



# A fragile stalemate

OUTLOOK & TACTICAL UPDATE | APRIL 2026

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## The Big Picture:

- Sustained Strait of Hormuz disruption will increase economic costs.
- US gross domestic product (GDP) growth continues to be fueled by artificial intelligence (AI)-related business investment.
- Rising energy costs pushed up our outlook's probability of **Inflation**.
- US Federal Reserve (Fed) rate cuts appear unlikely in the near term.
- Gold has been a casualty of the war, though its fundamentals remain intact.

It's remarkable how quickly markets recovered after the March turmoil, even with the Strait of Hormuz remaining largely closed. A cease-fire holds for now, yet tensions persist. Lasting peace is hard to achieve, with the two sides still well apart on key points. The path forward appears to have narrowed to two options: a negotiated deal or a return to military strikes. The problem is that military escalation is unlikely to accomplish much other than to raise the stakes and increase the costs of the conflict. Moreover, every week the strait remains closed, the economic costs continue to compound. As such, a partial reopening of the Strait of Hormuz in the coming months seems possible.

Our **April Macroeconomic Scenario Analysis (MES)** anticipates an environment of persistent inflation, moderate growth, and elevated geopolitical risks. We increased our **Inflation** probability from **45% to 47%**, funding it from the **Growth** probability. Core inflation has remained well above the Fed's 2% target, and headline inflation has spiked above 3%. Consequently, the US Fed appears unlikely to ease policy in the foreseeable future. The critical issue for central banks is the breadth and persistence of the inflation shock. A brief surge in energy prices can be overlooked, but a sustained inflation shock that permeates the broader economy risks feeding into expectations and wages, potentially triggering second-round effects.

The US economy has remained resilient. US GDP growth accelerated in the first quarter after the government shutdown contributed to a significant slowdown in the prior quarter. Business investment was the largest growth driver in the first quarter. The US economy and earnings have remained firm. That said, **the investment cycle has been increasingly K-shaped as AI-linked semiconductors and hyperscaler spending have driven the upside. Meanwhile, broader capital expenditures have been far less compelling.** Investment by the largest US tech firms is likely to remain a key source of economic expansion, but consumer spending, the traditional driver of US growth, could be more vulnerable.

Retail sales have remained healthy, suggesting that consumers may have drawn down savings to cover higher energy costs. **The main risk is that sustained high energy prices further erode consumer confidence, forcing Americans to reallocate spending.** Our **Stagnation** probability remains at **27%**.

We maintained our **Recession** probability at **10%**. Recessionary risks have remained contained so far. Not all oil shocks – including those in 2011, 2018, and 2022 – have led to recessions. The US economy is less reliant on imports, making the immediate impact of the current oil shock primarily inflationary rather than recessionary. But we continue to monitor recession risks.

Our **Chaos** probability remained at **16%**. Ongoing Strait of Hormuz disruptions reinforce a persistent geopolitical tail risk for energy and global shipping. Other tail risks could arise from policy errors, supply-chain paralysis because of geopolitical fragmentation, or an AI-driven cyber attack.

**Portfolio positioning:** Equity markets rallied rapidly in April, despite mounting risks in the Middle East and the surge in energy prices. While the underlying macroeconomic backdrop is positive, much of the good news is already discounted in capital market pricing. Inflation remains a key risk given its potential to drive downward revisions to earnings expectations.

We maintain a preference for US equities over international stocks as the United States is relatively insulated given that it is now a small net exporter of energy, in contrast to Europe and much of Asia. Portfolios remained allocated to themes with structural tailwinds, such as technology, infrastructure and aerospace-and-defense. Portfolios also include US large-, mid-, and small-cap positions.

Surprisingly, assets typically perceived as defensive in volatile environments, such as healthcare and gold, did not act as hedges in the March drawdown. While gold has been under pressure since the war began, its pre-war fundamental drivers remain intact. We remain constructive on gold. In terms of fixed income allocations, we are cautious on duration as inflation remains elevated and could move higher.

