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Weekly Market Guide

Global markets are experiencing a risk-on rally today, following last night’s announcement of a two-week ceasefire between the US and Iran. WTI Crude oil is down 15% to \$95/barrel, bond yields are lower, Fed rate cut expectations are higher, and equities are broadly advancing. Cyclical areas are leading today’s charge, i.e. Industrials, Consumer Discretionary, Banks, Tech-oriented, and Small Caps all up over 2%.

This is clearly a step in the right direction. De-escalation reduces supply constraints, puts downward pressure on oil prices, and lowers the odds of worst-case economic outcomes. Consequently, it reduces the headwind on equities. **Nonetheless, all of the risks are not eliminated.** A two-week ceasefire falls short of complete resolution. Investors will closely follow news-flow on traffic through the Strait of Hormuz and assess the lasting potential of the truce. A risk premium is likely to remain embedded in global commodity markets, as the US is involved in Iran, Venezuela, and Russia- three oil-exporting countries. Because of this, oil is unlikely to simply go back to where it was in the \$60s. **With some overhang continuing ahead, this could impact the degree of the rally for equities.**

The market’s relative stability through the turmoil, along with its reaction to “peace talks,” is indicative of a healthy underlying backdrop amidst the disruption. The US economy was in good shape heading into the volatility, allowing it to withstand some “body blows.” The quicker that tensions and uncertainty can die down, the quicker that investor focus can shift back toward the positives- i.e. large individual tax refunds this Spring (~\$140B estimated consumer stimulus), massive domestic investment spending (~\$1.7T estimated S&P 500 capex in 2026), a Fed that has lowered rates 175bps over the past 1 ½ years, deregulatory efforts, and manufacturing emerging from a 3-year malaise. All of this is supporting a healthy backdrop for corporate earnings, which is the main driver of stocks over the long-term.

Good initial reaction, we’ll be watching for follow-through and underlying behavior along the way. Today’s reading of 4.5x advancers vs. decliners on 72% up-volume is solid, but falls short of an overwhelming “breadth thrust.” This “good, not great” bounce-velocity is being influenced by the market’s more muted decline in the volatility; as market participants under-priced the oil impact on hopes that the conflict would be a matter of “weeks vs. months.” This dynamic is also reflected in “fear” indicators near oversold levels, though not washed out. As an analogy, *the rubber band never got too stretched on the downside.* **All in all, today’s news (and reaction) supports our view that downside should be contained, though potential upside may initially be more moderate too.** A risk-premium could linger in oil prices (and equities) for a while, as geopolitical concerns are unlikely to disappear.

Long-term, diversified portfolios are well-positioned in this year’s rotation and volatility. The “average stock” is positive

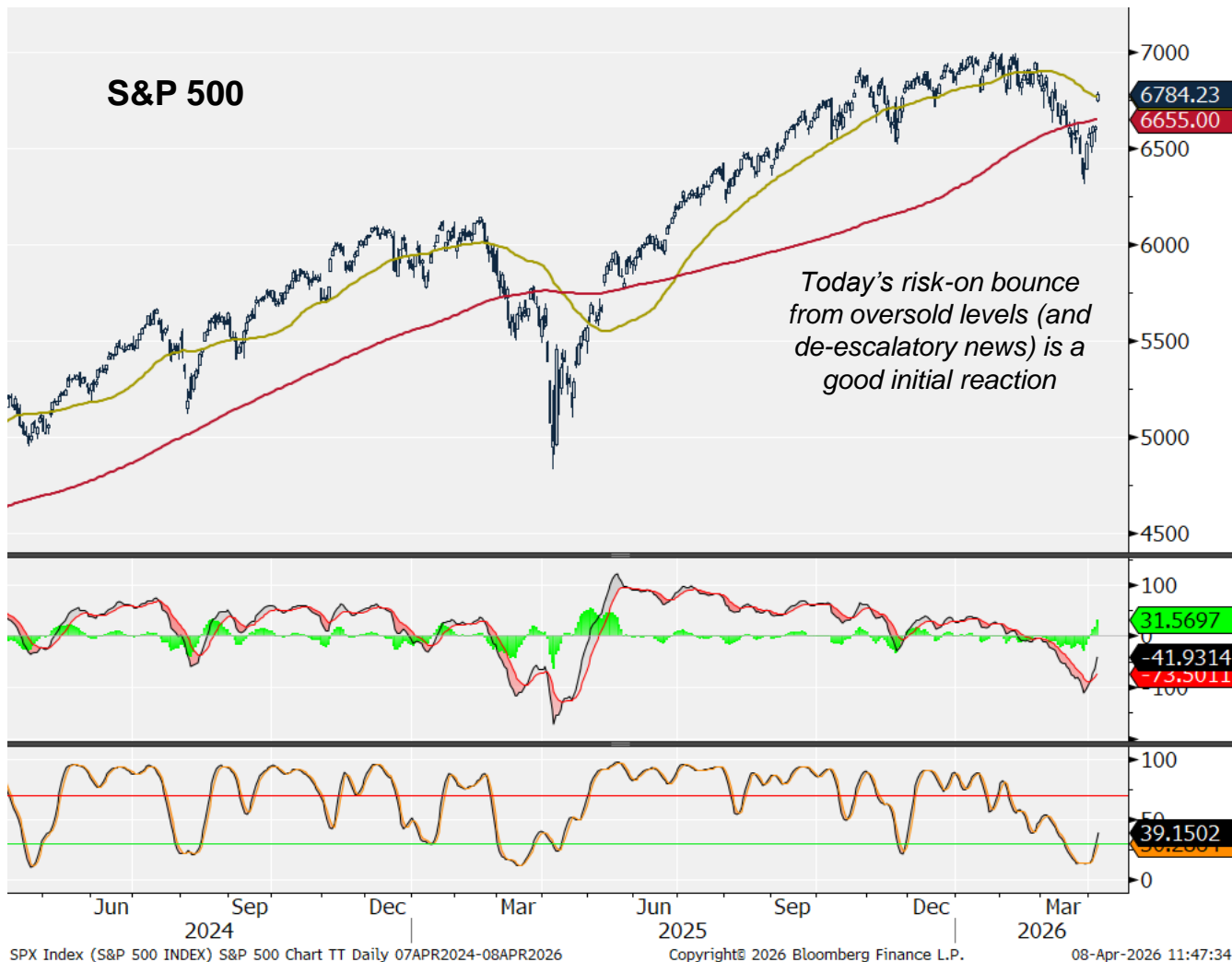
Equity Market Indices	Price Return	
	Year to Date	12 Months
Dow Jones Industrial Avg	-3.1%	22.7%
S&P 500	-3.3%	30.7%
S&P 500 (Equal-Weighted)	1.0%	24.0%
NASDAQ Composite	-5.3%	41.1%
Russell 2000	2.5%	40.6%
MSCI All-Cap World	-1.6%	33.9%
MSCI Developed Markets	0.5%	35.6%
MSCI Emerging Markets	3.9%	45.7%
NYSE Alerian MLP	15.6%	23.4%
MSCI U.S. REIT	5.8%	16.8%

