MARKET OUTLOOK | LATE APRIL 2026

Cross-Asset Briefing • Data as of April 29, 2026 • For Internal Discussion

Executive Summary

- **Regime:** We have shifted from a Q1 *growth-scare bull flattener* (Feb: flight to duration) into a **supply-shock bear steepener**. The long end is doing the repricing — not the front end.
- **Driver:** The U.S.–Iran conflict (since Feb 28) has shut-in ~9.1M b/d of Middle East crude; Brent peaked at $138 on April 7 and trades ~$108 today. Energy is the runaway leading sector (+25–28% YTD).
- **Equities at ATH despite stress:** S&P 500 hit 7,022 on April 15 and trades ~7,136 now. The rally is **earnings-led, not multiple-led**. NTM EPS is up 9% YTD on margin expansion from nominal pricing power. Multiples have actually compressed.
- **Key transition:** Powell's last FOMC is today/tomorrow. Kevin Warsh takes the Fed chair in May with a more hawkish reputation on inflation — front-end pricing reflects this anchor.
- **Bottom line:** Stagflation-lite. Nominal everything rises, real returns get hollowed out. Watch breakevens, 10s30s, and Brent — not the 2s10s — for the next regime read.

Cross-Asset Snapshot

Asset	Level	YTD / Note	Signal
S&P 500	~7,136	ATH on 4/15 (7,022 close)	Risk-on
VIX	18.6	Elevated, not crisis	Caution
UST 2Y / 10Y / 30Y	3.78 / 4.31 / 4.91	Long end @ cycle highs	Bear steepener
2s10s spread	+53 bps	Widened from Feb low	Re-flation signal
WTI / Brent Crude	~$107 / ~$108	Brent peaked $138 on 4/7	Supply shock
Gold	~$4,553/oz	+25% since early '25	Hedge bid
Energy sector (S&P)	+25–28% YTD	Best-performing sector	Leadership
S&P NTM EPS	$336 (+9% YTD)	13.2% YoY Q1 growth est.	Margin-led
Forward P/E	~21x	10y avg ~19x; compressed YTD	Earnings rally

Sources: U.S. Treasury, Cboe, EIA, S&P Global, Yahoo Finance, FRED. All data April 28–29, 2026.

Macro & Geopolitics

The defining variable is the Strait of Hormuz. Roughly 20% of global oil shipments transit the strait, and the IEA has called the current disruption the largest supply shock on record. The EIA expects production shut-ins to peak at 9.1M b/d in April before slowly easing — assuming the conflict does not extend past the month. UAE has announced an OPEC exit for greater flexibility, signaling that even after a ceasefire, the supply chain re-knit will be slow. The EIA forecasts Brent at $115/bbl in Q2, $88/bbl by Q4, and $76/bbl in 2027; Goldman Sachs raised its Q4 Brent forecast on April 27 to $90.

Inflation has reaccelerated. The IMF cut 2026 global growth to 3.1% (from 3.3%) and now sees headline inflation at ~4.4%. U.S. retail gasoline is forecast to peak near $4.30/gal in April; diesel above $5.80/gal. Q4 2025 GDP printed just 1%. The combination — sub-trend real growth, well-above-target inflation — is the textbook setup for stagflation-lite: nominal earnings rise faster than real activity, so margins look strong even as the underlying volume signal weakens.

Rates & The Yield Curve

The curve has bear-steepened, not bear-flattened. From the February low (10Y ~4.00% in a flight-to-duration twist), the 10Y has backed up ~30 bps to 4.31% while the 2Y barely budged at 3.78%. The 30Y has pushed to cycle highs at 4.91%. The 10s30s spread has widened to ~60 bps and the 2s10s sits at +53 bps — both consistent with rising long-end inflation/term premium rather than Fed-tightening fear.

Why this matters for cycle reads. The classic late-cycle bear flattener (front-end leading rates higher → recession) requires the Fed to be the cause of slowdown. That mechanism is absent: the Fed has been cutting since Sept 2024, and the front-end is anchored by the Powell-to-Warsh transition. The constraint is exogenous — a closed strait, not a hawkish FOMC. Investors should watch breakevens (5y5y forward), 10s30s, and credit spreads as the cleaner signals here. The 2s10s will give late, distorted information in this regime.

Equities & Sector Leadership

Energy is the standout: the S&P energy sector is up 25–28% YTD versus ~2% for the broader index, and XOP (E&P ETF) is up ~30%. Chevron, ExxonMobil, ConocoPhillips, Occidental, and SLB are the most cited beneficiaries; midstream names (Energy Transfer, Williams, Enbridge) capture volume tailwinds. Defensive yield substitutes such as NextEra have also caught a bid on AI-power demand.

