Summary

Economic data for the week included the Federal Reserve keeping policy interest rates on hold, as expected. U.S. GDP for the first quarter grew in line with trend for Q1, in addition to gains in durable goods, and some improvement in consumer sentiment, while manufacturing data was little-changed. Housing data was mixed, with continued deceleration in housing prices.

Equities were positive globally, with the U.S. and Japan outperforming other regions. Bonds fell back as yields rose, along with inflation concerns. Commodities gained again with continued rising oil prices.

Economic Notes

(0) The **FOMC** met last week and made no change to policy interest rates, although the multiple dissents from Presidents Hammack, Kashkari, and Logan were surprising to many observers. However, those dissents not aimed at keeping rates on track, but only the "easing bias" in the formal statement, which was kept largely intact from the prior meeting, and apparently didn't reflect enough of a balance due to higher recent inflation readings.

At the post-meeting press conference, outgoing Fed Chair Jerome Powell noted that he'll remain on the FOMC as a governor "for a period of time to be determined," as he's "waiting for the investigation to be well and truly over with finality and transparency" and will depart the FOMC when he feels "it's appropriate to do so." At the same time, he noted that he isn't looking to be a "high-profile dissident" to future policy decisions and not "interfere."

(+) The first estimate of U.S. **GDP growth** for Q1-2026 came in at a real 2.0%, stronger than the 0.5% of the prior quarter Q4-2025 but fell a bit short of the 2.3% median forecast. Most segments saw gains, led by private investment (9%, contributing 1.5% towards total GDP, and mostly in non-residential equipment and intellectual property), consumer spending (up 2%, adding 1.1%), and government spending (4%, mostly in federal rather than state/local, adding 0.7%). On the weaker side, net exports removed -1.3% from growth, non-residential structures fell -7% (pulling -0.2% from GDP) as did residential investment by -8% (-0.3% from GDP). Notable is the continued contribution in technology infrastructure building, including AI data centers, while residential housing continues to struggle as noted below. Government spending grew, in contrast to the weaker Q4 number due to the federal government shutdown, but not enough to make up the gap.

The Atlanta Fed's **GDPNow** measure for Q2 came out at 3.7%, adjusted to 3.5% by Friday, at a similar robust pace as what was seen in early Q1. The growth looks to be led by personal consumption (1.7%), Non-res fixed investment (0.8%), inventories (0.7%), and government (0.3%). The Blue Chip consensus of private economists started off at over 2%, around long-term trend, but has since declined to around 1.5% (within a range of just under 1% to just over 2%).

(0) **Personal income** rose 0.6% in March, exceeding the 0.3% median forecast, with an outsized contribution from government farm subsidies. Personal spending rose 0.9% for the month, on target with expectations, with the monthly results dominated by purchases of gasoline, as prices spiked. The personal saving rate fell by -0.3% to 3.6%. Over the past year, personal income rose nearly 4%, while spending was up just under 6%. The PCE price index for March rose by 0.7% on a headline level, and 0.3% for core, excluding food and energy prices. Year-over-year, headline PCE inflation rose 3.5% while core PCE increased 3.2%, the latter now again running over a percent higher than the Federal Reserve's inflation target rate.

(0) The **ISM manufacturing index** was unchanged at 52.7 in April, below the expected improvement to 53.2. Under the hood, new orders rose by a half-point to over 54, solidly in expansion, while production fell by a few points, staying in expansion. Employment fell by -2 points as well, a bit further into contraction at 46. Prices paid rose by 6 points to 85, the highest level in four years along with higher oil and other input prices, and supplier deliveries rose by 2 points to 61, which indicated a slower pace of deliveries. Among anecdotal comments, war was mentioned by almost half, and tariffs by just under a fifth of respondents, although "demand for manufactured goods is trending higher versus last year."

(+) **Durable goods orders** rose by 0.8% in March, exceeding the 0.5% increase expected, and reversing the decline of the prior month. Removing transportation changed the outcome little, to 0.9%, as a gain in defense aircraft orders offset a decline in commercial orders. Core capital goods orders rose a sharp 3.3%, well above expectations, and led by the largest gain in computer/electronic orders in over four years. as well as autos. Core capital goods shipments rose 1.2%, also roughly double expectations. Over the past year, total durable goods orders rose 1%, while removing the -10% drop in transportation orders adjusted to an 8% gain.

