

# Market commentary notes

Monthly call notes  
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Wealth  
Management

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## Summary

1. The most important, and unexpected, news of the month has to do with S&P 500 earnings. Based on the two-thirds of companies that have reported so far, it looks like earnings are up about 27% year over year (YoY). Much of that is due to IT and communications services companies. Prior expectations were for earnings to be up 11% to 13%, so this is a huge change. It reinforces the idea that the current equity market levels are decently supported. However, it also seems to be the case that consumer demand is split, with upper-income families spending and lower-income families trying to cope.
2. The war in Iran continues, and with it, oil prices are up, and there are shortages of some mineral and fertilizer exports. In total, we estimate the costs to U.S. consumers to be on the order of \$1 billion per day and rising.
3. The latest PCE price index inflation measures came in at +3.5% YoY, with core inflation (stripping out food and energy) at about 3.2%. This is not the sort of environment where one would expect the Fed to relax rates.
4. Stocks in the U.S. and in major markets around the world recovered in April. That may be due to optimism regarding the end of the war in Iran, the better-than-expected earnings results or unexplained "animal spirits."

## Key issues summary

**Jobs — Better than expected in April.** The April employment situation report estimated 115,000 new jobs. That is more than twice the consensus prediction although it is still well short of the average monthly jobs' creation prior to 2025. Job gains were in healthcare, transportation and warehousing. The February jobs number was revised down by 23,000 to -156,000 and the March number was revised up by 7,000 to 185,000. For the March 2025 to March 2026 year, new nonfarm jobs totaled 260,000, or an average of about 22,000 per month. Manufacturing employment fell by 75,000 over that period, to a total of 12.59 million. [<https://www.bls.gov/news.release/pdf/empsit.pdf>, May 8, 2026].

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**Inflation — Heating up a little.** The Personal Consumption Expenditures price index—the Fed’s favorite inflation gauge—was up 3.5% in April compared to a year ago. The core rate, excluding volatile food and energy, was up 3.2%. [<https://www.jec.senate.gov/public/index.cfm/republicans/inflation-update>, May 2, 2026]. [<https://www.bea.gov/data/personal-consumption-expenditures-price-index>, May 2, 2026].

Looking a little deeper at energy costs, at about \$100/bbl, the rise in costs since the start of the war in Iran comes out to about \$1 billion per day for U.S. consumers. That’s not including changes in the costs of imports, which are hard to compute but probably add another \$100 million per day to costs. In total, that amounts to about a 1.5% cost burden on top of the direct costs of fighting the war itself. By the way, if you want a quick way to convert oil barrel prices into gasoline prices at the pump, take the WTI per-barrel cost, double it and divide by 45. So, \$100 in oil per barrel translates roughly to \$4.44 in gas per gallon.

**GDP growth** — The 1Q 2026 advance estimate for real GDP growth came in at +2.0%. That corresponds to about \$400 per person on average. The 4Q 2025 final estimate came in at +0.5% or about \$100 per person. In 1Q 2026, the major drivers of GDP growth were a 1% increase in consumer spending, a 1.3% rise in exports and a 2.5% decline in imports. Imports are a negative in GDP calculations, so the decline boosts the number for GDP, although falling international trade isn’t great for the U.S. economy. [<https://www.bea.gov/news/2026/gdp-advance-estimate-1st-quarter-2026>, May 2, 2026].

**The Fed** — There’s lots of news this month concerning the Fed. Perhaps the least important piece of it is that the Fed didn’t change interest rates last week. Normally, that would be the headline, but this time other things took priority. First, the U.S. Attorney for Washington, D.C., Jeanine Pirro, announced that the investigation of Chairman Powell concerning building costs was terminated and turned over to the Fed’s inspector general. Although there has been some ambiguity concerning that issue, it was enough for Senator Tom Tillis to end his blockade of the nomination of Kevin Warsh to the Fed. However, Powell also indicated that he probably won’t leave the Fed when his chairmanship ends. His term as governor runs for another two years. At the same time, while the Fed decided not to change rates, there were four dissents out of 13 voters. One Trump appointee, Miran, wanted to lower rates, and three objected to the statement that suggested a future easing bias. The Fed’s target inflation rate is still “around” 2%, and its inflation gauge is running at 3.2% or higher currently. The last time there were four dissents was in 1992. It suggests to me that

if Warsh pushes for rate cuts, it is possible that he would get a mutiny on the Fed board, something that has never happened. [<https://www.federalreserve.gov/newsevents/pressreleases/monetary20260429a.htm>, May 2, 2026].

In terms of the Fed’s assessment of the economy, the most recent Beige Book concludes that eight of the 12 districts experienced “slight to modest gains” in the last two months. Two reported no changes, while two reported slight-to-modest declines in economic activity. Consumer spending was up slightly, but so were signs of strain, including greater demand at food banks and greater demand for social services assistance. Upper-income spending remained good, underlining the bifurcated nature of consumer spending. Labor demand was reported to be stable, with no indications that AI had an impact on labor demand. [[https://www.federalreserve.gov/monetarypolicy/files/BeigeBook\\_20260415.pdf](https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20260415.pdf), May 2, 2026].

