



**UNITED**  
ASSET STRATEGIES, INC.  
Planning for a Lifetime®

Quarterly Letter  
April 2026

Comments as of  
April 20<sup>th</sup>, 2026

## EXECUTIVE SUMMARY

Dear Clients and Friends,

After three strong years, markets retreated in the first quarter on AI-related and geopolitical concerns. Paradoxically, software and hyperscale cloud stocks traded lower: the former on fears AI would eat into profit pools, the latter on doubts AI returns would justify rising capex. Geopolitical tensions added to the uncertainty, with the conflict in Iran extending market pressure beyond tech. Against this backdrop, as seen in [Exhibit 1](#), it's no surprise that the S&P declined 4% and the tech-heavy Nasdaq fell 7% in the quarter. Bonds were also lower, as the Iran oil shock added to inflation worries and reduced rate-cut expectations. Resilience for the typical stock was notable, however, reflected in the 1% gain for the S&P equal-weight index. Though a small share of the cap-weight index, old-economy sectors outperformed as investors bid up heavy-asset, low-obsolence (HALO) businesses to shelter from AI disruption. These stocks also benefited from supportive tax policy, onshoring trends, and geopolitical tensions in energy and defense.

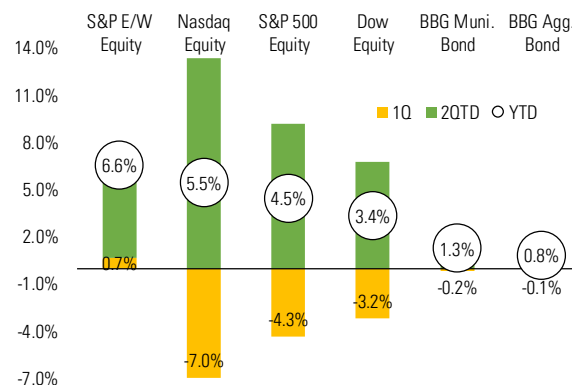
As also highlighted in the exhibit, in line with the short-term nature of past geopolitical shocks, markets have since recovered their losses and are now positive year-to-date. Looking ahead, the consumer is key to the economy, with moderating tariffs and larger tax refunds potential tailwinds but higher interest rates and energy prices risks to monitor. Seasonally, markets often soften into midterm elections amid political uncertainty, but as [Exhibit 2](#) shows, subsequent rallies usually more than make up for it. Against this backdrop, we remain invested yet opportunistic, using recent volatility to add selectively to growth and tech at more reasonable valuations, while maintaining the diversified posture that helped us navigate the first quarter.

Having just exited tax season, we'd note capital gains aren't just a tax bill; they're a window into how your portfolio is working. The goal isn't to avoid taxes but to be intentional about how they flow into your financial plan.

Respectfully submitted by the Professional Staff at United Asset Strategies.

### Exhibit 1: While major indices gave back some of 2025 gains during 1Q, they have more than recovered since.

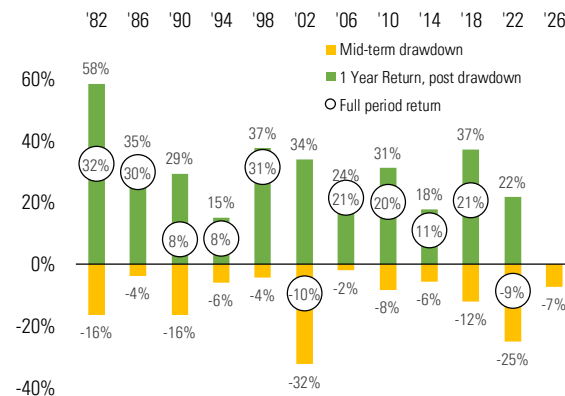
First quarter and year-to-date returns (%) for major market indices



Source: United Asset Strategies, FactSet, as of April 17th 2026

### Exhibit 2: More often than not, its best to stay invested through the uncertainty of a mid-term election year.

Return around mid-term elections, inc'l drawdown & subsequent 1 year rally.



