

Delta Has An Ace In The Hole

On Wednesday, Delta Airlines announced it beat earnings expectations and, more importantly, its CEO maintained previous forward guidance despite the sharp increase in jet fuel prices. Delta CEO Ed Bastian cited a \$2 billion quarterly fuel headwind caused by the conflict. While that added expense should weigh on earnings, Delta has a unique hedge that its competitors lack.

Delta owns Monroe Energy, a refinery it acquired in 2012. At the time, many in the media mocked Delta for buying into a business it knew nothing about. 14 years later, that bet is paying off in spades. Its refinery, located near Philadelphia, is expected to generate a \$300 million benefit this quarter alone. When jet fuel prices spike, most airlines are pure price-takers, and unless they can boost ticket prices without losing sales, it hits their bottom lines. However, because of its refinery, Delta has a partial natural hedge baked into its cost structure. The refinery blunts the impact of higher fuel prices. Importantly, today, when many airlines are poorly hedged, the competitive advantage afforded to Delta pays large benefits.

Even if oil prices collapse further and Delta's refinery hedging benefit is not meaningful, the episode is a reminder that in commodity-exposed industries, vertical integration can be the difference between crisis and competitive advantage. The table below shows that Delta's refinery paid large benefits to its shareholders compared to other airline shareholders.

US Airline Stock Performance Since Iran War (Feb 27, 2026)						
	Company	Type	Feb 27 Close	Current Price	\$ Change	% Return
DAL	Delta Air Lines	Legacy	\$65.72	\$65.62	-\$0.10	-0.2%
UAL	United Airlines	Legacy	\$106.61	\$91.67	-\$14.94	-14.0%
AAL	American Airlines	Legacy	\$13.07	\$10.84	-\$2.23	-17.1%
LUV	Southwest Airlines	Domestic	\$50.09	\$37.87	-\$12.22	-24.4%
ALK	Alaska Air Group	Domestic	\$55.30	\$39.79	-\$15.51	-28.0%
JBLU	JetBlue Airways	Low-Cost	\$5.49	\$4.55	-\$0.94	-17.1%
ULCC	Frontier Group	Ultra Low-Cost	\$4.50	\$3.62	-\$0.88	-19.6%
SKYW	SkyWest Inc.	Regional	\$100.00	\$92.63	-\$7.37	-7.4%
ALGT	Allegiant Travel	Ultra Low-Cost	\$92.00	\$80.74	-\$11.26	-12.2%
SNCY	Sun Country Airlines	Low-Cost	\$19.50	\$16.54	-\$2.96	-15.2%
JETS	US Global Jets ETF	ETF	\$30.50	\$24.99	-\$5.51	-18.1%

What To Watch Today

Earnings

- No earnings releases today.

