



The first quarter of 2026 delivered a mixed start to the year, with equity markets facing early pressure while other asset classes showed resilience. U.S. large-cap stocks declined -4.3% year-to-date, while several alternative and real asset categories outperformed. Notably, global natural resources led all major asset classes (+20% YTD), highlighting the continued importance of diversification.

What Drove Markets in Q1

Geopolitics & Oil Sensitivity

Global tensions—particularly the U.S.–Iran conflict—introduced short-term volatility. A temporary ceasefire improved investor sentiment, though uncertainty around energy markets remains.

Labor Market Uncertainty

The U.S. job market showed mixed signals, with uneven hiring trends and sector divergence. Longer-term concerns include a shrinking workforce due to demographics, partially offset by productivity gains from AI.

Rapid Acceleration of AI

Artificial intelligence continues to reshape industries and investment landscapes. While AI is expected to boost long-term growth, it may also create near-term disruption and increased volatility.

Performance Highlights

- Top-performing sector: Energy (+38.2%)
- Strong contributors: Materials, Utilities, Consumer Staples
- Lagging sectors: Technology, Financials, Consumer Discretionary
- Best-performing asset class: Global Natural Resources (+20.8%)

Key Takeaways for Investors

- **Valuations are improving:** Earnings growth is outpacing stock prices, making equities more attractive than in recent years.
- **Opportunities in small caps:** Some segments are trading below historical averages, offering long-term potential.
- **Stay long-term focused:** Valuation signals are more reliable over 10+ years than in the short term.
- **Diversification remains critical:** A balanced mix of equities and fixed income helps manage risk

Looking Ahead

While near-term volatility may persist due to geopolitical risks, economic transitions, and AI-driven disruption, the broader outlook remains constructive. Markets continue to reward diversified investors who stay disciplined and focused on long-term objectives.

Sources:

1. Wall Street Journal: Rough Quarter for Markets, 4.01.26
2. Capital Group Guide to Market Volatility, 2026
3. Valmark: TOPS Quarterly Update Q1 2026, 04.21.26

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