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Market Overview

April proved more eventful than it first appeared, with a volatile start giving way to a powerful finish. The S&P 500 rallied back from a 10%+ intra-month decline to close the month with seven straight up days, extending into early May for eight consecutive gains. This type of streak has only occurred seven times since 2004. Despite concerns around tariffs and economic uncertainty, the market's resilience was evident, supported by strong earnings from mega-cap names and continued investor confidence.

Consumer Balance Sheets and Spending Strength

A key highlight was the continued health of U.S. consumers. Relative to historical norms, household balance sheets remain in solid shape, with debt levels far more manageable than in the lead-up to the financial crisis. Earnings commentary from Visa and Bank of America confirmed that spending trends have remained stable across all income levels. As long as the labor market remains intact, the consumer is well-positioned to support economic growth.

Public Debt and Policy Implications

While consumer finances look stable, the same can't be said for the public sector. Debt-to-GDP levels have risen significantly over the last 15 years, creating potential overhangs for fiscal policy and long-term growth. Still, when viewed relative to other developed nations, the U.S. remains in a better position and is often described as the cleanest dirty shirt in the room. Markets seem comfortable for now, though this remains an area to watch.

Earnings Trends and Market Leadership

Earnings season surprised to the upside, particularly among large-cap tech stocks. Revenue growth fueled by AI-related CapEx translated into stronger-than-expected profits, especially for companies like Microsoft, Meta, and Amazon. The S&P 500 has been able to look through early-year concerns, with investors focused more on second-half earnings trajectories than short-term hiccups. With 37% of the index now concentrated in the top 10 stocks, those results continue to carry outsized influence.

International vs. U.S. Equities

International equities outperformed both during the April drawdown and subsequent recovery. While some of this strength came from currency translation and valuation expansion, it remains unclear whether this represents a structural shift or a temporary rotation. Notably, some international growth stocks like SAP now trade at higher multiples than U.S. tech peers, which could challenge the relative value argument. For now, U.S. growth remains more compelling based on fundamentals.

Market Concentration and Flows

Despite continued chatter about excessive market concentration, performance has remained tightly linked to the dominant large-cap names. The idea that concentration must revert has not held up historically, and U.S. markets remain less concentrated than many international peers. Inflows have followed strength, and while diversification remains a core principle, dismissing the winners simply because they're big has been costly.

Volatility and Investor Behavior

April offered another reminder of the importance of staying invested. A Bloomberg study showed that periods following strong two-day rallies like those in late April tend to generate solid forward returns. Many investors added risk during the selloff or rebalanced systematically, reinforcing the idea that preparation trumps prediction. Practicing what we preach by staying the course was again rewarded.

Final Thoughts

While portfolio tilts such as underweighting international, duration, and small caps haven't worked so far this year, the overall structures held up well. That resilience reflects the benefit of building convexity and maintaining diversification across strategies. As volatility persists, it is not about predicting what comes next, it is about ensuring portfolios are durable enough when the unexpected happens.

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