Benjamin F. Edwards®

Investment Insights Quarterly

From the desk of Jack Kraft, CFA, Investment Strategist

April 2026

Blink and You'll Miss It

April's rebound highlights the market's forward-looking behavior, with equities responding not to confirmed outcomes, but to improving expectations for deescalation in the U.S.-Iran conflict. Stocks spent most of March grinding lower as investors fled risk assets, such as stocks, while interest rates moved higher amid renewed inflation concerns tied to rising energy prices. Those dynamics reversed in a blink, setting the stage for a sharp snapback rally that saw the S&P 500 surge 10.7% over just 11 trading days. A move this fast in such a short period of time is rare with only 20 other instances in S&P 500 history.

Equity investors can point to several green shoots supporting this market action, with stocks making record highs at the time of this writing. Artificial intelligence (AI) optimism, strong corporate buyback demand and a growing domestic economy have all boosted investor sentiment. On the AI front, investment is expected to total $670 billion this year from just five companies (Oracle, Microsoft, Alphabet, Meta and Amazon). This large-scale investment is expected to drive 40% of S&P 500 profit growth in 2026, which is running at an above-average rate of more than 10%. Investors are counting on this strong earnings growth combined with record profit margins to justify domestic stocks trading at a premium valuation relative to history.

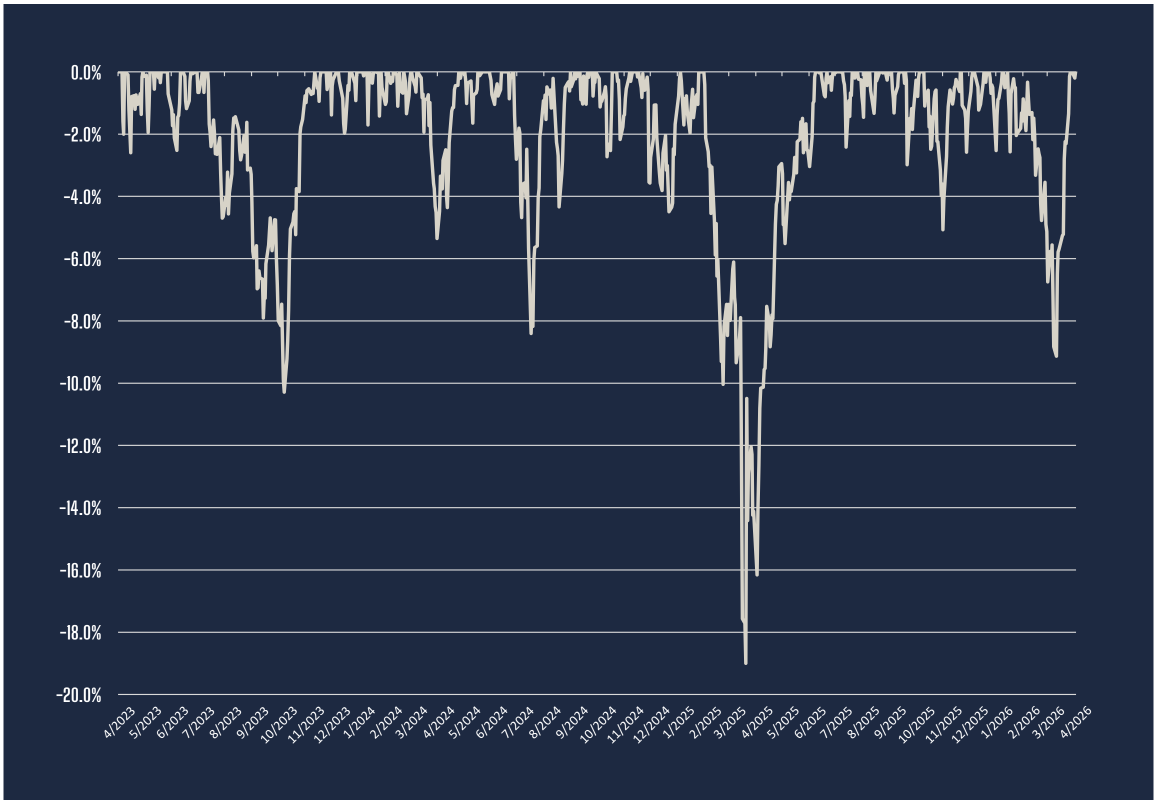
Investor optimism around AI has been a large contributing factor to the snapback rally, with the release of Anthropic's Mythos model acting as a key catalyst. Technology stocks have been a notable tailwind, with the information technology sector up more than 13% since Mythos was released on April 7.

Each new AI model seems to be evidence of the rapid innovation across the AI industry. Notably, the private AI company Anthropic has seen its revenue run rate triple since the start of the year, reiterating the outsized demand for its services. Furthermore, additional models from OpenAI, Meta, Google and others are expected later this year as competition intensifies.

The month of April has been a prime example of why during times of market volatility it is in your best interest to turn off financial news, tune out the experts and stick to your long-term financial plan. The cliché in the industry is to say, "time in the market beats timing the market," and this recent geopolitical speedbump is a perfect example why that continues to ring true. Market sell offs should be viewed as opportunities rather than moments to retreat. In fact, investors who stepped in during any of the 5%+ pullbacks over the past three years are, in most cases, sitting comfortably on gains.

Over that span, the S&P 500 has experienced five drawdowns ranging from 5% to 19%, lasting an average of 83 days, or less than three months. More interesting is that when the market hit a sell-off low it took roughly 36 days, or a little over a month, to reclaim highs. While the term "V shaped recovery" became popular following the sharp COVID sell-off in 2020, what's notable is how common these rapid rebounds have become since then. As the chart below illustrates, declines from all-time highs have posed good buying opportunities with the S&P 500 regaining prior peaks in remarkably short time. The key takeaway is simple: once the market finds a bottom, rebounds have been swift, reinforcing the opportunity cost of stepping aside during periods of uncertainty.

S&P 500 Drawdown from All Time High



As of April 21, 2026
Source: YCharts

Keep this framework in the back pocket in case the U.S./Israel-Iran ceasefire breakdowns and negotiations stall. Most recently, the ceasefire was extended with no planned date for a second round of talks. Markets are pricing in a lot of optimism, and attempting to predict short-term market moves based on geopolitical developments is a losing game. Instead, use the current environment to revisit risk exposure and ensure portfolios are aligned with long-term objectives. Main risks to the market revolve around the prolonged closure of the Strait of Hormuz causing a global oil and natural gas energy shock. These energy shocks have been a global takeaway from the conflict in the Middle East as nations need to ensure a reliable supply of oil and gas.

One of the most costly mistakes investors make is reassessing risk tolerance during a market downturn or stepping aside altogether. The chart below illustrates just how damaging it can be to move to cash and miss those swift recoveries in the market. Since the worst and best days in the market often cluster closely together, it is important to remain disciplined and adhere to your long-term financial plan. For example, missing just the five best days in the market (often occurring during the upward leg of a “V-shaped recovery”) can impact long-term portfolio returns by nearly 40%.

Impact of Missing the Best Days in the Market since 1980

As of March 31, 2026
Source: Morningstar Direct.