S&P 500 Sectors	Price Return		Sector Weighting
	Year to Date		
Energy	34.6%	3.9%	
Materials	9.9%	2.1%	
Utilities	8.4%	2.5%	
Real Estate	6.2%	1.9%	
Consumer Staples	6.0%	5.1%	
Industrials	5.9%	9.0%	
S&P 500	-3.3%	-	
Communication Svcs.	-4.2%	10.5%	
Health Care	-5.3%	9.3%	
Information Technology	-6.8%	33.4%	
Financials	-9.0%	12.5%	
Consumer Discretionary	-10.0%	9.7%	

Source: FactSet

year-to-date and has outperformed the index, as performance broadens out into many areas (rather than a narrow sleeve of mega-caps). The beaten-up Tech-oriented area is snapping back today and testing overhead resistance at its 50- and 200-DMA. On the other hand, the “average stock” bounced off 200 DMA support and remains in an uptrend. We will be evaluating these trends over the days and weeks ahead, particularly in conjunction with fundamental updates. *Q1 earnings season kicks off next week.*

Technical: S&P 500



Today's risk-on bounce from oversold levels is a good initial reaction. We'll be watching for follow-through and underlying behavior along the way.

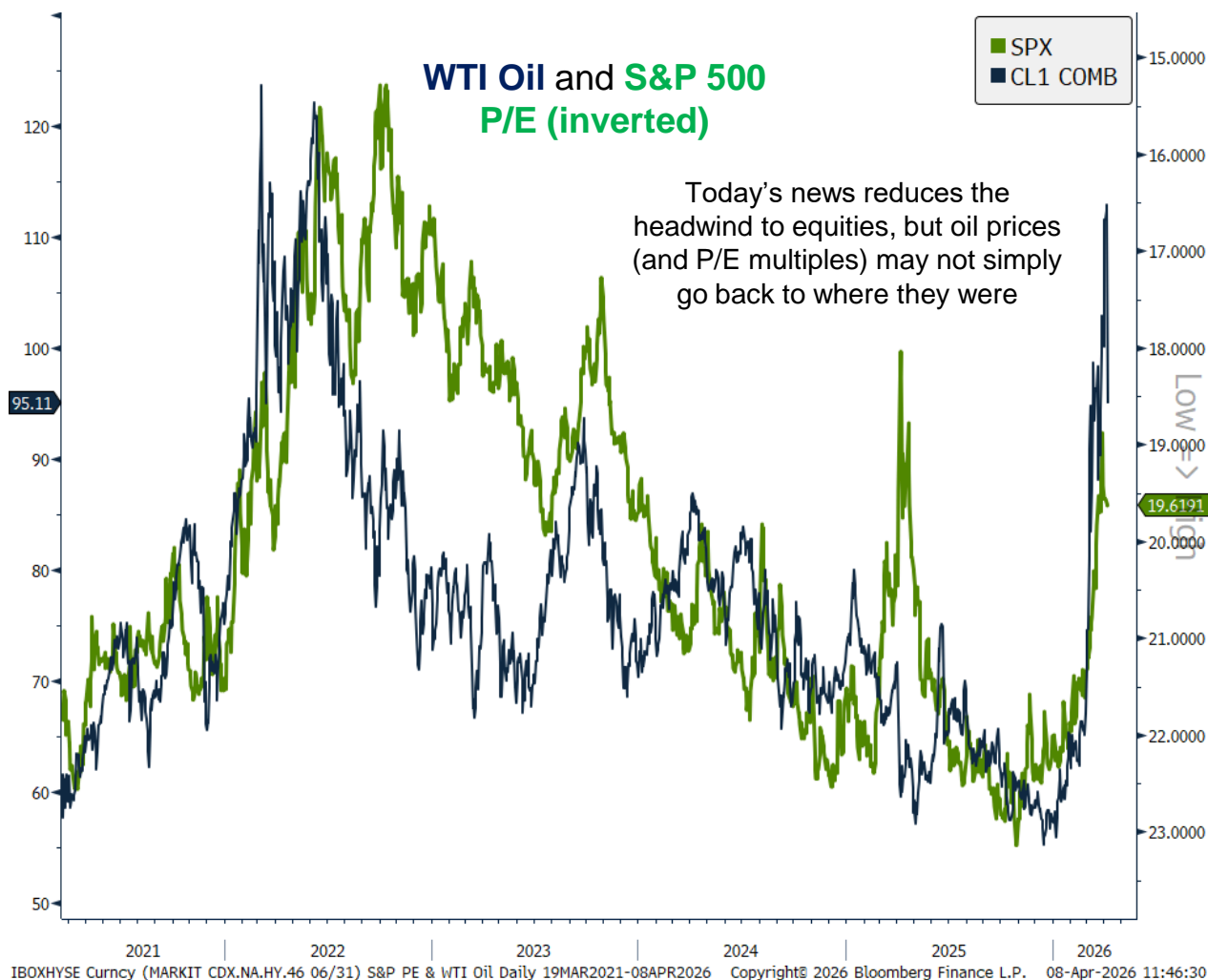
Let's see how the market closes today (we would like to see it finish on the highs). Resistance levels to monitor in the near-term include 6771 (50 DMA) and 7000 (prior highs).

