



## Peace Setback, but Liquidity and War Spending Lift Equities

4/20/2026

Clearly the path to peace is not as easy as it looked last Friday when the easing in Middle East tensions, the reopening of the Strait of Hormuz to commodity flows, and the sharp retreat in oil prices calmed fears on the most immediate macro threat to equities.

That is why stocks rallied so forcefully. This is not a fragile market levitating on hope alone. It is a market showing underlying buying power. During the conflict, equities sold off on the initial shock, but every credible hint of de-escalation produced a stronger rebound than the declines on bad news. That is classic bullish behavior, and it tells me the path of least resistance remains higher. Despite the recent Iranian/U.S. confrontation, there is a feeling that an agreement will be reached.

The key point is that even with the worst of the energy shock appearing to pass, we are not going back to the prewar energy regime. The oil futures curve for April 2027 shows oil around \$70, versus roughly \$55 to \$60 before the conflict. In the best scenario, gasoline could settle into the \$3.40 to \$3.50 range rather than the \$4.10 area, still above the pre-war \$2.90 to \$3.00 range. That matters for consumers, but it is not enough to derail the expansion. Strategic reserve replenishment, inventory rebuilding, and lingering infrastructure damage should keep energy prices above their old baseline, yet the hit to consumers looks manageable relative to the support coming from tax relief and ongoing nominal income growth.

The markets are also being supported by further liquidity and the rapid growth of deposits that I see in the money supply data. Higher defense spending—possibly on the order of \$30 billion per month in added outlays tied to replenishment and military buildup—creates another near-term tailwind for nominal growth and profits.

A combination of easing geopolitical stress, firmer fiscal spending, and still-strong money growth is a powerful support for equities. It also helps explain why the rebound has been led so forcefully by large-cap growth and the MAG 7, which operate independently from oil, though a continued decline in oil would broaden the rally and help value shares as well.

A bearish indicator is that consumer sentiment data are coming in at terrible levels. Consumer confidence was described as extraordinarily weak, at levels historically associated with recession. But I do not think the hard data validate that recession view. Weekly jobless claims remain in a benign range, ADP jobs data was characterized as strong, and while some real-economy reports are mixed, there is still no evidence that the economy is cracking. I reiterate that any recession call has been premature, and I see nothing in the data that changes that view. Low confidence without labor-market deterioration is not enough to produce a downturn.

The Fed remains an open and central policy question, but here too the message is fairly clear. The next meeting looks like a pass. The more important issue is what happens after that if liquidity stays strong and the economy avoids meaningful weakening. The 10-year Treasury yield fell from roughly 4.31% to 4.23% on Friday's geopolitical headlines, but I do not think that move should be extrapolated too far.

Unless money-supply growth reverses materially or the economy weakens sharply, I do not see much room for the 10-year to fall below 4%, and I do not think a meaningful easing in Fed funds is likely without clearer economic softness. The bond market may get temporary relief from lower oil, but the medium-term inflation and liquidity backdrop still argues against an aggressive decline in rates.

Equities still look better positioned than long-duration bonds. Earnings expectations call for better than 12% growth this quarter, and the S&P 500 is trading near 22 times earnings, which is not far from fair value. Valuations are no longer cheap, but they are also not extreme when set against resilient profits, secular AI demand, and a macro backdrop that is better than the pessimists continue to claim. The AI leaders still carry competitive risk—technological disruption can always reorder the

winners, just as prior innovation waves did—but the underlying demand trend remains relentless. That keeps the growth trade alive even if leadership rotates episodically.

Bottom line: easing of war fears removes the largest immediate downside tail risk, but the bigger story is that liquidity remains strong, the economy continues to avoid recession, and the market is acting like it wants to move higher. I would stay constructive on equities, while recognizing that a further retreat in oil could also improve the case for value and cyclicals. This is still a bullish market, not because all the risks are gone, but because the fundamental buying power underneath it remains very much intact.

**Please see the [WisdomTree Glossary](#) for definitions of terms and indexes.**

---

Past performance is not indicative of future results. You cannot invest in an index.

Professor Jeremy Siegel is Senior Economist to WisdomTree. This material contains the current research and opinions of Professor Siegel, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.