



## From the US Market Desk

**Discipline over emotion worked again.  
Earnings ahead.**



April 10, 2026



**Chris Galipeau**

Senior Market Strategist  
Franklin Templeton Institute

Get ready  
each week with high-  
conviction insights  
that go beyond  
media headlines.

### Related content

[Broadening momentum: From US technology leadership to US small caps and emerging markets](#)

[How global equities and fixed income performed with a resumption of Fed easing](#)

[How US equities and US fixed income performed with a resumption of Fed easing](#)

### Macro

- Our forecast for real gross domestic product (GDP) growth for 2026 is 2.5% (based on our [Global Investment Management Survey](#)), versus the Federal Reserve (Fed) forecast of 2.3% and the Wall Street consensus of around 2%. The main drivers of our GDP forecast are the continued big-tech capital expenditures, a resilient consumer and higher tax refunds, as well as the possibility of future interest-rate cuts, although rate cuts look unlikely from our perspective today. The duration of the Middle East conflict is the primary risk to our forecast. Higher oil prices work like a tax on the consumer, and the negative impacts of higher oil and gas prices will broaden over time. But we also think the US economy is in a strong position to weather this storm.
- We expect the Fed to cut rates twice in 2026 and core Personal Consumption Expenditures (PCE) to remain stable in the 2.5%–3.0% range. Fed fund futures are telling us we are wrong on the rate-cut call at the moment. The last tick for core PCE data came in at 3.0% versus expectations of 3.0%. Higher oil prices will bleed through to core PCE if oil prices stay elevated. The U-3 unemployment rate is 4.3%, just off the recent high print in November of 4.5%.
- The conflict in the Middle East, should it persist and drive oil prices higher for longer, could put the Fed in a box with respect to its dual mandate. Fed Chair Jerome Powell has stated on multiple occasions that the “playbook” is to look through any oil-price-related situation. Taking Mr. Powell at his word, it seems unlikely the Fed will raise rates soon. Similarly, we know that the two-year note yield historically leads the Fed, and the two-year note yield is 3.77% as of this writing. Right now, the bond market is saying the Fed will do nothing.
- Inflation expectations collapsed last week. One-year breakeven rates are now 3.46%, down from 5.10%, and have effectively been tracking oil prices. Two-year breakeven rates are 2.89%, down from 3.30% last week. Finally, five-year breakeven rates are 2.62%, steady for the last few weeks. These numbers represent the bond markets’ pricing of annualized inflation out one, two, and five years.
- On the currency front, we are expecting the US dollar to be essentially flat for the year despite the recent volatility. The US Dollar Index (DXY) is currently trading at \$98.80 and is in the middle of its 12-month range, defined as \$96 to \$100.

### Equities

- We are constructive on US equities and have established a target range of 7,000 to 7,400 for the S&P 500 Index, driven by 8%–13% year-over-year (y/y) earnings-per-share (EPS) growth (based on our [Global Investment Management Survey](#)). We don’t expect this geopolitical event to impact our outlook unless oil trades north of US\$100 and stays there for months. Expect volatility to persist until the Strait of Hormuz is fully open.
- Multiples compressed over the past month, and earnings estimates continue to tick up. Remember, when stock prices are coming down, for long-term investors, the risk in owning stocks also tends to decline. This is especially important to remember during periods of high volatility when emotions can take over. That’s why we continue to emphasize discipline over emotion.

