

**Market action this week marked follow through for a potential new bull market rally. However, the risk of rally failure is high given that there was no US-Iran peace deal over the weekend with Iran refusing to give up its nuclear ambitions. Furthermore, President Trump announced a blockade of the Strait of Hormuz using the US Navy on Sunday.**

**Overview:**

- All of the major averages posted follow through days during the week signaling the resumption of a new rally. The **S&P500 jumped +3.56%, the NASDAQ surged +4.68%, the DJIA advanced 3.0%, and the Russell 2000 small stocks average climbed +4.0%**. Every sector moved higher except for Energy (XLE), which fell -3.9% and Tech-Software (IGV) which fell -7.1%. Semiconductors (SMH) surged +11.4%. A caveat on the weekly volume on the S&P500 was that it was below average. Volume on the Nasdaq met criteria for follow-through as volume as above the weekly average.
- Alas, investors have reason for caution despite the optimism from last week. Iran-US peace talks reached no deal with control over the Strait of Hormuz and nuclear ambitions major points of disagreement. Further, President Trump announced the US Navy would blockade the Strait of Hormuz to all shipping and would prosecute buyers of oil from Iran. The blockage will begin Monday at 10AM ET but the duration of the blockade currently remains unclear.
- 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.
- Futures are down approximately -0.8% across the major averages and crude oil back above \$102/bbl up +7 to +8% Sunday night.

**More Detailed Summary:**

- The bearish narrative centers on the fragility of the US-Iran cease fire which could easily wipe out the rally of the last two weeks across the broader market averages. Additional bearishness on the massive underperformance in software last week from AI disruption. Tax refunds are tracking below expectations for a +25% y/y increase though still up +13% y/y or +\$27B per BoA estimates. Prices paid in the ISM services index jumped 7.7pts in March to 78.3, the largest increase in almost 14

years. Private credit fund redemptions still a worry as Carlyle reported ~16% of its funds requested vs a 5% cap.

- Bullish talking points had focused mainly on the two week cease fire though the failure over the weekend in US-Iran talks wipes out that point. Commodity trading advisors are currently short \$30B of the SYP500 and Goldman noted that its models indicate CTAs would buy \$34B of the S&P500 over the next week. AI tailwind continues with very strong demand for compute capability. Amazon disclosed \$15B AWS AI run rate and \$50B for chips business on a stand-alone basis. Meta announced a \$21B AI infrastructure agreement with CoreWeave. Walmart flagged resilient consumer at the JPMorgan Retail Round Up last week. Medium and LT inflation expectations largely unchanged near +3.0% (3 and 5 year) and +2.3% at 10 year outlook.
- Other positive data points from colleague CJ Brott include private sector economic growth of +1.7% in Q4 per Bespoke and pre-tax corporate profit margins hit record 13.9% of GDP in Q4 which helps explain why the equity market has held up so well. March unemployment rate was at 4.3% beating the 4.4% estimate while slowing wage growth gives the Fed more policy flexibility. Core CPI came in at +0.2% for March though headline CPI was up +0.9% m/m on a 21% jump in gasoline prices. On the pull back before bouncing back CJ notes that dip buying near the 10% pullback area has historically been rewarded and the S&P500 reached the -9% trough on March 30 and appeared to have priced in a lot of bad news at that point. He points out that the University of Michigan consumer sentiment read of 47.6 for April was the lowest in the 70 year history and even below the record low of 51.7 during the 1980 energy crisis.
- But as CJ notes on the negative side, labor force participation rate hit its lowest level since 2021 as workers over 55 are increasingly likely to retire. Not good is that ISM Services prices hit a new cycle high consistent with a 4%+ core PCE ahead if energy stays high.
- Among infrastructure, there were a number of double digit gainers on the week. Coherent (COHR, +19.1%), Bloom Energy (BE, +22.9%), TTM Technologies (TTMI, +24.6%), and Broadcom (AVGO, +18.1%), and Credo Technologies (CRDO, +17.9%) were notable but there were plenty more. AVGO and Alphabet (GOOGL) announced a major chip deal. The laggards were names that advanced less. Among Magnificent names just Microsoft (MSFT, -0.7%) fell.

- Among equity income stocks the standouts were Omega Healthcare (OHI, +2.0%) and Energy Transfer (ET, +1.2%). BDC's were mostly lower. Background: 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: US Navy blockade of the Strait of Hormuz goes into effect Monday, 10am ET according to latest news reports.**

- 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 lower:

Dow Futures	Change	S&P 500 Futures	Change	NASDAQ Futures	Change
47,741.00	- 388.00 0.81%▼	6,804.00	- 51.25 0.75%▼	25,074.75	- 206.50 0.82%▼

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 \$6.9T to \$9.8T over the 2026-2030 time frame.

