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WEEKLY ECONOMIC UPDATE MARCH 30, 2026

Stocks ended a challenging week lower as investors' attention shifted from updates on ceasefire talks to concerns about the economic impact of a protracted conflict.

The Standard & Poor's 500 Index lost 2.12 percent, while the Nasdaq Composite Index fell 3.23 percent. The Dow Jones Industrial Average slid 0.90 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, ended the week flat (-0.05 percent).[1,2]

Challenging Week

Stocks opened higher to start the week as fresh optimism for a resolution to the Middle East conflict permeated market sentiment, and no further news on Iraq's force majeure declaration appeared to help momentum. Both the Dow Industrials and S&P 500 booked their best day since early February as the White House reported "very good and productive conversations" to end hostilities.[3]

Markets were under pressure on Tuesday but staged a recovery rally midweek amid reports that Pakistan was mediating ceasefire talks. All three major averages posted solid gains, though it appeared that retail investors remained on the sidelines.[4]

The upbeat sentiment was short-lived. Markets were under steady pressure Thursday despite news after the close of trading that the White House was extending the previous pause on military strikes on Iranian energy infrastructure by an additional 10 days. The selling picked up on Friday. The Nasdaq and Dow Industrials fell into correction territory, while the S&P suffered its longest weekly losing streak in almost four years.[5]

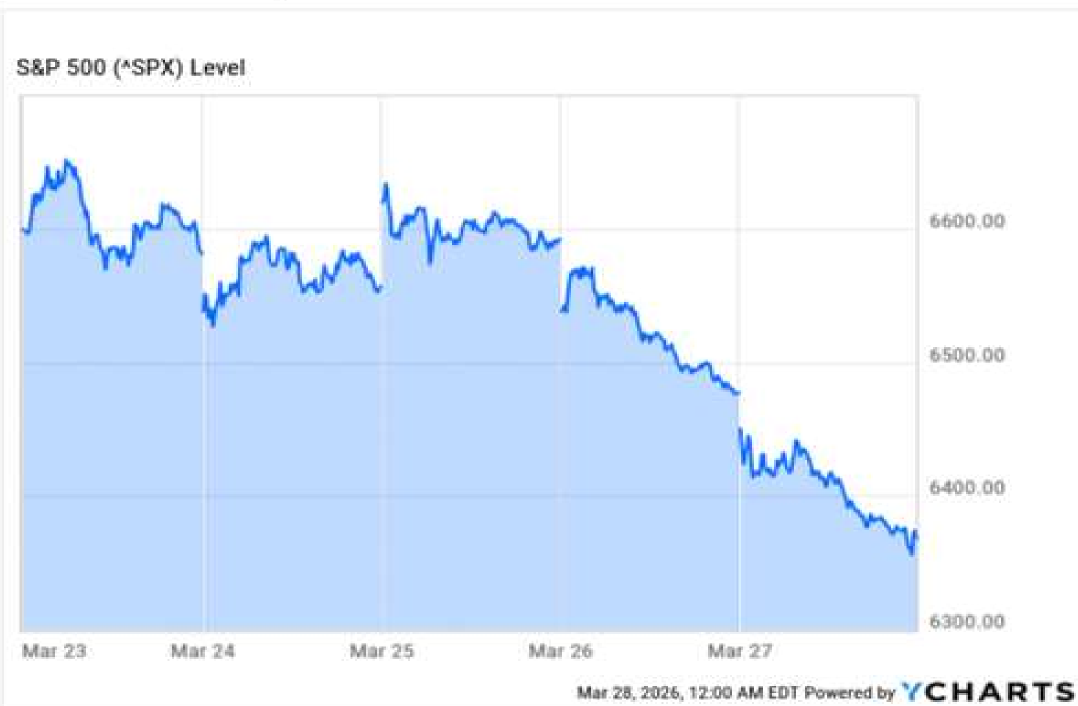
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
S&P 500	-6.14%	-5.10%	14.82%	75.29%
Nasdaq Composite	-6.35%	-7.75%	20.37%	69.06%
Dow Jones Industrial Average	-6.96%	-3.99%	10.12%	52.93%
MSCI EAFE	-9.19%	-0.51%	19.36%	50.69%

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 03/27/26	4.44%	3.97% 4.14% 4.38%	11.84% ▲ 7.25% ▲ 1.37% ▲

Sector Spotlight

Some investors have turned to energy stocks during the volatility. At the close of trading, 19 energy stocks in the S&P 500 traded at their 52-week highs.[6]

This Week: Key Economic Data

Monday: New York Fed President John Williams speaks.

Tuesday: S&P/Case Shiller Home Price Index* (Jan.). Consumer Confidence. Job Openings. Fed speeches: Austan Goolsbee (Chicago), Michael Barr, Michelle Bowman.

Wednesday: Retail Sales* (Feb.). ADP Employment Report. Business Inventories* (Jan.). PMI—Manufacturing. ISM Manufacturing. EIA Petroleum Status Report. Fed speeches: Alberto Musalem (St. Louis), Michael Barr.

