

# PDS WEALTH MANAGEMENT



## Quarterly Investment Report – Q1 2026

2026 has mirrored 2025 in many ways for the financial markets. Both years started out with optimism before chaos arrived. One day we're looking forward to strong earnings growth and lower interest rates and then WHAM! – another self-induced conflict from our political leaders (war this year, tariff tantrum last year) that throw markets into a tailspin. The only metric that fell faster than the stock market in the first quarter was Trump's approval rating. It appears the 2025 analogy may hold, however, as geopolitical tensions appear to be cooling which has provided some recent relief to the markets.

For now, though, let's recap Q1.....

### Markets

#### Stocks

US Stock Indices YTD – [S&P 500](#), [Dow Jones Industrial Average](#), [Nasdaq Composite](#)



Source: FactSet; as of March 31, 2020

Stocks posted modest gains at the beginning of the year before volatility picked up with the start of the Iran war and risk-off sentiment prevailed. As of the end of the quarter, the DJIA fell 3.6%, the S&P 500 lost 4.3%, and the Nasdaq Composite dropped 7%. All markets have enjoyed upside reversals in the first two weeks of April following the US/Iran ceasefire announcement and are trading just below their all-time highs.

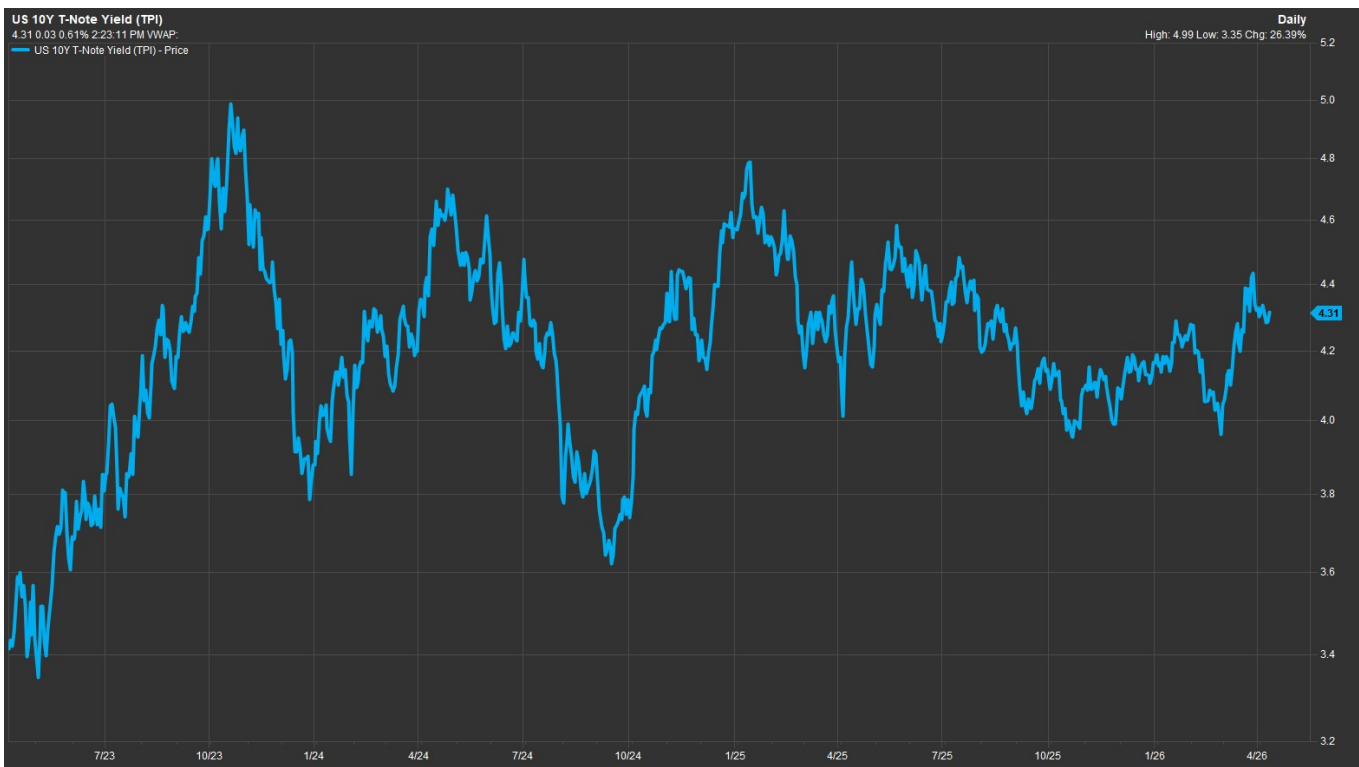
With the spike in oil prices, it will come as no surprise that the Energy sector was the best performing group in Q1 with a 38.2% gain, followed by a +9.7% return for Materials. Utilities and Staples, both defensive sectors, enjoyed respective returns of 8.3% and 7.7%. Industrials and Real Estate were the only other sectors to post positive gains in the quarter, adding 3-4% apiece. Healthcare gave back 5% while Communication Services dropped 6.9%. Technology, Discretionary, and Financials all lost ~9%.

