

Summary

Economic data included producer prices rising at a faster clip than expected, and declines in industrial production and existing home sales.

Equities earned positive returns globally as the easing of Middle East tensions elevated investor moods. Bonds fared well also as inflation expectations fell. Commodities were mixed, with metals higher, but energy falling back sharply with Iran tensions down.

Economic Notes

(-) **Industrial production** fell by -0.5% in March, below the median forecast calling for a 0.1% increase and a reversal of the prior month's gain of 0.7%. Within the report, manufacturing production declined by -0.1%, relative to the 0.1% expected, as auto production fell by nearly -4%. Utilities production fell by -2.3% as weather conditions normalized compared to the prior month, while mining activity fell just over -1%. Mining includes petroleum extraction, so this segment could be subject to an uptick assuming the U.S.-Iran conflict persists long enough to keep oil markets undersupplied. Year-over-year total industrial production rose 0.8%, a weaker pace on a real inflation-adjusted basis, with annual gains in utilities, high-tech equipment, and business equipment offsetting declines in autos and consumer goods.

Capacity utilization fell by -0.4% to a level of 75.7%.

(0) The **Producer Price Index** rose 0.5% in March on a headline level (but only about half of the over-1% expected), and a less severe 0.1% on a core basis, removing food and energy. Within the report, final demand energy prices rose by over 8%, acting as a significant contributor to inflation along with the Middle East conflict and oil price effects, along with related higher transportation costs. Other PPI categories were less affected, at least immediately. Year-over-year, headline PPI gained 4.0%, including final demand goods up 4.9%, and final demand services up 3.7%. Core PPI less food and energy rose 3.8%, pointing to little differentiation between the various groups.

(-) **Existing home sales** fell by -3.6% in March to a seasonally adjusted annualized rate of 3.98 mil. units, below the -1.5% decline expected. Sales fell for single-family (over -3%) as well as condos/co-ops (over -5%). Every national region experienced a decline, led by the Northeast (-9%), while the West fared best, only down -1%. Over the trailing 12 months, existing sales overall were down by -1%. The median price of existing home sales rose in March to \$408,800, up 1.4% over the past year, with price now having fallen below the pace of inflation, in contrast to the above inflation pace many homeowners had become used to. Home inventories rose by 3.0% for the month, equating to 4.1 months' supply, which is still considered 'tight' from a historical standpoint relative to the 'normal' 5.0 level. The NAR noted that home sales conditions "remained sluggish," along with "lower consumer confidence" and "softer job growth" holding back buying. While they also noted that the average 30-year fixed rate Freddie Mac mortgage rate came in at 6.18% for March, significantly down from the 6.65% of a year ago, rates have risen again since, accounting for one of the most significant housing pressure points.

(-) The **NAHB/Wells Fargo Housing Market Index** for April fell by -4 points to 34, remaining in sub-50 contractionary territory. By segment, current sales conditions fell by -4 points to 37, expectations over the next six months fell by -7 points to 42, while prospective buyer traffic fell by -3 points to a quite-low 22 level. Roughly a third of homebuilders surveyed cut prices over the past month, at an average rate of 5%, with 60% of builders still using sales incentives (although that was down a few percent from the prior month). Despite a handful of months that ticked into the positive briefly, the majority of months have been in the negative for homebuilders over the past four years.

(0) **Initial jobless claims** for the Apr. 11 ending week fell by -11k to 207k, a bit further than the 213k expected by consensus. Continuing claims for the Apr. 4 week, on the other hand, rose by 31k 1.818 mil., just above the 1.810 mil. expectation. Claims were mixed by state, but changes remained small, pointing to a continued lack of layoff stress or major change in conditions for the broader labor market.

(0/+) As usual, the Federal Reserve **Beige Book** edition for April offered a unique set of anecdotal insights into the U.S. economy, categorized by the 12 Fed districts. Nationally, economic activity was described as having increased at a 'slight to modest' pace in 8 districts, with 2 showing little change (St. Louis and San Francisco), and 2 showing slight to modest declines (Boston and New York). Unsurprisingly, and in line with other data, the Middle East conflict was noted as the "major source of uncertainty that complicated decision-making around hiring, pricing, and capital investment, with many firms adopting a wait-and-see posture." Importantly, manufacturing activity rose nationally, as did banking activity and consumer spending. However, "signs of consumer financial strain" were noted, with sensitivity to higher prices, with what's been described as the K-shaped bifurcation of "rising demand at food banks" coupled with "resilient" spending among the higher income cohort. Other segments were mixed, with softer residential real estate activity offset by improved conditions in commercial, better energy sector activity although there was hesitancy to drill due to "uncertainty about the persistence" of rising prices, and higher agricultural prices being countered by higher fuel and fertilizer prices. Employment was described as "steady to up slightly," while price growth "mostly remained moderate," aside from the escalation in energy and metals prices. While the Beige Book usually doesn't offer earth-shattering news, the overall narrative showed positive national growth, albeit at a subdued pace in some segments, with price pressures still a major negative force on businesses and consumers, and an area most-frequently commented on. With mid-term elections upcoming this year, that's not necessarily a small thing.