Support levels include 6618 (if prices fill today's gap-up), followed by 6343 (recent lows).

All in all, today's news (and reaction) supports our view that downside should be contained, though potential upside may initially be more moderate too. A risk-premium could linger in oil prices (and equities) for a while, as geopolitical concerns are unlikely to disappear.

Source: Bloomberg, FactSet

WTI Crude Oil vs. S&P 500 P/E



The two-week ceasefire is clearly a step in the right direction. De-escalation reduces supply constraints, puts downward pressure on oil prices, and lowers the odds of worst-case economic outcomes. Consequently, it reduces the headwind on equities.

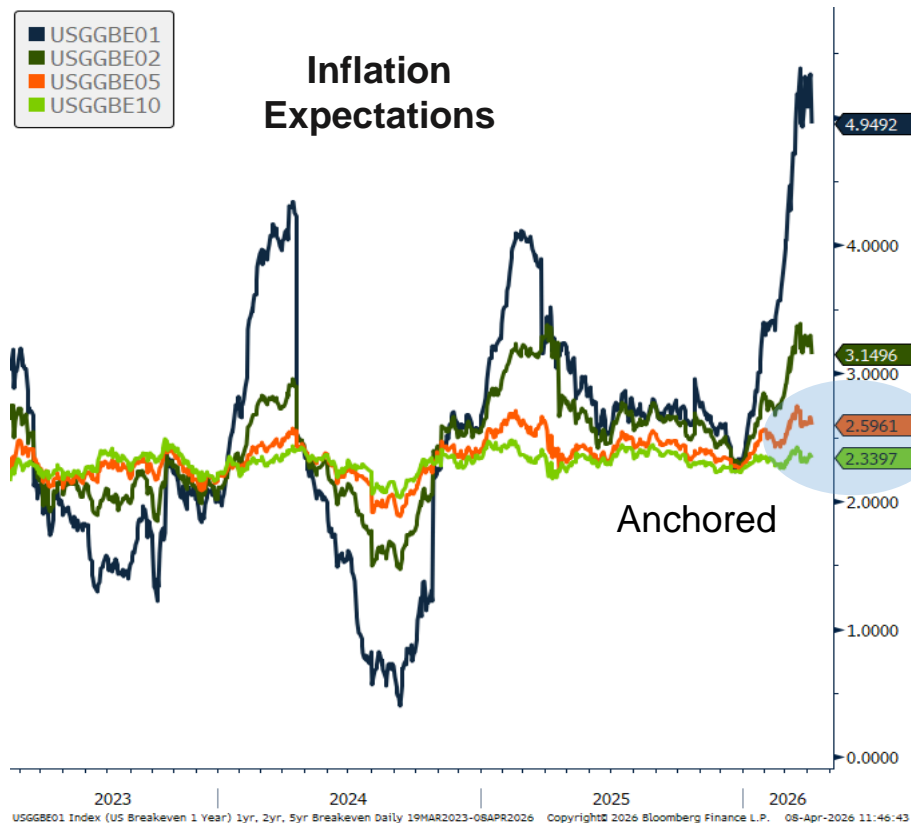
Nonetheless, all of the risks are not eliminated. A two-week ceasefire falls short of complete resolution. Investors will closely follow news flow on traffic through the Strait of Hormuz and assess the lasting potential of the truce. A risk premium is likely to remain embedded in global commodity markets, as the US is involved in Iran, Venezuela, and Russia—three oil-exporting countries.

Because of this, oil is unlikely to simply go back to where it was in the \$60s. WTI Crude oil currently sits at \$95/barrel (still elevated). With some overhang continuing ahead, this could impact the degree of the rally for equities.