The international MSCI EAFE index was a relative outperformer but still lost ~1% when factoring in currency changes. International markets with heavy commodity exposure (UK, Brazil, Canada) outperformed those with more technology focus (Taiwan, China, Germany).

## Bonds

While fixed income often benefits during risk off environments, that was not the case in the first quarter. Bond prices moved more in tandem with stocks - trading modestly higher until the beginning of the war and then selling off as inflation fears resurfaced and investors sought liquidity where they could find it. For the quarter, the yield on the 10-Year Treasury Note rose 12bps to 4.3%.

### 10-Year US Government Note Yields



Source: FactSet; as of April 10, 2026

Performance for the Barclays Aggregate Bond Index was fractionally negative (-0.05%) in the first quarter. The S&P 500 Bond Index (investment-grade corporate bonds) and the S&P 500 High Yield Corporate Bond Index both lost 0.5%.

Despite the lackluster returns for bonds year-to-date, spreads for corporate bonds have barely budged off historically low levels, indicating an optimistic outlook for corporate health.

### BBB US Corporate Bond Option-Adjusted Spread

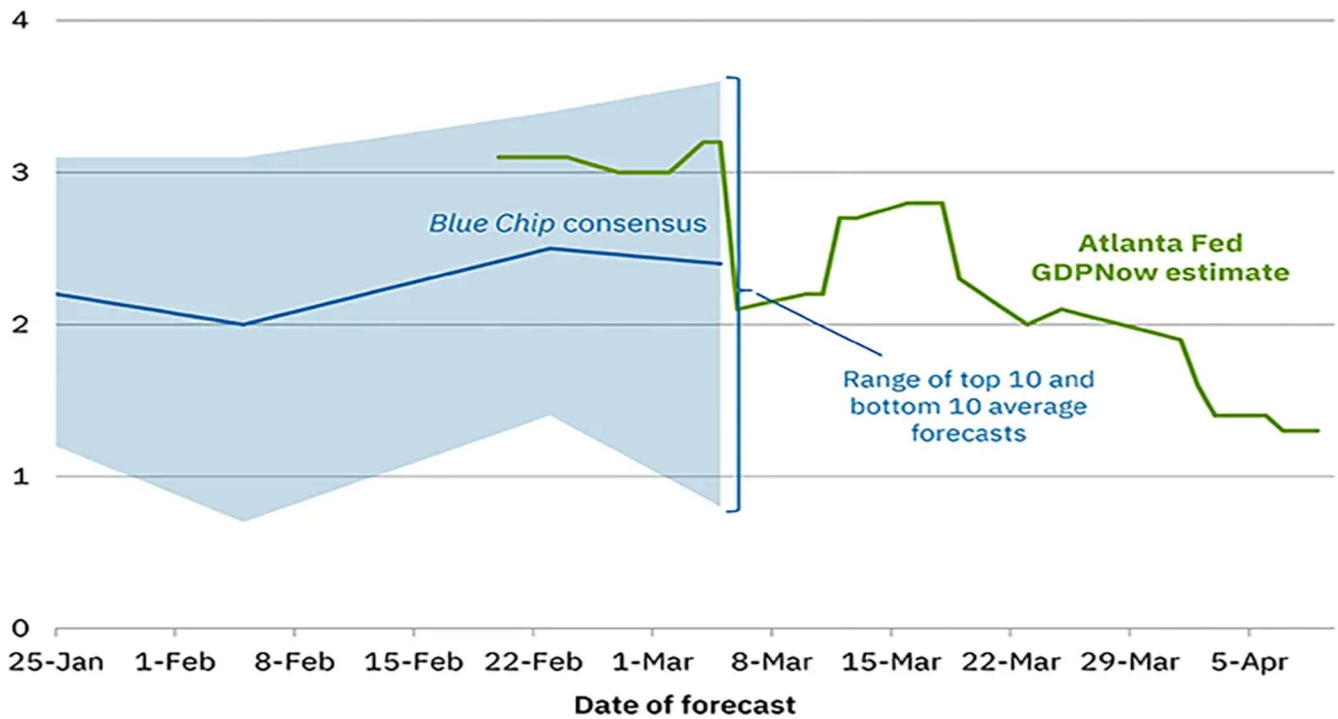


Source: St. Louis Federal Reserve; as of April 10, 2026

## Economics

GDP readings have slowed from the 3-4% range seen during most of 2025 towards 1-3%. The government shutdown accounts for some of the decline, but consumer spending has also been under pressure. The Atlanta Fed's GDP Now forecast for the first quarter is 1.3%.

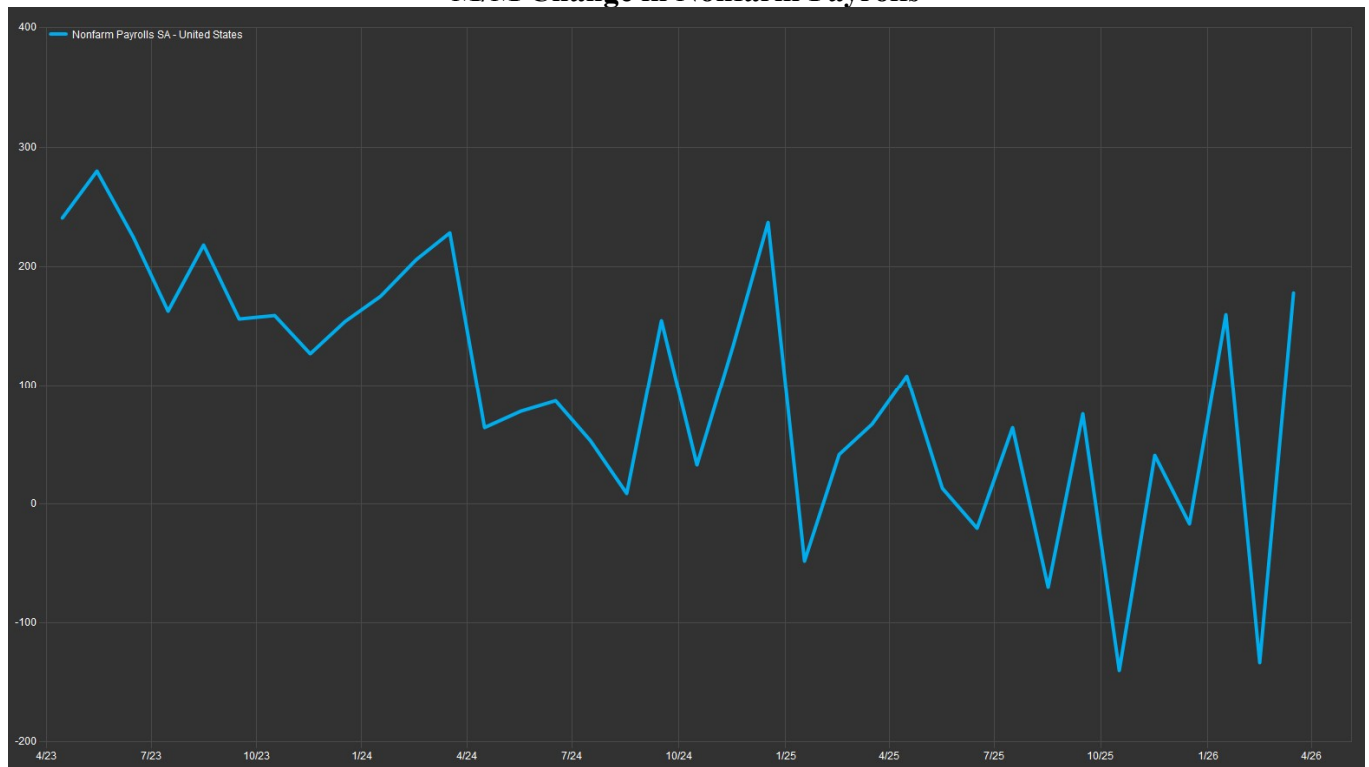
### GDPNow Estimate



Source: Federal Reserve Bank of Atlanta; as of April 9, 2026

Job growth has been volatile with monthly payroll reports swinging between positive and negative numbers in recent months, though the unemployment rate has held steady at 4.3-4.4%.

