of the Strait of Hormuz, where roughly 20% of the world's oil and liquified natural gas (LNG) pass through, has sent shockwaves through the global economy. The resulting negative supply shock has driven oil prices sharply higher, with crude prices nearly doubling from where they started the year (figure 1).

While the most immediate impact has been felt at the gas pump, the economic consequences are much broader. Higher energy costs lead to higher transportation and production costs, which flow through to higher prices for goods and services across the board. This, in turn, has led to higher inflation expectations, higher yields, and a higher dollar. The dollar has also risen as investors see the U.S. as a relative safe



*What does the future of the economy look like?*

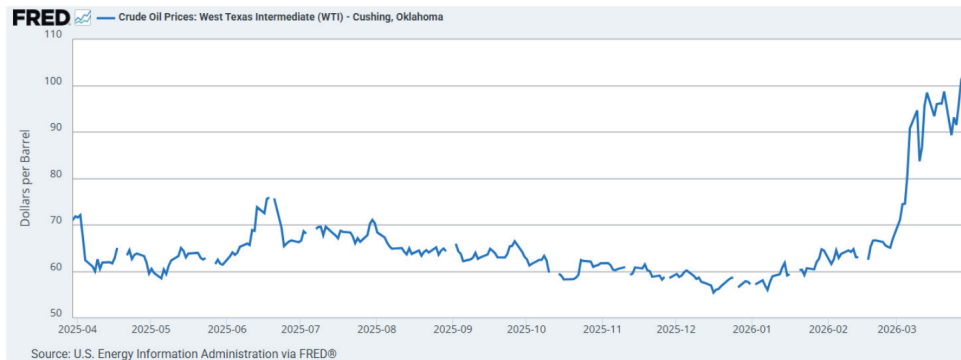


Figure 1. FRED. Crude Oil Prices (WTI) from 3/31/25-3/31/26

haven compared to many Asian and European countries that have been more adversely affected as they are heavily reliant on the Middle East for oil. The U.S. is far less reliant, sourcing less than 10% of its oil from the region.<sup>5</sup>

This situation is constantly changing, sometimes with conflicting news coming out within the same day; additionally, as with the tariff situation this time last year, any speech or social media post from President Trump or other policymakers has the potential to move oil prices and the stock and bond markets dramatically. For investors, the most important facet of this conflict is its effect on oil prices, as their movement will directly impact inflation, interest rates, consumer spending, and the health of the global economy. Beyond prices and economic effects, for us as Americans, we ultimately pray for peace and stability in the region and for any members of our military who have and will sacrifice their lives for this.

### GDP Growth vs Expectations

After a dramatic upside surprise in Q3, GDP growth cooled to 0.5% in Q4, far

lower than the 1.5% expected (figure 2). Still, consumer spending, the largest contributor to GDP, remained a bright spot as it has for several quarters now.<sup>6</sup> The resilient consumer will be key in avoiding recession, though a weakening labor market may reduce the sustainability of this spending, and much of it has recently been driven by high-income households (figure 3).

### Inflation, Interest Rates, & the Labor Market

We do not have to tell you that inflation has been an issue in America for years now. All of us have seen and felt the effects of higher prices everywhere from the grocery store to the mechanic shop to health insurance premiums to home prices. Even though inflation, measured by the Consumer Price Index (CPI), is well below its 2022 peak of 9.1%, it has now spent a full five years above the Federal Reserve's target of 2% and the dollar has lost over 25% of its value since the start of 2020.<sup>3</sup>

