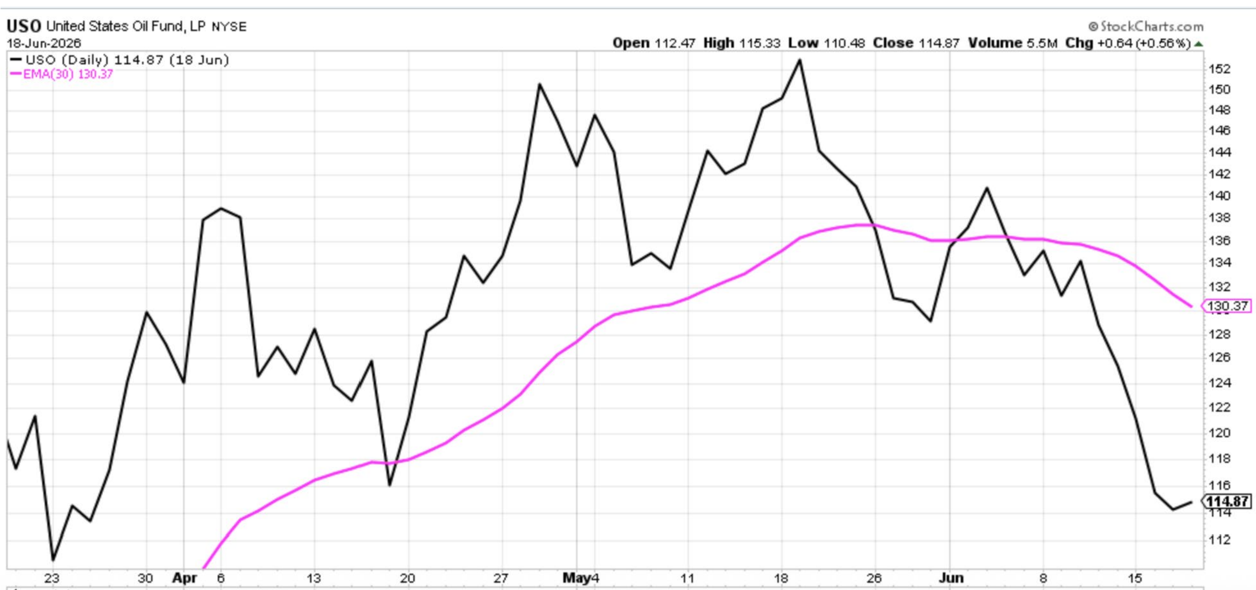
FCM Weekly Market Notes

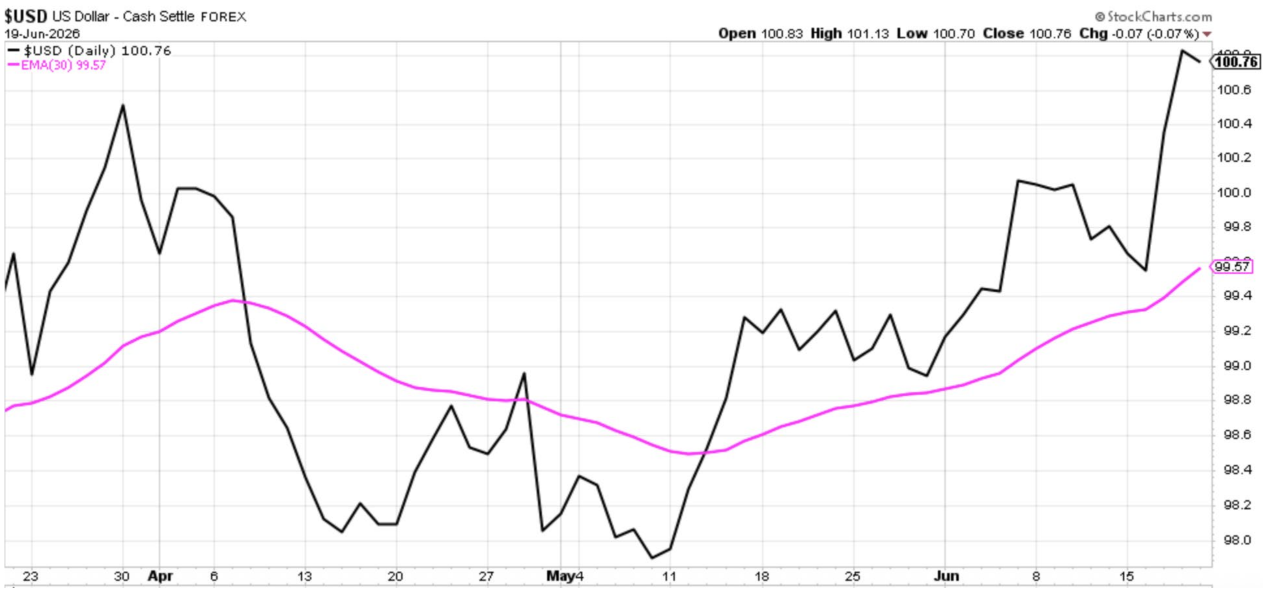
The Market Decided: We're Hiking Rates

The market has more firmly priced in rate hikes after this week's Fed meeting. But the fallout across markets was not uniform. That suggests the market sees this as a likely one-and-done.

