OpenArc
CORPORATE ADVISORY

Market Brief – April Recap

MACRO

Growth: The labor market continued to send mixed signals in April. The May 8th jobs report showed nonfarm payrolls of +115k, well above the +65k consensus, while March was revised modestly higher to +185k from the initial +178k print. The unemployment rate held at 4.3%. Healthcare continued to anchor gains while cyclical industries showed softer hiring, leaving markets to read the report as consistent with a Fed that can afford to remain patient.

Inflation: The April CPI report, released May 12th, showed headline inflation re-accelerating to +3.7% year-over-year, just below the +3.8% consensus but a meaningful jump from March's +3.3% print. The acceleration confirms that the energy pass-through from the Iran conflict is now working its way through the inflation data, with gasoline and energy components driving much of the move higher. Core PCE for March, released April 30th, held at +3.2%, in line with consensus, reinforcing that the last mile of disinflation toward the Fed's 2% target continues to be elusive. The combination of a re-accelerating headline and sticky core inflation complicates the Fed's path forward and helps explain the divided FOMC vote at the April meeting.

Monetary Policy: The Fed held rates steady at 3.50%-3.75% at its April 29th meeting, with dissents stealing the spotlight. The vote was 8-4, with Governor Miran favoring a quarter-point cut, while Hammack, Kashkari, and Logan dissented in the other direction, opposing inclusion of an easing bias. The statement acknowledged that inflation "is elevated in part reflecting the recent increase in global energy prices" and added new language noting "Developments in the Middle East are contributing to a high level of uncertainty." The split vote underscores how divided the Committee has become on the path forward.

MARKET

Equities: Equities staged a powerful rebound in April, with the S&P 500 gaining over +10% and the Nasdaq 100 surging nearly +16%, one of the strongest months for U.S. large caps in years. Leadership reaffirmed the "Atoms" side of our thesis, as semiconductors jumped over +32% and the broader technology sector gained over +20%, with the rally concentrated in AI hardware and infrastructure names rather than the software layer. Industrials advanced nearly +8% and consumer discretionary posted strong gains, while energy was the lone sector in the red as crude prices tempered. International developed equities rose over +5% and emerging markets surged nearly +13%, helped by a weaker dollar.

Bonds: Fixed income gave back some earlier gains as yields rebounded after their late-March move lower. Treasury yields had rallied sharply into April on flight-to-safety flows but reversed higher as risk appetite returned and the energy shock kept inflation in focus. The Bloomberg Aggregate finished essentially flat at +0.17%, while long-duration Treasuries declined nearly -1%. Credit conditions improved alongside the risk-on tone, with high yield gaining over +1.7% and investment-grade corporates posting modest positive returns.

Currencies: The U.S. dollar gave back much of its March gains, with the DXY falling nearly -2% as safe-haven flows reversed. The euro, pound, and yen all rallied between +1.3% and +3.0% as the energy-driven dollar bid faded. Emerging market currencies were the standout, benefiting from the broader risk-on tone. The reversal underscored how much of March's dollar strength was tied to acute geopolitical risk rather than a fundamental shift in rate differentials.

Commodities: Commodities posted another solid month, with the Bloomberg Commodity Index gaining over +7%, building on March's surge. The composition shifted though. Oil's parabolic move tempered as Strait of Hormuz disruption fears eased, though crude still gained over +15%. In contrast, gold and silver continued to slide, falling -1.5% and -2.2% respectively, extending the precious metals reversal that began in March. Natural gas was the worst performer in the complex, down nearly -10%.

CIO SNAPSHOT

We maintain a constructive stance in our asset allocation despite elevated volatility, with a reduced equity overweight and a more balanced U.S. posture following Q1 positioning shifts.

Within equities, we remain bullish on the AI supercycle, with targeted allocations to technology and power infrastructure, and believe we are in the middle of a longer rotation from "Bits" to "Atoms." We hold a trimmed Financials position as credit conditions remain tight, a Consumer Staples allocation as a defensive ballast, and an increased international exposure through active value and emerging market strategies. In fixed income, we are long duration and have a reduced high yield position, moving up in quality as private credit stress warrants a more defensive posture.

