

Monthly Equity & Debt Market Report

Month Ending April 30, 2026



“He’s long peace, short bread, and emotionally invested in ChatGPT.”

Executive Summary

April 2026 delivered a dramatic reversal from March's geopolitical selloff. Global equities staged their most powerful monthly rally in years, led by a rotation back into artificial intelligence stocks as ceasefire optimism around the Iran conflict fueled risk appetite. The S&P 500 surged 10.4% — its best monthly performance since November 2020 — closing at all-time highs. Simultaneously, first-quarter GDP data released at month-end revealed a more complicated macro picture: growth rebounded to a 2.0% annualized rate, but the Fed's preferred inflation gauge surged to 3.5%, well above target, reigniting stagflation concerns as the Federal Reserve held rates steady once again.

S&P 500 (Apr Return) +10.4% Best month since Nov 2020	S&P 500 Month-End 7,209 New All-time high	10-Yr Treasury Yield ~4.31% -13 bps vs Mar end	Q1 GDP (Advance) +2.0% PCE Inflation: 3.5%
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April was a tale of two signals. Equity markets celebrated ceasefire optimism and blowout AI earnings with a historic rally. Yet the economic data released on the final day of the month told a more sobering story: strong headline growth, but inflation surging to 4.5% on the PCE index and a Fed that stayed firmly on hold. The divergence between soaring asset prices and rising real-world inflation costs defines the central tension heading into Q2.



Equity Market Performance

April 2026 was among the most powerful months for global equities in years. The catalyst was a combination of ceasefire optimism in the Iran conflict, a robust Q1 earnings season, and renewed enthusiasm for AI investment. The Philadelphia Semiconductor Index rose close to 40% over the month. Breadth was as notable as magnitude - growth equities, small caps, and emerging markets all participated meaningfully.

U.S. Equities

The S&P 500 closed April at 7,209.01, a monthly gain of approximately 10.4% — its best single-month return since November 2020. The index hit all-time highs late in the month, surpassing the 7,165 level on April 24. The Nasdaq Composite similarly surged, powered by semiconductor and AI infrastructure names. Growth equities returned approximately 12.4%, materially outperforming value's 7.2%, reflecting investors' continued appetite for companies with AI exposure.

Index	April Return	YTD Return
S&P 500	+10.4%	+5.6%
Nasdaq Composite	+~13%	+8.0%
Russell 2000 (Small Cap)	+9.1%	+12.3%
Dow Jones Industrial Average	+6.4%	+3.0%

Q1 2026 Earnings Season

Q1 earnings season — with approximately 28% of S&P 500 companies having reported as of late April — is tracking well ahead of expectations. Approximately 81–84% of reporting companies beat revenue estimates, well above the five-year average of 70%. The blended revenue growth rate for Q1 stands at approximately 10.3%, up from the 9.8% estimate at the start of the quarter. Earnings per share growth is tracking toward approximately 13% year-over-year, consistent with the sixth consecutive quarter of double-digit expansion.

Health Care, Industrials, and Information Technology led the positive revenue surprise activity in mid-April. Financials led earlier in the month, reporting strong trading revenues amid macro volatility and reaccelerating investment banking activity. The forward 12-month P/E for the S&P 500 expanded to 20.9x by month-end — above both the five-year average of 19.9x and the ten-year average of 18.9x — reflecting multiple expansion on top of earnings growth.



Fixed Income & Interest Rates

Fixed income delivered more nuanced returns in April. U.S. Treasuries proved relatively resilient (-0.1%), benefiting from the U.S.'s status as a net energy exporter, which buffered it from the full inflation impact of higher oil. UK Gilts and Japanese Government Bonds underperformed as each faced unique domestic inflation and policy pressures. The yield curve steepened modestly, with long-end yields remaining elevated on persistent inflation and fiscal concerns.

U.S. Treasury Yields — April Snapshot

Maturity	April Month-End	Change vs. Mar End
2-Year Treasury	~3.78%	-10 bps
10-Year Treasury	~4.31%	-13 bps
30-Year Treasury	~4.91%	-7 bps

Treasury yields declined modestly in April as ceasefire optimism and early-month equity relief reduced safe-haven demand. The 10-year closed at approximately 4.31% - down 13 basis points from March's elevated close of 4.44%. This represents partial normalization, though yields remain well above pre-conflict levels. The 30-year fixed mortgage rate largely stayed in a relatively narrow band versus March hovering between 6.30 and 6.38% as of late April.

Federal Reserve Policy

The Federal Reserve held rates steady at its April/May meeting, keeping the federal funds rate target in the 3.40–3.75% range. The FOMC cited the elevated inflation environment — underscored by the Q1 PCE print of 3.5% released on April 30 — as justification for continued patience. Market-based measures of policy rate expectations indicate the potential for one to two 25 basis point cuts in 2026, with the CME FedWatch tool at one point during early April showing an 80.6% probability of no cuts for the full year — a sharp shift from market expectations just weeks earlier.

