Overview:

- Strait of Hormuz still closed, oil surged nearly +12%, but US Treasury yields fell and stocks rallied sharply, defying the pattern of falling whenever oil prices have been surging. According to research cited by my colleague, CJ Brott, the S&P500 inverse correlation to oil has been 38 times over the last 50 days, the longest stretch of inverse correlation since the USO started trading in 2006. The market averages snapped a five-week losing streak. **The S&P500 jumped +3.36%, the NASDAQ surged +4.44%, the DJIA advanced 3.0%, and the Russell 2000 small stocks average climbed +3.38%.** Every sector moved higher except for energy (XLE), which fell -5.3%. Technology (XLK) was the leader, jumping +4.67% and the Magnificent 7 stocks (MAGS) jumped +5.1%. Risk proxy ARK Innovation ETF (ARKK) surged +6.1%.
- But all is not well. The Strait of Hormuz is still closed and President Trump warned in a Truth Social post reminiscent of George Scott's profanity laced rendition of US General Patton in the movie "Patton" that there will be "Hell" if the Strait is not open by 8pm ET on April 6 or Tuesday morning in Iran. He has specifically mentioned bridges and power plants as targets. Index futures are ~0.6% lower Sunday evening and crude oil (Brent and WTI) are both trading above $110/bbl.
- As far as outlook, the key event remains reopening of the Strait of Hormuz even if its other powers outside of the US that do the opening. Economic data, while largely positive, is just noise in comparison to eliminating the inflationary headwind the longer that Hormuz is closed.

More Detailed Summary:

- The market is in the middle of a rally attempt with a streak of three consecutive positive days and we await a follow-through day. Should conflict escalate in the middle east we do not expect to get a FTD and remain cautious on any new purchases given that all major averages are trading below the 200-day moving average except the Russell 2000 which is holding above the 200-day right at its 21-day exponential moving average.

- Main bearish narrative remains conflict resolution skepticism given the lack of a specific offramp laid out by President Trump last Wednesday address to the nation. The other major bearish talking point are the growing number of redemption requests from private credit funds such as Blue Owl, which has had to invoke its withdrawal cap at 5%. ISM manufacturing prices are the highest since mid-2022 in

March as they jumped 78 points and have increased 19 points in the last two months, the largest two month increase in nearly 10 years.

- Bullish talking points include non-farm payroll figures for March coming in nearly 3x expectations at 178k. Earnings sentiment heading into Q1 is positive as Barclays pointed out that the S&P500 FY26 EPS has been revised higher by nearly +400bp YTD which compares to the trend over the last 10 years of -125bp. ISM manufacturing expanded for the third straight month in March and the spread between new orders and inventories was positive for the 4th consecutive month. Bulls also noted that the oil intensity in the US economy is not just 0.25 barrels per $1000 GDP vs 0.9 barrels of oil per $1000 GDP during the 1973 OPEC oil embargo. Also, despite the Iran war, OpenAI completed a $122B fund raising round, its larges ever and implies a valuation of $852B. In addition, KKR closed its N. American Fund XIV at $23B, its largest ever. Another positive data point from colleague CJ Brott is that the Nasdaq gained over 1% on both the last day of Q1 and first day of Q2 which has occurred just nine times in the last 54 years and in every instance the Nasdaq delivered positive returns in the ensuing 12 months with an average gain of +29%.

- Among infrastructure, Ciena (CIEN, +11.5%) and Lumentum (LITE, +17.7%) both surged. E&C play, Mastec (MTZ) advanced +6.4%, trucker ArcBest (ARCB) jumped +8.7%, Sandisk (SNDK) climbed +13.9%, Advanced Micro Devices (AMD) added +7.7%, and Credo Technology (CRDO) added +6.5%. Mineral related names such as Southern Copper (SCCO) rocketed +9.7%. The laggards were the pipelines that were down -2.5% overall. Among Mag 7 names, the standouts were Meta (+9.3%) and Alphabet (GOOGL, +7.8%).

- Among equity income stocks the standouts were Hercules Capital (HTGC, +6.0%) and Sixth Street Specialty Lending (TSLX, +4.0Background: BDCs predominately hold floating rate non- investment grade middle market commercial loans. BDC net investment income typically responds to shifts in fed funds which drives the Secured Overnight Financing Rate (SOFR). As the Fed has lowered short term rates, this has resulted in downward pressure for loan portfolio yields and BDC earnings. BDC prices are strongly correlated to corporate credit spreads. As high yield spreads widen, BDC’s generally sell off because this indicates lower credit risk appetite from investors. Concerns regarding software sector exposure have reduced credit appetite as investors now view loans to software companies as higher risk allocations.

Outlook: News conference with US military Monday, deadline for an Iran deal or Strait opening Monday night 8pm ET.

- As a reminder from prior weeks, going back over six decades and looking at where markets are post middle east conflicts, out of the 16 conflicts the market was lower only twice after twelve months: (1973-1974) and with the events surrounding 9/11 where an invasion of Iraq followed a stock bubble. Geopolitical events such as ME conflicts have represented good dip buying opportunities.

Sunday night stock futures are modestly lower:

Dow Futures	Change	S&P 500 Futures	Change	NASDAQ Futures	Change
46,561.00	- 171.00 0.37%▼	6,602.00	- 20.25 0.31%▼	24,155.75	- 62.25 0.26%▼

Source: Pre-market Stock Trading | CNN

Key tailwind for 2026 remains the buildout in AI and AI infrastructure. Note updating the estimates from prior weeks as shown below. AI infrastructure investments could reach to $6.9T to $9.8T up $100B to $300B from previous estimates over the 2026-2030 time frame.

