

## **Summary**

Economic data included gains in retail sales, as well as improvements in S&P Global PMI data for manufacturing and services. These offset further declines in consumer confidence.

Equities were mixed in the U.S. and emerging markets last week, as international developed market stocks fell back. Bonds were down globally as yields and inflation fears rose. Commodities saw gains led by another spike in crude oil prices.

## **Economic Notes**

(+) **Retail sales** rose 1.7% in March at a headline level, exceeding expectations calling for 1.4%. Core/control sales, removing the most volatile components of autos, building supplies, and gasoline stations, saw a more moderate increase of 0.7%, including a revision upward, still above the 0.2% expected, and similar to the pace of the prior month. Gasoline station sales rose over 15% for the month along with the price of core commodity gasoline resulting from the Middle East conflict. In other core areas, furniture stores, general merchandise, and non-store/internet retail each rose by at least a percent for the month, more than offsetting a -1% in misc. retail. On a year-over-year basis, overall retail sales rose by 4%, which included a sharp rise in gasoline (18%), non-store/internet retail (10%), building materials (3%), as well as a decline in auto sales (-2%). While overall gains in sales are usually welcome, especially on a real after-inflation basis, those caused by an oil/gasoline price spike tend to be less helpful for the economy. It's been noted that real after-inflation retail sales haven't grown much over the last four years.

(+) The preliminary **S&P Global US manufacturing PMI** for April rose by 1.7 points to 54.0, exceeding the 52.5 median forecast, and moving further into expansion. By composition, new orders and output each rose by several points, further into expansion in the mid-50s range. However, employment fell back by a point back into slight contraction. Input and output prices unsurprisingly rose by several points each, in the 60-70 range, and the highest levels in nearly a year. The index for future output rose by a point to 71, which is considered quite robust. Despite the headwind of inflation pressures, manufacturing activity metrics look to be running at a decent rate. However, anecdotal commentary noted that the recent gains could be "partly traced to the building of safety stocks" as respondents noted "panic" and "emergency" buying ahead of expected price hikes supply shortages, along with the Middle East conflict.

(+) The preliminary **S&P Global US services PMI** rose by 1.5 points in April to 51.3, surpassing the 50.6 reading expected, and improving from contraction back into expansion. While employment ticked up a point back into expansion, new business fell slightly to near neutral, and future output rose a point to 63, considered strong expansion. Input and output prices also rose by over a point each to around 60, also expansionary. Anecdotal commentary from the sponsor acknowledged the rebound in business output, although services orders "ranging from travel and tourism to financial products barely rose" along with the Middle East conflict created some hesitation.

(-) The final **Univ. of Michigan consumer sentiment index** for April showed a decline of -3.5 points (or -7%) from the prior month, with current conditions faring just slightly better than consumer expectations, although both fell in largely similar magnitude. Year-over-year, the overall index has fallen by nearly -5%, led by a -12% in the current conditions component, but a 2% rise in future expectations. Inflation expectations for the coming year rose by 0.9% from March to 4.7%, while those for the next five years rose only 0.3% to 3.5%. Per the survey sponsor, the overall index is now at a level “comparable” to the trough of June 2022, with declines in sentiment across the board by political party, income, education, age, etc. While sentiment improved a bit after the U.S.-Iran ceasefire was announced, consumer concerns over gasoline and other prices continued to outweigh other factors, seen in the 1-year ahead inflation assumption.

(-) **Initial jobless claims** for the Apr. 18 ending week rose by 6k to 214k, just above the 210k expected. Continuing claims for the Apr. 11 week rose by 12k to 1.821 mil., above the 1.816 mil. median forecast. Initial claims were led by a sharp rise in NY, which appeared to be due to the timing of the school system’s spring break, which has been an influence in the last few weeks. Other state-by-state influences seem minor, with overall claims remaining well-contained and not pointing to labor market stress of layoff activity.