It would have been a reasonable investment thesis that once the Iran conflict formally wound down, oil prices would fall sharply, causing the dollar to fall and the market to assume that inflation would moderate and the Fed could look through the current high readings. Although we got the oil price decline—down over 20% in the past month—the rest of the story fell apart.



Wednesday's first meeting for new Chair Warsh was the culprit. He erased any notion that he would spin data into a benign inflation outlook. Market pricing for a rate hike over the next three meetings immediately moved from about 40% to 80%. And the dollar did this:



We often say the medium-term path of the dollar should dictate how much international exposure you have in your portfolio rather than some static allocation. That sharp spike served this week as a warning shot that that exposure has a strong probability of under-performing if the dollar stays strong:

FIDUCIARY CM™
Registered Investment Advisor

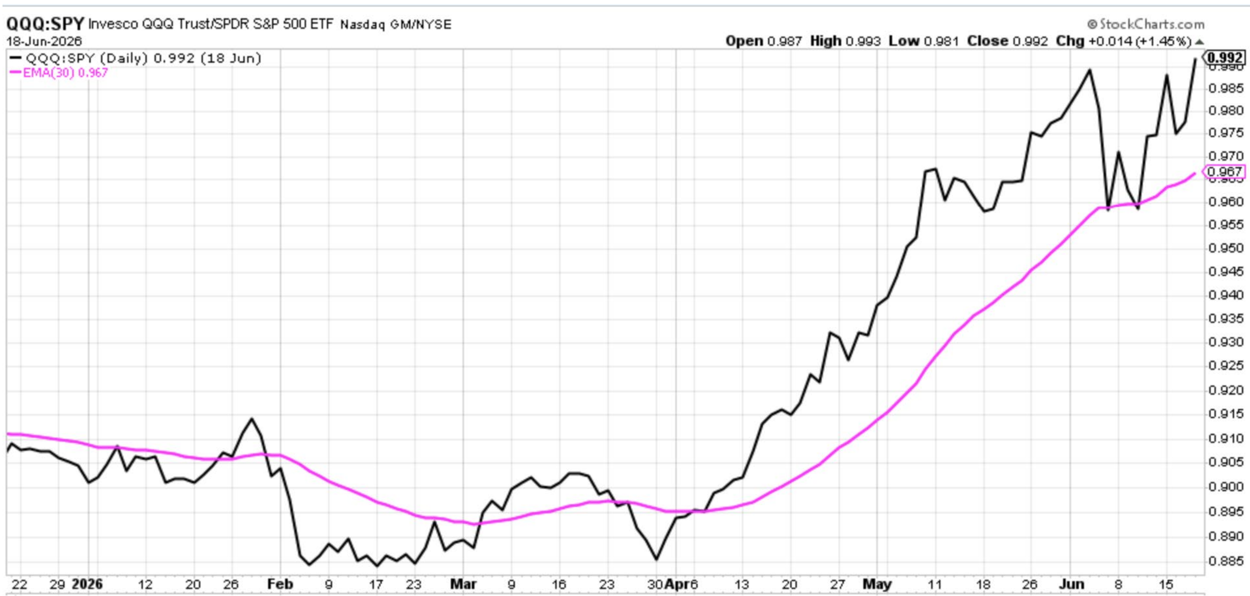
The expectation for higher rates had been creeping into markets over the past month and Warsh took the opportunity to confirm that narrative. Gold has been one of the immediate victims as higher rates make the opportunity cost of holding a non-interest bearing asset higher.

We are sympathetic to the notion that gold will prove a robust asset allocation once the market focuses on the terrible US fiscal trajectory. But the recent performance underlines that every investment thesis is just a guess until you see price validation. And right now, rates drive the gold story.

However, if the market thought it was looking at an extended hiking cycle, risk assets would have told a different tale than they did this week. First, high yield credit spreads to treasuries fell to six-month lows, indicating no concern in credit markets.

And another reason to be indifferent to international equity exposure is that US stocks barely noticed, save for a two-hour fall after the Fed meeting. Right now tech below the level of the hyperscalers and mega tech—basically every tech sector feeding the AI story—continues to perform extremely well. One way to take advantage of this is to make sure that if you do have passive index exposure, it is tilted more to the Nasdaq than the S&P given the higher concentration of these firms there.

This chart shows the ratio of QQQ performance to SPY, which it is crushing right now, and has been since the market recovery in early April:



While very interest rate sensitive assets have responded to the rates outlook, the bottom line is it will take more than one hike over the rest of the year to derail the AI trade by rates alone!

James Barrineau, Chief Investment Officer

Fiduciary Capital Management LLC

1621 Central Ave

Cheyenne, WY 82001

Website: www.FiduciaryCM.com Direct:

(914) 588-1978

https://calendly.com/jbarrineau-fiduciarycm/30min Fiduciary CM Firm Brochures
https://fiduciarycm.com/wp-content/uploads/2026/03/James-Barrineau-ADV2b-3-212026.pdf

Fiduciary CM Form CRS (ADV3)

Privacy Policy

Email Disclaimer