We view this as a healthy rotation, not a cycle-ending event, and expect GDP to reaccelerate in the second half of 2026 as geopolitical noise fades, fiscal tailwinds build, and monetary policy turns more supportive.

▲ Overweight
— Neutral
▼ Underweight

	Asset Class	***CIO View***
	Equities	
Regions	US Large Cap	▼
Regions	US Mid Cap	▲
Regions	US Small Cap	—
Regions	Developed International Equities	▼
Regions	EM Equities	—
Factors	Growth	▲
Factors	Quality	▲
Factors	Value	▼
Sectors	Industrials	▲
Sectors	Technology	▲
Sectors	Financials	—
	Fixed Income	
Factors	Credit	▲
Factors	Duration	▲

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 05/12/2026

US Related

ETF	Description	April 2026	2026
SPY	S&P 500	10.51%	5.68%
DIA	Dow Jones Ind	7.27%	3.78%
QQQ	Nasdaq 100	15.69%	8.83%
IJH	S&P Midcap 400	7.76%	10.51%
RSP	S&P 500 Eq Weight	6.00%	6.66%
QQQE	Nasdaq 100 Eq Weight	11.11%	7.18%
IWB	Russell 1000	10.17%	5.44%
IWM	Russell 2000	12.08%	13.12%
IWV	Russell 3000	10.12%	5.72%

Factors

ETF	Description	April 2026	2026
IVW	S&P 500 Growth	14.77%	5.41%
IVE	S&P 500 Value	5.93%	5.86%
IJK	Midcap 400 Growth	8.04%	12.32%
IJJ	Midcap 400 Value	7.40%	8.51%
IJT	Smallcap 600 Growth	11.60%	14.58%
IJS	Smallcap 600 Value	9.15%	13.89%
DVY	DJ Dividend	2.67%	10.99%
MTUM	Momentum	18.33%	13.55%
USMV	Low Volatility	2.05%	0.92%
SIZE	Size	6.98%	5.96%
QUAL	Quality	8.05%	4.57%

Global

ETF	Description	April 2026	2026
EWA	Australia	6.23%	12.60%
EWZ	Brazil	3.41%	24.96%
EWC	Canada	6.95%	8.66%
MCHI	China	2.47%	-4.16%
EWQ	France	4.50%	0.76%
EWG	Germany	6.53%	-0.56%
EWH	Hong Kong	2.73%	11.62%
INDA	India	5.51%	-8.57%
EWI	Italy	8.12%	6.31%
EWJ	Japan	5.52%	10.35%
EWW	Mexico	1.61%	10.26%
EIDO	Indonesia	-5.45%	-20.16%
EWP	Spain	4.35%	5.12%
EIS	Israel	12.69%	18.84%
EWU	UK	3.49%	7.21%
EFA	EAFE	5.34%	6.55%
EEM	Emerging Mkts	12.68%	16.96%
IOO	Global 100	11.80%	6.77%
VT	All World	9.31%	7.44%
CWI	All World ex US	7.22%	9.21%

Sectors

ETF	Description	April 2026	2026
XLY	Cons Disc	8.60%	-0.69%
XLP	Cons Stap	2.84%	9.15%
XLE	Energy	-2.63%	34.29%
XLF	Financials	5.59%	-4.33%
XLV	Health Care	-0.42%	-5.30%
XLI	Industrials	7.95%	12.86%
XLB	Materials	3.00%	14.00%
XLRE	Real Estate	8.74%	10.78%
XLK	Technology	20.02%	10.92%
XLC	Comm Services	5.10%	-0.71%
XLU	Utilities	2.09%	10.51%
SMH	Semis	32.16%	40.70%

Currencies

ETF	Description	April 2026	2026
FXB	British Pound	2.95%	1.57%
FXE	Euro	1.55%	0.08%
FXY	Yen	1.30%	-0.07%
DXY	Dollar	-1.73%	-0.18%

