D|A|DAVIDSON
WEALTH MANAGEMENT

Market & Economic Outlook April 2026 – Playing It Strait

Major Equity Indices	Value (4/8/26)	Total Return* 1Q26	Total Return* 12/31/25 - 4/8/26	All-Time High	% from High
U.S. Large-Company Indices					
S&P 500	6,783	-4.3%	-0.6%	6,979	2.8%
Dow Jones Industrial Average	47,910	-3.2%	0.1%	50,188	4.5%
S&P 500 Equal-Weighted	8,024	0.7%	3.9%	8,291	3.2%
Russell 1000 Value	1,349	2.1%	6.0%	1,368	1.4%
NASDAQ Composite	22,635	-7.0%	-2.5%	23,958	5.5%
International Equity Indices					
MSCI EAFE (USD)	3,042	-1.1%	6.1%	3,180	4.3%
MSCI Emerging Markets (USD)	1,540	-0.1%	10.2%	1,619	4.9%

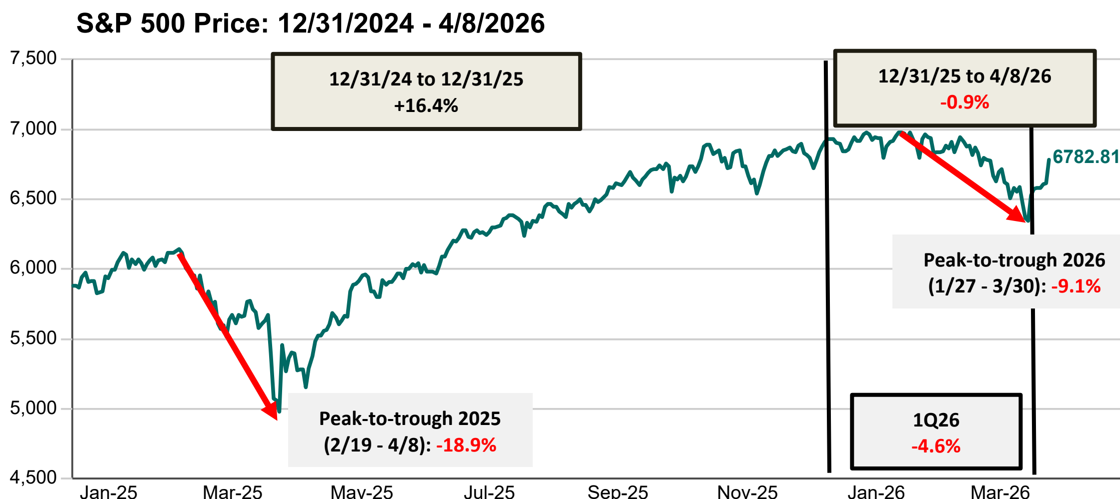
Data Source: FactSet, as of 4/8/26. 1Q26 is the first quarter, 12/31/25 – 3/31/26. Markets gained to begin April, so we updated the year-to-date returns through 4/8/26. Total return includes the impact of reinvested dividends.

Outlook Summary:

The U.S.-Iran war has weighed on financial markets in early 2026, and despite an equity rally following an initial ceasefire agreement, the environment is one of increased volatility, high uncertainty, and fresh economic headwinds. However, we believe that expectations for solid 2026 earnings and economic growth are intact and U.S. equities moving higher from late March levels is our base case. Our S&P 500 equity index fair value is 7,100, which is unchanged from our January 2026 outlook. The onset of the Iran war at the beginning of March pushed equities lower and interest rates higher as oil and gas prices surged and supply chain concerns threatened global trade. The oil price shock replaced early 2026 investor worries that included artificial intelligence (AI) disruption, slowing jobs growth, and a rotation of equity market sector leadership. Despite negative sentiment and a clear possibility of escalation, equities rallied from lows on the last day of March into April, paring some of the March declines. The latest recovery began after the Trump Administration reiterated its "four to six weeks" timeline to wind down military operations, then surged again when the U.S. and Iran agreed to a two-week ceasefire on the evening of 4/7/26. There remains much work to be done to establish a lasting peace that allows oil and gas markets to stabilize and for economic slowdown risks to fade. While we believe the 40-day war has restricted U.S. economic growth at least in the first half of 2026, investors will likely look beyond the near-term impact and focus on potential improvement as the year progresses. If the war extends through April, May, and beyond, however, the economic damage will expand and would likely negatively impact our outlook for earnings and economic growth, as well as equity gains. Even in the base case of a positive war outcome, however, investors should scale back equity market return expectations. Our 7,100 S&P 500 fair value estimate, while +8.7% above the 3/31/26 closing price, would reflect a calendar-year price return (from 12/31/25 to 12/31/26) of +3.7% (and a total return of +5.0% including dividends).

The war has disrupted oil markets due to Iran's ability to restrict tanker traffic through the Strait of Hormuz. The Strait is a critical shipping lane for goods and commodities moving in and out of the Persian Gulf. The International Energy Agency (IEA) estimates that 20% of global oil production and 20% of global exports of liquified natural gas (LNG) pass through the Strait. The blockage limits global oil supply and oil prices in all markets shot higher, including in the U.S. where benchmark West Texas Intermediate (WTI) crude oil traded as high as $119 per barrel (on 3/6/26), up +78% from $67 per barrel on 2/28/26. We are watching oil prices and the reopening of the Strait of Hormuz as indicators of lasting peace and normalization. As of 4/10/26, the Strait traffic remained restricted and WTI was $96 per barrel, indicating ongoing uncertainty. We have updated our outlook summary below.

