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## MARKET UPDATE | S&P 500 Posts Its Best Month Since November 2020

The S&P 500 had its best month in April since November 2020, after suffering its worst performance last month since September 2022. While geopolitical issues, such as the conflict in Iran remain, optimism for companies reporting earnings growth and guidance for the quarter-end March 31 were key catalysts to propelling the markets higher, with the S&P 500 and NASDAQ returning 10.5% and 15.3%, respectively. The markets rose despite higher oil prices from the Iran conflict, which resulted in higher inflation as Core PCE rose to 3.2% for the month of March (year-over-year from 3.0% last month), which aligned with economist expectations. Other key market drivers during the month included optimism for the new incoming Federal Reserve Chairman, Kevin Walsh and geopolitical de-escalation with an extended ceasefire in the Middle East. The key benchmarks for international equities, MSCI EAFE and MSCI Emerging Markets also rebounded strongly, returning 7.5% and 14.7%, respectively after suffering their worst month since October 2008 (financial crisis) and August 1998 (Russia's unexpected devaluation of the ruble and default on domestic debt), respectively. Treasury yields modestly rose to 4.39% from 4.30% due to inflation concerns that priced in fewer or delayed rate cuts.

For Q1 2026, with about 30% of the companies reporting through the end of April 24, 84% of the S&P 500 companies reported a positive earnings growth surprise above consensus analyst forecasts and 81% reported a positive revenue growth surprise according to FactSet. The current earnings growth rate for Q1 is 15.1%, which aligns with the annual 2026 forecast and could mark the 6th consecutive quarter of double digit (year over year) earnings growth reported by the index. The forward 12-month price/earnings (PE) ratio was 20.9, which was above the five- and ten-year averages of 19.9 and 18.9, respectively. However, higher earnings have been supporting higher stock prices. During the last week of April (24th through 30th), 30% of the companies or about 44% of the market cap within the S&P 500 were reporting earnings results. Alphabet, Amazon, Microsoft, Meta and Apple reported financial results during this period and largely exceeded analyst expectations. The S&P 500, large growth funds and target date funds, which are staples in retirement plans, all have significant exposure to these companies as they represent about 24% of the S&P 500 index market cap. Despite most of the companies exceeding analyst expectations, some of the stocks such as Microsoft and Meta (parent company of Facebook) fell after reporting results due to higher-than-expected capex spending from AI leading to concerns about future profitability.

Market Return Indexes	April 2026	YTD 2026	2025
Dow Jones Industrial Average	7.2%	3.8%	14.9%
S&P 500	10.5%	5.7%	17.9%
NASDAQ (price change)	15.3%	7.1%	20.4%
MSCI Eur. Australasia Far East (EAFE)	7.5%	6.1%	31.2%
MSCI Emerging Markets	14.7%	14.5%	33.6%
Bloomberg High Yield	1.7%	1.2%	8.6%
Bloomberg U.S. Aggregate Bond	0.1%	0.1%	7.3%
Yield Data (Month End)	April 2026	March 2026	Feb 2026
U.S. 10-Year Treasury Yield	4.39%	4.30%	3.97%



The current earnings growth rate for Q1 is 15.1%

While the conflict with Iran has not been resolved, equity markets strongly rebounded due to de-escalation, particularly due to a two-week ceasefire announced on April 8. Oil prices averaged \$103 per barrel during March and continued to rise in early April but started to fall after the ceasefire was announced and fell to as low as \$83 a barrel by mid-April. However, they began to rise again

due to Iran re-imposing restrictions on the critical Strait of Hormuz despite earlier commitments to keep it open. The Strait is a critical maritime chokepoint, handling nearly 8% of global maritime trade and responsible for about 20-25% of the world's oil by sea. By the end of April, the price for a barrel (Brent or West Texas Intermediate) was slightly higher than the end of last month, resulting in higher prices at the gas pump. Despite the higher prices that could lead to higher inflation for April, equity markets unlike March, posted strong gains due to earnings results and optimism for the incoming new Fed chairman.



Equity markets strongly rebounded due to de-escalation

The markets were optimistic about the incoming new Fed chairman, Kevin Walsh, to replace Jerome Powell, shortly after Powell's term expires on May 15. Warsh, a former Federal Reserve Governor (2006-11) has a subtle understanding of inflation and has argued that AI and technological advancements have enhanced productivity gains, allowing for economic expansion without triggering inflation. Warsh would still follow the Fed's dual mandate on interest rate policy, which is stable prices (measured by inflation) and maximum employment (measured by unemployment figures). Warsh could be more receptive to reducing rates if inflation shows signs of cooling. Warsh would also target reducing the Fed's large balance sheet of over \$6.7 trillion, by allowing market forces rather than central bank intervention to establish prices. On April 29, the Senate banking committee confirmed Mr. Warsh as the next Fed chairman by a thin 13-11 party-line vote.

Despite the headwinds of the geopolitical risks in the Middle East, market volatility, as measured by the VIX fell significantly from a peak of 31 in late March, to closing at 16.9 at the end of April. Reduced market volatility indicates increased investor confidence. While exact data is not available for when the VIX drops significantly during a one-month period as it did between March and April, general data supports moderate to positive returns can follow as a high volatility could be a contrarian signal to buy or rebalance. The geopolitical risks particularly in the Middle East remain volatile and fluid, with an uncertain path to resolve. The markets will closely watch unemployment results for April to be reported on May 8, the CPI to be reported on May 12 and the Core PCE figures to be released on May 29, which will provide the incoming Fed chairman key data points for the direction of interest rate policy. Finally, the U.S. economy is looking to get a strong economic boost this summer with its 250th anniversary and the World Cup being played in the U.S., Canada and Mexico. The city of Philadelphia alone projects over a \$1 billion impact from the 250th anniversary and the World Cup is projected to add between \$17 billion to \$30 billion in GDP and create over \$185,000 jobs. The global equity markets snapped back strongly during April after poor March results, which exemplifies not letting emotions interfere with a strategic, long-term investment strategy.

