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SUMMARY

- The Fed is neutral, balancing labor and inflation concerns.
- The US Trend remains positive but lacking short-term momentum.
- The Crowd is pessimistic, giving a buy signal.

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Tactical Rules Give A Flashing Green Light Bias to Opportunistically Increase Stock Allocation



Since the [last update](#) of our 'Three Tactical Rules' on March 3rd little changed despite volatility from Iran War escalation fears and inflation concerns. The S&P 500 traded as low as 6343 before rebounding above 6800, driven by a temporary ceasefire.

The [Three Rules](#) remain a 'flashing green light,' reflecting a constructive backdrop: the Fed is on hold, the trend is positive though slower, and crowd sentiment has swung to extreme pessimism. While the overall signal held steady, the underlying component ratings shifted meaningfully over the past six weeks.



'Don't Fight the Fed': Inflation May Warrant Pivot

Fed funds futures markets suggest investors expect rates to be on hold into 2027, as Iran war aftershocks could raise stagflation fears. Despite the Fed's easing bias – reinforced by the upcoming transition from Powell to Warsh – geopolitical forces may prove more consequential. Core PCE remains elevated at 3.0% and unemployment low at 4.3%, leaving little room to focus on labor market downside. In our view, the Fed's attention should instead be on upside inflation risks, particularly the second and third order effects of high oil and gas prices.

The Fed's March 18th meeting minutes revealed officials pushing for more balanced language on rates, explicitly leaving room for hikes if inflation stays above their 2% target. Unlike our prior view, we no longer see the Fed squarely on the investor's side – the war has changed that calculus. **Fed funds futures have begun pricing a small probability of rate increases, and we have downgraded our Fed rating to a 'flashing yellow light' from a 'green light.'**

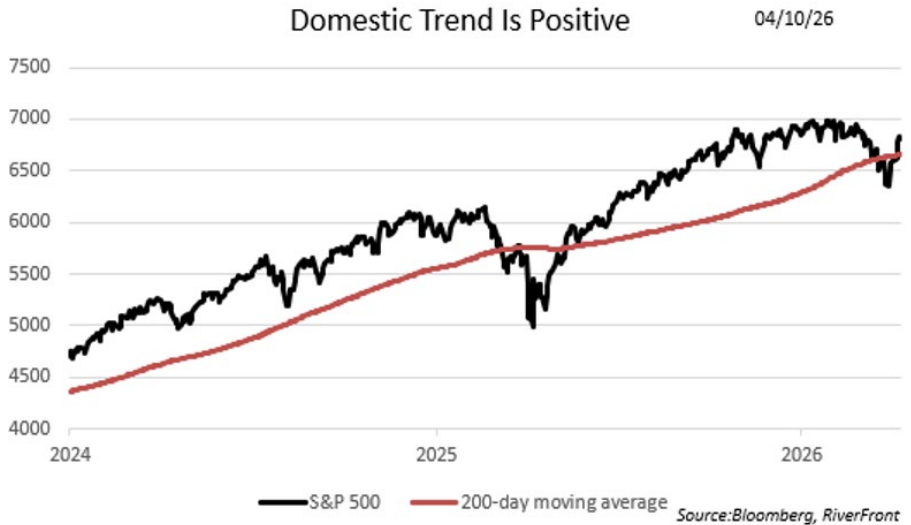
Internationally, the Bank of England (BOE) and the European Central Banks (ECB) have held rates steady this year after cutting throughout 2025. Energy import dependence is weighing on both economies, and overnight index swap markets now price in multiple hikes for each through year-end – a sharp reversal from our last update, when markets expected BOE cuts mid-year and ECB rates to stay on hold. This shift aligns both central banks with the Bank of Japan (BOJ), which has already been hiking amid rising inflation from wages and energy costs. Globally, we now view central banks as neutral rather than on the investor's side.

'Don't Fight the Trend': Positive US Trend Lacking Short-Term Momentum

FLASHING GREEN

The S&P 500's primary trend, defined as the 200-day moving average, is rising at an annualized 12% rate, down sharply from 31% at our last update. While this pace is more sustainable, we believe that short-term momentum appears to have stalled, as the index has recently been rangebound.

Historically, the S&P 500 has risen over any given three-month period roughly two-thirds of the time. However, when the trend's annualized rate is positive but below 15% and short-term momentum is negative, those odds deteriorate. We currently view short-term momentum as flat, reflecting the trend's slowing pace. **However, we have left the Trend at a 'flashing green light' as momentum has not turned negative.**



Source: Bloomberg, RiverFront. Data daily as of April 10, 2026. Chart shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

International Trend: Will Remain Positive for at Least 7 Months

GREEN LIGHT

Internationally, the MSCI All Country World ex US (ACWX) trend has stabilized over the past six weeks, with the primary trend rising at an 18% annualized rate, down from 42% at our last update. Despite underperforming the US since the war broke out in late February, international equities have maintained a 7.50% year-to-date edge over domestic equities.

To illustrate the trend's strength, ACWX could remain at its current level for nearly eight months before turning negative, in our view – a positive sign, as our tactical work shows a positive trend increases the odds of a positive return over the next three to six months. We are therefore upgrading the international trend to a 'green light' from a 'flashing red light,' as the prior unsustainable pace has corrected to a more desirable level.



