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# Three Pillars Update: Reading the Signals

*Oil Prices, Labor Market Stress, Tech Recovery, and What Our Framework Is Telling Us*

April 28, 2026

All data as of market close, April 25, 2026

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Two months ago, we published a market update in the immediate aftermath of the Strait of Hormuz crisis. Since then, a great deal has changed on the surface, but the underlying dynamics we highlighted remain very much in play. In this update, we revisit the key developments through the lens of our Three Pillars framework and assess where we stand today.

## Oil Prices and the Strait of Hormuz: Still Unresolved

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Brent crude has climbed above \$110 per barrel, up roughly 75% from a year ago. WTI has pushed above \$100. The primary driver remains the Strait of Hormuz, which despite a temporary ceasefire in early April and intermittent diplomatic progress, remains effectively closed to normal commercial traffic.

The situation has evolved into what analysts are calling a "dual blockade," with the U.S. Navy blockading Iranian ports since April 13 and Iran continuing to restrict passage through the strait. Pentagon officials have told Congress it could take six months to fully clear the mines Iran deployed, and Baker Hughes is working under the assumption that the strait may not be fully operational until the second half of 2026. The International Energy Agency has warned of unprecedented supply disruption, and Goldman Sachs has raised its Q4 Brent forecast to \$90 per barrel. For consumers, elevated gasoline prices continue to act as a tax on household budgets.

## Tech Has Come Back: The V-Shaped Recovery

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The equity market has staged a remarkable recovery since the March lows. The S&P 500 and Nasdaq Composite both reached record highs in April, with the Nasdaq surging more than 15% from its late-March trough. The S&P 500 has recouped all of its war-related losses and closed at 7,174 on Friday, an all-time high. The VIX, a widely followed measure of expected market volatility, has settled back to around 18, a sharp reversal from the 28 level it reached in early March.

As we emphasized in our March update, the large-cap technology companies at the center of earlier volatility remain exceptional businesses, and that view has been validated. Alphabet, Amazon, Meta, and Microsoft are each up more than 10% this month, and Nvidia has retaken a \$5 trillion market capitalization. The Nasdaq-100 delivered estimated earnings growth of 20% in Q1 2026, nearly double the S&P 500 average.

This recovery underscores why discipline matters during periods of volatility. These companies have the balance sheets, cash flows, and competitive positions to weather dislocations, and history has shown that the sharpest rebounds tend to come immediately after the deepest drawdowns.

That said, having participated in the recovery, it is important to recognize that the market is not cheap. Valuations have returned to stretched levels, with the S&P 500 trading near 40x cyclically adjusted earnings. The risks we outlined in March, including elevated oil prices, record-low consumer sentiment, and an unresolved geopolitical crisis, have not gone away. Any deterioration in the economic data or setback in diplomatic negotiations could reintroduce volatility quickly. This is precisely the environment where diversification matters most, and we discuss our approach in detail below.

## Cracks in the Labor Market and the Economy

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While the market has recovered, the economic backdrop tells a more cautious story. The University of Michigan Consumer Sentiment Index fell to 49.8 in April, the lowest reading in the survey's nearly 50-year history. Consumers across all demographics, age groups, and income levels reported deteriorating confidence, driven by rising prices and shrinking asset values. Year-ahead inflation expectations spiked to 4.8%, the largest one-month jump since April 2025.

The labor market, while not yet breaking, is showing signs of softening. Nonfarm payrolls added 178,000 jobs in March, a pace that is slowing. The unemployment rate sits at 4.3%, long-term unemployment has risen by 322,000 over the past year, and the Conference Board's Expectations Index has fallen well below the 80 threshold typically associated with recession risk. Consumer spending intentions have shifted meaningfully, with purchasing plans for big-ticket items moving from "yes" and "maybe" to "no" in recent surveys. The combination of elevated energy costs, war-driven uncertainty, and persistent inflation is weighing on household behavior in ways that have historically preceded broader economic slowdowns.

## The Three Pillars: Where We Stand Today

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Our Three Pillars framework, which monitors the Business Cycle, Monetary Policy, and Market Conditions, provides a disciplined way to assess the current environment and guide portfolio positioning. Here is our current read:

**Market Conditions: Stable (Green).** By nearly every measure, market conditions have improved dramatically since March. The S&P 500 and Nasdaq are at record highs. Earnings growth is strong, particularly among large-cap technology companies. The VIX has normalized. Investor sentiment has recovered from extreme fear to neutral on the CNN Fear and Greed Index. Market breadth has continued to broaden, with participation extending beyond the largest names. This pillar is clearly flashing green.

**Business Cycle: Concern (Yellow).** The economic data is more mixed. Consumer sentiment is at a record low. Inflation expectations are rising sharply. Payroll growth is decelerating. Long-term unemployment is climbing. Auto loan delinquencies remain at their highest levels since 2009. The Conference Board's forward-looking expectations index has fallen below the recession-warning threshold. The economy is not contracting, but it is showing the kind of late-cycle stress that warrants close attention and prudent positioning.

**Monetary Policy: Concern (Yellow).** The Federal Reserve is in a difficult position. The war-driven oil shock has pushed inflation expectations higher, effectively taking rate cuts off the table for now. Fed funds futures are pricing no cuts for the remainder of 2026, with an 8% probability of a hike. The Fed needs to see labor market deterioration before it can justify easing, but an energy-driven inflation spike pulling against slowing growth creates a policy environment with no clean answers. The central bank is navigating between inflation risk and recession risk simultaneously.

*In summary: the market is telling us one story, while the economy and monetary policy are telling us another. When the pillars diverge like this, it reinforces the importance of balance, diversification, and tactical flexibility in portfolio construction.*

## What This Means for Portfolios

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The current environment validates the approach we have been taking. Our core equity holdings in high-quality, cash-flow-generating businesses have participated fully in the market recovery. At the same time, the diversification and tactical shifts we have made, including allocations to strategies like COWZ that target the highest free-cash-flow-yield companies, continue to complement concentrated large-cap exposure.

The GLR Alternative Allocation continues to perform well relative to the broader market. In an environment where two of our three pillars remain at cautionary levels, the role of non-correlated return sources in dampening portfolio volatility and protecting capital remains essential.

We are not making dramatic changes. The green signal from market conditions supports maintaining equity exposure. But the yellow signals from the business cycle and monetary policy reinforce that this is not the time to become complacent or to chase the rally without discipline. We continue to emphasize quality, cash flow, valuation discipline, and diversification across return sources.

## Looking Forward

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The weeks ahead will bring clarity on several fronts. Big Tech earnings from Alphabet, Amazon, Meta, Microsoft, and Apple will test whether the market's optimism is justified by fundamentals. The April jobs report on May 8 will be the first to fully capture post-tariff employer behavior. And the trajectory of U.S.-Iran negotiations will continue to drive energy prices and, by extension, inflation expectations and consumer confidence.

The Strait of Hormuz remains the most significant unresolved risk. If diplomatic efforts fail and the dual blockade persists, the energy supply shock will deepen and the economic headwinds we are monitoring will intensify. If a resolution materializes, it could be a meaningful catalyst for both energy prices and consumer sentiment. As always, our approach is to let the data and our framework guide positioning rather than reacting to headlines. The Three Pillars give us a structured way to assess conditions as they evolve, and we will continue to adjust portfolios accordingly.

Please do not hesitate to reach out with questions.

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