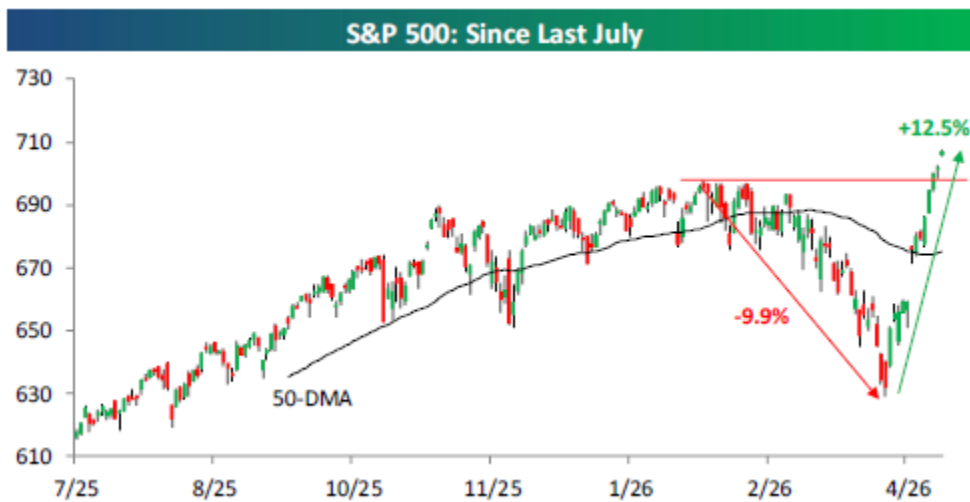


April 18, 2026

CJ's Weekly Market Memo

WHIPLASH!

The S&P 500 closed Friday at 7,126, a fresh all-time high and the capstone on a third straight week of roughly 3% gains. The Nasdaq Composite ran its winning streak to 13 sessions, and small caps joined the advance with the Russell 2000 posting a new high of its own. Step back and consider what we have just witnessed: a six-month stretch that began with the late-October 2025 peak, gave way to a meandering topping pattern, then a sharp 10%-plus correction that drove the index to roughly three standard deviations below its 50-day moving average by March 27, and finally a 15-day sprint from extreme oversold right back to overbought. Whiplash is the only honest word for it. Three weeks ago, CNN's Fear & Greed gauge sat in the single digits with six of its seven components screaming extreme fear. Readers know my view on that kind of reading: when everyone is crowding the same exit, the room usually does not catch fire. It did not. What it did do was set up one of the sharpest reversals we have seen in some time, and it is worth working through where we stand, what the market is telling us, and what I think the next several months may hold.



[Chart Courtesy Bespoke Investment Research](#)

The Economy

The economic data this week leaned firmly constructive. March core PPI came in at just 0.1% against a 0.5% consensus, a genuine downside surprise on inflation that the Street did not see coming. The Philly Fed manufacturing index jumped to its highest level since January 2025, the Empire State survey beat on new orders and shipments, and ADP's weekly private payrolls posted the strongest four-week run since that series began. Initial jobless claims remain muted around 207,000. The Beige Book described employment as "steady to up slightly," which is about as benign a read as you will get this deep into a cycle.

The consumer continues to do the heavy lifting, and this week's bank earnings confirmed it in plain terms. JPMorgan flagged spending running above last year's pace, Bank of America noted debit and credit card spending up 6%, and Citi saw US consumer card spend up 5%. Every major bank management team downplayed the energy hit from the Iran situation and described credit quality as benign. Household balance sheets are in genuinely good shape: mortgage debt as a percentage of disposable income sits near multi-decade lows, and delinquency rates remain contained. When the institutions with the cleanest real-time view of the American household say the consumer is fine, I take it seriously. The one soft spot worth flagging is housing, where March existing home sales fell 3.6% and builder confidence dropped to its lowest reading since September. Affordability remains the binding constraint, and until the ten year treasury remains sustainably below 4%, this sector will run on one cylinder.