The confirmation hearing for **Fed Chair nominee Kevin Warsh** before the Senate Banking Committee began last week. While huge surprises weren’t expected, he announced Fed independence as a primary objective he takes “very seriously” and isn’t “pre-committed” to any policy decision at this point. In response to a question about the independence issue, he noted that he would “absolutely not” be the current administration’s “human sock puppet.” (The proactive comments were in response to the U.S. administration’s well-stated preference for lower interest rates, and more immediate rate cuts. Warsh countered with his view that most U.S. Presidents historically have preferred lower rates to higher.) Some of Warsh’s well-known views include a desire to shrink the Fed’s balance sheet (less abundant reserve policy) and keeping the bank out of “fiscal and social policies.” Other comments alluded to hopes for a less-rehearsed and less-scripted Fed, with a “good family fight” being a preferred discussion approach to finding best policy decisions, but also that the Fed communicates too much, which includes forward-looking guesses about interest rates for future meetings (such as the ‘dot plot’) being less helpful and potentially reducing policy flexibility meeting to meeting. In regard to inflation, he mentioned trimmed-mean (Dallas Fed) and median (Cleveland Fed) inflation measures as better than core PCE; lately, both have run lower than core PCE. He also expressed a bullish view on artificial intelligence as being poised to produce large productivity gains to the economy. Some of the commentary was perceived as hawkish, which financial markets took negatively, particularly the aversion to quantitative easing policies, notably what Warsh viewed as “policy errors” in 2020 and 2021. The roadblock moving forward remained Sen. Thom Tillis, who refused to vote affirmatively until the DOJ case against Jerome Powell from the Fed building renovations was shut down; that’s enough to stall the confirmation. (The DOJ dropped the investigation on Friday, leaving it to the Inspector General for the Federal Reserve, in more of a graceful exit from the problematic issue.)

## Market Notes

Period ending 4/24/2026	1 Week %	YTD %
DJIA	-0.41	2.93
S&P 500	0.56	5.05
NASDAQ	1.51	7.04
Russell 2000	0.37	12.67
MSCI-EAFE	-2.74	5.44
MSCI-EM	0.85	15.21
Bloomberg U.S. Aggregate	-0.26	0.57

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
4/17/2026	3.70	3.71	3.84	4.26	4.88
4/24/2026	3.69	3.78	3.92	4.31	4.91

U.S. stocks bounced around a bit last week, as concerns remained about the durability of the ease in Middle East tensions. By Wednesday morning, the U.S. administration extending the U.S.-Iran ceasefire “indefinitely” caused the positive boost in sentiment to continue in a muted fashion, although investors were also fixated on corporate earnings. Sector results were mixed, with gains of over 4% in technology and energy, followed by consumer staples, while declines were most pronounced in health care, financials, and communications. Real estate also pulled back a few percent, along with a rise in yields.

Earnings season for Q1 is moving along, with nearly 30% of S&P firms having reported actual results, with nearly 85% reporting a positive earnings surprise and over 80% a positive revenue surprise. The blended earnings growth rate for the quarter remains at a robust 15.1%, over double the long-term average pace, with a profit margin of 13.4%, which is the highest in five years. Investor focus remains tied to AI demand, AI infrastructure spending, and consumer spending generally in light of higher costs caused by oil.

Foreign stocks fell back last week along with the continuation of a largely closed Strait of Hormuz and uncertainty about the Middle East conflict generally. The macro concerns outweighed all else, but was not helped by weaker European economic data, uncertainty about the Bank of Japan’s next interest rate movements, as well as a stronger U.S. dollar for the week, which acted as a headwind to foreign stock performance. Emerging markets fared better, flattish on net, with tech-oriented South Korea and Taiwan seeing strong gains to offset negatively elsewhere. China left its benchmark 1-year policy rate unchanged at 3.0%, where it’s been for much of the past year, with an acknowledgement of a balance of internal and external risks.

Bonds fell back last week along with rising yields, in keeping with inflation concerns driven by higher oil prices. U.S. Treasuries and investment-grade corporates performed largely in line, while foreign bonds lagged along with the headwind of a stronger U.S. dollar.

Commodities saw another positive week for the most part, with gains in energy, industrial metals, and agriculture outweighing a drop in precious metals. West Texas crude oil rose another 13% last week to \$95/barrel, with Brent up 18%, along with continued military actions in the Strait of Hormuz.

Have a good week.

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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.

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