



# Markets Cheer, Risks Remain

April 21, 2026

U.S. stocks rallied broadly last week. Solid early earnings reports and signs of easing tensions in the Middle East gave investors plenty to feel good about, and even a bump in March inflation wasn't enough to dampen markets. Bond yields stayed relatively steady, and the Federal Reserve still [looks](#) unlikely to cut rates anytime soon.

However, [tensions reignited over the weekend](#) in the Strait of Hormuz, serving as a reminder that easing tensions in the region are not always guaranteed.

Here's where the major indexes landed and what to keep an eye on this week.

## Stock Index Performance

- The S&P 500 [advanced](#) 4.54%.
- The Nasdaq 100 [surged](#) 6.20%.
- The Dow Jones Industrial Average [climbed](#) 3.19%.

## Behind the Numbers

Geopolitics brought a sigh of relief, but not for long. After weeks of disruption to oil shipments through the Strait of Hormuz, ceasefire hopes and stabilizing shipping conditions helped fuel a broad stock rally, while oil prices pulled back as investors grew more confident that supply disruptions would prove temporary. However, at the end of the weekend, tensions flared again in the Strait of Hormuz, underscoring that the conflict's end remains a question mark.

The inflation headline looked scary. The details reveal a lighter picture. March inflation jumped to 3.3%, but nearly three-quarters of that spike came from gasoline prices alone. Strip out energy and food, and underlying inflation rose just 0.2%, modest and well-behaved. That distinction is why the Federal Reserve feels comfortable staying on hold, and why markets were largely able to shrug off the numbers and keep climbing.

Companies are delivering on earnings. First-quarter [earnings](#) came out over the week and showed growth of 13.2% year-over-year, the sixth straight quarter of double-digit profit growth,

with companies beating estimates by nearly 11%. The strongest results have come from Technology, Financials, and Materials, while Energy and Health Care have been more mixed. With the major indexes above their long-run averages, the market could be leaving little room for disappointment.

### **The Week Ahead**

The central question heading into this week is whether conditions in the Strait of Hormuz continue to stabilize or deteriorate. A durable ceasefire would likely push oil prices lower and ease inflation concerns, giving the Federal Reserve more room to stay on hold. However, a continuation of renewed disruption could reignite energy prices and pressure central banks to keep rates elevated.

The other thing to watch in the coming week is whether strong earnings and economic data can continue to justify stock valuations. With the S&P 500 trading at a forward price-to-earnings ratio of nearly [21](#), above both its five-year and ten-year averages, the market is pricing in a lot of good news. More Q1 results are due this week, and with companies currently beating estimates by a double-digit margin, the earnings bar has been raised.

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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