

KEY TAKEAWAYS

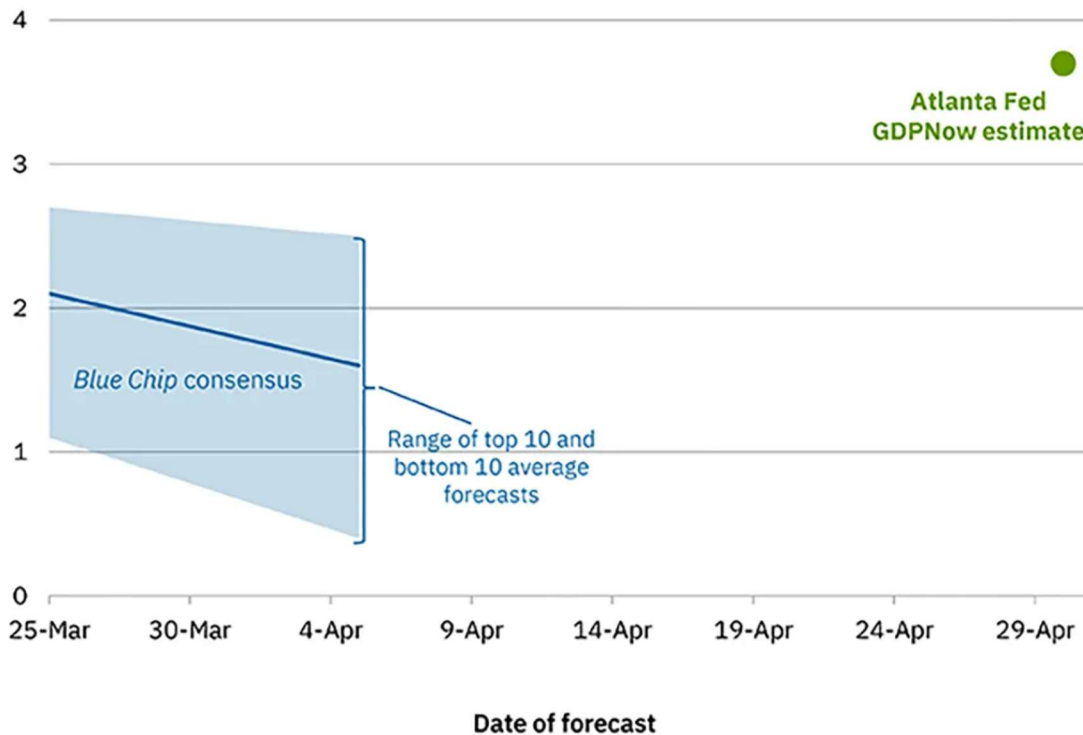
- **Equities:** The markets were turbo charged with talks of a ceasefire and then the actual “ceasefire”. Finishing at record highs and one of the strongest months ever for the S&P 500.
- **Fixed Income:** The U.S. 10-year Treasury Yield chopped wildly in a 20-basis point range finishing near the top of the range.
- **Crude oil** had wild swings as well, finishing near the middle of the range, which is now at very elevated levels on the continued uncertainty of the Iran conflict/war.

The U.S. Economy

The initial read on 1st quarter GDP came in weaker than expected at 2.0% vs. expectations of 2.2%. The PCE, the embedded GDP inflation, jumped to 4.5% compared to last quarter’s 2.9%. With the 1st quarter in the rearview mirror, the GDPNow estimate is nearly +4% while the Blue-Chip consensus forecast is closer to 1.5%, as shown in the chart below. The Iran conflict/war likely continues to make both forecasts total WAGs. 🌀

Evolution of Atlanta Fed GDPNow real GDP estimate for 2026:Q2

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source : <https://www.frbatlanta.org/cqer/research/gdpnow>

