

Key Takeaways:

- Economic downgrades beginning.
- IMF outlines base case and adverse scenarios.
- Asia at risk to high oil and supply disruptions.
- Germany cuts growth in half.
- Inflation should hamper earnings optimism in the coming months.

Downgrades Starting to Emerge as Conflict Drags on

The war with Iran has entered its 9th week, longer than the White House had originally anticipated (4-5 weeks). As a result, we are starting to see several agencies adjust their outlook for growth and inflation. In this weekly insights, we highlight some key changes that we have seen as the conflict drags on. In addition, we offer our opinion of the near term impact from the prolonged conflict.

- **IMF Outlook:** In April's World Economic Outlook, the IMF downgraded their outlook for global growth (3.1% vs 3.3%) and upgraded their global inflation expectation (4.4% vs 3.8%) for 2026. These forecasts compare to January where they had a more upbeat tone on economic conditions. If there was no war, the IMF stated they would raise growth forecasts due to the AI spend, accommodative monetary policy and easing trade tensions.
- **Outlines adverse scenario:** The IMF stated that more attacks on critical infrastructure or a longer shutdown of the Strait of Hormuz could push global growth down to 2.5% (lowest since the 2020 contraction) and inflation up to

5.4% (highest since 2024). If the conflict continues to disrupt energy into 2027, growth could slip to 2% this year and next and inflation could approach 6%.

- **United Nations warns about risk to Asian countries:** The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) released a report last week and downgraded their outlook for growth in the developing economies (from 4.6% in 2025 to 4.0% in 2026) and upgraded their inflation outlook (from 3.5% in 2025 to 4.6% in 2026). This is due to high oil prices and trade disruptions. They warn they could downgrade their forecast more if the conflict drags into 2H26.
- **Germany slashes growth forecast:** Germany's economic ministry cut its growth forecast for both 2026 (0.5% vs. 1.0%) and 2027 (0.9% vs. 1.3%). In addition, they expect inflation to rise to 2.7% in 2026 and 2.8% in 2027 compared to 2.2% in 2025. This is due to their reliance on global trade and susceptibility to oil shocks.

- **Economists downgrading broadly:** Since the war has continued beyond the 4-5 week expectation we are also seeing the Bloomberg consensus for 2026 economic growth being revised modestly lower. In the U.S., the growth estimate has fallen from 2.5% to 2.2%, in the UK from 1.1% to 0.75%, Japan from 0.8% to 0.7%, and in France from 1.0% to 0.9%.

The Bottom Line:

It is not surprising to see growth forecasts downgraded as the war drags on. We warned that the impact of the war was dependant on how long the Strait was disrupted and activity remains basically frozen. Our biggest concern is with inflation over the next few months. We have seen initial economic reports that show the impact of oil and the supply chain disruptions (e.g., ISM) and we expect this to filter into more data in the coming months. While earnings season may temporarily support equities, we believe there is more downside to equities in the near term as inflation challenges the earnings optimism.

Weekly Economic Recap –

Consumer defies expectations despite record low confidence

Retail sales increased 1.7% (MoM) in March which was the best one month gain in a year. While the headline sales growth was due to a 15% increase in spending at gasoline stations, the strength in sales was broad based. Furniture saw its biggest one month gain since December 2024. When excluding volatile items like autos, gas, food and building materials sales rose 0.7% (MoM), the biggest one month gain since August 2025.

Pending home sales rose 1.5% (MoM) in March, which was better than expected (+0.5% MoM est). This is on the back of a sizable upward revision to February's data (+2.5% vs. +1.8% originally reported). However, there were only two of the four regions that saw sales increases (i.e., northeast, south). The midwest and west both saw pending sales decline.

Business inventories grew 0.4% (MoM) in February, the biggest gain since January 2025. Wholesalers led the gains. The inventory to sales ratio (manufacturing, retailers and wholesalers) fell to the lowest since April '22.

U.S. consumer sentiment fell in April to the lowest number on record (records dating back to 1978). Both components of the University of Michigan's consumer sentiment composite survey were weak for the month (i.e., expectations and current conditions). According to the report, "consumers expect prices to rise at an annual rate of 4.7% over the next year." This marks the largest one-month increase in inflation expectations since liberation day.