**Earnings update** — According to FactSet’s latest report, with 63% of the S&P 500 companies reporting, it looks like earnings are headed to be up 27% from a year ago. That phenomenal growth rate is due in large part to profit increases by the Mag7, but we’ve also had significant revenue increases—up 11%—as well as margin increases across the board, despite all the headwinds. Earnings among communications and IT companies were up 50% or more. Earnings among consumer discretionary and materials companies were also up 35% or more. Financials saw earnings up 21%, and industrials were up 19%. It is a very good example of why you can’t simply translate political or economic uncertainty into company or stock market challenges. [<https://insight.factset.com/sp-500-earnings-season-update-may-1-2026>, May 1, 2026].

**Tariffs** — There’s not much new news on the tariff front. [<https://www.tradecomplianceresourcehub.com/2026/02/24/trump-2-0-tariff-tracker/>, May 2, 2026].

**April — A snapback on optimism.** We have some significant disconnects in our economy and in information. That makes it challenging to figure out what is driving different markets. For instance, we received a report that inflation was heating up. Yet bond yields were down slightly (prices were up). The war continues, and oil prices remain high, yet the S&P rallied 10.5%. Small-cap and mid-cap stocks also rose similarly, as did international stocks. Indeed, the S&P was the poorest performer of the major stock indexes on a YTD basis, coming in at +5.7% versus +10.6% for small-cap stocks and +8.9% for international stocks. Gold was down 1.4% for the month, although it remains up YTD.

## Global stock indexes

Total Index	April%	YTD %	1 yr. %	Estimated PE Trailing/Projected
S&P 500	10.49	5.70	31.05	28.45/19.43
S&P Mid Cap	7.86	10.56	29.49	26.19/15.85
S&P Small Cap	10.41	14.29	38.86	55.55/14.32
FTSE All REIT	9.04	13.15	14.89	
MSCI All Country xUS	9.65	8.88	32.20	
MSCI Emerg Mkt	14.71	14.52	46.68	

Source: Morningstar as of April 30, 2026. Estimated PEs are 12-month values from <https://www.spglobal.com/spdji/en/index-family/equity/us-equity/#overview>. Trailing PEs are as of December 31, 2025. Projected PEs are as of March 31, 2026. Figures are provided for comparisons over time.

## Fixed income and alternatives

Total Return Index	April %	YTD %	1 yr %
Bloom Agg Intermed	0.17	0.28	4.25
ICE BofA U.S. Convertibles	10.83	16.08	38.24
S&P GSCI	6.42	49.01	66.19
Bloom U.S. Corp HY	1.69	1.19	8.84

Source: Morningstar as of April 30, 2026.

**Sector performance** — In April, the three best-performing sectors were IT, communications and consumer discretionary. The worst three in April were utilities, health care and energy—two of which were the best performers in March. YTD energy, industrials and materials led the pack, while consumer discretionary, financials and health care brought up the rear. On a 12-month basis, IT, communications and energy topped the ranking and were all within 6% of one another. [<https://www.spglobal.com/spdji/en/documents/performance-reports/dashboard-us.pdf>, May 2, 2026]. [<https://digital.fidelity.com/prgw/digital/research/sector>, May 2, 2026].

## Commodities

### Commodity and food price changes, current month and YoY

Commodity	April %	YoY %
Copper	6.63	3.90
Lumber	-3.94	4.37
Cotton	18.71	23.80
Sugar	-0.33	-12.48
Coffee	-3.05	-26.60
Wheat	4.39	18.61
Corn	3.54	1.52
Oil	-8.61	74.88
Natural Gas	-0.71	-23.42

Source: <https://tradingeconomics.com/commodities>, May 1, 2026.

In April, four of our nine major commodities experienced price declines. That’s pretty typical. On a 12-month basis, three experienced price declines—two less than last month and three less than the month before. Apart from oil and gas, the average annual increase in commodity prices was about +2.0%, which tracks with what we’re seeing in general for pricing.

Looking more broadly at commodities, when we look at 22 categories of agricultural commodities and 26 categories of industrial commodities, 27 of the 48 saw price increases in April, which is roughly typical. On the other hand, 38 out of the 48 saw YoY inflation, which is a high over the period we’ve been monitoring. By comparison, in December, the count was 20. That suggests some significant upward pressure on prices.

## U.S. Economy

**U.S. PMI statistics** — The U.S. manufacturing Purchasing Managers’ Index (PMI) rose to 54.5. That’s its best reading in over three years. The services PMI, most of our economy, also rose a little to 51.3. Between the two, it looks like U.S. production is growing modestly to moderately despite the obvious headwinds, especially in energy prices. [<https://tradingeconomics.com/country-list/services-pmi>, May 2, 2026]. [<https://tradingeconomics.com/country-list/manufacturing-pmi>, May 2, 2026].

## International

**Manufacturing PMI** — Every month, we look at global PMI statistics for 36 countries. In April, 27 of them reported PMIs of 50 or more. That’s up from 26 last month and 23 the month before. The average reading of 52.6 is also up, indicating that the global economy is doing okay, not showing signs of recession at this point. China is up at 52.2, as is the European area. Germany, France and Italy are all in the positive column now.