Source: United Asset Strategies, FactSet

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# MACRO ENVIRONMENT

**From macro tailwinds to turbulence.** Entering 2026, the base case expectation was for the economy to remain on solid footing, with the consumer and businesses expected to enjoy the tailwind of tax benefits from the One Big Beautiful Bill Act (OBBBA). This outlook took a significant hit after the United States and Israel attacked Iran, which led to a closing of the critical Strait of Hormuz and a sharp spike in energy prices.

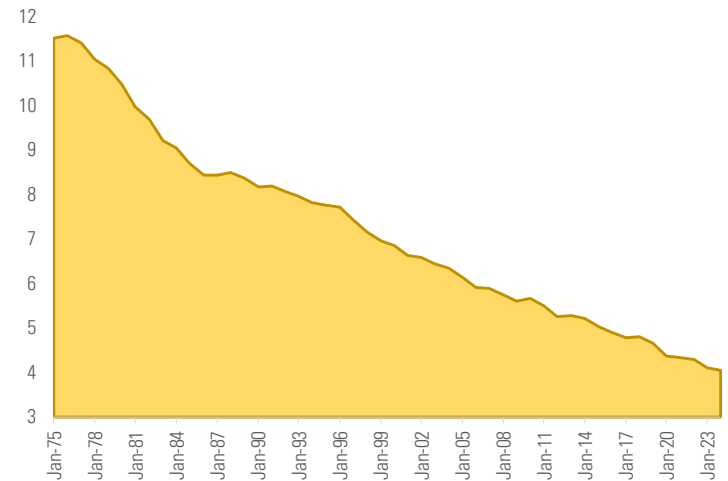
Looking forward, on the positive side, tax refunds have been strong, with IRS data showing a 20% year-over-year increase through mid-April. Tariff pressures have also eased, with tariff rates declining after the 2025 Supreme Court ruling. On the negative side, the attack on Iran sent oil prices sharply higher, with West Texas Intermediate (WTI) rising from \$67 per barrel to \$88 per barrel at the time of this writing and spiking as high as \$110 per barrel before ceasefire discussions began. As a result, gasoline prices have moved up 30% year-over-year.

While some have drawn comparisons to the oil shocks of the 1980s, it is important to make two key distinctions. First, as seen in **Exhibit 3**, U.S. energy intensity has fallen sharply on the shift toward a more services-oriented economy and wider adoption of energy-efficient technologies (e.g., appliances, electric vehicles), lowering energy consumption per dollar of

GDP. Second, the U.S. is now a net exporter of oil, lowering reliance on Middle Eastern supply. While changes in energy prices may not have as significant an impact, bottom line is the outlook for the consumer and economy has become increasingly murky in the days following the attack on Iran.

## **Exhibit 3: While oil prices are higher following attack on Iran, economic implications are not what they used to be.**

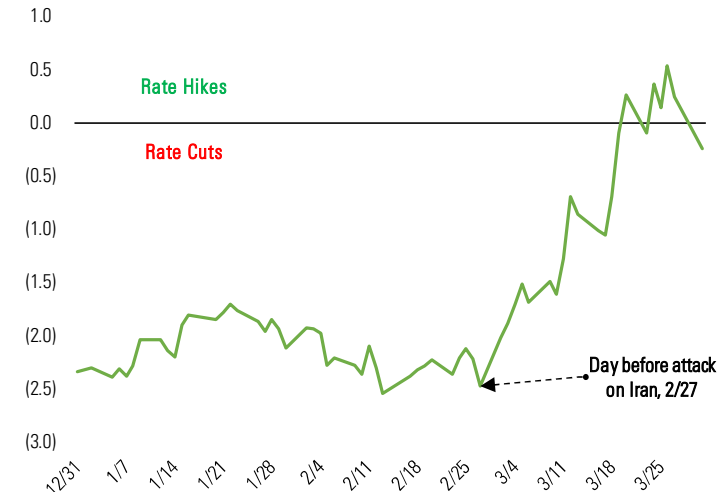
*US energy consumption per real dollar of GDP, dating back to 1975*



*Source: United Asset Strategies, Energy Information Administration*

## **Exhibit 4: Iran conflict driven oil shock raises inflation concern, reducing expectations for fed funds rate cuts.**

*The number of rate (cuts) hikes expected through year-end 2026 fed meeting.*



*Source: United Asset Strategies, CME Group*

**A reset in rate cut expectations.** Adding to the uncertainty for consumers is the evolving outlook for interest rates. At the start of the year, markets expected the fed funds rate to end 2026 roughly 50 basis points below the current 3.50–3.75% range. While slightly more dovish than the single rate cut guided to in the Fed’s Summary of Economic Projections, the market view was reasonable given moderating inflation and the anticipated leadership turnover at the Fed later this year.