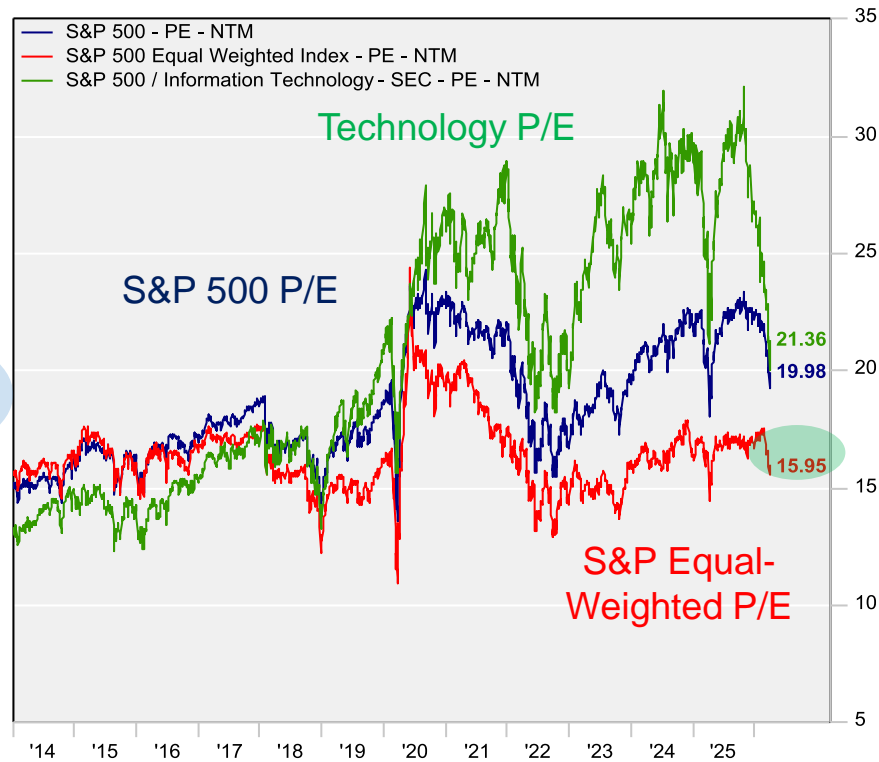
Source: Bloomberg, FactSet

Inflation and Valuation

If oil prices can continue lower, the pressure on inflation expectations should subside. Importantly, longer-term 5- and 10-year inflation expectations remain anchored near 2.5%. This is the Fed’s intended level and where valuation multiples have been highest historically. The fundamental backdrop is compelling if we look through (and can get through) the geopolitical smoke. Valuation multiples are at supportive levels in our view with earnings estimates reflecting strong growth. For example, Tech P/Es are down to 21x (from 32x when the year began), and the “average stock” is trading at 16x (in line with the long-term average).



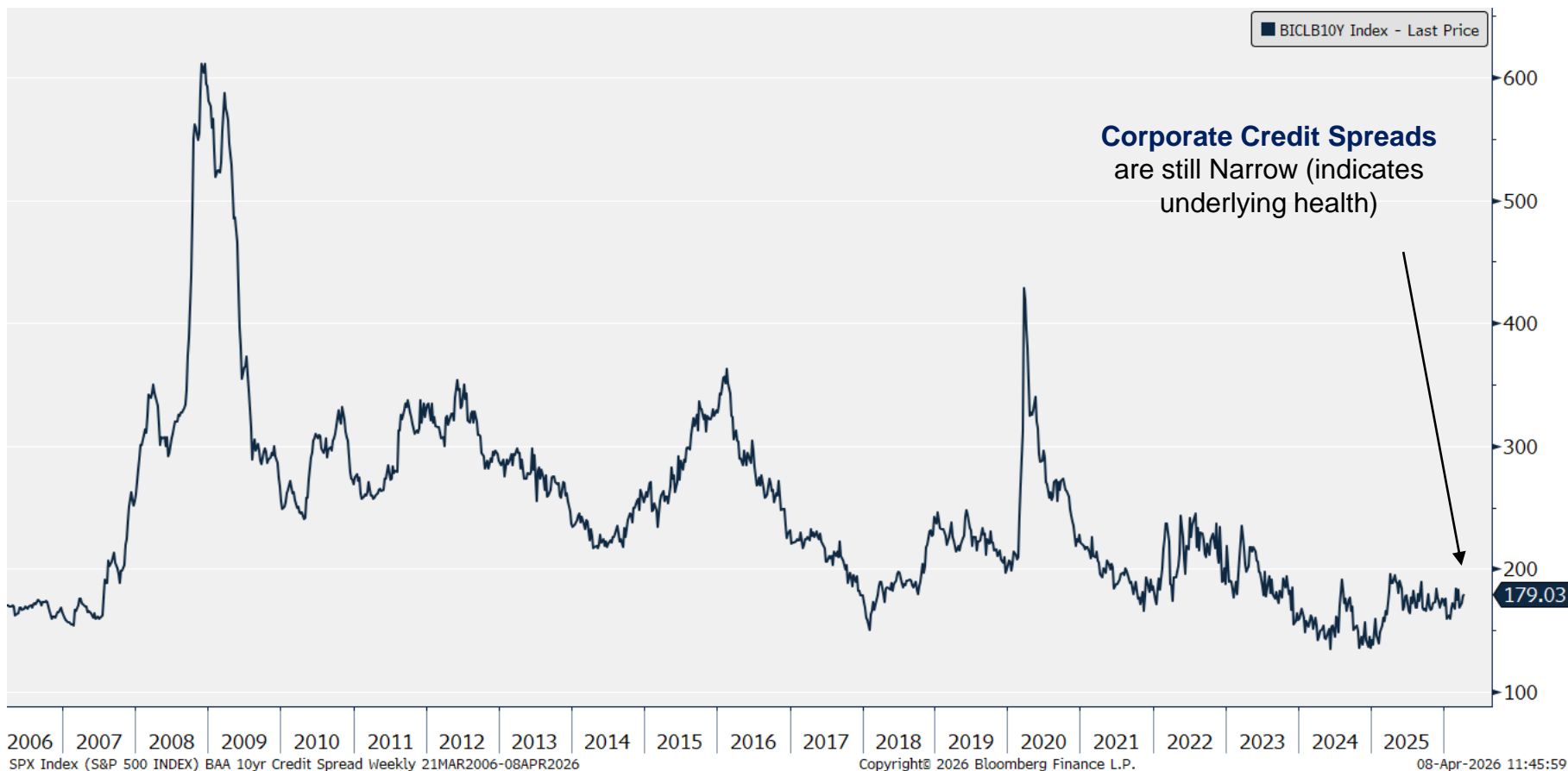
S&P 500 (SP50-USA) : 31/12/2013 to 08/04/2026 (Daily)