(0) The **S&P Cotality Case-Shiller 20-city home price index** fell by a rounded -0.1% in February on a seasonally-adjusted basis, but rose by 0.4% if unadjusted. By city in Feb., strength in the Northern U.S., continued, with Cleveland and Chicago showing gains of nearly a percent on a seasonally-adjusted basis, followed by Miami, while Seattle experienced the sharpest decline. Year-over-year, the index rose 0.9%. These were led by gains of around 5% each for Chicago, New York City, and Cleveland; these offset declines of about -2% each in Seattle, Tampa, and Denver. S&P noted more widespread declines during the month, which expanded beyond the Sun Belt, with mortgage rates over 6% continuing to "weigh on affordability and transaction activity, holding nominal price growth below inflation."

(0) The **FHFA house price index** was unchanged in February on a seasonally-adjusted basis, although the Jan. gain was revised up a tenth to 0.2%. By census segment, the South Atlantic (DE/MD south to FL) region rose 0.6%, while Mountain (ID/MT south to AZ/NM) fell by -1.1%. For the trailing 12 months, the national index rose by 1.7%, less than half of the gain of the prior year ended in Feb. 2025. The yearly results were led by the Middle Atlantic (4.2%, NY/NJ/PA), while the Mountain segment fell by -0.7%. A more comprehensive dataset, the FHFA captures prices from all 50 states and 400 U.S. cities. The general trend shows a flattening in home prices, particularly in the Sun Belt and Mountain West here as well, particularly on a real after-inflation basis.

(+) **Housing starts** were combined in a single report for February and March, with Feb. falling by -3% (to 1.356 mil. seasonally-adjusted average annualized units), but rising in March by 10.8% (to 1.502 mil. units, one of the better results in over a year). Year-over-year ending in March, starts rose 11%, with gains in the Northeast leading the way, and the Midwest seeing only slight declines on the lagging side. For the year, single-family starts rose 9%, while multi-family were up 16%. **Building permits** rose by 11% to 1.538 mil. seasonally-adjusted annualized units for Feb., but fell by -10.8% to 1.372 mil. units in Mar. Year-over-year ending in March, permits were down -7%. Building continues to be held back by a variety of factors, some of which are more recent, but completed home inventory has been down for 20 years. These factors include still-high home prices, building materials costs (hampered by tariffs), restrictive local zoning and building regulations, skilled labor shortages due to retirements, and low labor supply due to immigration changes.

(+) The **Conference Board consumer confidence index** rose by 0.6 of a point to 92.8 for April, exceeding an expected decline to 89.0. Assessments of present conditions ticked down by -0.3 of a point while expectations for the future rose by 1.2 points. The labor differential ticked up by over a point, as there was little change among those who felt jobs were plentiful (at 27%), but fewer felt jobs were 'hard to get' (falling to under 20%). Inflation expectations for the coming 12 months fell by a tenth to a still-high 6.1%. Anecdotally, consumer responses unsurprisingly noted worries about 'prices,' 'oil and gas,' and 'war' to a greater degree than the prior month, however, the recent two-week ceasefire and stock market recovery seemed to help the mood.

(+) **Initial jobless claims** for the Apr. 25 ending week fell by -26k to 189k, well below the median forecast of 212k. Continuing claims for the Apr. 18 week fell by -23k to 1.785 mil., well below the 1.815 mil. expected. The claims declines appeared partially due to seasonal adjustment factors in several states, including NY, due to the spring break holiday, but several states saw declines. Regardless, the drop to lower levels in recent ranges points to a lack of layoff stress in labor markets.