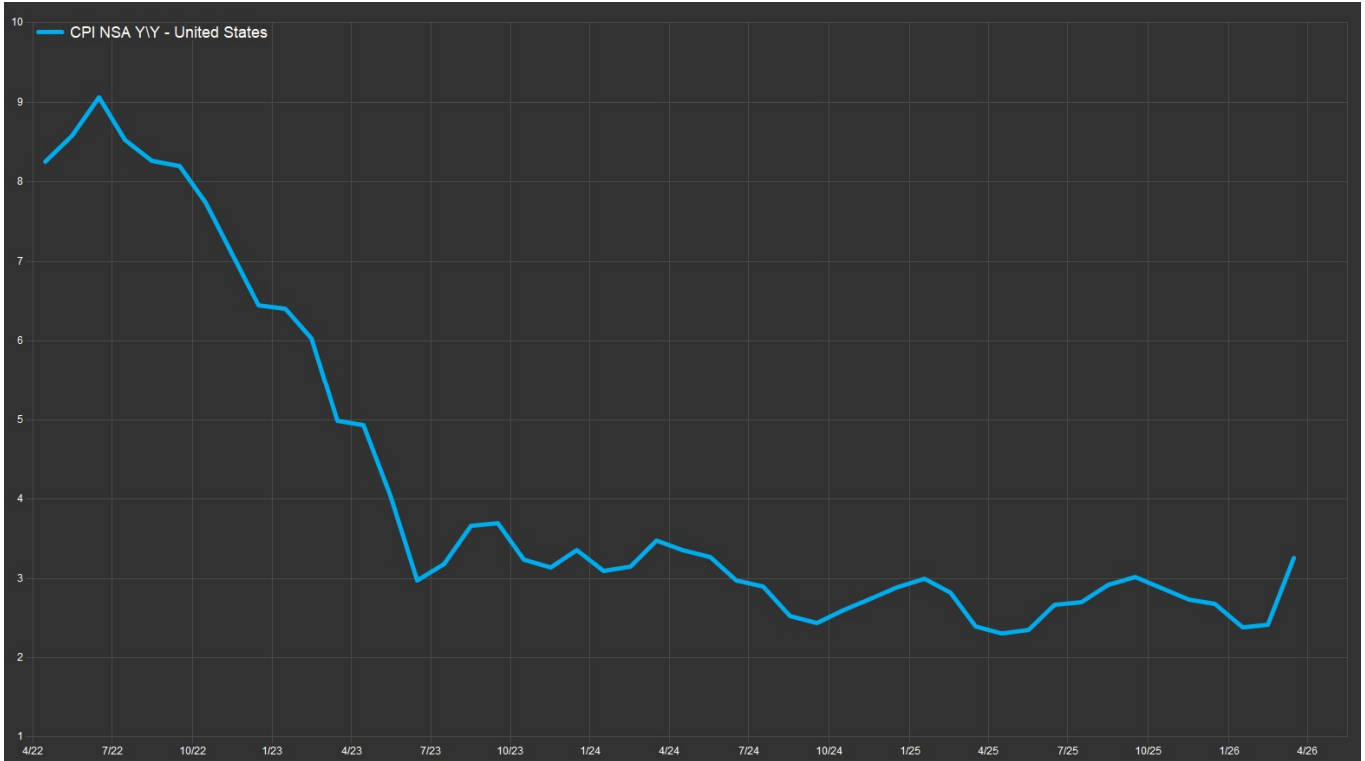
### M/M Change in Nonfarm Payrolls



Source: FactSet; as of March 31, 2026

With the recent spike in oil prices, headline inflation has ticked back above 3% y/y, though core (excluding food and energy) has held steady at ~2.5%. This will likely weigh more heavily on the Fed's outlook going forward and will likely keep them on hold for the time being.

## CPI Y/Y



Source: FactSet; as of March 31, 2026

Coming into the year, Fed futures markets were pricing in two 25bp cuts in 2026. With the spike in energy prices and uncertainty as to how those higher prices will affect inflation more broadly, markets now price in no changes for the year (Fed Funds are currently 3.5-3.75%).

If the headlines are causing you whiplash, we suggest turning off the news and stepping outside. We aren't chiropractors but check in with us if we can help keep you aligned and hopefully keep you (financially) pain free.

Paul Spencer, CFA®

Director

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