However, things are not as bad as they may seem. It is easy to focus on the

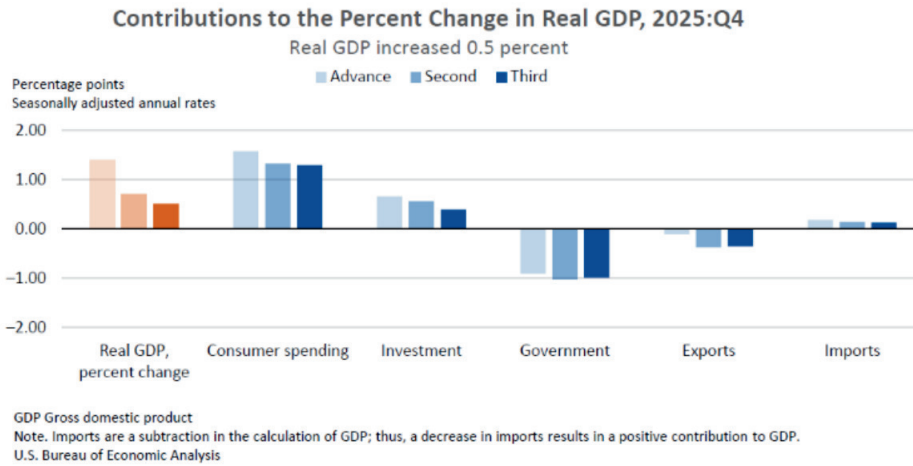


Figure 2. BEA. Q4 2025 GDP by Component Contribution

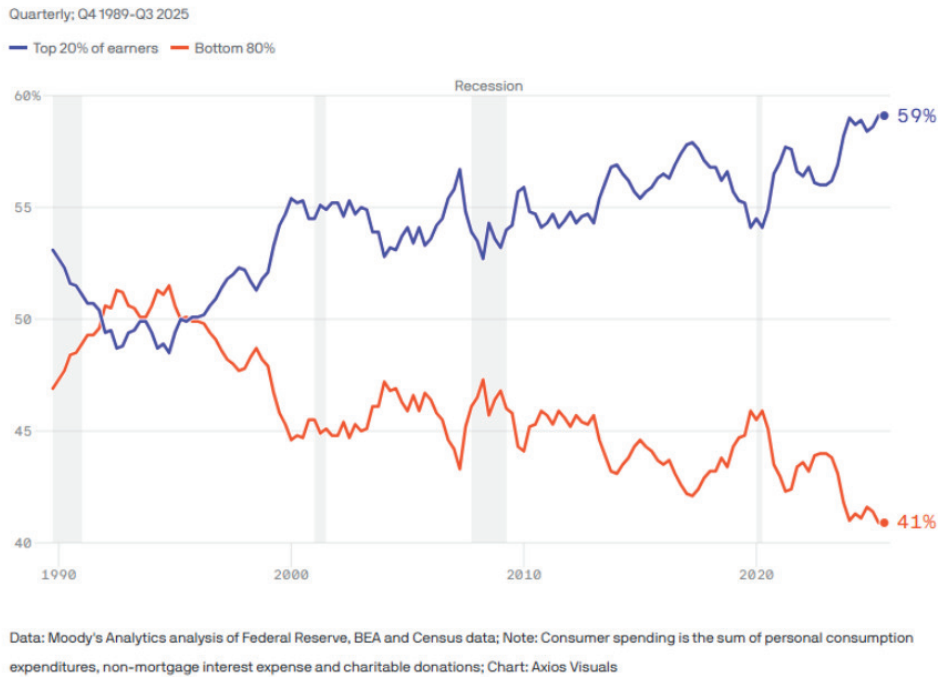


Figure 3. Axios. Share of U.S. Consumer spending by income group

negatives, but there are two sides to every story. Believe it or not, average wage growth has outpaced cumulative inflation since the beginning of 2020 (figure 4). Those who spend more on categories that have seen the largest price increases, like housing, insurance and transportation, may feel worse off. Still, on average, wage growth has kept up with or exceeded inflation.

