

## APRIL: STOCKS RECOVER, INTEREST RATES RISE WHIPLASH REBOUND DESPITE SPIKING OIL PRICES

**Figure 1: 4/30/2026 Returns** (source: FactSet)  
Conditional formatting: green (high) to red (low) for each time period

Bonds	ETF	Month	YTD	1YR	vs. 52-wk	
					High	Low
US Aggregate Fixed Income	AGG	0.2%	0.2%	4.1%	-2.3%	2.5%
Investment Grade Corp Bonds	LQD	0.3%	-0.1%	5.5%	-3.6%	3.3%
U.S. 20+ YR Treasuries	TLT	-0.8%	-0.7%	0.1%	-7.1%	2.8%
Muni Bonds	MUB	1.2%	0.8%	5.6%	-1.7%	3.9%
US High Yield	HYG	1.5%	1.2%	8.4%	-1.2%	2.8%
Non-US Corp Bonds	IBND	2.5%	-0.4%	4.6%	-4.3%	4.9%
Emerging Markets Bond LC	EMLC	2.4%	0.5%	11.0%	-4.0%	5.6%
<b>Global Equity</b>						
ACWI Global Equity	ACWI	9.5%	7.1%	31.7%	-0.1%	29.1%
ACWI Global Equity ex US	ACWX	7.5%	9.7%	33.2%	-1.9%	29.7%
International Developed	EFA	5.3%	6.6%	25.1%	-3.4%	21.3%
Emerging Markets	IEMG	12.5%	16.8%	49.2%	-0.4%	45.1%
<b>Global Equity by Region</b>						
United States	VTI	10.4%	6.0%	31.4%	-0.1%	29.5%
Europe	IEUR	5.9%	4.8%	22.7%	-3.3%	19.6%
Asia ex-Japan	AAXJ	14.1%	18.0%	51.8%	-0.2%	48.8%
China	MCHI	2.5%	-4.2%	13.9%	-14.5%	11.8%
Japan	BBJP	5.2%	10.0%	30.5%	-5.7%	24.5%
Latin America	ILF	2.6%	19.7%	53.4%	-5.4%	48.7%
<b>US Equity</b>						
US S&P 500	IVV	10.5%	5.7%	31.0%	-0.1%	29.2%
NASDAQ 100 QQQ	QQQ	15.7%	8.8%	41.1%	-0.2%	40.1%
US Large Growth	IWF	11.9%	0.9%	30.6%	-3.2%	29.8%
US Large Value	IWD	8.2%	10.4%	29.1%	-0.1%	27.6%
US Eqwt S&P 500	RSP	6.0%	6.7%	22.3%	-0.9%	20.8%
US Mid Cap	IJH	7.8%	10.5%	29.6%	-1.7%	28.0%
US Small Cap	IJR	10.3%	14.3%	38.8%	-0.2%	37.6%

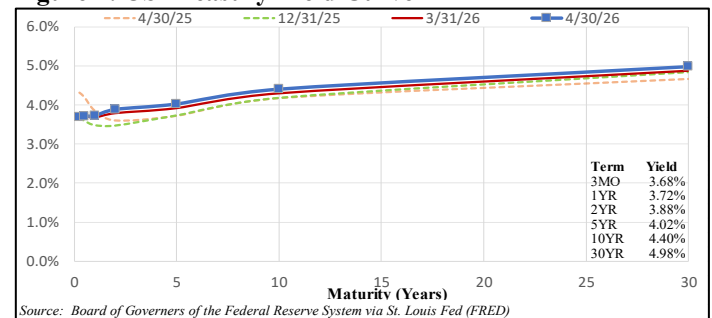
After the sharp selloff in March, stocks staged a robust recovery in April despite the on-going Iran conflict and spiking oil prices. Investors turned their attention to strong corporate earnings and a renewed focus on artificial intelligence (AI) stocks. Performance highlights for April and year-to-date (YTD) include:

