

# Thackray Newsletter

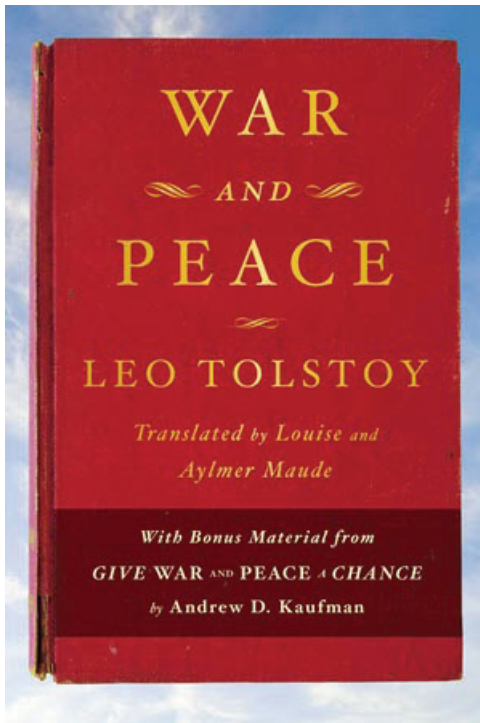
— Know Your Buy & Sells a Month in Advance —

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Written by Brooke Thackray

## Market Update



*War and Peace*, by Tolstoy is a classic. I enjoyed reading back in my undergrad.

Maybe in today's context of the U.S., Israel and Iran war, the title could be called "War, Maybe Peace."



Every time Trump declares the Middle East war is ending the market rallies. When investors figure out that it is not



## S&P 500 Technical Status

The S&P 500 has bounced from an oversold position (RSI).

It is above 50 and climbing, which is positive.

The S&P 500 is 2.4% below its all-time-high in late January.

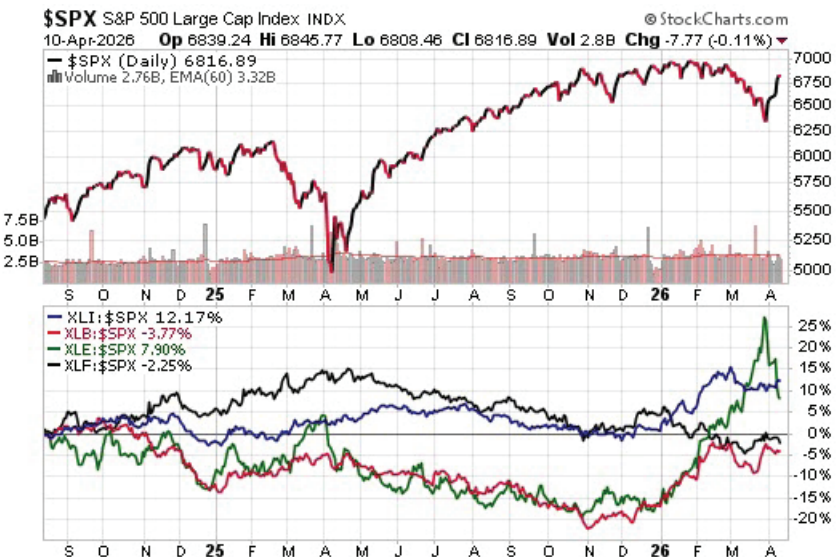
The stock market has risen but volume has not increased. In other words, the price increase has not been supported by a rise in volume, which means that investors are not fully committed to the rally.



Growth Sectors

The communication services sector is performing at market. The consumer discretionary sector continues to underperform. The technology sector has been performing at market, but has shown a recent uptick higher.

Overall, the growth sectors are performing slightly below market.



Cyclical Sectors

The cyclical sectors have been performing at market, except for the energy sector which had strong outperformance and recent underperformance.



Defensive Sectors

The defensive sectors have been slightly underperforming the S&P 500, except the utilities sector which has been outperforming.

ending, at least in the short-term, the stock market declines. In March, it formed a saw-tooth pattern lower. The volatility is probably not dissipating. Expect more saw-tooth action, hopefully not lower.

