



The Etergino Group

Connecting Wealth with Purpose

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The Markets

The stock market rally continued.

April ended with the Standard & Poor's 500 (S&P 500) and Nasdaq Composite Indexes at record-high levels, having delivered their best monthly returns since 2020, reported Connor Smith of Barron's. In April, investors:

- **Leaned into optimism**, remaining hopeful for progress in the Middle East. Paul R. LaMonica of Barron's reported, "Markets are looking beyond the Iran war to a year of healthy profits and stock gains. Investors in our latest Big Money poll share that sentiment. Despite the Middle East conflict and other hurdles facing the economy, more than 54 [percent] of Big Money participants said they had a bullish outlook for the next 12 months, up from 47 [percent] in our survey in October."
- **Embraced "pick-and-shovel" companies**. During the gold rush, some of the most profitable businesses provided the tools gold miners needed. Today, pick-and-shovel companies provide semiconductor chips and other datacenter necessities. So, while concerns persist about the enormous amounts being spent on artificial intelligence, investors have enthusiastically embraced the beneficiaries of that spending, reported Smith.
- **Focused on corporate earnings**. Strong overall corporate earnings also drove stock prices higher. At the end of last week, 63 percent of S&P 500 companies had reported first quarter earnings. The blended net profit margin for the Index was 14.7 percent. If profits remain at this level, it will be the highest net profit margin reported since FactSet began tracking it in 2009, reported John Butters of FactSet.

Last week, major U.S. stock markets finished the week higher. Yields on many maturities of U.S. Treasuries moved higher over the week, as well.

Data as of 5/1/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	0.9%	5.6%	29.0%	20.2%	11.5%	13.3%
Dow Jones Global ex-U.S. Index	0.5	8.2	30.2	14.6	5.4	6.5
10-year Treasury Note (yield only)	4.4	N/A	4.2	3.6	1.6	1.9
S&P GSCI Gold Index	-2.0	7.0	44.1	32.6	21.0	13.6
Bloomberg Commodity Index	3.0	27.8	39.1	10.6	9.0	5.2

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE BOND MARKET WAS LESS OPTIMISTIC THAN THE STOCK MARKET. While stock markets rallied to new highs last week, the bond market moved in the other direction. In the United States, yields on Treasuries rose while prices fell. Jared Blikre of Yahoo! Finance reported:

“The U.S. 30-year Treasury yield...is back near the danger zone that has sent stocks tumbling before. That zone is roughly 5 [percent]...But this is not just a U.S. story. Global bonds have been under pressure, with yields rising across major markets as investors reassess inflation, central bank policy, and government debt supply.”

In the United States, inflation, central bank policy, and government spending were top of mind last week.

Inflation moved in the wrong direction, rising to a two-year high. In March, Americans spent significantly more on gasoline and energy, health care, cars and parts, and insurance. The personal consumption expenditures price (PCE) index, which is one of the Federal Reserve’s preferred measures of inflation, showed:

- Headline inflation rose to 3.5 percent annualized in March (from 2.8 percent annualized in February).
- Core inflation, which excludes volatile food and energy prices, rose to 3.2 percent annualized in March (from 3.0 percent annualized in February).

The Fed left rates unchanged. The Federal Open Market Committee (FOMC), which is the Federal Reserve’s (Fed’s) rate-setting body, kept the range for the federal funds rate at 3.5 percent to 3.75 percent. The accompanying statement confirmed that:

- Economic growth is steady,
- Employment gains have remained low, on average,
- Inflation remains above the Fed’s 2 percent target, and
- Conflict in the Middle East has created a high level of economic uncertainty.

There was dissent among committee members. “Four officials voted against the decision, including three who objected to language in their post-meeting statement that suggested the central bank would eventually resume cutting rates,” reported Catarina Saraiva of Bloomberg. The possibility of a rate hike surprised markets, and yields on shorter-term Treasuries increased.

Government spending lifted economic growth. Usually, consumer spending is the primary driver of economic growth in the United States. Last quarter, consumer spending cooled and economic growth was driven by business investment and government spending.

While improving economic growth is wonderful, higher government spending is less so. Last week, Fitch Ratings warned that the U.S. deficit and debt are far larger than those of other countries with an AA rating. Fitch reported, “The fiscal position [of the United States] will deteriorate in 2026 due to tax cuts in the One Big Beautiful Bill Act (OBBBA), although tariff revenues will offset half the OBBBA’s fiscal impact.”

Taken together, last week's data painted a complex picture for investors. Rising stock markets, higher inflation, a divided Fed, and a cautious bond market serve as important reminders to stay diversified and maintain a long-term perspective in uncertain times.

WEEKLY FOCUS – THINK ABOUT IT

“He that can have patience can have what he will.”
— *Benjamin Franklin, Poor Richard's Almanack*

Best regards,

A handwritten signature in cursive script that reads "Ann Marie Etergino".

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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor’s 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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