Searching for a New Soft Landing

Market Commentary | March 9, 2026

By Simeon Hyman, CFA, Kieran Kirwan, CAIA, and Bryan Gao, CFA

Simeon Hyman, CFA
Global Investment Strategist

Key Observations

For the second time in less than a year, the United States in engaged in military conflict in the Middle East. And once again, investors must assess how escalating tensions could affect markets.

In our recently published Quick Take commentary, we noted that stocks, while initially battered by conflict-led uncertainty, recovered relatively quickly not just after June's brief conflict, but also during the later days of the two previous protracted Gulf Wars.

Presently, while we cannot dismiss the risks posed by current tensions, investors should take note of the recent broadening of equity market participation. A rotation from the highfliers of mega-cap tech into the type of equities that show resilience during periods of market stress may offer durability in both the short and long term.

Still, choosing traditionally defensive sectors may not be the most advisable path forward. Defense and energy sector stocks are showing strength for obvious reasons. But energy prices can be volatile and retreat quickly. And demand for military equipment can be impacted, sometimes just as quickly, not just by geopolitics, but also by domestic politics.

Investing based on boosted fundamentals in these instances may prove little different than chasing the fleeting benefits of short-term sentiment. In contrast, a recent uptick in performance combined with an uptick in fundamentals among dividend growth stocks—specifically the S&P 500 Dividend Aristocrats—may offer a more lasting combination of resilience and durability.

Chart of the Month

S&P 500 Dividend Aristocrats Earnings Have Gained Ground

2025 Quarterly Earnings Growth	Q1 2025	Q2 2025	Q3 2025	Q4 2025
S&P 500 Dividend Aristocrats Index	-5.5%	-3.0%	2.2%	9.1%
S&P 500 Index	12.9%	12.7%	13.3%	12.1%
Nasdaq 100 Index	24.2%	35.7%	15.8%	14.9%

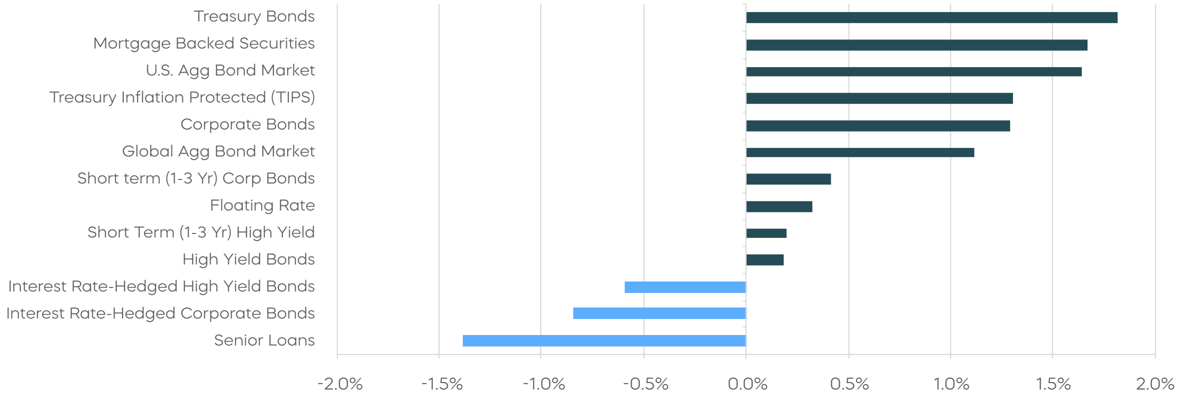
Source: Bloomberg, as of 3/2/2026. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

The first half of 2025 saw tremendous earnings growth from the Nasdaq-100, while the S&P 500 Dividend Aristocrats shrank. But by the end of 2025, the S&P 500 Dividend Aristocrats nearly closed the gap. Those strong earnings have supported recent outperformance from the Aristocrats, which have returned over 10% year-to-date through February, according to Bloomberg, compared to the relatively flat performance of the S&P 500. It's not just earnings growth either. The equally weighted S&P 500 Dividend Aristocrats Index has also seen, for example, greater return on assets than the S&P 500 Index. Characteristics like this may position the Aristocrats well for both near-term volatility and durable performance.

