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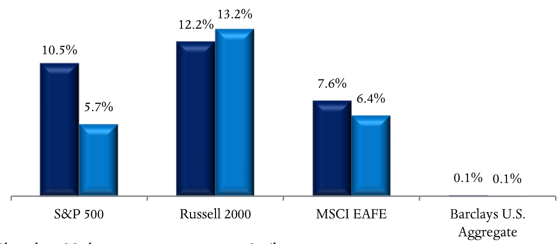
Markets

April marked a sharp reversal from the prior month's risk-off environment, with US equity markets staging a powerful rebound, to all-time highs, despite an increasingly complex geopolitical and macroeconomic backdrop. Amid a cease-fire in the Middle East and renewed optimism surrounding corporate earnings, the S&P 500 index advanced +10.5% during the month (+5.7% ytd). Meanwhile, the technology, cloud infrastructure and semiconductors sectors were bolstered by increased investor confidence, driving the Nasdaq composite higher by +15.3% for the period (+7.3% ytd). However, it is the small capitalization Russell 2000 index that leads the pack in 2026 (+12.2% in April; +13.2% ytd). Overseas stocks in the MSCI EAFE index partially recovered, rallying +7.6% in April (+6.4% ytd), normalizing after significant outperformance to start the year. Similarly, the European Stoxx 600 index advanced +5.6% during the month (+4.7% ytd). In Asia, Japan's Nikkei 225 index was the star, leaping +16.1% in April (+18.6% ytd) on the back of strong AI-related performance. Likewise, the tech-heavy Korean (+72.2% ytd) and Taiwanese (+41.1% ytd) equity markets have been among the globe's strongest. Emerging markets rebounded strongly (+14.7% in April; +14.6% ytd), with commodity-centric Brazil leading the way. Conversely, the Chinese (-5.9% ytd), Indian (-10.8% ytd) and Indonesian (-26.6% ytd) stock markets have lagged for idiosyncratic reasons.

Bond markets also proved to be quite sensitive to evolving geopolitical developments. US Treasury yields gyrated during April, ending slightly higher, with the 2-year and 10-year rising 9 bps and 7 bps, respectively, driven by concerns over energy and supply chain bottlenecks, as well as cautious Federal Reserve (Fed) rhetoric. Overall, the Bloomberg Barclays US Aggregate Bond Index rose +0.1% in April (+0.1% ytd), in what is emerging as a "coupon-minus" year.



Source: Bloomberg Markets

In commodity markets, crude oil was volatile, with the path following Middle Eastern war-related developments. The Brent benchmark reached a new crisis high of $126.41 per barrel, before settling at $114.01/bbl (+87.3% ytd). The month also saw the United Arab Emirates announce its withdrawal from OPEC, another example of a country looking out for its best interests. Meanwhile, gold declined a relatively modest -1% (+7.1% ytd) to $4,621.59 per ounce, following a sharp drawdown in February and March. Conversely, bitcoin (+12.1%) registered its best month since April 2025, but still remains -8.7% ytd. Overall, the GSC index rose +6.4% in April (+49.0% ytd), a reflection of rising oil prices and the surging real-world demand for materials underpinning the global AI data center buildout.

Geopolitics

Tensions between the US and Iran continued to dominate headlines, with direct military hostilities cooling in April. President Trump signaled a willingness to wind down the military campaign, calling on Islamabad to broker a deal. However, Trump rejected Iran's initial few peace proposals, deeming them insufficient. The US then imposed its own blockade of Iranian vessels attempting to transit the Strait of Hormuz to encourage a settlement. Amid negotiations, reports emerged that the US may consider further strikes, leaving the conflict in limbo. The structural blockade of the Strait of Hormuz continues to cast a long shadow over global markets. The chokepoint is severely curtailing the export of critical Gulf commodities, ranging from crude oil and liquefied natural gas (LNG), to essential fertilizer inputs and industrial raw materials.

Federal Reserve Chair nominee, Kevin Warsh, advanced past the Senate Banking committee's vote, teeing up President Donald Trump's pick for a final confirmation vote in the Senate, where the GOP holds a 53 to 47-seat majority.

US

The latest set of macroeconomic data underscores a resilient, yet increasingly inflation-sensitive, environment. Robust labor metrics, highlighted by a second consecutive increase in nonfarm payrolls (April +115,000) and historically low jobless claims, alongside upside surprises in retail and manufacturing, point to sustained economic momentum. However, the persistence of uneven price pressures, evidenced by surging manufacturing input costs and softening housing data, suggests that elevated interest rates are exerting a heavier toll on rate-sensitive sectors.

On the monetary policy front, the Fed held policy rates steady, as expected, at its April meeting. That said, divisions within the Federal Open Market Committee appear to be growing over whether to maintain an easing bias, with four of twelve voting members opposing the view that further rate cuts could be ahead. Fed Funds futures markets are currently pricing zero interest rate reductions this year and two next year. Despite the political noise surrounding Kevin Warsh's advancing nomination, and Chair Powell's commitment to remain on the Board post-chairmanship, we view the central bank's institutional continuity as intact and in good hands, mitigating potential market disruptions from leadership transitions.

