The Weekly Market Update – 4/20/26: Technology Sector Leads Markets to New Highs

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,126.06	4.54%	9.15%	4.10%	26.98%	7,126.06	0.0%
Dow Jones Industrial Average	49,447.43	3.19%	6.70%	2.88%	17.73%	50,188.14	1.5%
NASDAQ Composite	24,468.48	6.84%	13.33%	5.28%	41.44%	24,468.48	0.0%
Russell 2000	2,776.90	5.56%	11.24%	11.89%	38.02%	2,776.90	0.0%
MSCI EAFE (USD)	3,111.50	2.15%	9.61%	7.56%	29.60%	3,179.91	2.2%
MSCI Emerging Markets (USD)	1,597.13	3.21%	14.31%	13.73%	45.01%	1,619.28	1.4%
Bloomberg Commodity Index	131.48	-0.50%	-2.78%	19.87%	23.57%	237.95	81.0%
Barclays U.S. Aggregate Bond	93.90	0.49%	0.70%	-0.19%	1.73%	112.07	19.4%

Source: FactSet

Progress on Middle East peace launched an intense three-week equity rally with the Technology sector leading the way. Equity markets surged to all-time highs last week, mostly due to encouraging headlines supporting both a potential end to the U.S-Iran war and a reopening of the Strait of Hormuz. While U.S. equities, led by the S&P 500 index, have recovered all of the market declines since the start of the war, both oil prices and interest rates, despite moving lower in April, have not moved back to pre-war levels. For the week ended 4/17/26, the S&P 500 increased +4.5% and closed the week at 7,126, an all-time closing high. This was the best weekly gain since May of last year and followed strong increases to begin April as well. Since the S&P 500 2026 closing low of 6,344 on 3/30/26, the index rallied +12.3% in less than three weeks (13 trading days). From the S&P 500 low, 11 of 12 S&P 500 sectors (using MSCI's Global Industry Classification Standards, or GICS) moved higher. From 3/30/26 to 4/17/26, sector gains were led by Technology +20.3%, Communications Services +19.2%, and Consumer Discretionary +15.8%. Those three are the largest "growth" sectors comprising 75% of the weighting of the Russell 1000 Growth Index as of 3/31/26 and represent most of the "technology-centric" market leaders, including each of the "Magnificent 7" (Mag 7) stocks. We believe that recent equity index rallies on positive, yet imperfect and perhaps unreliable, news of peace progress reflect an investor view that economic damage that has likely already been caused by the war can still be contained and limited if the Strait of Hormuz is safely reopened. But the near-term rotation of leadership back to Technology and other growth sectors (since 3/30, the average Mag 7 gain was +20.0%) reflects a view that first quarter earnings growth (with reporting season now underway) will reflect near-term leadership. We agree with this for now as generative AI and data center investment should remain robust despite conflict in the Middle East and provide a boost to corporate performance and a positive contribution to the U.S. economy.

Oil prices and U.S. Treasury yields, despite recent improvement, remain elevated and reflect market uncertainty. U.S. oil, as measured by West Texas Intermediate (WTI) crude, dropped -10% in one day Friday (4/17) to $82 per barrel, but jumped to $87 on Monday (4/20) as tensions were rekindled and round 2 of in-person peace talks was possibly delayed. As hopeful as oil prices in the $80s might appear, levels remain well-above the pre-war 2/27/26 WTI price of $67, suggesting to us ongoing uncertainty and investor caution. Similarly, the U.S. 10-year Treasury yield was 4.25% on 4/20, below the recent peak of 4.43%, but still up from 3.96% at the end of February. In our view, this assumes rising inflation concern if oil prices remain higher for longer. A sustained move above 4.50% on the 10-year yield would reflect more negative positioning, and the market has not moved to that range throughout the conflict. But oil prices and interest rates are an indication to us that broad financial markets are not as optimistic about near-term peace as the equity markets appear to suggest, leaving us more cautious as well.

It's a big week for S&P 500 earnings reports and strong growth is expected. First quarter (1Q26) S&P 500 earnings are estimated to grow +12.9% year-over-year (Y/Y) and would represent the sixth consecutive quarter of double-digit percentage growth**.** Through early Monday, less than 10% of the index companies had reported results, but 93 S&P 500 companies are scheduled this week. Investor interest will remain on Technology earnings leadership (Y/Y earnings growth of +44% expected), but results from other cyclically driven sectors will be critical, in our view, to assess the impact of the war. This includes Financials, Industrials, Materials, Energy, and Consumer Discretionary.

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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. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care, and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings.

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. Calculations on the percentage price change on indices is provided by FactSet.

Gross domestic product (GDP) is a measure of economic growth and 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.

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. On 3/6/26, President Trump issued a 10-day deadline for Iran to open the Strait or Hormuz to shipping traffic. The deadline was set to end the evening of 4/6/26. On 4/8/26, the U.S. and Iran agreed to a two-week cease fire that is set to expire (unless extended or replaced with a peace agreement) on 4/22/26.

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). Sustained higher oil prices could weigh on economic growth as consumers pay more for gasoline, and business incur higher transportation and input costs.

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 per day 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 4/6/26, very limited shipping vessels were using the Strait of Hormuz.

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 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. 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 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 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. interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

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.

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.

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 3/31/26) 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 3/31/26) were Financials, Industrials, and Health Care.