While on the subject, housing remains an

integral part of inflation's stickiness, especially as the largest component of CPI with a weighting of over 40%.<sup>7</sup> Limited supply, mostly caused by the mortgage "lock-in effect" after historically low rates from 2010-2021, has driven prices higher. In fact, the median home price is now over 5 times the median household income (figure 5). For reference, this rate averaged below 2 during the 1980s-'90's. Now, with skyrocketing oil prices on top of this, the Federal Reserve's 2% target is

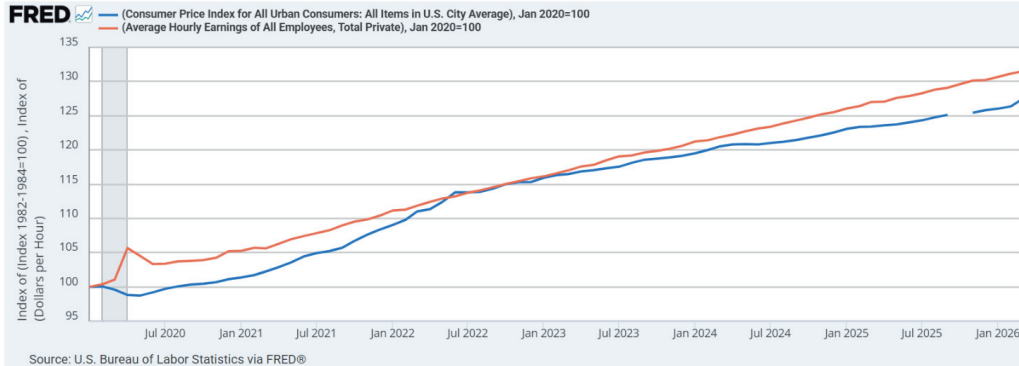


Figure 4. FRED. Average hourly earnings and CPI, index scaled to 100, since Jan 2020

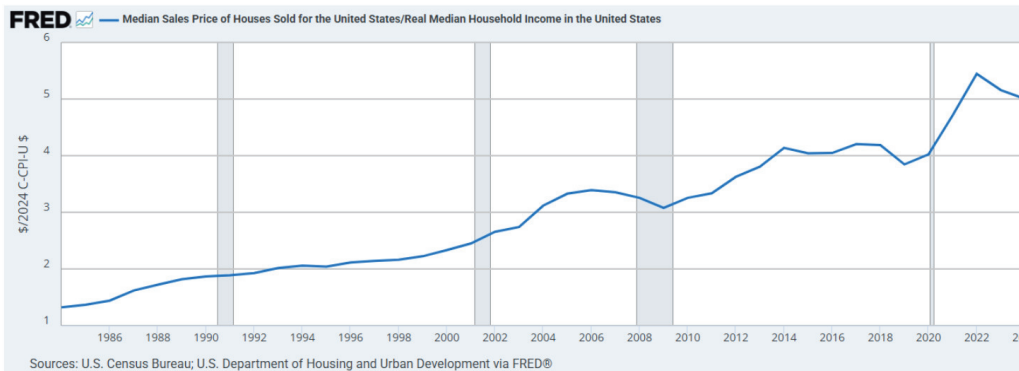


Figure 5. FRED. Median Home Price/Real Median Household Income since 1984

slipping further out of view.

Similar to inflation, the labor market is a mixed bag. On the one hand, the unemployment rate and layoffs both remain historically low. On the other hand, job openings and hiring rates have declined steadily since 2022, and there are now fewer job openings than unemployed people (figure 6).

Furthermore, jobs growth in 2025 was the slowest in a non-recession year since the

early 2000's. Historically, annual job growth has only gone negative during or just before a recession; it is currently narrowly above 0 (figure 7).