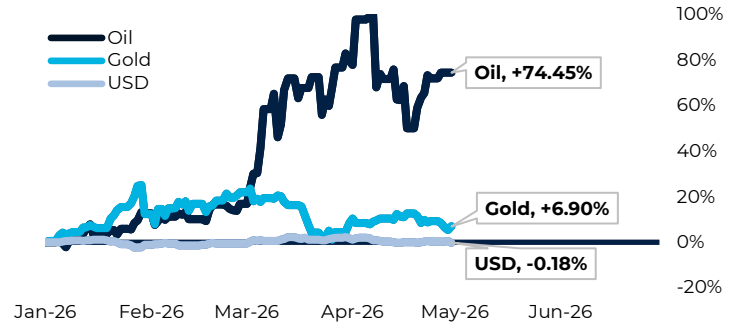
Fixed Income

ETF	Description	April 2026	2026
SHY	1-3 Yr Treasuries	0.19%	0.46%
IEI	3-7 Yr Treasuries	-0.01%	-0.05%
IEF	7-10 Yr Treasuries	-0.15%	-0.29%
TLH	10-20 Yr Treasuries	-0.50%	-0.74%
TLT	20+ Yr Treasuries	-0.84%	-0.67%
AGG	Aggregate Bond	0.17%	0.19%
TIP	T.I.P.S.	1.09%	1.50%
JNK	High Yield	1.72%	1.28%
MBB	Mortgage-Backed	0.17%	0.58%
LQD	IG Corporate	0.28%	-0.10%

Commodities

ETF	Description	April 2026	2026
DBC	Commodities	7.43%	39.09%
DBA	Agric Commod.	2.60%	9.84%
USO	Oil	15.59%	112.68%
UNG	Nat. Gas	-9.63%	-13.54%
GLD	Gold	-1.54%	6.90%
SLV	Silver	-2.17%	3.48%

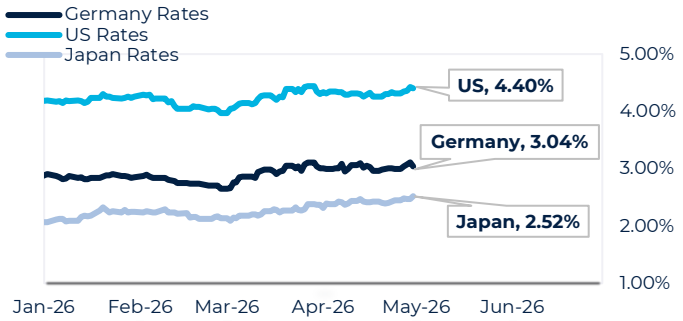
Commodity & Dollar Performance



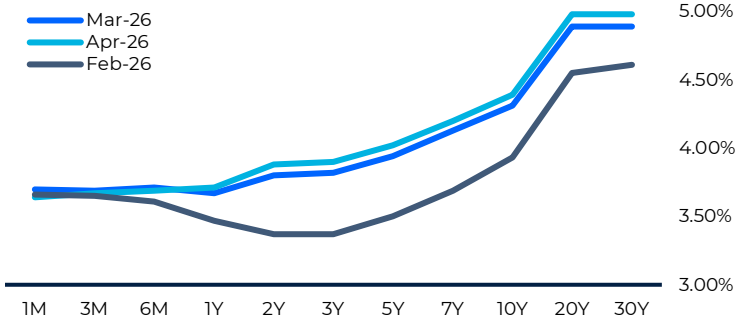
Equities Sharply Rebound In April

Equity markets rebounded sharply in April as easing geopolitical tensions and improving fundamentals restored risk appetite, even as ongoing supply concerns from the Strait of Hormuz kept oil prices elevated. With volatility stabilizing, investors shifted focus back to steady economic data and a Federal Reserve signaling patience on policy. Strong earnings and constructive corporate commentary reinforced the renewed risk-on environment, driving a broad-based rally despite a still-challenging geopolitical and commodity backdrop.