## Equities (continued)

- We reiterate our bullish call on US small- and mid-cap stocks, and we remain constructive on emerging market equities and Japan. Additionally, the risk/reward profile of the Magnificent Seven (Mag 7) stocks looks more appealing today compared with the start of the year. All eyes are on earnings season.
- Speaking of emerging markets, have a listen to Putnam Emerging Market Equity Portfolio Manager Brian Freiwald in our latest [Talking Markets podcast](#). Brian shares his views and zeros in on forward earnings power in emerging markets.
- We believe the broadening theme we have been advocating since January of 2025 will continue through this year. Consider this: Year-to-date through the market close on April 9, the Russell 2000 Value Index was up 10.59%, the S&P MidCap 400 Growth Index was up 9.08%, the S&P MidCap 400 was up 7.31%, the Russell 2000 Index was up 6.60%, the Russell 1000 Value was up 6.53%, the S&P MidCap 400 Value was up 5.44%, the S&P 500 Equal Weight Index (our measure for the “average stock”) was up 3.92%, the Russell 2000 Growth Index was up 2.97%, the Russell 1000 Index was up 0.05% and the S&P 500 Index was up 0.01%. That’s the good news. On the downside, the Mag 7 gang was down 7.58%, and the Russell 1000 Growth was down 5.77%. Manageable, I’d say, if one has a diversified portfolio, but it could be painful for those who are not diversified. This dispersion is great for active stock pickers, however.
- Outside of the United States, the MSCI Latin America Index was up 21.77% through April 9, the MSCI Emerging Markets Index was up 9.35%, the MSCI Japan Index was up 8.97%, the MSCI Europe was up 4.08%, and MSCI India was the laggard down, 10.05% (all index returns are in US dollars).
- We have a tool for gauging volatility for possible investment signals, and we consider a weekly close in the VIX (CBOE Volatility Index) of over 30 to indicate a potential entry point for taking more risk. That signal went live on Friday, March 27. We saw that **discipline over emotion worked again**. Let’s look at index performance from the close of March 27 to April 9: The Mag 7 was up 9.66%, the Nasdaq Composite was up 8.97%, the Russell 2000 Growth was up 8.28%, the Russell 1000 Growth was up 7.89%, the Russell 2000 Index was up 7.69%, the S&P 500 was up 7.20%, the Russell 2000 Value was up 7.08%, the Russell MidCap Growth was up 7.07%, the S&P MidCap 400 was up 6.82%, S&P MidCap 400 Value was up 6.56%, Russell 1000 Value was up 6.22% and the S&P 500 Equal Weight Index was up 5.12%. Broad participation is bullish.
- Let’s review the historical performance when the VIX closes at 30 or higher on a weekly basis (the reason we have confidence in this signaling tool). Our analysis shows that when the VIX reached that weekly level, forward returns for the S&P 500 Index were positive; the three-month median forward return was 6.85% with an 80.28% hit rate; the six-month median forward return was 15.15% with a hit rate of 80.28%; and the one-year median, forward return was 23.46% with a hit rate of 88.57%. Remember, discipline over emotion.
- While past performance is not an indicator or guarantee of future results, the aforementioned volatility tool worked over the past couple of weeks. We are still mindful that the situation in the Middle East is not over. Maintain discipline. I use weekly swings of VIX 30 and VIX 50 as spots to increase risk profiles.
- The bottom line as I see it: It makes sense to have a diversified equity playbook that includes large-, mid-, and small-cap exposure in the United States with a balance of growth and value. The same can be said for ex-US equity exposure—I consider it attractive to own emerging markets and developed international markets. In other words, I think it’s prudent to reduce concentration and spread bets. As noted, I use the VIX index parameters above as a barometer for further action.

