Week in Review

Equity Markets:
US stock markets pared back their pace of recent gains while still producing mostly positive returns. The S&P 500 posted a weekly gain of 0.56% as the Nasdaq marketplace posted a robust 1.51% weekly return. These contrast with the Dow Jones Industrial Average, which gave up -0.41% last week.[1] The Forward 12-Month Price/Earnings Ratio for the S&P 500 stands at 20.9, above both its 5-year average [19.9] and its 10-year average [18.9].[2]

The United States indefinitely extended our ceasefire upon Iran, although direct negotiations seem to be at a diplomatic standstill. Meanwhile, Israel enacted a ceasefire of their own with Lebanon alongside direct state talks. These actions eased geopolitical tensions, allowing for the broader markets to operate less abated by such instabilities.[3] This allows investors to better focus upon the Earnings Season for the First Quarter of 2026, now underway.

Fixed Income Markets:
Treasury yields expanded across durations last week, with the 2-year rising by 7 basis points and the 5-year by 5 basis points. Investment-Grade Corporate bonds came down -0.27% while High-Yield bonds gave up -0.19%.[4] The Bloomberg US Aggregate Index, representing core bond positions, fell by -0.40%.[5]

Instabilities from the Iran War continue to keep the bond markets on edge, notably our inability to secure substantive negotiations with Iran. This is reflected in the price for West Texas Intermediate crude oil, rising 14% last week to close at $94/barrel. These rising oil prices were matched with resilient economic data, furthering the spread of Treasury yields.

Economic Updates:
The S&P Global Flash Purchasing Managers' Index (PMI) recognized a slight rebound in Apil, indicating a modest bounce-back for US business activity. The Composite PMI rose to read at 52.0, a three-month high, which was led by a nearly four-year high in Manufacturing. However, demand for Services has slowed considerably, with new business growth near two-year lows.[6]

Retail Sales increased by 1.7% in March, providing this metric its strongest monthly increase since 2023; however, this was driven by a 15.5% spike in Gasoline prices. And the Survey of Consumers by the University of Michigan lowered Consumer Sentiment readings down 3.5 points to a score of 49.8.

Looking Ahead

Equity Markets:
The current Earnings Season is expected to deliver announcements from more than 100 Large Cap components of the S&P 500 Index this week. The estimated earnings growth rate for the S&P 500 is now 15.1%, which would mark the sixth-straight quarter of double-digit year/year EPS growth. This furthers indications towards robust stock market performance.

However, this optimism is offset by geopolitical instabilities, most notably the Iran War and the stalling of negotiations between Washington and Tehran. This underlying volatility is the reason for Consumer Sentiment to have fallen as it had. Equity investors are wanting to look past the war and the resulting global energy crisis, to focus on earnings more than international news. Until this situation is resolved, it will remain a considerable factor.

Fixed Income Market
The Federal Open Market Committee meets this upcoming week and will announce their actions on Wednesday. The CME FedWatch tool currently shows 100% conviction by survey respondents that the FOMC will hold the Key Rate (Fed Funds rate) at its current level of 3.50%-3.75%.[7] Such unanimity is exceedingly rare.

The Federal Reserve looks ready to recognize the ascension of Kevin Warsh to Fed Chair, following his testimony to the Senate Banking Committee this past week. His term as Fed Chair looks to be more open to easing current monetary restrictions. Warsh will succeed current Chair Jerome Powell; concurrently, the politically motivated investigation into Chair Powell was formally ended last week. Look for Powell to potentially be named a Fed Governor when his term ends.

Economic Updates:
Personal Consumption Expenditures (PCE) will be announced on Thursday, recognizing that the FOMC considers Core PCE [excluding food and energy costs] its preferred metric for gauging inflation. Thursday will also see the advance estimate of Gross Domestic Product for the First Quarter of 2026. We also will see announcements regarding Durable Goods, Housing Starts, the ISM Manufacturing Index, and the Consumer Confidence Index by the Conference Board.[8]

**** *See Important Disclosures on following page*

Sources:

1) JP Morgan Asset Management
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2) FactSet Earnings Insight
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https://seekingalpha.com/article/4894325-what-moved-markets-this-week

4) Nuveen, LLC
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5) LPL Research
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6) T. Rowe Price
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8) John Hancock Investment Management, LLC
https://www.jhinvestments.com/weekly-market-recap#market-moving-news

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