Thursday: Weekly Jobless Claims. Trade Deficit (Feb.). Fed official Lorie Logan speaks. Factory Orders. EIA Natural Gas Report. Motor Vehicle Sales. Fed Balance Sheet.

Friday: Employment Report. PMI—Services.

"We are drowning in information, while starving for wisdom."

– E. O. Wilson

Of Note

“China is dumping US Treasuries to get out of the dollar.” This claim has been circulating the mainstream feeds lately, with the narrative that the “end of the dollar is near,” or “the US will lose its funding base” and the “bond yields will surge.” But are those claims valid?

China’s holdings of US Treasury bonds have fallen from nearly $1.2 trillion to $600 billion, or a 50% decline. On the surface, you can certainly understand the reasons for concern, as the decline in holdings over the last decade supports a clean storyline.

However, the problem is the step between observation and conclusion. A lower line item for “China, Mainland” does not equal a forced sale, it does not prove intent, nor does it prove a structural exit. What it does show is a lack of understanding about the dynamics of reserve currency management, and, in the case of China, the need to protect those reserves.

Let’s start with the Treasury Department, which states that the holdings tables are built “primarily on the basis of custodial data.” That phrase matters. Custodial data records where securities are held for settlement and safekeeping. Critically, the custodian is not the same as the beneficial owner, and that distinction undermines the headline narrative.
The Treasury’s own FAQ is the most important in this narrative:

“If a Treasury security purchased by a foreign resident is held in a custodial account in a third country, the true country of

ownership will not be reflected."
Read that sentence again.

The system is designed to track where the bonds sit, not whose balance sheet carries the risk. This is crucially important when it comes to the narrative that China is dumping its bond holdings and moving away from the dollar.

For those jumping to that conclusion, they did not take the time to ask the right question: "Where did the custody shift to?" That question matters for investors because it changes the risk assessment. If China were liquidating, you would expect pressure across Treasury auctions, persistent stress on dealer balance sheets, and visible strain in dollar funding markets. While those episodes occur from time to time, often tied to Fed policy or risk shocks, there is no clear connection to the "China dumping" storyline.

A better way to approach the claim is to follow the settlement trail, which takes us to the Belgium and Luxembourg connection.

Over the last decade, geopolitical risk has been rising. Heavy sanctions have been imposed on Iran and Russia, assets frozen or seized, and political pressure brought to bear. If you are a country with significant US dollar reserves and face the risk of sanctions or seizure, what measures could you take to limit that risk? Here is a good example:

"Policymakers [in Beijing] are mindful of the precedent set in 2022, when the US and its allies froze about $300 billion of Russia's central bank reserves after the invasion of Ukraine. The worry is that if tensions were to escalate, the US could — in an extreme scenario — restrict access to China's state and privately held dollar assets in a similar fashion." – Bloomberg

It is critical to understand the two main economic reasons that China buys and holds US Treasuries. The most important reason is that China wants its currency, the yuan, pegged to the dollar, a practice common among many countries since the Bretton Woods Conference in 1944. A dollar-pegged yuan helps keep down the cost of Chinese exports, particularly to the US, its largest customer, which the Chinese government believes makes it stronger in international markets. Secondly, dollar-pegging adds stability to the yuan because the dollar is still seen as the safest currency in the world. To conduct trade on a global scale, they hold their reserves in US Treasuries, gold, or the dollar itself.

However, just because China owns U.S. Treasuries does not mean it must have custodial holdings in the U.S. Looking at the holdings table and focus on Belgium and Luxembourg. In the November 2025 snapshot, Belgium shows about $481 billion in Treasury holdings, and Luxembourg shows about $425 billion. Those are massive totals for very small countries that are not building reserves at that scale.

In reality, Luxembourg and Belgium are "hosting custody" for China. Just for reference look at US Treasury holdings of China and Belgium. Over the same period, while China's holdings fell by $600 billion, Belgium's rose by $500 billion. This is why the Treasury's FAQ points directly to this issue and calls out "major financial centers," such as Luxembourg and Belgium, as the source of "custodial bias."

That leads to the next question: why would China shift custody at all? We already touched on avoiding geopolitical risk, but there are four practical reasons for China to shift custodial holdings, none of which requires an exit from US bonds: 1) Custody, 2) Instrument mix, 3) Funding and collateral function, and 4) Geopolitical risk management.

Put these together, and the incentive to use Belgium and Luxembourg is clear. The goal is not a panic move to "dedollarize" the US, which would harm the Chinese economy. Rather, it is to gain operational efficiency and optionality in a world where finance and politics collide more often.[7]

Footnotes And Sources

1. WSJ.com, March 27, 2026
2. Investing.com, March 27, 2026
3. CNBC.com, March 16, 2026
4. CNBC.com, March 24, 2026
5. WSJ.com, March 27, 2026
6. CNBC.com, March 19, 2026
7. zerohedge.com/markets/china-really-dumping-us-treasuries