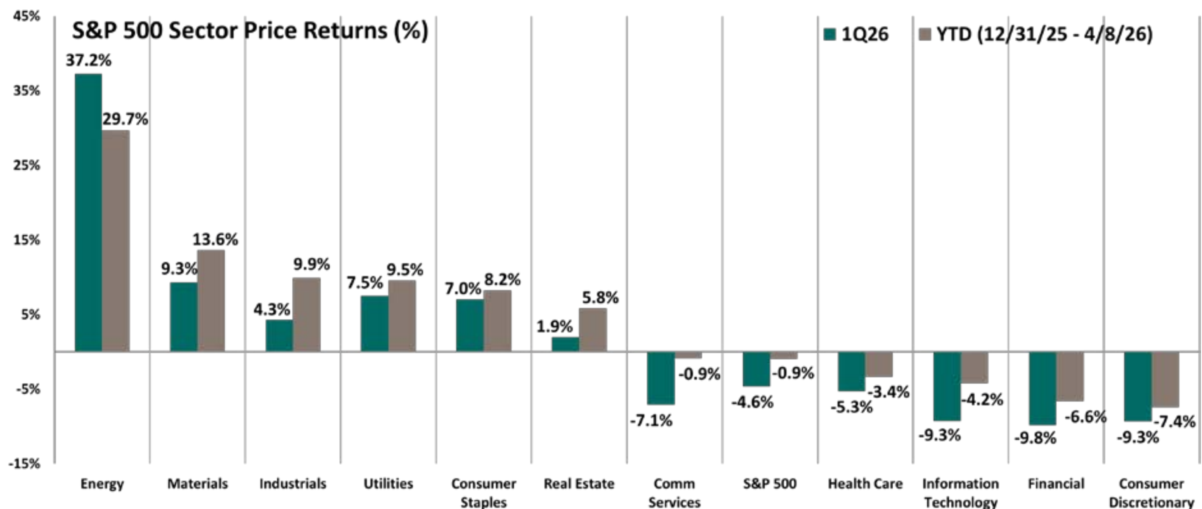
1. Our S&P 500 fair value estimate is 7,100, and we see a potential trading range of 6,000 to 7,500.
2. Sector diversification helps manage risk, but technology stocks drive above-trend earnings growth.
3. Rising oil prices create near-term challenges for consumers and businesses.
4. Inflation will increase, but interest rates could be lower by year-end.



Data Source: FactSet, as of 4/8/26. S&P 500 daily closing prices, 12/31/24 to 4/8/26

First Quarter (and early April) review. The S&P 500 decreased -4.3% (total return including dividends) and -4.6% on a price return basis (excludes dividends). After starting the year with a January gain of +1.4%, both February and March were lower, with a monthly decrease of -0.9% and -5.1%, respectively. In January and February, investors wrestled with a rotation away from technology-centric growth stocks and into other sectors that had lagged in previous periods. The S&P 500 Technology sector decreased nearly -6% in January and February, and as the index's largest sector weighting by market capitalization, it held back the two-month return of the overall S&P 500 index to just +0.5%. But five sectors posted double-digit percentage gains to start the year (January and February) with Energy leading, followed by Materials, Consumer Staples, Industrials, and Utilities. Technology concerns focused on valuation (high price-to-earnings ratios), fears of an inevitable peak in the data center and semiconductor capital investment cycle, and worries that artificial intelligence (AI) programs that operate as assistants and workflow bots are increasingly able to disrupt the technology workforce with serious implications for software companies, other information service providers . While the Technology sector retrenchment limited overall portfolio performance for many investors, the broadening of sector leadership was a positive trend, in our view, as it reflected improved performance from the "average" stock.

But the onset of the war in March dented the sector rotation as 10 of 11 S&P 500 macro sectors (as defined by MSCI's Global Index Classification Standards, or GICS sectors) moved lower in March. The S&P 500 closed at an all-time high closing price of 6,979 on 1/27/26, and its lowest close this year was 6,344 on 3/30/26, a peak-to-trough decline of -9.1%. The rally on the last day of March helped the final quarterly number, and although the index itself declined -4.6% in the first quarter, 6 of the 11 sectors were solidly positive, including Energy +37.2%, Materials +9.3%, Utilities +7.5%, and Consumer Staples +7.0%. In early April, the gains continued with 10 of 11 sectors moving higher, while Energy pulled back.



Data Source: FactSet and MSCI, as of 3/31/26 and 4/8/26. 1Q26 is 12/31/25–3/31/26. Sectors are Global Industry Classification Standards, GICS.

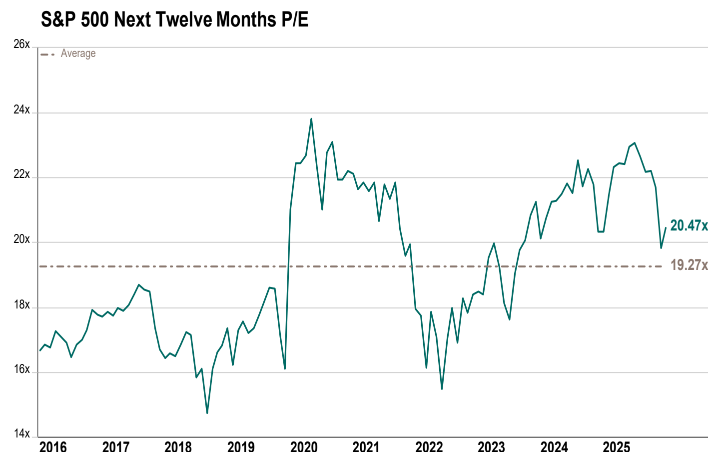
Our 2026 Market and Economic Outlook (January) was a comprehensive discussion of our expectations for the year, summarized in five bullet points. The fifth bullet point, "Expect volatility as it is a mid-term election year, and global uncertainty persists," was an acknowledgement of policy uncertainty that has been a characteristic of the Trump Administration. While many of the policies can be debated for positive or negative impacts on consumer spending, business investment, and corporate performance, two big policy actions have led to increased financial market volatility. The broad tariff policy in 2025 and the Iran war in 2026 both led investors to consider a wide range of potential outcomes. The 2025 peak-to-trough equity market decline was severe but reversed relatively quickly when investors saw that tariffs would be balanced by trade deals and investment commitments. This year, after oil prices quickly spiked above $100 per barrel, investor sentiment turned highly negative. That the S&P 500 pullback held at -9.1% (at least so far, and less than last year), in our opinion, was due to optimism for peace, and a view that the Trump Administration has strong motivation to avoid a recession. Investors now expect policy pivots from this president, and we believe this has contributed to resilient markets this year through early April. Interestingly, investor uncertainty is not uncommon in mid-term election years, which usually includes a correction at some point prior to the election. Perhaps we have already had our 2026 mid-term year correction, but we caution that there remains substantial work to achieve lasting peace and stability in the Strait of Hormuz and oil markets.