Stocks and Bonds

The U.S. 10-year Treasury yield hovered around 4.30% as potential inflation fears and hopes for an end to the Iran conflict/war served as a tug of war throughout the month. Interestingly, the confirmation hearings for Fed Head nominee, Kevin Warsh marked the low yield for the month and then moved sustainably higher during and after his hearing. Warsh now appears to be clear to become the new Fed Head. Though in almost former Fed Head Powell's press conference, the Chairman said he will remain at the Fed after his chairmanship term expires, which breaks tradition. Will we have the battle of Fed Head and Former Head? Powell says no, but we will have to stay tuned. Speaking of Fed, they met on Wednesday and left policy rates unchanged noting the uncertainty of the supply shock of the Iran conflict/war and the potential demand destruction from the higher prices of said shock. The small bump in yields was not a meaningful headwind for High Quality fixed income, which as measured by the iShares US Aggregate Bond ETF increased +0.12% for the month. The U.S. 10-year Treasury bond yield ended the month at 4.39%, up modestly from March's close of 4.31%.

The Dow Jones Industrial Average rose +7.14%, the S&P 500 jumped +10.42%, and the small cap iShares Russell 2000 ETF soared +12.20%. The International markets traded similarly to the U.S. markets. The MSCI EAFE iShares Core International Developed Markets ETF Index climbed +6.04%, and the MSCI Emerging Markets iShares Core ETF Index popped +12.74%.

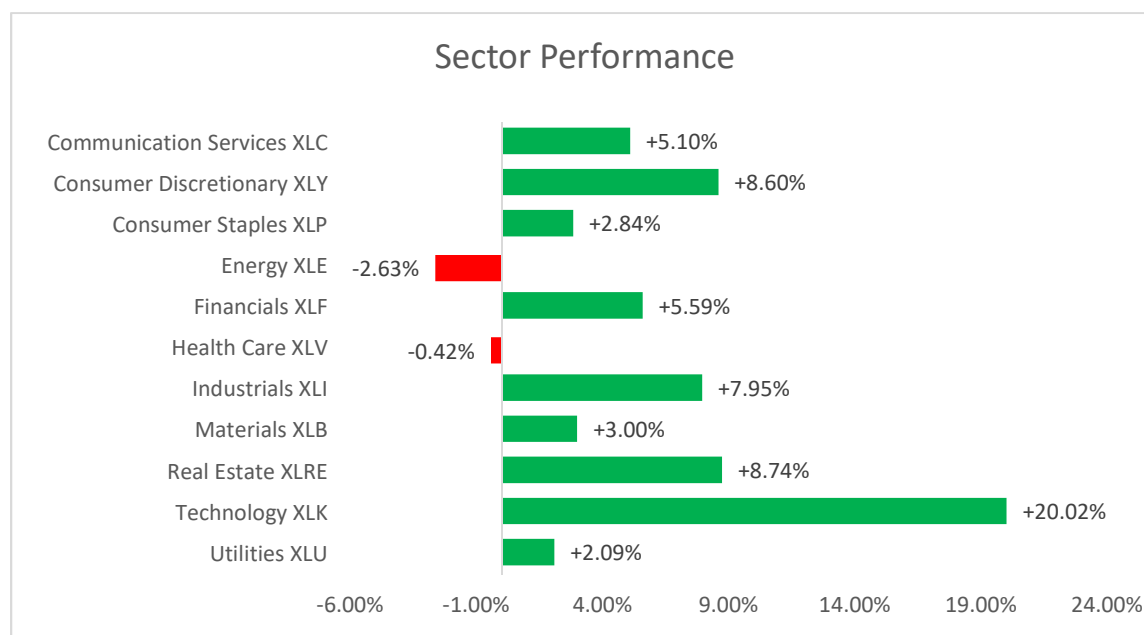
April's sector performance was dramatic in Technology and strong in most others except for Energy.

The best performers were...

- Technology: +20.02%
- Real Estate: +8.74%
- Consumer Discretionary: +8.60%

The worst performers were...