10-Year Bond Yields



US Yield Curve



Economic Data	Prior Release Date	Prior Estimate	Prior Actual	Next Release Date	Upcoming Forecast Estimate
Effective Federal Funds Rate	4/29/2026	350bps–375bps	350bps–375bps	6/17/2026	No change expected
US Total Nonfarm Payrolls	5/8/2026	65K	115K	6/5/2026	--
US Unemployment Rate	5/8/2026	4.3%	4.3%	6/5/2026	--
Core PCE Index YoY%	4/30/2026	3.2%	3.2%	5/28/2026	--
US CPI YoY%	5/12/2026	3.7%	3.8%	6/10/2026	--
US Real GDP QoQ%	4/30/2026	2.3%	2.0%	5/28/2026	--

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 05/12/2026

Tactical Asset Allocation Guide

OpenArc CORPORATE ADVISORY

Legend: Very Underweight | Underweight | Slight Underweight | Neutral | Slight Overweight | Overweight | Very Overweight

Q2 2026

	Asset Class	View	Commentary
Equities	US Large Cap		The continued concentration of index returns in mega-cap growth names has made broad large-cap exposure less attractive. As the AI investment cycle shifts from software to physical infrastructure, we reduced our large-cap overweight, favoring areas of the market better positioned to benefit from the shift to phyiscal infrastructure and the real economy. We remain constructive on U.S. earnings broadly but prefer to express that view through more targeted allocations.
	US Mid Cap		Midcaps offer a compelling middle ground, with greater domestic revenue exposure, less mega-cap concentration risk, and more direct exposure to the infrastructure and industrial themes driving this cycle. We increased our midcap allocation to offset our reduced large-cap positioning, viewing this segment as better aligned with the current leadership rotation.
	US Small Cap		On a standalone basis, small caps face headwinds from tighter credit conditions, floating-rate debt burdens, and a decelerating economy. However, within select active strategies, managers allocating to specific themes have the flexibility to invest across market capitalizations, allowing for targeted exposure to select small-cap companies tied to the physical economy and AI-infrastructure buildout.
	Developed International		We remain underweight international developed, though less so than prior quarters. European defense spending, ECB flexibility, and attractive valuations are positives, but March's oil shock disproportionately hit energy-importing economies. We added international value exposure in Q1 but are waiting to see earnings delivery improve before moving back to neutral.
	Emerging Markets		We hold a neutral stance on emerging markets, where the outlook remains mixed. The oil shock benefits commodity exporters but pressures energy importers. China's domestic consumption pivot is structural but faces headwinds from trade frictions and slowing global demand. We shifted from passive to active EM strategies in Q1 to better navigate dispersion across the complex.
Factors	Growth		We reduced our growth overweight meaningfully as the market rotates from digital abundance to physical scarcity. The "Bits to Atoms" theme has punished software and rewarded hardware, with a significant performance difference between the semiconductor and software sectors year-to-date. We maintain a small overweight, reflecting continued conviction in AI infrastructure beneficiaries, but acknowledge that the easy gains in broad growth have narrowed.
	Value		The value rotation has gained momentum, with value outperforming growth for three consecutive months driven by energy, materials, and industrials leadership. The earnings gap between growth and value is compressing, with S&P 500 Value EPS expected to grow roughly +12% in 2026. We added to value in Q1, reflecting this structural shift.
	Quality		We trimmed our quality overweight in favor of a more dynamic, signal-driven approach, though we maintain a small overweight position. In an environment where factor leadership is shifting rapidly and stock dispersion is at the 98th percentile, we believe blending quality with more nimble quantitative strategies is better positioned to capture rotations in real time.
Sectors	Technology		Technology remains our second-largest sector overweight, but the composition has shifted dramatically. The divergence within tech has widened, with semiconductors up over +6% YTD and software down over -24%, validating our focus on AI infrastructure over the software layer. We removed broad tech exposure and have rotated into active AI and power infrastructure strategies.
	Financials		We trimmed financials to a neutral position as credit conditions tighten and private credit stress, concentrated in software lending, raises questions about broader spillover. Easing regulation and capital markets activity remain positives, but the risk-reward has shifted given the uncertain macro backdrop and rising loan loss provisions.
	Industrials		Industrials are our largest sector overweight and the clearest expression of our investment thesis. Aerospace and defense spending is accelerating globally, with 100% of NATO members now meeting the 2% GDP spending threshold. Simultaneously, AI-driven power demand and grid modernization create a multi-year capex cycle. The combination of defense and power infrastructure makes this sector a structural overweight.
Fixed Income	Duration		We extended duration in Q1, moving up in quality as private credit stress and a decelerating growth outlook warrant a more defensive fixed income posture. We favor broader Agg exposures over credit-sensitive exposures. March's yield spike tested this positioning, but our base case for eventual rate relief as geopolitical noise fades remains intact.
	Credit		We reduced high yield and EM debt exposure, positioning for a backdrop where tight spreads leave little room for error. Historical data shows that starting from bottom-decile spreads has typically meant negative forward returns for HY and EM credit over 6-12 month horizons. We prefer higher-quality fixed income and select structured credit.