Europe

Europe is currently navigating a severe exogenous energy shock stemming from the Middle East conflict. This has reintroduced stagflationary (defined as slowing economic activity and rising inflation) headwinds

April 2026 Economic Statistics

	Apr-26	Dec-24	Dec-23
Federal Funds Target Rate	*3.50 - 3.75%*	*4.25 - 4.50%*	*5.25 - 5.50%*
Consumer Confidence Index	*92.8*	*104.7*	*110.7*
Manufacturing PMI Index	*52.7%*	*49.3%*	*47.4%*
Unemployment Rate	*4.3%*	*4.2%*	*3.7%*
JPY / USD	*156.57*	*157.18*	*141.06*
USD / EUR	*1.1730*	*1.0353*	*1.1036*
Gold / oz.	*$4,621.59*	*$2,623.81*	*$2,062.59*
Oil (WTI) / bbl	*$105.07*	*$71.72*	*$71.65*

Sources: see disclosure *

across the continent. This economic dynamic is manifesting itself via early reductions in both capital expenditures and household consumption. Consequently, the IMF downgraded the euro area's 2026 economic growth outlook to an anemic 1.1% (compared to 2.3% for the US), with the balance of risks heavily skewed to the downside should energy supply remain curtailed. Thus far, eurozone inflation has risen to 3.0% in April, up from 2.6% in the twelve months to March and from 1.9% prior, driven by 10.9% higher energy costs. Given the supply-side nature of the shock, historical precedent suggests that fiscal stimulus will likely yield only transient relief while saddling sovereign balance sheets with increased debt burdens. Similarly, increased monetary liquidity is also unlikely to fix the issue. Nevertheless, financial markets are pricing in three to four ECB rate hikes over the next 12 months, to 2.75%-3%, up from 2% currently.

Asia

The upcoming Trump-Xi summit, set for May 14-15 in Beijing, is expected to feature discussions surrounding geopolitically sensitive matters, namely Taiwan and the Iran war, as well as trade and export controls, including strategic minerals and US technology. China is perceived to have the upper hand, having showed it is prepared to wait out US pressure. This is borne out in that China's exports rose 14.1% in April from a year earlier, despite lingering impacts of US tariffs, benefitting from greater shipments to Europe, Southeast Asia, Latin America and Africa. Imports have also been strong, leading to a record $1.2 trillion trade surplus in 2025, even though the country is still recovering from a prolonged property slump which has dragged on consumption and investment.

In Japan, monetary policy continues to be in a cautious wait-and-see stance, as the Bank of Japan (BoJ) pushed back rate hikes yet-again in April. As the only major central bank allowing negative real interest rates, the Yen has been in a long-term depreciation trend, driven by headline consumer price inflation that has averaged 2.9% since 2022. With the currency having devalued from 110 to 160 versus the US Dollar over the past five years, the BoJ felt it necessary to intervene to defend the Yen at month-end.

Outlook

While we continue to maintain significant exposure to equities, riding out volatile periods including the recent one, our research indicates that the current disruption to energy supplies and the global supply chain is likely to be more persistent than was originally thought when the conflict in the Middle East began. We are monitoring regional divergences, with the US being relatively unaffected as the world's top oil and gas producer, while Europe and Asia are more vulnerable. Disrupted global oil supply reached approximately 13.7 million barrels per day (mbd) in April, equivalent to 12.8% of the 107.2 mbd global supply. The shock also extends to key fertilizer inputs, including urea, ammonia, and sulfur. Demand destruction is therefore just-now materializing. Flights across Asia and Europe are being cancelled on account of higher jet fuel costs, amid scarcity. And farmers in the Northern Hemisphere are facing difficult decisions about how much to plant, given reduced fertilizer supplies. The knock-on effects of this crisis may persist for a year, or more, after loosening of trade, assuming a positive outcome. The upshot is that supply chains will likely be hardened in the out years, while substitutions of fossil fuel will accelerate, lessening dependence on Middle Eastern energy supplies.

From a fundamental perspective, US corporate earnings have been notably strong and accelerating, with first quarter results exceeding expectations by 21%, the highest rate since mid-2021. According to FactSet, S&P 500 Q1 earnings growth is now tracking higher by +27.1% year-over-year, marking the sixth consecutive quarter of double-digit advances, with associated revenue growth of 11.1%. Looking ahead, second quarter and full-year 2026 EPS estimates are being revised higher, signaling increased confidence in the durability of the earnings momentum. Meanwhile, investor optimism has carried valuations higher, alongside earnings, with the forward 12-month S&P 500 price-to-earnings (p/e) ratio reaching 20.9x, above the 30-year average of 17.1x, supported by improving breadth. Further along the equity spectrum, the S&P 400 midcap index's p/e ratio is 17.0x, closer to the bottom of it's 20-year range of 13.2x-42.0x, indicating solid underpinnings to the broad equity market. Overseas, bellwether stocks in the MSCI EAFE index trade at a average p/e ratio of 17.8x, also offering good relative value.

Central bank monetary policies are contending with decelerating economic growth versus a spike in inflation, while monitoring choppy labor markets. Interest rate cuts by the Federal Reserve are likely to be deferred into 2027, while a number of other leading central banks are in the process of raising interest rates to tamp inflation. As such, we continue to recommend a barbell allocation to fixed income, including short duration risk free bonds and higher yielding floating-rate credit.

Alternative asset diversification, utilizing some of our favored hedge funds, offers an important tool to combat a potentially stagflationary, or otherwise volatile, period. Meanwhile, unique uncorrelated investments in cybersecurity, water infrastructure, and battery energy storage systems offer compelling opportunities to deploy long-term capital. Natural resources have historically protected purchasing power during inflationary periods, and related investments are currently available at reasonable valuations. Lastly, our proprietary efforts to source direct investments are gaining traction, with several interesting small and middle market prospects.

*Sources: Reuters, Bloomberg, Bureau of Labor Statistics, Conference Board, Federal Reserve, Institute for Supply Management, MSCI, Russell, Standard & Poor's, Financial Times and the Wall Street Journal.