- Energy: -2.63%
- Health Care: -0.42%
- Utilities: +2.09%



Source: <https://www.morningstar.com>

Oil Report

Crude Oil's rally stalled though with a wide range at heightened levels. After finishing March just over \$100, WTI crude oil marched toward \$120 but then dove on the ceasefire announcement, dropping to near \$80. At the end of the month the Iran conflict/war is still simmering in a stalemate of sorts. And like the trade talks of Trump I, we have the continual flow of a deal is almost done. However, the reality is that the US blockade of the Strait of Hormuz has brought nearly all flows to a halt. The current situation is that the bombs have been quiet for a few weeks now. Some suggest the US blockade of Iranian ships is squeezing the economic life out of Iran. Others suggest that Iran has more time and resilience than most believe. So as with statistics, the answer is yes or no depending on who you ask. The other geopolitical hotspots, Cuba, and the Ukraine/Russia conflict seemed to move even further back on the bus to the Middle East. The current NYMEX WTI Crude Oil futures settled at \$105.07, increasing almost 4% from the prior month's close of \$101.38 a barrel. RBOB gasoline was stronger than Crude, jumping by almost 13% for the month, vs. March's close. The usual slow winter season was not and now we move into the normally busier spring season; will it be opposite to the norm? That would be nice.

The Rest of the Data

The March ISM Manufacturing Index increased to 52.7 from February's reading of 52.4, remaining above the 50 level. The ISM Services Index fell to 54.0 in March, from February's print of 56.1, remaining above the 50 level. Any reading above 50 generally indicates improving conditions. The prices paid component for Manufacturing surged again, now high into elevated levels, and Services' prices also surged, now back to elevated levels. Consumer confidence increased to 92.8 in April, which compares to 91.8, as reported in March. The unemployment rate fell in March, to 4.3%, while the number of jobs jumped by 178,000, far better than expectations of +65,000. The Consumer Price Index for All Urban Consumers (CPI-U) for March jumped to 0.9% versus 0.3% for the month of February, on a seasonally adjusted basis. Over the last 12 months, the All-Items Index rate popped to +3.3% on a non-seasonally adjusted basis. The CPI ex Food and Energy increased +2.6% over the last year. Economic growth reports were good, though with lots of signs that inflation is picking up from the supply shocks caused by the Iran conflict/war. We will continue to monitor economic activity, policy announcements, and inflation reports for potential shifts.

Summary

The Iran conflict/war continues to trump all else that is going on. The current known is that no matter how fast the conflict/war may be resolved, real damage has been done to energy infrastructure and time will be needed to untangle the logistics of all the ships that have been floating around in the Persian Gulf for oil and other raw materials. What is still unknown is the duration of the conflict/war, which compounds the impact as it continues. Asia remains the most reliant on the Persian Gulf and will likely have the largest impact, followed by Europe. The US has pockets of benefits as the US has dramatically increased export shipments of Oil and Natural Gas, but clearly gas prices are higher and likely to see future food inflation as supplies of fertilizer are hampered. The decision to hold off making any big shifts has shown to be wise. What is becoming apparent is the market is shifting out of Europe

and into the US and that North and South America based commodity producers are being favored. We will continue to take it one day at a time and stay focused on our process.

More than ever, the markets can be emotional, so we retain our focus on what we can control, which is the amount of equity risk that is taken in a clients' portfolio in concert with the clients' risk tolerance and long-term goals. The markets will always face different "worries", today it is inflation/war vs. growth and interest rates, tomorrow it will be something else. We have built our asset allocation models with dynamic features and quarterly rebalancing, both in fixed income and equities.

If you have specific questions about your portfolio or financial situation, we are here to help. Long-term financial planning is designed to deal with uncertainty like those we discussed above. Our portfolio management process is to design a prudent allocation across many asset classes. Equities are for long-term growth and several vehicles that we utilize offer defensive mechanisms to mitigate equity market declines.



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