The Weekly Market Update – 4/27/26: Semiconductor Surge Drives Equities to New Highs

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,165.08	0.55%	9.75%	4.67%	27.68%	7,165.08	0.0%
Dow Jones Industrial Average	49,230.71	-0.44%	6.23%	2.43%	17.21%	50,188.14	1.9%
NASDAQ Composite	24,836.60	1.50%	15.03%	6.86%	43.57%	24,836.60	0.0%
Russell 2000	2,787.00	0.36%	11.64%	12.29%	38.52%	2,792.96	0.2%
MSCI EAFE (USD)	3,021.80	-2.88%	6.45%	4.46%	25.87%	3,179.91	5.2%
MSCI Emerging Markets (USD)	1,610.00	0.81%	15.23%	14.64%	46.18%	1,619.28	0.6%
Bloomberg Commodity Index	136.12	3.52%	0.64%	24.09%	27.93%	237.95	74.8%
Barclays U.S. Aggregate Bond	93.61	-0.31%	0.39%	-0.49%	1.42%	112.07	19.7%

Source: FactSet

U.S. equity market gains since late March were led by the Technology sector's semiconductor sub-industry group on expected sustained data center investment and solid earnings growth. The S&P 500 is on track for an April increase and, since its 2026 closing low on 3/30/26, has gained for each of the past four weeks. As of 4/24/26, the index's year-to-date (YTD) price return (not including dividends) was +4.7% and was also above pre-Iran conflict levels at the end of February. Investor sentiment surged on hopes for peace in Iran, despite the Strait of Hormuz remaining mostly restricted and high-level official peace talks not progressing. While 10 of 11 S&P 500 sectors (as measured by MSCI's Global Industry Classification Standards, or GICS) were positive since 3/30/26 (only Energy was lower), the gains were paced by the Technology (Tech) sector's +24.0% surge. Tech remains the S&P 500's largest sector by market capitalization, comprising an estimated 35.7% of the total index value as of 4/24 (the two next largest sector representations were Financials and Communication Services at 11.9% and 10.6%, respectively). Several data points in 1Q26 and April point to robust spending levels to support generative artificial intelligence (GenAI) data projects, including reaffirmed capital spending growth from the largest technology service providers and strong demand for high-end computing semiconductors confirmed by shortages of memory chips. Companies are raising capital for data center construction and electricity demand for the data center ecosystem appears robust. The S&P 500 Tech sector comprises six sub-industry groups, and the Semiconductor and Semi Equipment sub-group has gained +36.5% since 3/30/26. 1Q26 earnings growth estimates are robust for the broad S&P 500 Tech sector, reflecting year-over-year growth of +46%. Y/Y Tech sector earnings growth has accelerated since early 2025 and increased +34% in 4Q25. For now, high capital investment and expected earnings growth are driving strong investor interest in Technology, but we remain cognizant of prevailing risks from the Iran conflict. Oil prices and inflation remain elevated from the start of the war and, in our view, will again weigh on markets if peace progress is delayed into May.

The Federal Reserve Bank (Fed) holds its third scheduled monetary policy meeting this week, in what could be Jerome Powell's final meeting as Fed Chair. Given high oil prices and other inflation pressures caused by the closure of the Strait of Hormuz, we expect no change to the Fed's overnight fed funds interest rate target from its current range of 3.50% to 3.75%. The Fed generally prefers to follow "core" inflation (which excludes energy and food) but that is difficult in the current environment given the impact of the war. But it will be helpful to hear the Fed's view on inflation pressure beyond oil and gas. The U.S. Senate this week is expected to pass the nomination of Kevin Warsh as the next Fed Chair through the Senate Banking Committee. He could become Fed leader in mid-May, ahead of the next Fed meeting on 6/16/26. Jerome Powell began as Fed Chair 8 years ago in February 2018 and followed Janet Yellen (4 years) and Ben Bernanke (8 years).

First quarter earnings growth results have exceeded estimates ahead of the busiest period of reports this week. Through early Monday, 28% (142 companies) of the S&P 500 had reported financial results for the equivalent first quarter, and reported growth was +26% compared to 1Q25. This week, 36% of the index (181 companies) will report results; while the +26% pace is not expected to continue, the full-quarter growth estimate is now +15.1% vs. +12.9% expected at the end of March. Some companies, despite solid results for 1Q26, were cautious over the balance of 2026 given geopolitical uncertainty. This is not surprising, but 1Q26 results so far have impressed.

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The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings. The sector price gains from 3/30/26 to 4/24/26 were as follows: Technology +24.0%, Communication Services +18.3%, Consumer Discretionary +15.5%, Industrials +10.1%, Real Estate +8.8%, Materials +6.3%, Financials +6.3%, Consumer Staples +1.7%, Utilities +0.5%, Health Care +0.2%, and Energy -8.8%.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices is provided by FactSet.

Gross domestic product (GDP) is a measure of economic growth and refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP.

On 2/28/26 the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3./1/26 the White House published a release detailing the operation. On 3/6/26 President Trump issued a 10-day deadline for Iran to open the Strait or Hormuz to shipping traffic. The deadline was set to end the evening of 4/6/26. On 4/8/26 the U.S. and Iran agreed to a two-week cease fire that was set to expire (unless extended or replaced with a peace agreement) on 4/22/26, but has since been extended indefinitely.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI. This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX). Sustained higher oil prices could weigh on economic growth as consumers pay more for gasoline, and business incur higher transportation and input costs.

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The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 mi8lliuon barrels per day are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 4/27/26 very limited shipping vessels were using the Strait of Hormuz.

The International Energy Agency (IEA) has monitored shipping and supply disruptions through the Strait of Hormuz. They have published key facts on the disruption with links to other reports as well. The Middle East and Global Energy Markets.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE).

The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time (“term”) to maturity. interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The term “Magnificent 7” was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla. Many of these companies are spending high level of cash flow and data center and semiconductor investment.

When we discuss “growth stocks” we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 3/31/26) were Information Technology, Consumer Discretionary, and Communication Services. “Value” stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 Value Index (as of 3/31/26) were Financials, Industrials and Health Care.

The Federal Reserve Bank’s Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.