### ***Will the S&P 500 reach a new all-time-high?***

As of April 10, the S&P 500 closed at 6,816.89 which is lower than the January 27 close of 6,978.60, by only 2.4%.

In other words, the S&P 500 is close to its all-time-high.

Before the start of the Middle East war, the S&P 500 was rolling over in the month of February and the economy was showing signs of slowing down.

Now that the S&P 500 has almost reached its previous level before the war started, can it move higher?

Yes, it is possible for the market to move higher if investors start to believe that a strong favorable outcome in the Middle East is expected. This is currently not the case. There is a lot of skepticism about whether the war will end or end on favorable terms for the U.S. Nevertheless, if the expectation of a solid favorable peace deal were to take place, it would be expected to see a knee-jerk reaction of the market moving higher. How long would the move last?

It is going to be hard for stock market to shoot significantly higher once the “war is over” euphoria wears off.

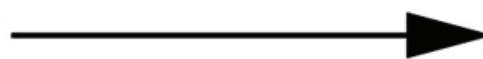
I have spilt much ink in the past discussing the effects of lags. Our modern day economy is built on the premise of just-in-time production. When production stops in one part of the supply chain it has a ripple effect through the whole chain. We learnt some hard lessons of the destructive impacts of this process during COVID and after COVID.

The diagram below portrays what is happening right now. Investors know that the current situation is bad, but they are looking out six to nine months and the probability that the situation could improve substantially.

## Supply Chain Effects From Oil Production Disruption



versus



## Investors Looking Ahead 6-9 months

The stock market is a barometer weighing out the expected negative outcomes of the war on the supply chain and investors seeing a resolution in the near future that could bring about positive circumstances in six to nine months.

### ***Lags, Lags and more Lags***

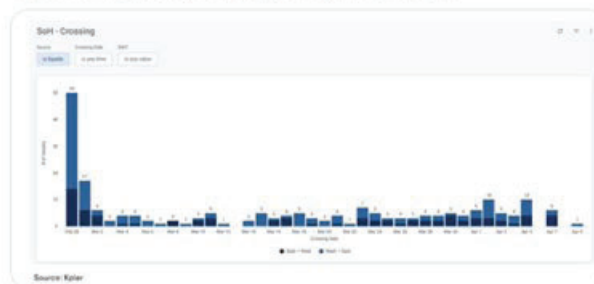
What is happening today in supply chains affects other parts of the chain further along...in weeks or months ahead. The oil production/shipping reduction that is taking place right now, will have its major impact in a couple of months from now. The longer that the Strait of Hormuz remains closed (it is still closed as of April 10), the bigger the problems in the future.

The Strait of Hormuz is effectively shut and Middle Eastern production is down by 13MM Bbl/d. It will take at least 2 months once fully open to restore production. Over that time the world will lose 780MM Bbls. Historic, unprecedented, cataclysmic...pick your adjective of choice. (Eric Nuttall)



**Eric Nuttall** @ericnuttall · Apr 9

The Strait of Hormuz is effectively shut and Middle Eastern production is down by 13MM Bbl/d. It will take at least 2 months once fully open to restore production. Over that time the world will lose 780MM Bbls. Historic, unprecedented, cataclysmic...pick your adjective of choice.



A lack of gasoline and diesel and higher prices has obvious impacts on food production, manufacturing, mining, farming and others. Those impacts ripple further along to the final products.

Oil is used in the production in many “things,” including packaging, plastics, textiles and others. This “other” output chain of products also has a rippling effect. With lower amounts of plastics and packaging being made this has its own rippling effect for the production of goods, separate from a lack of oil production.

It is not just the oil (and natural gas), but other key products that are not being shipped. Fertilizer and key elements for chemicals that are not leaving the Strait. I discussed these shortages in a video right after the Strait was shut down.

One of the key shortages that I discussed was high-grade helium that is used to make semiconductors. There is no substitute. Helium at the 99.9999% is needed. It is not the helium used to blow up balloons. Asia semiconductor makers import 86% of their helium from Qatar. This has been shut down.

