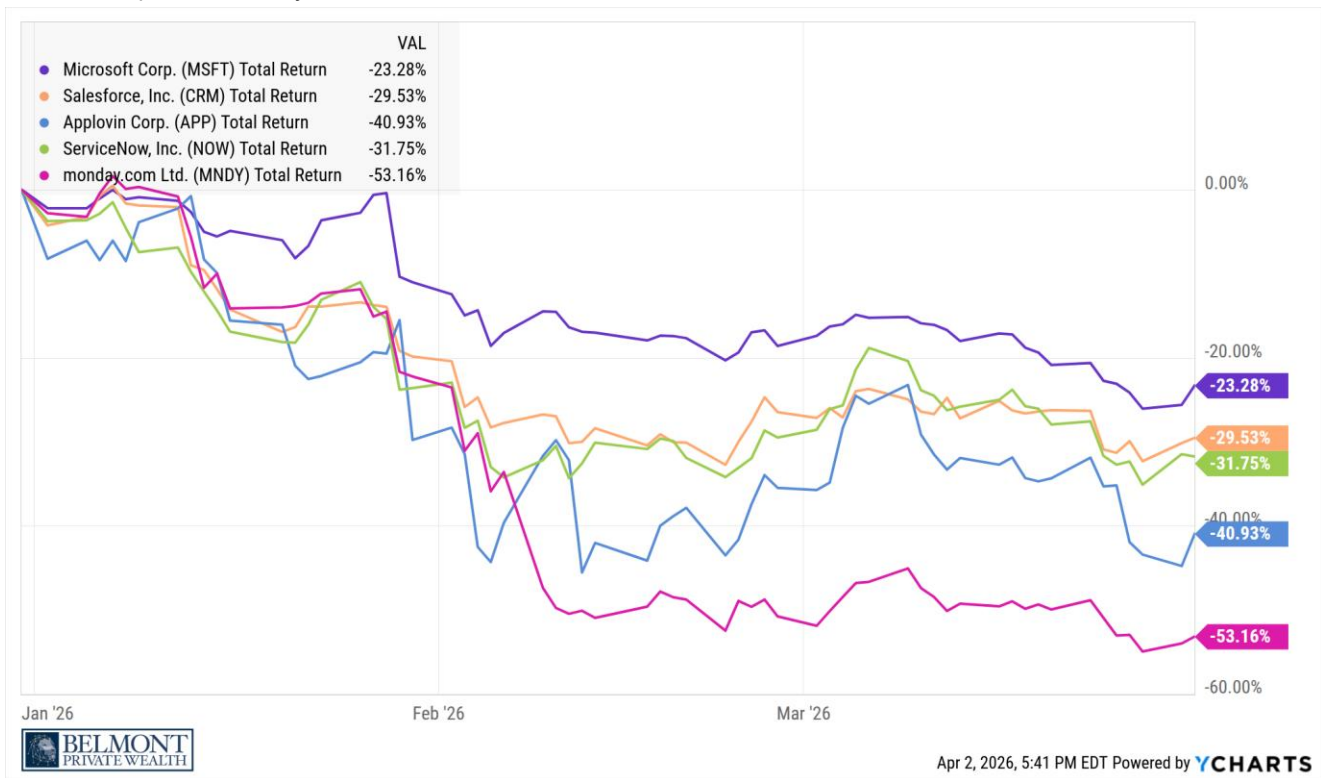


Summary: Stock indexes had a rough start to the year, with index performance hovering between 0% to -10%. The primary driver, the Iran War, is likely to cause more choppy trading in the near future. Aside from geopolitics, Q1 gave investors plenty to react to: more AI disruption headlines, commodity price swings, and dramatic underperformance within the software sector. We break down each below.

