

Key Takeaways:

- Talks end with no resolution.
- U.S. is wasting no time and taking control of the Strait.
- Will Iran turn to other sources to pressure the global economy?
- Yields likely to remain high in the near term as inflation a major risk.
- Be patient, equities should remain volatile.

What Failed Negotiations Mean for Markets and Economy

After over 20 hours of negotiations, the U.S. and Iran failed to come to a peace agreement over the weekend. This should not be surprising given that the two sides' positions were fundamentally opposed. The U.S. has wasted no time to increase pressure on Iran by focusing on getting the Strait of Hormuz functioning again. In this weekly insights, we offer what we know now and how we see this impacting markets in the near term.

- **Controlling the Strait:** The U.S. will continue clearing mines and is going to block all traffic in and out of Iranian ports including cargo ships, oil tankers and any other exports. The U.S. will allow passage of ships not tied to Iran.
- **Delays are likely:** Washington is committing to the safe passage for all non-Iranian tankers, but delays are likely if inspections take place, especially since there is a bottleneck of ships waiting to pass.
- **No timeline for more talks:** There is no timeline for additional negotiations. In addition, the U.S. has vowed to take action if any U.S. Navy ships

are targeted during the blockade. There is speculation that Iran may seek other allies to disrupt additional shipping routes (e.g., Houthi forces in Yemen).

- **What to expect from energy markets?** We think \$90-\$100/bbl is the normal for the near term or until we at least can see more supply flowing safely through the Strait of Hormuz. Any additional escalation by military force during the ceasefire will likely cause oil to breach the recent \$112/bbl high, at least temporarily.
- **Higher yields and inflation pressure:** As long as the Strait is disrupted, we expect inflation expectations to remain high and put upward pressure on long term yields. Investors may use bonds as a portfolio diversifier but focus on short to intermediate maturities to help minimize interest rate risk.
- **Equities to be choppy; hoping for earnings reprieve:** Higher yields, inflation risks and uncertainty will keep equity investors on edge. If tensions

escalate, we do not rule out a retest of the recent low in the S&P 500 (6343).

The Bottom Line:

Unfortunately, investors should get used to daily volatility as the war with Iran continues. The moves in energy prices is likely to drive sentiment in equities and bonds in the near term. However, earnings season kicks off this week and may offer some reprieve from the war headlines. We still consider meaningful pullbacks as buying opportunities but valuations have not yet adjusted to levels cheap enough to validate the risk. Large cap equities are trading at a premium while small and midcaps are at a discount (when using a price to earnings analysis). We think there will be opportunities as the effects of the war and disruption to the supply chain begin to filter into economic data. Until then, we are being patient and monitoring this highly fluid situation. We are also following what next steps Iran may take during the two week cease-fire, especially surrounding sourcing weapons from Iranian allies (e.g., China).

Weekly Economic Recap –

Inflation showing up in many economic indicators; Fed on hold

The ISM Services Index fell modestly in March but remained in expansion territory for the 21st consecutive month. The weakness in overall business activity, employment and new export orders overshadowed a strong rise in prices paid, delivery times and imports.

The preliminary reading on durable goods orders for February showed orders declined due to nondefense aircraft (-28.6% MoM). When you exclude aircraft, orders rose +0.6% (MoM) led by machinery and metals.

The Minutes from the FOMC's March meeting showed the committee saw a "strong case for two sided language on rate path." They saw the labor market was "broadly in balance." The Minutes also showed that "many said inflation higher for longer could call for hikes."

Personal spending rose in February (+0.5% MoM) while personal income declined (-0.1% MoM) for the first time in nine months. As a result, the personal savings rate fell to 4.0%, the lowest in three months. In addition, real personal spending (factoring in inflation) rose 0.1% (MoM). Over the past six months, real spending has not risen more than 0.2% (MoM).

The Fed's preferred inflation gauge (PCE Core YoY) grew 0.4% (MoM) in February, inline with expectations and matching January's data. On a year over year basis, PCE is growing 3.0%.

Inflation as measured by the Consumer Price Index rose at the fastest monthly pace since 2022 (+0.9% MoM). The sharp rise in energy prices contributed to the increase at the headline level. At the core level, prices grew 0.2% (MoM) as used cars, medical care and household supplies fell. However, computer software and accessories rose on shortages for chips due to supply chain disruptions.

Key Takeaways:

- Services impacted by surging prices paid.
- Fed was hawkish in Minutes from March meeting.
- Inflation reflecting impact from War with Iran.
- Global equities rally on ceasefire deal.
- Inflation expectations drop with oil prices; yields fall.
- Crude oil prices drop sharply on reopening of Strait.