AI infrastructure capex scenarios, 2025–2030

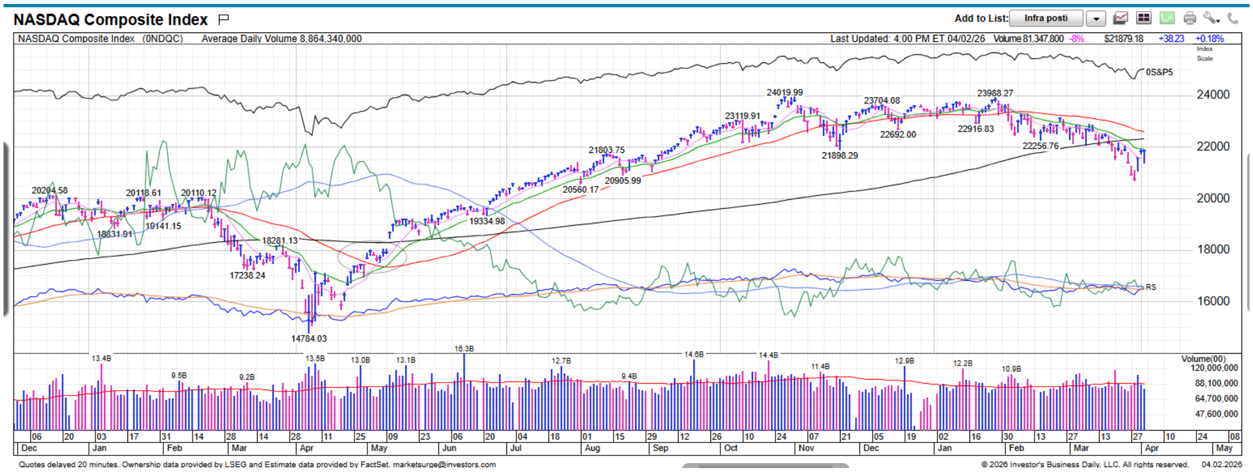
(Global, annual, rough order of magnitude ranges in USD)

Year	Base Annual ($T)	Base Cumulative ($T)	Accelerated Annual ($T)	Accelerated Cumulative ($T)
2025	0.50	0.50	0.50	0.50
2026	0.90	1.40	1.15	1.65
2027	1.08	2.48	1.44	3.09
2028	1.30	3.78	1.80	4.89
2029	1.56	5.34	2.25	7.14
2030	1.87	7.21	2.81	9.95

Source: xAI's AI Buildout Funding and Plans - Grok

Technicals are still out of position for sustained rally: The Nasdaq moving averages are out of position for a power trend to kick in as the 10day and 2-ema have crossed below the 50-dma and all the major indexes are sitting below their 200-day averages. We are looking for the market to confirm the start of a new rally: likely if a deal is reached with Iran, President Trump postpones escalation of conflict, Iran reopens the Strait of Hormuz.

Otherwise we view a rally confirmation as having lower probability of occurring and even with a confirmation, rally has a higher probability of failure.



Source: MARKETSURGE BY INVESTOR'S BUSINESS DAILY

Decisive odds of rate cut remain well out in the future with Oct 27 meeting (~65%, FedWatch - CME Group).

The US 10-year interest rate fell -13bp to 4.30%.

Stock Market Today/Week: Apr 2, 2026

Index	**Level**	**Day change**	**Week Change**
S&P 500	6,582.69	+0.11%	+3.36%
Nasdaq Composite	21,897.18	+0.18%	+4.44%
Dow Jones Industrial Avg.	46,504.67	-0.14%	+2.96%
US 10 year	4.30%		-13bps

Source: Factset

Key events for the week ahead:

4/06/2026 News conference with President Trump and US military, deadline for Strait of Hormuz opening or deal with Iran. ISM Services PMI for March: 54.8 expected.

4/7/2026 Durable orders for Feb M/M: preliminary -0.40% expected.

4/8/2026 FOMC Minutes.

4/9/2026 GDP SAAR Q/Q final for Q4: 1.4% expected. Initial jobless claims for w/e 4/4. Core PCE Deflator for Feb: +3.0% y/y expected.

4/10/2026 CPI for Mar: +3.1% headline, +0.25% M/M ex food and energy. Factory orders for Feb: +0.50% m/m expected.

Source: Factset

What to do now: Pausing/go slow on new equity purchases. Maintaining equity exposure levels for existing allocations pending wind down of hostilities and/or Strait opening.

Appendix:

What kind of positive technical confirmations for a power trend per IBD ("Webby's rules"):

1. Follow through day (FTD)
2. Subsequent FTDs.
3. Close above 21-day exponential moving average (EMA).
4. Low above 21EMA.
5. 3 consecutive days with low above 21EMA.
6. Close above 50-day moving average (DMA).
7. Low above 50dma.
8. 3 consecutive days with low above 50dma.
9. Close above 200dma.
10. Low above 200dma.
11. 3 consecutive days low above 200dma.
12. 21ema moves above 50dma.
13. 21ema moves above 200dma.
14. 50dma moves above 200dma.

As of 4/2/2026 waiting for a bottom and/or rally attempt.

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Disclaimer

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