



MONTHLY MARKET PULSE – APRIL 2026

HIGHLIGHTS

- ▶ **Iran Conflict:** Oil prices and Treasury yields rose in March as the conflict disrupted supply chains and reduced expectations for interest rate cuts from the Federal Reserve (Fed).
- ▶ **Tech Correction:** The Nasdaq Composite entered correction territory (down 10% from its recent highs) in March, as potential fallout from the Middle East conflict weighed on risk sentiment.
- ▶ **Aftermath of the Iran Conflict:** The Strait of Hormuz (SoH) has now been “closed” for more than a month. Even if de-escalation efforts prove successful, longer-term impacts on the region and supply chains are already emerging. We examine these developments in this month’s *Spotlight*.

MONTHLY SPOTLIGHT:
The Lingering Impact of the Iran Conflict
 Author: Bojan Vidosevic, CFA
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MACRO INSIGHTS

Duration Will Determine Direction

U.S. equities declined sharply in March as the Iran conflict dominated headlines and market psychology, driving a broad-based selloff across asset classes. The S&P 500 fell 5.0%, its third negative month in the past four, while the Nasdaq declined 4.8%. Small caps were similarly weak, with the Russell 2000 down 5.0%. Unlike prior months, declines were broad-based, with the equal-weight S&P 500 underperforming the cap-weighted index—evidence that selling pressure extended well beyond mega-cap leadership.

Beneath the surface, the defining feature of the month was the energy shock. The escalation of conflict in Iran and the resulting disruption to global supply—particularly through the SoH—drove a sharp spike in oil prices, with crude posting its strongest monthly gain since 2020. Notably, while prices moved materially higher, they remained relatively contained versus worst-case expectations, as a prolonged disruption could have pushed oil materially beyond current levels. Energy stocks were the clear outperformers, alongside select commodity-linked areas, while most cyclical and growth-oriented sectors lagged. Mega-cap technology broadly declined, with continued pressure in software and semiconductors as investors balanced long-term AI tailwinds against near-term uncertainty and positioning.

Even as confidence in a speedier end to the conflict has grown—though that confidence remains volatile, including the dashed hopes of a quick resolution following President Trump’s April 1 primetime address—the economic aftereffects are likely to persist. Iran retains the capacity to disrupt the SoH, and the process of restoring shut-in production and damaged infrastructure suggests commodity prices may remain elevated relative to pre-conflict levels—an issue we explore further in this month’s *Spotlight*.

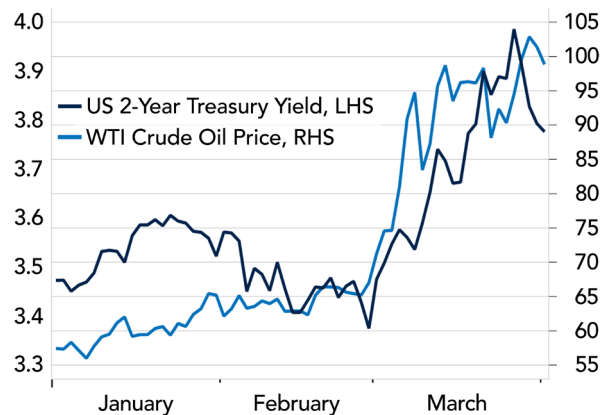
Rates and macro dynamics compounded the pressure. Treasury yields moved sharply higher during the month, reflecting both the inflationary implications of higher energy prices and reduced expectations for near-term Fed easing. The Fed maintained a cautious stance, signaling that policy flexibility remains constrained absent clearer progress on inflation. Economic data softened at the margin, with weaker payrolls, a modest uptick in unemployment, and early stagflationary signals emerging across survey data. While not yet indicative of a downturn, the direction of travel has become incrementally less supportive.

Despite the challenging backdrop, markets showed a degree of resilience. For much of the month, equities held up relatively well given the magnitude of the geopolitical shock and associated volatility in oil and rates. That resilience was tested but ultimately reinforced late in the period, as reports of a potential diplomatic resolution to the conflict drove a sharp rally into quarter-end, with the S&P 500 rising nearly 3% on the final day of March.