The all-time-high paradox resolves through margin expansion. S&P 500 NTM EPS sits at $336 — up 9% YTD — with about two-thirds of that gain accruing during the Iran crisis. 2026 EPS estimates have risen from $309 to $321; 2027 from $355 to $373. Q1 2026 is on track to deliver 13.2% YoY EPS growth, the sixth consecutive double-digit quarter. Forward P/E is ~21 (only marginally above the 10-year average of 19) — i.e. multiples have actually compressed YTD; the rally is fundamentals, not exuberance. As Keynes put it, *"profiteers are a consequence, not a cause, of rising prices."* Pricing power is doing the work.

What's working / what's not. Working: energy, materials, defensive utilities, mega-cap quality (the "Big Moat" trade), share buybacks (S&P on track for $1.1T in 2026). Lagging: small caps (Russell 2000), mortgage REITs (PMT, UWMC funding squeeze from earlier curve twist), unprofitable tech, and pure-growth names lacking pricing power. Buyback yield, dividend growth, and operating leverage are the screens that work in this tape.

Forward Scenarios

Probability weights are house view, not formal estimates. Cells show the dominant cross-asset pattern in each scenario.

Horizon	Base Case (~55%)	Bull Case (~25%)	Bear Case (~20%)
1 Month (May '26)	**Hormuz partially reopens; Brent fades to $90–100** Warsh takes Fed chair; tone slightly hawkish on inflation S&P chops 6,950–7,200; Energy consolidates 10Y holds 4.20–4.45%; curve stays bear-steep	**Ceasefire holds + production restart timeline emerges** Brent retraces toward $80; relief rally in duration S&P breaks to 7,250–7,400; cyclicals broaden out 10Y drops to 4.00%; bull steepener kicks in	**Conflict re-escalates; Hormuz fully shut** Brent spikes back to $130+; gasoline >$5/gal S&P retests 6,500 (–8 to –10%) 30Y to 5.10%+; VIX >28; gold to $4,800
3 Months (End Q2 '26)	**EIA forecast Brent peak $115 in Q2; supply slowly returns** CPI prints 4.5–5.0% headline; Fed on hold Q1 EPS lands ~13% YoY; margin expansion intact S&P range 6,900–7,300; energy + defensives lead	**Conflict resolves; oil shut-ins return below 4M b/d** Brent toward $80; CPI eases to ~3.5% Warsh signals cuts; 2Y to 3.40% S&P 7,500+; broad rally including small caps & REITs	**Stagflation entrenches; growth slips below 1%** Brent sticky $115–125; inflation expectations un-anchor Margin compression begins as pricing power fades S&P –12 to –15%; high-beta / unprofitable tech hit hardest
End of Year (Dec '26)	**Brent ~$88 (EIA), $90 (Goldman); slow normalization** CPI returns to ~3%; Fed delivers 1–2 cuts under Warsh S&P 7,200–7,600 (consensus 5,400–5,600 stale; revised up) 10Y in 3.90–4.30% range; 2s10s positive ~75 bps	**Goldilocks: inflation cools, AI capex sustains earnings** Brent <$80; multiple expansion resumes Fed delivers 3 cuts; 2Y to 3.00% S&P 7,800–8,000; small caps + EM equities outperform	**Recession by Q4 amid sticky inflation + demand destruction** Earnings recession; 2027 EPS revised down Credit spreads widen >150 bps over Treasuries S&P 5,800–6,300 (–18 to –22% from peak)

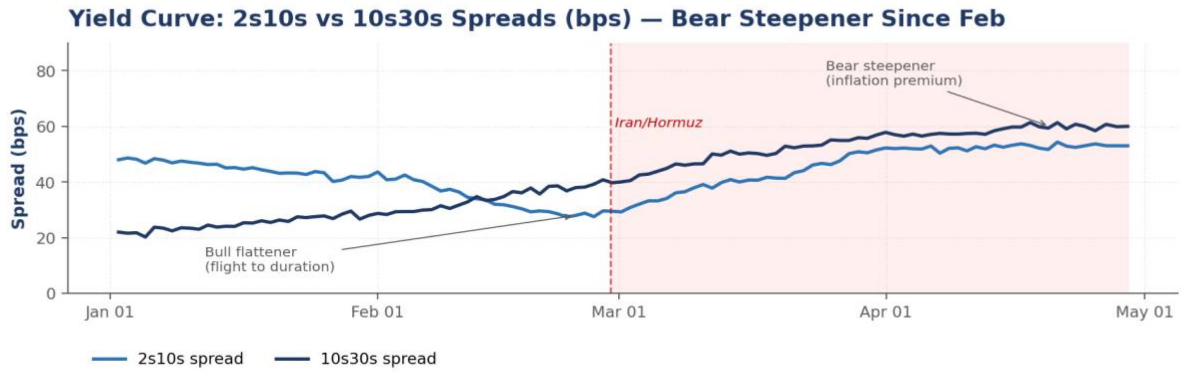
Key Catalysts to Watch

- **April 30:** U.S. PCE inflation print (Fed's preferred gauge). Energy passthrough is the swing factor.
- **April 28–29:** Powell's final FOMC. Forward guidance on the Warsh handoff and on the inflation-vs-growth trade-off.
- **May:** Warsh confirmation/installation as Fed Chair. Market read of his first speeches will reset front-end pricing.
- **Hormuz status:** Pentagon flagged 6 months to clear mines if needed. Daily ceasefire/peace-talk headlines drive Brent intraday volatility (1M implied vol hit 68% in March).
- **Earnings:** ConocoPhillips (4/30), big-tech tail of Q1, and forward guidance on input cost passthrough across consumer staples and industrials.
- **Long-end auctions:** 30Y auction tails / dealer take-up are the cleanest read on whether term premium is stabilizing or still building.