Key Things to Know About Q1 2026

1. The “Software Apocalypse”

One of the biggest stories of Q1 is a repricing of software stocks. What began as valuation concerns evolved into a broader question about which software platforms will retain pricing power to remain competitive in the emerging AI world. Many stocks saw their valuation multiples cut in half when AI models proved they could build software applications with a simple description from a user. In the last 12 months, for example, Salesforce’s price to earnings ratio (P/E) has fallen from the mid-40’s to low 20’s¹. Investors fear that the disappearing moat around software will put downward pressure on, or in some cases eliminate, the cost of software licenses. Below are five of the more well-known software stocks and their performance year-to-date:



With the future unclear, the market is pricing in a radical shift in the software sector. This shift is exactly why we avoid large concentrations in individual stocks or market sectors, no matter how appealing the growth story. Years of outperformance can get wiped out in as little as 3 months.

2. The Century Bond – Google Issues Bond Maturing in 2126.

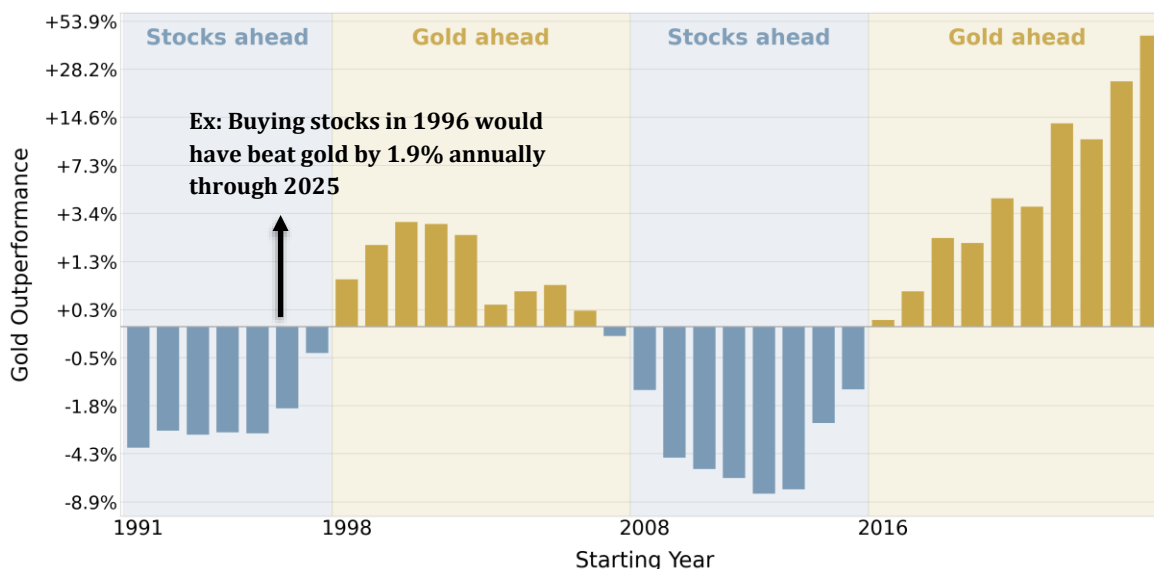
In February, Google issued a bond that matures in 2126 as part of a larger, \$30B+ offering. The bond deal was oversubscribed, with demand exceeding supply by 10x⁵. Big tech continues to issue huge amounts of debt, and investors are flocking to it.

Google’s “Century Bond” is a drop in the bucket overall, but adds to the story around big tech’s shifting business. A key driver of tech valuations has historically been a very asset-light balance sheet, and high returns on capital. They owned networks, IP, and code rather than infrastructure and equipment. It’s the model that pushed them to occupy the top eight slots in the S&P 500¹. As they begin to shift away from the asset-light model and add billions in debt and infrastructure to their balance sheet, they look more and more like an industrial-tech hybrid. Is this what the new high-growth stock of the future looks like? Research by Dimensional Fund Advisors found that once a stock enters the top 10 companies by size, it tends to underperform the market by 1.5% annually over the next decade. History shows the top performers almost always change, the question is who replaces them. Let’s see where Google stands when its century bond matures in 2126.

3. Gold & Performance Cycles

Gold has handily outperformed stocks in recent years, driven by inflationary pressures, physical demand, and a weakening dollar. The historic run vs. stocks has investors asking whether they should own more gold. Most headlines today focus investors on chasing recent outperformance, but when you zoom out, history can tell a different story.

