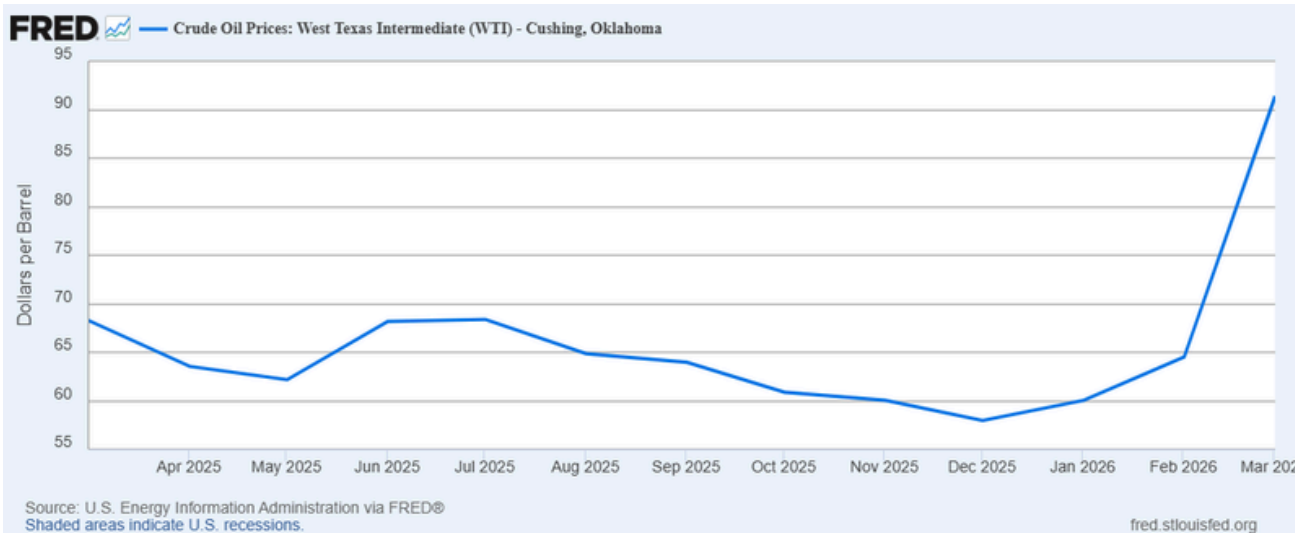


# Mosaicfi Market Insights

APRIL  
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## Q1 2026

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It is hard to believe we began 2026 with relative calm in the markets and what appeared to be clarity on the direction of interest rates in the near term. All of that changed on February 28 when the U.S. and Israel invaded Iran. With that came a spike in oil prices and a recalibration of the direction of interest rates and equity markets. We were reminded of how much geopolitics can swing the markets' direction overnight.

The year started with markets pricing in multiple interest rate cuts, giving investors hope that lower rates could boost the economy. This propelled equity markets higher, except for the large-cap technology sector.

### Q1 2026

*" We were reminded of how much geopolitics can swing the markets' direction overnight."*

After what has been a huge run-up in stock prices over the last few years, the technology sector experienced a pullback in the 1st quarter over concerns that the massive capital spending on AI-related data centers by the mega caps (i.e., Meta, Amazon, Google, etc.) might not get the return on investment that they are hoping for<sup>1</sup>.

Another concern in the technology space is related to what AI might do to certain business models - namely, the software as a service (SaaS) companies (i.e., Salesforce, Intuit, Adobe, etc.). The concern among investors is that AI could replicate software providers' products, enabling their clients to build their own software in-house<sup>1</sup>. This would eliminate the need to pay for outsourced services, which could decimate the business model of these SaaS providers<sup>2</sup>.

### The Equity Markets

Global equity markets, as measured by the MSCI All Country World Index<sup>3</sup>, were down -2.75% in the 1st quarter. The developed international equity markets outperformed U.S. equity markets. International developed markets were down -.94% vs. U.S. equity markets, which were down -3.96%. Emerging markets were again the top-performing equity market for the quarter, down only -.17%. For a change, U.S. REITs significantly outperformed the rest of the equity markets - in the 1st quarter, they were up 4.64%.

The U.S. small cap market outperformed large cap stocks this quarter. Small cap stocks were up .89% for the quarter versus large caps, which were down -4.18%. Large cap value stocks significantly outperformed large cap growth; value stocks were up 2.10% vs. growth stocks -9.78%.

### The Fixed Income Markets

At the beginning of the year, the bond market was pricing in further interest rate cuts by the Federal Reserve. After the war in Iran began, investors started unwinding those bets as the risk of higher inflation from higher oil prices reduced the likelihood of near-term rate cuts.

The yield on the 10-year UST increased by 12 basis points, ending the quarter at 4.30%.