- **Bonds:** The US Aggregate index (AGG) rose 0.2% this month (+0.2% YTD). Long-term Treasuries (TLT) are most sensitive to interest rates, losing 0.8% (-0.7% YTD) as yields rose. High yield (HYG) gained as credit spreads narrowed. Non-US bonds outperformed as the US dollar weakened this month.
- **Global equity:** ACWI rose 9.5% in April (+7.1% YTD).
- **US Equity:** The broad market (VTI) rose 10.4% (+6.0% YTD); the S&P 500 (IVV) was up 10.5% (+5.7% YTD). While most market segments posted solid gains, the rally was clearly led by the technology sector (ETF: XLK) which gained 20.0% in April (+10.9% YTD), propelled by strong earnings reports and forecasts. Energy stocks (XLE) were down slightly but are up 34.3% YTD as oil prices remain volatile amid the ongoing Iran conflict. WTI crude is now trading above \$104 per barrel.
- **Non-US Equity:** Developed market stocks logged solid gains (EFA +5.3%, +6.6% YTD) but significantly underperformed the US due to less tech exposure and a heavier reliance on oil via the blockaded Strait of Hormuz. Stocks in Europe (IEUR) and Japan (BBJP) were up 5-6%, but emerging market stocks (IEMG) soared 12.5% (+16.8% YTD), led by the tech-heavy markets in Korea (EWY +30.7%, +65.4% YTD) and Taiwan (EWT +26.7%, +41.5% YTD). The AI investment theme came roaring back into focus around the world this month.

## Interest Rates and the Economy

Interest rates rose this month as spiking oil prices exacerbated inflation concerns, dashing hopes for further Federal Reserve (Fed) rate cuts. The Fed held rates steady again this month and is in wait-and-see mode as inflation worries are offset by concerns about the labor market; unemployment remains low (4.3%), but job growth is weak compared to recent years, reflecting the impact of tighter immigration policies on the workforce. Markets are pricing in no rate cuts for the foreseeable future, erasing prior expectations for additional cuts this year. The yield curve (Figure 2) plots the interest rates for various US Treasury maturities. After dipping below 4%, US 10-year Treasuries now yield 4.40%.

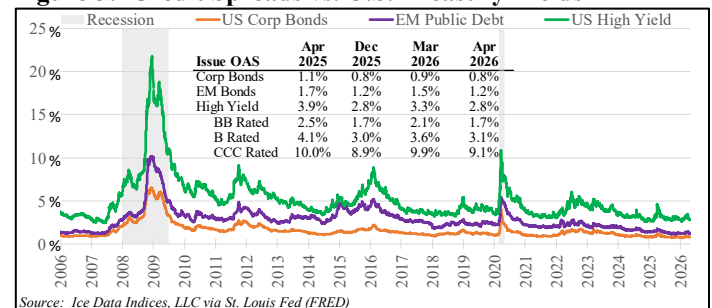
**Figure 2: US Treasury Yield Curve**



For bonds other than US Treasuries, we track the option-adjusted spread (OAS) between their yields and Treasuries of comparable maturities (Figure 3). Low or narrowing spreads signal optimism; high or widening spreads signal fear. Spreads narrowed sharply this month, reflecting the “risk on” tone of global markets.

- Investment grade corporate bond spreads tightened to +0.8% and are well below the +1.1% spreads one year ago.
- High yield (non-investment grade) spreads narrowed to +2.8% last month and are at historically low levels. Spreads of the riskiest bonds (rated CCC & below) narrowed to +9.1% and are tighter than +10.0% spreads one year ago.
- Emerging market spreads narrowed to +1.2% and have tightened over the past year; investors see low risk in EM debt.

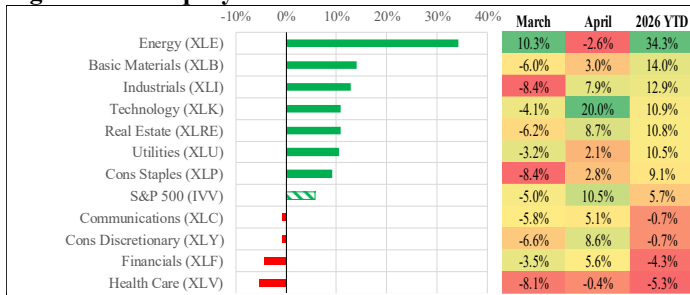
**Figure 3: Credit Spreads vs. U.S. Treasury Yields**



## Markets Whipsaw to New Highs

The escalating conflict in the Middle East was the key driver of the selloff in March, but markets surged anew in April despite a lack of progress toward resolution of the war or opening the blockaded Strait of Hormuz, a key shipping lane for about 20% of the world's supply of oil and natural gas. Oil prices have spiked from about \$65 per barrel WTI crude to over \$100, threatening global economic growth. Despite the lingering uncertainty, stocks recovered all of the March losses and surged to new highs. Figure 4 plots US equity sector returns for March, April and YTD.