## Fixed income

- We expected the US 10-year Treasury bond yield to trade in a range of 4.0% and 4.25% for the year. The benchmark has traded slightly through the high end of our range, with yields now at 4.28%. I would consider adding duration risk if the yield goes north of 4.50%. The two-year yield also came in last week, at 3.77%. The US yield curve has flattened recently, with the 2-year/10-year spread at 51 basis points (bps). We expect more bull steepening in 2026, but are on the wrong side of that call at the moment.
- We expect short-duration fixed income mandates and corporate credit to outperform cash this year. Considering our views on US 10-year Treasury yields, we do not expect duration to be a significant driver of total return this year. Rather, all-in yield capture seems to be the play, although recent spread widening might create an opportunity for additional total return.
- Credit spreads have made big moves in the last few weeks. Investment-grade (IG) spreads (one-year/three-year option-adjusted spreads, or OAS) are 54 bps over Treasuries, which means they moved in seven bps on the week. High-yield (HY) spreads, as proxied by the Bloomberg US Corporate HY OAS, are now 279 bps over Treasuries, down 38 bps on the week. Corporate fundamentals remain healthy in our view, although there is stress in the system now.
- Historically, when IG credit spreads traded 200 bps over Treasuries, forward returns for the Bloomberg US Aggregate Bond Index were positive. Rick Polsinello, Senior Market Strategist-Fixed Income at Franklin Templeton Institute, tells us that the US Aggregate index has had median forward returns out three months of 1.92%, out six months of 4.19%, out nine months of 4.75% and out 12 months of 3.97%. The spread levels have not reached that threshold yet, obviously, but if the market trades there, it may be time to act.

## Fixed income (continued)

- Similarly, when HY credit spreads traded to 600 over Treasuries, forward returns were positive out three months with a median return of 12.82%, out six months at 22.35%, out nine months at 26.75% and out 12 months at 29.98%. Again, the market is not there yet, but I would consider acting if it trades there.
- We are bullish on municipal bonds and find taxable equivalent yields to be attractive, along with robust fundamentals. Importantly, the increased supply in the marketplace has run its course for now, and muni bonds have been performing well since last August. We think this trend should continue.

## Sentiment

- The percentage of bullish investors in the AAI Investor Sentiment survey moved up two ticks this week to 36%. The percentage of bearish investors in the AAI survey dropped to 43%, down eight ticks from last week.
- Neither of these readings is at an extreme, but sentiment is *cautious*. I would want to see the bullish percentage under 25% and the bearish percentage over 55% to consider taking action. Remember, this is a contrary indicator.

I will continue to analyze the markets and will offer insights again next week.

Source of data (except where noted) is Bloomberg and Franklin Templeton Institute, as of April 10, 2026. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

The Franklin Templeton Institute Global Investment Management Survey is a biannual outlook survey designed to give a view across our investment teams. The Franklin Templeton Institute identifies the median across the survey answers and develops the outlook. The survey received responses from around 200 portfolio managers, directors of research and chief investment officers, representing participation across equity, private equity, fixed income, private debt, real estate, digital assets, hedge funds and secondary private markets. Each of our investment teams is independent and has its own views.

## Glossary of terms

**The AAI (American Association of Individual Investors) Sentiment Survey:** This survey offers insight into the opinions of individual investors by asking them their thoughts on where the market is heading in the next six months.

**Breakeven rates:** The difference between yields of Treasury bonds and TIPS for issues of the same tenor/maturity, calculated by subtracting TIPS yields from Treasuries; a measure of inflation.

**Capital expenditure (capex):** Funds that companies spend to acquire, upgrade or maintain physical assets, such as buildings, technology or equipment, with the purpose of maintaining or growing future operations.

**Duration:** A measure of how much a bond's price changes relative to changes in interest rates.

**Federal funds (FF) rate:** The interest rate that depository institutions such as banks charge other institutions for holding overnight reserves.

**Hit rate:** The percentage of positive positions or returns over a specific period.

**Magnificent Seven:** Refers to shares of Apple, Microsoft, Amazon, Alphabet, Meta Platforms, Nvidia, and Tesla.

**Option-adjusted spread (OAS):** Measures the spread between a bond's interest rate and the risk-free rate, while adjusting for any embedded options like callables or mortgage-backed securities.

**Personal Consumption Expenditures (PCE) and core PCE:** Measures the price changes in goods and services purchased by US households; core PCE excludes food and energy prices. Both are measures of inflation.

**Tape:** A reference to broad market performance, based on the ticker tape that transmitted stock prices during the 19th and 20th centuries.

