



# April Investment Perspectives



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## INVESTMENT STRATEGY

Our Investment Strategy Group examines how geopolitical tensions are influencing oil prices and market dynamics. The report also explores opportunities in emerging markets and reinforces the importance of staying focused on long-term fundamentals.



## Is There an Analog Between the Outbreak of War In Ukraine in 2022 and Iran in 2026?

### Mark Luschini, Chief Investment Strategist

Finally, after a month of military action that has cost lives and taken an economic toll, formal negotiations are underway between the White House and Iranian officials. However, they remain tenuous and fluid and are far apart in the demands initially put forward by both parties. Meanwhile, military strikes continue in Iran and by Iran across other countries in the region in retaliation, and there is very little traffic passing through the Strait of Hormuz, which collectively keeps uncertainty elevated.

Iran's efforts to seek a diplomatic solution or advance the war at any level are a key variable in assessing the longer-term impact on economies and financial markets, as its actions are so tightly correlated with oil prices. It is well known that oil, and the hydrocarbon derivatives that are inputs to sulfur, fertilizer, and helium, are important, and with such a large percentage of their delivery via passage through the Strait of Hormuz jeopardized for an unknowable duration of time, price shocks could abound. The question is when and in what form will they take? If oil prices recede in the next

few weeks, then a few prints showing high inflation, perhaps for April or May and June, will pass, and it is not likely to feed through to other components of the economy, which could cause elevated inflation levels to persist.

## Emerging Markets & the Middle East Crisis

### Guy LeBas, Chief Fixed Income Strategist

Emerging Market (EM) debt— bonds and loans issued within countries the International Monetary Fund (IMF) labels as “developing nations”—is one of the riskiest fixed-income asset classes. While the classic definition focuses on bonds issued by governments outside developed nations, corporate debt from companies based in emerging markets has also become increasingly important. Similarly, EM debt includes local-currency bonds, as well as hard-currency bonds issued, usually in dollars or Euros. There are potential upsides to each: local-currency debt usually offers higher yields but exposes an investor to exchange-rate fluctuations; hard-currency debt offers lower yields and no exchange-rate risk, but it may be harder for an issuer to repay if there are sharp currency moves. Most investors access emerging market debt via funds, ETFs, and other comingled vehicles, thereby outsourcing much of the security selection, but there are components of EM returns that tend to be sector-wide.

## Hope Springs Eternally

### Gregory M. Drahuschak, Market Strategist

Last month’s issue of Investment Perspectives ended with a reminder that the underlying economy will determine how the equity market performs. So far, the U.S.-Iran military conflict has had the upper hand. However, economics in time will recover that hand. The key question for April is when the recovery can begin.

By March 31, 2026, the S&P 500 had not fallen 10% or more, which would have put it in correction mode. Excluding the COVID-induced drop, which was overcome rapidly, the market has experienced 10% or greater drops 25 times from 1946 through early 2025. In each instance, the 10% drops were extended. In 1946, 1967, 1979, 1989, 2018, and 2023, the drops were held to no more than 10.3%. However, in 1953, 1976, 1980, 1998, 2010, 2011, and 2025, there were respective drawdowns of 14.8%, 19.4%, 17.1%, 19.3%, 16.0%, 19.4%, and 18.9% for an average of 14.1% across all declines greater than 10%.

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