Performance comparisons depend significantly on what year you start. Gold prices for example were essentially flat from 1979 all the way to 2006, after experiencing a dramatic run in the 1970’s¹. Yet many analyses look back only 20-25 years and begin at the height of the tech stock bubble. To get a better understanding of how the narrative changes, we charted performance beginning every year from 1991-2025. The result shows different cycles depending entirely on the starting



year. If you bought in any year from 1991-1997, stocks would beat gold. If you bought in any year from 1998-2007, gold beats stocks, etc. The primary take away is not to chase performance, but to maintain a prescribed allocation through the peaks and valleys of each cycle.

4. Are Layoffs Really Due to AI, or Just Overhiring?

Tech layoffs continue to make headlines, with Amazon, Meta, Oracle, Block, and more cutting jobs this year, citing AI as a driver. The most aggressive cuts (40% of the workforce) came from Block, with CEO Jack Dorsey specifically pointing out “advancements in AI” as the reason. Taken at face value, it sounds as if AI is already replacing large groups of workers.

They are not...at least not yet. According to data from WARN notices and industry trackers like TrueUp, only about 20% of the recent layoffs are tied to AI investment/implementation. A 2026 report by Oxford Economics put it plainly, “Firms don’t appear to be replacing workers with AI on a significant scale”. The deeper story may be that many companies that hired aggressively during the post-covid recovery are using AI as a convenient narrative to trim excess. Block tripled headcount from 2019-2022²... so is a 40% cut that alarming? It is easier to blame AI than admit you over-hired in 2021. The shift to watch isn’t companies cutting headcount to fund AI, it’s whether AI starts doing the jobs that people used to have. We are not there yet, but the gap is closing. When it does, the layoff headlines will look very different.

“This entire labor displacement thing is 100% incorrect ... and now they all have the silver bullet excuse – it’s AI”

Marc Andreessen

5. The “Largest Oil Supply Disruption in History”

The International Energy Agency (IEA) declared the strait of Hormuz closing the largest oil supply disruption in history. Crude Oil prices have increased 79% since the beginning of Q1¹, easily topping \$100/barrel. Rather than the size of the disruption, the impact on stock and bond markets depends mostly on how long prices are expected to stay elevated. Prolonged shortages like 1973 and 1979 caused steep downturns, while the short-lived gulf shock in 1990 is hardly noticeable on a chart.

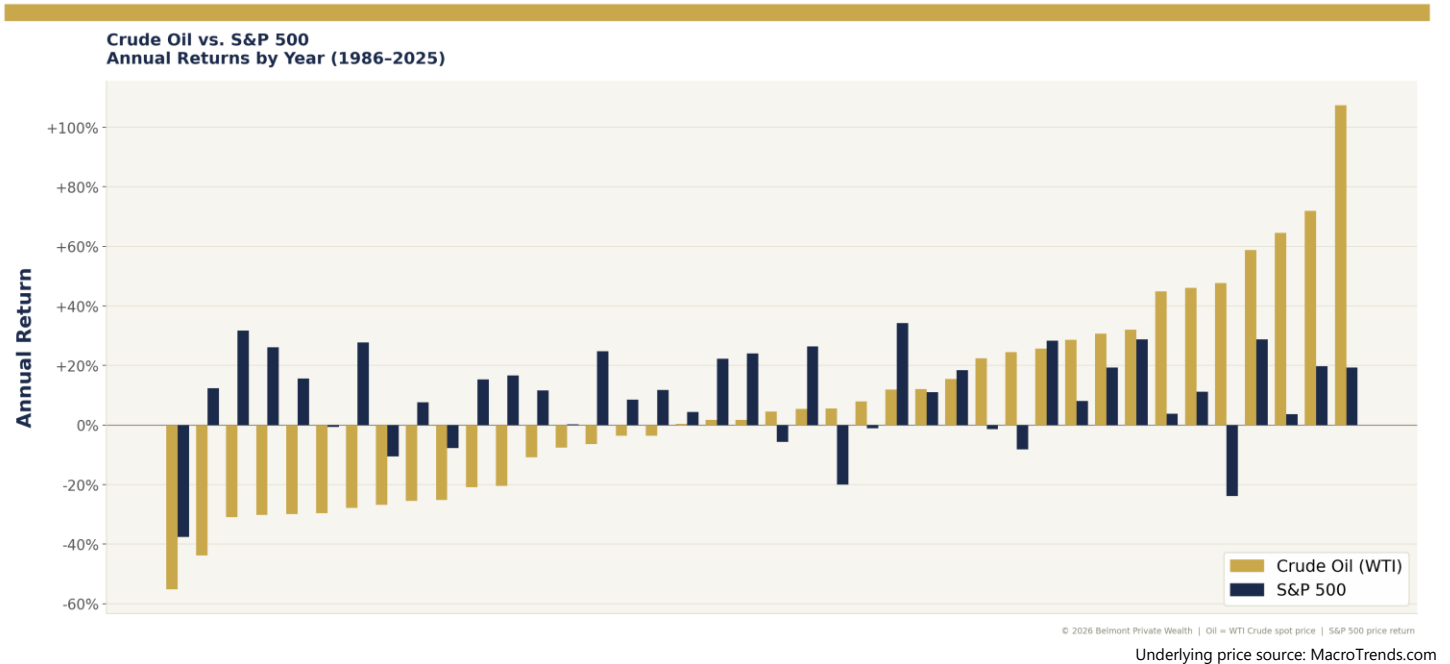
Arguably, the US is in a better position than it was in the 1970’s. It has since taken steps to insulate the economy from foreign oil, but that doesn’t make the US immune from the side effects:

- The US is the largest oil producer in the world, and on a net basis we export more than we consume. But due to geography, logistics, efficiency and differences in oil “types”, we still import about 35% of the oil we use (mostly from Canada)³.
- Only 2.5% of our oil consumption comes from the Persian Gulf³, but even if supply is uninterrupted, the price is subject to global markets. An oil shortage anywhere increases the price everywhere. Just because our supply lines are open, doesn’t mean gas prices will stay the same.

Most base case scenarios have the current shock shaving a few tenths off GDP growth, and bumping inflation by a similar amount⁴. For now, this looks less like a repeat of the 1970’s and more like a large but temporary headwind. We expect staying invested and diversified will yield better results than repositioning for a full-blown energy crisis.

Chart of the Quarter: How the Stock Market Reacts to Oil Prices

The chart below shows oil prices alongside the S&P 500 going back to 1986. The pattern, or lack of one, speaks for itself. In years when oil surged or collapsed, stock returns went in an unpredictable direction. Repositioning your portfolio around oil prices is a guessing game.



Sources

¹YCharts, ²MacroTrends, ³EIA.gov, ⁴S&P Global, ⁵Bloomberg, ⁶Investing.com

Disclosures

Belmont Private Wealth, LLC ("Belmont") is a registered investment advisor registered with the Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training.

This communication is for informational purposes only and is not intended as tax, accounting or legal advice, as an offer or solicitation of an offer to buy or sell, or as an endorsement of any company, security, fund, or other securities or non-securities offering. This communication should not be relied upon as the sole factor in an investment making decision.

Past performance is no indication of future results. Investment in securities involves significant risk and has the potential for partial or complete loss of funds invested. It should not be assumed that any recommendations made will be profitable or equal the performance noted in this publication.

The information herein is provided "AS IS" and without warranties of any kind either express or implied. To the fullest extent permissible pursuant to applicable laws, Belmont Private Wealth, LLC disclaims all warranties, express or implied, including, but not limited to, implied warranties of merchantability, non-infringement, and suitability for a particular purpose.

Quarterly Recap

Q1 2026



All opinions and estimates constitute Belmont's judgement as of the date of this communication and are subject to change without notice. Belmont does not warrant that the information will be free from error. The information should not be relied upon for purposes of transacting securities or other investments. Your use of the information is at your sole risk. Under no circumstances shall Belmont be liable for any direct, indirect, special or consequential damages that result from the use of, or the inability to use, the information provided herein, even if Belmont or a Belmont authorized representative has been advised of the possibility of such damages. Information contained herein should not be considered a solicitation to buy, an offer to sell, or a recommendation of any security in any jurisdiction where such offer, solicitation, or recommendation would be unlawful or unauthorized.