Economy

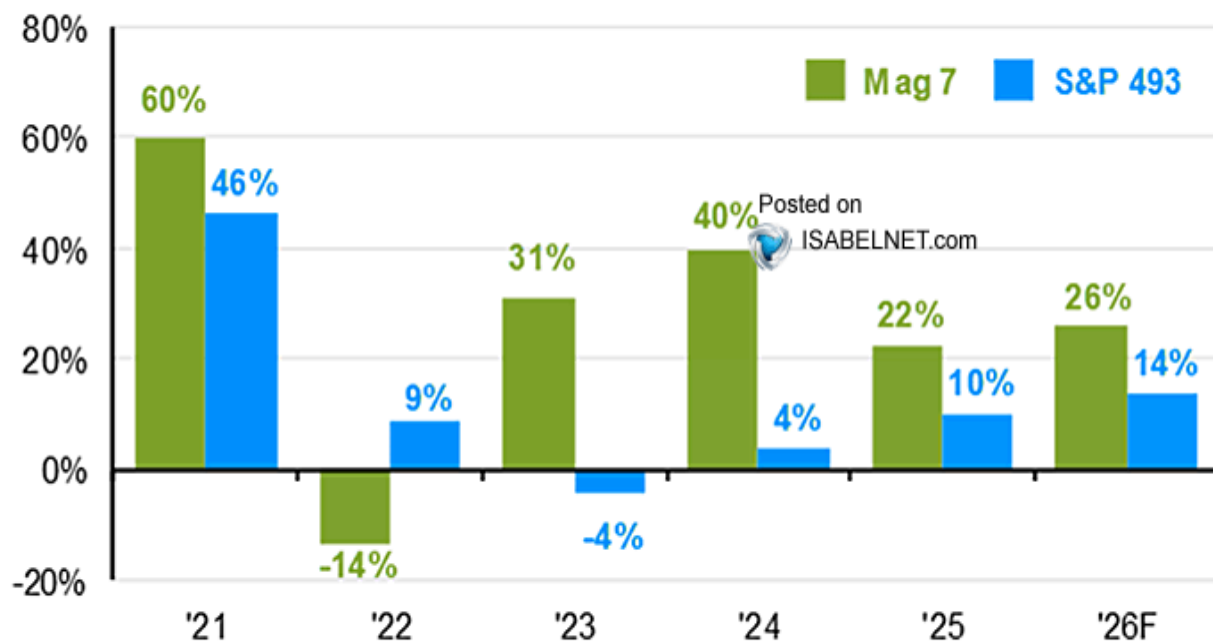
Friday April 10 2026			Actual	Previous	Consensus	Forecast		
07:30 AM	US	Core Inflation Rate MoM MAR		0.2%	0.3%	0.3%		
07:30 AM	US	Core Inflation Rate YoY MAR		2.5%	2.7%	2.7%		
07:30 AM	US	Inflation Rate MoM MAR		0.3%	0.9%	0.8%		
07:30 AM	US	Inflation Rate YoY MAR		2.4%	3.3%	3.2%		
07:30 AM	US	CPI MAR		326.79	330.41	329.7		
07:30 AM	US	CPI s.a MAR		327.460		330.1		
09:00 AM	US	Michigan Consumer Sentiment Prel APR		53.3	52	52.3		
09:00 AM	US	Factory Orders MoM FEB		0.1%	-0.2%	-0.2%		
09:00 AM	US	Factory Orders ex Transportation FEB		0.4%		0.3%		
09:00 AM	US	Michigan 5 Year Inflation Expectations Prel APR		3.2%		3.4%		
09:00 AM	US	Michigan Consumer Expectations Prel APR		51.7		51		
09:00 AM	US	Michigan Current Conditions Prel APR		55.8		54.2		
09:00 AM	US	Michigan Inflation Expectations Prel APR		3.8%		4.0%		

Market Trading Update

Yesterday, we discussed the market's rally back above the 200-DMA, which was accomplished in less than 4 weeks, which bodes well for returns over the next 3-6 months. Notably, next week, Wall Street heads into Q1 2026 earnings season with unusually high expectations.

The headline numbers look constructive. FactSet confirms that 59 S&P 500 companies issued positive EPS guidance for Q1 2026, the highest count in five years and well above the five-year average of 44. Revenue guidance is even more aggressive: 77 companies issued positive guidance, a record high since 2006. Analysts now expect 13.2% year-over-year average earnings growth in Q1, which, if it holds, would mark the sixth consecutive quarter of double-digit growth.