The U.S. bond market, as measured by the Bloomberg U.S. Aggregate bond index<sup>4</sup>, returned -.05% for the quarter. The municipal bond market, as measured by the Bloomberg Municipal bond index<sup>5</sup>, ended the 1st quarter down -.18%.

Corporate bond spreads widened in the 1st quarter, underperforming the treasury market. Intermediate corporate bonds were down -.22%, with comparable treasuries up .05%. The high-yield market also had a widening of spreads, ending the quarter down -.50%. With concerns over a spike in inflation, U.S. TIPS (inflation protected securities) performed well. Overall TIPS were up .26% for the quarter.

So, what did all this mean for investors?

Depending on asset allocation and stock and bond market performance, a diversified index portfolio in the 1st quarter returned between -1% and -3%.

### Looking Ahead

As we look ahead, what has not gotten as much attention as the war in Iran and oil prices is the changing of the guard at the Federal Reserve, from Jerome Powell to the current nominee (who we think will ultimately get confirmed), Kevin Warsh.

Kevin has historically been an 'inflation hawk'- meaning he is more inclined to keep interest rates higher for longer to reduce the risk of higher inflation. President Trump has made it very clear that he wants interest rates to go lower (as lower interest rates can stimulate economic growth). Kevin has been adamant<sup>6</sup>, that he has never been asked by Trump to lower interest rates once he is confirmed as head of the Federal Reserve.

However, he has been quite critical of how the Federal Reserve has been managed and indicated that he feels their current inflation measurement models are outdated.

He also stated that he has alternative models to measure inflation and that these models show underlying inflation to be closer to 2% vs. the current models showing inflation to be near 3%.<sup>7</sup>

Is this a back doorway to create a rationale for lowering interest rates so that it doesn't give the appearance of accommodating President Trump's wishes, or does he truly believe that inflation is much lower than the currently used models indicate? I think most Americans would beg to differ on this...

As always, we would love to hear from you, so feel free to contact us at any time.

***“The concern by investors is that AI would be able to replicate the products of the software providers.”***

Your paragraph text

## Sources

1. The four largest hyperscalers – Meta, Amazon, Alphabet (Google), and Microsoft – are on track to spend a combined ~\$700 billion on AI-related capital expenditures in 2026, a roughly 60% increase over 2025. Analysts at Mizuho noted that bearish investors viewed the potential doubling of capex as leaving “limited FCF in 2026 with uncertain” return on investment. As of Q1 2026, none of the hyperscalers had demonstrated positive ROI on their AI infrastructure investments at scale. Sources: CNBC (Feb. 6, 2026); Fortune (Feb. 6, 2026); Tech-Insider.org (Apr. 2, 2026).

2. In early February 2026, software stocks lost approximately \$285 billion in market value in a single session – an event dubbed the “SaaSocalypse” – as investors grew concerned that AI agents could displace traditional per-seat SaaS business models. Gartner predicts 35% of point-product SaaS tools will be replaced by AI agents by 2030. Sources: OrbilonTech (Apr. 2026); xpert.digital (Feb. 23, 2026); Futurum Group (Feb. 10, 2026).

3. MSCI All Country World Index (ACWI) data sourced from MSCI Inc. (www.msci.com). The MSCI ACWI captures large- and mid-cap representation across 23 Developed Markets and 24 Emerging Markets countries. Index returns are for reference only and do not represent the performance of any advisor-managed portfolio. Investors cannot invest directly in an index.

4. Bloomberg U.S. Aggregate Bond Index data sourced from Bloomberg Index Services Limited. The index measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. Index returns shown are for reference only and do not represent the performance of any advisor-managed portfolio. Investors cannot invest directly in an index.

5. Bloomberg Municipal Bond Index data sourced from Bloomberg Index Services Limited. The index measures the performance of the U.S. municipal bond market. This illustration is for reference only and not indicative of any client or model portfolio results.

6. Warsh testified before the Senate Banking Committee on April 21, 2026, stating that President Trump never asked him to commit to lower interest rates in exchange for the nomination, “nor would I ever agree to do so.” Source: Senate Banking Committee Confirmation Hearing, April 21, 2026 (reported by CNBC, NPR, CNN, and Yahoo Finance).

7. At his April 21, 2026 Senate confirmation hearing, Warsh said he prefers “trimmed average” inflation measures that strip out extreme one-off price changes, rather than the Fed’s current core PCE gauge, which he described as a “rough swag.” Bank of America analysis found that a 12-month trimmed-mean inflation gauge would have read approximately 2.3% (mean) to 2.8% (median) as of February 2026, versus core PCE at ~3%. Critics caution that trimmed measures can themselves be volatile and may not consistently show lower inflation than core PCE. Source: CNBC (Apr. 22, 2026); Senate Banking Committee Hearing, April 21, 2026.

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