As we mentioned above, while the S&P 500 index decreased in 1Q26, 6 of 11 GICS sectors were higher, reflecting solid contribution from the "average" stock. This was represented by the Equal-Weighted S&P 500 (EWSP), which gives all 500+ S&P 500 constituents an equal weight. The EWSP increased +0.7% (total return) in 1Q26. In addition, value stocks outperformed growth stocks as the Russell 1000 Value Index posted a total return gain of +2.1%, while the Nasdaq Composite was -7.0% lower. The return dispersion is explained by sector weightings as the best performing sectors above – Energy, Materials, Utilities, and Staples – by market capitalization, comprised 24% (as of 3/31) of the Russell 1000 Value Index, and just 4% of the Nasdaq Composite. In addition, the Technology sector represented 12.5% of the Russell 1000 Value vs. 60% of the Nasdaq Composite. Two widely followed international equity indices, MSCI EAFE (developed markets) and MSCI Emerging Markets, were lower in 1Q26, but surged dramatically in early April following the ceasefire announcement. We quote those indices in U.S. dollar terms, which detracts from performance when the U.S. dollar strengthens, as was the case in the first quarter, especially following the start of the war.

Going into 2026, we looked for lower U.S. interest rates, especially for short-term Treasury yields as the Federal Reserve Bank (Fed) appeared poised to lower its overnight federal funds (fed funds) targets to address potential labor market softness. However, inflation has not cooperated and the Fed held two monetary policy meetings in 1Q26 (January and March), holding its fed funds target range unchanged at 3.50% to 3.75% both times. While the Fed paused, the 2-year Treasury yield, which is market traded, was 3.79% on 3/31/26, up from 3.48% at year-end (12/31/25), and the 10-year Treasury yield moved to 4.32% from 4.17%. Given surging gasoline prices and Middle East uncertainty, the rise in interest rates appears modest but even modestly higher rates can limit economic growth and add to the federal debt interest expense.

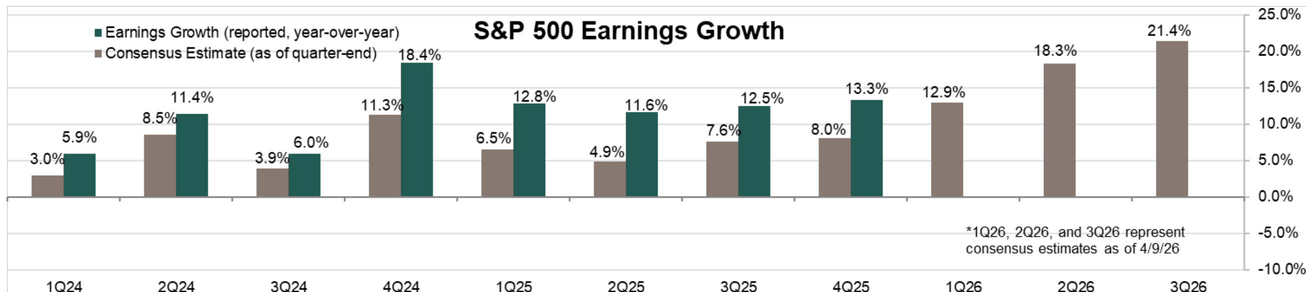
Our S&P 500 fair value estimate is 7,100, and we see a potential trading range of 6,000 to 7,500. Our fair value estimate and range are unchanged from our January 2026 outlook, despite near-term headwinds to economic growth due to higher oil prices. Our view is contingent on positive war developments, especially with respect to reopening the Strait of Hormuz and a normalizing oil market. Corporate earnings growth surged in 2025 as S&P 500 full-year 2025 earnings growth was +13%, the best year since 2021. Companies delivered solid results despite tariff headwinds and trade disruptions, emerging weakness from low-income consumers, and a six-week government shutdown in the fourth quarter. Positive conditions included surging technology capital and data center investment, resilient consumer spending in the middle of the year (2Q25 and 3Q25), and favorable tax treatment for capital investment from the 2025 budget bill. Earnings estimates for 2026 are bolstered by the same factors: technology and data center investment, as well as expected solid consumer spending as high-income groups continue to spend, and higher tax refunds from the 2025 budget bill will go to low-income groups. The war creates near-term challenges as high gasoline prices affect monthly budgets, and prices for many other goods, especially travel and food, could rise as well. Wall Street analysts remain optimistic, however, and the FactSet consensus estimate for 2026 S&P 500 earnings growth has increased, both since year-end and the end of February. The 2026 earnings growth rate is now +18.2%, compared to +15.2% at the end of December. That estimate appears aggressive to us as the 1Q26 earnings growth estimate is +12.9%, so 2Q26 through 4Q26 must reflect even higher growth rates to meet the full-year number.

Our 7,100 fair value estimate represents a price-to-earnings, or P/E, ratio of 21.1x the next twelve months (includes 1Q27) FactSet consensus earnings estimate of $336 (and 22.3x the calendar-year 2026 estimate of $319). The 21.1x P/E at the fair value is a 9% premium to the 10-year average P/E of 19.3x. The forward P/E has moved lower in 2026 primarily because earnings estimates have increased, and secondly due to the modestly lower index price. We believe it is prudent to expect P/E multiples to moderate over time and that earnings growth is increasingly important to sustain market gains. Since earnings growth estimates are already at high levels, overall risk levels are also elevated, in our view. Our upside range of 7,500 looks ahead a year and reflects a P/E of 20x the 2027 consensus EPS estimate of $370. If earnings results in the first half of 2026 meet or exceed estimates, we believe that investors will begin to look at 2027 forecasts. Our S&P 500 downside range of 6,000 is about 8% below the 3/31/26 level and would likely come into play if the Strait of Hormuz remains closed and oil prices move increasingly higher. This would likely cause earnings results to miss estimates.