Looking ahead, the path of the conflict remains the key variable. A prolonged disruption—particularly if confidence in a near-term resolution fades—could drive oil materially higher, an outcome not currently reflected in either commodity or equity pricing. Conversely, a quicker resolution and reopening of the Strait would likely support a recovery in risk assets, even if oil markets take longer to fully rebalance. While uncertainty remains elevated, U.S. incentives to bring the conflict to a close suggest a shorter duration, which remains our base case.

Oil Creates a Sticky Situation for Inflation

2-year Treasury yields have followed oil prices higher, reflecting expectations of more durable inflation and a Fed on hold.



Sources: Bloomberg and Macrobond.

Christopher D. Shipley
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WHAT TO WATCH

Developments surrounding the Iran conflict will remain in focus, with implications for economic forecasts and risk sentiment. Given the potential impact on inflation—both directly through energy prices and via second-round effects—investors will monitor upcoming inflation data to gauge the path of policy moving forward. Consumer spending and sentiment data will also be important to watch as tax season is underway; however, the positive effects of larger refunds could be offset by higher gas prices.

- ▶ The first inflation reading to reflect the impact of the Iran conflict on energy prices will be the Consumer Price Index (CPI) release on April 10. Personal Consumption Expenditures (PCE) data remain somewhat delayed due to the shutdown and may therefore be less impactful for markets, but February data will be released on April 9.
- ▶ The next Federal Open Market Committee (FOMC) meeting and rate decision are scheduled for April 29.
- ▶ Consumer sentiment from the University of Michigan will be released on April 10, and March retail sales data will be released on April 21.

MONTHLY SPOTLIGHT



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The Lingering Impact of the Iran Conflict

Armed conflicts are notoriously difficult to predict, and the war with Iran is no exception. The most noticeable impact from restricted passage through the SoH has been on energy markets, but many other vital commodities also pass through the waterway. The intensity of the resulting economic shock will depend on the duration of hostilities, and disruptions are likely to persist for some time even after fighting ceases. The fallout will produce relative winners and losers across industries and countries, with these distinctions likely to be particularly pronounced in emerging markets.

Iran continues to threaten vital shipping lanes and infrastructure across the region despite the degradation of its traditional military capabilities. The impact on energy markets is most acute, as roughly 20% of global crude oil and liquefied natural gas (LNG) flows through the

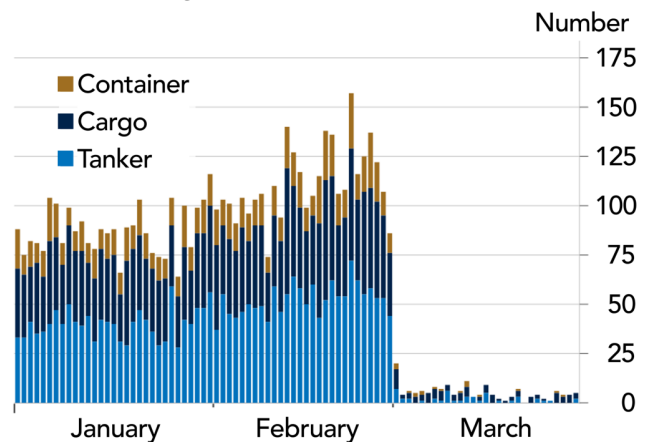
SoH. Only a portion of this oil can be rerouted through pipelines that circumvent the SoH. Even once the Strait is fully reopened, restarting production and normalizing flows will take several weeks. Some critical infrastructure in the region has already been damaged, such as the world's largest LNG complex at Ras Laffan in Qatar, and repairs could take years.