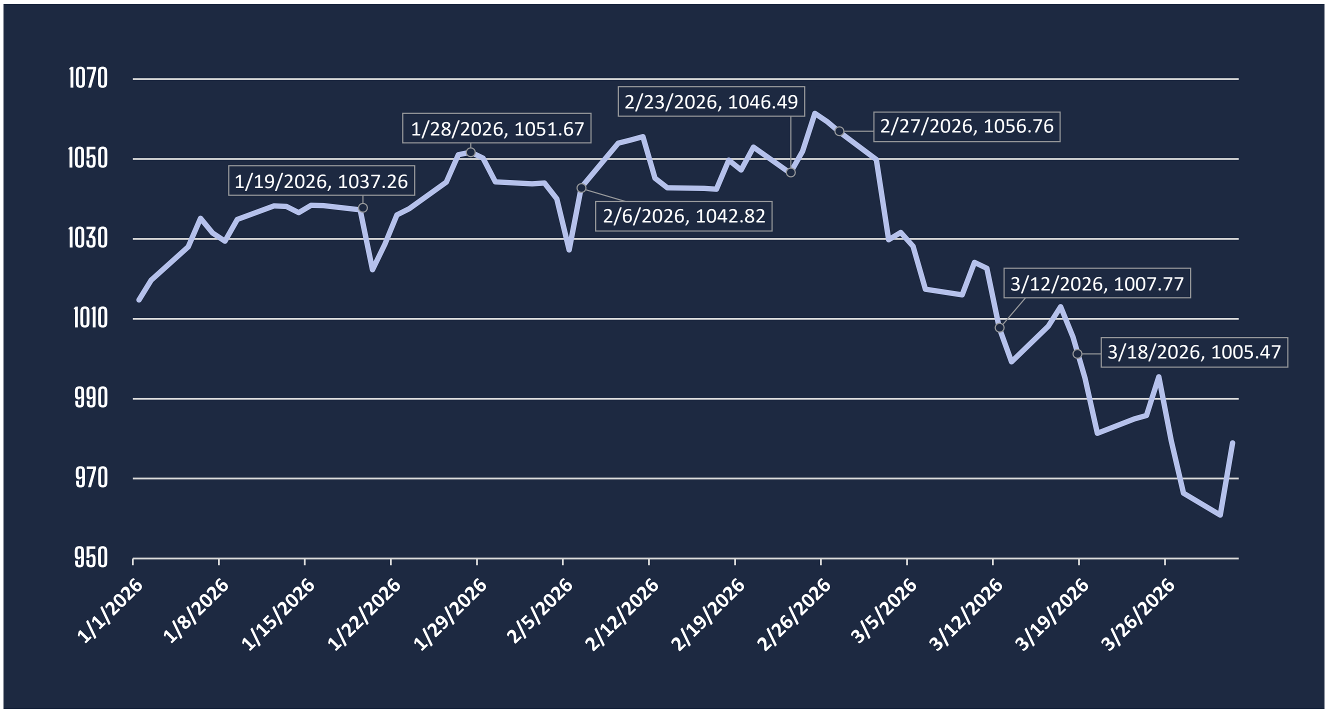
Hypothetical example of a $10,000 portfolio that tracks the S&P 500 index from January 1, 1980 to December 30, 2024. Portfolio returns are calculated using price return and geometrically linked, ignoring the effects of taxes and dividends. Past performance is no guarantee of future results. An index is not managed and is unavailable for direct investment.

Q1 Key Dates

- January 19 – The International Monetary Fund revised global growth higher for 2026 to 3.3%.
- January 28 – The Federal Open Market Committee held the federal funds rate unchanged at 3.50%–3.75%, marking the first pause after three rate cuts in late 2025.
- February 6 – The Dow hit 50,000 level for the first time.
- February 27 – The United States and Israel attacked Iran.
- March 12 – Oil was up sharply as the Strait of Hormuz was effectively closed. Brent and West Texas crude oil were both up approximately 10% for the day.
- March 18 – The U.S. Federal Reserve (Fed) left rates unchanged for the second consecutive meeting.

Global Stock Market

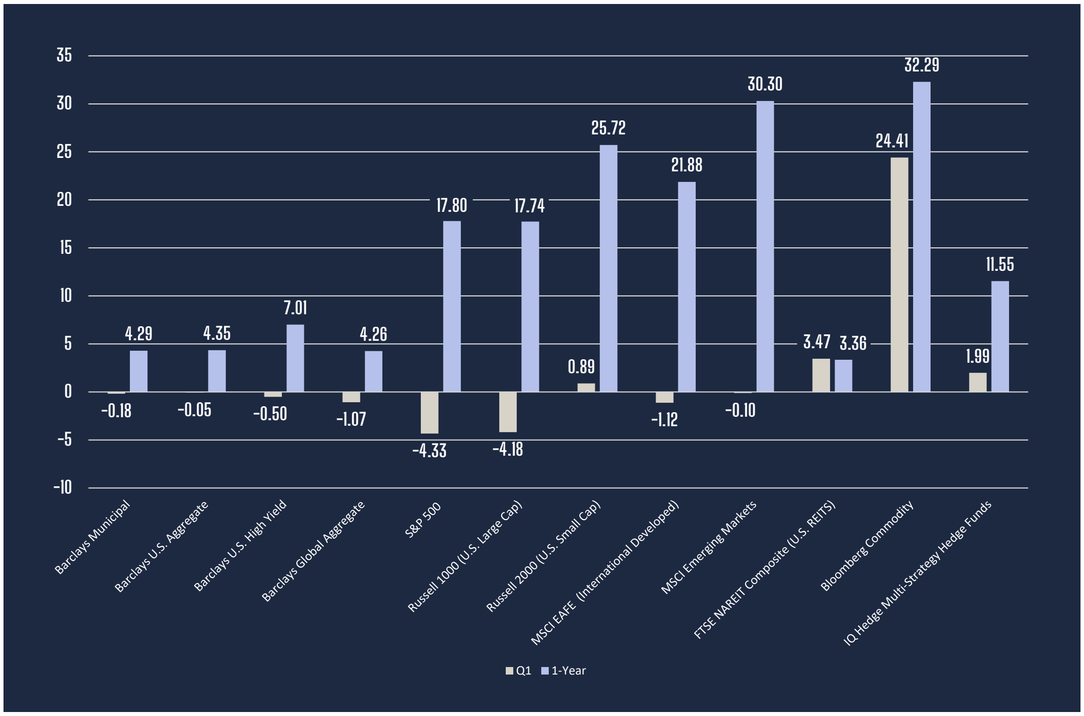
MSCI ACWI in USD



As of March 31, 2026
Source: Bloomberg

Asset-Class Returns

Comparing Recent Quarter and One-Year Total Returns



As of March 31, 2026
Source: Conway

Fixed Income

- Yields on the 10-year Treasury and other global sovereign debt surged higher in March as investors repriced inflation expectations and global risk.
- The jump in interest rates was negative for core fixed income and municipal bonds. Bonds outside the United States were also plagued by U.S. dollar strength.
- Risk-off sentiment led to spread widening across all areas of credit last month. Loans benefited from their floating-rate properties, but high yield and emerging-market (EM) debt fell in value.

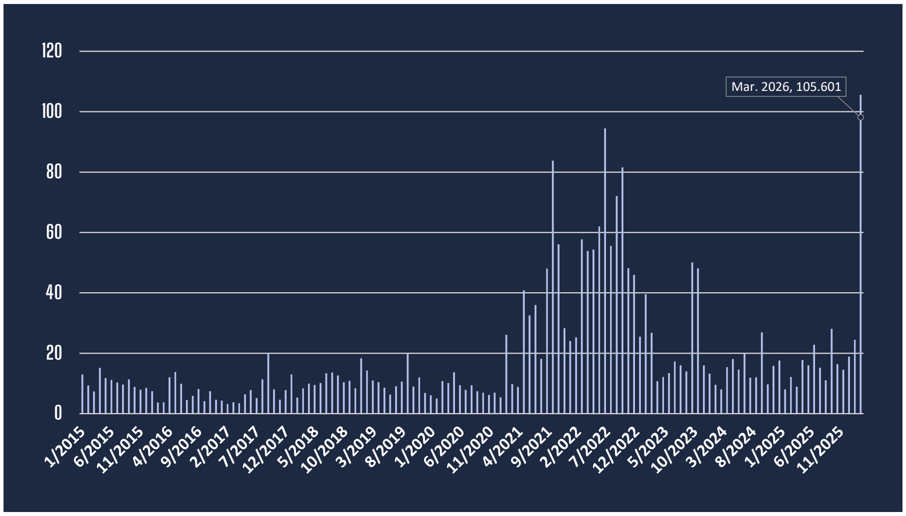
Equities

- U.S. equities struggled in March, largely due to the war in Iran, higher oil prices and a surge in inflation expectations. Markets hate uncertainty and that drove the narrative last month.
- Growth underperformed value across all market capitalizations, and there was little dispersion between small caps and large caps.
- After starting 2026 on a positive note, the S&P 500 finished the first quarter (Q1) down 4.3%. There was strong correlation between higher interest rates and equity market weakness in March.
- Stocks outside the United States posted strong gains to start the year but were hit particularly hard in March by the conflict in Iran and surge in interest rates and inflation expectations.
- Europea, Australasia and Far East (EAFE) and EM equities lagged their U.S. counterparts last month. Growth trailed value, and small caps underperformed growth.
- U.S. dollar strength cost EAFE investors 230 basis points (bps) of performance in March and EM investors 252 bps.