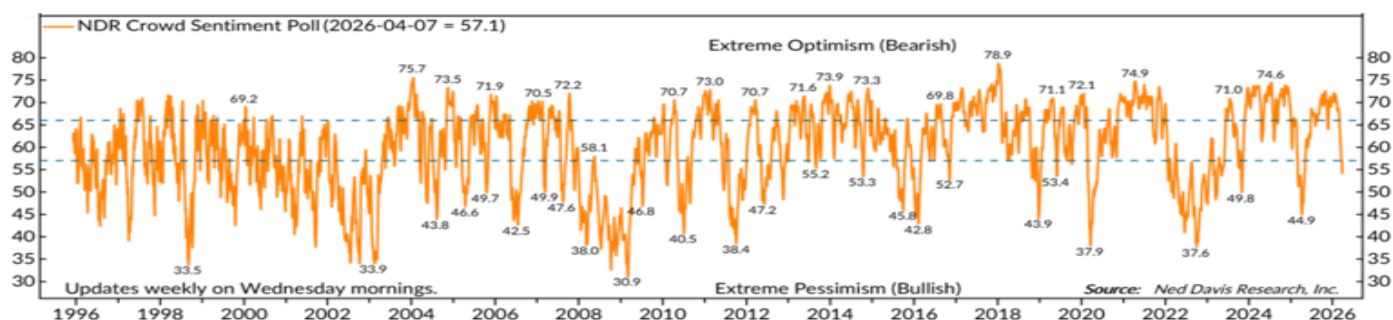
Source: Bloomberg, RiverFront. Data daily as of April 10, 2026. Chart right shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

Beware of the Crowd at Extremes: Poll Extremes Gives Buy Signal

GREEN LIGHT

Crowd Sentiment serves as the 'contrary' indicator within the Three Tactical Rules. The chart below reflects investor sentiment as measured by Ned Davis Research (NDR), where elevated readings signal excessive optimism and depressed readings signal extreme pessimism. Historically, NDR research suggests extreme pessimism has created attractive entry points for tactical investors. While NDR is our preferred data source for measuring investor psychology, we apply our own analytical framework to draw conclusions.

Daily and Weekly NDR Sentiment Polls are currently giving slightly different signals. Daily sentiment remains near the bottom of the extreme pessimism zone, while weekly sentiment has barely crossed back into neutral. Both represent an improvement since our last update. Historically, we have weighted the Weekly more heavily in this publication, as it provides longer-term perspective, while the Daily better captures investors' real-time views.



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The war is clearly weighing on the Crowd, with higher oil and gas prices stoking inflation fears. However, as a contrarian indicator, this pervasive pessimism is a buy signal for equities. Current sentiment levels have made us more comfortable holding equities and seeking new opportunities. **Thus, we are upgrading our rating for the Crowd to a 'green light' from a 'yellow light' in our previous update.**

Conclusion: Rules Suggest Opportunistically Buying of Equities...

FLASHING
GREEN

Viewed through three distinct lenses — a Fed on hold, a positive but slower trend, and pessimistic crowd sentiment — our Tactical Rules collectively signal a 'flashing green light.' **While the rating is the same as our last update, the bias remains toward opportunistically buying equities.** Given the fluidity of economic data, earnings guidance, and investor mood, the Three Rules will likely shift further in the weeks ahead. Over the next three to six months, we believe market conditions will continue to favor domestic and international equities over bonds, with yields remaining rangebound.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

Important Disclosure Information:

The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.

Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed.

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WEEKLY VIEW

Chartered Financial Analyst is a professional designation given by the CFA Institute (formerly AIMR) that measures the competence and integrity of financial analysts. Candidates are required to pass three levels of exams covering areas such as accounting, economics, ethics, money management and security analysis. Four years of investment/financial career experience are required before one can become a CFA charterholder. Enrollees in the program must hold a bachelor's degree.

All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Ned Davis Research (NDR) is a global provider of independent investment research, solutions and tools. Founded in 1980, NDR helps clients around the world make objective investment decisions.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Index Definitions:

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

MSCI ACWI ex USA Index captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

Definitions:

The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

Core CPI, or Core Consumer Price Index, is an economic indicator that reflects the average change over time in the prices paid by urban consumers for a basket of goods and services, excluding food and energy prices.

US Equities include stocks listed in the United States. Stocks represent partial ownership of a corporation. If the corporation does well, its value can increase, and investors can share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Small/mid-cap equities, MLPs, REITS and alternatives equities are types of US Equities and assume further risks described below.)

The European Central Bank (ECB) is the central bank responsible for monetary policy of the European Union (EU) member countries that have adopted the euro currency. This currency union is known as the eurozone and currently includes 19 countries. The ECB's primary objective is price stability in the euro area.

The Bank of England (BoE) is the central bank of the United Kingdom. The BoE oversees monetary policy and issues currency. It also regulates banks, financial firms, and payment systems. Like other central banks, the BoE may act as a lender of last resort in a financial crisis.

The Bank of Japan (BOJ) is the Japanese central bank, which is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

Stagflation is an economic condition characterized by slowing economic growth, high unemployment, and rising prices (inflation) simultaneously.

Interest rate sensitivity is a measure of how much the price of a fixed-income asset will fluctuate as a result of changes in the interest rate environment. Securities that are more sensitive have greater price fluctuations than those with less sensitivity. This type of sensitivity must be taken into account when selecting a bond or other fixed-income instrument the investor may sell in the secondary market. Interest rate sensitivity affects buying as well as selling.

Don't Fight the Fed - 'Supportive' means the Fed's monetary policy regarding inflation and employment is in what we believe based on our analysis to be the investors' best interest; 'Against' means the Fed's monetary policy, in our view, is going against the investors' best interest; 'Neutral' means the Fed's monetary policy is neither supportive or against the investors' best interest in our view. Don't Fight the Trend - Terms correlate to the 200-day moving average as it relates to the equity indexes: 'Positive' means that the trend is rising, 'Flat' means the trend is flat, 'Negative' means the trend is falling. Beware the Crowd at Extremes - Terms correlate to the NDR Crowd Sentiment Poll and its measurement of Extreme Optimism (Bearish), Neutral, or Extreme Pessimism (Bullish).

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