At the beginning of the war, the semiconductor makers said that they had an inventory of four weeks supply. Okay, it is over four weeks since the war started. Where do we stand? We have heard nothing on this perspective. Maybe the companies have stretched out their supplies. This situation is critical and is only going to get worse. The ramifications of a helium shortage is absolutely huge. If semiconductors cannot be made, the products such as cars or machinery cannot be made etc. And so on.

I believe there is a huge underestimation around the negative outcomes that we know will take place in the near future, that have been derived from actions that have already occurred in the war. Investors are currently experiencing a FOMO and do not want to miss out on any rally that could ensue.

April tends to be one of the stronger months of the year for the S&P 500. However, it should be noted that the first half of the month is where almost all of the gains are made on average.

April is an earnings month and like its cohorts of January, July and October, the first half of the month is the strongest part of the month.

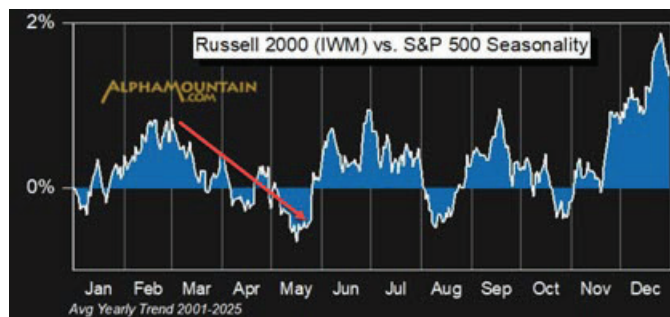
In earnings months, investors generally push the market higher heading into the start of earnings season. Basically front running the release of earnings. Earnings season starts on April 13 as the U.S. banks start to release their earnings. Goldman Sachs releases their earnings on Monday April 13 before the market open. The bank earnings will set the tone for the earnings season.

## Seasonal Opportunities and Trends

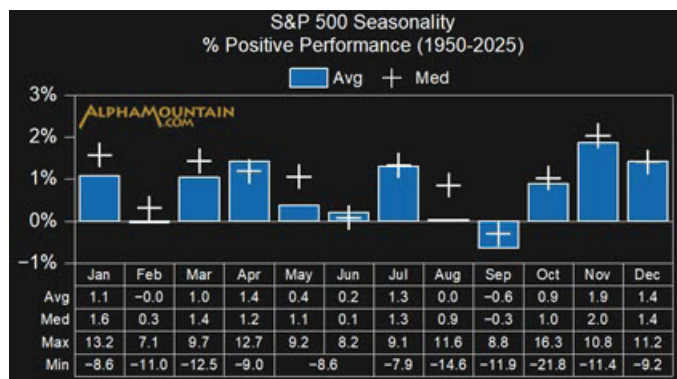
### Small Caps

The small cap sector finished its strong seasonal period in early March. Since that time, the sector has been consolidating relative to the S&P 500.

On a seasonal basis, the small cap sector tends to underperform the S&P 500 at this time of the year. I have written about this in the past newsletters.



### Seasonality Positive in April





My Call: Small caps will probably start to underperform, especially if the market moves to a risk-off movement.

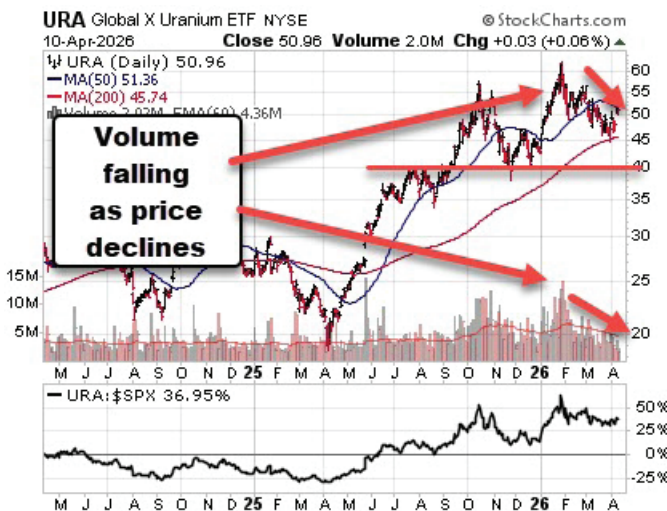
### Uranium

Uranium has been lagging the market since late January (end of the strong seasonal period).

