Monthly Market Commentary

APRIL 2026

WIP EQUITY STRATEGY		S&P 500		MSCI ACWI	
+10.3%	+24.0%	+10.5%	+5.7%	+9.5%	+7.1%
Apr	YTD	Apr	YTD	Apr	YTD

NOTE SUMMARY

April closed with the S&P 500 at all-time highs and the WIP strategy returning 10.3% (net) for the month despite a defensive posture held through the US-Iran conflict. Risk measures have since dissipated, clearing a constructive path for equities against a supportive macro backdrop. We have closed the defensive overlay and are running at full strategy risk into May.

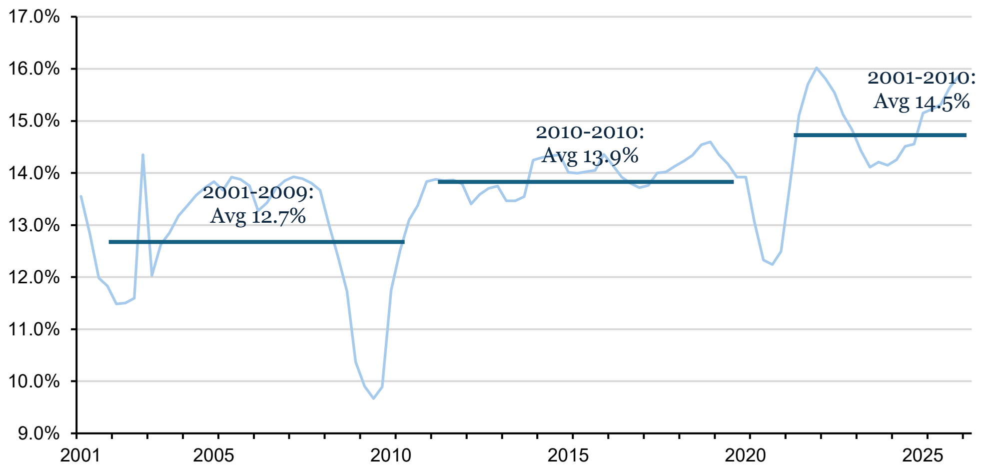
DEFENSIVE POSTURE, STRONG MONTH

We entered April against a backdrop of elevated risk. Kinetic action and diplomatic initiatives in the US-Iran conflict crested in the opening weeks of the month, capping a six-week period in which geopolitical uncertainty dominated market sentiment, eclipsing competing narratives around Federal Reserve Chair confirmation, the path of interest rates, and tariff negotiations. We came into April at reduced risk exposure, in line with our strategy signals to protect against asymmetric downside, a risk that subsided through the month. Despite the defensive posture throughout April, the strategy delivered a 10.3% return for the month, bringing year-to-date performance to 24.0%.

EARNINGS ARE DOING THE WORK

April delivered one of the strongest equity months in recent memory, with the S&P 500 closing at all-time highs above 7,200. In the shadow of geopolitical risk, the rally was supported by corporate fundamentals that, on most measures, remain among the strongest in years. Forward earnings revisions for 2026 have run at one of the fastest year-to-date paces since 2000. Operating margins have climbed to 15.9%[1] (Mar 2026), comfortably above their multi-year average and approaching the pandemic-era record. In short, corporate fundamentals are doing the heavy lifting in supporting investor sentiment, despite recent geopolitical risks.