Energy

Energy Shortage Index

1900-2019 = 23.7



As of March 31, 2026
Source: Haver

- The Energy Shortage Index tracks supply disruptions and shocks by analyzing the extent that shortages are mentioned in approximately 20,000 news articles per month.
- The war with Iran has led to a spike in energy prices.
- Higher energy prices can lead to higher inflation and can act as a tax on the consumer.
- The Energy Shortage Index is at the highest level since the Iran Hostage Crisis in 1979-80.

Stagflation

Misery Index

%

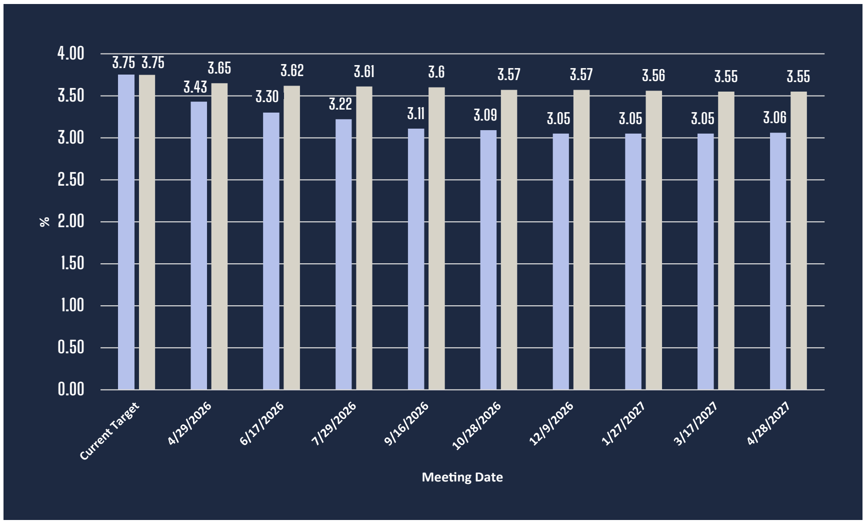
As of March 31, 2026
Source: Haver

- Higher energy prices have raised concerns over stagflation (high unemployment, high inflation and low growth).
- The Misery Index adds unemployment and inflation together as a proxy for stagflation.
- It has increased as inflation has but remains well below record-high levels.

Monetary Policy

Fed Funds Futures Implied Policy Rates

12/31/2025 vs. 3/31/2026



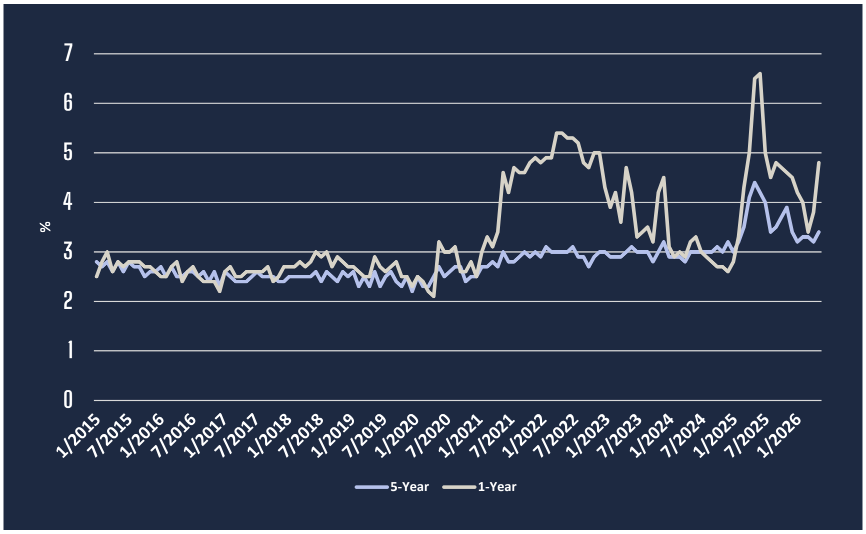
As of March 31, 2026
Source: Bloomberg

- The Fed cut rates three times last year and was expected to continue to cut rates in 2026.
- The increase in energy prices has reignited inflation fears.
- Futures currently indicate no cuts this calendar year.

Inflation

University of Michigan Expected Inflation Rate

One and Five Years (%)



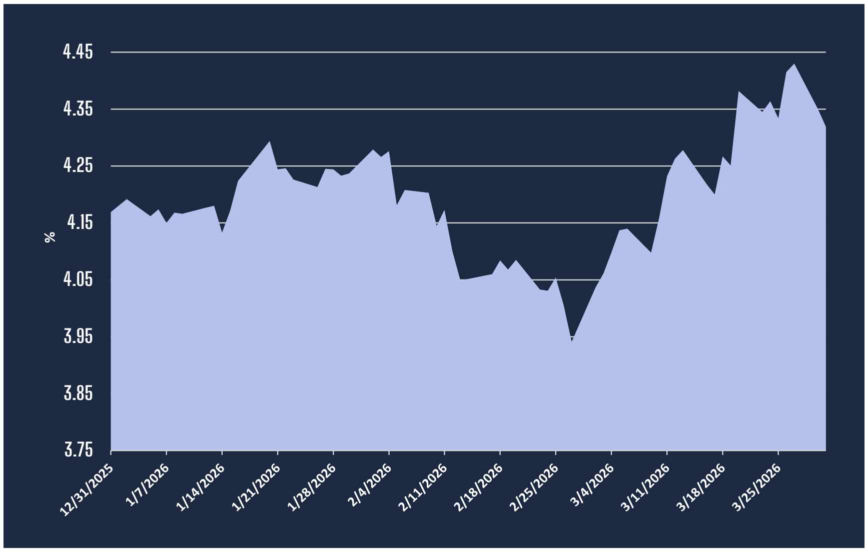
As of March 31, 2026
Source: Haver

- The increase in energy prices has resulted in increased fears of higher inflation, particularly over the shorter term.
- This has complicated the Fed's job.

MARKET THEMES

Bond Yields

10-Year Treasury Yield
YTD 2026



As of March 31, 2026
Source: Bloomberg

- Bond yields had been declining on expectations of more Fed easing in 2026.
- Since the attack on Iran, yields have been increasing on fears of higher inflation.

The Economy

Returns	Current Estimate	Last Update
Atlanta Fed GDP Now (Q1)	1.3%	4/9/26
NY Fed Nowcast (Q1)	2.6%	4/10/26
Cleveland Fed (2026)	3.5%	4/9/26
Bloomberg Survey	2.3%	3/27/26

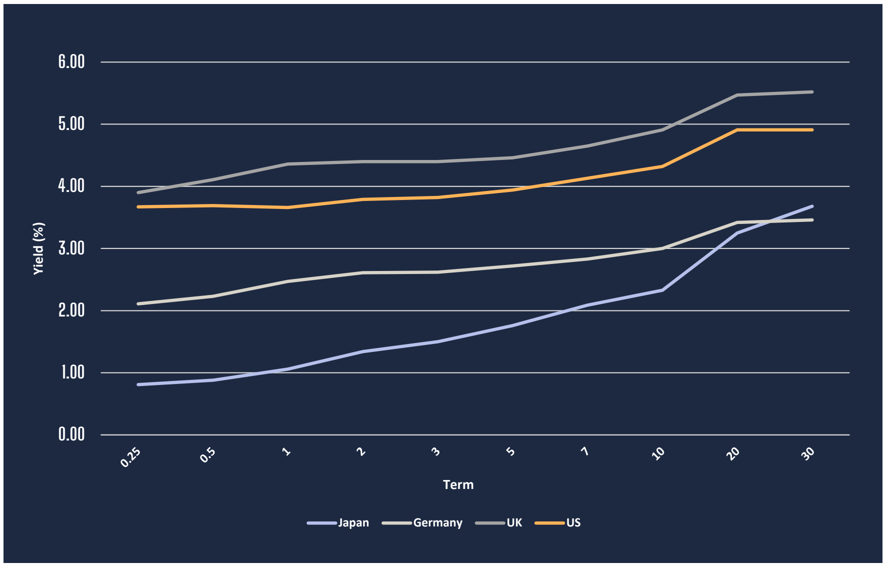
As of March 31, 2026
Source: Bloomberg

Government Bond Curves

Global yields rose and yield curves generally steepened on higher inflation expectations due to surging energy prices.

