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Investment Institute

Market Commentary

Weekly perspective on current market sentiment **April 15, 2026**

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Last week's S&P 500 Index: +3.6%

Turning market turbulence into opportunities

Key takeaways

- As the conflict in the Middle East persists, investors are increasingly forced to navigate an environment defined by uncertainty.
- While volatility is often viewed negatively in the media, remember volatility may also create opportunities to position for the future.

As hostilities in the Middle East persist, markets continue to face heightened uncertainty amid a seemingly fragile two-week ceasefire. Investors are closely watching developments in the region, particularly due to the potential ripple effects higher energy prices can have on the global economy. While markets hope for clarity, investors are increasingly forced to navigate an environment defined by uncertainty.

In the first two months of this year, global markets had followed a more optimistic path. The MSCI Emerging Market Index and MSCI Developed Market Index had outperformed the S&P 500 Index while at the sector level the S&P 500 sectors closely tied to macroeconomic conditions — such as Energy, Materials, Industrials, and Utilities — had been among the strongest-performing sectors year-to-date (through February 27). Investors had been encouraged by signs of solid global economic growth and expectations for rate cuts by central banks. However, the positive narrative shifted in March when energy-supply disruptions emerged, causing oil prices to surge and reigniting concerns of inflation and economic stability.

Since then, equities have experienced broad weakness. At the same time, commodities have emerged as the strongest-performing asset class. Inflation risks have resurfaced, interest rates have moved higher across fixed-income maturities, and market expectations have shifted away from Federal Reserve interest-rate cuts toward the possibility of future rate hikes. Investors are now weighing not only the threat of higher inflation but also the risk that prolonged disruptions could slow global economic growth.

While market volatility often receives negative attention, it can also present potential opportunities for disciplined investors. Diversification is a standard feature of our guidance for long-term investors, but that does not mean "buy it and forget it." Like a garden, we believe a portfolio can benefit from occasional maintenance, typically in the form of rebalancing: the practice of reallocating from securities whose valuations we think are too high to those we find potentially more attractive.

Today, we see compelling opportunity potential to consider a rebalance from the Energy sector, which has outperformed the S&P 500 Index by 27.5% year-to-date (as of April 10), in favor of the Information Technology (Tech) sector, which has lagged the S&P 500 Index by 3.5% over that period. Valuations for the Tech sector have come down meaningfully and are now in line with the broader S&P 500 when looking at the forward (next 12 months) price-to-earnings ratio. Despite the price weakness, however, we believe Tech continues to exhibit strong earnings growth potential. The Bloomberg consensus projects 35% earnings growth in 2026 for Tech compared to 18% for the broader S&P 500, as of April 10. This means investors may consider exposure to Tech with favorable expected earnings growth compared to the broader S&P 500. In contrast, we suspect that Energy sector performance will ease once oil prices peak and would view current outperformance as an opportunity to reallocate and underweight the sector relative to its weight in the S&P 500.

Risk considerations

Forecasts are not guaranteed and subject to change without notice.

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Sector investing** can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.

Definitions

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

MSCI Developed and Emerging Market Country Indices are designed to measure the performance of the large and mid-cap segments of the individual country markets and cover approximately 85% of the free-float-adjusted or equity universe in each country.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

An index is unmanaged and not available for direct investment.

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