Source: Bloomberg, FactSet

Supportive Backdrop Amidst the Disruptions

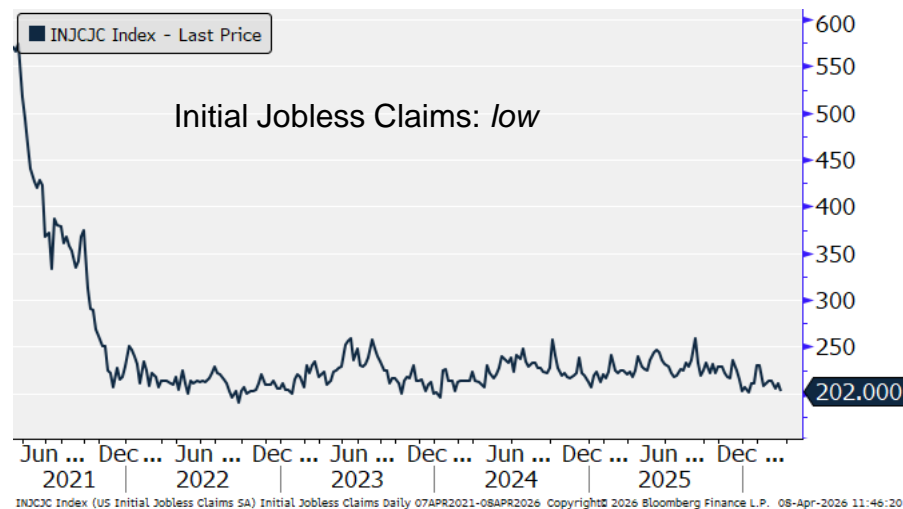
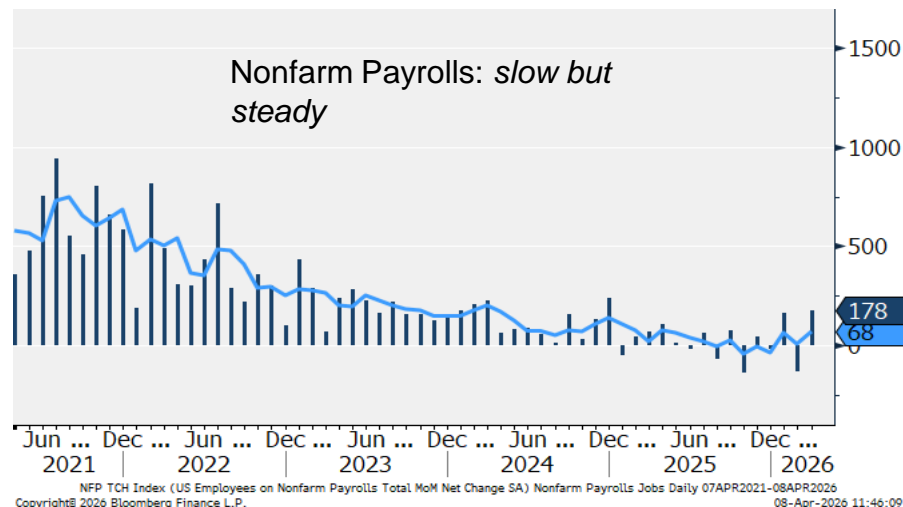
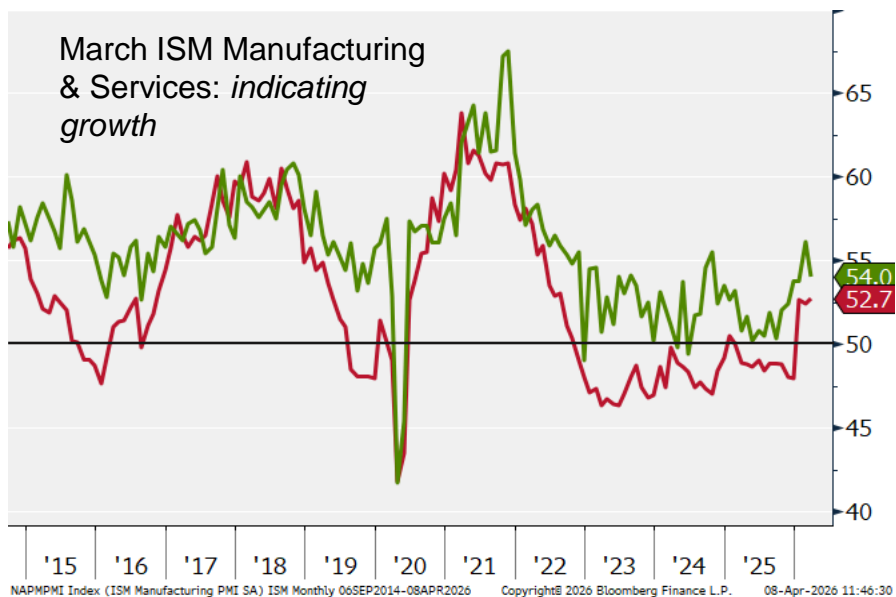
Credit spreads remain fairly narrow. In the face of military conflicts, spiking oil prices, private credit headlines, and AI disruptions, the bond market has not indicated spiking fears of widespread issues. This is supportive of equities, particularly if US-Iran tensions can dial down.