Global Government Bond Yield Curves

End of Q1 2026



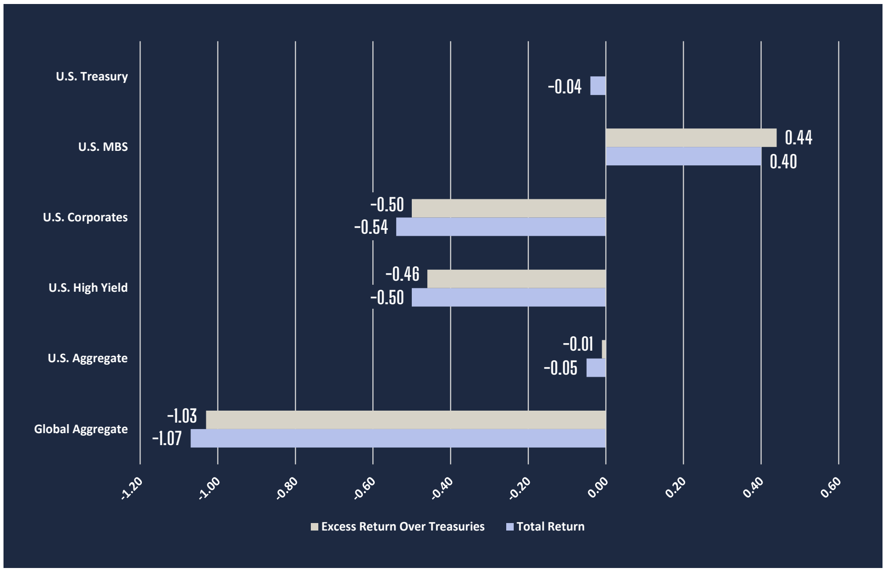
As of March 31, 2026
Source: Bloomberg

Fixed Income Performance (Q1)

A tough quarter for most fixed-income sectors as benchmark Treasury yields increased on surging inflation fears, and credit spreads widened on economic growth concerns.

Fixed Income Performance

Q1 2026



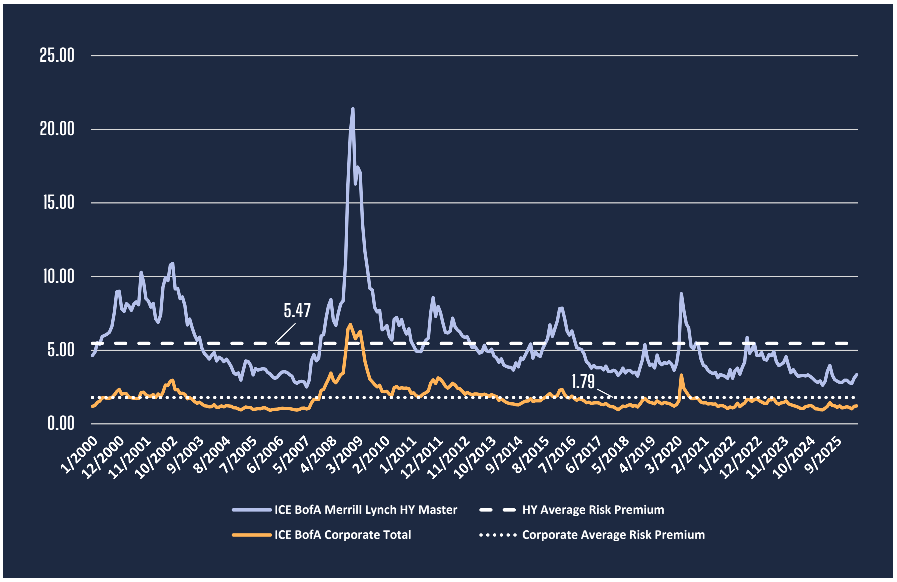
As of March 31, 2026
Source: Bloomberg

FIXED INCOME MARKET UPDATE

Credit

Credit spreads widened in Q1 on concerns about growth slowing amid the spike in energy prices and a general "risk off" environment.

Investment-Grade and High-Yield Credit Spreads



As of March 31, 2026
Source: Haver

Municipal Bonds

Longer-maturity municipals look increasingly attractive for high tax bracket investors.

	AAA General Obligation (%)	U.S. Treasury (%)	Municipal % of Treasury
1	2.38	3.78	62.8%
2	2.39	3.80	62.9%
3	2.42	3.83	63.2%
4	2.50	3.89	64.3%
5	2.57	3.96	64.8%
7	2.78	4.14	67.2%
10	3.06	4.35	70.4%
15	3.52	4.77	73.8%
20	4.14	4.96	83.4%
25	4.37	5.02	87.0%
30	4.44	4.91	90.5%

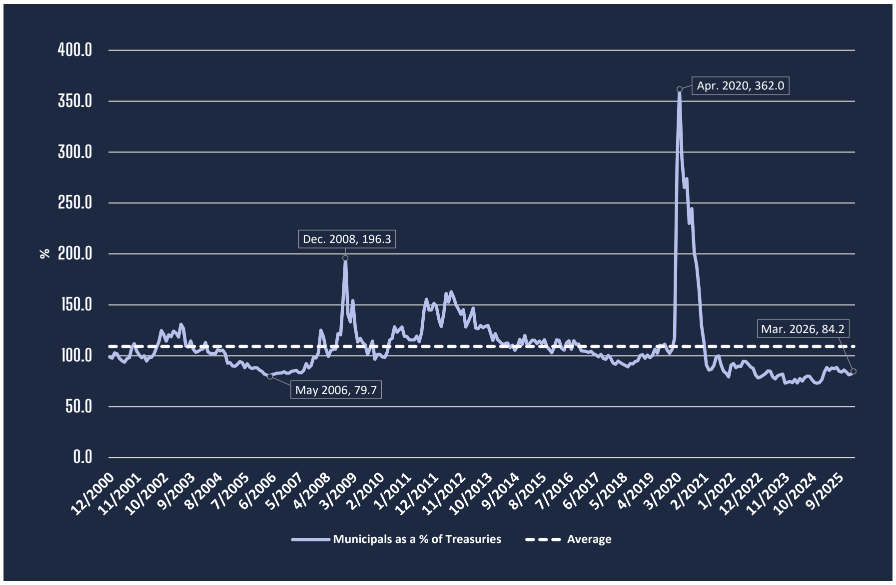
As of March 31, 2026
Source: Bloomberg

Municipal Bonds

Municipal bond credit quality remains strong and issuance is somewhat restrained, reflected in relatively rich valuations.

Municipal Yields as a Percentage of Treasury Yields

ICE/Bank of America Municipal Master/10-Year Treasury



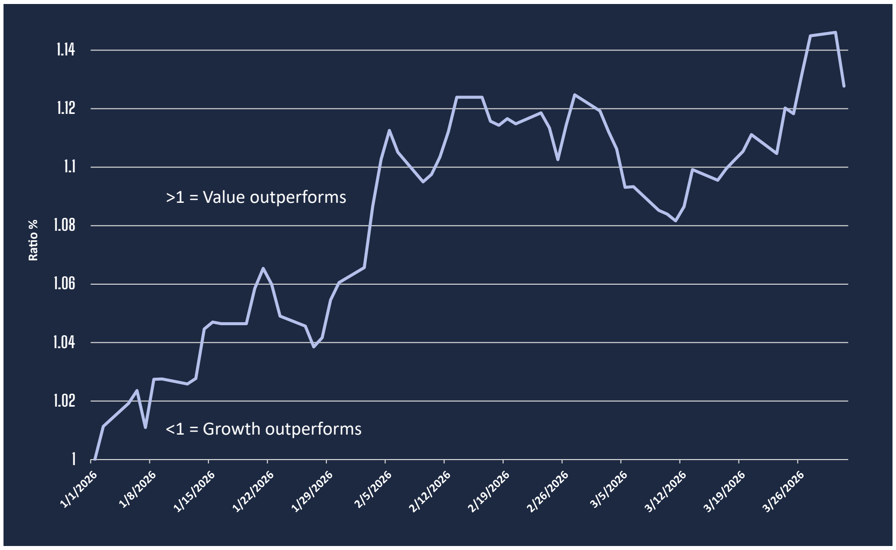
As of March 31, 2026
Source: Haver

Equity – Value vs. Growth

In line with recent trends, value outperformed growth in Q1.

