

WEEKLY ECONOMIC UPDATE MARCH 16, 2026

Stocks logged a third-straight down week as investors digested the latest news out of the Middle East, navigated more volatility, and mulled the latest economic data.

The Standard & Poor's 500 Index declined 1.60 percent, while the Nasdaq Composite Index lost 1.26 percent. The Dow Jones Industrial Average fell 1.99 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, slid 2.28 percent.^{1,2}

Middle East

Markets got a volatile start to the week, with stocks falling and oil prices rising as commercial maritime traffic heading out of the Persian Gulf through the Strait of Hormuz remained at a virtual standstill. But stocks rebounded late in the day after the White House said the conflict may end sooner than expected.³

Stocks dropped at Tuesday's opening bell, but mostly recovered after word spread that a group of countries, including the U.S., were considering a coordinated release of strategic oil reserves to counter supply disruptions. Markets generally went sideways midweek as news that the Consumer Price Index (CPI) held steady last month buoyed spirits.^{4,5}

As the week progressed, all three major averages fell, and oil prices hit all-time closing highs. Investors grew increasingly concerned over the impact of oil supply disruptions on the broader global economy, with the Strait of Hormuz remaining a concern. Bond yields rose as investors believed a prolonged conflict would keep oil prices high, increasing the chance of higher inflation.⁶

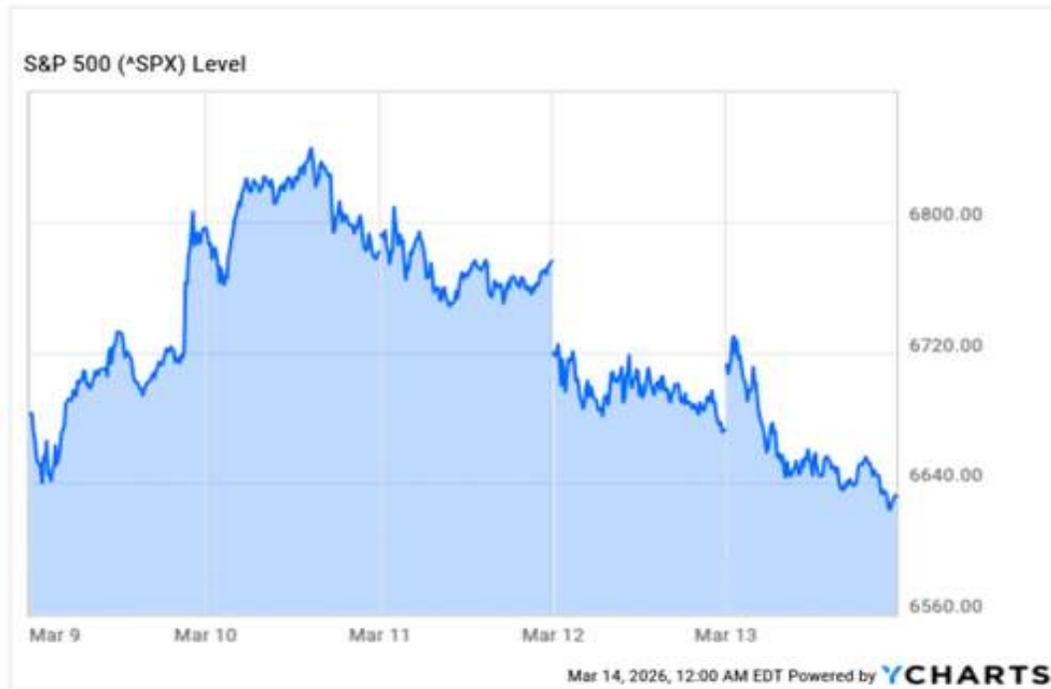
Market sentiment continued to struggle as the week wrapped up, but declines slowed despite a downward revision to Q4 gross domestic product (GDP) growth.⁷

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	-1.18%	-3.89%	27.23%	73.78%
S&P 500	-2.22%	-2.28%	20.69%	81.98%
Dow Jones Industrial Average	-5.35%	-2.51%	14.86%	56.69%
MSCI EAFE	-6.45%	1.77%	23.21%	54.25%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 03/13/26	4.28%	4.04% 4.19% 4.27%	5.94% ▲ 2.15% ▲ 0.23% ▲

Stubborn Inflation

With all the updates on the Middle East conflict, it was easy to miss other news last week.

Wednesday's report that the CPI remained unchanged in February over the prior 12 months was good news. But it was the last bit of inflation data before the conflict in the Middle East began. Friday's Personal Consumption & Expenditures Index, the Fed's preferred inflation measure, showed that consumer prices remained sticky in January. Investors largely took this report in stride because delayed reports tend to lose their impact with time.^{8,9}

This Week: Key Economic Data

Monday: Industrial Production. Capacity Utilization.

Tuesday: Federal Open Market Committee (FOMC) Meeting—Day 1. Pending Home Sales. Homebuilder Confidence.

Wednesday: FOMC Meeting—Day 2. Producer Price Index (PPI). Factory Orders* (Jan.). FOMC Interest Rate Decision. Fed Chair Press Conference.

Thursday: Weekly Jobless Claims. Wholesale Inventories* (Jan.) New Home Sales* (Jan.).

Friday: Employment Cost Index (Q4).

Quote of the Week



"AI has developed fluent language skills that can create the illusion of objectivity. But confident language is not the same as truth."