S&P 500 Operating Margin and Interval Averages

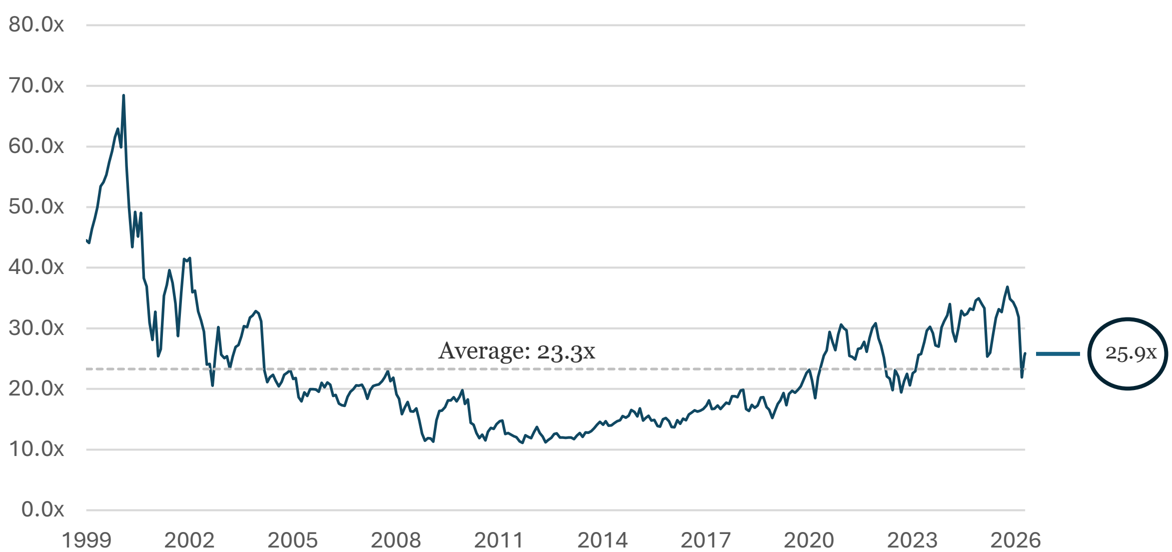


Source: FactSet

TECH GAINS GROUNDED IN EARNINGS

Technology has been the primary engine of the broader market through April, which raises the perennial question of whether concentration has produced excess. By historical measures, it has not. The forward price-to-earnings ratio for the S&P 500 information-technology sector recently stood at 25.9x[2], only modestly above its long-term average of roughly 23x[3] and far short of the dot-com era's multiples above 60x. Trailing three-year returns are elevated relative to history but well within historical norms. This is pointing out that tech's leadership has been grounded in earnings growth, not multiple expansion alone.

S&P 500 Information Technology forward P/E - 1999 to Present

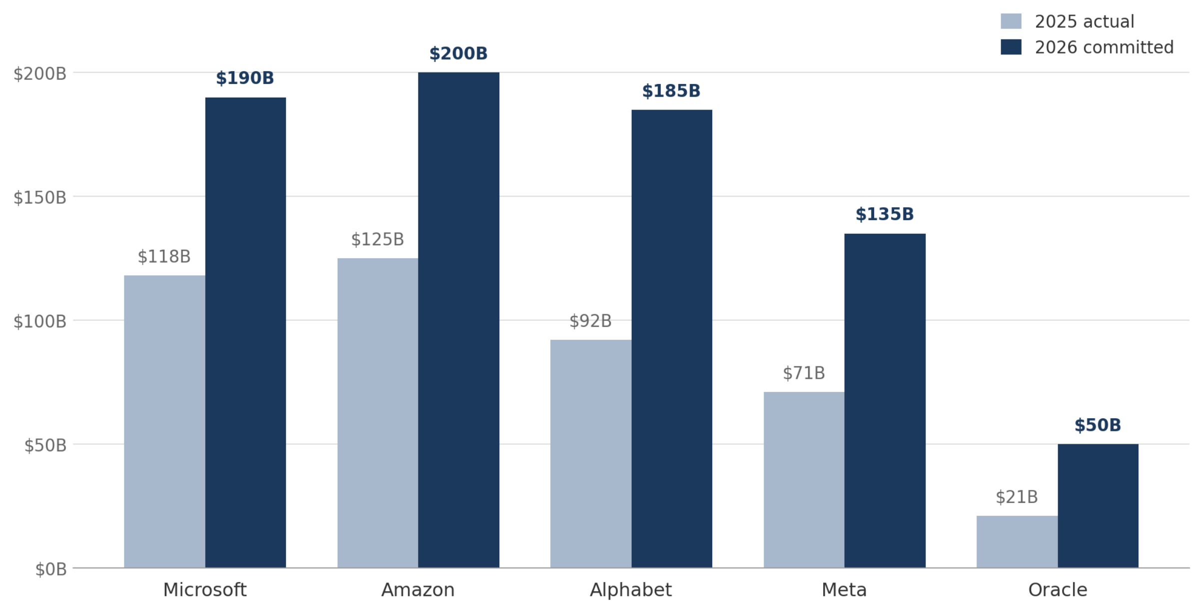


Source: FactSet

DEMAND IS CONTRACTED, NOT SPECULATIVE

Demand from the largest buyers anchors this earnings durability. Combined 2026 capital expenditure guidance from Microsoft, Alphabet, Amazon, Meta, and Oracle, refreshed at the most recent earnings prints, stands at roughly $760 billion[4], up nearly 80%[5] from 2025. Industry analysis attributes approximately three-quarters of this spend, or close to $570 billion[6], to AI infrastructure. Customer backlogs at Google, Amazon, and Oracle aggregate above $1.3 trillion[7], indicating that the demand backing the cycle is contracted rather than speculative.