Energy disruptions are creating clear divergence across countries. Energy exporters not directly constrained by the conflict stand to benefit from improved fiscal balances and terms of trade. Exporters such as Angola, Ecuador, and Papua New Guinea are likely to see near-term tailwinds. Growing energy exporters in Latin America, such as Argentina, Brazil, and Suriname, are particularly well positioned and stand to attract accelerated foreign investment as buyers place an increased premium on the relative safety of the Western Hemisphere. Conversely, energy importers, such as the Philippines and Turkey, face headwinds. Governments that subsidize fuel, such as the Dominican Republic and Pakistan, will be forced to weigh the fiscal cost against the political consequences of passing higher prices on to vulnerable consumers. If the conflict persists, fuel shortages could become a reality. Asia is most at risk, as more than 80% of crude that passed through the SoH prior to the conflict was destined for the region.

Beyond energy, the conflict has implications for broader supply chains. The region is a key producer of fertilizer inputs such as ammonia and sulfur, as well as industrial products such as natural gas liquids and helium. Fertilizer prices, in particular, are critical given their downstream impact on global food prices. Net food importers with a higher weighting of food in their CPI baskets, such as Egypt and Indonesia, are therefore more vulnerable to renewed inflationary pressures. This dynamic complicates the policy backdrop for central banks. Supply chain disruptions extend as far as the semiconductor industry, which relies on helium and sulfur. Conversely, certain petrochemical producers, long suffering from Chinese overcapacity, stand to benefit as supply from the Persian Gulf is curtailed. Ultimately, the uneven impact of the conflict reinforces the importance of selectivity across geography and industry. For investors, understanding how these crosscurrents affect trade, inflation, and fiscal accounts will be key when allocating capital globally.

Chart sources: IMF and Macrobond.

Daily Strait of Hormuz Transit



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CURRENT OUTLOOK

Topic	View	MoM Change	Commentary
Macroeconomic Views			
Economic Growth		–	<ul style="list-style-type: none"> ▶ Growth expectations for 2026 are largely centered on trend growth (~2%), as tariff headwinds dissipate and accommodative fiscal conditions contribute to a broader economic expansion. However, a prolonged conflict in the Middle East presents downside risks to growth. ▶ Job growth remains subdued, but layoffs have been relatively stable, keeping the unemployment rate range bound. ▶ Uncertainty remains elevated amid evolving U.S. trade policy following the recent Supreme Court decision, as well as ongoing geopolitical tensions and questions surrounding Fed independence.
Inflation		↓	<ul style="list-style-type: none"> ▶ Market expectations are that core inflation will decline gradually toward the mid-2% range in 2026. The conflict in Iran has created elevated uncertainty around global energy supply, pushing oil and gas prices higher and presenting an upside risk to headline inflation. Additionally, second-round effects—such as increases in food prices and airfares—are placing upward pressure on core inflation, albeit to a lesser extent. ▶ Services inflation continues to cool, and we expect that trend to remain intact over the coming quarters. Goods and energy inflation remain the primary sources of concern for any upside to inflation. ▶ Following the Supreme Court decision to strike down International Emergency Economic Powers Act (IEEPA) tariffs, the Administration is using other authorities to re-establish many of these tariffs. This is likely to result in a lower average tariff rate on imports than previously anticipated by markets.
Monetary Policy		↓	<ul style="list-style-type: none"> ▶ The President announced his nomination of Kevin Warsh as Fed Chair, who would succeed Jerome Powell when his term ends in May. However, confirmation hearings have been delayed by the Senate Banking Committee pending the resolution of the inquiry into Powell. ▶ The Fed remained on pause at its March meeting, citing uncertainty around inflation due to the conflict in the Middle East, while the labor market appears to remain stable. Divisions exist among FOMC members as they balance conflicting signals related to their dual mandate of stable prices and full employment. ▶ Energy and tariff concerns have resulted in shifting expectations for the path of monetary policy. Market pricing has been volatile but currently assumes no change in the policy rate through the end of 2026.
Fiscal Policy		–	<ul style="list-style-type: none"> ▶ The Big, Beautiful Bill (BBB) is expected to provide a boost of approximately 0.5% to 1.0% to GDP growth in 2026 through two primary avenues: individual tax cuts and accelerated depreciation. We expect larger-than-normal tax refunds to provide some relief to households and support consumption. ▶ Flexibility within fiscal policy remains low, as federal debt levels continue to increase and higher interest costs consume a larger portion of government outlays.
Market Valuations			
Rates		–	<ul style="list-style-type: none"> ▶ Rates increased during March as investors adjusted inflation expectations in response to the conflict in the Middle East. The 10-year Treasury yield rose approximately 15 bps, ending at 4.3%. ▶ We anticipate that the path of policy rates will continue to shift, with headlines related to the Iran conflict and new labor market data serving as primary drivers. ▶ Both short- and long-term rates are at the high end of our expected fair-value range, resulting in a bias toward longer duration at current levels.
Credit		–	<ul style="list-style-type: none"> ▶ Credit spreads widened during March amid risk-off sentiment and shifting AI narratives, but valuations remain elevated relative to historical averages. ▶ We believe the risk-reward is skewed to the downside, although strong corporate fundamentals should help support spreads. ▶ Investment Grade spreads (10-year BBB industrials) ended the month at their 18th percentile, while High Yield spreads (single-B corporates) widened modestly, ending at their 25th percentile since the 1990s.
Equity		–	<ul style="list-style-type: none"> ▶ The S&P 500 exhibited additional volatility in March and declined more than 9% from peak to trough, driven by the impact of the Iran conflict and caution around the AI trade, valuations, and potential AI disintermediation. The index fell 5.0% during the month, ending down 4.6% year to date. All of the Magnificent Seven stocks underperformed the S&P 500 through the first quarter. ▶ Fourth-quarter earnings season exceeded expectations, as S&P 500 earnings grew roughly 14% year over year. Market fundamentals remain healthy, and we expect returns in 2026 to be driven by continued earnings growth. ▶ Following recent price action, equity valuations are more in line with historical averages. However, earnings forecasts typically take one to two months to recalibrate following a disruptive catalyst.