Large Cap Value/Large Cap Growth - Q1 2026

Russell 1000 Value/Russell 1000 Growth



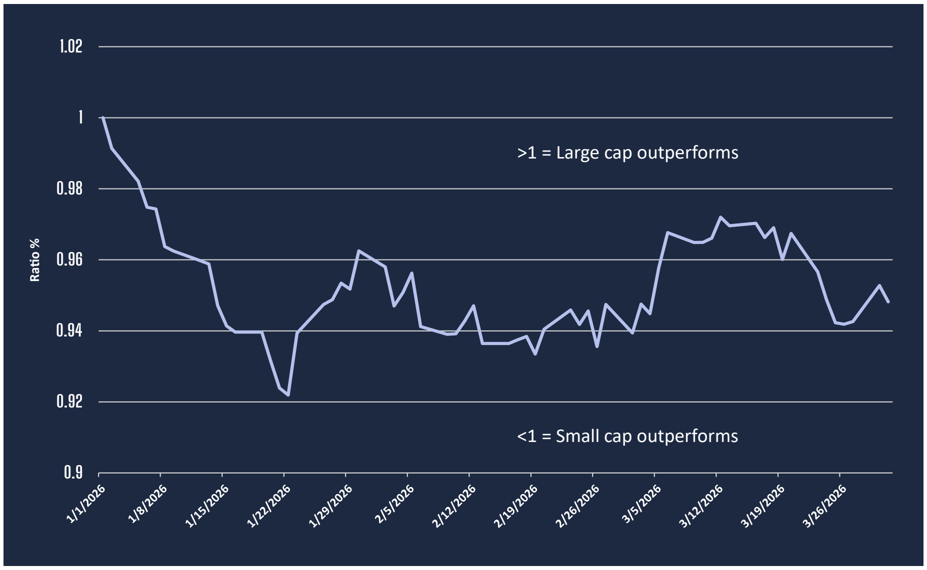
As of March 31, 2026
Source: Bloomberg

Equity – Large vs. Small

Small cap outperformed large cap during Q1.

Large Cap/Small Cap - Q1 2026

S&P 500/Russell 2000



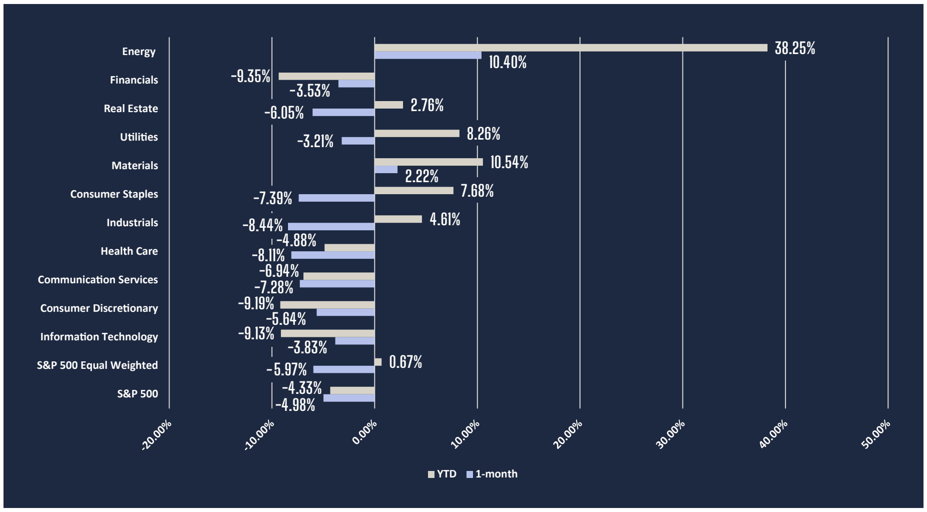
As of March 31, 2026
Source: Bloomberg

U.S. Equities – Return by Sector

Energy is the clear leader in 2026 as tech and consumer discretionary stocks are hurt in an uncertain environment.

S&P 500 Sector Returns

Q1 2026



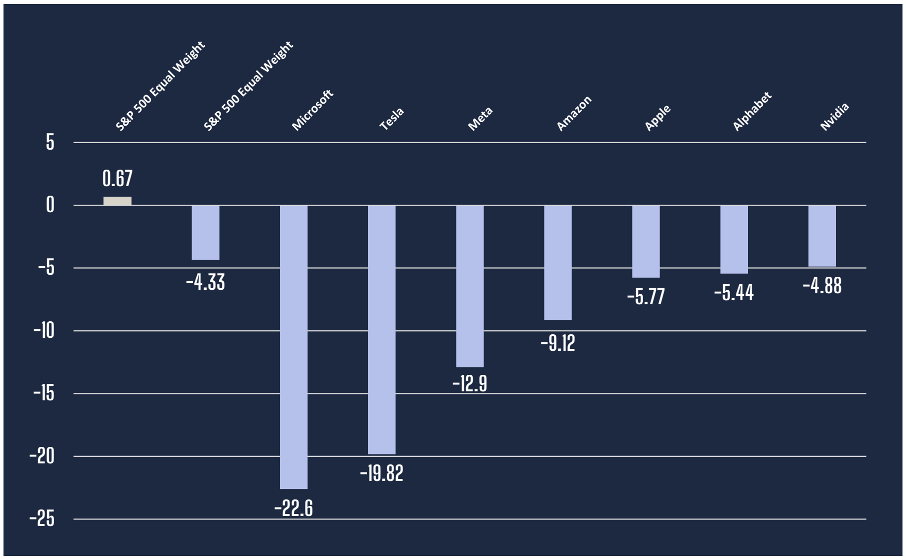
As of March 31, 2026
Source: Conway

The Magnificent 7

All seven members of the Magnificent 7 are down on the year and underperforming the average stock in the S&P 500.

The Magnificent Seven Total Returns

YTD 2026 as of End of Q1

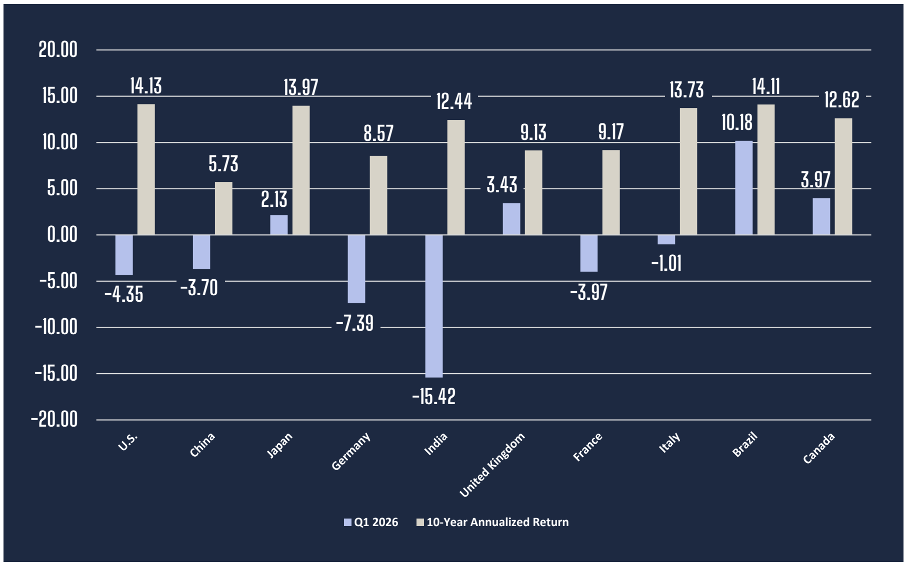


As of March 31, 2026
Source: Bloomberg

Country Total Returns (%) – 10 Largest Economies

Global equities were generally weaker in Q1 with most of the major international markets negative for the quarter. The uncertainty surrounding the war and higher energy prices are weighing on global markets.

Country Total Equity Market Returns

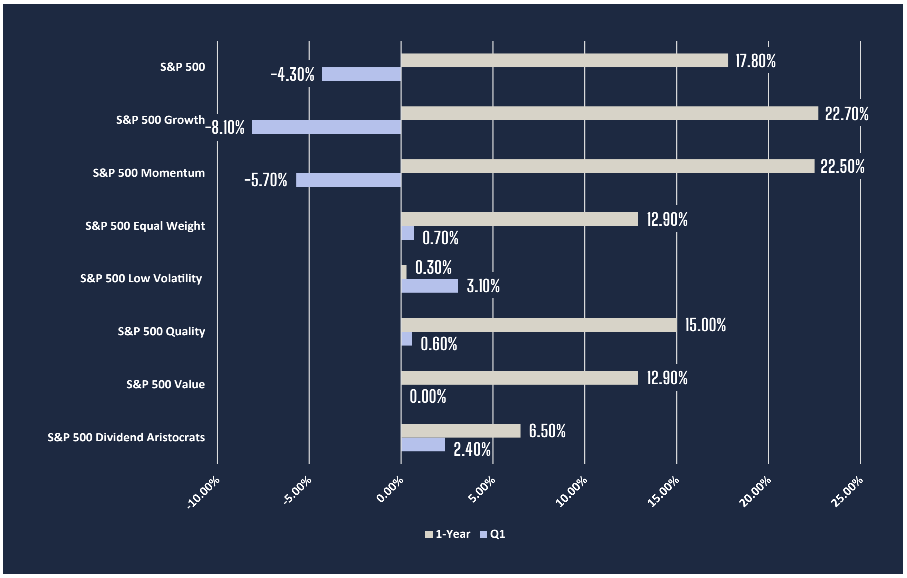


As of March 31, 2026
Source: Bloomberg

U.S. Equity Factors – Total Return Q1

Previous market leaders such as growth and momentum struggled in Q1 on a variety of factors.

