

**ECONOMIC RESEARCH – MARCH 2026**

**INVESTMENT INSIGHT**

**USA**



- ✓ Oil shock still not fully reflected in the PMIs
- ✓ Job creation begins to contract
- ✓ The Fed once again faces the risk of stagflation
- ✓ Inflation likely to rebound to between 3.5% and 4%

**STAGFLATION IS ALSO THREATENING THE UNITED STATES**

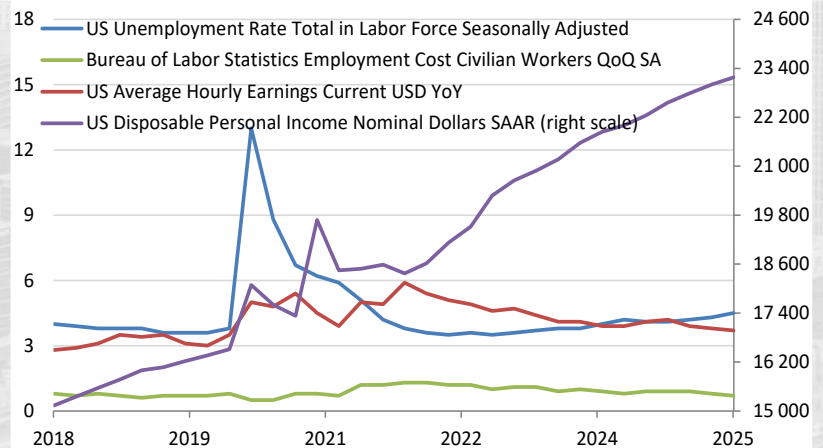
**Two-speed economy: Industrial resilience vs. service stagnation**

March data reveals a stark divergence between a resilient "Made in USA" industrial sector and a services sector buckling under energy costs. While the Composite PMI remains in expansion at 51.4, the services component is teetering on contraction as soaring gasoline prices act as a direct tax on discretionary spending. This sudden loss of industrial velocity suggests that the region's brief recovery phase has already peaked.

**Labor market cooling and the "Hiring Freeze"**

Employment statistics have shifted from a growth driver to a potential drag, highlighted by February's shocking loss of 92,000 jobs. The unemployment rate of 4.4% is now dangerously close to the 4.5% recessionary threshold, signaling that the post-shutdown "hiring freeze" may be hardening into permanent cuts. Beyond the AI-tech bubble, the broader manufacturing and service sectors are actively shedding workers to protect eroding margins. This surge in precautionary behavior suggests that internal demand will remain suppressed until energy price volatility subsides. Without a reversal in these hiring trends, the risk of a consumer-led recession in the second quarter becomes an imminent reality.

**Unemployment rate, income, labor costs, wages**



Sources : Bloomberg, BBGI Group

## The Fed's "Hawkish Trap" and dot plot revisions

The Fed's March 18 meeting marked a definitive end to the normalization narrative, with the "Dot Plot" shifting from three planned cuts to a median of just one. Policymakers are now caught in a nightmare scenario where they must choose between a cooling labor market and an inflation floor that has been "raised" by the Middle East shock. The simultaneous rise in input costs and slowing output levels creates a high-risk environment that mirrors the structural failures of the 1970s. This policy paralysis leaves financial markets guessing, as the central bank appears increasingly constrained by factors outside its traditional control.

## PPI surge: The inflationary pipeline

While February CPI provided a temporary "illusion of calm," the Wholesale Inflation (PPI) jump of +0.7% revealed massive cost pressures building in the corporate pipeline. With companies now passing through nearly 90% of input costs to final consumers, the deflation in goods like electronics and used cars has officially ended. Gasoline prices nearing \$4.25 a gallon are acting as an immediate, regressive tax on the middle class and rural households. As these wholesale price spikes migrate toward retail shelves, the Fed may find its core inflation targets nearly impossible to reach in the short term.

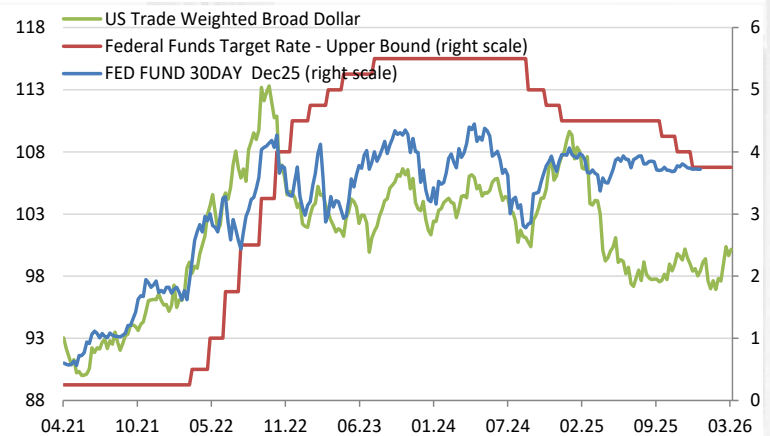
## The shift from proactive to reactive policy

Market expectations have radically adjusted, with Fed Funds Futures now pricing out any rate cuts before December and assigned a growing probability to a September hike. The central bank has officially moved into a "wait and see" posture, observing whether \$100 oil will "kill" consumption before it considers easing. The Fed's shift from a proactive stance to a purely reactive one is fueling volatility across all asset classes. This transition suggests that the era of "forward guidance" has effectively been suspended in favor of emergency-driven decision-making.

## Just-in-case: The new industrial paradigm

The March shock has forced "just-in-time" assembly lines back into a state of high-cost logistical disruption, ending the brief normalization seen in late 2025. Firms are increasingly being forced to abandon industrial efficiency in favor of far more expensive "just-in-case" inventory strategies to survive the blockade of the Strait of Hormuz. This investment freeze is likely to stifle R&D spending, further delaying the transition to more efficient production methods. This paradigm shift ensures that even if energy prices stabilize, the structural cost of doing business remains permanently elevated. Furthermore, the resulting drag on productivity growth may limit the US economy's potential for non-inflationary expansion for years to come.

Fed funds, key rates and USD (trade weighted)



Sources : Bloomberg, BBGI Group

This communication is being issued by BearBull Global Investments Group (DIFC) which is located on Unit 02 Level 7, Building 1 Currency House, Dubai International Financial Centre, PO Box 506612, Dubai, United Arab Emirates. A CAT3C regulated by the Dubai Financial Services Authority (DFSA). The information contained in this communication/document is intended for Professional investors only as defined by the DFSA rules which can be accessed from their website [www.dfsa.ae](http://www.dfsa.ae) and no other person should act upon it. The views expressed in this material are the views of BearBull Global Investments Group (DIFC). The information in the communication is not intended as financial advice and is only for the purpose of knowledge. The DFSA has no responsibility for reviewing or verifying of any information material or other document in connection with BearBull Global Investments Group (DIFC). If you do not understand the contents of this document, you should consult an authorized financial adviser. This document is confidential and intended exclusively for its recipient and may not be transmitted or reproduced, even in part, without our express written consent.