INVESTMENT STRATEGY UPDATE

MARKET REPORT
APRIL 2026

ASCENTIAL WEALTH ADVISORS

ENERGY SHOCK CHALLENGES MARKETS

After three consecutive years of gains, equity markets were mostly lower in the first quarter of 2026. The decline was driven primarily by the higher energy costs that resulted from US & Israeli military strikes on Iran. Investor concerns about the economic payback for spending on Artificial Intelligence (AI) also weighed on technology stocks, causing the NASDAQ to fall the hardest, ending the quarter down -7%.

Within the US equity market, performance rotated away from the growth and technology stocks that had been the top performers over the preceding three-year period. Value stocks outperformed, with the Russell 1000 Value Index rising by about 2% for the quarter. Smaller companies were also modestly positive, as the Russell 2000 index increased just under 1%. International stocks were also outperforming until the conflict in Iran triggered a selloff and foreign markets gave up early gains to move into correction territory.

As energy prices rose, in the month of March alone, the MSCI EAFE Index lost over 10% and the MSCI Emerging Markets Index fell over 13%, although both foreign indices closed the quarter with losses of only -1.2% and -0.2% respectively. The US can produce enough oil & gas to meet consumption needs today, but many foreign economies rely heavily on energy resources from the Middle East and feel the effects of price increases more sharply. The length of the disruption to global energy supply will affect the degree of its impact on the global economy.

Bonds were impacted by the negative sentiment in markets as well, with concerns about higher inflation pushing short and long-term yields higher, and prices lower. The 10-year US Treasury yield rose from 4.18% at the end of 2025 to 4.30% at the end of March 2026. The US Federal Reserve held rates steady as it weighed higher inflation potential against a weakening labor market. Whereas markets had previously been predicting multiple rate cuts from the Fed in 2026, the expectation is now for possibly one rate cut during the year. Overall bonds were relatively flat on a total return basis, providing a modest offset to falling stock prices.

Index	*2026 (through 3/31)*
S&P 500	-4.3
Dow Jones Ind. Avg.	-3.2
MSCI EAFE	-1.24
BC US Aggr. Bond	-0.1

Dow Jones Relative Risk Benchmarks	
Conservative	+0.5
Moderate	-0.1
Aggressive	-0.9

WHAT WE'RE WATCHING NOW

IRAN CONFLICT:
The length of this conflict matters, and how long the disruption to energy supply lasts will determine the magnitude of economic & market impacts. The longer the disruption to energy supply, the greater the drag on growth.

INTEREST RATES:
The US Federal Reserve will be watching inflation carefully and weighing that against labor market trends when making interest rate decisions. We do not see rates falling significantly, and if the energy market disruption persists, there is the potential that markets continue to push yields higher even if the Fed makes no change to rates.

ARTIFICIAL INTELLIGENCE:
Big Tech companies have reaffirmed their commitment to artificial intelligence (AI) in their budgets. Markets will continue to monitor how long it might take for those investments to increase profitability. AI investment could continue to boost economic activity.

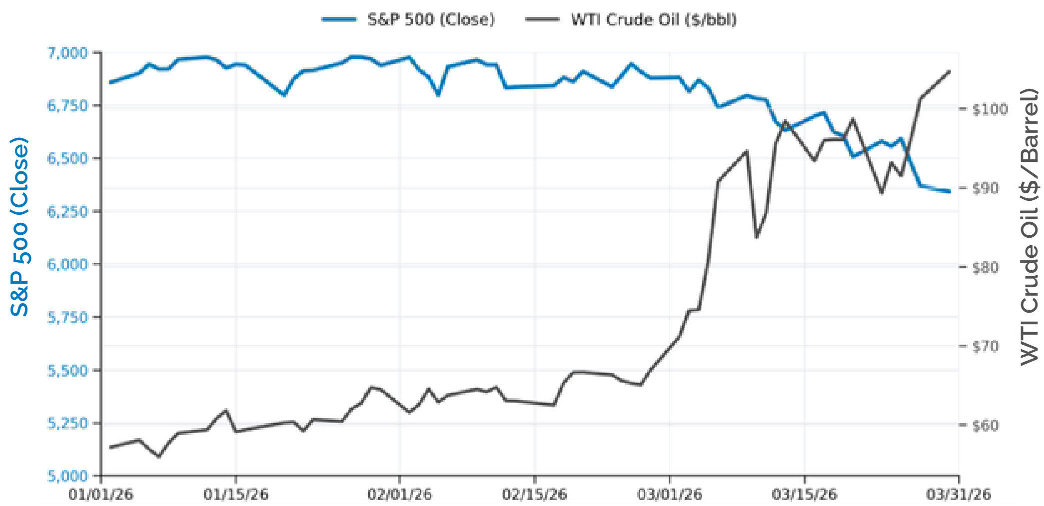
TAX CUTS:
The One Big Beautiful Bill Act, passed in 2025, is providing tax stimulus to the US economy, with higher refunds for individuals and incentives for business spending. This could help offset higher energy prices and cushion the economy through this period of higher energy costs.

Energy Prices, The War in Iran, and Broader Market Impacts

Energy markets returned to the forefront in Q1 as geopolitical tensions escalated in the Middle East. Higher energy prices can influence markets through multiple channels—fueling inflation concerns, complicating central bank decision making, weighing on consumer and business confidence, and reducing spending in other areas.

Historically, markets tend to react sharply to geopolitical headlines but longer term economic and market outcomes depend on whether disruptions persist. Rather than attempting to trade short-term events, we view episodes like this as reminders of the value of diversification, disciplined rebalancing, and maintaining a risk-tolerance based investment strategy aligned with long-term goals.

Equity Volatility and Rising Energy Prices



Source: Raymond James, US Dept of Energy, April 2026.

The chart above highlights one of the defining dynamics of the first quarter: the inverse relationship that emerged between equity markets and energy prices. While the S&P 500 traded in a relatively narrow range early in the quarter, volatility increased sharply as crude oil prices surged following geopolitical escalation in the Middle East late in February.

Rising energy prices contributed to renewed inflation concerns and weighed on investor sentiment, particularly as markets reassessed expectations for interest rate cuts later in the year. Although oil prices pulled back modestly toward quarter end, they remained well above January levels, reinforcing uncertainty across both equity and fixed income markets.

Q1 2026 Energy Markets Event Timeline

Jan 2: Year begins with a well-supplied market

Feb 10: Geopolitical tensions build

Feb 28: Iran conflict begins/Strait of Hormuz disruption

Mar 9: Q1 peak oil price shock

Mar 25-31: Ceasefire headlines; risk premium eases but prices remain elevated

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