With this softening labor market and too-high inflation, the Federal Reserve finds itself in a dilemma. After cutting interest rates from 5.25%–5.50% in September 2024 to 3.50%–3.75%, it must now balance supporting economic growth with ensuring inflation continues to move toward its 2% target. Cutting rates too

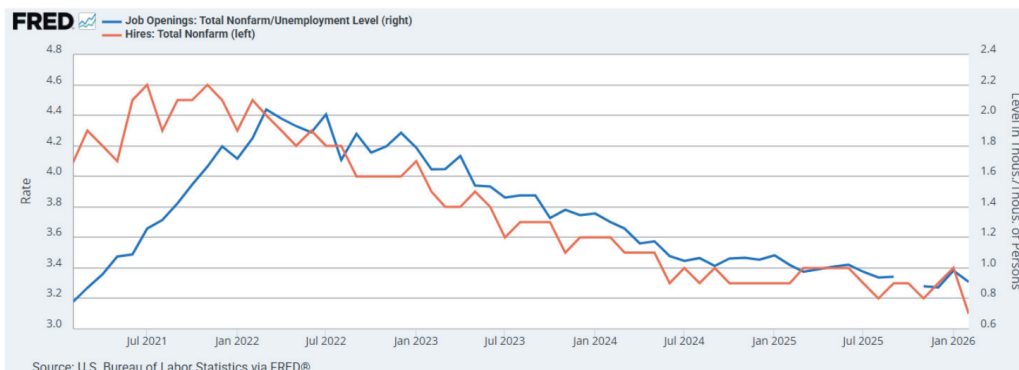


Figure 6. FRED. Job openings/Unemployed people and Hire Rate last 5 years

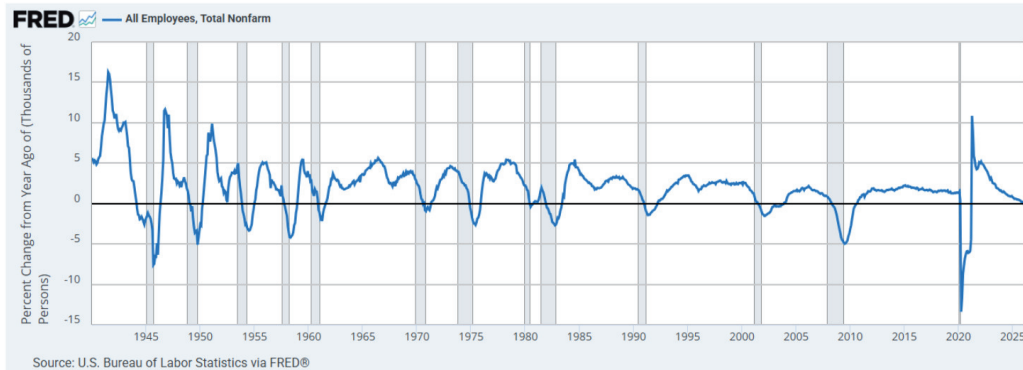


Figure 7. FRED. Job growth (% change from a year ago) since 1940

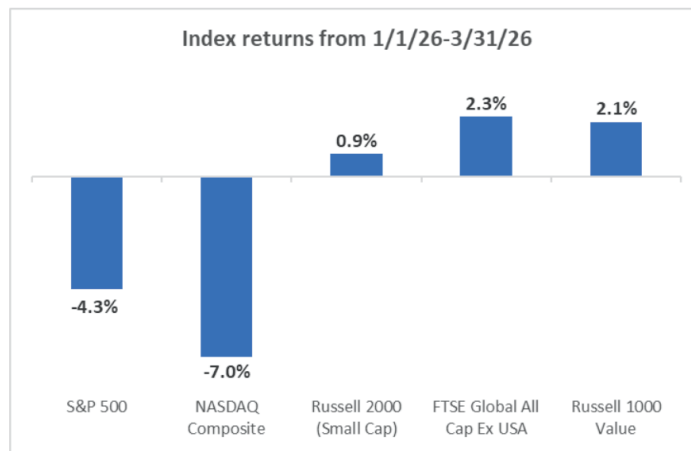


Figure 8. Morningstar. YTD Index Returns as of 3/31/26

aggressively could risk reaccelerating inflation, while keeping rates too high for too long could further weaken the labor market. Whatever they do, it is not likely that inflation will drop to its 2% target anytime soon without further slowing in jobs growth and a rise in the unemployment rate.

artificial intelligence (AI). However, that dynamic finally began to shift in Q4 2025 and even further in Q1 2026. As we noted in last quarter’s newsletter, the S&P 500 and the Nasdaq entered 2026 with historically high valuations and were due for some mean reversion, therefore, we favored small caps, international, and value stocks. In Q1, these sectors outperformed (Figure 8).