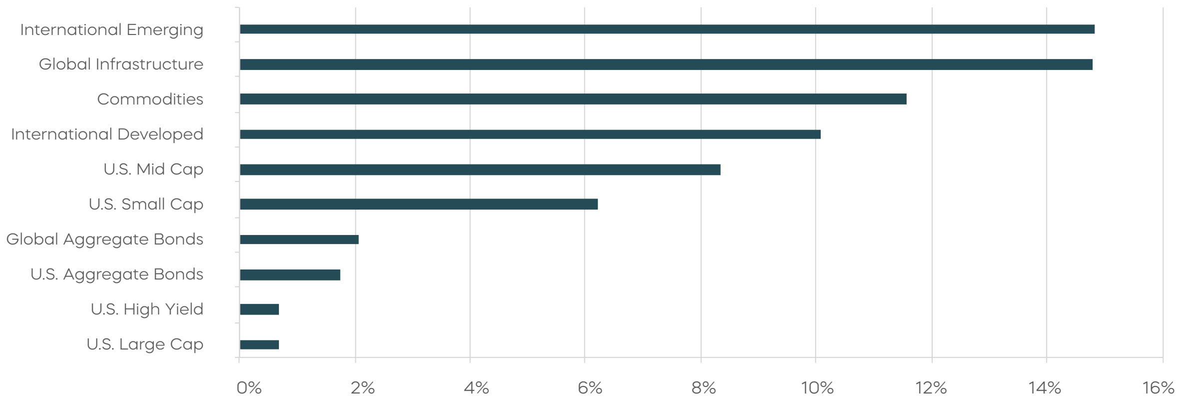
One more point to consider: While earnings growth power has shifted from high-flying Nasdaq-100 companies to typically higher-quality ones like the Aristocrats, S&P 500 earnings growth has remained steady. That broadening of fundamentals suggests that, while there's a good chance of outperformance from quality stocks like the Aristocrats, it may also come with a "soft landing" for the mega-caps that ran the table the last several years. In addition to the historical short-lived market impacts of geopolitical conflict, a soft landing for tech could be another reason for investors to consider a return to well-considered risks.

Asset Class Perspectives

Asset Class Returns – February 2026



Asset Class Returns – Year-to-Date 2026



Source: Bloomberg. February returns 2/1/26–2/28/26; year-to-date returns 1/1/26–2/28/26. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

The following are observations on a range of asset classes. For each, green indicates a constructive backdrop, yellow indicates a neutral environment, and red would indicate a challenging backdrop.

Asset Class		Key Observations
Equity		
U.S. Large Cap	Yellow	Broadening fundamental participation may provide both near term and longer-term resilience.
U.S. Mid Cap	Green	Positivies include a strong start for cyclicals and a pent-up valuation discount.
U.S. Small Cap	Yellow	Higher commodity prices may hinder Fed cuts that can benefit small caps.
International Developed	Green	Last year's outperformance barely dented a substantial valuation discount.
International Emerging	Yellow	Last year's rally pushed valuations higher than post GFC levels, but higher commodity prices may provide a boost.
Fixed Income		
U.S. Aggregate Bonds	Yellow	A modest rally at the long end of the curve points to increased risk of higher longer term rates from here.
U.S. High Yield	Yellow	Modest spread widening provides additional breathing room but still supports maintaining a cautious stance.
Global Aggregate Bonds	Yellow	Performance may be hampered if the dollar's decline has ended.
Alternatives/Real Assets		
Commodities	Green	A modest overweight is timely during periods of heightened geopolitical risk and conflict.
Global Infrastructure	Green	Maintain a view toward owners of infrastructure assets, whose business models are generally inflation and recession resistant.

