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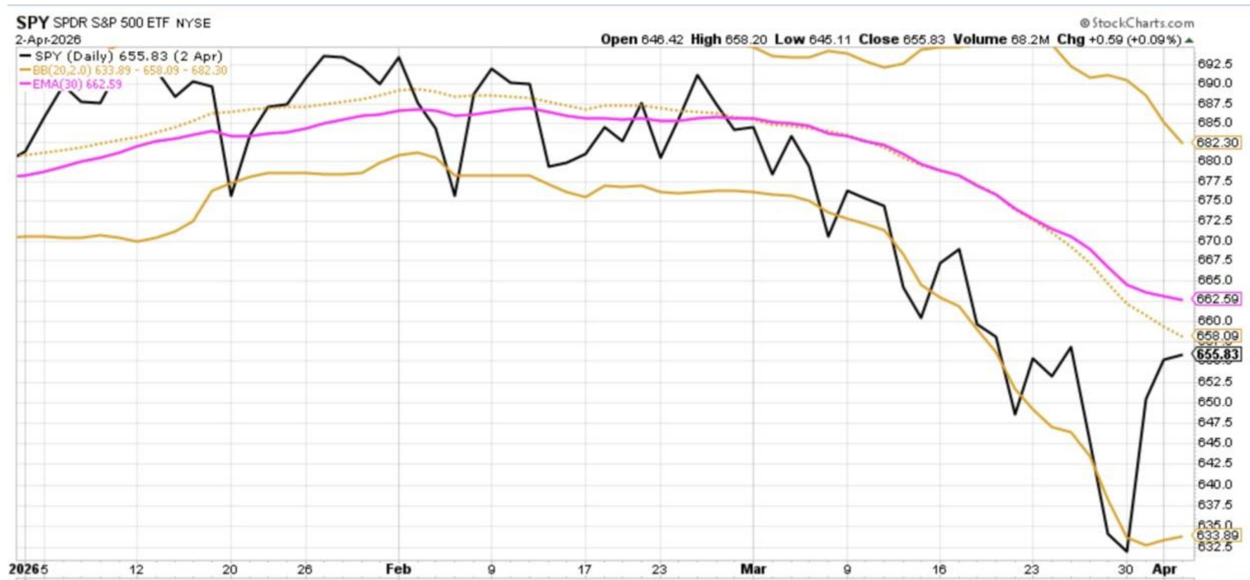
FCM Market Notes—April 4, 2026

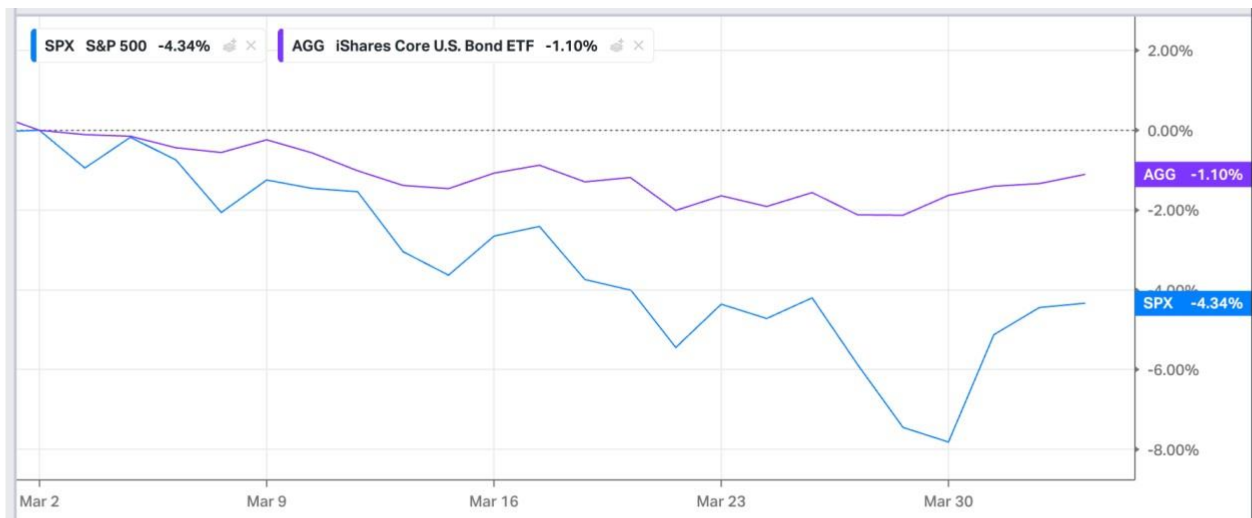
Bounces And the Ticking Clock

The stock bounce can be ignored because odds the war might be winding down are small, for now. The bond bounce can be ignored because its upside is capped by small current real returns and very low odds for a rate cut that would extend any rally.