At the end of March, the U.S. Department of Labor (DOL) issued a proposed regulation designed to clarify how plan fiduciaries can satisfy ERISA's duty of prudence when selecting investment options for participant directed retirement plans, including 401(k) and 403(b) plans. The proposed regulation, entitled *Fiduciary Duties in Selecting Designated Investment Alternatives*, is in response to an August 2025 Executive Order directing the DOL to facilitate participant access to diversified investment options, reflecting a policy focus on flexibility balanced with fiduciary discipline.

The proposal is intended to reduce fiduciary uncertainty and litigation risk by reinforcing a longstanding principle: fiduciary prudence is determined by a sound, well documented decision-making process—not by investment outcomes viewed in hindsight.

## ✓ Key Elements of the Proposal

### Process Based Fiduciary Safe Harbor

The proposed rule establishes a process-driven fiduciary safe harbor. Investment committees would be deemed to have acted prudently if they follow a structured, objective and consistently applied evaluation process when selecting designated investment alternatives (DIAs). The proposed safe harbor reinforces that fiduciary prudence is grounded in a reasoned, well documented process, applied consistently and evaluated at the time decisions are made—rather than judged by outcomes in hindsight.

Committees are not required to weigh each factor equally. The focus is on reasoned judgment, consistency and documentation, rather than a checklist approach.

Importantly, prudence is evaluated at the time a decision is made, based on the information reasonably available then.

### Applies to All Investment Options

Although the proposal was prompted by increased market interest in alternative investments (such as private equity, private credit, digital assets and real estate), the proposed safe harbor is asset-neutral and applies broadly to all DIAs, including, but not limited to, mutual funds, collective investment trusts and target date funds. However, the DOL also makes clear that investments accessed through a self-directed brokerage window are not treated as DIAs under the proposal.

Importantly, the proposal does not require plans to include—or prohibit—the use of any particular asset class. Investment committees retain full discretion to determine which investment options are appropriate based on their plan design, governance process and participant population.

### Summary of the Six Factor Fiduciary Safe Harbor

The proposed DOL safe harbor identifies six core factors that generally should be considered when selecting designated investment alternatives. The Department emphasizes that these factors reflect established fiduciary principles drawn from ERISA case law, regulations, prior guidance, Executive Order 14330 and stakeholder input. The relevance and weight of each factor depend on the facts and circumstances of the specific investment.

#### 1. Performance (Risk Adjusted Returns)

Fiduciaries should evaluate whether an investment's risk adjusted expected returns, over an appropriate time horizon and net of fees, further the plan's purpose of helping participants maximize retirement outcomes. The focus is on long term expectations, not short term results and recognizes that lower risk strategies may be prudent where they improve risk adjusted outcomes.

#### 2. Fees and Expenses

Fees must be assessed in context, considering the investment's expected performance and overall value proposition. The proposal confirms that prudence does not require selecting the lowest cost option where higher fees are justified by features, services, diversification benefits or other value supporting plan objectives.

#### 3. Liquidity

Fiduciaries must determine whether an investment offers sufficient liquidity to meet anticipated plan and participant level needs (e.g., withdrawals, reallocations, loans). Liquidity restrictions may be acceptable where they are understood, documented and reasonably balanced against the investment's expected benefits.

#### 4. Valuation

Fiduciaries should confirm that investments can be valued accurately and timely, using appropriate, reliable and—where applicable—-independent valuation processes. The proposal highlights the importance of avoiding conflicts of interest in valuation methodologies.

## 5. Performance Benchmarks

Each investment should be evaluated against a meaningful benchmark that reflects comparable objectives, strategies and risks. The DOL clarifies there is no single benchmark appropriate for all investments and acknowledges that innovative products may require tailored or composite benchmarking approaches.

## 6. Complexity

Fiduciaries must assess whether they have the skills, knowledge and experience to understand the investment well enough to fulfill their duties, or whether assistance from a qualified advisor or investment professional is necessary. Complexity alone does not preclude prudence, but it must be appropriately managed. Committees are not required to weigh each factor equally. The focus is on reasoned judgment, consistency and documentation, rather than a checklist approach-

## ✔ Status and Next Steps

If finalized, the proposal would reinforce process driven fiduciary governance by:

- Emphasizing prudent procedures over investment outcomes
- Reducing hindsight-based second guessing of committee decisions
- Supporting thoughtful consideration of a broad range of investment options (where appropriate)
- Aligning DOL guidance with long-standing investment committee best practices

The rule is currently proposed only, with public comments due by June 1, 2026. There is no final rule or effective date at this time. No immediate action is required. However, investment committees may wish to review their investment selection procedures and documentation practices in light of the proposal.

**USICG will continue to monitor developments and provide updates as the rulemaking process progresses.**

## Retirement Resources for You

USI Consulting Group's team of experts is happy to assist employers with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

To learn more, please contact your local USICG representative, visit our [Contact Us page](#) or reach out to us at [information@usicg.com](mailto:information@usicg.com).

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An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You cannot invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10-Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment.

The higher the yield, the better the economic outlook.

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