Weekly Market Recap –

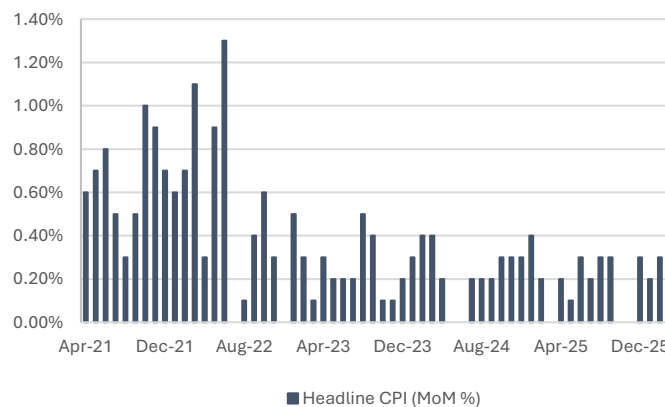
Optimism about peace talks drive stocks higher

Equities: The MSCI AC World Index rallied for the second consecutive week and posted its best one week gain since November 2023. Equities rallied as crude oil prices dipped on optimism surrounding the temporary ceasefire between the U.S. and Iran and weekend negotiations. All the major global indices that we monitor rallied, led by the emerging markets, specifically Asia. Within the U.S., the drop in yields helped boost tech and small cap stocks.

Fixed Income: The Bloomberg Aggregate Index rallied for the second consecutive week as oil prices dropped sharply and inflation expectations edged lower. Within the fixed income market, the biggest gainers were emerging market bonds and high yield.

Commodities/FX: The Bloomberg Commodity Index posted its worst one week decline since April 2025. Crude oil prices dropped sharply as Iran said they would open the Strait of Hormuz as part of a ceasefire deal. Copper prices also jumped due to optimism on demand from China and a weak U.S. dollar.

Inflation Jumps on War Impact



Footnotes: Data is as of April 2026.
Data Source: Bloomberg Finance LP, Verdenca Capital Advisors.

Global Equities Rally on U.S./Iran Talks

		U.S. Equities							International Equities						
		Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD	
U.S. Equities	Dow Jones Industrial Average	47,917	3.1%	0.5%	-2.8%	23.1%	0.2%	International Equities	MSCI AC World (USD)	1,035	4.1%	1.3%	0.4%	34.7%	2.4%
	S&P 500	6,817	3.6%	0.6%	-1.8%	31.0%	-0.1%		MSCI EAFE (USD)	3,046	4.4%	2.4%	4.0%	36.2%	6.1%
	Russell 1000 Growth	4,493	3.8%	-1.0%	-6.1%	30.6%	-5.5%		MSCI Europe ex UK (USD)	3,347	5.1%	2.5%	1.1%	32.8%	3.2%
	Russell 1000 Value	2,183	2.9%	2.1%	2.4%	30.3%	5.9%		MSCI Japan (USD)	5,177	3.0%	1.9%	6.2%	36.6%	8.7%
	Russell 2500	4,626	3.8%	3.8%	2.0%	42.3%	7.6%		MSCI UK (USD)	1,700	3.2%	2.4%	6.6%	44.2%	8.4%
	Russell 2000	2,631	4.0%	3.4%	0.5%	45.6%	6.4%		MSCI EM (USD)	1,547	7.4%	3.2%	7.0%	53.6%	10.7%
	Nasdaq	22,903	4.7%	1.0%	-3.1%	40.7%	-1.3%		MSCI Asia ex Japan (USD)	999	7.5%	2.8%	6.0%	53.6%	9.7%
		Fixed Income							Commodities						
		Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD	
Fixed Income	U.S. Aggregate	4.5%	0.3%	-0.5%	0.1%	6.3%	0.3%	Commodities	Bloomberg Commodity Index	336	-3.6%	2.2%	18.9%	37.8%	21.7%
	U.S. Govt/Credit	4.5%	0.1%	-0.5%	0.1%	5.7%	0.1%		Crude Oil (USD/bbl)	\$103.1	-8.3%	4.4%	42.0%	41.6%	45.7%
	U.S. 10 Year Treasury	4.3%	0.3%	-1.0%	-0.2%	5.3%	-0.2%		Gold (\$/oz)	\$4,749.8	1.7%	-5.8%	3.1%	47.2%	9.5%
	U.S. TIPS (1-10YR)	4.1%	0.2%	-0.1%	1.0%	5.8%	1.1%		Copper	\$588.6	4.7%	2.7%	-2.5%	29.7%	3.2%
	U.S. High Yield	7.0%	0.9%	0.3%	0.4%	11.2%	0.8%		Wheat	\$580.8	-2.4%	-5.2%	10.7%	-6.8%	11.4%
	EM Bonds (USD)	6.1%	1.3%	-0.3%	0.3%	11.5%	0.3%		U.S. Dollar	99	-1.1%	-1.5%	-0.3%	-1.2%	0.6%
	Municipal Bonds	3.6%	0.8%	-0.4%	0.2%	6.5%	1.0%		VIX Index	19.2	-19.4%	-22.9%	32.7%	-52.8%	28.6%

Footnotes: Data is as of April 10, 2026.

Source: Bloomberg Finance LP, Verdense Capital Advisors.

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