**Taxable-equivalent yield:** The yield of a municipal bond investment calculated to reflect the benefits of income tax exemption and to be comparable to the yield of a taxable bond.

**U-3 unemployment rate:** The official measure used by the US Bureau of Labor Statistics (BLS) to report the percentage of the labor force that is unemployed and actively seeking work.

**Yield spreads/tights:** Spreads are the difference between yields on differing debt instruments of varying maturities, credit ratings, issuers or risk levels. "Tight" in reference to spreads indicates small differences in yields.

## Indexes

**Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator of future results.**

**Bloomberg US Aggregate Bond Index:** The Barclays U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage and asset-backed issues, rated investment grade or higher, and having at least one year to maturity. Please note an investor cannot invest directly in an index.

**Bloomberg US Corporate High Yield Index:** Tracks the performance of the USD-denominated, high yield, fixed-rate corporate bond market.

**MSCI Emerging Markets Index:** A free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global emerging markets.

**MSCI Europe Index:** A free float-adjusted, market capitalization index that is designed to measure developed market equity performance in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

**MSCI India Index:** This index is designed to measure the performance of the large- and mid-cap segments of the Indian market. With 64 constituents, the index covers approximately 85% of the Indian equity universe.

**MSCI Latin America Index:** This index captures large and mid-cap representation across 5 Emerging Markets (EM) countries in Latin America.

**Russell 1000® Index:** A market capitalization-weighted that measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents the majority of total US market capitalization.

**Russell 1000® Growth Index:** A market capitalization-weighted index that measures the performance of Russell 1000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

**Russell 1000® Value Index:** A market capitalization-weighted index that measures the performance of Russell 1000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

**Russell 2000® Index:** A market capitalization-weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

**Russell 2000® Growth Index:** A market capitalization-weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index with relatively higher price-to-book ratios and higher forecasted growth rates.

**Russell 2000® Value Index:** A market capitalization-weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index with relatively lower price-to-book ratios and lower forecasted growth rates.

**S&P 500® Index (SPX):** A market capitalization-weighted index of 500 stocks, a measure of broad US equity market performance.

**S&P 500 Equal Weight Index (EWI):** The equal-weight version of the S&P 500 Index. The index includes the same constituents as the capitalization weighted S&P 500, but each company is allocated a fixed weight, or 0.2% of the index total, at each quarterly rebalance.

**S&P MidCap 400® Index:** A market capitalization-weighted index of 400 stocks of mid-size companies, distinct from the large-cap S&P 500.

**The S&P MidCap® 400 Growth Index:** An unmanaged, float-adjusted market capitalization-weighted index comprised of stocks from the S&P MidCap 400 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum.

**The S&P MidCap® 400 Value Index:** An unmanaged, float-adjusted market capitalization-weighted index comprised of stocks from the S&P MidCap 400 that are classified as value stocks based on three factors: the ratios of book value, earnings and sales to price.

**US Dollar Index:** A basket of six foreign currencies (euro, Japanese yen, UK pound sterling, Canadian dollar, Swedish krona, and Swiss franc) used to track the relative strength of the US dollar, with a higher index value representing US dollar strength.

**The Chicago Board Options Exchange (CBOE) Volatility Index (VIX):** A measure of market expectations of near-term volatility as conveyed by S&P 500 stock index option prices.

## WHAT ARE THE RISKS?

**All investments involve risks, including possible loss of principal.**

The **allocation of assets** among different strategies, asset classes and investments may not prove beneficial or produce desired results.

**Diversification** does not guarantee a profit or protect against a loss.

**Equity securities** are subject to price fluctuation and possible loss of principal.

**Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default.

**International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**.

The **investment style** may become out of favor, which may have a negative impact on performance.

**Large-capitalization companies** may fall out of favor with investors based on market and economic conditions.

**Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks.

**Any companies and/or case studies** referenced herein are used solely for illustrative purposes; any investment may or may not be currently held by any portfolio advised by Franklin Templeton. The information provided is not a recommendation or individual investment advice for any particular security, strategy, or investment product and is not an indication of the trading intent of any Franklin Templeton managed portfolio.