Market Notes

Period ending 5/1/2026	**1 Week %**	**YTD %**
DJIA	0.55	3.49
S&P 500	0.92	6.02
NASDAQ	1.12	8.25
Russell 2000	0.94	13.73
MSCI-EAFE	0.98	6.48
MSCI-EM	-0.52	14.61
Bloomberg U.S. Aggregate	-0.39	0.18

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2025	3.67	3.47	3.73	4.18	4.84
4/24/2026	3.69	3.78	3.92	4.31	4.91
5/1/2026	3.68	3.88	4.02	4.39	4.97

U.S. stocks continue to be driven by Middle East developments but more so in recent weeks by U.S. earnings results. Last week, a Tue. slump was caused by OpenAI revenue and user targets not meeting expectations. Aside from the FOMC meeting Wed., it was a big earnings release day for four of the Magnificent 7 stocks. Following that, Alphabet fared best (with the success of TPU chips seen as challenging NVIDIA's dominance, particularly for certain AI functions like chatbots and agents), while Meta fared poorly (along with higher capex expectations than expected, and substantial bond issuance). There were signs of the continued market dynamic of AI spending versus benefit, which is of course yet to be determined. Middle East developments were few, with the ceasefire extended, but also the Strait of Hormuz blockade, and questions over the 60-day timeline required for the Congressional involvement per the War Powers Act. For April, the S&P 500 gained 10%, its best one-month performance since late 2020, more than offsetting the -5% decline in March.

By sector, returns for the week were led by communications and energy, with the latter up several percent along with oil prices, followed by consumer staples and financials. Materials fell nearly -2%, being the only sector with a negative result for the week. Real estate rose about a percent as well, despite the headwind of higher yields.

By Friday, 63% of S&P 500 firms had reported Q1 earnings, per FactSet. Of the group, 84% have reported a positive earnings surprise, and 81% a positive revenue surprise. (Of course, modern releases are calibrated so that surprises tend to be much more common than disappointments, but regardless, higher numbers are still preferred.) The blended Q1 earnings growth rate has shot up to 27.1%, led by technology, communications, and consumer discretionary (essentially the Mag 7 contributions).

Foreign stocks were mixed, with Japan outperforming the U.S., but Europe, U.K., and emerging markets underperforming. Aside from the Fed, it was a busy meeting week for central banks, with the ECB, Bank of England, Bank of Japan, and Bank of Canada all meeting, but all choosing to leave policy interest rates unchanged. Though, several appear to be on more of a hiking bias, due to the inflation impacts of oil; at the same time, deeper economic impacts would tend to normally move a bank toward easing. In emerging markets, returns were mixed, with a decline in China yet continued momentum in South Korea related to a rally in U.S. semiconductor stocks in recent weeks, while others fell back.

Bonds fell back last week, as higher oil prices again led to concerns over the impact on near-term (and longer) inflation readings. Floating rate bank loans ended up being the only group with positive returns, along with yield rising. Foreign bonds also declined broadly, despite the positive influence of a weaker dollar for unhedged groups.

Commodities saw gains broadly, as energy gains again led the way, in addition to agriculture, offsetting declines in industrial and precious metals. West Texas crude oil prices rose over 8% last week to $102/barrel, with Brent crude oil up to $109/barrel. The length of the Strait of Hormuz closure is obviously weighing on sentiment, in addition to fears of potential shortages over time. In interesting oil news, the UAE decided to quit OPEC due to its long push for higher production quotas, although it appeared this was likely in the making prior to the recent Middle East conflict, due to a steady secular decline in petroleum demand that incents nations to maximize their own revenue.

Have a good week.

Ryan M. Long, CFA
Palouse Capital Management

Pending as of this month, the FocusPoint Solutions investment division is being repositioned under the affiliated registered investment advisor Advisory Solutions Group, LLC, DBA Palouse Capital Management, as part of joining forces with Wealth Enhancement Group. The decades-long asset allocation investment philosophy, process, and strategies remain unchanged.

Sources: Palouse Capital Management, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

The information presented is for informational purposes and is intended for financial professionals only. This should not be distributed beyond its intended audience. All information has been obtained from sources considered reliable, but no representation is made as to its completeness, accuracy, or timeliness. This information should not be relied upon as investment advice, research, or a recommendation by Palouse Capital Management regarding the use or suitability of the model portfolio or any security or asset class in particular. The information provided is not intended to be and should not be construed as investment, legal or tax advice. Only the investor and their financial professionals know enough about the investor's individual circumstances to make an investment decision.

Information and opinions expressed are subject to change without notice. Any forecasts, opinions or statements of financial market trends expressed are those of Palouse Capital Management and are subject to change without notice.

Past performance is not a guarantee of future results. Advisory Solutions Group is a registered investment advisor.

Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931