Economic Calendar

Date Time	Event	Prior
3/16/2026 8:30	Empire Manufacturing	7.1
3/16/2026 9:15	Industrial Production MoM	0.70%
3/16/2026 9:15	Capacity Utilization	76.20%
3/17/2026 10:00	Leading Index	-0.20%
3/17/2026 10:00	Pending Home Sales MoM	-0.80%
3/18/2026 10:00	Factory Orders	-0.70%
3/18/2026 10:00	Durable Goods Orders	-1.40%
3/18/2026 14:00	FOMC Rate Decision (Upper Bound)	3.75%
3/18/2026 14:00	FOMC Rate Decision (Lower Bound)	3.50%
3/19/2026 10:00	New Home Sales	745k
3/19/2026 10:00	Wholesale Inventories MoM	0.20%
3/19/2026	Building Permits	1455k
3/23/2026 10:00	Construction Spending MoM	0.30%
3/25/2026 8:30	Import Price Index MoM	–
3/31/2026 10:00	Conf. Board Consumer Confidence	91.2
4/01/2026 10:00	ISM Manufacturing	52.4
4/01/2026-4/30/2026	Retail Sales Advance MoM	–
4/02/2026 7:30	Challenger Job Cuts YoY	–
4/02/2026 8:30	Trade Balance	–
4/02/2026 10:00	Factory Orders	-0.70%
4/02/2026 10:00	Durable Goods Orders	-1.40%
4/03/2026 8:30	Change in Nonfarm Payrolls	–
4/03/2026 8:30	Average Hourly Earnings YoY	–
4/03/2026 8:30	Unemployment Rate	–
4/03/2026 10:00	ISM Services Index	–
4/08/2026 14:00	FOMC Meeting Minutes	–
4/09/2026 8:30	Personal Income	–
4/09/2026 8:30	Personal Spending	–
4/09/2026 8:30	PCE Price Index YoY	–
4/09/2026 8:30	Core PCE Price Index YoY	–
4/09/2026 8:30	GDP Annualized QoQ	–
4/09/2026 8:30	GDP Price Index	–
4/09/2026 10:00	Wholesale Inventories MoM	0.20%
4/10/2026 8:30	CPI YoY	–
4/10/2026 8:30	Core CPI YoY	–

Source: Bloomberg, data as of 3/3/26.

Kieran Kirwan, CAIA
Director, Senior Investment Strategist

Equity Perspectives

Looking Below the Surface

The S&P 500 declined 0.8% in February, bringing year-to-date returns to 0.7%, according to Bloomberg data. At first glance, muted returns imply a tranquil market. Of course, reality has been very different. Recent military action in Iran exacerbate a long list of potential risks to the bull market we've enjoyed since 2022. Looking below the surface, there are significant shifts happening at the sector and stock level that could have important implications for investors.

To start, implied volatility has risen. The CBOE Volatility Index, the VIX, has moved meaningfully higher since the start of the year and recently crossed both its 50-day and its 200-day moving averages.

Perhaps more notable: the difference in individual stock returns is also moving higher. The technical measure for such behavior is the cross-sectional standard deviation of returns, or more simply, dispersion. According to Standard & Poor's, dispersion levels for the S&P 500 closed February at 33%, an amount near the 95th percentile of all values dating back to January 2007.

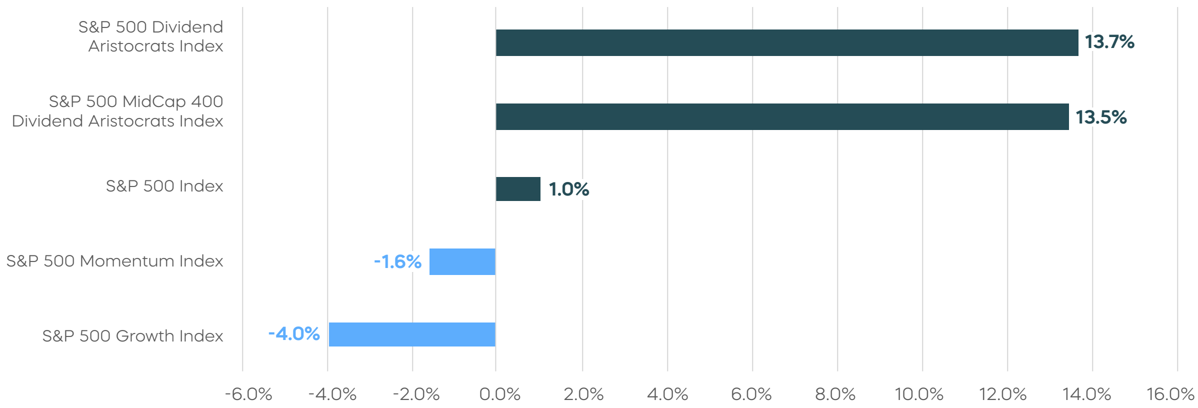
High-dispersion environments tend to provide a greater opportunity for focused stock selection to outperform broader benchmarks. Dispersion levels also tend to be persistent, implying that recent market behavior could remain in place for an extended period.