Source: Bloomberg, FactSet

Recent Economic Data

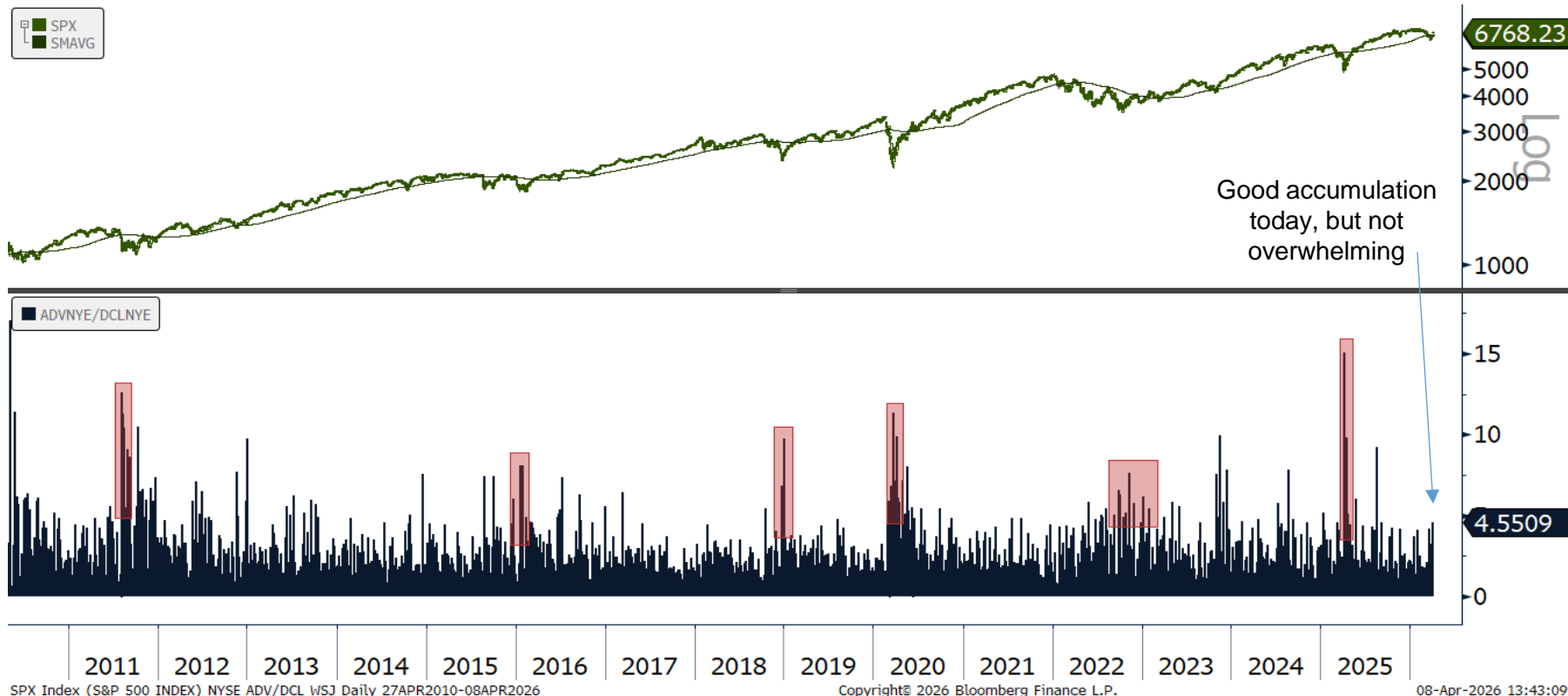
Recent March data supports our view that the economy has some cushion to help mitigate oil impacts in the near-term. March nonfarm payrolls rose 178k, taking the 3-month average up to 68k. This confirms the stability we have seen in weekly jobless claims, which continues to hover at low levels. Taken together, the jobs market remains slow but steady (more of a “no hire, no fire” environment). Additionally, March ISM Manufacturing and Services both indicated growth at 52.7 and 54.0 respectively. While the US economy is primarily services-driven, it is encouraging to see signs of improvement out of manufacturing (which has been in a 3-year malaise).



Source: Bloomberg, FactSet

NYSE Advancers vs. Decliners

Today's reading of 4.5x advancers vs. decliners on 72% up-volume is solid, but falls short of an overwhelming "breadth thrust." This "good, not great" bounce-velocity is being influenced by the market's more muted decline in the volatility; as market participants under-priced the oil impact on hopes that the conflict would be a matter of "weeks vs. months." This dynamic is reflected in "fear" indicators near oversold levels, though not washed out. As an analogy, *the rubber band never got too stretched on the downside*. All in all, today's news (and reaction) supports our view that downside should be contained, though potential upside may initially be more moderate too. A risk-premium could linger in oil prices (and equities) for a while, as geopolitical concerns are unlikely to disappear.