These expectations — and interest rates more broadly — held steady until the Iran attacks and subsequent spike in oil prices shifted the narrative. As shown in **Exhibit 4**, renewed inflation concerns tied to higher energy prices led markets to price out rate cuts for 2026. With the labor market still on solid footing, investors increasingly concluded that an unchanged fed funds rate was the most likely outcome for the year. This shift in expectations led to a sharp rise in rates, particularly at the policy sensitive short end of the yield curve. These higher-than-expected borrowing costs are coming just as consumers are grappling with elevated gasoline prices.



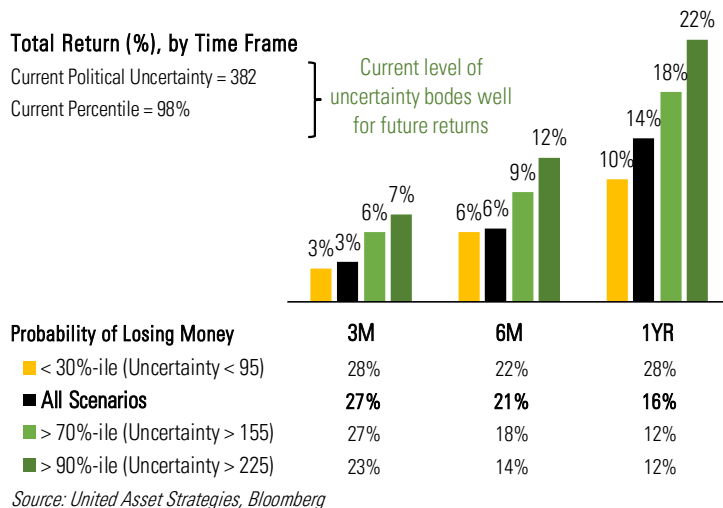
**The opportunity in policy uncertainty.** Meaningful policy changes around taxes, tariffs and oil price shocks from the war with Iran have created market volatility and added to the uncertainty typical of mid-term election years. Expectations for the mid terms have changed meaningfully since the attack on Iran in February. Before the conflict, Democrats were expected to take control of the House while Republicans were forecast to retain the Senate. As of this letter, prediction market sites like Polymarket have moved materially, with odds for a Democratic sweep increasing to 52%, compared to 40% before the war.

One way to track policy uncertainty more broadly is through the Daily U.S. Economic Policy Uncertainty Index. This index has averaged roughly 100 over the past few decades but is now approaching 400 following the outbreak of the war. While unpleasant in the moment, as highlighted in [Exhibit 5](#), it is important to remember that spikes in policy uncertainty are often followed by stronger stock market returns. For example, after the index peaked at 545 around tariff announcements in April 2025, the S&P subsequently returned 28% through 2025 year end. Indeed, periods of high policy uncertainty are usually

not the time to reduce equity exposure. To that end, as of this letter, the market has more than regained levels seen prior to the outbreak of the war and is now up year-to-date.

**Exhibit 5: Historically, forward returns from peak uncertainty are attractive once uncertainty is lifted.**

*Forward 3-6 month and 1 year return, based on starting political uncertainty (dating back to 1996)*