Data Source: The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM) as compiled by FactSet. The gray dotted line is the average P/E from 3/31/16 to 4/8/26. The U.S. 10-year Treasury bond yield is a widely followed barometer of the current U.S. interest rate environment for long-term interest rates. Shows closing yields, 3/31/21 to 4/9/26.

Sector diversification helps manage risk, but technology stocks are driving above-trend earnings growth. Equity market performance in the first quarter provided a reminder of why we have advocated for broad sector diversification in recent quarters. While the S&P 500 moved lower due to weak performance from the Technology sector and growth stocks, value stocks posted a quarterly gain, led by huge gains for the Energy sector and other sectors that lagged in 2025 (Consumer Staples and Materials). The Russell 1000 Value Index has outperformed the S&P 500 for three of the past five quarters. While not yet a convincing trend, we continue to argue for a broadening of sector participation.



Data Source: FactSet, as of 4/9/26. Consensus S&P 500 EPS estimates (Wall Street analysts) in gray. Percentage change from same quarter the prior year. Past quarters were the estimate at the end of the reporting quarter. Green bars are the actual reported Y/Y growth in earnings, 1Q24 to 4Q25.

We expect sector performance to be linked to earnings growth and the aggressive growth estimates in the quarters ahead (consensus earnings growth estimates for 1Q26, 2Q26, and 3Q26 were +12.9%, +18.3%, and +21.4%, respectively) will require solid contribution across multiple sectors. For each of the past eight quarters, Y/Y quarterly reported earnings growth exceeded the pre-report consensus estimates and in 2025

the actual earnings beat the estimates by an average of 600 basis points on a quarterly basis, including 4Q25 when S&P 500 earnings increased +13.3% Y/Y compared to the +8.0% consensus estimate. In 4Q25, all 11 S&P 500 GICS sectors reported Y/Y earnings growth and thus contributed positively to overall index growth gains. Ten of the eleven posted actual earnings results above the pre-report estimates, and in our view, solidified the fourth quarter as the strongest earnings quarter of 2025. This contributed to an increase in 2026 earnings estimates, and optimism regarding corporate performance in the early part of the year. Although earnings growth participation broadened in 2025 from 1Q25 to 4Q25, the Technology sector led the earnings growth story on multiple levels. Technology was the only sector to rank in the top three sectors for quarterly earnings growth in all four quarters, and Y/Y growth accelerated throughout the year from +15.0% Y/Y growth in 1Q25 to +34% Y/Y growth in 4Q25. With Technology representing the largest sector weighting (by market capitalization) in the S&P 500 (32.9% as of 3/31/26, with the second largest weighting being Financials at 12.6%), its earnings prospects will continue to dominate the overall earnings performance for the index. We estimate that the Technology sector contributed about 46% of all S&P 500 earnings growth in 2025 (significantly above its index weighting) and was largely responsible for the consistent upside surprises in quarterly earnings for the index last year. In 2025, the S&P Technology sector increased +23.3% (beating the overall S&P 500 gain of +16.4%). Despite the sector's accelerating earnings growth to end the year, Technology stocks have underperformed since late October. In fact, from 10/31/25 to 4/9/26, the S&P 500 price return was basically flat (down -0.2%), while the Technology sector decreased -8.3%. Much of the weakness was attributed to the Software Technology sector subgroup on fears of AI disruption, but from a macro perspective for the overall sector, earnings growth expectations have increased over the past several months. The Technology sector consensus earnings estimates for 1Q26 and 2Q26 are +44% and +49%, respectively. We hesitate to become overly negative on the sector in such a strong earnings environment.

S&P 500 Sectors P/E to Growth Rate (PEG)

4/9/2026	P/E 2026E	3 Year E ('26-'28) Earnings Growth	PEG '26 PE / 3 Year growth
Info Technology	23.2	24.2%	1.0
Energy	16.3	14.0%	1.2
Financials	15.1	10.8%	1.2
Materials	20.2	17.3%	1.3
Health Care	15.4	10.8%	1.4
S&P 500	21.4	15.1%	1.4
S&P 500 Equal Weight	16.8	12.2%	1.5
Communication Services	22.3	14.6%	1.6
Industrials	27.1	12.8%	2.0
Consumer Discretionary	29.1	14.1%	2.1
Utilities	19.7	10.0%	2.2
Real Estate	18.5	6.1%	3.0
Consumer Staples	24.3	7.1%	3.4

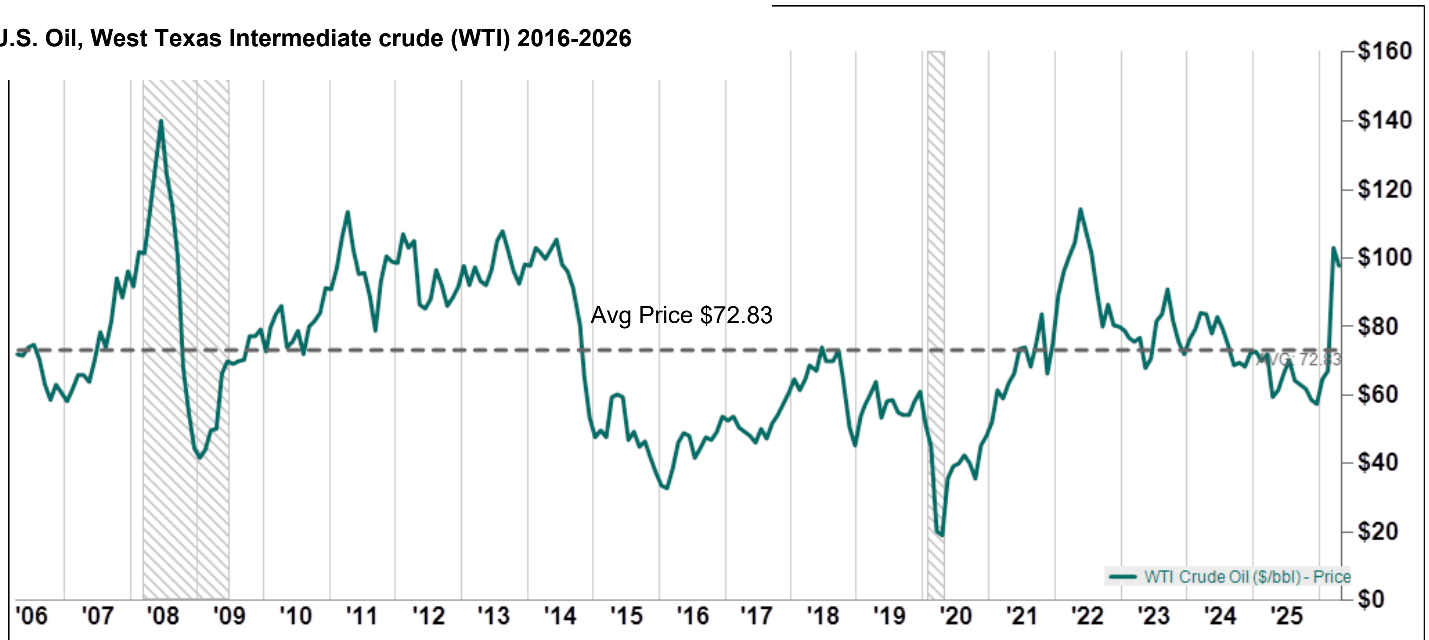
Data Source: FactSet, as of 4/9/26. Earnings growth for 2026 is the FactSet consensus estimate, and the 3-year (2026-2028) growth rate is the average (mean) over the period. The P/E uses the closing price of the sector or index on 4/9/26. The P/E-to-growth, or PEG, is a ratio of the 2026 P/E divided by the 3-year average earnings growth estimate.