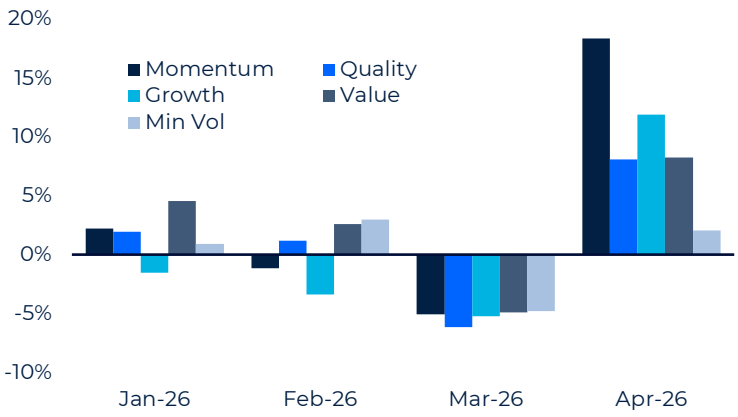
Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 05/12/2026

CIO Spotlight: Momentum's Comeback and What Factor Rotation Is Telling Us

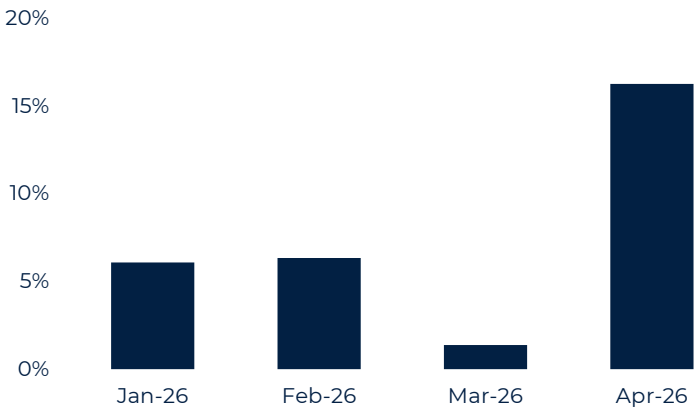
Factor leadership has rarely rotated this quickly

The first four months of 2026 delivered some of the sharpest swings in factor leadership we have seen in years. January rewarded cyclicals and value as energy, materials, and industrials led, with the Russell 1000 Growth falling -1.5% while small caps surged nearly +5.5%. February extended the value rotation, with value outperforming growth for three consecutive months as the "Bits to Atoms" theme took hold. March was indiscriminate, a macro de-risking event where the oil shock pushed nearly every factor and sector lower together. Then April delivered a sharp momentum reload, with MTUM gaining over +18% in a single month and reasserting leadership in a way few would have predicted just weeks earlier. The pace of these shifts matters. Factor leadership has changed meaningfully every four to six weeks, a cadence that turns conventional factor regimes on their head. For investors used to factor regimes that last quarters or years, this environment requires a different lens. Static factor tilts that worked from 2023 through mid-2025, when growth and momentum dominated cap-weighted indices, have been a more difficult proposition in 2026.