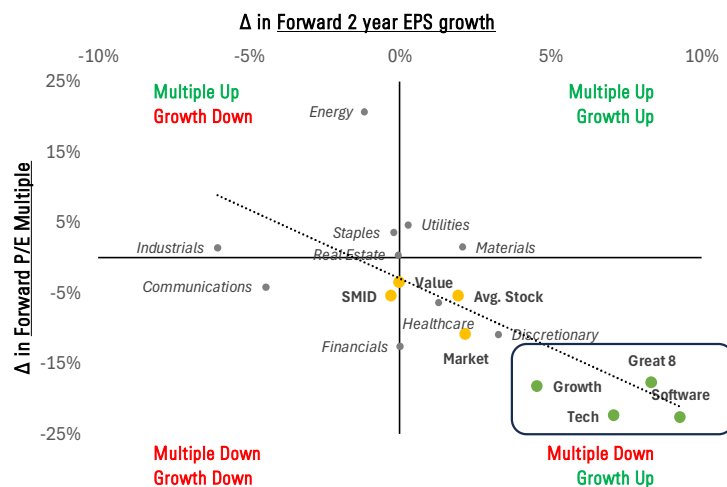
*INVESTMENT MANAGEMENT*

**Tech in the “too hard” pile.** While the broader market was down modestly in the first quarter, there was a notable and counter-intuitive disconnect beneath the surface: companies with strengthening profit outlooks often saw the most stock price pressure. This is seen in the downward sloping trendline in [Exhibit 6](#), which plots segments of the stock market against changes in growth estimates and valuation. As shown, large growth-oriented tech stocks cluster in the bottom right quadrant, experiencing the steepest multiple contractions despite the strongest near-term estimate revisions.

It’s hard to reconcile the idea that AI is both powerful enough to hollow out the economics of software companies yet weak enough to disappoint the hyperscale cloud providers (i.e., Hyperscalers) building it. The truth may prove more nuanced in the long term, which could present opportunities for select names now trading at more reasonable valuations.

**Exhibit 6: Growing disconnect between price and earnings expectations, most notably in growth and tech sectors.**

*First quarter % change in earnings expectations and valuations for categories of S&P 500*



We attribute this disconnect to the transformational and disruptive nature of Artificial Intelligence (AI). Investors are increasingly placing large swaths of technology in the “too hard” pile, assigning lower valuation multiples given the difficulty in underwriting the widening range of long-term outcomes. Software, for example, fell 20% in the first quarter as multiples contracted on worries that AI could erode long-term profit pools through lower pricing, fewer seats, and higher computing costs. Similar pressure emerged across IT services, data and analytics providers, and alternative asset managers with concentrated software exposure. We also saw the Great 8 trade down 10%, as investors questioned the long-term returns on significant and growing AI capital expenditures.



**Seeking shelter in HALO trade.** We have long spoken to rising concentration as a risk, with the Great 8 representing nearly 40% of the S&P 500 as of year end 2025. Even so, the market has been encouragingly resilient to this year’s pullback in mega cap tech, with the average stock up in the quarter and many traditional “old economy” sectors holding their value. Investors seeking protection from AI disruption have bid up businesses with tangible assets that are harder for AI to displace—subsets of the stock market increasingly referred to by the HALO acronym (Heavy Asset, Low Obsolescence).

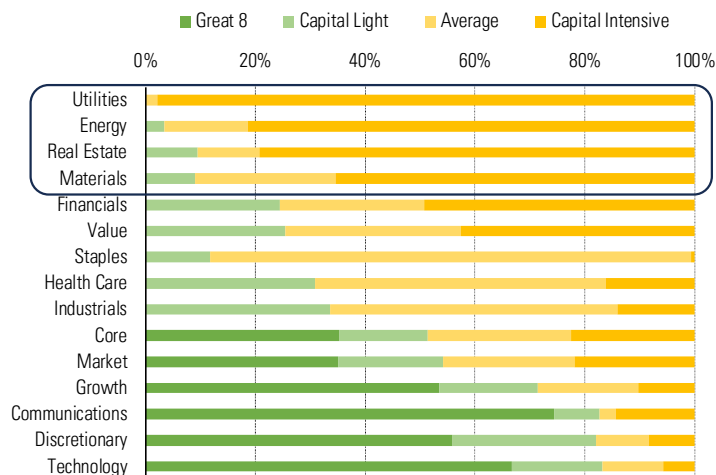
These capital-intensive companies rose approximately 3% in the first quarter, outperforming intangible, capital-light peers by roughly 10 percentage points. **Exhibit 7** shows how different market segments vary in their exposure to capital-light versus capital-intensive business models, with many of the quarter’s strongest sectors skewing toward the latter. HALO stocks are also benefiting from trends such as onshoring, supportive tax policy (including 100% bonus depreciation under the OBBBA), and heightened geopolitical focus on energy and defense.