At this time, the metals and mining sector is lagging the market. When this is the case, it is often difficult for the uranium sector to make headway.

Despite the strong fundamentals for uranium, it is possible to see uranium underperform in the short-term.

The good news is that volume has been declining as price has been declining, indicating that investors are not capitulating. This could indicate some stability developing in the short-term.



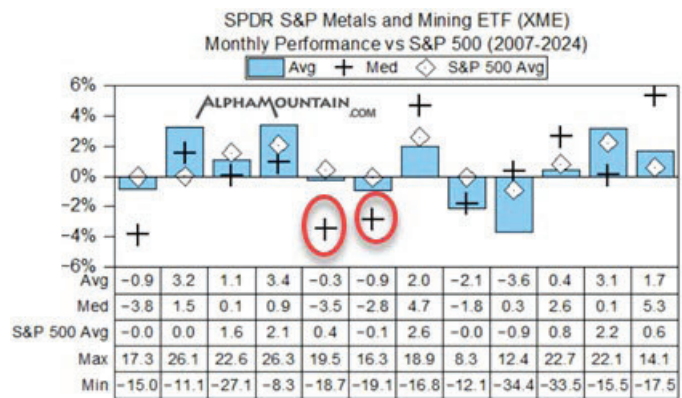
My Call: The uranium sector will probably moderately underperform in the short-term.

### Metals & Mining

The metals and mining sector has a strong seasonal period from January 23 to May 5

The metals and mining sector has been underperforming since late January. Recently the sector has been showing some signs of life.

It should be noted that the metals and mining sector tends to underperform starting in early May.



My Call: The metals and mining sector will probably underperform in the short-term.

## Industrials

*The industrials sector has a strong seasonal period from January 23 to May 5*

The industrials sector performed well in the beginning of the year as the U.S. economic data came in better than expected. Since late February (start of the U.S. Israel and Iran war), the industrials sector has been underperforming. In April, we have seen a marginal improvement in performance.



**My Call:** The industrials sector will probably continue to underperform in the near future and into the summer months.

## Materials

*The materials sector has a strong period from January 23 to May 5*

The materials sector, which often echoes the performance of the industrials sector has started to bounce back. It has performed better than the industrials sector, largely because of the recent bounce in the commodities.

The sector relative to the S&P 500 is currently at the same level as it was in February.



**My Call:** The materials sector will probably moderately outperform into early May, before underperforming.

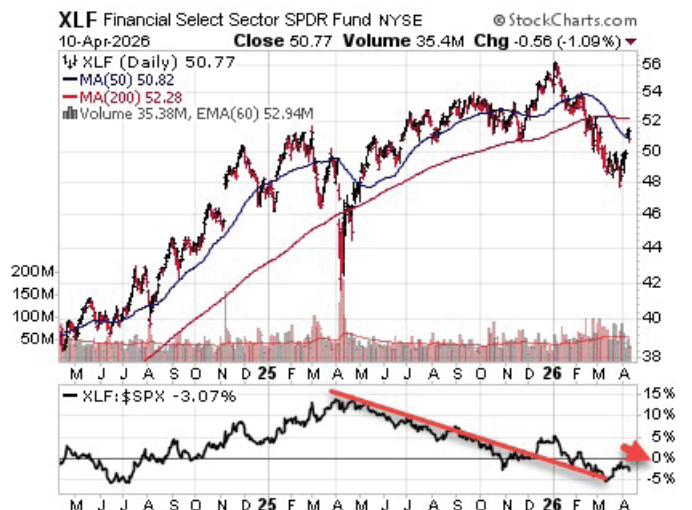
## Financials

*The financials sector has a strong period from December 15 to April 13*

The financials sector in the U.S. has been underperforming for over one year. The trend is still lower in 2025.