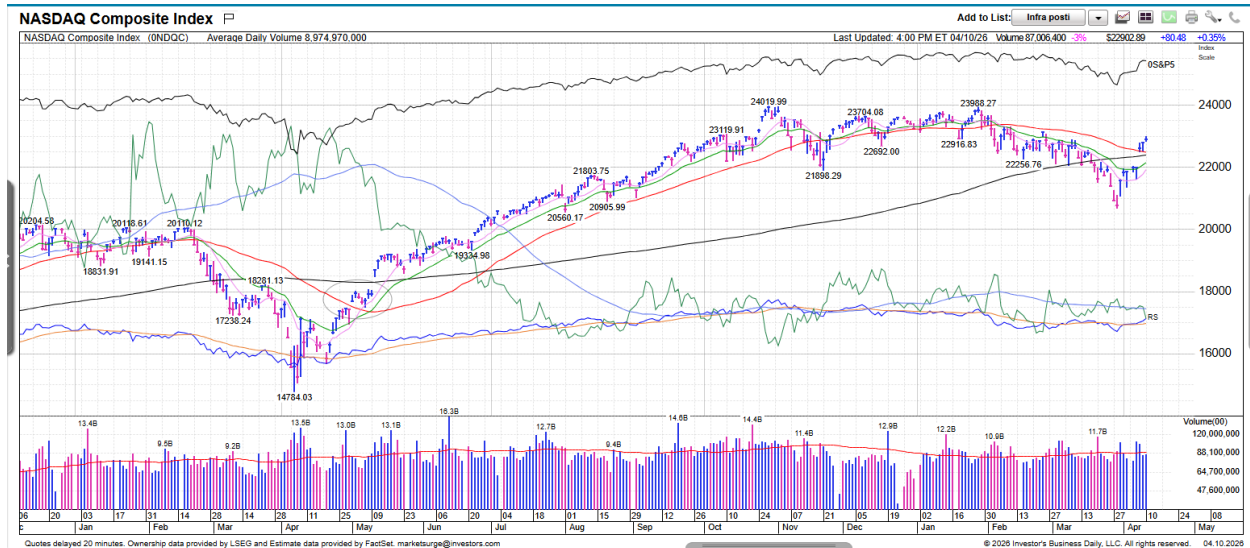
## AI infrastructure capex scenarios, 2025–2030

(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 signaled a follow through but conditions for a power trend area still not all in place.** The Nasdaq moving averages are out of position for a power trend to kick in as the 10day and 21-ema remain below the 50-dma. But the averages are all above the 50 day and 200 day moving average. While we have confirmation for the start of a new rally, odds of failure are high with the US Navy blockade and risk of escalation rising by the hour.



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Source:

Decisive odds of rate cut remain well out in the future with Oct 27 meeting ~60% and Dec 8 meeting at ~90%, FedWatch - CME Group).

The US 10-year interest rate rose +2bp to 4.32%.

**Stock Market Today/Week: Apr 2, 2026**

<b>Index</b>	<b>Level</b>	<b>Day change</b>	<b>Week Change</b>
S&P 500	6,816.89	-0.11%	+3.56%
Nasdaq Composite	22,902.90	+0.35%	+4.68%
Dow Jones Industrial Avg.	46,504.67	-0.14%	+2.96%
US 10 year	4.32%		+2bps

*Source: Factset*

**Key events/headlines for the week ahead:** Earnings season kicking in. **Taiwan Semiconductor (TSM), JPMorgan (JPM), Goldman Sachs (GS), Alcoa (AA), JB Hunt Transport (JBHT)** headline reporting.

4/13/2026 10am ET US Navy Blockage of Strait of Hormuz. Fed speeches.

4/14/2026 PSN, PPI for Mar: +0.3% M/M ex food and energy expected.

4/15/2026 ADBE, NAHB Housing market Index for April: 38.0 expected.

4/16/2026 TSM, initial jobless claims for w/e 04/11 with 217k expected. Philadelphia Fed Index for April: +7.0 expected.

4/17/2026 BMI.

*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 4/12/2026 Rally confirmation in place, few power trend rules in place however.

**John D. Edwards, CFA**

**Sr. Portfolio Manager – Infrastructure PLUS Equity Strategy**

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