Shearwater Creek Investment Matters

Market Update: April 2026

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As we head into the final days of April, the market landscape has shifted in ways that many did not expect just a few weeks ago. We often mention that writing these updates is a challenge because of how quickly the world moves; this month is a perfect example. We’ve pivoted from a "wait-and-see" March to a month defined by a significant relief rally and a series of high-stakes "what-ifs."

Geopolitics: The First Signs of an "Off-Ramp"?

The Iran War remains the central gravitational force for global markets, but the tone in April has turned surprisingly hopeful. The closure of the Strait of Hormuz—which dominated our conversations last month—is showing signs of a thaw. Reports of the Strait partially reopening and headlines regarding ceasefire negotiations have acted as a massive weight being lifted off the market. As we discussed previously, the 2026 Midterm Elections are casting a long shadow. The U.S. administration is highly incentivized to see these shipping lanes cleared and energy prices stabilized before the summer. We are seeing early signs that this political pressure is successfully nudging all parties toward a diplomatic exit. This shift has sparked a double-digit rally in the S&P 500 this month, as the "worst-case scenarios" regarding a multi-year global blockade have started to recede.

The Fed: Jerome Powell’s Final Act

As we write this, the Federal Reserve is about to be in what is expected to be Jerome Powell’s final meeting as Chair. Expectations are for the Fed to hold interest rates steady at 3.5%–3.75%. The Fed is still in a holding pattern. Even with the good news on the trade front, they are waiting to see if inflation—which hit a two-year high in March—will naturally cool as energy prices settle. With Kevin Warsh poised to take the helm in May, we are preparing for a potential shift in how the Fed communicates. For now, the "higher for longer" stance remains the baseline for the Financial and Real Estate sectors.

Continuing to Evaluate Equity Exposure

Last month, we talked about re-evaluating our stance on International Equities, and that remains a top priority. While the U.S. market has hit new record highs this month, the international picture is more fragmented. Europe and Japan have bounced back, but they still lack the heavy concentration in Technology that drove the U.S. recovery. Interestingly, while international markets have a harder time with energy shocks, they are currently trading at much more attractive valuations than domestic stocks. We are looking for the right moment to balance that domestic safety with the growth potential in "production-heavy" economies that are better positioned to integrate AI into their manufacturing sectors.

Market Sentiment: From Panic to Performance

The most encouraging trend this month has been a return to fundamentals. After weeks of investors reacting to every headline out of Tehran, the focus has shifted back to corporate earnings.

We’ve seen a "flight to quality" where investors are no longer just looking for a safe place to hide, but are actively seeking out sectors that showed they could thrive even during the peak of the March volatility. Gold has continued to be under pressure as investors moved back into equities—a sign that confidence, however cautious, is returning to the floor.

Our Perspective

We are encouraged by the resilience we’ve seen in April, but we aren't letting our guard down. The "off-ramps" are appearing, but they haven't been fully taken yet. We continue to favor sectors with strong cash flows and are carefully monitoring the leadership transition at the Fed to ensure your portfolio is ready for the next chapter of 2026.

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