We believe that stocks and sectors that generate and sustain higher Y/Y earnings growth than average will often trade at higher valuations, particularly if that strong earnings growth leads to strong cash flow growth as well. Earnings growth for the S&P 500 is estimated to average +15.1% annually for the 3-year period 2026 to 2028, and the P/E on the 2026 estimate was 21.4x as of 4/9/26. This puts the P/E-to-growth rate, or PEG ratio, at 1.4x. The PEG ratio allows investors to compare valuations of sectors with different expected growth rates. Four sectors trade at a lower PEG ratio than the index: Technology, Energy, Financials, and Materials. Another – Health Care – trades at the same 1.4x PEG. Technology now trades at a P/E of 23.2x 2026 estimates. Three other sectors trade at a higher P/E despite Technology having the highest 3-year annual average of estimated earnings growth at +24.2%. While investors may question the sector's ability to sustain such a high multi-year growth rate, we have seen that recent results have significantly exceeded expectations. Even if estimates are scaled back in 2026, we believe that the Technology sector appears undervalued.

Rising oil prices create near-term challenges for consumers and businesses. U.S. oil, as measured by West Texas Intermediate (WTI) crude, traded at $67 per barrel at the end of February and immediately surged on news of the Iran invasion. By 3/6/26, the price moved above $90 and $100/barrel and briefly touched $119 in intraday trading. Leading up to the ceasefire announced on 4/7/26, WTI was above $100 but as of 4/10 settled below that level. At $96 per barrel on 4/10/26, the price was up +43% in the six-week duration of the war. Using basic economics of gasoline refining, a rule of thumb is that every $10 increase in the price of oil per barrel will lead to a gasoline price increase of $0.25 per gallon. Given the March WTI/barrel increase of $33 (from $67 to $100, using a round number), we would expect a gasoline price increase of $0.75 to $0.80 per gallon. According to data from the Automobile Club, the actual price increase has exceeded that estimate as the U.S. national average price of unleaded on 3/30/26 was $4.15/gallon, up from $2.98 on 2/28/26, an increase of $1.17. While news of a ceasefire could be expected to lead to a larger decline in oil prices, as of 4/10/26, the Strait of Hormuz remained restricted, so it is not a surprise that oil markets remain cautious. To reiterate our outlook, it is critical for equity markets to see the Strait open and let oil and other commodities flow. If commodity supply constraints continue, headwinds to economic growth will build.

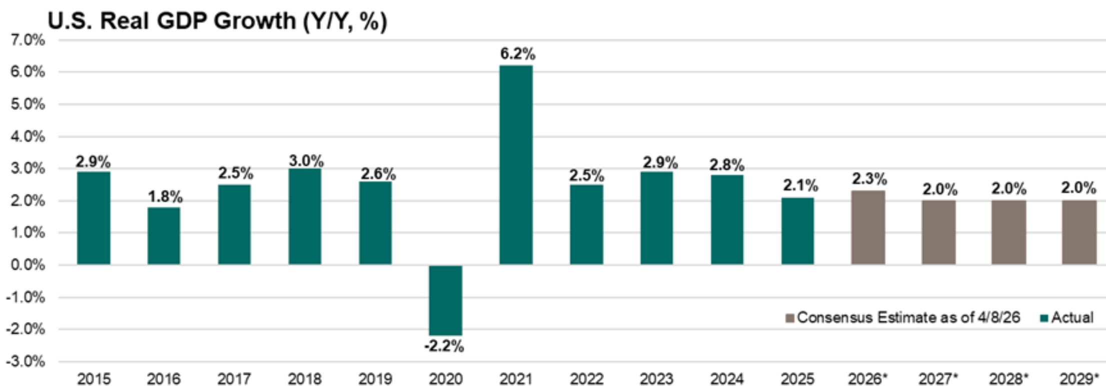
Using additional government data (average driver drives 14,000 miles per year with average fuel economy of 27 miles per gallon), we estimate that for every $1.00 increase in gas prices, the average driver will pay $500 more annually (this would be $1,000 for a 2-car household). This cost would be regressive, harming lower-income households to a greater degree. Using data from the U.S. Energy Information Administration (EIA), the 2025 average unleaded fuel price for all of 2025 was $3.10 per gallon and U.S. consumers, in aggregate, spent $425 billion on retail

gasoline. We estimate that a $1.00 increase in gas prices (to $4.10) would add $135 billion at the same level of driving. With 2025 nominal gross domestic product (GDP) of $30.8 trillion, this creates a potential headwind to GDP of 0.44% (shaving off almost one half of a percentage point). Generally, consumers can and will change patterns, if possible, by driving less, but that is easier to deploy when prices move slowly. A rapid increase, such as the past 40 days, creates an immediate shock with an uncertain outcome. In addition, price increases for jet fuel and diesel fuel have led to higher air fares and elevated transportation costs, which is likely to increase the price of food.