Total Return: Core Factors
Q1 2026

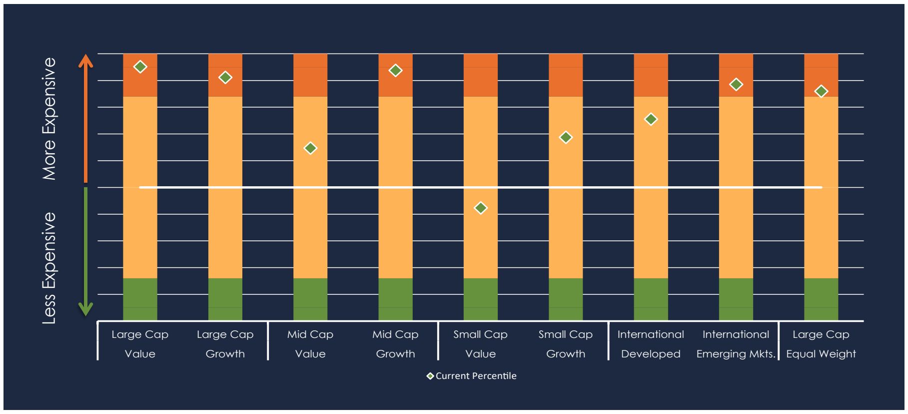


As of March 31, 2026
Source: S&P

Valuations

Large-cap stocks remain expensive relative to history and the most expensive part of the market. Valuations remain above long-term averages for almost all segments.

Equity Asset Classes Value Rank to Own History



Equally weights P/B, P/CF, P/S, P/E and compares to own history

As of March 31, 2026
Source: BFE, Bloomberg

Valuations

U.S. large-cap stocks remain expensive relative to history. All sectors are trading above long-term averages with tech, industrials, telecom, consumer discretionary and financials the most expensive sectors, and real estate and health care the cheapest.

S&P 500 Composite: Forward Price/Earnings (P/E) Estimate
(Current + Three Quarters)

As of March 31, 2026
Source: Haver

Equity Risk Premium

The equity risk premium (ERP) is a valuation metric showing an "expected" return for stocks over bonds. The strength of the market has resulted in the ERP below long-term averages.

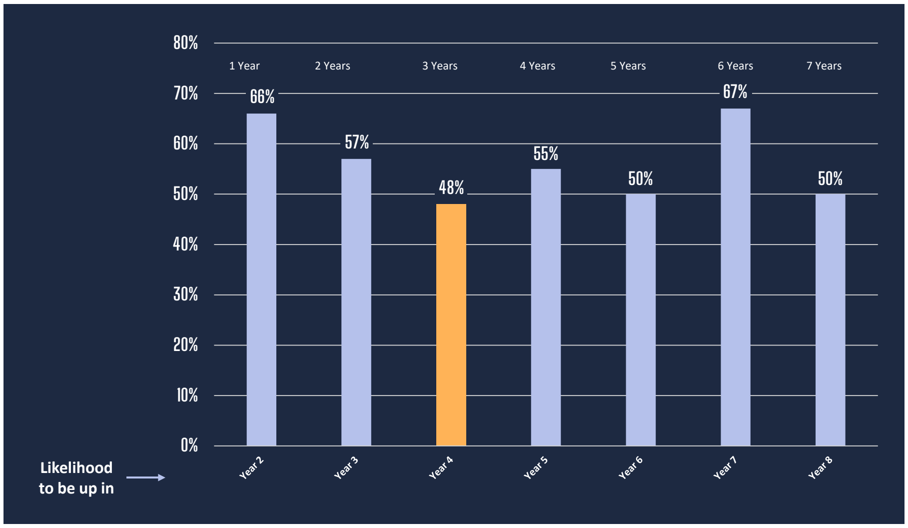
Equity Risk Premium
Earnings Yield (1/S&P 500 PE ratio) less Real 10-year Yield (10-Year-Expected Inflation)

As of March 31, 2026
Source: BFE

Market Momentum

Multi-year winning streaks are not uncommon for stocks. The S&P 500 has had three consecutive years of double-digit gains.

If the market (S&P 500) has been up for...

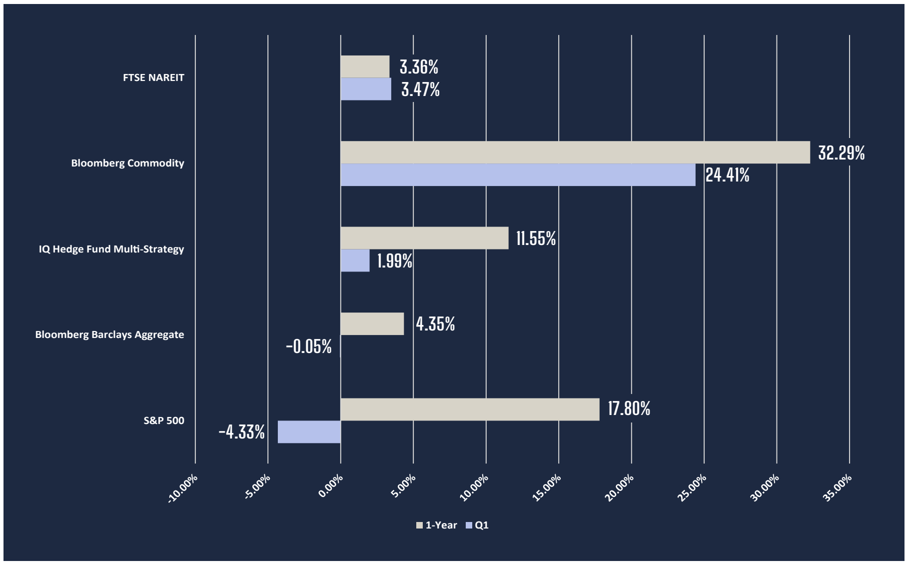


As of March 31, 2026
Source: Coatue

Diversifiers

Diversifying asset classes/ strategies performed relatively well in Q1.

Alternative Returns
Q1 2026



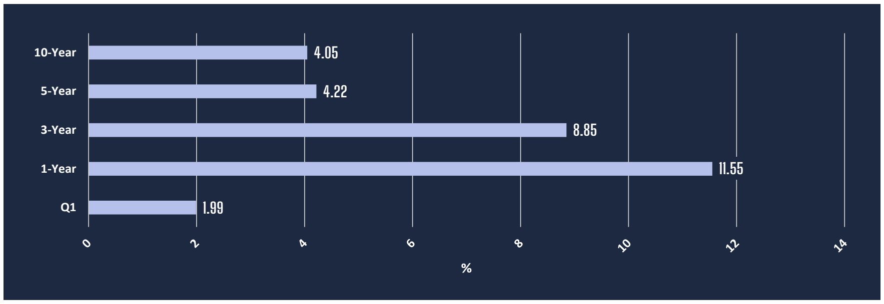
As of March 31, 2026
Source: Conway

Hedge Fund Returns

After a lengthy period of poor performance, hedge funds have exhibited strong nominal and risk-adjusted returns, and in excess of core fixed income.