## THE STOCK MARKET

### Market Rotation

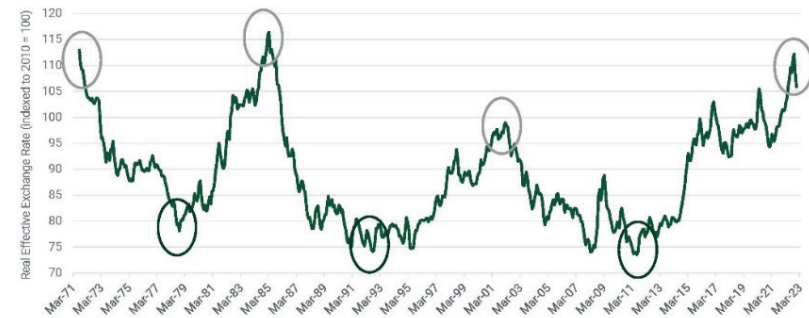
Throughout much of 2023-2025, the bull market in stocks was fueled overwhelmingly by the “Magnificent 7” (Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta, and Tesla) and their exposure to the surge in interest around

### The USD & International Equities

One reason for the outperformance in international equities in 2025 and Q1 2026 was the weakness of the U.S. dollar. Over longer periods, usually anywhere from 7-10 years, the U.S. dollar has tended to move in cycles relative to other currencies

### U.S. Dollar Strength Has Correlated With Performance

Real Exchange Rate of USD vs Basket of 27 Currencies



Cumulative Returns from Peaks and Troughs	Aug 71 - Oct 78	Oct 78 - Mar 85	Mar 85 - Aug 92	Aug 92 - Feb 02	Feb 02 - Jul 11	Jul 11 - Oct 22
MSCI EAFE	117.9%	70.3%	241.5%	58.3%	94.6%	41.5%
MSCI USA	3.6%	132.1%	170.5%	208.5%	34.4%	247.2%
EAFE Relative to USA	+114.3%	-61.8%	+71.0%	-150.2%	+60.2%	-205.7%

AUGUST 31, 1971 TO MARCH 31, 2023 | Source: MSCI via FactSet and BIS. Real Exchange Rate based on BIS (Bank for International Settlements) narrow indices which cover 27 economies for the relative value of the U.S. dollar. Upward slope represents a strengthening dollar relative to foreign currencies. Past performance is not a guarantee of future results. It is not possible to invest directly in an index.

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Figure 9. Brandes. USD and International outperformance

(figure 9). During periods where the dollar is weakening, international equities outperform their U.S. counterparts as U.S. investors benefit from both the appreciation of the international equities and the appreciation of the currency. As of 2026, the dollar is below 100, a significant fall from its peak of over 110 in 2022.<sup>8</sup> After such an extended period of U.S. outperformance, more consistent performance and even outperformance from international equities looks possible.