The Dividend Aristocrats Have Been Outperforming

The S&P 500 Dividend Aristocrats are a quintessential example of a focused stock selection strategy. They represent a distinguished group that has managed to grow their dividends for a minimum of 25 consecutive years. Only 69 companies meet these strict criteria, and they tend to embody quality, with long histories of stable earnings and solid fundamentals.

Recent performance trends highlight how the Aristocrats may help investors build a more resilient portfolio. According to Bloomberg, the S&P 500 Dividend Aristocrats delivered February returns of 4.2%. This continued a pattern of outperformance that began in November 2025. Since that time, both large- and mid-cap Dividend Aristocrat strategies have significantly outperformed strategies focused on growth and momentum.

The Dividend Aristocrats Have Outperformed Since November



Source: Morningstar, data from 11/1/25-2/28/26. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

Bryan Gao, CFA
Investment Strategist

Fixed Income Perspectives

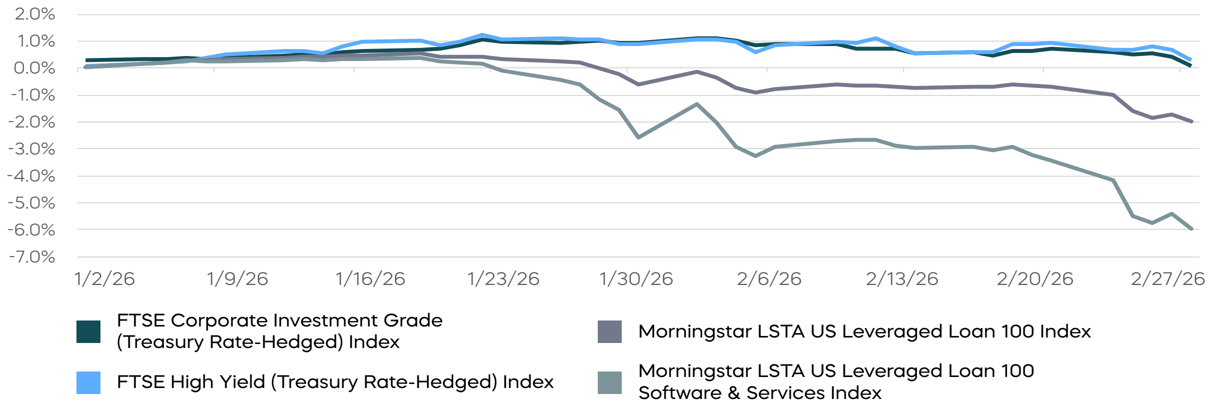
When AI Disrupts Software

Generative AI may one day be regarded as one of the most important technological innovations in history. Today, credit investors are beginning to confront just how disruptive this technological shift might be to existing business models.

In its shareholder letter late last year, Blue Owl, an alternative asset manager, noted a pickup in tender activity across business development companies (BDCs) as publicly traded software-as-a-service (SaaS) equities sold off. That repricing has accelerated in 2026 and is now spilling over into parts of the public credit market.

Private credit lenders like Blue Owl provided much of the financing to software companies at peak post-COVID valuations, but the public markets have not been insulated as sentiment has deteriorated. Within leveraged finance, software represents roughly 3% of the high-yield bond market but a meaningful 13% of the broadly syndicated loan market (Source: Bloomberg, as of 2/26/26). And these loans have materially underperformed year to date, weighing heavily on leveraged loan indexes.

Loans Have Significantly Underperformed This Year



Source: Bloomberg, Morningstar. 12/31/25–2/27/26. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

Although cases of AI-driven disruption remain limited (and largely anecdotal), some degree of repricing may be rational. Among issuers that accessed the high-yield bond market in 2025, the average BB-rated software company carries approximately 3.4x net-debt-to-EBITDA, broadly in line with other sectors (Source: Bloomberg, as of 12/31/25).