IQ Hedge Fund Multi-Strategy Index Performance

As of Q1 2026

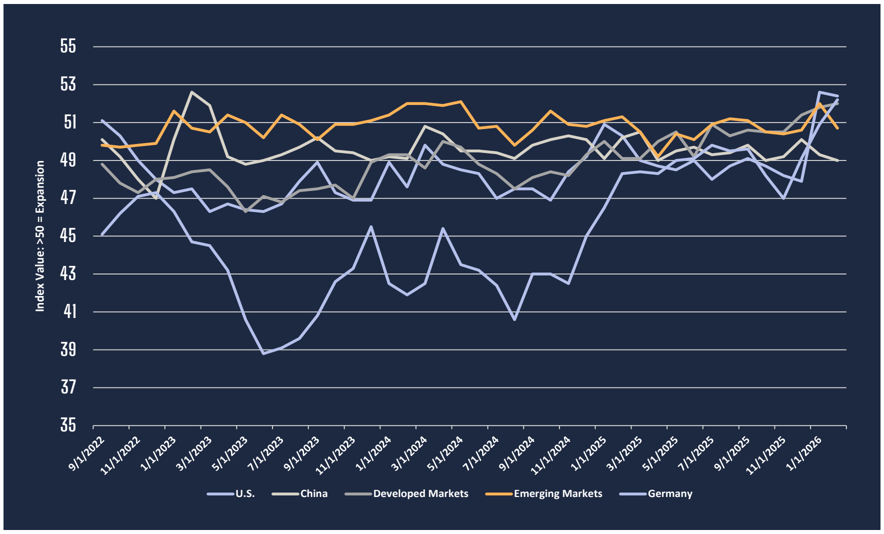


As of March 31, 2026
Source: Conway

PMI Composites

The Purchasing Managers Index (PMI) is a survey-based measure of the prevailing direction of trends in the manufacturing sector. Readings >50 equal expansion and <50 contraction. By this measure, global growth remains muted and has turned down slightly to start 2026.

Global Manufacturing Surveys



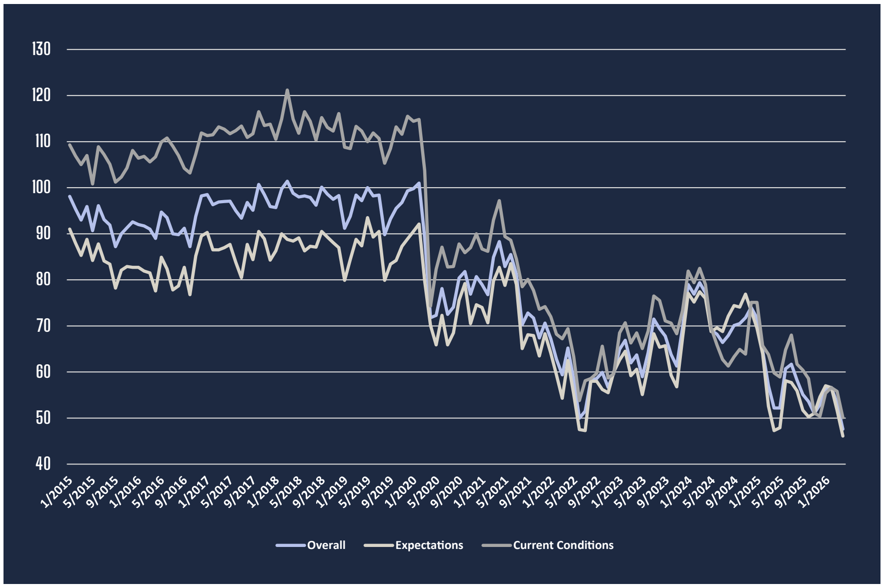
As of March 31, 2026
Source: Bloomberg, Haver

Consumer Sentiment

Consumer confidence for both the present day and future has been declining. Closely tied to inflation, stock prices and the unemployment rate.

University of Michigan Consumer Sentiment

Overall, Current Conditions, Future Expectations



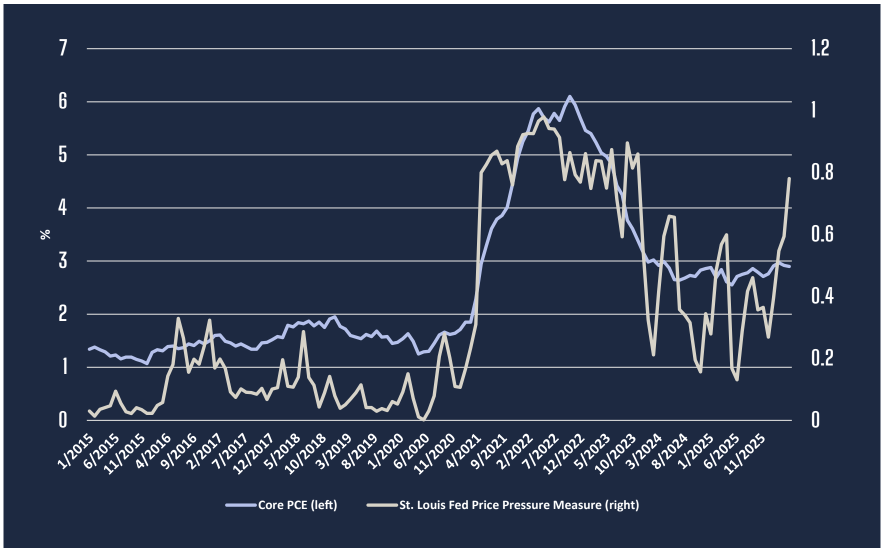
As of March 31, 2026
Source: Bloomberg, Haver

Inflation

Inflation remains stubbornly above the Fed's target and forecasts indicate an 80% chance it will remain so over the next 12 months.

Core PCE: % Change Year-to-Year

St. Louis Fed Price Pressures Measure: Probability



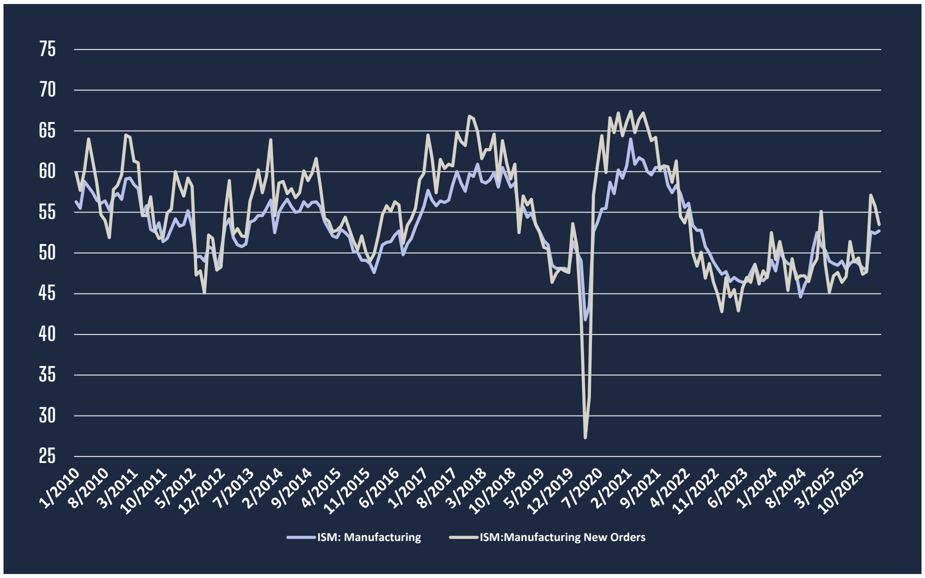
As of March 31, 2026
Source: Haver

Manufacturing

Manufacturing has posted three consecutive months of growth for the first time since 2022 in Q1.

ISM Manufacturing vs. ISM Manufacturing New Orders

<50=Contraction, >50=Expansion

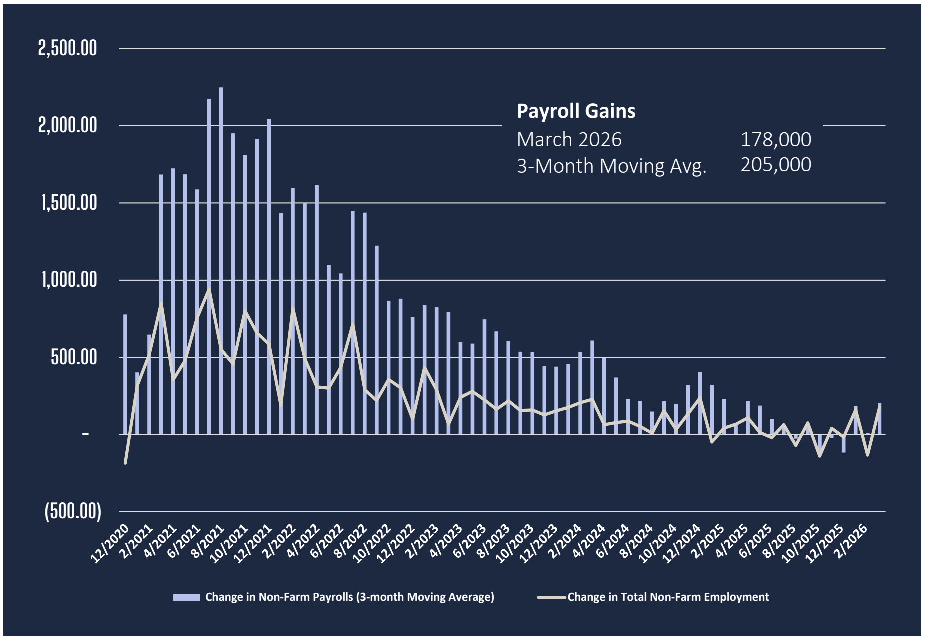


As of March 31, 2026
Source: Haver

Employment

Despite an upside surprise in March, the labor market is slowing.

