



## Long-Term Bullish, Near-Term Cautious

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The economy continues to show resilience, and the March jobs report reinforced that view. Payroll growth came in stronger than expected, prior months were not meaningfully revised away, and the unemployment rate edged lower. Wage growth eased, but the broader message was clear: the labor market remains too firm to support any near-term case for Fed easing. At the same time, markets are being forced to price a very different risk—an extended geopolitical conflict that is pushing oil and gasoline prices higher and threatening to keep inflation pressure alive even as growth slows modestly.

That leaves the Federal Reserve in a far less comfortable position. A rate cut now looks even less likely, and while I still do not expect a hike, the strength in the labor data has put that possibility back on the table. Money supply growth has started to accelerate again. One month does not establish a lasting trend, but the latest jump in M2 and deposits were the strongest in years on a percentage basis. The Fed cannot ignore this development. If labor remains firm and money growth increases while energy prices rise, the inflation outlook becomes more complicated, and the path to lower rates gets pushed further out.

Investors should be careful not to overstate how much cheaper the market has become. Prices have fallen, but earnings estimates have not yet fully adjusted to the impact of higher energy and input costs. Bottom-up analysts tend to wait for company guidance before cutting numbers, so consensus forecasts often lag reality during fast-moving macro shocks. That means valuation compression is real, but probably not as large as it appears at first glance. If oil stays elevated and the conflict drags on, earnings expectations are likely to come down, and that could create additional near-term pressure on equities.

I remain bullish over the long run because the U.S. economy is still structurally strong and far less vulnerable to an oil shock than it was in earlier decades. But in the short run, caution is warranted. The combination of firm employment, rising money supply, and renewed inflation risk argues for higher real rates than the market had hoped for only a few weeks ago. That does not end the bull market, but it does mean the path forward is likely to be bumpier until we see a lasting and real break in the geopolitical pressures hanging over the market.

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

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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.