#### Impact of the Conflict in Iran

Since the start of the conflict in Iran in early March, performance across sectors and countries has been varied. On one hand, higher oil prices have led to higher revenues for energy companies, sending their stocks soaring. On the other hand, rising inflation expectations and interest

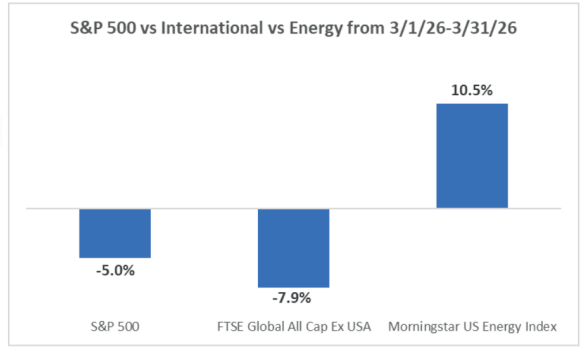


Figure 10. Morningstar. S&P 500 vs International vs Energy, 1mo return as of 3/31/26

rates have the broader stock market lower, especially those of Asian and European countries that are highly reliant on the Middle East for oil (figure 10).

## OUR OUTLOOK & CONCLUSION

Looking ahead, uncertainty at home and abroad with the conflict in Iran, tariffs, and the midterm elections have the potential to influence markets, as markets do not like uncertainty. We have seen the volatility that tariffs and war can bring, and midterm years tend to bring similar volatility and weaker returns compared to other years in the election cycle (figure 11).

Still, at the end of the day, earnings growth is what drives stock market returns. Even with this uncertainty, earnings

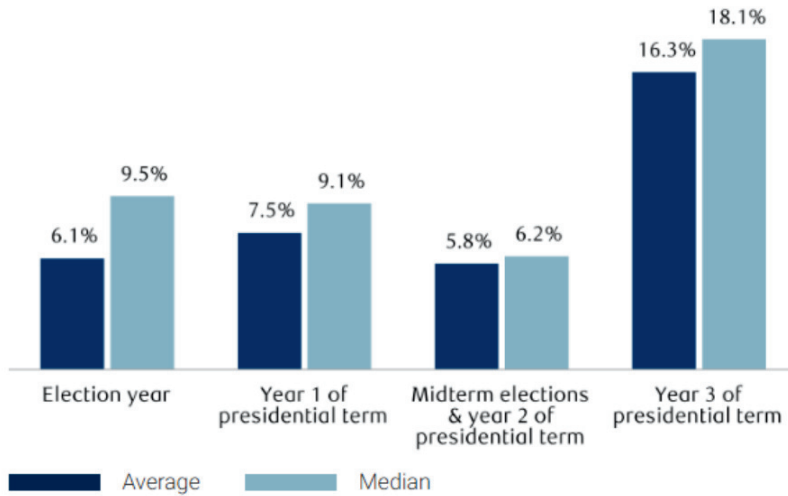


Figure 11. RBC. S&P 500 performance during election cycles since 1932

Source – RBC Capital Markets U.S. Equity Strategy, Bloomberg; based on price returns and does not include dividends

expectations remain high across sectors and countries. For the S&P 500, 13% growth is expected for Q1, while 18% growth is expected for all of 2026.<sup>9</sup> Even with a weakening labor market, inflation increasing, and historically high stock valuations, such high earnings growth expectations holding up should be able to outperform these negative headwinds.

In fixed income, we have maintained a cautious approach to duration as Wall Street and the Federal Reserve’s optimistic predictions for interest rates rarely come to fruition. This has been the case in 2026; two rate cuts were predicted at the start of the year, but investors now predict zero, with some predicting a hike with higher probability than a cut.<sup>10</sup> This has caused yields to increase which in turn sends bond prices lower. Bonds with longer maturity are more affected by changes in interest rates, so their prices drop more. Therefore, we remain largely invested in CDs (which are not affected by interest rate risk unless sold early) and hold

investment grade bond funds, none with an average maturity longer than intermediate-term.

We greatly appreciate the trust you have placed in us. We will continue to watch the stock and bond markets, global factors, corporate earnings, inflation, interest rates, tariffs, and the overall economy in order to manage and invest your money prudently. As always, feel free to reach out to us with any questions, comments, or concerns about your investments or the markets in general.

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10. <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html> - **Interest Rate expectations**



## MEET OUR INVESTMENT ANALYST, ETHAN

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