The big fear for investors is the exposure to private equity and private credit for the U.S. financial sector. This continues to weigh on the sector.

The financial sector has just finished its strong seasonal period.



**My Call:** The financials sector will probably continue to underperform.

## Energy Sector

The energy sector has a strong period from February 25 to May 9

The energy sector performed well since the beginning of the year. The main reason for the recent outperformance of the energy sector is the Middle East war.

Recently, we have seen the energy sector starting to show underperformance relative to the S&P 500, as investors are anticipating some sort of conclusion to the war. Of course, it is difficult to determine if the war will conclude, but investors are becoming less interested in the energy sector. Investors fear that the energy sector could have the same type of collapse that gold had in March and are now becoming more cautious on the sector.

Energy sector investor flows:

**The Kobeissi Letter** @KobeissiLetter · 1h  
BREAKING: Global energy funds posted -\$2.1 billion in outflows last week, the largest since July 2024.

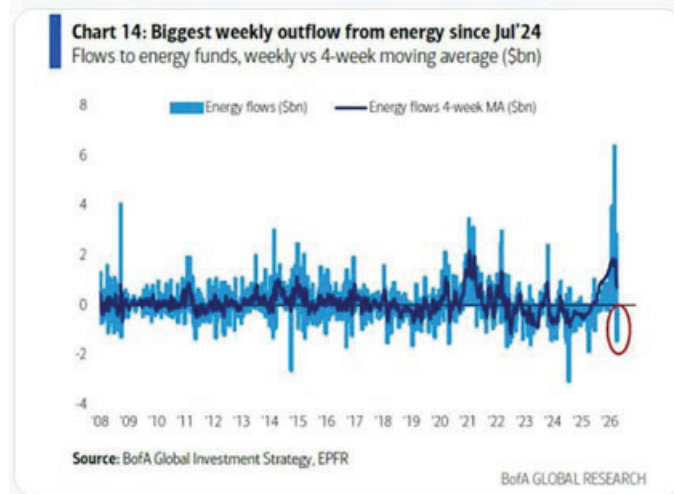
This comes after energy funds attracted a record +\$13.5 billion in cumulative inflows in the 3 weeks prior.

As a result, the 4-week average of inflows is still elevated, at +\$1.0 billion, near the highest in 2 years.

Meanwhile, the US Energy Sector ETF, \$XLE, saw -\$1.0 billion in outflows on Wednesday, the largest in 14 years.

By comparison, the daily record was -\$1.8 billion during the 2008 Financial Crisis.

Investors are locking in gains after the biggest energy rally in years.



The price of oil is currently acting as a barometer of war expectations.

The energy sector's strong seasonal period ends in early May. The energy sector can perform well into June if it has strong momentum, but typically performs poorly starting in June (Caveat Emptor).



My Call: The energy sector will probably be volatile, but head lower starting in the near future.

## Gold

Gold has come back to its \$4400 level (twice) and bounced. Gold is now in a consolidation range. Gold tends to rally, consolidate and then rally again. It is likely that at some point in the future, gold will once again rally, but it is difficult to determine when this could happen. It is always difficult to anticipate the catalyst that is going to change the narrative.

The next strong seasonal period for gold starts in July and can start in June (we are not that far away from June). June tends to be a very volatile month for gold and can sometimes present good buying opportunities.



My Call: Gold will probably continue to consolidate, leading into a good buying opportunity in June or July.

### Consumer Discretionary

The consumer discretionary sector tends to perform well from January 17 to April 13.

The consumer discretionary sector has been underperforming the S&P 500. The sector has finished its strong seasonal period.



My Call: The consumer discretionary sector will probably continue to underperform.

### Retail

The retail sector has a strong seasonal period from January 23 to April 13

The retail sector has been underperforming the S&P 500

for two years. The sector has been performing poorly largely because of the reduction in spending power for the lower income groups.

The retail sector has just finished its strong seasonal period.



