

Marketline April 2026

Stocks

Notch a win for volatility this year, as April saw market indices post huge gains after the declines of March. The Dow rose over 7%; the S&P dished up over 10% - which would amount to a good *year*, let alone a good month; and the NASDAQ surged 15.4%. These numbers more than made up for the poor showing in March, proving once again that it's very difficult to time the market even when you believe the news you're hearing is "good" or "bad". As it proves over and over again, the market doesn't care about opinions. I'm not going to do the broken record thing here again – you all know what drives stock values by now.

Speaking of what drives stocks, earnings season has been one surprise after another – usually on the upside. A few of our names have reported less than stellar results, but most reports have come in above expectations, and sometimes well above. You know we're not particularly tech-heavy in our holdings; while those companies continue to grow faster than average, the real story has been at industrials and other economically-sensitive stocks. We never thought we'd see the day that Caterpillar registered a price/earnings ratio in the 30s – that's usually been relegated to technology companies. But here it sits, after rising 50% this year. And lest you think it is a one-hit wonder, it was up 65% last year. No, we don't expect this to continue and yes, we're pruning the position where needed.

Overseas, returns were pale compared to US stocks: Mexico's Bolsa fell about 1%, Canada rose 3.7%, and the FT-SE European index posted 2.0%. But despite those lackluster results from our brethren in North America and Europe's major markets, international returns have maintained an edge over US stocks this year, though the difference is narrowing.

Meanwhile, in the background, things are shifting over at the Fed. More on this below, but you'll recall that in December of 2025, Chairman Powell announced that rather than allowing the Fed's balance sheet to continue to run off (it racked up about \$9 trillion in bonds during the period from 2008 to last year, in the name of controlling liquidity and setting rates), it would repurchase bonds in amounts roughly equal to maturing bonds. That has been underway now for several months. I interpreted the Fed's announcement as a cessation to quantitative tightening, but not exactly a return to easing. In fact, the value of bonds held at the Fed have risen from \$6.57 trillion in early January to now over \$6.7 trillion – a return to easing. Certain bank rules around capital have been eased as well, allowing for more lending. These factors are "behind the scenes" stock price propellants – rarely addressed by the media, but shouldering at least some of the responsibility for the decent market returns we've seen this year.

Bonds:

Rates drifted up last month, and since April's last rate quotes were tallied, the long bond actually traded up at 5%. The ten-year rose about 5 bps, hitting 4.37%. But thanks to Fed action over the last year including the new monetary easing we've seen since January, the yield curve has almost normalized, which means the very shortest bonds yield less than longer maturities. You can still buy Treasury bills at yields equivalent to the one-year, so there's a bit of adjustment remaining, but the process that began a couple of years ago is very close to completion.

Among sectors, corporate bonds remain our favorites. Supply has increased with issuance for new capital projects, but the situation is not as dire as at Treasury, which must finance our budget deficit every single week, or at municipalities, where cities and states are playing catch-up from a dearth of issuance during Covid. Municipalities are also beneficiaries of a huge infrastructure bill passed during the last administration - \$1 trillion worth of funds are being disbursed for bridges, roads, water systems, and so forth, but municipalities must generate their share of project costs, too, which means new bonds. On the one hand, the drumbeat of supply gives us opportunities to swap into better bonds and increase cash flow; on the other hand, the more bonds around, the more the prices of old bonds will decline.

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