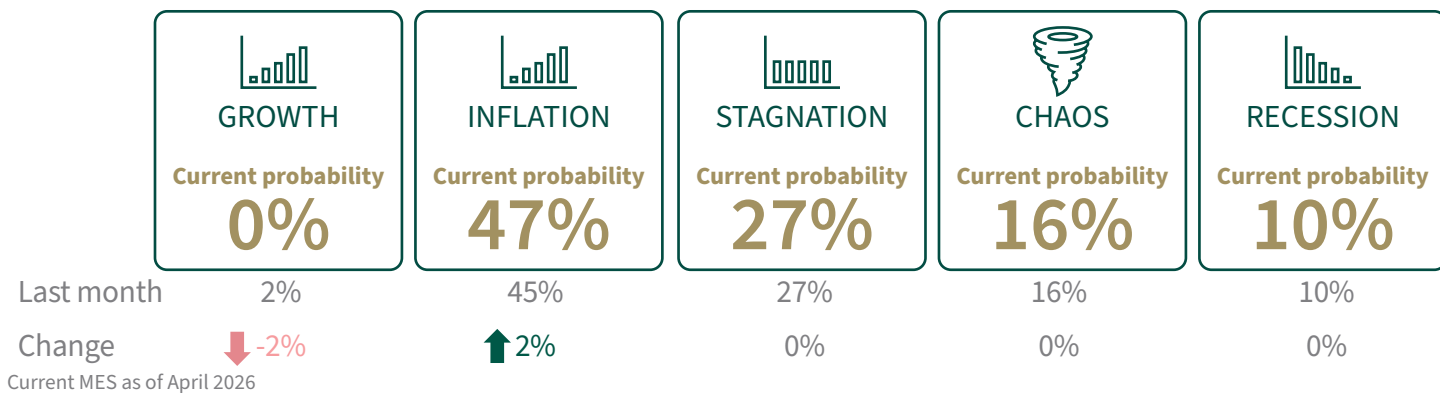


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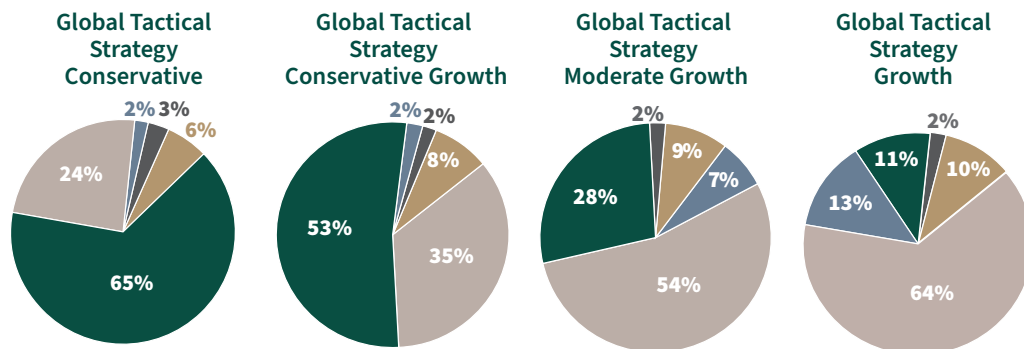
# MACROECONOMIC Scenario Analysis

On a monthly basis, the Cougar Global investment team establishes the probabilities of the future path of the U.S. economy over the next 12 months and quantifies its independent global research into the following five scenarios:



## ASSET ALLOCATION Shifts

As of April 2026



Legend: Total US Equity (Dark Green), Total Fixed Income (Light Green), Total International Equity (Blue), Cash (Dark Grey), Gold (Light Brown)