SPX Index (S&P 500 INDEX) NYSE ADV/DCL WSJ Daily 27APR2010-08APR2026

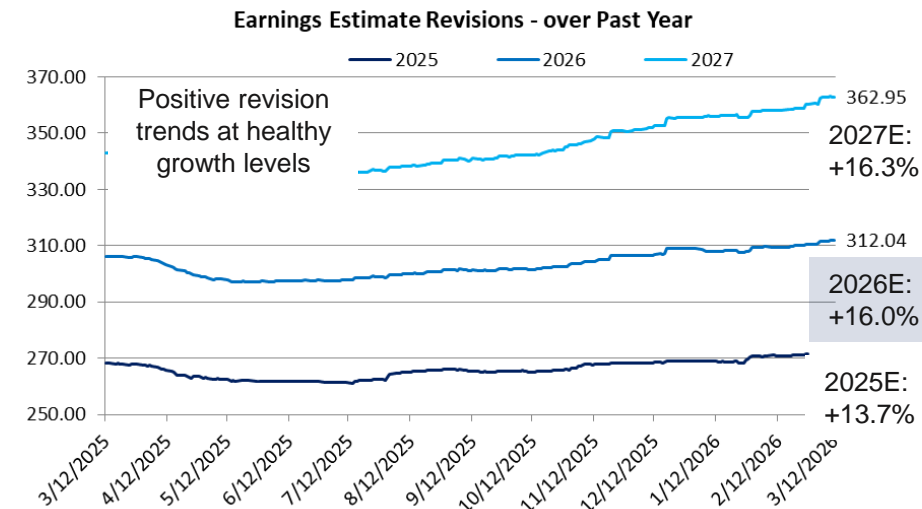
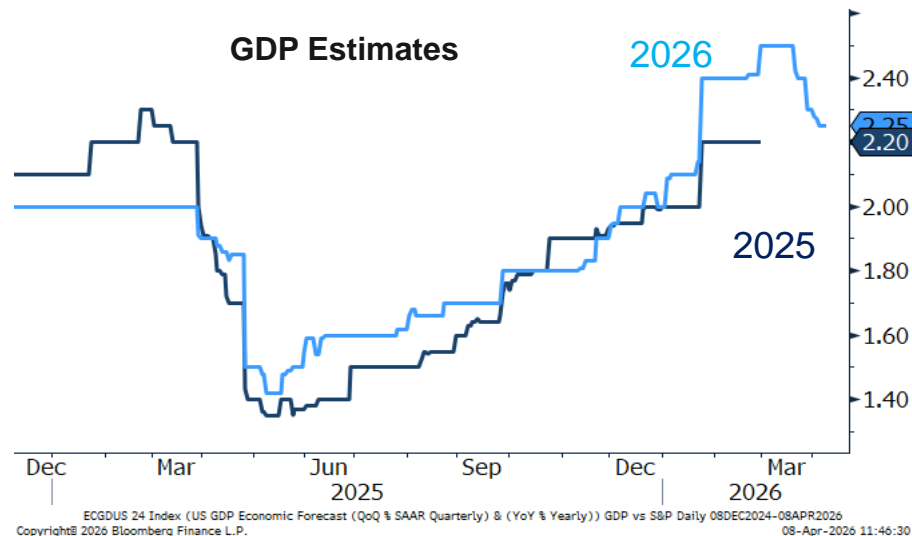
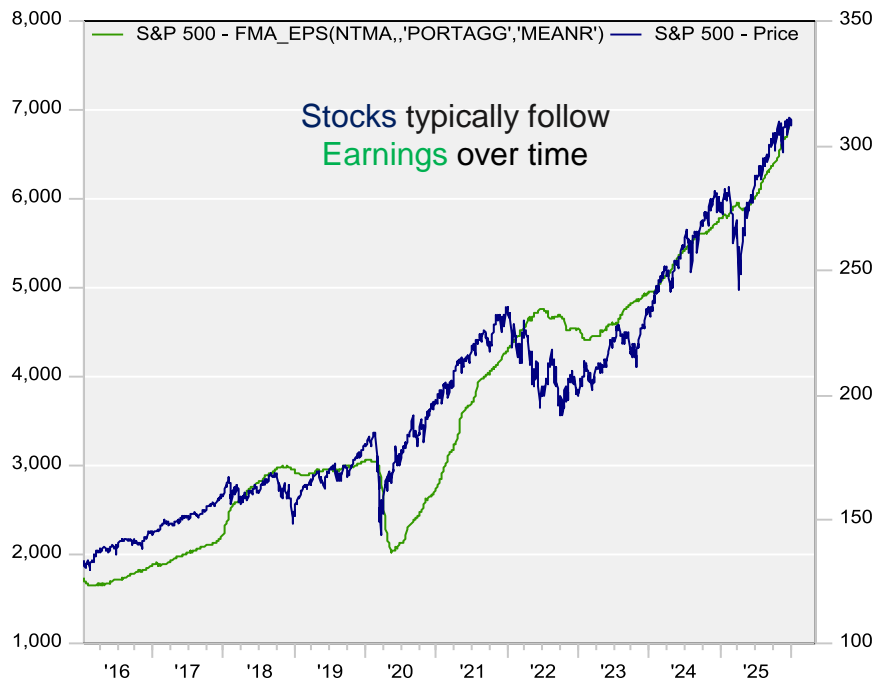
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Source: Bloomberg, FactSet