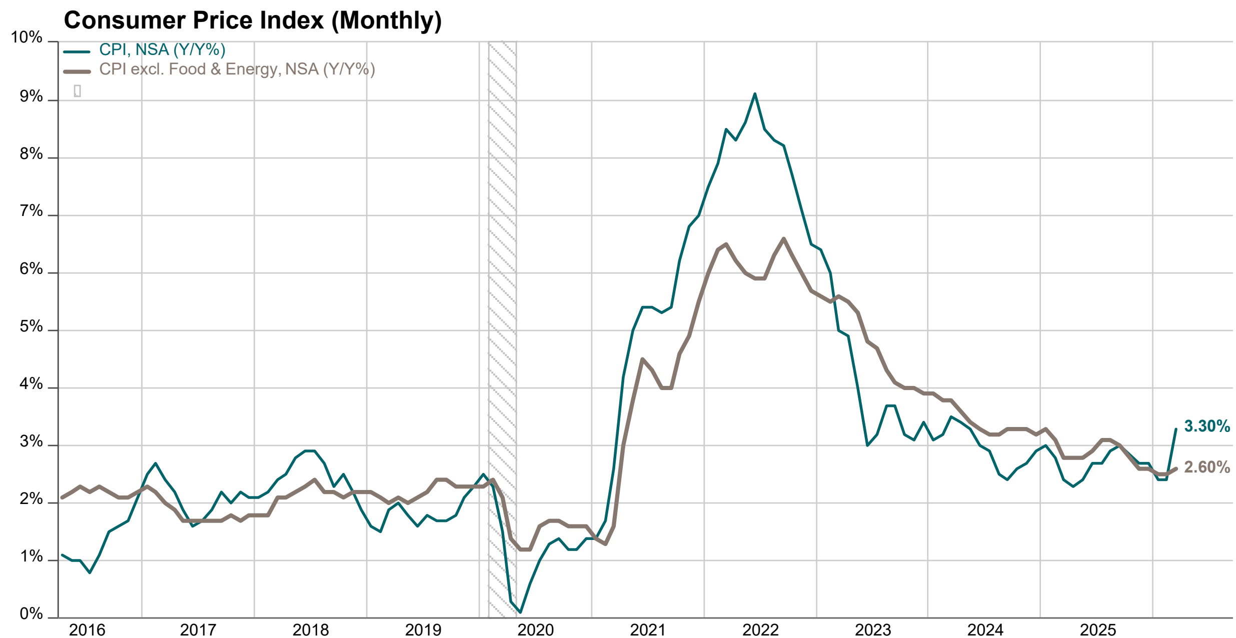
Data Source: FactSet and the New York Mercantile Exchange, as of 4/9/26. Reflects the closing spot price of West Texas Intermediate crude (WTI). The shaded areas are recession periods as determined by the National Bureau of Economic Research (NBER).

U.S. economic activity, as measured by gross domestic product, or GDP, increased +2.1% in 2025, which dipped at year-end due to a 4Q25 annualized GDP growth of just +0.5%. This was distorted by the six-week government shutdown in October/November, which took away -1.0% from the growth rate. The combination of consumer spending and business investment added +1.6% to the 4Q25 GDP report. The FactSet consensus estimate for 2026 full-year GDP growth is an increase of +2.3%, representing a modest improvement from 2025, but below the +3.0% that we believe the Trump Administration has targeted. Despite potential economic headwinds introduced by the war beginning in March, the consensus estimate for annualized GDP growth in 1Q26 has remained stable, also at +2.3%. As we discussed above, we believe that a full year of above $4.00 per gallon gasoline prices alone could detract more than 40 basis points from annual GDP and that doesn't include the potential impact from lower spending in other areas. Of course, there could be offsets to that with the most obvious being lasting peace that drives oil prices well below current levels. Other offsets could include tax refunds, wage increases, and a stable jobs market in addition to a potential boost to consumer confidence if a peace agreement is negotiated. We believe that the shock to the system is likely to keep oil prices higher than pre-war levels, even after the Strait of Hormuz is reopened, which can limit GDP growth in 2Q26, perhaps into 3Q26 as well. But in the scenario of peace, we also believe investors will look beyond those near-term impacts and financial markets can normalize. To us, this means that investors will focus on earnings and interest rates.



Data Source: U.S. Bureau of Economic Analysis, as of 4/8/26. Real (inflation-adjusted) gross domestic product reported annually in the fourth quarter report. Green bars are the eleven reported years, 2015 to 2025; the gray bars are consensus estimates for the next four years, 2026 to 2029.

