

**Basis Points** | April 14, 2026

## Moving Pieces

### 1. Two-sided risk

Extreme levels of geopolitical and market uncertainty surrounding the war in the Middle East mean that risks to asset prices have been two sided. We have seen extraordinary swings in both directions in oil prices within a matter of minutes. Yet for most of the conflict period, markets have remained priced for [good news](#), which arrived in last week's [ceasefire announcement](#). However, as Monday and Tuesday's market moves showed us, surprises can send prices on a tear in both directions – even during a single day. It is exactly in these types of uncertain periods when we most strongly believe that investors are best served by staying grounded in their long-term financial plan. Although making portfolio changes to reduce risk may – in some cases – prevent short-term losses, missing out on an unexpected market surge – even just by a day or two – can permanently impair a portfolio.

### 2. Energy independent, but globally exposed

Oil prices are up about 40% since the Middle East conflict began and about 65% year to date, as markets contend with the largest oil supply shock on record. The Strait of Hormuz, the narrow channel between Iran and Oman, typically handles about 20% of the world's oil supply daily, but that flow has been effectively reduced to nothing over the last six weeks. Given this disruption, countries that import significant shares of their oil from the Persian Gulf are more exposed to higher prices if not shortages. But the US, which became the largest oil producer in the world in 2018 and has been a net exporter of oil since 2020, is likely more immune to shortages. However, it is still exposed to higher global prices, for at least two reasons. First, the US still imports oil to the tune of about 6 million barrels per day, or about 30% of total consumption, largely from Canada, Mexico, and Saudi Arabia.<sup>i</sup> These imported barrels satisfy geographic and infrastructure constraints, quality and grade differences, and often are just more economically efficient for producers given market dynamics. Second, there is no single oil price like there is for stocks and bonds. Instead, reported prices are typically the futures-market price for a barrel of oil a month or two from now. Today, this price is just shy of \$95. But the price for a physical barrel of oil today for immediate delivery is closer to \$125. This \$30 spread between immediate and near-term future prices is typically around zero and has never been higher. The longer it takes for oil supply to return to normal, the more likely it is that future oil prices around the world, including in the United States, will rise to match the price of a physical barrel today.

### 3. Relatively insulated

Equities have seen much milder swings, particularly in the United States. Since the start of the conflict, global stocks are down 1.2%, with emerging and international developed markets both down 4.6% while US equities are now little changed and less than 1% off all-time highs.<sup>ii</sup> Why is this? First, it is likely that markets still expect the ongoing conflict is

#### CONTACT

**Blake Taylor | VP, Market and Economic Research Analyst**

blake.taylor@firstcitizens.com  
919-716-7964

**Phillip Neuhart | SVP, Head of Market and Economic Research**

phillip.neuhart@firstcitizens.com  
919-716-2403

**Brent Ciliano, CFA | SVP, Chief Investment Officer**

brent.ciliano@firstcitizens.com  
919-716-2650

**Jack Pettit | Research Analyst**

jack.pettit@firstcitizens.com  
919-986-3667

limited and finite and will not result in a full-blown energy crisis. But ultimately equity markets return to fundamentals, which have remained durable over the last six weeks. Analysts expect corporate earnings growth will be about 10-15% outside the US in 2026, and the latest estimates in the US are for S&P 500 companies to deliver blockbuster 17% earnings growth<sup>iii</sup> this year. It is possible that these estimates are too optimistic, especially if energy prices remain high and companies have to contend with higher input costs and inflation. But for the moment, the consensus view is that the global economy will remain intact and companies will still deliver the same strong performance this year that analysts expected six weeks ago.

#### **4. Bonds are more skeptical**

While US equities are little changed since March 1, bonds are not. US Treasury yields have sold off sharply with yields up about 0.40 percentage points across the curve, bringing rates higher for other products like the 30-year mortgage, which is back to its highest level in about six months. Inflation risks have risen, with swaps markets now seeing inflation averaging about 3% over the next two years. Although last month's CPI report showed the inflation surge was concentrated in energy prices, bond markets will be watching closely to determine the extent to which businesses raise prices for other "core" goods and services. Prices for many inputs – including fertilizer, which is up 50% – have risen sharply and could have longer-lasting effects.

#### **5. The world keeps spinning**

Although investor attention has been dominated by the war in the Middle East, numerous other factors are affecting financial markets daily. First-quarter earnings season is underway, with analysts expecting S&P 500 companies to show earnings growth of 12.8%, one of the strongest quarters in recent years. Hyperscaler & large-cap technology firms are on pace to spend \$650 billion in 2026 and \$730 billion in 2027 on the artificial intelligence buildout, constituting one of the most expensive infrastructure projects in history.<sup>iv</sup> And a growing concern across markets is redemption pressures and liquidity stress in private credit – a roughly \$2 trillion asset class – that have heightened scrutiny around underwriting standards and default risk. With that said, if earnings growth meets or exceeds expectations, earnings season will be another reminder that equity markets must price fundamental factors beyond the price of commodities.

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<sup>i</sup> Source: US Energy Information Administration.

<sup>ii</sup> Source for all market data: Bloomberg as of 4/13/2026. Global is MSCI World, emerging market is MSCI Emerging Markets, international developed is MSCI EAFE.

<sup>iii</sup> Source: FactSet.

<sup>iv</sup> Source: Bloomberg.



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