**Figure 4: US Equity Sector Returns in 2026**



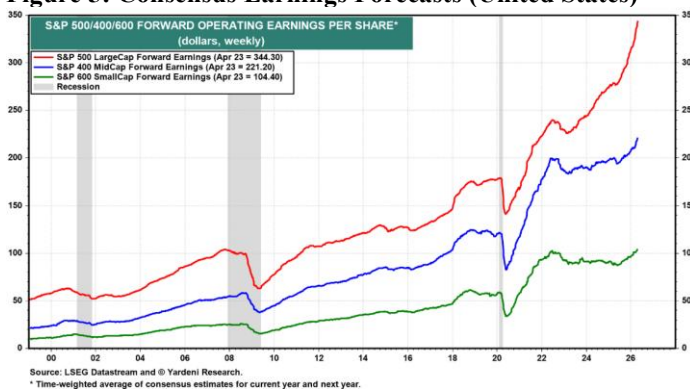
Source: FactSet

The key driver of the rebound was the renewed focus on artificial intelligence (AI) spending and potential earnings growth:

- Energy stocks (XLE +34%) have been the clear leader YTD, which is not surprising given the 50+% rise in energy prices.
- Technology stocks (XLK +20% in April, +11% YTD) led this month as investors' attention returned to AI, especially the AI hyper-scalers (Nvidia, Microsoft, Google, Meta, and Amazon).
- Materials (XLB +14%) and Industrials (XLI +13%) rebounded in April and continue to be strong due to capital spending by the AI hyper-scalers and data center construction.
- AI spending continues to benefit Utilities (XLU +11% YTD) due to the increasing demand for energy to run data centers.

The strength of the market rebound may seem surprising given the ongoing Iran conflict and historical spike in energy prices. However, investors appear to be looking past the conflict and focusing on earnings growth, which remains robust as illustrated in Figure 5. Earnings forecasts are up across the board, especially for the large-cap S&P 500, which has a disproportionately large exposure to tech stocks and the AI hyper-scalers listed above. (Note: Consensus earnings forecasts are bottom-up average estimates from the myriad of Wall Street equity analysts.)

**Figure 5: Consensus Earnings Forecasts (United States)**



Source: LSEG Datastream and © Yardeni Research.  
\* Time-weighted average of consensus estimates for current year and next year.

This is not just a US phenomenon. Earnings growth outside of the US has been strong as well, as illustrated in Figure 6.

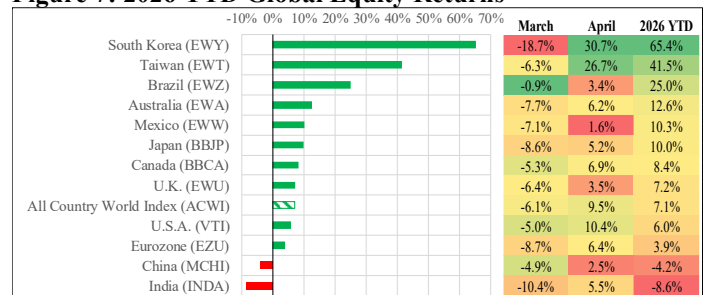
**Figure 6: Consensus Earnings Forecasts (World ex-USA)**



Source: LSEG Datastream and © Yardeni Research.  
\* Time-weighted average of consensus estimates for current year and next year.

Strong forecasted earnings growth has led to strong returns for non-US stocks as illustrated in Figure 7. We can see the out-sized impact of AI development in other countries, especially in tech-heavy markets like South Korea (EWY +65% YTD) and Taiwan (EWT +41% YTD). Energy and commodity producers (e.g., Brazil and Australia) have posted excellent returns as well.

**Figure 7: 2026 YTD Global Equity Returns**



Source: FactSet

## Bottom Line

After a nearly 10% correction in March caused by the US-Israel-Iran conflict and subsequent disruption of global energy markets, stocks exploded higher in April, recovering earlier losses and reaching new all-time highs. Investors appear to believe that the conflict will be short-lived, choosing to focus instead on strong corporate earnings, especially for large tech stocks in the US, South Korea and Taiwan. The global AI trade is alive and well.

Strong corporate earnings and forecasts should continue to drive stocks higher, but significant risks and headwinds remain:

- Oil and natural gas prices will remain elevated and volatile as long as the Iran conflict lasts; European and Asian economies rely heavily on energy that passes through the Strait of Hormuz and are vulnerable to economic shocks if the conflict persists.
- Inflation is elevated and rising; recent data suggests that core inflation (excluding volatile food and energy) is running around 4% (annualized rate) so far in 2026. This is higher than the 2-3% rate in recent years and well-above the Fed's 2% target; further Fed interest rate cuts are not likely.

Volatility is likely to continue, so portfolio diversification remains critical. We are not yet seeing a material rise in recession risks, but much is riding on a successful resolution to the Iran war.



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