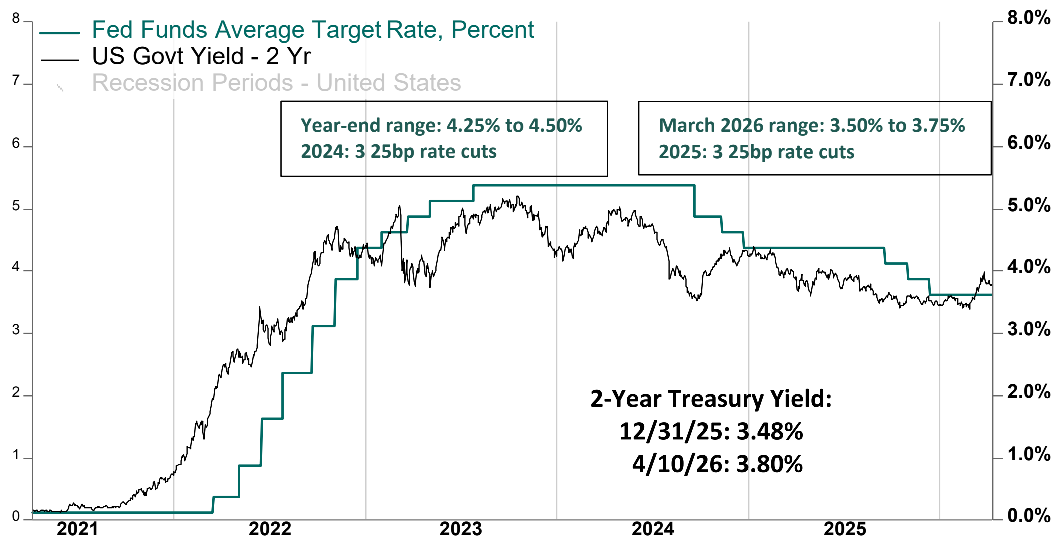
Inflation will increase, but interest rates could be lower by year-end. The consumer price index (CPI) increased +3.3% Y/Y in March 2026, after holding steady up +2.4% Y/Y in both January and February. Of course, the culprit was surging fuel prices as gasoline increased nearly +21% from February and up nearly +19% Y/Y. Given that average unleaded gasoline prices are now up +39% from end of February levels, we expect another large sequential increase in April. Consumer gasoline prices contribute an estimated 3% to the CPI data, so that 39% increase since February could add another 30 basis points to CPI in April. Core CPI, which excludes food and energy, increased +2.6% Y/Y in March (vs. +2.4% in February), reflecting less pricing pressure in categories away from gasoline. The CPI for food did not see a significant increase yet, as food increased +2.7% Y/Y with grocery (at home) +1.9% and restaurants (away from home) +3.8% Y/Y. While gasoline prices are likely to remain elevated and are important in our calculation to evaluate consumer spending, we are watching food and other items to see if higher transportation costs and supply chain disruptions (such as fertilizers) begin to bleed into more areas. In March and April, we have watched daily airline travel numbers, hotel occupancy and room rates, and restaurant visits (measured by seated diners). Through the first few days of April, airline travel remained robust (the weekly average of U.S. airline passengers increased Y/Y each week since the end of February) and restaurant visits increased Y/Y by double digits (percentage) in March. Hotel activity may have slowed, however. According to CoStar, on a nationwide basis, hotel occupancy in the first week of April decreased Y/Y for the first time in nine weeks and revenue per available room dipped as well. Overall, we believe that consumer spending since the start of the war has maintained a solid trajectory. This could change in April as the war continues and price hikes become entrenched and should be watched closely. The data also gives us confidence that an end to the war over the next few weeks could allow economic trends to get back on track relatively quickly and provide stability to financial markets. Unfortunately, if the war drags on into May and June with limited peace progress, inflation could cause economic headwinds to build, likely weighing on equity markets.



Data Source: FactSet and the Bureau of Labor Statistics (BLS). The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics (BLS). "Core CPI" is CPI less food & energy. As of 4/10/26 (chart covers 3/31/16 to 3/31/26).

U.S. 10-year Treasury yields (TY), after touching 3.99% in late February, traded above 4.50% in late March last week before settling back to 4.32% as of 4/10/26. During past times of geopolitical conflicts and weak equity markets, demand for U.S. Treasury securities has increased as investors view U.S. bonds as a safe-haven asset. The bond purchases drive prices higher and yields lower. That did not happen at the start of the Iran war as yields rose. We attribute the higher yields to inflation fears as the supply shock to oil markets was severe, and a prolonged conflict would keep oil prices higher for longer. So far, we believe that 10-year yields remain in a nearly two-year trading range of 4.00% to 4.50%, and do not yet reflect entrenched long-term inflation expectations. We would become more concerned if 10-year yields surged above 4.75%. At the shorter end of the yield curve, the 2-year TY moved to 3.80% from 3.39% at the end of February (and 3.48% at year-end). Over the past three years (since 2023), the 2-year TY was an accurate predictor of Federal Reserve interest rate policy over the subsequent several months. The Fed's fed funds target range, as of March 2026, was (and is) 3.50% to 3.75%. The 2-year TY is above the midpoint of the fed funds target and could reflect bond market expectations for a Fed hike. We view that as unlikely because the economic impact of a rapid increase in oil prices is often a weakening economy as high oil prices eventually cause demand destruction, bringing supply and demand back in line. In addition, if the Fed hiked rates to fight inflation pressures, the move could make the economic downturn even worse. We also believe that as long as oil prices remain elevated, the Fed will be less inclined to cut interest rates, and we expect the fed funds rate will remain in the current range for the foreseeable future. Following our base case of a lasting peace agreement that leads to lower oil prices (from March/April levels), we believe that would exert more downward pressure on inflation expectations. Later in the year, this would give the Fed more latitude to resume cutting interest rates, especially if the labor market (monthly jobs gains) remains constrained.

U.S. 2-Year Treasury Yield vs. Fed Funds Target (2021-2025)



Data Source: FactSet and Federal Reserve Bank. 2-year Treasury yield and average fed funds target, daily closing yields, April 2021 to April 2026. Fed funds target range updated by the U.S. Federal Reserve Bank, most recently on 3/18/26.

S&P 500 Sector Recommendations -April 2026

GICS Sector	S&P 500 Weight by Market Cap	WM Research 2026 Outlook	Notes (reflect current expectations and are subject to change)	Change from
Technology	32.9%	marketweight	earnings growth leads market, but stay diversified within sector	
Financials	12.6%	overweight	patience required but solid earnings growth expected	
Communications Services	10.3%	marketweight	earnings growth remains healthy	
Consumer Discretionary	9.9%	overweight	contrarian call based upon resilient consumers and end to the war	
Health Care	9.5%	overweight	our favorite among the defensive groups, valuations attractive	
Industrials	9.0%	marketweight	focus on market leadership and earnings growth potential	
Consumer Staples	5.3%	underweight	despite defensive properties, valuations are extended.exposure	marketweight
Energy	4.0%	marketweight	attractive on pullback, Middle East disruption good for U.S. companies	underweight
Utilities	2.5%	marketweight	tied to data center build out, but valuations elevated	
Materials	2.1%	overweight	valuations attractive, benefit from higher commodities prices	
Real Estate (REITs)	2.0%	underweight	remain selective as higher interest rates a concern, stick with earnings leaders	

Data Source: D.A. Davidson Investment Management & Research as of 4/10/26. Sector weights as of 3/31/26. Changes compared to January 2026.