Key Takeaways:

- Retail sales surprisingly strong.
- Consumer sentiment falls to record low.
- Inflation expectations climb.
- European equities drive global index lower.
- Inflation expectations cause yields to rise.
- Crude oil prices resume upward trajectory.

Weekly Market Recap –

Global equities lower on international equities

Equities: The MSCI AC World Index fell for the first time in four weeks led by weakness in European equities. European equities were dragged lower by the ongoing disruption in the Strait of Hormuz, Brent crude oil spiking the most in seven weeks and disappointing economic data. In contrast, the S&P 500 rallied for the fourth consecutive week driven by a strong earnings season and rally in technology.

Fixed Income: The Bloomberg Aggregate Index fell for the first time in four weeks led by long term Treasuries and credit. A surge in consumer inflation expectations drove yields higher. The 10 YR Treasury note posted its worst weekly decline in five weeks.

Commodities/FX: The Bloomberg Commodity Index rose for the first time in three weeks driven by energy. Crude oil posted its best one week gain in seven weeks. The ongoing disruption in the Strait of Hormuz caused oil to continue its move higher. Gold prices slid the most in five weeks as yields rose and the dollar rallied.

Consumer Confidence Falls to Record Low



Footnotes: Data is as of April 2026.

Data Source: Bloomberg Finance LP, Verdenance Capital Advisors.

Global Equities Mixed as U.S. Earnings Optimism Overshadows Middle East Tension

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	49,231	-0.4%	6.8%	0.7%	24.9%	2.9%	MSCI AC World (USD)	1,072	-0.2%	9.0%	3.8%	32.6%	6.1%		
S&P 500	7,165	0.6%	9.4%	3.9%	32.2%	5.0%	MSCI EAFE (USD)	3,022	-2.7%	6.6%	1.8%	26.4%	5.4%		
Russell 1000 Growth	4,823	0.6%	11.6%	2.5%	34.0%	1.4%	MSCI Europe ex UK (USD)	3,328	-3.2%	7.5%	0.2%	22.3%	2.9%		
Russell 1000 Value	2,240	0.2%	6.5%	4.6%	28.3%	8.7%	MSCI Japan (USD)	5,172	-1.7%	5.8%	2.8%	32.1%	8.6%		
Russell 2500	4,846	-0.2%	9.9%	5.5%	40.0%	12.7%	MSCI UK (USD)	1,669	-3.0%	5.4%	3.4%	29.6%	6.5%		
Russell 2000	2,787	0.4%	11.3%	4.7%	44.3%	12.7%	MSCI EM (USD)	1,610	0.8%	11.7%	7.7%	50.3%	15.2%		
Nasdaq	24,837	1.5%	14.2%	5.9%	45.6%	7.0%	MSCI Asia ex Japan (USD)	1,049	1.8%	11.8%	8.7%	52.0%	15.3%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.5%	-0.3%	1.2%	0.5%	5.5%	0.6%	Bloomberg Commodity Index	347	3.6%	4.4%	14.9%	37.6%	25.5%		
U.S. Govt/Credit	4.4%	-0.2%	1.1%	0.4%	4.9%	0.4%	Crude Oil (USD/bbl)	\$95.6	6.7%	-4.0%	33.2%	32.6%	38.2%		
U.S. 10 Year Treasury	4.3%	-0.4%	1.0%	0.5%	4.6%	0.1%	Gold (\$/oz)	\$4,709.5	-2.5%	4.6%	-9.3%	40.5%	8.8%		
U.S. TIPS (1-10YR)	4.1%	0.3%	1.6%	1.7%	5.2%	1.8%	Copper	\$602.7	-0.4%	10.1%	2.7%	24.4%	6.0%		
U.S. High Yield	6.9%	-0.2%	1.9%	0.6%	9.1%	1.3%	Wheat	\$616.8	1.9%	0.2%	13.5%	-0.1%	16.2%		
EM Bonds (USD)	6.0%	-0.3%	2.5%	0.7%	10.3%	1.0%	U.S. Dollar	99	0.2%	-1.9%	2.1%	-1.2%	-0.1%		
Municipal Bonds	3.6%	0.0%	1.6%	0.7%	7.5%	1.3%	VIX Index	18.7	7.0%	-30.6%	16.3%	-29.3%	25.2%		

Footnotes: Data is as of April 24, 2026.

Source: Bloomberg Finance LP, Verdenca Capital Advisors.

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