Asset Class	Symbol	Total US Equity			Total Fixed Income			Total International Equity			Cash			Gold		
		Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change
S&P 500	IVV	8	8	0	9	9	0	20	20	0	22	22	0			
S&P 400	IJH	3	3	0	4	4	0	4	4	0	7	7	0			
S&P 600	IJR	0	0	0	4	4	0	5	5	0	5	5	0			
MSCI EAFE	IEFA	2	2	0	2	2	0	5	5	0	11	11	0			
U.S. Healthcare	XLV	5	5	0	6	6	0	6	6	0	8	8	0			
Nasdaq 100	QQQ	2	2	0	3	3	0	4	4	0	4	4	0			
S&P Aerospace & Defense	XAR	2	2	0	3	3	0	7	7	0	7	7	0			
Financial Select Sector	XLFX	2	2	0	4	4	0	5	5	0	7	7	0			
Emerging Markets ex -China	EMXC	0	0	0	0	0	0	2	2	0	2	2	0			
U.S. Infrastructure Development	PAVE	2	2	0	2	2	0	3	3	0	4	4	0			
<b>TOTAL EQUITIES</b>		26	26	0	37	37	0	61	61	0	77	77	0			
0-3 Month Treasury Bond	SGOV	4	4	0	3	3	0	0	0	0	0	0	0			
Short-Term TIPS	STIP	16	16	0	13	13	0	10	10	0	5	5	0			
U.S. Aggregate Bonds	AGG	23	23	0	17	17	0	10	10	0	3	3	0			
U.S. 1-3 Year Treasury Bonds	SHY	11	11	0	8	8	0	3	3	0	0	0	0			
Treasury Floating	TFLO	11	11	0	12	12	0	5	5	0	3	3	0			
<b>TOTAL FIXED INCOME</b>		65	65	0	53	53	0	28	28	0	11	11	0			
Gold	IAU	6	6	0	8	8	0	9	9	0	10	10	0			
Cash	CASH	3	3	0	2	2	0	2	2	0	2	2	0			

The portfolios reflect the inherent risks of fluctuating prices and uncertainty of rates of returns. The cash portion of this portfolio is represented by money market instruments.

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Cougar Global Investments calculates the Macro Economic Scenario (MES) analysis by assigning probabilities to each of the five economic scenarios (Growth, Stagnation, Inflation, Chaos and Recession) over the next 12 months. Macroeconomic scenarios are based on quantitative data sourced from various firms and then weighted and may be adjusted based upon Cougar Global Investments thought capital. MES are subject to change. These are hypothetical examples and are not representative of any specific situation. Actual economic results may vary. Economic forecasts set forth may not develop as Cougar MES indicates and there can be no guarantee that these strategies promoted will be successful. Past performance is no guarantee of future results. Macro Economic Scenarios: Growth – U.S. economy is growing at or above its potential growth rate, Recession – U.S. economy is shrinking (negative quarter over quarter growth rate), Stagnation – U.S. economy is growing at lower than its potential growth rate, Inflation – Consumer Price Index (CPI) inflation rate is higher than U.S. economy's potential growth rate, Chaos – a high impact, low probability event ("Black Swans").

Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Small-capitalization companies are subject to higher volatility than those of large-capitalized companies. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be appropriate for all investors. Stock investing involves risk, including the risk of loss. Investments in emerging market issuers are subject to a greater risk of loss than investments in issuers located or operating in more developed markets. This is due to, among other things, the potential for greater market volatility, lower trading volume, higher levels of inflation, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments in emerging market countries. High Yield/Junk Bonds are not investment grade securities, involve substantial risks and generally should be part of the diversified portfolio of sophisticated investors. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity and redemption features. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Mortgage-Backed Securities are subject to credit, default risk, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extensions risk, the opposite of prepayment risk, and interest rate risk. Investing in IAU involves additional risks. The market price of the Shares will be as unpredictable as the price of gold has historically been and the price received upon the sale of Shares may be less than the value of the gold represented by them. Government bonds and Treasury bills are guaranteed by the U.S. Government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. The fund's concentrated holding will subject it to greater volatility than a fund that invests more broadly. The fast price swings of commodities will result in significant volatility in an investor's holdings. Precious metal investing is subject to substantial fluctuation and potential for loss. All indexes mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The indexes don't reflect charges, expenses, fees and is not indicative of any particular investment. Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, disease, and regulatory developments. The Bloomberg U.S. Aggregate Bond Index is composed of the total U.S. investment-grade bond market. The market-weighted index includes Treasuries, agencies, CMBS, ABS and investment grade corporates. The MSCI ACWI® (All Country World Index) measures the performance of large and mid-cap stocks across 23 developed markets (DM) and 24 emerging markets (EM) countries. The S&P 500 or Standard & Poor's 500 Index (IVV) is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The iShares Core S&P Mid-Cap ETF (JH) seeks to track the investment results of an index composed of mid-capitalization U.S. equities. The iShares Core S&P Small-Cap ETF (IJR) seeks to track the investment results of an index composed of small-capitalization U.S. equities. The iShares Global Consumer Staples ETF (KXI) seeks to track the S&P Global 1200 Consumer Staples (Sector) Capped IndexTM. The iShares Core MSCI EAFE ETF (IEFA) seeks to track the investment results of an index composed of large-, mid- and small-capitalization developed market equities, excluding the U.S. and Canada. The Health Care Select Sector SPDR® Fund (XLV) seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Health Care Select Sector Index (the "Index"). The S&P Aerospace & Defense Select Industry® Index (XAR) represents the aerospace & defense segment of the S&P Total Stock Market IndexTM. The Financials Sector Index (XLF) seeks to provide an effective representation of the financial sector of the S&P 500 Index. The Index includes companies from the following industries: financial services; insurance; banks; capital markets; mortgage real estate investment trusts ("REITs"); and consumer finance. The Nasdaq-100 (QQQ) is a globally recognized index that tracks the performance of 100 of the largest non-financial companies listed on the Nasdaq Stock Market® encompassing a diverse range of industries and sectors. The Global X U.S. Infrastructure Development ETF (PAVE) seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Index U.S. Infrastructure Development Index. The iShares MSCI Emerging Markets ex China ETF (EMXC) seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities, excluding China. The iShares 0-3 Month Treasury Bond ETF (SGOV) seeks to track the investment

results of an index composed of U.S. Treasury bonds with remaining maturities less than or equal to three months. The iShares 0-5 Year TIPS Bond ETF (STIP) seeks to track the investment results of an index composed of inflation-protected U.S. Treasury bonds with remaining maturities of less than five years. The iShares Core U.S. Aggregate Bond ETF (AGG) seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The SPDR® Bloomberg 1-10 Year TIPS ETF (TIPX) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg 1-10 Year U.S. Government Inflation-Linked Bond Index. The iShares 1-3 Year Treasury Bond ETF (SHY) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years. The iShares Treasury Floating Rate Bond ETF (TFLO) seeks to track the investment results of an index composed of U.S. Treasury floating rate bonds. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Cougar Global optimizes portfolios in US dollars for four risk categories. GTS – Conservative may be appropriate for clients who have accumulated sufficient wealth to begin making regular withdrawals for income requirements while potentially achieving investment returns sufficient to preserve capital over a full investment cycle. GTS – Conservative Growth may be appropriate for clients who may have occasional income needs and are willing to take moderate downside risk to achieve investment returns. GTS – Moderate Growth may be appropriate for clients who have a long term investment horizon and can tolerate downside volatility in the course of a market cycle. GTS – Growth may be appropriate for clients who have a long term investment horizon and can tolerate higher downside volatility in the course of a market cycle. The conversion dates from sub-advisors to ETFs are April 30, 2008, for GTS – Conservative; February 29, 2008 for GTS – Moderate Growth; and October 31, 2007 for GTS – Conservative Growth. As of December 31, 2008, Cougar Global stopped using sub-advisors.

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Cougar Global Investments is a global macroeconomic asset allocation manager that believes the goal of investing is to achieve compound annualized returns for clients. We use a disciplined portfolio construction methodology combining post-modern portfolio theory and risk management to pursue our clients' objectives.

## About Raymond James Investment Management

Raymond James Investment Management is a global asset management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Together with our boutique investment managers – Chartwell Investment Partners, ClariVest Asset Management, Cougar Global Investments, Eagle Asset Management, Reams Asset Management and Scout Investments – we offer a range of investment strategies and asset classes, each with a focus on risk-adjusted returns and alpha generation. We believe providing a lineup of seasoned, committed portfolio managers – spanning a wide range of disciplines and investing vehicles – is the best way to help investors seek their long-term financial goals.



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