On the services side, the European area dipped further to 47.9. China was about the same at 52.1. [<https://tradingeconomics.com/country-list/services-pmi>, May 2, 2026].

### Here’s our updated graph of Manufacturing PMIs



Source: Author’s calculations based on published PMI statistics as of May 2, 2026.

### Table summary

Region	Manu PMI	Last Month	12 mo. Ago
U.S.	54.5	52.3	50.2
19 majors	51.8	50.8	48.8
38 world	52.6	51.3	49.5
EU	52.2	51.6	49
China	52.2	50.8	50.4

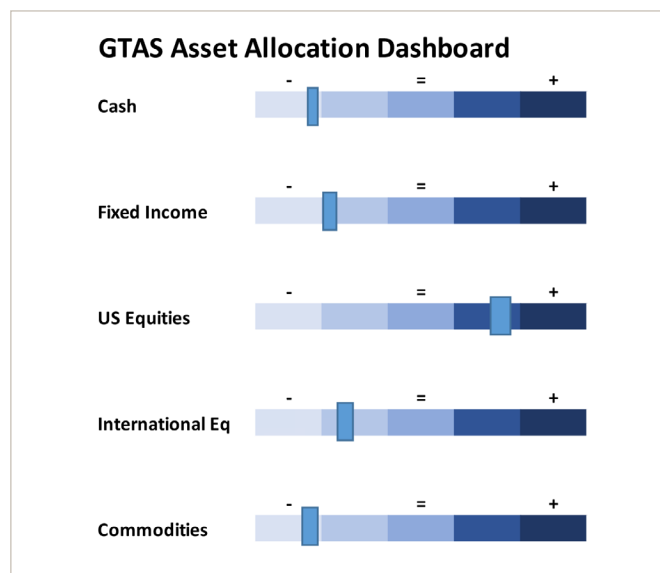
Source: Author's calculations based on published PMI statistics as of May 2, 2026.

### Investment strategy:

- 1. Gold** — Gold continues to hold, given the global uncertainties. Gold prices declined 1.4% in April.
- 2. Bonds** — Where it makes sense from a tax standpoint, munis in the five- to 12-year maturities seem to be priced well.
- 3. Equities** — Given the earnings growth in the U.S., sticking to equities—and especially U.S. equities—seems to make sense. We remain overweight in aerospace and defense, as well as in IT. Keep small-cap and mid-cap exposures.

In general, our strategy is to look past the current uncertainties and invest with an eye to a year or more out.

### GTAS allocation chart



(+/-) represents our group's views over a 6 to 18 month time horizon concerning tilts relative to our strategic positions.  
 + implies an overweight in that asset class.  
 = implies a weighting similar to our strategic weight.  
 - implies an underweight.

## Index definitions:

Past performance is no guarantee of future results. You cannot invest directly in an index.

**Bar Agg Intermed** — Bloomberg Barclays U.S. Aggregate Intermediate Total Return index is composed of the BarCap Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index. The returns for the index are total returns, which includes the daily reinvestment of dividends.

**Bar U.S. Corp HY** — Bloomberg Barclays U.S. Corporate High-Yield Total Return index includes all fixed income securities having a maximum quality rating from Moody's Investor Service of Ba1, a minimum amount outstanding of \$100 million and at least one year to maturity.

**FTSE All REIT** — FTSE Nareit All Equity REITs Total Return index is an index of publicly traded Real Estate Investment Trusts (REITs) that own commercial property. All tax-qualified REITs with common shares traded on the NYSE, AMSE or NASDAQ National Market List are eligible. Additionally, each company must be valued at more than \$100MM USD at the date of the annual review.

**ICE BofA U.S. Convertibles** — ICE BofA U.S. Convertible Bonds Total Return index tracks the returns of US-traded convertible debt issued by companies with a significant presence in the United States. The index is composed of various combinations of convertible structure and credit quality, e.g. it includes investment-grade, speculative-grade, and non-rated issues. The returns for the index are total returns, which include reinvestment of dividends.

**MSCI All Country xUS** — MSCI All Country World Index Ex USA NR is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. The index consists of 48 developed and emerging market country indices. The returns for the index are total returns, which include reinvestment of dividends.

**MSCI Emerg Mkt** — MSCI Emerging Markets NR index consists of 26 developing economies including Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

**S&P 500** — S&P 500 Total Return index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the U.S.; it's often used as a proxy for the U.S. stock market. Total Return (TR) indexes include daily reinvestment of dividends.

**S&P GSCI** — S&P GSCI Total Return index is a composite index of the commodity futures. It represents unleveraged, long only investments in commodity futures that are broadly diversified.

**S&P Mid Cap** — S&P MidCap 400 Total Return index is comprised of stocks in the middle-capitalization range and includes approximately 10% of the capitalization of U.S. equity securities. Total Return (TR) indexes include daily reinvestment of dividends.

**S&P Small Cap** — S&P SmallCap 600 Total Return index consists of 600 domestic stocks chosen for market size, liquidity and industry group representation. Total Return (TR) indexes include daily reinvestment of dividends.



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