**Commodity-related investments** are subject to additional risks such as commodity index volatility, investor speculation, interest rates, weather, tax and regulatory developments.

## IMPORTANT LEGAL INFORMATION

This material is provided for general informational purposes only and should not be considered individualized investment advice, a recommendation or a solicitation to adopt any investment strategy. It does not constitute legal or tax advice. Franklin Templeton accepts no liability for losses arising from use of this material.

The views expressed are those of the investment manager as of the publication date and may change without notice. These opinions and analyses are based on certain assumptions, including market conditions that may change. They may differ from those of other portfolio managers or from the firm as a whole.

This material is not intended to provide a complete analysis of all material facts regarding any country, region or market. No assurance can be given that any forecast, projection or prediction regarding economies or financial markets will be realized. References to specific securities are for illustrative purposes only and should not be interpreted as recommendations or a solicitation to buy, sell, or hold any security.

Any research or analysis in this material has been prepared by Franklin Templeton for its own purposes and is provided incidentally. While the information included is believed to be reliable, its accuracy and completeness cannot be guaranteed, and it is subject to change without notice.

**Past performance does not guarantee future results, or any profit or gain. All investments involve risks, including possible loss of principal.**

Franklin Templeton offers environmental, social and governance (ESG) capabilities, though not all strategies or products incorporate ESG as part of the investment process.

Investment strategies and services may not be available in all jurisdictions. Please consult your financial professional or Franklin Templeton contact for further information.

**Brazil:** Issued by Franklin Templeton Brasil Ltda. **Canada:** Issued by Franklin Templeton Investments Corp. **Offshore Americas:** In the United States, this publication is made available by Franklin Templeton. **United States:** Issued by Franklin Templeton. **Investments are not FDIC insured; may lose value; and are not bank guaranteed.**

**Europe:** Issued by Franklin Templeton International Services S.à r.l., 8A, rue Albert Borschette, L-1246 Luxembourg. **Poland:** Issued by Templeton Asset Management (Poland) TFI S.A.; Rondo ONZ 1; 00-124 Warsaw. **Saudi Arabia:** Issued by Franklin Templeton Financial Company, 13512 Riyadh, Saudi Arabia. Regulated by CMA. License no. 23265-22. **South Africa:** Issued by Franklin Templeton Investments SA (PTY) Limited, which is authorised by the FSCA as a Financial Service Provider (No.44475). **Switzerland:** Issued by Franklin Templeton Switzerland Ltd, Talstrasse 41, CH-8001 Zurich. **Middle East & Africa (ex South Africa):** Issued by Franklin Templeton Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority. Address: Franklin Templeton, The Gate, East Wing, Level 2, Dubai International Financial Centre, P.O. Box 506613, Dubai, U.A.E. Tel: +971(04) 428 4100. **United Kingdom:** Issued by Franklin Templeton Investment Management Limited (FTIML), registered office: Cannon Place, 78 Cannon Street, London EC4N 6HL.

**Australia:** Issued by Franklin Templeton Australia Limited (ABN 76 004 835 849) (Australian Financial Services License Holder No. 240827), Level 47, 120 Collins Street, Melbourne, Victoria 3000. **Hong Kong:** Issued by Franklin Templeton Investments (Asia) Limited. **Japan:** Issued by Franklin Templeton Japan Co., Ltd. **South Korea:** Issued by Franklin Templeton Investment Advisors Korea Co., Ltd. **Malaysia:** Issued by Franklin Templeton Asset Management (Malaysia) Sdn. Bhd. & Franklin Templeton GSC Asset Management Sdn. Bhd. **Singapore:** Issued by Templeton Asset Management Ltd. (UEN) 199205211E.

Access your local website at [www.franklinresources.com/all-sites](http://www.franklinresources.com/all-sites).



franklintempleton.com