- Kay Rubacek



In recent years, and with particular intensity since Donald Trump's ascent to the political center stage, trade deficits have been increasingly cast as symbols of national weakness. Persistent US trade deficits are treated not as accounting outcomes, but as evidence of unfair dealing, foreign predation, or elite incompetence. Surpluses are praised as victories, while deficits are framed as losses demanding correction through tariffs, subsidies, and industrial policy.

This fixation reflects a deep misunderstanding of international trade, one that classical economists understood well, but which modern policymakers have largely forgotten. Among the clearest and most systematic articulators of this older view was Ludwig von Mises, whose work offers a powerful corrective to contemporary trade anxieties. For Mises, trade balances were not policy targets to be managed, but temporary outcomes within a broader monetary process, one that, under sound money, tended naturally toward adjustment and balance.

This classical theory of international exchange rejected the mercantilist obsession with trade surpluses. Nations do not "win" or "lose" at trade. Instead, individuals exchange goods and services because both parties expect to benefit. From this perspective, trade imbalances are neither pathological nor

permanent. They are signals, reflections of underlying price structures, capital movements, and consumer preferences.

Mises fully embraced this framework, particularly as it operated under a genuine gold standard. In *The Theory of Money and Credit*, he explained how international trade balances were inseparable from monetary conditions. When a country runs a trade surplus under a gold standard, gold flows into that country. This increases the domestic money supply, raises prices and wages, and gradually erodes the country's competitive advantage; exports slow, imports increase, and the surplus diminishes.

The reverse occurs in deficit countries. Gold outflows reduce the money supply, lower prices, and improve export competitiveness. Over time, trade balances shift in the opposite direction. The process is neither static nor linear; it is best understood as an ongoing, oscillating adjustment—what might be described as an undulating pattern of surpluses and deficits responding to changes in prices and capital allocation.

Crucially, this mechanism requires no centralized coordination. It emerges spontaneously from the interaction of monetary flows, price signals, and individual choice.

Mises was especially critical of the idea that trade balances should be interpreted as measures of national success. In *Human Action*, he insists that balance-of-payments statistics are descriptive, not normative. A trade deficit may coincide with strong economic performance, rising investment, and high consumer welfare. A surplus, conversely, may reflect capital flight, suppressed consumption, or rigid domestic markets.

For Mises, what mattered was not whether a nation exported more than it imported, but whether individuals were free to trade under a sound monetary system. Attempts to “correct” trade deficits through tariffs or quotas misunderstood the nature of the

phenomenon. Such policies treat symptoms while ignoring causes, especially monetary ones.

For this reason, Mises goes beyond earlier classical economists in his emphasis on banking and credit. The price-specie flow mechanism works only if gold movements are allowed to affect domestic money supplies. When central banks sterilize gold inflows or outflows, offsetting them through credit expansion or contraction, the adjustment process is disrupted.

Mises warned repeatedly that credit expansion could produce persistent trade imbalances by falsifying price signals. Artificially low interest rates and easy money encourage excess consumption, discourage saving, and attract foreign capital, often masking underlying imbalances until a crisis forces correction. In this sense, chronic deficits are not failures of trade, but failures of monetary institutions.

This insight is especially relevant today. The modern fiat-dollar system severs trade from monetary discipline. Because the US dollar functions as the world's reserve currency, the United States can run large and persistent trade deficits without facing the immediate adjustment pressures that would have existed under gold. Foreign exporters accumulate dollar reserves rather than demanding settlement in specie, while US policymakers interpret the absence of constraint as proof that no problem exists. Mises would have disagreed.

Trump's rhetoric represents a revival of mercantilist thinking dressed up in populist language. Trade deficits are portrayed as evidence that America is being "ripped off," while tariffs are presented as tools for restoring balance and reviving domestic industry. Yet, from a Misesian perspective, this approach commits a category error: it attempts to solve monetary distortions with trade policy.

Tariffs do not restore competitiveness; they conceal it. They raise domestic prices, invite retaliation, and distort capital allocation, all while leaving the underlying monetary causes untouched. If trade imbalances are driven by credit expansion, fiscal deficits, and reserve-currency privilege, then tariffs merely redistribute costs domestically while worsening international frictions.

Mises did not deny that trade imbalances could become politically destabilizing. But he insisted that the solution lay in restoring sound money and allowing prices, including exchange rates and interest rates, to adjust freely. Under such conditions, surpluses and deficits would tend to balance over time, not through bureaucratic management, but through the choices of individuals responding to real price signals.

The modern obsession with trade balances reflects not economic realism, but the abandonment of classical monetary discipline. Until that is addressed, trade policy will remain a blunt and ineffective instrument: used to manage consequences rather than causes.

In this respect, Mises's insights are not relics of a bygone gold-standard world. They are reminders that trade cannot be understood in isolation from money, and that attempts to do so will continue to produce the very imbalances policymakers claim to oppose.¹⁰

Footnotes And Sources

1. WSJ.com, March 13, 2026
2. Investing.com, March 13, 2026
3. CNBC.com, March 9, 2026
4. CNBC.com, March 10, 2026
5. CNBC.com, March 11, 2026
6. WSJ.com, March 12, 2026
7. WSJ.com, March 13, 2026
8. CNBC.com, March 11, 2026

9. WSJ.com, March 13, 2026

10. mises.org/mises-wire/trade-deficits-and-sound-money

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