MARKET OUTLOOK | CHART APPENDIX

Three visuals supporting the regime read • Data as of April 29, 2026

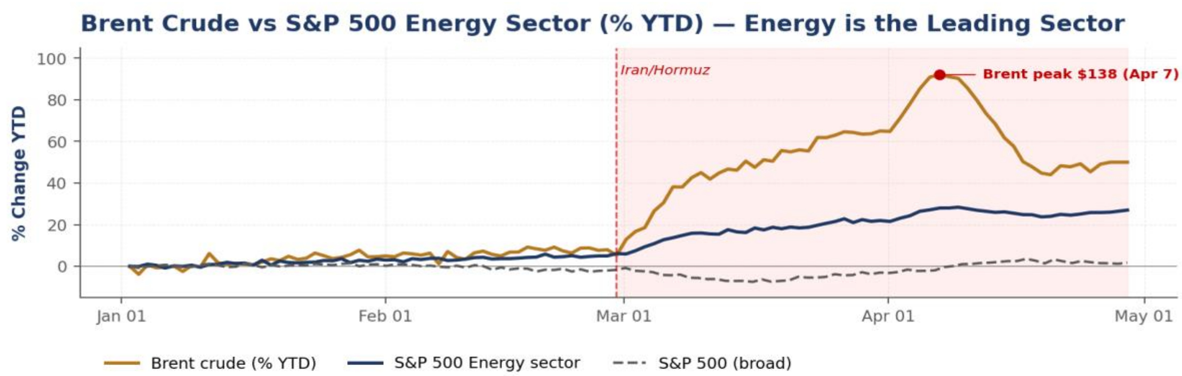
1. The Curve Shifted From Bull Flattener to Bear Steepener



Source: U.S. Treasury / FRED. Chart shows daily approximation between observed anchor dates.

Read: Both spreads rose sharply after Feb 28. The 10s30s now leads (~60 bps) — long-end repricing inflation/term premium. A classic bear flattener would have the 2s10s collapsing toward zero; we see the opposite.

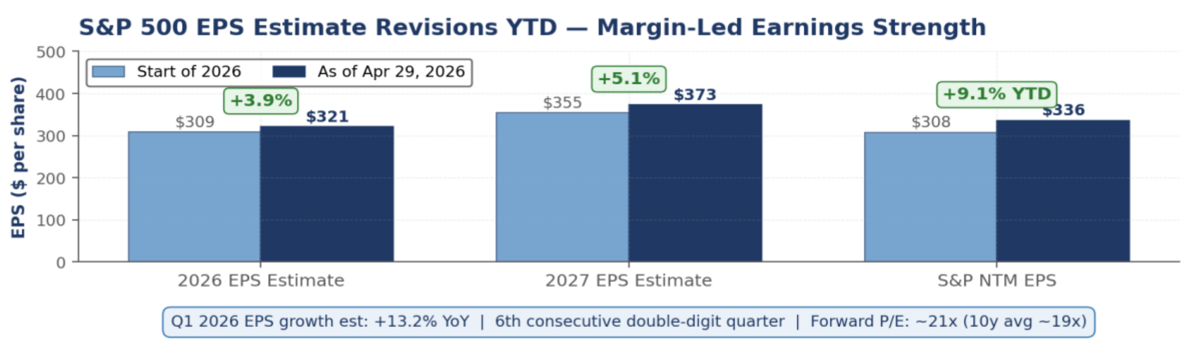
2. Brent Spike Drives Energy Leadership; Broad Market Decoupled



Source: EIA, S&P Global, Yahoo Finance. Brent baseline ~$72/bbl on Jan 2, 2026.

Read: Brent ran +90% at peak; energy sector captured ~30% of that beta as equity. The S&P broad index dipped 7% during the crisis but recovered to new ATHs — driven by EPS, not energy beta.

3. EPS Revisions Explain the ATH Paradox



Source: S&P Global, FactSet consensus. Multiples have compressed YTD — rally is fundamentals, not exuberance.

Read: S&P NTM EPS is up 9.1% YTD with Forward P/E at ~21x — multiples have actually compressed. The lift is fundamentals, not multiple expansion. *Resolves the "why is the market at ATH?" paradox.*

Charts: anchor-point reconstructions where tick-level data is unavailable. Trends, magnitudes, and inflection dates reflect public reference points (FRED, EIA, S&P Global, Yahoo Finance, dshort).