Historically, however, software credits have benefited from a valuation premium that disruption from AI now puts at risk. The recurring, subscription-based nature of SaaS revenues has supported durable growth assumptions, allowing investors to tolerate tighter spreads and greater multiple risks. If AI meaningfully erodes pricing power or lowers switching costs, that structural advantage may diminish. As AI improves, there may be a dispersion of outcomes that could translate into wider spreads for companies looking to refinance their debt.

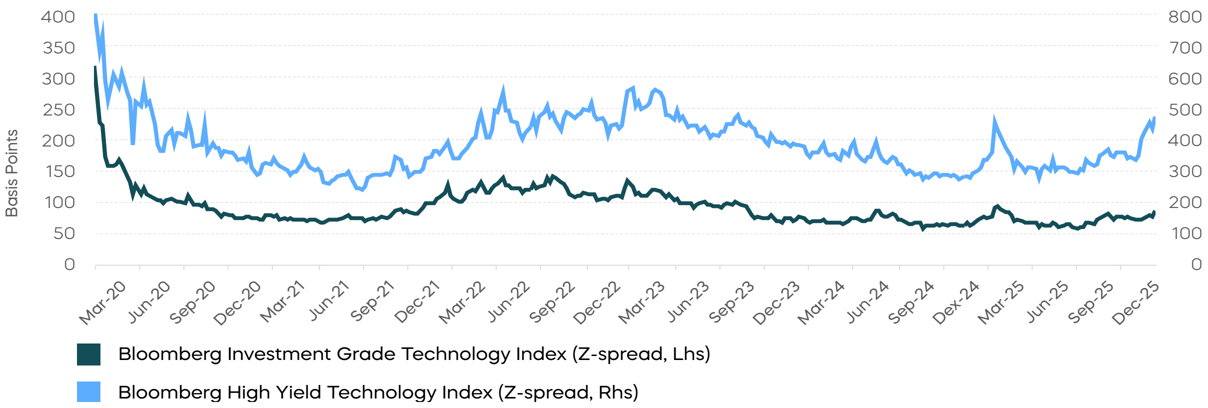
The balance sheet adds another layer of complexity. On average, roughly 57% of total assets for these BB-rated software issuers consist of goodwill (Source: Bloomberg, as of 12/31/25). In a disrupted environment, the valuation of intangible assets becomes more uncertain. If the durability of recurring revenues become uncertain, impairments could follow. For more leveraged borrowers, that could compress enterprise value and reduce the equity cushion.

Meanwhile, investors are expressing confidence in AI's long-term potential. Alphabet's recent £1 billion 100-year bond issuance was heavily oversubscribed and priced at 120 basis points over the closest 50-year Gilt. The spread was wider than Oxford University's 100-year bond at 85 basis points in 2017, but nonetheless indicative of strong demand.[1] That a technology company can access century financing at these levels suggests the market is treating AI as a structural theme with lasting relevance.

In addition, the sell-off in software credit has largely been treated as sector-specific. That may reflect a calibrated view that current AI progress will be most impactful in verifiable tasks such as mathematics and coding. It appears that investors are repricing disruption risk selectively, rather than assuming obsolescence outright.

For now, we think AI could more likely drive productivity gains and reshape competition rather than eliminate technology moats entirely. Its economic impact may unfold gradually, until firms focus more on cost structures during a slowdown. However, elevated uncertainty argues for discipline, especially since credit spreads were already tight. Extending investment horizons and maintaining selectivity may prove more effective for investors than tactically trading near-term valuation dislocations.

Spreads Have Widened in Response to Potential AI Disruption



Source: Bloomberg. Weekly data, 3/20/20–2/27/26. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

1 Steeper downward slope at longer maturities and higher rate volatility may suggest a greater convexity impact and wider credit spread than quoted.

Sources for data and statistics: Bloomberg, FactSet, Morningstar, and ProShares.