Economic Indicator (2026)

Bearish Neutral Bullish

Changes from prior Indicator:
inflation headwinds can recede on peace agreement

Earnings Indicator (2026)

Bearish Neutral Bullish

Changes from prior Indicator:
2026 earnings growth estimate at 18%

Equity Market Indicator (2026)

Bearish Neutral Bullish

Changes from prior Indicator:
sentiment positive but scale back return expectations

Data Source: D.A. Davidson Investment Management & Research as of 4/10/26.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The Russell 1000® Growth Index is a market cap weighted index that measures the performance of the large-cap growth segment of the U.S. equity market. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected earnings growth rates. The Russell 1000® Value Index includes those Russell 1000 companies with relatively lower price-to-book ratios and lower expected earnings growth rates. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

Other Disclosures: The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet. An alternative valuation method, the P/E to growth rate, or PEG ratio, compares the P/E ratio to the expected earnings growth rate, often an average over a multi-year period.

Fair value refers to a valuation method based on our view of the intrinsic value of an asset or index, determined by macroeconomic factors and earnings expectations rather than current market prices. This is our view of intrinsic value as of the date of this report.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts estimates from firms that submit estimates to FactSet for a given financial metric.

The annual price returns of the S&P 500 index are calculated using index closing value on 12/31 of one year to 12/31 of the next year. 2025 returns are calculated as of 12/31/2025. Intra-year, peak-to-trough percentage declines are calculated using the index closing prices from an intra-year high date to a subsequent low date. Closing prices are provided by S&P Global through FactSet. Averages across years are calculated using the arithmetic mean. The S&P 500 2025 maximum peak-to-trough decline was calculated using the index closing price of 6,144 on 2/19/25 and the low closing price of 4,983 on 4/8/25. The peak-to-trough from the Nasdaq Composite index was calculated from a high of 2,316 on 2/5/25 and low of 1,761 on 4/8/25.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). .

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months" and also looks at the depth, diffusion, and duration of the downturn.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

We track a measure of wages, average hourly earnings of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics, average hourly earnings, or AHE. The data measures average hourly earnings of all private employees on a "gross" basis (includes overtime and late shift work but excludes benefits).

U.S. monthly receipts, outlays, deficit, or surplus are reported by the U.S. Treasury at fiscal.treasury.gov. Supporting data is also available from the Congressional Budget Office (CBO). The U.S. Treasury reports monthly budget details in its Monthly Treasury Statement, and prior to that monthly numbers are estimated by the CBO in its Monthly Budget Review.

On 2/12/25, The Trump Administration announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "Fair and Reciprocal Plan." On 3/26/25, the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a Fact Sheet from the president that outlines the action. The president referred to 4/2/25 as "Liberation Day" and released a Reciprocal Tariff Memorandum. Then, on 4/9/25, the White House delayed most reciprocal tariffs, and released a memo, Modifying Reciprocal Tariff Rates. This was considered a policy change (or pivot), and since then has led to negotiated trade deals (U.K., China, and Vietnam) while many of the other tariff pauses are scheduled to be implemented on 8/1/25 if additional trade deals are not signed. Many of the administration's reciprocal tariffs were levied using the International Emergency Economic Powers Act (IEEPA). On 2/20/26, the U.S. Supreme Court ruled that tariffs could not be used under the IEEPA statute. The Supreme Court ruling is here.

Personal Income and Savings is reported monthly by the Bureau of Economic Analysis for individuals and is defined as personal income less personal outlays and taxes. The personal savings rate is personal savings as a percentage of disposable personal income.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The term "Magnificent 7" was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla.

The U.S. Dollar index is a measure used to evaluate the U.S. dollar vs. a basket of currencies from U.S. trading partners. These currencies are the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona. It has a base of 100 and values are interpreted relative to this base.

In July 2025, the U.S. Congress passed the One Big Beautiful Bill Act and it was signed by the President. A summary of the Bill's provision was published by the Tax Foundation. Our discussion about pro-growth business investment incentives tied immediate deduction for capital investment projects and less restrictive limitations on interest deductions and made permanent Section 179 expensing for small business.

When we discuss "growth stocks" we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 12/31/25) were Information Technology, Consumer Discretionary, and Communication Services. "Value"

stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 Value Index (as of 12/31/25) were Financials, Industrials and Health Care.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26, the White House published a release detailing the operation. Updates on the timeline for the war have been made regularly, and the "4 to 6 week" expected duration was reiterated at a White House press conference on 3/30/26.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI). This is a high-quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX). Brent crude reflects pricing for oil from the Atlantic basin. Many believe that Brent crude represents 66% to 80% of the global trade in oil. Brent contracts are trade on the Intercontinental Exchange.

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 3/20/26, very limited shipping vessels were using the Strait of Hormuz.

Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA). The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: gasprices.aaa.com. The EIA provides comprehensive data on the U.S. and global energy markets through its eia.gov home page.

The International Energy Agency (IEA) has monitored shipping and supply disruptions through the Strait of Hormuz. They have published key facts on the disruption with links to other reports as well. The Middle East and Global Energy Markets.

The U.S. Transportation Security Administration (TSA) calculates and reports daily travel number (passengers) through U.S. airports.

CoStar issues weekly press releases to report U.S. hotel occupancy and revenue per available room.

Daily data on U.S. seated restaurant diners, year-over-year change on a percentage basis is reported by Open Table.

The U.S. Energy Information Administration (EIA) is a federal agency that collects and disseminates data on U.S. and global energy markets. It is part of the U.S. Department of Energy.

Treasury Secretary Scott Bessent in March 2025 discussed the Trump Administration's '3-3-3 plan' that targets 3% GDP growth, 3% annual budget deficits as a percentage of GDP, and an increase of domestic oil production of 3 million barrels per day.