



Lynx Capital Group Ltd

Disciplined Strategic Investment Management

<http://www.lynxcap.com>

Market Outlook as of April 2026

“It is not enough to win a war; it is more important to organize the peace.”

Alan John Percivale Taylor (25 March 1906 – 7 September 1990) was an English historian who specialized in 19th- and 20th-century Europe diplomacy Both a journalist and a broadcaster, he became well known to millions through his television lectures.

Markets entered 2026 with solid momentum, supported by resilient consumer spending, cooling inflation, and continued strength in corporate earnings. Yet the quarter also brought heightened volatility driven by shifting interest rate expectations and renewed geopolitical tensions, particularly in the Middle East. Due to high valuations and concerns about vast amounts of capital spending in infrastructure for AI data centers, a meaningful shift in market leadership took place after several years of narrow concentration in mega-cap growth and technology stocks. The S&P 500 declined 4.6%, while the Nasdaq concentrated in large cap technology and growth-oriented names fell by 5.8% In contrast, value stocks rose about 2.1%, small-cap equities (Russell 2000) gained nearly 1%, and the equal-weight S&P 500 also posted modest positive returns.

The Federal Reserve held the federal funds rate steady at 3.50%–3.75% in March and signaled a more cautious path for cuts in 2026, citing the inflationary impetus from energy prices. The U.S. economy however continues to show resilience.

Risks and Opportunities for the Remainder of 2026

Looking ahead, we see a constructive but selective landscape. The market rotation we witnessed in Q1 is a healthy development that broadens participation and reduces concentration risk—aligning well with our strategies.

Key Opportunities

- Broadening leadership and dividend growth: Higher-quality dividend growers with strong balance sheets and pricing power stand to benefit as investors seek income and resilience. Our tactical ETF framework allows us to tilt opportunistically toward sectors showing improving fundamentals, such as value, small- and mid-cap areas.
- AI as a long-term secular tailwind: While near-term enthusiasm has cooled, the multi-year buildout in artificial intelligence infrastructure remains intact and should support corporate earnings and productivity gains.
- Resilient U.S. growth: Consensus forecasts for 2026 GDP remain in the 2.3–2.8% range, supported by fiscal measures and private-sector investment. A potential pause or modest easing in monetary policy (should inflation moderate) would further support risk assets.

Key Risks

- Geopolitical instability and energy price volatility: Sustained high oil prices could feed into broader inflation, constrain consumer spending, and limit the Fed's ability to cut rates, raising the probability of slower growth or even mild stagflation.
- Policy and interest-rate uncertainty: Any re-escalation in the Middle East, combined with tariff or fiscal developments, could keep yields elevated and pressure valuations.
- Mega-cap growth stocks remain expensive relative to the broader market; a failure to deliver on AI-driven earnings expectations could trigger further rotation or volatility. Recession odds have edged higher (some estimates now around 30–37%), though we view a severe downturn as low probability given current economic momentum.
- Analysts note that the Fed is in a difficult position—unable to cut rates without fueling inflation, and unable to hike without risking recession. A policy misstep could trigger a broader downturn.
 - High levels of government and corporate debt remain a structural vulnerability. Rising interest rates increase costs, pressure balance sheets and the ability to respond to downturns.
 - Concerns about an AI-related bubble, market concentration in mega-cap tech stocks. Analysts warn that much of the optimism around AI spending is already priced in.
 - Credit Market Stress & Hidden Leverage. Analysts warn of “cockroaches” in the credit markets—early signs of deeper credit issues. Recent souring of auto loans and elevated corporate default rates suggest underlying fragility. Credit stress often surfaces before equity downturns.

The systemic risks with the highest probability of influencing markets this year cluster around geopolitics, macroeconomic fragility, credit conditions, and technology-related vulnerabilities. None of these risks guarantee a downturn, but they increase the likelihood of volatility and sudden market repricing.

Our disciplined approach is centered on a Dividend growth strategy paired with tactical ETF tilts, and Bonds for more risk averse investors—is designed to deliver resilient, long-term results while managing risk prudently.

Dividend Growth Core Portfolio: Within our dividend growth portfolios, we maintain meaningful concentration in sectors that we believe offer the best combination of dividend growth sustainability, earnings momentum, and relative valuation:

- Financials: Benefiting from a steepening yield curve environment, strong credit quality, and continued dividend growth. Major banks and insurers are increasing payouts at above-average rates.
- Healthcare: Improving earnings growth trajectory, largely immune to energy cost pass-through, and offering reliable dividend growth. We favor large-cap pharmaceutical and medical device companies.
- Industrials: Supported by ongoing domestic manufacturing investment, infrastructure spending, and AI-related capital expenditures in power and data infrastructure.
- Consumer Staples: Providing defensive ballast. These companies are increasing dividends at a moderate but highly reliable pace. Particularly useful given current geopolitical uncertainty.
- Energy: Select integrated energy majors are generating substantial free cash flow and returning it via growing dividends and buybacks.

Tactical Tilt Enhancements

Tactical ETFs allow you to **adjust exposures quickly and cost-effectively** as macro conditions shift. Instead of trying to predict the future, you build a portfolio that can *adapt* to it. Our tactical ETF allocations remain dynamic, with current tilts favoring:

- Value, mid cap and quality factors.
- Select international markets showing improving fundamentals.
- Risk-managed strategies to buffer volatility.

The value comes from three levers:

1. **Rotate toward areas of strength**
2. **Reduce exposure to areas of rising risk**
3. **Add diversifiers that behave differently in stress periods**

Our core philosophy—high-quality dividend growers—already provides:

- Lower volatility
- Higher durability of earnings
- Better downside protection
- Consistent income growth

Tactical tilts **enhance** this by adding:

- Macro flexibility
- Risk-specific hedges
- Faster response to regime shifts
- Diversification beyond U.S. large-cap equities

Together, they create a portfolio that is both **stable** and **adaptive**.

Our Ongoing Commitment to You

As your registered investment advisor and Fiduciary, we remain fully committed to acting in your best. Every decision we make is evaluated through the lens of your specific financial goals, risk tolerance, and time horizon.

We encourage you to reach out with any questions or concerns or to schedule a portfolio review to ensure your goals and tolerance for risk remain aligned.

Thank you for the continued trust you place in us.

Warm regards,



Brian Chait

President, April 9th, 2026

Each year Lynx Capital Group files a **Form ADV Part 2A**. The Form ADV Part 2A defines our business, key personnel and business relationships. If you wish to receive our Form ADV Part 2A and or a copy of our **Privacy Policy**, please contact us and we will gladly mail or email you a copy.