MARKET DATA & PERFORMANCE | AS OF 03/31/2026

U.S. Snapshot	Current	6 Months Prior	1 Year Prior
Core Inflation (YoY)	3.1	2.8	2.7
Unemployment Rate	4.4	4.4	4.2
Real GDP (YoY)	2.0	2.3	2.0
Retail Sales (YoY)	3.7	4.1	5.1
30-Year Mortgage Rate	6.4	6.3	6.7
10-Year Treasury Yield	4.3	4.2	4.2
US Corporate IG Yield	5.1	4.8	5.2
US Corporate HY Yield	7.4	6.7	7.7

TOTAL RETURNS

Asset Class	MTD	QTD	YTD	1 Year	3 Years*	5 Years*
Equity						
Russell 3000 Index	-5.0%	-4.0%	-4.0%	18.1%	17.9%	10.9%
S&P 500 Index	-5.0%	-4.3%	-4.3%	17.8%	18.3%	12.1%
S&P MidCap 400 Index	-5.4%	2.5%	2.5%	17.3%	12.1%	6.9%
Russell 2000 Index	-5.0%	0.9%	0.9%	25.7%	13.0%	3.8%
MSCI World Index	-6.3%	-3.5%	-3.5%	19.4%	17.3%	10.8%
MSCI World ex USA Index	-9.6%	-0.8%	-0.8%	23.6%	14.9%	9.0%
Fixed Income						
Bloomberg US Aggregate Index	-1.8%	0.0%	0.0%	4.3%	3.6%	0.3%
US Corporate Investment Grade	-2.0%	-0.5%	-0.5%	4.8%	4.6%	0.8%
US Corporate High Yield	-1.2%	-0.5%	-0.5%	7.0%	8.6%	4.2%
Emerging Market Debt	-3.4%	-1.8%	-1.8%	8.8%	8.9%	2.4%
US Treasury (7–10 Year)	-2.4%	-0.3%	-0.3%	3.9%	2.3%	-0.3%
Cash	0.3%	0.9%	0.9%	4.1%	4.8%	3.4%

Source: Fort Washington and Bloomberg. *Returns longer than 1 year are annualized. Past performance is not indicative of future results.

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