

KEY POINTS

Equity and bond markets started 2026 on a positive note in January and February, supported by moderating inflation, resilient growth, and expectations of rate cuts. In March, this trend reversed, as the Iran war led to an oil price shock, a rise in inflation, and concerns of slower growth. The result was a pullback in stocks, higher bond yields amid reduced expectations for monetary easing, and heightened macro uncertainty. The dollar reversed higher and benefitted from a flight to safety as geopolitics dominated. Oil spiked 78% and commodities jumped 24% in the first quarter.

THE IRAN WAR HAS A WIDE RANGE OF POTENTIAL OUTCOMES: The impact of the war on the U.S. economy will depend on the war's duration and scale. As of this writing (April 3rd), the gap between U.S. demands to end the war and Iranian terms is very wide in the near term. Possible scenarios include:

- *Prolonged Conflict:* An extended conflict over a month or longer would prolong energy supply disruptions, driving higher oil prices and inflation, and lower growth estimates. This macro scenario would raise recession risk and lead to weaker equity markets and higher commodity prices the longer the duration of the conflict.
- *Quick resolution (Iran accepts U.S. conditions):* A rapid de-escalation would likely lead to a swift normalization in energy markets, with oil prices falling and inflation pressures easing, leading to a rebound in risk assets as global growth expectations stabilize.

Overall, the range of outcomes is wide and uncertain at present, which argues for diversification and flexible asset allocation.

2026 MACRO LANDSCAPE: Global growth estimates for 2026 and 2027 remain resilient with growth expected to be 2.6% in both years. The longer the Middle East conflict continues with oil above \$100, the greater the risk of stagflation, which is a simultaneous slowdown in growth and higher inflation. Stagflation is a negative headwind for both equity and bond markets. Markets went from pricing in the Federal Reserve cutting rates by 50 basis points earlier in the year to now expecting no rate cuts this year.

VOLATILITY AND MARKETS: The war in the Middle East has led to a spike in market volatility. Oil prices have jumped, increasing the prospect of an oil-induced global economic slowdown. The closure of the Strait of Hormuz increases the odds of a slowdown as 20% of the world's oil goes through this passageway. Historically, market selloffs tied to oil supply shocks have been short-lived followed by a rebound in equity markets. To weather market volatility, investors benefit from diversification across stocks, bonds, commodities and gold, and reviewing their risk tolerance periodically.

ASSET ALLOCATION – GLOBAL DIVERSIFICATION ACROSS ASSET CLASSES AND REGIONS MITIGATE RISKS: For investors, we continue to emphasize the importance of staying invested in a diversified portfolio and focused on long-term goals. Risks include Iran war/geopolitical conflicts, trade tensions, and high global debt. We favor balanced positioning with a quality tilt and active management to navigate the road ahead. Bonds provide income and a buffer to equity drawdowns. Inflation hedges (TIPS, commodities, and alternatives) are favored due to the inflationary effects of Middle East conflict. Gold provides protection against rising inflation and geopolitical uncertainty.

KEY TAKEAWAYS FOR INVESTORS:

- Geopolitical conflicts often create volatility shocks rather than long lasting structural market damage, so emotional de-risking and abandoning strategic allocations is often counterproductive. Staying focused on the long-term and diversified across asset classes and regions remains the most reliable strategy.
- Reaching long-term investment goals depends on diversification, balanced asset allocation, and a continued focus on the long-term horizon.

SUCCESSFUL INVESTMENT PRINCIPLES: FOCUS ON THE LONG GAME

Successful investors maximize the odds of success by focusing on the long term and maintaining a long-term investment plan based on their goals. Studies show individual investors significantly underperform the broad stock market. Individuals are more likely to be driven by emotions that lead to reducing equity and risk assets after market declines during times of volatility.