The chart below shows that the stock bounce came after an extended period around the lower Bollinger Band, which represents two standard deviations away from a 20-day moving average. Couple that with a periodic hint that the war could wind down shortly, and you get a sharp rally.



More fundamentally, bonds have done better over the past week as the market focused more on high odds for slowing global growth rather than high inflation.



The market is now pricing in nearly identical 5%-ish chances for either a rate cut or a rate hike by the September Fed meeting. Another way of saying that is the market has little clue how the twin inflation and growth impacts will proceed from here, and the same level of conviction on how policymakers might respond.

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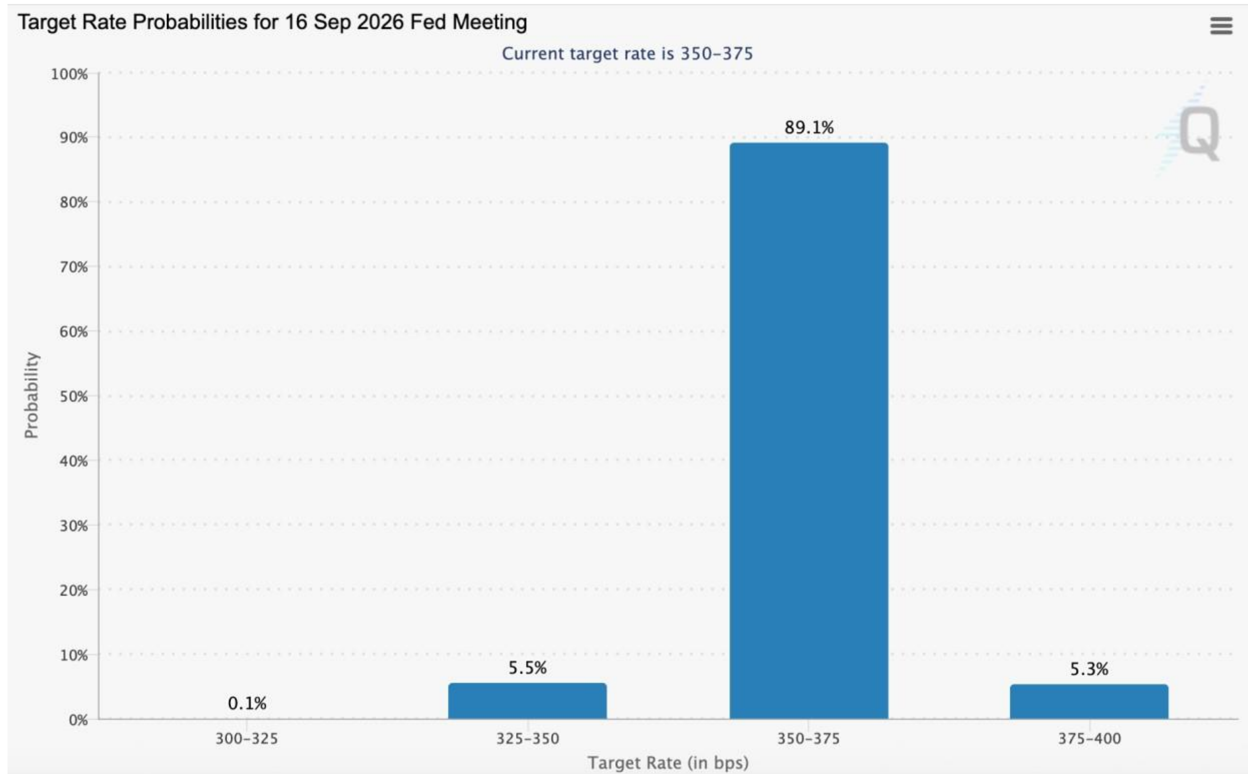

The problem for investors is that even if yields should remain anchored, real returns remain low. The current 10-year yield in the US is 4.3%, a scant return when core inflation is at 3% and undoubtedly moving higher, even if temporarily.

Couple that small real return with low odds for a supportive rate cut that might produce some price gains on top of your yield, and the risks of holding bonds over cash beyond the current bounce seem unappealing.

Meanwhile the ability of markets to ignore mounting physical disruptions should lessen by the day from here. Already, parts of Asia are rationing oil usage. In a week or so, all of the tankers that were at sea pre-war will

have delivered all of the oil that was coming to Europe. Fertilizer shortages are appearing, and agriculture prices have risen in anticipation.

Aluminum prices are also affected:

Additionally, petrochemicals, sulfur, LNG…

Without a resolution shortly, some of these goods will have to be rationed by price and demand destruction that brings associated parts of the economy down with them.

A 4.3% drop in the S&P over the past month seems like a modest move in the context of all that potential economic dislocation. Potential downside has been, until now, covered by a blanket of statements that the war could be ended shortly-upon the desire of only one party to the conflict. As the clock keeps ticking, bounces are going to be harder to come by.

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