Factor Performance by Month



Factor Performance Spread (Best Minus Worst) by Month

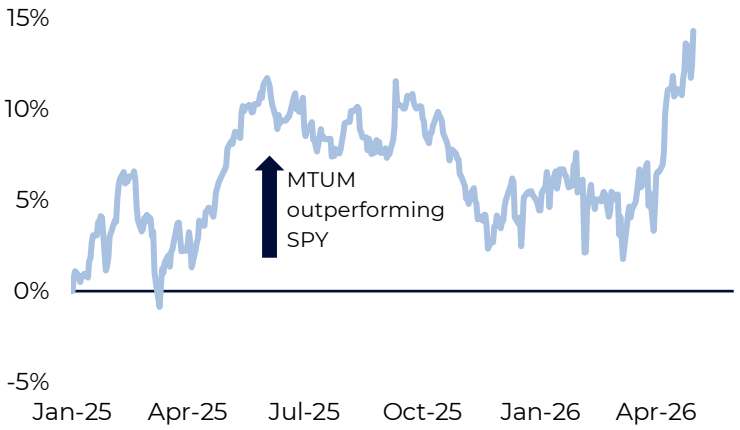


What momentum is signaling now

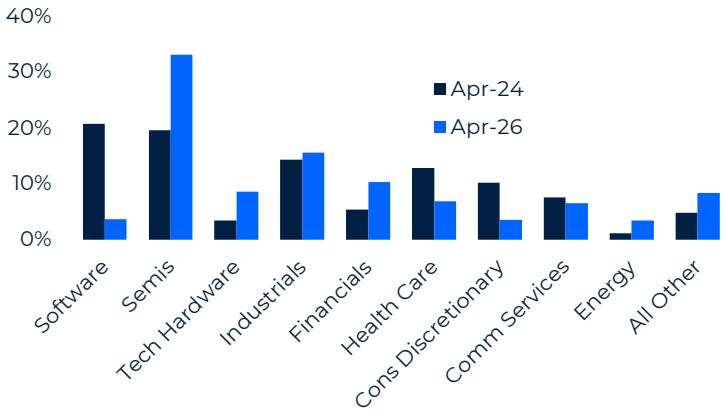
Momentum has emerged as the standout factor year-to-date, with MTUM up over +13% through April, well ahead of both quality (+4.6%) and value (+5.9%). On the surface, this looks like a return to the 2024 playbook of crowded growth and Mag 7 leadership. The composition tells a different story. The Technology weight in MTUM is roughly unchanged over the past two years at around 45%, but the underlying composition has been completely rebuilt. Software has collapsed from 21% of the portfolio to under 4%, while semiconductors have surged from 20% to 33%. The momentum factor is no longer led by the software business model, but rather by the physical infrastructure powering AI. April's +32% surge in semiconductors and +20% gain in technology were not a reprise of the old software-led rally. They were the physical infrastructure of AI being repriced higher after March's risk-off forced a temporary repricing. In our view, momentum is quantitatively validating the same thesis we have been expressing tactically since late 2025.

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 05/12/2026

MTUM Excess Return vs. SPY since Jan 2025



Sector Allocations of MTUM in %



The risk of riding factors at inflection points

Momentum is a trend-following factor by construction. It works until it does not, and the reversals tend to be sharp. March was a reminder of this, as momentum names that had been leading sold off indiscriminately when the oil shock hit. April's snap-back was decisive, but it would be a mistake to interpret one strong month as a green light to overload static momentum exposure. The lesson for portfolios is less about picking a single winning factor and more about how exposures are constructed. We trimmed our static quality overweight in Q1 in favor of dynamic, signal-driven factor strategies that can rotate as leadership shifts. In an environment where factor regimes are measured in weeks rather than quarters, the ability to lean into rotations in real time is more valuable than holding any one factor through every cycle. Active management and dynamic factor allocation are not just style preferences in this market. They are practical responses to a backdrop where leadership can flip in weeks and the cost of being statically positioned has risen.

Bottom Line

Momentum's April surge is meaningful, but its real value is what it is telling us about market leadership rather than as a standalone factor bet. The factor's composition has shifted toward the Atoms side of our thesis, reinforcing the structural rotation we have been positioned for since late 2025. With factor leadership rotating faster than normal, static tilts are vulnerable and dynamic allocation has become a competitive edge. The portfolios are positioned to hold the strategic Bits to Atoms view while letting tactical factor exposures breathe through dynamic strategies and active management.

Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 05/12/2026

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Source: Dynasty Financial Partners, Bloomberg, Strategas, BCA, Goldman Sachs Research, YCharts, FactSet, Bureau of Labor Statistics, Federal Reserve, as of 05/12/2026