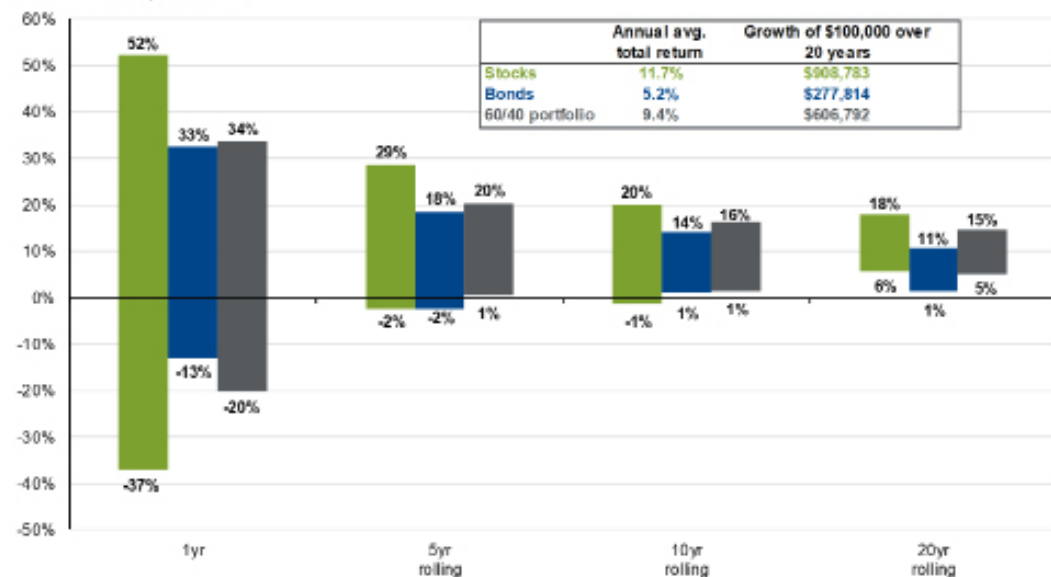
By taking a multi-year view, investors stack the odds in their favor of achieving investment success and achieving their goals. As can be seen in the chart below, over any one-year period the annual return for the S&P 500 can be volatile with returns from -37% to +52% since 1950. Over any 5-year period, the range shrinks -2% to +29%. Most importantly, there has never been a twenty-year period since 1950 where equities have experienced losses, as returns ranged from +6% to 18% per year for the S&P 500.

For balanced accounts, data shows that there has never been a rolling 5-, 10-, or 20-year period where a simple 60/40 portfolio of stocks and bonds had a negative return. Overall, from 1950 to 2025, a 60/40 portfolio compounded 9.4% per year. The lesson here is that the more time you have and the more diverse your portfolio, the less risk there tends to be and, lastly, to focus on the long term to achieve your goals.

TIME, DIVERSIFICATION, AND THE VOLATILITY OF RETURNS

Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



Source: JP Morgan

ECONOMIC DATA

- Global growth continues to show resilience, with pre-Iran war revisions edging higher to 2.6% globally and 2.0% in the U.S. Looking ahead to 2027, consensus estimates point to steady expansion, with global growth at 2.6% and U.S. growth at 2.1%.
- S&P 500 earnings were \$208 (+48%) in 2021, \$219 (+5%) in 2022, \$220 (+1%) in 2023, and \$243 (+10%) in 2024 (FactSet). For 2025, the final estimate is \$271 with earnings growth of 11.6% and revenue growth of 7%. For 2026, earnings estimates have increased to \$320, which represents projected growth of 17.4% and revenue growth of 8.8%.
- Valuations continue to be above the long-term historical averages.
- The trailing 12-month operating price-earnings ratio is 24.3 times operating earnings compared to the 5-year average of 25.1x, the 10-year average of 22.8x, and the 50-year average of 14.2 times earnings.
- The forward operating price-earnings ratio is 20.6 times earnings, which is above the 5-year historical average of 19.9x, above the 10-year average of 18.9x, and the 30-year average of 17.1 times earnings.

