

# Monthly Market Update

May 4, 2026



The S&P 500 is once again positive on a year-to-date basis after recovering from a dip into negative territory in March. Improving sentiment around the conflict in Iran has been a major catalyst for the S&P 500 reaching a new all-time high, passing its previous peak in January. Investors are hopeful that stability in the region could eventually reopen oil transportation through the Strait of Hormuz, easing energy market pressures.

Asset Class Summary						4/30/26
Asset Class	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
U.S. Stock	10.49%	4.19%	5.70%	31.05%	21.69%	13.14%
Global Stock Ex U.S.	9.65%	2.73%	8.88%	32.20%	17.39%	8.38%
U.S. Bond	0.11%	-0.04%	0.07%	4.06%	3.46%	0.18%
Global Bond	1.25%	-0.77%	0.16%	2.54%	2.86%	-1.47%
Emerging Markets	14.71%	5.21%	14.52%	46.68%	20.67%	6.05%

While improving sentiment around the war was important, it was not the only reason why markets recovered. Another reason markets rebounded quickly is that fundamentals remain healthy. Strong corporate earnings have supported the rally, with 84% of companies in the S&P 500 reporting positive EPS surprises and 81% of companies reporting positive revenue surprises so far for Q1.<sup>1</sup> S&P 500 earnings-per-share growth has been surprisingly strong, reflecting healthy underlying business performance. In fact, analysts are projecting earnings growth of 21.3% for all of 2026.<sup>2</sup>

Broad market valuations have increased as the market has rebounded, with the S&P 500 forward P/E ratio ending the month at 20.9x. That P/E level is lower than recent peaks but remains higher than the 5 and 10-year historical average. As the chart below highlights, the rise in the S&P 500 has followed the rise in earnings (and expected earnings) closely.



While markets have rebounded, there remains plenty of reasons for caution. As we write this, shots have again been fired in the Persian Gulf, threatening the tepid ceasefire. The main negative consequence from the war, so far, is a surge in global energy prices since the war started at the end of February. The U.S. benchmark for oil, West Texas Intermediate (or WTI) has doubled in price from a recent low in December of \$55/barrel to a current level closer to \$105. The rest of the world focuses more on the price of Brent crude, which also has roughly doubled from \$58 in December to \$115 currently. The increase in the price is being felt by consumers through the price of gasoline at the pump. According to AAA, the average price at the pump currently sits at \$4.45, up from sub \$3/gallon in December.

Much of the impact of the spike in energy will come with lagged effect. The various March inflation readings all jumped, primarily due to the spike in energy prices. March CPI jumped to 3.3% from February's 2.8%, and forecasts suggest April and May could jump to 3.5 and 3.7%.<sup>3</sup> If the energy price

hike persists, it eventually could lead to stagflationary conditions where inflation runs hotter than expected while at the same time growth is pressured as consumers and businesses cut spending.

As there doesn't appear to be any near-term resolution to the conflict, the weeks (and months?) ahead will present continually shifting balance between equity fundamentals and geopolitical uncertainty which can threaten those fundamentals. This presents significant uncertainty and potential for volatility.

During periods of uncertainty, it may be beneficial to consider that the higher return that equities have provided over history has accrued to investors who have been willing to bear the uncertainty of future returns. For those who prefer guaranteed returns with no uncertainty, T-bill and bank CDs have provided steady single-digit returns which have failed to outpace inflation. Timing through the uncertainty has been a fool's errand failed by even the most sophisticated investors.

In short, we continue to advise clients to maintain diversified exposures which include higher risk/higher uncertainty investments which have higher expected returns over time. Staying the course through the ups and downs have helped investors earn higher returns than those available in "safe" cash alternatives.

Of course, if the recent news and market reaction has you concerned, please reach out to your financial advisor.

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<sup>1</sup> FactSet Earnings Insight, May 1, 2026.

<sup>2</sup> Ibid

<sup>3</sup> Federal Reserve Bank of Cleveland Inflation Nowcast on 5/4/26