The curious disconnect in all of this is sentiment. Conference Board Consumer Confidence remains detached from the hard data, and Bespoke's work shows the statistical relationship that held from 1962 through 2019 has essentially broken down in the post-2021 period. That detachment is mostly political, not economic, but it matters because a nervous consumer is a less predictable consumer. On the geopolitical front, the Iran situation remains the dominant macro variable, and the market is voting for resolution over escalation. WTI crude settled down roughly 14% on the week as reports emerged of a prospective deal involving frozen Iranian funds in exchange for enriched uranium stockpiles. I am not naive about how quickly these arrangements can unravel, but the direction of travel is the right one.

Current Market Technical Conditions

The technical picture has gone from washed-out to stretched in about fifteen trading days. On March 27 the S&P sat more than three standard deviations below its 50-day moving average, which is as oversold as this market gets. By mid-week the index was back in extreme overbought territory, and the Nasdaq's RSI ran from below 30 on March 30 to

above 95 by April 17. That is a textbook overbought reading, and the kind of reading that historically produces a pause, not a resumption of the decline. The important confirmations, though, are all in place: the S&P and Nasdaq both closed at fresh all-time highs this week, and crucially the cumulative advance/decline line made new highs alongside them. When price and breadth move to new highs together, the message is that the breakout is on real footing rather than a hollow move driven by a handful of mega-caps.

The three-headed monster I have referenced so often in these pages, oil, rates, and the dollar, spiked together in the first quarter and pressured everything. All three have begun to pull back. Oil is sharply lower on the ceasefire news, the 10-year yield has eased to roughly 4.24%, and the dollar index has rolled over. Bespoke's composite measure of that cluster has fallen from 75 at its late-March peak to about 44 today. That easing is a meaningful tailwind for risk assets and for the long-duration earners that led the decline.

The software group, which had been a drag on the market for months, pushed back above its 50-day moving average this week for the first time since the winter sell-off began, a genuine trend-change signal. The semiconductors, what I have long described as the Transports of the 21st century, continue to lead on relative strength and sit at fresh highs versus the S&P. Bespoke's AI Infrastructure basket has broken out to new all-time highs, while the AI Implementation basket remains in a downtrend. That divergence is exactly why we have positioned in AI infrastructure ETFs rather than trying to pick individual winners further down the stack. When the picks-and-shovels names are making new highs and the downstream application names are not, you let the market tell you where the dollars are flowing. Perhaps the most instructive chart of the week is Bespoke's overlay of the Nasdaq since the ChatGPT release against the Nasdaq since the Netscape release in 1994. The AI-era curve is now 123% higher across 847 days, tracking within striking distance of the 150% Netscape-era pace. If that analogy has anything like the runway of the late 1990s, we are closer to the middle of this cycle than to its end.

Nasdaq % Change After Release of Netscape to Dot Com High (3/10/00) vs. Release of ChatGPT

