

Making Sense of Finance

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First Quarter 2026 Review

Stock Market

The stock market hit all-time highs in April, but...in the first quarter, things were a bit less positive. The S&P 500 declined over 4%, with large tech stocks declining 9%, at one time during the quarter. Also, small cap stocks performed better in the first quarter. This all occurred as the U.S. bombed Iran again. International stocks mostly mirrored the U.S. markets. Since the U.S. and Iran declared a ceasefire, starting in April, the market reversed course rapidly, but ongoing negotiations have many investors on edge. As of April 22nd, the S&P 500 was up 4% year to date, followed by QQQ (large tech stocks), up 6% and small cap stocks up 11%, year to date. Inflation still seems to be in check despite huge runs in commodity prices. March's CPI increased only 3.3% year over year. We consider an inflation rate under 4% acceptable considering the geopolitical turmoil the past 6 months. While the Federal Reserve's goal was for inflation to be at to 2% or lower, we always thought that was

unrealistic and so far, have been proven correct.

Commodities

A lot has happened since our last newsletter. Oil prices essentially doubled in price with the conflict in Iran and the country's closure of the Hormuz strait, of which about 20% of the global oil flows through. Since the ceasefire, however, oil prices declined to below \$90 a barrel but edged up again to about \$100 a barrel in late April due to the possibility of a prolonged war with Iran. We think this will gradually drift down to the \$70 range with some obvious blips over the next twelve months depending on U.S. foreign policy. In a surprise announcement, the UAE (United Arab Emirates) will leave OPEC in May. This follows Qatar and Angola who have left in recent years. We suspect the departure is due to the country not liking the quotas set by OPEC. It's estimated that the UAE is only producing slightly more than 50% capacity and production is being artificially restrained in order to keep oil prices high. We consider this a significant change in OPEC's control over

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Everyone and their neighbor has an opinion. At Karagosian Financial Services, we have a combined 30 plus years of investment experience. We have seen the markets at their highest highs and lowest lows. Through this newsletter we attempt to convey our opinions on current events in the investment world and their likely outcomes. Forecasting is inherently difficult and our advice is geared toward making sensible and prudent choices based on logic and experience, and not based on emotion.

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oil prices going forward. This combined with the United State's emergence as the largest oil and gas producer, further gives way to potentially lower oil prices in the coming years, barring more military conflict.

Precious metals have also stabilized, somewhat, during 1Q:2026. Gold has remained in the mid \$4,000s, per ounce, and touched \$5,500 at its peak in late January before falling precipitously to about \$4,440 per oz in late April. Changes in silver spot prices were even more dramatic. In late January, Silver prices peaked. then fell over 30% in one day, proving speculative traders were driving the markets. Since then, silver, remains well below its January peak but has stabilized in price. Longer term, we do think there could be increased demand and higher prices as the metal is used in many electronic components. However, we think demand has to catch up with prices first before this happens.

Bond Market

Interest rates remained steady with the Fed keeping the same interest rate target at 3.5% to 3.75%. The Fed did indicate a probable rate cut later in 2026, though. Trump also nominated a new Fed chair, Kevin Warsh. The President has been very vocal about his disappointment with current Fed Chair Jerome Powell, however, he was also the person who nominated Powell in the first place and the same thing could happen to

Warsh if he does not bend to Trump's will of lowering interest rates faster and further. While the yield curve remains relatively flat, intermediate term rates do seem more enticing now. The 10-year treasury currently yields around 4.3% while good credit quality corporate bonds with equivalent maturities are yielding about 100 basis points more at 5.3%. Longer-term bonds offer limited increased yields for the extended time frame. For instance, a 20-year treasury only yields about 0.5% more than the 10-year, and a 30-year treasury is almost identical to the 20-year treasury bond. We don't think this is enough to compensate for the extra time.

Outlook

We think it is important to have the proper perspective as an investor. One should ask, "What is more likely to occur, military conflicts around the world or "world peace"." In most cases, the former would be the more likely scenario, in our view. It is when all things geo-political and economic factors are looking favorable that we would be especially fearful. But it is during times of turmoil that creates opportunities. We continue to favor equities (stocks), over any other asset class. Bonds are now a good asset class for stability and for the conservative investor. The recent volatility in gold has made a lot of money for people, but given that the primary impetus for its rise is fear, we would likely look

towards precious metals at more reasonable prices.

Publicly traded real estate investment trusts (REITs) have performed well this year, rising about 9%, year to date. After low sing-digit returns in 2024 and 2025, the REIT sector may start resuming more attractive returns in the near future. Oddly, REITs, as a whole have been more volatile than the equity markets, which reduces its risk adjusted returns. Other sectors that have historically been less volatile have increased in volatility too. Utilities, which are usually considered sleepy companies have been doing particularly well. The sector is usually known more for its juicy dividends and predictability, but with the advent of super data centers, driven by AI, the need for increased energy makes it a growth sector. While we traditionally like the risk/reward factors associated with utilities, we do find it less attractive going forward. For a well-balanced portfolio, a combination of stocks combined with more traditional bonds might make a more reasonable mix for those who do not appreciate the wild swings in asset prices over the past year or so, compared to the previously mentioned sectors.