Because we entered the year underweight the Great 8, many of our strategies benefited from the more diversified positioning outlined in prior letters, including healthy exposure to capital-

intensive sectors. We recognize the near-term uncertainty AI introduces, but it also likely creates long term opportunity. We maintain a diversified posture, but with Big Tech and software now at more reasonable valuations that de-risk the stocks going forward, we added exposure to select names. We will remain opportunistic should volatility again offer opportunities.

**Exhibit 7: In an effort to dodge AI obsolescence risk, investors find shelter in heavy asset business models.**

Capital-intensive vs. capital-light exposure by S&P 500 sector and style category.



Source: United Asset Strategies, FactSet

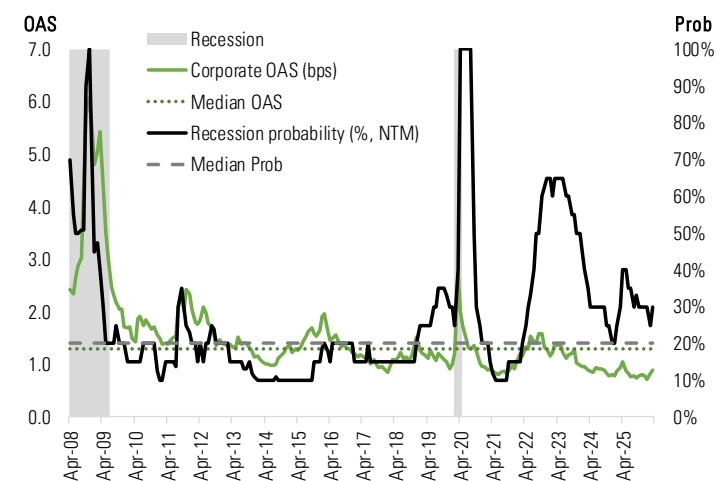
**Staying selective in credit.** The first quarter was eventful for bond markets. In addition to the impact on rates from the geopolitical oil shock, AI influenced sentiment in multiple ways. Mirroring trends seen in the equity markets, increased scrutiny of large AI driven spending and borrowing led to wider credit spreads among Hyperscalers. At the same time, concerns that AI could disrupt traditional software business models raised questions about the private credit sector, a major lender to software companies. These worries added to existing concerns around the health, valuation, and liquidity of private credit investments, prompting continued investor redemptions from private credit vehicles throughout the quarter.

United clients benefited from our higher quality positioning, allowing us to remain opportunistic as securities repriced. As shown in **Exhibit 8**, credit spreads have not widened enough to justify a broad move into lower quality bonds. That said, we’ve found targeted opportunities. We recently added preferred stocks given higher rates and modestly wider spreads, and we are evaluating increased exposure to bonds issued by higher

quality Hyperscalers such as Meta Platforms. Separately, we continue to overweight longer term, high quality municipal bonds given attractive yields and a steep municipal yield curve.

**Exhibit 8: Spreads are historically tight, not offering adequate compensation for the uncertain backdrop.**

Bloomberg US Agg corporate OAS, vs. next twelve month consensus recession probability



Source: United Asset Strategies, Bloomberg



## *FINANCIAL PLANNING*

**Rethinking capital gains.** Your tax return is more than a record of what happened last year - it is a helpful lens into how your investments are working over time. One area worth paying attention to is capital gains. Often viewed as an additional tax burden, long-term capital gains benefit from more favorable federal tax treatment than most other income, generally taxed at 0%, 15%, or 20%. In some cases, a 3.8% net investment income tax may also apply at higher income levels, though overall rates are still typically lower than ordinary income.

With that in mind, it is useful to shift how gains are evaluated. Rather than focus on the dollar amount, consider how much of your overall investment growth was realized during the year. In other words, how much of it became taxable? Looking at it this way helps add context. Realizing gains is not inherently a negative outcome. It is a natural result of rebalancing, portfolio changes, and funding cash flow needs. Because of lower tax rates, the impact is often more manageable than it appears.

The goal is not to avoid gains, but to be more intentional about when and how they show up in the bigger picture. Sometimes that means realizing more gains in a lower income year, and other times it means being more selective. Over time, this can support a more efficient, flexible plan where investment decisions, income planning, and tax strategies all work together.



*Respectfully submitted by the staff at  
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