

Week in Review

Equity Markets:

US markets had a very positive week of gains, extending a growth streak that many hope is sustainable. The S&P 500 delivered a 4.55% return, just last week. Meanwhile, the Dow Jones Industrial Average grew by 3.19%, and the Nasdaq market appreciated by an impressive 6.84%. And it wasn't just Large Cap stocks; the Small Caps of the Russell 2000 Index gained 5.57% last week.¹ Accordingly, the Forward 12-month Price/Earnings Ratio for the S&P 500 now stands at 20.9, a full point above its 5-year average [19.9] and two over its 10-year average [18.9].²

Credit for the past week's positive market performance can be given to three primary causes. The first is an easing of tensions in the Middle East, including the continuation of our ceasefire with Iran and Friday's reopening of the Strait of Hormuz. The second is the decrease in the price of crude oil, directly owed to this stabilization of Middle Eastern relations and the pursuit of diplomatic solutions. And the third is the delivery of largely positive initial earnings reports, delivered as we've begun the Earnings Season for the First Quarter of 2026.³

Fixed Income Markets:

The easing of geopolitical tensions, alongside declining prices for crude oil, furthered yield contraction for US Treasuries. The 10-year recognized a tightening of 7 basis points; it now stands with a yield of 4.25%. The decline in Treasury yields across durations is directly correlated with the steepest price decline for crude oil since 2020. The Bloomberg US Aggregate Bond Index delivered a positive return of 0.55%. Investment-grade Corporate Bonds appreciated by 0.67% last week while High-Yield Bonds grew by 0.66%.⁴

Economic Updates:

West Texas Intermediate crude oil recognized a decline down to \$83/barrel from last week's close at \$96/barrel and its recent peak at \$113/barrel on April 7, furthered by the de-escalation of combat and the furtherance of diplomacy.⁵

The Producer Price Index grew by 0.5% in March, beating Wall Street's estimate for it to have risen by 1.0%. Core PPI grew by only 0.1% last month. Existing Home Sales, meanwhile, declined by 3.6% last month to a seasonally adjusted annual rate of 3.98 million units.⁶

Looking Ahead

Equity Markets:

Wall Street is focused on the current Earnings Season and the delivery of reports from multiple Large Cap companies, including many from the Industrial and Information Technology sectors.⁷ Earnings delivery so far has been quite robust, with double-digit year/year growth recognized by many companies in the Financial Services sector last week.

However, tensions are flaring back up in the Middle East. Iran shuttered the Strait of Hormuz this past weekend, claiming US noncompliance with our ceasefire. Diplomatic delegations are set to meet again in Pakistan at this week's start, although Tehran's delegation has given mixed signals. Hopes are for, at minimum, an extended ceasefire past Tuesday's deadline, as well as perhaps a framework for broader peace.⁸

Fixed Income Market

Bond investors should pay particular attention to developments in the Middle East, recognizing that just as they led to market gains last week, they can perhaps determine what happens this week.

What remains broadly understood is that Wall Street does not believe the Federal Reserve is looking to change interest rates while such instability remains at play. The CME Group's FedWatch tool currently shows 99.5% expectations for the Fed's Open Market Committee to hold rates at their current level of 3.50-3.75% when they meet next week.⁹

Economic Updates:

Major economic reports to be delivered this upcoming week include February's Business Inventories; March's Retail Sales & Pending Home Sales; and April's S&P Global Composite Purchasing Managers' Indices for US Manufacturing & Services. Also, we will receive the final April of the Consumer Sentiment report from the University of Michigan.

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
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- 5) LPL Research
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- 9) CME Group
<https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

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