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# Institute Alert

Timely Commentary

**First analysis of issues or topics that may affect investor portfolios** **April 27, 2026**


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## Iran war update: Ceasefire negotiation meets hardliners

### What's moving markets

- On April 23, CNBC reported that the U.S. and Iran are seizing ships in a battle of the two blockades, and that President Trump has ordered the destruction of any Iranian boat laying mines.
- Also on April 23, the Institute for the Study of War reported that Iran continues to alternate between allowing some ships through and attacking others.
- The rhetoric is just as confusing. Multiple news sources documented last week the growing contradictions between uncompromising statements by the leader of Iran's Republican Guard and the more conciliatory remarks by Iran's foreign ministry and leader of parliament.
- Between April 17-24, the escalation along the blockades raised U.S. West Texas Intermediate crude oil futures prices in all remaining months of 2026. The June 2026 contract surged almost $12 per barrel.
- For April 24, the one-year inflation swap, a market-based metric of expected inflation, hit 3.38%, its highest since March 20, and the 10-year U.S. Treasury yield rose for the week, finishing at 4.30%.
- Other markets also registered more subdued risk appetite since last week. Between April 17-24, the U.S. ICE Dollar Index rose, and gold prices fell 3%. The S&P 500 Index rose and fell with the week's headlines but finished the week slightly higher.

### Our perspective

- We do not see the incoherence of Iranian leaders' statements and actions as a sign of indecision.
- Rather the opposite: The contradiction between Iran's April 17 conciliatory remarks and its navy's sporadic attacks on shipping last week suggest that Republican Guard hardliners are in control.
- The hardliners seem willing to delay talks, possibly for perceived leverage on the U.S. (as oil prices have risen again) and possibly to ensure that any talks reflect their position. In our view, the hardliners may even seek to scrap diplomacy before making significant concessions.
- In the meantime, the Strait of Hormuz remains closed and oil prices could continue their press higher. We do believe the U.S. blockade is putting economic pressure on Iran's leaders, but it is not clear whether they or the world economy can tolerate the blockades longer.
- Diplomacy seems the path ahead, for now, but the resumption of the war remains a significant risk.

## Implications for investors

- The 5% April price gain in the S&P 500 Index through April 24 likely indicates that investors have focused on a strong earnings season to-date but have discounted the war's ongoing uncertainties.
- Selectivity leads us to still prefer to focus new investments on asymmetries across capital markets — sharp moves (higher or lower) that we believe have outrun fundamentals, as we describe below.

## What to do now

Looking forward, the headlines give us caution, but we prefer to focus on investments where we see positive fundamentals (such as earnings growth potential) and where we see higher upside potential than downside risks, if the circumstances and the conditions reverse. We recently made guidance changes to anticipate such a reversal, specifically, reallocating from the S&P 500 Index Energy sector into the Information Technology sector.[1] As oil prices spiked due to the war, the Energy sector has gained nearly 27% year-to-date (YTD) through April 24. The S&P 500 Information Technology sector recovered from earlier losses and has gained 8% YTD through April 24, slightly ahead of the S&P 500 Index.[2] Based on 12-month ahead earnings estimates, the Information Technology sector is trading at a modestly higher price-to-earnings multiple as the composite S&P 500 Index. So, we see near comparable value between the Information Technology sector and the S&P 500 Index, implying little premium in the Information Technology sector over the S&P 500 Index.

Meanwhile, the Bloomberg consensus 2026 earnings growth estimate for the Information Technology sector is 44% as of April 24, more than twice that of the 19% for the S&P 500 Index. Thus, we see an Information Technology sector that is competitively priced against the S&P 500 Index but with more than twice the projected earnings growth. By contrast, we expect the Energy sector to continue reversing its latest gains should the war-related peace discussion holds.

Putting these trends together, we see an opportunity to rotate from the Energy sector into other undervalued equity sectors that we favor, like Financials, Industrials, and Utilities, in addition to Information Technology. For example, in Financials, even though we removed our expectation of two Federal Reserve rate cuts by year end, we still anticipate that long-term yields will rise from current levels. This wider spread we expect between short-term yields (a cost that banks pay to depositors) and long-term yields (which banks earn on loans) should support the Financials sector, which has underperformed the S&P 500 Index by 10% YTD as of April 24. As with the Information Technology sector and gold, we see a lot of fear priced into the selling of the Financials sector and maintain it as our most favored equity sector.

We see similar potential opportunities in commodities. Through April 24, the spot gold price declined by nearly 14% from its January 28 peak. International buyers figured prominently in the selloff, shedding gold and other assets to raise dollars to afford oil at rising dollar-denominated prices.[3] As we pointed out in a recent report, the forced selling of gold generally creates tighter cash positions internationally, as oil prices rise and the U.S. dollar strengthens. From this, we see a potential opportunity for investors to reallocate from crude oil into gold. Our fundamental view of precious metals is constructive: our year-end 2026 price target range midpoint is $5900 per troy ounce, and we do not expect much downside price risk below the $4700-$4800 range.

1. Wells Fargo Investment Institute, "Adjusting targets, guidance and allocations," April 6, 2026.
2. Bloomberg. S&P 500 Index and S&P 500 Information Technology Index, as of April 9, 2026.
3. Wells Fargo Investment Institute, "Iran war update: Global impacts as U.S. deploys new assets," April 6, 2026.

**Risk Considerations**

Forecasts and targets are based on certain assumptions and on views of market and economic conditions which are subject to change.

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. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Although **Treasuries** are considered free from credit risk, they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. 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. Investments in **gold** and gold-related investments tend to be more volatile than investments in traditional equity or debt securities. Such investments increase their vulnerability to international economic, monetary and political developments.

**Definitions**

ICE U.S. Dollar Index is a weighted average of the value of the U.S. dollar relative to a basket of U.S. trade partner currencies, composed of the euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc.

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

S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

S&P 500 Information Technology Index comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

An index is unmanaged and not available for direct investment.

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