Hyperscaler 2026 Capex Guidance vs 2025 Actual

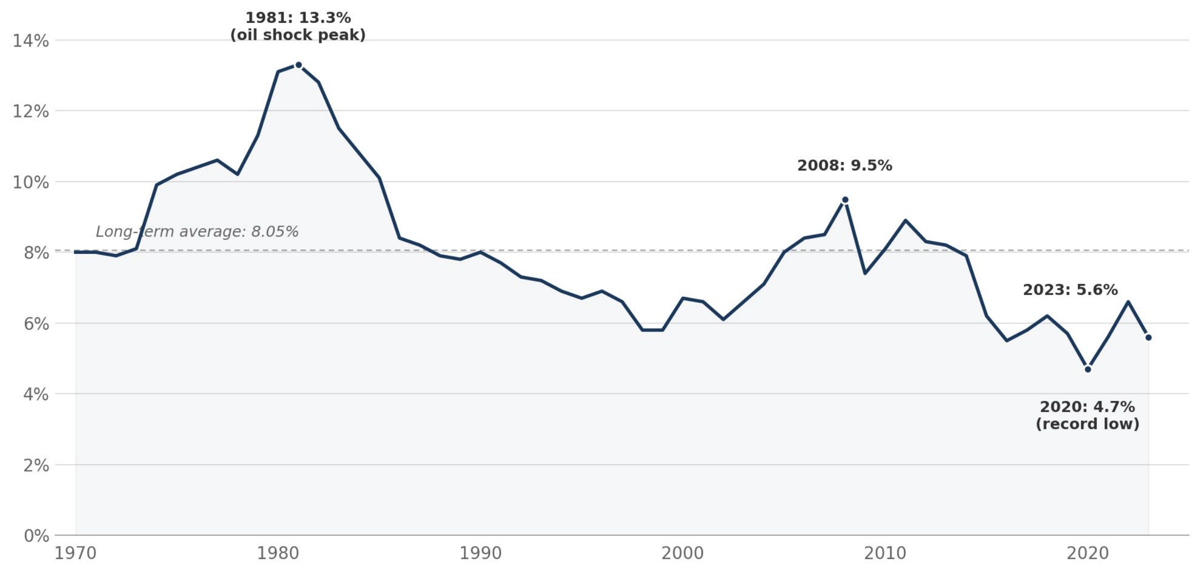


Source: company filings and Q1 2026 earnings calls (April 29, 2026); CreditSights for AI portion estimate.

OIL'S BITE HAS WEAKENED

WTI crude reached $104 in late April, its highest level in roughly three years. Yet oil's contribution to overall financial conditions is more muted than the headline price suggests. Total US energy expenditures stood at 5.6%[8] of GDP in 2023, well below the long-term average of 8.1%[9] and roughly half the 1981 oil shock peak of 13.3%[10]. Structural improvements in energy efficiency, the shift toward services, and the growth of US domestic production have reduced the economy's exposure to oil price moves. Equity markets have so far absorbed the move without meaningful disruption.

US Energy Expenditures as a Share of GDP (1970-2023)



Source: U.S. Energy Information Administration, State Energy Data System

THE 10-YEAR ON THE WATCHLIST

The 10-year Treasury yield closed April at 4.39%, encroaching on the 4.5% to 4.6% resistance band that signaled risk in yields in late 2023 and early 2024. If we see a breach of that zone, the implication is a meaningful repricing of duration and, by extension, gof the discount rate applied to long-duration equities, whose value rests in distant future cash flows and where the AI trade sits most prominently. The break has not occurred, but the proximity is real.

US 10 Year Treasury Yield (2023-2026)

Source: Factset

PROCESS OVER PREDICTION

At Watson Investment Partners, our process is built around regime signals: risk structure, breadth, price authority, and volume behaviour. By those measures, the constructive case has reestablished itself. Earnings are being revised higher, margins are intact, and concentration in technology has not produced the valuation excesses some have feared. Holding the bullish backdrop and the specific risks side by side, and letting the data rather than predictions govern action, is how we navigate periods like this.

SOURCES

1. FactSet, April 5, 2026
2. FactSet, April 5, 2026
3. FactSet, April 5, 2026
4. *Microsoft Q3 FY2026, Alphabet Q1 2026, Amazon Q1 2026, Meta Q1 2026, and Oracle FY2026 earnings releases and conference call transcripts, April 29, 2026; combined 2026 capex guidance aggregated by Watson Investment Partners.*
5. *Year-over-year growth derived from combined 2025 actual capex of approximately $427 billion versus 2026 guidance of approximately $760 billion. Sources: same as footnote 4.*
6. *CreditSights, "Tech: Raising Hyperscaler Capex 2026 Estimates," February 9, 2026. AI-infrastructure share of approximately 75% applied to post-Q1 2026 combined guidance of $760 billion.*
7. *Alphabet, Amazon, and Oracle Q1 2026 RPO and contracted-backlog disclosures (April 29, 2026); aggregated by Watson Investment Partners.*
8. *U.S. Energy Information Administration, State Energy Data System (SEDS), total energy expenditures as a share of GDP, 1970–2023 series.*
9. *Long-term average (1970–2023) calculated from U.S. Energy Information Administration, State Energy Data System (SEDS), total energy expenditures as a share of GDP.*
10. *1981 peak of total energy expenditures as a share of GDP. U.S. Energy Information Administration, State Energy Data System (SEDS), total energy expenditures as a share of GDP, 1970–2023 series.*

IMPORTANT DISCLOSURES

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