Earnings Are The Long-Term Driver of Equities

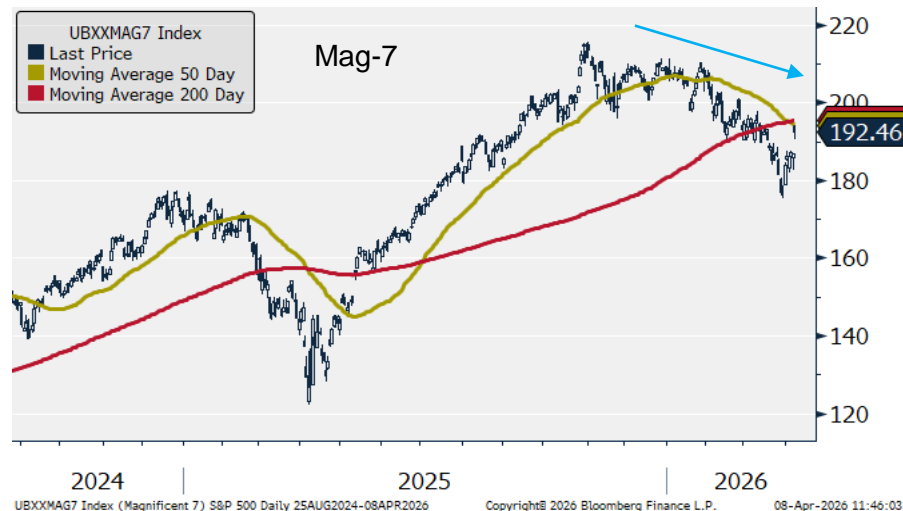
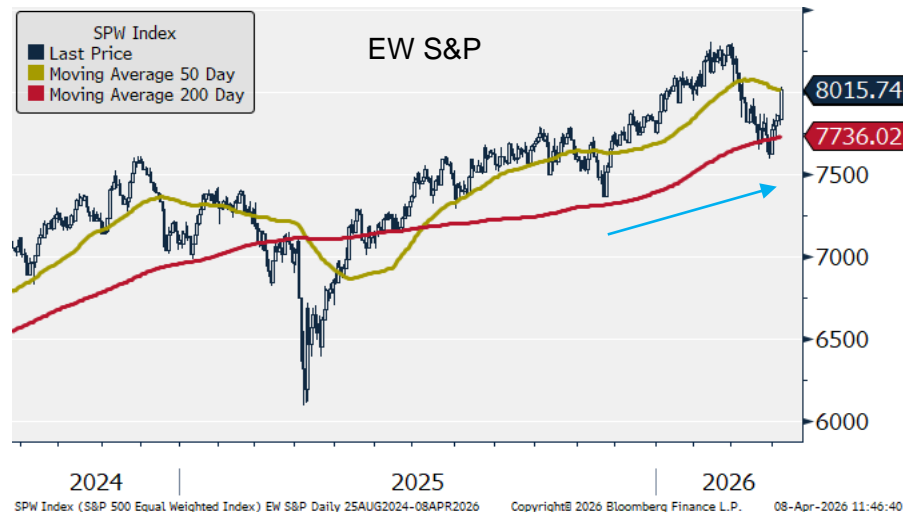
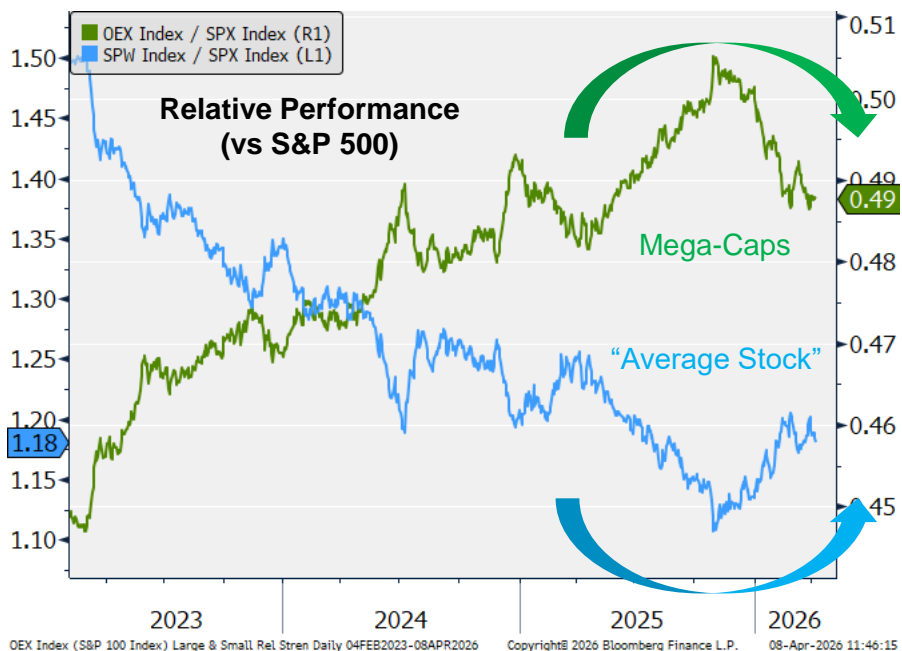
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Source: Bloomberg, FactSet

Diversification vs. Index Concentration

Long-term, diversified portfolios are well-positioned in this year's rotation and volatility. The "average stock" is positive year-to-date and has outperformed the index, as performance broadens out into many areas (rather than a narrow sleeve of mega-caps). The beaten-up Tech-oriented area is snapping back today and testing overhead resistance at its 50- and 200-DMA. On the other hand, the "average stock" bounced off 200 DMA support and remains in an uptrend. We will be evaluating these trends in the days and weeks ahead, particularly in conjunction with fundamental updates. Q1 earnings season kicks off next week.



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.