Nonfarm Payroll Gains



As of March 31, 2026
Source: Haver

Leading Indicators

The index of leading indicators has improved over the past 12 months.

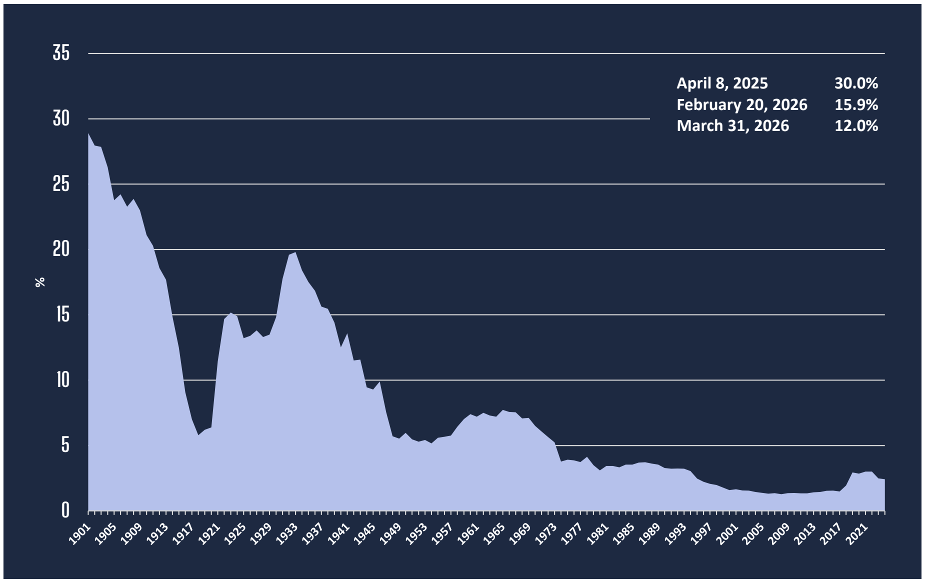
Composite Index of 10 Leading Indicators
Six-Month % Change-Annual Rate

As of March 31, 2026
Source: Haver

Trade

Average tariff rate on U.S. goods imports for consumption remains relatively low.

U.S. Average Effective Tariff Rate
%



As of March 31, 2026
Source: Haver

March 31, 2026	MTD	QTD	YTD	1-Year	3-Year	5-Year	10-Year
FIXED INCOME INDICES							
Bloomberg U.S. Treasury Bill 1-3 Month	0.30%	0.88%	0.88%	4.12%	4.84%	3.42%	2.26%
Bloomberg U.S. Aggregate	-1.76%	-0.05%	-0.05%	4.35%	3.63%	0.31%	1.70%
Bloomberg U.S. High Yield	-1.18%	-0.50%	-0.50%	7.01%	8.60%	4.23%	6.12%
Bloomberg Global Aggregate	-3.07%	-1.07%	-1.07%	4.26%	2.59%	-1.46%	0.58%
U.S. EQUITY INDICES							
DJ Industrial Average	-5.20%	-3.19%	-3.19%	12.23%	13.77%	9.11%	12.49%
S&P 500	-4.98%	-4.33%	-4.33%	17.80%	18.32%	12.06%	14.16%
NASDAQ Composite (Price)	-4.75%	-7.11%	-7.11%	24.81%	20.89%	10.26%	16.06%
Russell 1000	-4.97%	-4.18%	-4.18%	17.74%	18.14%	11.34%	13.97%
Russell 1000 Growth	-5.21%	-9.78%	-9.78%	18.81%	21.18%	12.76%	16.83%
Russell 1000 Value	-4.82%	2.10%	2.10%	15.87%	14.31%	9.43%	10.58%
Russell Mid Cap	-5.33%	1.29%	1.29%	15.98%	13.33%	7.26%	10.91%
Russell 2500	-5.13%	2.04%	2.04%	23.45%	13.25%	5.48%	10.58%
Russell 2000	-5.00%	0.89%	0.89%	25.72%	13.05%	3.77%	9.88%
Russell 2000 Growth	-6.30%	-2.81%	-2.81%	23.58%	12.27%	1.62%	9.79%
Russell 2000 Value	-3.64%	4.96%	4.96%	28.09%	13.80%	5.79%	9.61%
Russell 3000	-4.97%	-3.96%	-3.96%	18.09%	17.86%	10.87%	13.72%
NON-U.S. EQUITY INDICES							
MSCI World	-6.32%	-3.47%	-3.47%	19.39%	17.29%	10.77%	12.36%
MSCI ACWI	-7.13%	-3.11%	-3.11%	20.52%	17.10%	9.99%	11.88%
MSCI ACWI Ex-U.S.	-10.71%	-0.60%	-0.60%	25.58%	15.09%	7.56%	8.91%
MSCI EAFE	-10.19%	-1.12%	-1.12%	21.88%	14.19%	8.45%	8.91%
MSCI EAFE Growth	-11.75%	-4.62%	-4.62%	13.02%	7.85%	3.88%	7.50%
MSCI EAFE Value	-8.78%	2.15%	2.15%	30.93%	20.69%	12.96%	10.05%
MSCI Europe	-9.80%	-2.68%	-2.68%	19.85%	13.96%	9.47%	9.15%
MSCI Japan	-12.30%	1.51%	1.51%	26.31%	16.13%	6.95%	8.89%
MSCI AC Asia	-13.23%	-0.25%	-0.25%	28.11%	15.25%	4.67%	8.66%
MSCI EAFE Small Cap	-10.84%	-1.14%	-1.14%	26.16%	13.20%	4.92%	7.87%
MSCI ACWI Ex-U.S. Small Cap	-11.10%	-0.38%	-0.38%	28.41%	14.22%	6.16%	8.47%
MSCI Emerging Markets	-13.03%	-0.10%	-0.10%	30.30%	15.41%	4.16%	8.24%
MSCI EM Asia	-14.34%	-1.45%	-1.45%	29.17%	15.01%	3.32%	8.94%
MSCI China	-7.69%	-8.93%	-8.93%	4.02%	6.77%	-4.74%	5.25%
MSCI EM Eastern Europe	-7.59%	0.57%	0.57%	38.43%	35.92%	-11.51%	-0.80%
MSCI EM Latin America	-4.25%	14.67%	14.67%	58.21%	19.23%	13.47%	8.83%
MSCI EM Small Cap	-11.10%	-0.67%	-0.67%	25.05%	14.24%	7.19%	8.56%
MSCI Frontier Markets	-6.84%	-0.85%	-0.85%	35.37%	20.45%	9.68%	8.30%
HEDGE FUND INDICES							
IQ Hedge Multi-Strategy	-2.15%	1.99%	1.99%	11.55%	8.85%	4.22%	4.05%
REAL ASSETS INDICES							
FTSE NAREIT Composite	-6.05%	3.47%	3.47%	3.36%	6.95%	3.75%	5.50%
Alerian MLP	1.02%	16.86%	16.86%	13.92%	24.72%	24.89%	11.03%
Bloomberg Commodity	11.50%	24.41%	24.41%	32.29%	13.88%	14.04%	8.02%
S&P Global Infrastructure	-4.07%	8.29%	8.29%	26.91%	16.22%	12.09%	9.39%
OTHER							
Oil Price Brent Crude	63.29%	94.49%	94.49%	61.72%	14.05%	13.25%	11.57%

Source: Morningstar

The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. Investing involves risk including the potential loss of principal. No investment strategy, including asset allocation and diversification, can guarantee a profit or protect against loss in periods of declining values. Past performance is no guarantee of future results. Indexes are unmanaged and investors are not able to invest directly into any index. This information does not constitute a solicitation or an offer to buy or sell any security mentioned.

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