



BLUE GRANITE CAPITAL, LLC

INVESTMENT COMMENTARY, April 2026

As we enter the second quarter of 2026, the investment landscape has shifted materially. A convergence of geopolitical escalation, policy uncertainty, and technological disruption has increased market volatility and widened the distribution of potential economic outcomes. While underlying corporate fundamentals remain resilient, the path forward has become less clear, requiring greater selectivity and risk awareness.

At the center of this shift is an acute energy shock stemming from the U.S./Israel conflict with Iran—an event that has reshaped market leadership, altered inflation dynamics, and reintroduced downside risks across global assets. Crude oil has surged sharply since the onset of the conflict, rising more than 60% to above \$100 per barrel, marking one of the largest advances since the mid-1980s. Supply disruptions and heightened geopolitical risk, particularly around the Strait of Hormuz—which facilitates roughly 20% of global oil and LNG (Liquid Natural Gas) flows—have pushed energy markets to the forefront of the macro landscape. In the near term, markets have simplified, with oil emerging as the dominant variable, outweighing traditional drivers such as earnings, economic data, and even monetary policy expectations.

This surge in energy prices has reawakened what we refer to as the market’s “three-headed monster”: oil prices, Treasury yields, and the U.S. dollar. Historically, equity markets struggle when all three move higher simultaneously. Elevated energy prices have lifted inflation and complicated the Federal Reserve’s ability to ease policy, reinforcing a higher-for-longer interest rate environment. At the same time, flight-to-safety capital movement have strengthened the U.S. dollar, creating an additional headwind for assets like equities. If sustained, this combination presents a meaningful constraint on equity market performance.

Market performance since the onset of the conflict reflects these dynamics. U.S. equities, particularly companies with predominantly domestic revenue exposure, have outperformed global peers, while international markets have experienced more pronounced selloffs. This divergence highlights the relative insulation of the U.S. economy as a net exporter of energy, an advantage not shared by Europe or much of Asia. However, prolonged energy price pressure would eventually erode this benefit as higher input costs ripple through the broader economy.

Despite heightened volatility and softer investor sentiment, underlying fundamentals remain intact. Inflation has risen largely in line with expectations given the energy shock, but there is limited evidence of a material slowdown in economic activity. Corporate earnings continue to provide an important anchor, with S&P 500 earnings growth exceeding expectations in recent quarters and full-year 2026 forecasts revised higher. This resilience has helped cushion equity declines and has driven a meaningful reset in valuations across major indices, bringing forward valuation multiples closer to long-term norms.

At the same time, the rapid evolution of artificial intelligence is introducing a more complex backdrop for software companies and the broader technology sector. While AI has the potential to

drive significant productivity gains and unlock new revenue opportunities, it is also accelerating competition and, in some cases, compressing pricing power by lowering barriers to entry. In addition, the substantial capital required to develop and integrate AI capabilities is beginning to pressure profit margins, particularly for companies without clear scale advantages. As a result, volatility within the sector is likely to widen, with performance increasingly dependent on a company's ability to monetize AI while maintaining durable competitive advantages.

That said, technical conditions remain fragile, particularly among mega-cap equities that continue to dominate index performance. Until market leadership broadens and stabilizes, sustained upside progress may remain constrained.

The path forward is likely to be determined by the trajectory of energy prices. A sustained easing in oil, whether driven by improved supply conditions or geopolitical de-escalation, could catalyze a relief rally across equities, supported by resilient earnings and improving sentiment. Conversely, persistently elevated energy prices risk tightening financial conditions, lifting inflation expectations, and slowing economic growth, even in the relatively insulated U.S. economy.

In this environment, opportunity remains, but discipline is essential. Because the market is volatile and the future is uncertain, it is more important than ever to focus on fair prices, healthy company finances, and picking risks carefully. We remain focused on navigating near-term uncertainty while positioning portfolios to capture long-term opportunity as the macro environment evolves.

Spring is a welcome sign, and we hope you enjoy the best of the season. Please let us know if you have any questions or issues that you would like to discuss.

Warmest regards,

Scott, John & Dave.