

3 WAYS TO RETHINK PORTFOLIOS IN TODAY'S VOLATILE MARKETS

March 2026

Volatility has picked up as the conflict in the Middle East enters its second month. Higher oil prices are increasing inflation uncertainty and raising questions about global growth.

Our base case remains one of continued economic resilience, as outlined in our most recent [Vantage Point: Pressure Points](#). We still see major escalation as unlikely, though potentially severe for portfolio returns. We suggest staying invested while taking steps to inoculate portfolios.

Short-term swings can unsettle long-term investors. Below are three practical strategies to help strengthen portfolios in today's environment.

1 Rethink Gold

Gold is often viewed as a safe haven, inflation hedge and portfolio diversifier. Recently, however, its hedge effectiveness has been weaker. With Europe and Asia absorbing more of the oil supply shock, emerging market central banks have become sellers of gold to rebuild local

currency reserves, adding downward pressure on gold prices. Momentum has softened, weakened by the oil shock that has yet to spill into other commodity prices.

Gold still has a role, but we think investors should complement it with a broader mix of diversifiers to address both inflation and geopolitical shocks.

2 Rethink Diversification

Two ways to increase diversification are global infrastructure and large cap value. Both offer characteristics that fit the current backdrop, with an additional tailwind from the AI-driven investment.

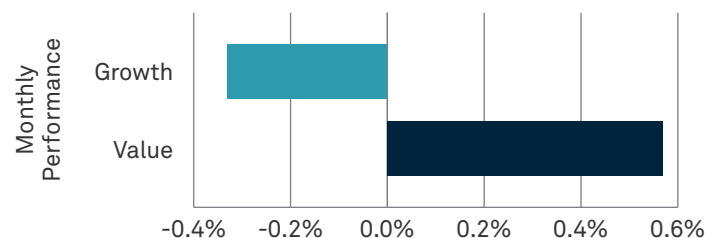
Global infrastructure tends to be defensive with inflation-linked revenues, stable cash flows, and low correlation to traditional asset classes. AI will require significant investment in energy and data capacity, supporting infrastructure demand.

U.S. large cap value has historically outperformed large cap growth in higher-inflation periods. Today, higher rates support financials, and ongoing AI adoption is driving productivity gains across value-oriented sectors such as finance and insurance.

GLOBAL INFRASTRUCTURE'S CORRELATION¹



PERFORMANCE WHEN INFLATION IS GREATER THAN 2.5%²



¹ BNY Investment Strategy & Research Group, Macrobond. 1-year trailing, as of 3/23/26. ² BNY Investment Strategy & Research Group, Macrobond. Monthly performance as of 2/28/26. Value is represented by the Russell 1000 Value Index and growth by the Russell 1000 Growth Index.

3 Rethink Quality and Duration

The energy shock increases the risk of persistent inflation and a more uneven global rate path. Rate volatility is likely to stay elevated, making duration positioning more important. Tilting toward higher-quality, shorter-duration bonds can help reduce interest rate and credit risk. A quality bias with short-rate exposure allows portfolios to remain constructively positioned in fixed income — capturing attractive yield while seeking to reduce key risks.

Remain Invested

During periods of volatility or geopolitical uncertainty, we believe it is important to stay invested and position portfolios strategically to navigate a wider range of outcomes.

GLOSSARY

Artificial intelligence (AI) refers to computer systems that can perform tasks typically requiring human intelligence, such as visual perception, speech recognition, decision-making, and language translation. **Global Infrastructure** (S&P Global Infrastructure Index) is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. **Russell 1000 Growth Index** measures the performance of the large cap growth segment of the U.S. equity universe. **Russell 1000 Value Index** measures the performance of the large cap value segment of the U.S. equity universe. **S&P 500** is an index designed to track the performance of the largest 500 U.S. companies. **U.S. Aggregate** (Bloomberg U.S. Agg Total Return Value Unhedged USD Index) is a widely accepted, unmanaged total return index of corporate, government and government-agency debt instruments, mortgage-backed securities and asset-backed securities with an average maturity of 1–10 years.

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