Market Notes

Period ending 4/17/2026	1 Week %	YTD %
DJIA	3.19	3.35
S&P 500	4.55	4.47
NASDAQ	6.84	5.46
Russell 2000	5.57	12.26
MSCI-EAFE	2.20	8.42
MSCI-EM	3.23	14.24
Bloomberg U.S. Aggregate	0.55	0.84

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2025	3.67	3.47	3.73	4.18	4.84
4/10/2026	3.69	3.81	3.94	4.31	4.91
4/17/2026	3.70	3.71	3.84	4.26	4.88

U.S. stocks experienced gains for the third straight week. Conditions looked uncertain at the start of the week, with the U.S. announcement of their own blockade of the Strait of Hormuz and potential destruction of Iranian ships; however, signs of the Iran wanting to negotiate pushed stocks higher again. Despite the apparent escalation on the surface, the blockade itself has been seen by some observers as a shift away from a military action towards economic-centered counterattacks. The positivity continued through the week, with a 10-day ceasefire between Israel-Lebanon announced by early Fri., as well as the Strait of Hormuz being declared “completely open” to commercial traffic. On the subtler side, the investor return to risk-taking was coupled with a reduction in hedging activity and ‘short covering’ in institutional markets, which was also significant, as it drove cash flows at the margin. While March had been a largely negative month for equities, with the S&P 500 down -5%, yet April month-to-date returns are up 9%.

By sector, the strongest results were results in the high single digits for technology, consumer discretionary, and communications services. The primary laggard was energy, as well as utilities, as stocks in the former responded in kind to the drop in oil prices last week. Real estate also gained several percent along with a drop in interest rates.

Earnings season for Q1 has begun this week (10% having reported) with expectations for the S&P 500 at year-over-year growth of 13.2%, per FactSet. Commentary so far appears to be supportive of the U.S. consumer, which has helped sentiment. As has been a well-worn trend, the Magnificent 7 companies continue to show higher earnings growth expectations (23%) relative to the rest of the ‘other’ 493 (10%, albeit still well above the multi-decade average), although most of the difference has been driven by NVIDIA. By sector, expectations are highest for technology (45% year-over-year growth), Materials (22%), and financials (20%), while expected laggards include energy (-13%, not yet having seen the effects of

recent higher oil prices), health care (-11%), and communications services (-1%). Revenue growth for Q1 also remains strong, at 10% for the overall S&P, with robust profit margins of 13%.

Foreign stocks fared well also, a bit mixed by region, with emerging markets faring best, while Europe and Japan lagged the U.S. S&P by a bit. Additionally, economic growth in Europe and the U.K. came in a bit stronger than expected. This came along with Japanese and European officials noted that they're in no rush to raise rates, preferring to first get a better handle on inflation influences. Within EM, commodity exporters Brazil and Mexico lagged, as would be expected, while most other nations experienced gains, especially in Taiwan and South Korea, which have tended to be correlated to investors returning to the U.S. tech sector.

Bonds rebounded a bit last week along with interest rates falling back, also in keeping with a reduction in global inflation expectations, related to oil. The risk-on segments of high yield and floating rate fared best, along with strong returns for equities. Foreign bonds gained in similar fashion, helped by a small drop in the U.S. dollar.

Commodity indexes fell back overall last week, led by a sharp downward move in energy prices as Middle East tensions eased, offsetting gains in precious metals and industrial metals, the latter of which is related to global economic growth expectations recovering to some extent. West Texas crude oil prices fell by nearly -12% last week to \$85/barrel. That level is more in line with some strategist forecasts later this year but certainly reflect a less troubled supply environment if/as commerce remains flowing through the Strait of Hormuz.

Have a good week.

Ryan M. Long, CFA
Palouse Capital Management

Pending as of this month, the FocusPoint Solutions investment division is being repositioned under the affiliated registered investment advisor Advisory Solutions Group, LLC, DBA Palouse Capital Management, as part of joining forces with Wealth Enhancement Group. The decades-long asset allocation investment philosophy, process, and strategies remain unchanged.

Sources: Palouse Capital Management, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The

Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

The information presented is for informational purposes and is intended for financial professionals only. This should not be distributed beyond its intended audience. All information has been obtained from sources considered reliable, but no representation is made as to its completeness, accuracy, or timeliness. This information should not be relied upon as investment advice, research, or a recommendation by Palouse Capital Management regarding the use or suitability of the model portfolio or any security or asset class in particular. The information provided is not intended to be and should not be construed as investment, legal or tax advice. Only the investor and their financial professionals know enough about the investor's individual circumstances to make an investment decision.

Information and opinions expressed are subject to change without notice. Any forecasts, opinions or statements of financial market trends expressed are those of Palouse Capital Management and are subject to change without notice.

Past performance is not a guarantee of future results. Advisory Solutions Group is a registered investment advisor.



Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931