



WEEKLY ECONOMIC UPDATE APRIL 20, 2026

Stocks rallied last week as investor enthusiasm built for an end to the war in the Middle East and hopes of a resumption of normal global trade.

The Standard & Poor's 500 Index rose 4.54 percent, while the Nasdaq Composite Index picked up 6.84 percent. The Dow Jones Industrial Average advanced 3.19 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, increased 2.15 percent.^{1,2}

Shift to “Risk-On” from “Risk-Off”

Stocks continued to ride the hopeful sentiment of a ceasefire at the start of last week, with all three averages advancing. The S&P 500 has recouped all its losses since the start of the war.³

Momentum accelerated through midweek as investors shifted from “risk-off” to “risk-on.” The White House signaled that the war was “very close to over” amid reports that further talks were under discussion.

At Wednesday's close, the S&P advanced for the 10th time out of the last 11 trading sessions, while the Nasdaq marked its 11th straight close in the green.⁴

Stocks pushed higher again on Thursday, with the Nasdaq recording its longest winning streak since 2009. The week wrapped on a high note after Iran's foreign minister announced the Strait of Hormuz was “completely open” as negotiations continue. Oil prices dropped by roughly 10 percent on Friday, sparking another solid day on Wall Street.^{5,6}

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
<u>Nasdaq Composite</u>	7.77%	3.88%	48.74%	77.96%
<u>MSCI EAFE</u>	6.09%	7.39%	32.84%	56.31%
<u>S&P 500</u>	5.19%	3.23%	35.13%	80.92%
<u>Dow Jones Industrial Average</u>	3.53%	1.53%	24.55%	56.32%

S&P 500 Daily Close



10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
<u>10 Year Treasury Rate</u>	4.26%	4.20%	1.43% ▲
04/17/26		4.24%	0.47% ▲
		4.34%	-1.84% ▼

Record-Setting Week

This Week: Key Economic Data

Tuesday: Retail Sales. Business Inventories. Leading Economic Indicators. Pending Home Sales.

Wednesday: EIA Petroleum Report. Atlanta Fed Business Inflation Expectations.

Thursday: Weekly Jobless Claims. Purchasing Managers Index (PMI)—Services. Purchasing Managers Index (PMI)—Manufacturing. Fed Balance Sheet. EIA Natural Gas Report.

Friday: Consumer Sentiment.

Quote of the Week



“I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now I want to come back as the bond market. You can intimidate everybody.”

– **James Carville**

Of Note



Whatever happened to the mother of all crashes that was supposed to arrive when the Federal Reserve began tightening its balance sheet back in 2022? For several years, I've been convinced that draining the balance sheet by trillions of dollars should have triggered a systemic banking failure or some other Black Swan event. In the past, crises like Lehman/AIG or the 2020 lockdowns took the blame, when in reality, the root cause was always monetary.

From the peak in June 2022 to the trough in December 2025, the asset side of the Fed's balance sheet shrank by roughly \$2.3 trillion. That was the front door. But through the back door, something else was happening on the liability side: the Fed's Overnight Reverse Repo Facility (RRP) was releasing \$2.5 trillion of previously frozen private liquidity back into the financial system. If Quantitative Tightening (QT) removed liquidity, the RRP added it back... plus interest.

To recap: during QT, the Fed allows its holdings of Treasury securities and mortgage-backed securities (MBS) to mature. Financial intermediaries repay the Fed, and the Fed literally deletes that money from the system. This is the classic setup that exposes malinvestments, stresses credit markets, and reveals the imbalances described in Austrian Business Cycle Theory (<https://mises.org/mises-wire/austrian-business-cycle-theory-explained>).

But this time it really was different because of the Reverse Repo Facility. By mid-2023, the (March 2023) Silicon Valley Bank crisis had passed and the Fed's Bank Term Funding Program was alive and well; then the hikes finally tapped out. Eventually, the 1-Month Market Yield on U.S. Treasuries outpaced the Fed's RRP rate, and the incentive changed. Fund managers began a stampede out of the Fed's facility and rotated into T-bills to chase a higher risk-free return.

In less than two years, the RRP withdrawals injected around \$100 to \$200 billion+ a month into the financial system at its peak. This was effectively a backdoor stimulus program that bypassed the Fed's official QT narrative and funded the government's deficit. Correlation does not equal causation, but it's also not surprising that the Dow Jones broke out to new highs at almost the exact moment the RRP began to unwind.

The system was running on stored liquidity thanks to a giant buffer accumulated during the pandemic stimulus era. But as of 2026, that buffer is gone. The RRP liability has flatlined at essentially zero, meaning that the trillion-dollar offset to QT has been fully exhausted.

Perhaps it was no coincidence that once the RRP hit empty, the Fed's tightening ended. On December 11, 2025, the Federal Reserve Bank of New York announced it would begin Reserve Management Purchases (RMPs) at a pace of approximately \$40 billion per month. While they use FedSpeak to avoid the term Quantitative Easing (QE), in reality, they've returned to official balance sheet expansion. They are being forced to replace the lost RRP liquidity with fresh money printing.

The math remains staggering. Since June 2022, the Fed has been slashing its balance sheet by embarking on a QT narrative. The

result? A net liquidity injection to the tune of \$200 billion. And they called it “tightening.”

With the RRP buffer now empty, we are entering uncharted territory. The Fed’s \$40 billion a month balance sheet expansion is several times less than what was entering the system via the RRP drain. Ironically, what the Fed hopes will act as QE might feel more like QT. We are about to find out just how long the system can survive a true monetary contraction.⁸

Footnotes And Sources

1. WSJ.com, April 17, 2026
2. Investing.com, April 17, 2026
3. CNBC.com, April 13, 2026
4. CNBC.com, April 15, 2026
5. CNBC.com, April 16, 2026
6. WSJ.com, April 17, 2026
7. CNBC.com, April 15, 2026
8. [zerohedge.com/markets/why-crash-was-delayed](https://www.zerohedge.com/markets/why-crash-was-delayed)

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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