### Canadian Banks

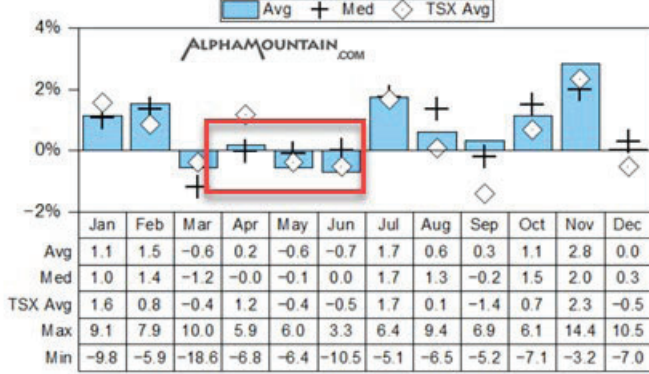
The Canadian banking sector tends to perform well starting from January 23 to April 13

The Canadian banking sector has been performing particularly well over the last year. The sector has been in an ideal spot being an oligopoly and paying high dividends.

Canadians have a natural affinity for investing in the banks. Foreign investors that are trying to avoid the U.S. stock market are attracted to the Canadian banking sector for the same reasons that Canadians are attracted to the sector. Canadian banks have also had some strong results, beating expectations. Overall, the Canadian banking sector has performed well.

Warning: The Canadian banking sector has just finished its strong seasonal period. It is possible that we could see the sector curtail its strong performance.

BMO S&P/TSX Equal Weight Banks Index ETF (ZEB)  
Monthly Performance vs S&P/TSX Composite Index (2011-2024)



The health care sector can perform well in April through to June, particularly if the stock market is stumbling. Since autumn the health care sector has been consolidating relative to the S&P 500.

My Call: The health care sector will probably start to outperform the S&P 500 in late April.

### Rants

#### Rant #1 New York is Dying !



New York has been going downhill in recent years. Its demise has speed up recently with the election of its Socialist (Communist) mayor - Zohran Mamdani.

New York is begging wealthy people to stay. Good luck!  
From zero hedge:

The Orwellian horror of Hochul's New York led directly to an unprecedented flight of intelligent citizens and wealthy business owners. NY experienced a net loss of nearly 1 million residents from 2020 to 2023.

Draconian pandemic mandates were not the only reason for the exodus. The state's crushing tax requirements post-covid have also inspired another 250,000



My Call: The Canadian banking sector will probably perform start to underperform in the near future.

### Health Care



net loss citizens from 2024 through 2025. The state taxes are nearly three times higher than the national average. Property taxes are 45% higher and the cost of living as around 50% higher than the national average.

Furthermore, depending on the market sector, taxes on businesses run 50% to 100% higher than the national average. On top of all this, Democrats in the legislature have consistently pushed for a wealth tax or “millionaires tax”; an action which Hochul opposes, but only because she sees the writing on the wall and is a bit smarter compared to fanatical socialists like Zohran Mamdani.



Jamie Dimon was expressing his frustration with New York and revealed that when he started at JPMorgan, Manhattan employment was 35,000 and is now 26,000. In Texas, employment was 11,000, now it's 33,000. Wow. A bull market in Texas. No pun intended.

## ***Rant #2*** ***Stop blaming Trump***

The media in Canada needs to stop blaming Trump for everything.

Recently, Robert Fife went on record blaming Trump for Canada's job losses and inflation. Really, please stop.



I am not defending Trump, in fact I am not a personal fan of Trump or his tactics, but to blame Canada's woes on Trump is at best disingenuous.

Canada has a terrible track record over the last decade of declining productivity and a stagnating economy. It's economic policies have refused to acknowledge the problems and continue to do so. Sure, Trump has done Canada no favors, but there are much bigger issues dragging the economy down.

If Canada continues to blame Trump for all of its troubles, the country is destined to not fix the real problems that have hurt Canada over the last decade.

The media in Canada needs to stop falling into the political trap of blaming everything on Trump. Please stop.

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