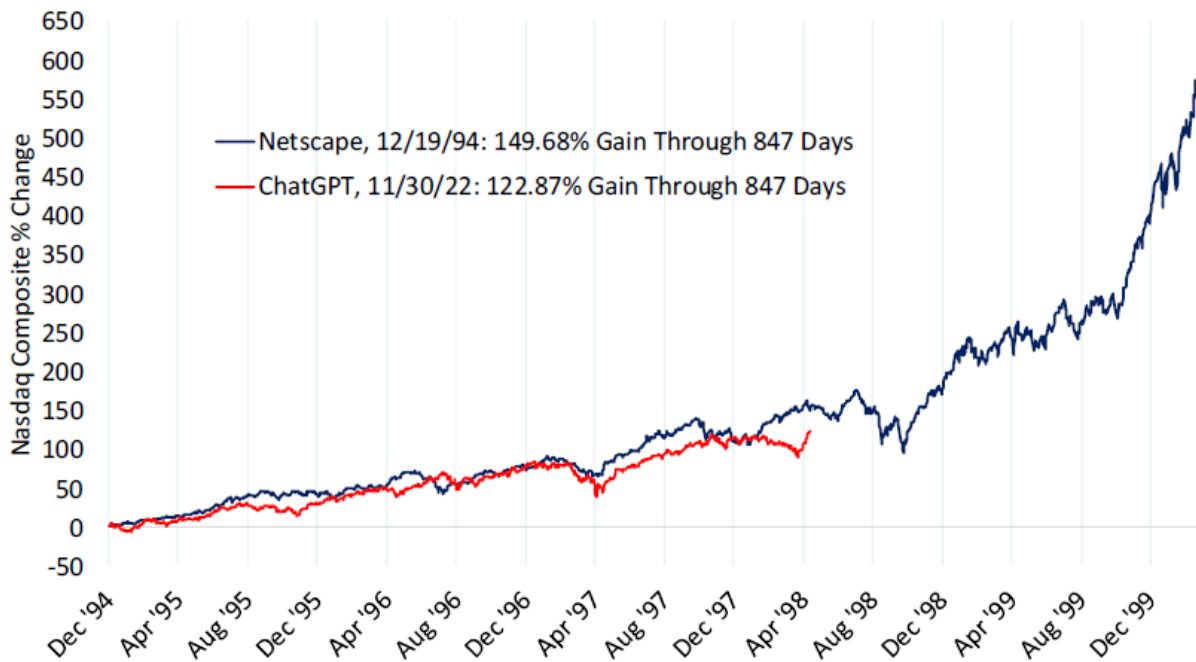


Chart Courtesy Bespoke Investment Research

A Prognostication for 2026

Q1 earnings season is now underway and runs through late May. The action really picks up next week with General Electric, Tesla, and Intel, but the marquee day is April 29, when Alphabet, Microsoft, Amazon, and Meta all report after the close. Heading in, analysts have been cutting EPS estimates faster than they have been raising them, with Bespoke's net revisions spread sitting at -8.4%. That pattern historically sets up well for stocks because the bar has been lowered. Expect a steady drumbeat of "surprise" beats over the next six weeks, most of which will be surprises only in the sense that the bar was quietly moved down ahead of the report. The FactSet data already shows 88% of reporters beating so far with an aggregate surprise magnitude of 10.8%, well ahead of the five- and ten-year averages, and the index is tracking toward 13.2% Q1 earnings growth, a sixth straight quarter of double-digit gains.

My base case for the next four to eight weeks is a choppy market than the one we just lived through. The systematic buying wave will exhaust itself, the bulk of Q1 earnings will be in the books, and the Warsh Fed transition introduces a genuine policy variable that markets have not yet had to price. Add the midterm-year seasonal pattern, where summer

turbulence is more rule than exception, and a 5% to 7% pullback from somewhere near current levels would not surprise me at all. That is the near-term caution.

Longer term I remain constructive, and I want to be specific about why. The fundamentals are genuinely supportive: employment is firm, earnings growth is running at double-digit rates with the Street modeling 18% for full-year 2026, household balance sheets are in good shape with mortgage debt at historic lows, and the AI capital-expenditure cycle is not a story but a measurable economic event. TSMC and ASML both raised 2026 guidance this week. When sentiment is weak and the fundamentals are strong, the resolution over time tends to favor the fundamentals. The new highs in price and breadth this week are an affirmation that the bull market that began in October 2022 is intact, not a signal that it is ending. Bespoke's work notes this is now the tenth bull market to last 1,000-plus days, and the historical precedent for V-shaped recoveries to continue higher after the breakout to new highs is strong.

My base case for year-end 2026 remains an S&P 500 in the 7,400 to 7,700 range, with the clear caveat that the path there will not be a straight line. The last six months are the best possible reminder that no bull market goes straight up. It meanders, corrects, tests conviction, then resolves higher. The contrarian setup that produced the March low was a gift, and gifts like that rarely repeat at the same magnitude. My counsel to clients and friends has been the same for five decades. Make sure technical conditions align with fundamental conditions before committing capital, respect the market when it is telling you something. The long arc is still pointing higher. The near-term path just got more interesting.

CJ Brott

Chairman Emeritus

Capital Ideas

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