The different market segments represented in the performance recap charts use the following indexes: U.S. Large Cap: S&P 500 TR; U.S. Large Cap Growth: S&P 500 Growth TR; U.S. Large Cap Value: S&P 500 Value TR; U.S. Mid Cap: S&P MidCap TR; U.S. Small Cap: Russell 2000 TR; International Developed Stocks: MSCI Daily TR NET EAFE; Emerging Markets Stocks: MSCI Daily TR Net Emerging Markets; Global Infrastructure: Dow Jones Brookfield Global Infrastructure Composite; Commodities: Bloomberg Commodity TR; U.S. Bonds: Bloomberg U.S. Aggregate; U.S. High Yield: Bloomberg Corporate High Yield; International Developed Bonds: Bloomberg Global Agg ex-USD; Emerging Market Bonds: DBIQ Emerging Markets USD Liquid Balanced.

The different market segments represented in the fixed income returns charts use the following indexes: Global Agg Bond Market: Bloomberg Global-Aggregate Total Return Index Value Unhedged USD; Mortgage Backed Securities: Bloomberg U.S. MBS Index Total Return Value Unhedged USD; Treasury Bonds: Bloomberg U.S. Treasury Total Return Unhedged USD; U.S. Agg Bond Market: Bloomberg U.S. Agg Total Return Value Unhedged USD; Corporate Bonds: Bloomberg US Corporate Total Return Value Unhedged USD; High Yield Bonds: Bloomberg U.S. Corporate High Yield Total Return Index Value Unhedged USD; Interest Rate-Hedged High Yield Bonds: FTSE High Yield (Treasury Rate-Hedged) Index; Treasury Inflation Protected (TIPS): Bloomberg U.S. Treasury Inflation Notes TR Index Value Unhedged USD; Short term (1-3 Yr) High Yield: Bloomberg U.S. Corporate 0-3 Year Total Return Index Value Unhedged USD; Senior Loans: Morningstar LSTA U.S. Leveraged Loan 100 Index; Short term (1-3 Yr) Corp Bonds: Bloomberg U.S. Corporate 1-3 Yr Total Return Index Value Unhedged USD; Floating Rate: Bloomberg U.S. FRN < 5 yrs Total Return Index Value Unhedged USD; Interest Rate-Hedged Corporate Bonds: FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index.

The S&P 500 is a benchmark index published by Standard & Poor's (S&P) representing 500 companies with large-cap market capitalizations. The S&P 500 Dividend Aristocrats Index targets companies that are currently members of the S&P 500 that have increased dividend payments each year for at least 25 years. The S&P MidCap 400 Dividend Aristocrats Index targets companies that are currently members of the S&P MidCap 400 that have increased dividend payments each year for at least 15 years. The S&P 500 Momentum Index is designed to measure the performance of securities in the S&P 500 that exhibit persistence in their relative performance. The S&P 500 Growth measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum. The Nasdaq-100 Index is designed to measure the performance of 100 of the largest Nasdaq-listed non-financial companies. The Cboe Volatility Index (VIX Index) is a leading measure of market expectations of near-term volatility. The FTSE Corporate Investment Grade Treasury Index is designed to measure the performance of investment grade corporate debt. The FTSE High Yield Treasury Rate Hedged Index is designed to measure the performance of high yield debt of U.S. and Canadian companies. The Morningstar LSTA US Leveraged Loan 100 Index is designed to measure the performance of the 100 largest facilities in the US leveraged loan market. The Morningstar LSTA US Software & Services Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market for the Software & Services sector. The Bloomberg U.S. Corporate 10+ Year Technology Index tracks USD-denominated, investment-grade (BBB- or higher) bonds from technology issuers. The Bloomberg High Yield Technology Index focuses on non-investment grade, USD-denominated bonds within the technology sector. **THESE ENTITIES AND THEIR AFFILIATES MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO PROSHARES.**

Investing involves risk, including the possible loss of principal. This information is not meant to be investment advice. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

Any forward-looking statements herein are based on expectations of ProShare Advisors LLC at this time. Whether or not actual results and developments will conform to ProShare Advisors LLC's expectations and predictions, however, is subject to a number of risks and uncertainties, including general economic, market and business conditions; changes in laws or regulations or other actions made by governmental authorities or regulatory bodies; and other world economic and political developments. ProShare Advisors LLC undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.