MONTHLY INVESTMENT OUTLOOK | APRIL 2026

MARKET RECAP (AS OF MARCH 31, 2026)

- Stocks and bonds declined in March after a strong start to the year, ending Q1 in negative territory. Bonds (U.S. Aggregate) outperformed stocks (S&P 500) by 4.4 percentage points in the first quarter.
- The S&P 500 fell 4.4% in Q1. Emerging markets were the top global equity performer (-0.2%), followed by international developed (-0.9%). U.S. small/mid caps gained 2.1% and outperformed large caps, while value outpaced growth by 12% YTD.
- The Bloomberg U.S. Aggregate Bond Index finished Q1 flat, with rising global yields acting as a headwind for returns.
- Credit and corporate bonds weakened due to AI uncertainty, private credit concerns, and softer global growth tied to the Iran war. TIPS were the only major bond sector (excluding short-term) with a positive return (+0.3%).
- Commodities surged 24%, their strongest gains in decades, led by oil at 78% due to the Middle East conflict. Gold rose 7.8% for Q1 despite a March pullback.

Period Ending March 31, 2026

Source: Bloomberg.

Past performance is not indicative of future results.

Asset Class	Index	Trailing Performance (annualized for periods > 1 year)					
		MTD	YTD	1Y	3Y	5Y	10Y
EQUITIES							
Benchmark	MSCI All Country World IMI	(7.3)	(2.7)	20.6	16.2	9.0	11.1
Large Cap	S&P 500	(5.0)	(4.4)	17.8	18.3	12.0	14.1
Long-Short	[50% S&P 500, 50% ICE 0-3m T-Bill]	(2.3)	(1.7)	10.9	11.6	7.7	8.2
Small/Mid Cap	Russell 2500	(5.1)	2.1	23.5	13.2	5.5	10.6
International	MSCI World Ex US IMI (net)	(9.9)	(0.9)	23.8	14.2	8.0	8.6
Emerging Markets	MSCI Emerging Markets IMI (net)	(12.8)	(0.2)	28.9	14.7	4.0	7.8
FIXED INCOME							
Benchmark	FTSE World Broad Investment Grade	(3.1)	(1.0)	4.8	3.0	(1.5)	0.6
U.S. Aggregate	Barclays US Aggregate	(1.8)	(0.0)	4.3	3.6	0.3	1.7
U.S. TIPS	Bloomberg US TIPS	(1.3)	0.3	3.0	3.2	1.5	2.7
Tax Exempt	S&P Municipal Bond Index	(2.1)	(0.2)	4.3	3.1	1.1	2.3
U.S. Corp High Yield	Bloomberg US Corporate High Yield	(1.2)	(0.5)	7.0	8.6	4.2	6.1
U.S. Floating Rate	S&P/LSTA Leveraged Loan	0.6	(0.6)	4.8	8.0	5.9	5.6
International	FTSE Non USD WGBI	(4.2)	(1.8)	4.1	1.0	(4.3)	(1.2)
Emerging Markets	JPM Emerging Markets	(3.3)	(1.3)	10.4	9.5	2.5	3.8
REAL ASSETS							
Benchmark	Gold	(10.8)	7.8	48.5	33.1	22.2	14.2
Inflation	Consumer Price Index (CPI)	0.3	0.4	2.4	2.8	4.3	3.2
Commodities	Bloomberg Commodities	11.5	24.4	32.3	13.9	14.0	8.0
ALTERNATIVES							
Benchmark	[20% S&P 500, 80% ICE 0-3m T-Bill]	(0.8)	(0.2)	6.8	7.5	5.1	4.6
Multi-Strategy	Credit Suisse Multi-Strategy I		2.2	7.8	9.0	6.8	6.0
Global Macro	Credit Suisse Global Macro Ind		8.0	15.6	8.9	8.2	6.8
Managed Futures	Credit Suisse Managed Futures Ind		8.8	13.2	6.1	7.0	3.2