Wealth Advisory Market Update

April 13, 2026

Market Commentary

Market Update

The month of March was largely driven by headlines surrounding the Iran conflict. For the quarter, all three major indices finished lower, with the S&P 500 declining more than 4.5%—marking only its third negative quarter since 2022—while the Nasdaq fell over 7%. The conflict also spilled into the bond market, where yields rose sharply. In addition to geopolitical developments, markets were influenced by concerns in private credit and the Federal Open Market Committee (FOMC) meeting.

Equities

The volatility highlighted in our previous update has persisted. While the broader indices have not experienced a significant pullback, many individual stocks have. Notably, 42% of S&P 500 constituents are down 20% or more from their 52-week highs[1]. This divergence warrants close attention, as it suggests either a potential rebound in these names or further downside for the broader indices. Given these drawdowns, we are evaluating whether current levels present attractive entry points for stocks trading below their intrinsic value.

Energy has been a major focus in recent months, with crude oil prices rising over 50%—their strongest monthly gain since the post-COVID recovery. This surge stems from the Iran conflict, which has effectively closed the Strait of Hormuz for nearly a month, disrupting a key global oil transit route. We had maintained an overweight position in energy and materials, based on our view that oil prices were near cyclical lows while geopolitical risks were increasing. However, following the sharp rally, we have recently reduced our exposure, as we the risk/reward profile has become less favorable

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Geopolitics, FOMC, and the Economy

As noted, market movements throughout the month closely tracked developments in the conflict. Most recently, the involved nations agreed to a two-week ceasefire, prompting a relief rally across markets. However, the durability of this agreement remains uncertain, as both sides have raised concerns about potential violations. Oil prices declined approximately 15% following the announcement, and tanker traffic through the Strait has slowly begun to resume. We expect markets to remain highly sensitive to further developments related to the ceasefire.

The FOMC met mid-month amid ongoing geopolitical tensions. The committee held interest rates steady and indicated that rising energy prices warrant monitoring to determine whether inflationary pressures are temporary or more persistent. They also highlighted increased downside risks to the labor market.

In their Summary of Economic Projections (SEP), members continued to anticipate one rate cut this year. Inflation projections were revised upward by 20 basis points, GDP forecasts increased by 10 basis points, and next year's projections were raised by 30 basis points. Federal Reserve Chair Jerome Powell delivered relatively hawkish remarks, noting that while a rate hike is not the base case, it remains a possibility. He also emphasized the need for further progress on underlying inflation following the one-time impact of tariff increases.

Private credit has become an area of growing concern. In recent years, the sector has expanded rapidly, often utilizing leverage to fund loans to software and retail companies—segments that have recently come under pressure due to economic conditions and advances in AI. Large banks, which have exposure to these private credit firms, have begun reassessing loan valuations, leading to write-downs and heightened investor anxiety.

As redemption requests have surged, several major private credit firms have imposed liquidity gates. Asset sales have also started, fueling speculation that they are raising liquidity externally rather than drawing from potentially impaired funds. Additional concerns include investigations into a credit rating practice and reports that banks are facilitating hedge fund short positions in private credit. While the sector is smaller than the mortgage-backed securities market was in 2008, its size and interconnectedness warrant close monitoring.

Strategy

In this environment of elevated volatility and headline-driven markets, we remain focused on identifying companies best positioned to navigate uncertainty. The recent pullback has created opportunities to selectively add exposure to high-quality businesses trading at attractive valuations, particularly in sectors aligned with current economic conditions. We continue to favor companies with strong balance sheets, inelastic demand, and consistent free cash flow generation.

In fixed income, yields have risen significantly, with the 10-year Treasury moving from just below 4% to above 4.4% in a single month. We have taken advantage of this shift by locking in higher yields through high-quality securities in the intermediate portion of the curve. Mortgage-backed securities (MBS) have been particularly attractive given current spread dynamics.

Outlook

While recent years have tested investor patience, history suggests that disciplined positioning ultimately supports both returns and risk management. We remain committed to active, thoughtful portfolio management and appreciate your continued trust and partnership as we navigate this evolving market environment together.

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[1]Roberts, Lance. "Stock Market Breadth: Warning or Opportunity?" *RIA*, 30 Mar. 2026, realinvestmentadvice.com/resources/blog/stock-market-breadth-warning-or-opportunity/.

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