The Q1 GDP advance estimate — released April 30 — confronted the Fed with exactly the scenario it feared: growth at 2.0% (below consensus of 2.3%) and PCE inflation growing to 3.5%, well above the 2% target. This 'stagflation-adjacent' backdrop — where growth is slowing while inflation is re-accelerating - dramatically constrains the Fed's policy flexibility. Cuts are difficult to justify; hikes risk choking a fragile economy. Extended hold is the most likely path.



Economic Indicators & Macro

The macro backdrop entering May 2026 is more complex than the equity market rally would suggest. While Q1 GDP rebounded solidly from Q4's near-stall, the composition of growth was distorted by a surge in imports ahead of potential tariff changes, and the PCE inflation print surged to levels not seen in years. The economy remains in expansion, but a growing number of economists are raising recession probability estimates on the stagflation risk.

Key Economic Data Snapshot

Indicator	Latest Reading	Trend / Commentary
Q1 2026 GDP (Advance Est.)	2.0% annualized	Rebound from Q4's 0.5%; below 2.3% consensus
PCE Price Index (Q1)	3.5% annualized	Sharp acceleration; Fed's target is 2%
Nonfarm Payrolls (Mar)	178,000	Above consensus; labor market resilient
Fed Funds Rate	3.50–3.75%	On hold; extended pause increasingly likely
30-Yr Mortgage Rate	~6.23% (mid-Apr)	Declined from 6.38% Mar end

Q1 2026 GDP: Solid Headline, Troubling Composition

The Bureau of Economic Analysis released its advance estimate of Q1 2026 GDP on April 30, showing 2.0% annualized growth — a healthy rebound from Q4 2025's 0.5% but below the 2.3% consensus. Investment was the primary driver, powered by AI-related equipment spending (computers and related equipment), intellectual property products, and private inventories. Consumer spending and government spending also contributed positively. Imports surged 21% in Q1, likely reflecting businesses front-running potential tariff changes, which simultaneously distorted the trade component of the GDP calculation.

Inflation: The Central Challenge

The PCE Price Index — the Federal Reserve's preferred inflation gauge — surged from 2.9% in Q4 2025 to 3.5% annualized in Q1 2026. These readings represent the sharpest quarterly acceleration in the price index in years and are more than double the Fed's 2% target. Economists cite three overlapping causes: tariff pass-through into consumer prices, continued energy price pressure from the Middle East conflict,



and cost-push shocks from supply-side disruptions that are inherently difficult to control through monetary policy alone.

Labor Market

March Nonfarm Payrolls came in at 178,000, well above consensus, providing an early-month boost to equity sentiment and supporting the Fed's patient approach to rate policy. The labor market continues to exhibit the 'low hire, low fire' dynamic observed through much of 2025-2026, with the unemployment rate holding near 4.3% in March. However, University of Michigan sentiment fell sharply to 47.6 (versus 51.5 expected), reflecting growing consumer unease about inflation and labor market uncertainty — a divergence between strong backward-looking payroll data and deteriorating forward-looking consumer confidence.

AI Investment: A Structural Growth Driver

AI-related capital expenditure continues to serve as a major structural tailwind for the economy. RBC Economics noted that AI investment is shifting from data center construction into equipment and software, reflecting work being done inside completed structures. Accelerated depreciation provisions from the One Big Beautiful Bill Act are expected to provide additional stimulus to this category. Oxford Economics noted that fiscal stimulus is 'more than outweighing the drag from higher energy prices for now, but that balance will begin to shift in the months ahead.'

Forward Look: Key Themes for May 2026

The following themes and data points warrant close attention heading into May 2026:

1. Fed Policy & Inflation Trajectory

With PCE inflation at 3.5% and the Fed on hold, the May FOMC meeting and subsequent communications will be critical. Any shift in tone — particularly around the inflation-versus-employment tradeoff — could materially reprice rate expectations.

2. Q1 Earnings Season: Second Half of Reporting

With approximately 28% of companies reported as of late April, the bulk of earnings reporting continues in May. With the blended Q1 EPS growth rate tracking near 13% and revenue beats at 81–84%, the bar is high. Technology sector commentary on AI monetization, capex guidance, and demand visibility will be particularly important for sustaining the AI-driven multiple expansion.



3. Iran Conflict: Ceasefire or Escalation?

April's equity rally was heavily driven by ceasefire optimism that had not yet materialized as of month-end. Diplomatic efforts broke down mid-month. The Strait of Hormuz remains severely restricted and Brent crude pushed above \$110/barrel during the month. A genuine diplomatic resolution would be the single largest positive catalyst for markets; renewed escalation would reverse April's gains.

4. Consumer Confidence & Spending Data

University of Michigan sentiment at 47.6 — combined with 1-year inflation expectations of 4.8% — signals rising consumer stress. April retail sales and consumer spending data will be closely watched to assess whether the March payroll resilience translates into spending, or whether gasoline prices and inflation anxiety are beginning to suppress discretionary demand.

5. Second GDP Estimate & Corporate Profit Data

The BEA's second estimate of Q1 GDP, scheduled for May 28, will include corporate profits data — a key indicator of fundamental earnings support beneath the surface of the equity rally. Any downward revision to headline GDP, or weakness in profits, could challenge the post-April narrative of synchronized growth and earnings strength.

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