Year-over-year earnings growth



source: J.P. Morgan

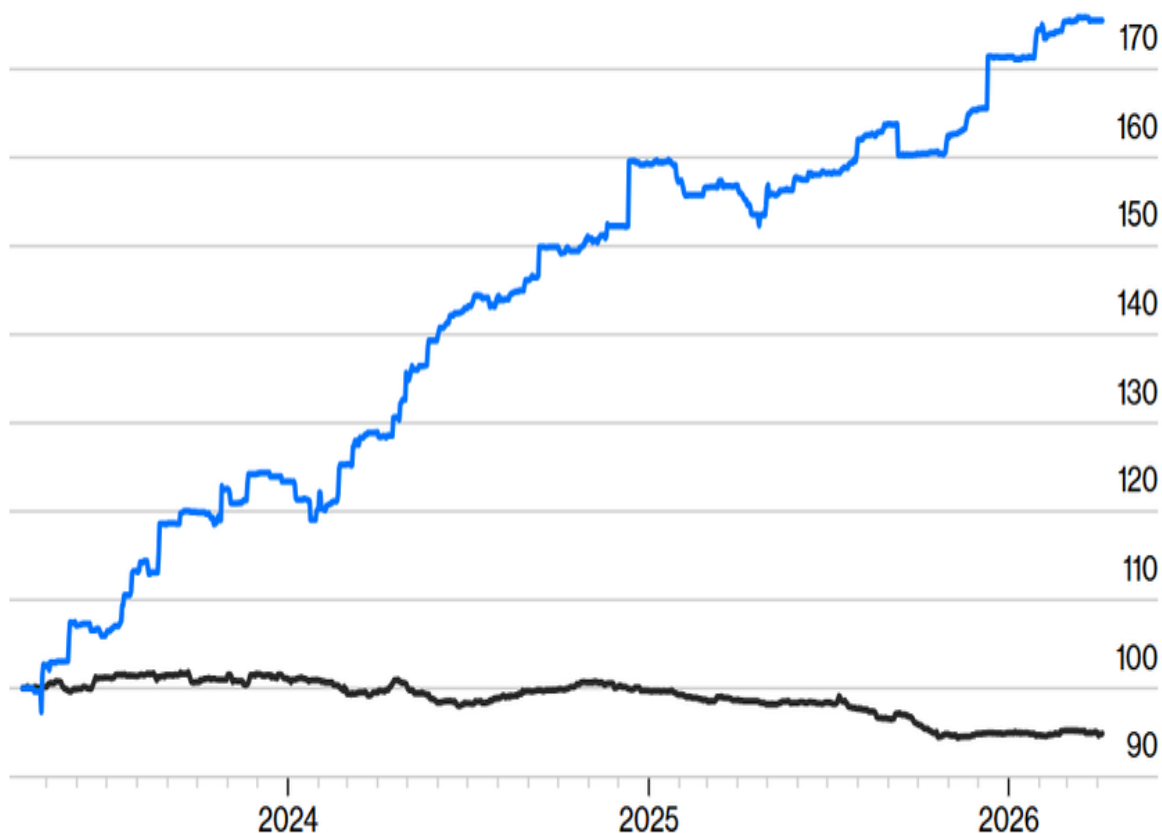
That sounds bullish. Here's the problem.

Strip the headline and the story narrows fast. Most of the upward revision to Q1 estimates since December 31 is concentrated in two sectors: Information Technology and Energy. Outside those two, only Financials has recorded any increase in dollar-level earnings at all and that increase is 0.4%. Nine of eleven sectors are essentially trading water on estimates. That's not a broad earnings recovery. That's two sectors wearing a market-wide costume.

Magnificent Earnings Prospects

Expectations for the biggest tech groups do nothing but grow

▲ Magnificent Seven Est. Q1 EPS ▽ Other 493 Est. Q1 EPS



Source: Bloomberg Earnings Estimates Graphs

Another positive note is that while the mainstream media has been fretting over the Iran crisis, the markets have already been repricing. Analysts have revised estimates higher through Q4 into Q1. At the same time, forward P/E ratios have fallen from near 24x earnings to 19.8, which is only slightly above the ten-year average of 18.9. It is likely that even inline estimates will be rewarded. Although forward guidance will matter significantly, as Nike (NKE) proved last week with its forward warning.

As such there are three things to watch: guidance language on the full year, whether earnings beat broaden beyond IT and Energy, and what consumer-facing companies say about household spending after months of elevated energy prices.

The Q1 number matters less than what management teams say about Q4. Pay attention to your position sizing going into next week.

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Fed Minutes: Wait, Watch, And Stay Nimble

The FOMC released minutes from its March 18th meeting. The minutes generally followed what we learned from Powell on that same day. Simply, the Fed will wait, watch, and stay nimble. The Iranian conflict is temporarily clouding the inflation picture, making it wise, in their opinion, to do nothing until they know more. As we share below, the market is betting they do not touch rates for at least the next two meetings.

On inflation, the Fed appears uncomfortable. Core PCE was running at 3.1% in January, and the surge in oil prices from the Iranian conflict pushed near-term inflation expectations sharply higher. The vast majority of participants agreed that progress toward 2% could be slower than expected and that upside inflation risks had increased. Regarding its impact on the Fed Funds rate, they note:

Some participants judged that there was a strong case for a two-sided description of the Committee's future interest rate decisions in the postmeeting statement, reflecting the possibility that upward adjustments to the target range for the federal funds rate could be appropriate if inflation were to remain at above-target levels.

While the inflation outlook warrants concern and hawkishness, the labor market outlook is a cause for rate cuts. Job growth remained low and concentrated in a narrow set of sectors. Several participants noted vulnerability to further softening, particularly as companies signaled hesitancy to hire amid uncertainty about AI and geopolitical stress. To wit:

Many participants cited evidence from business contacts and surveys suggesting that firms were likely to delay or reduce hiring in anticipation of AI adoption

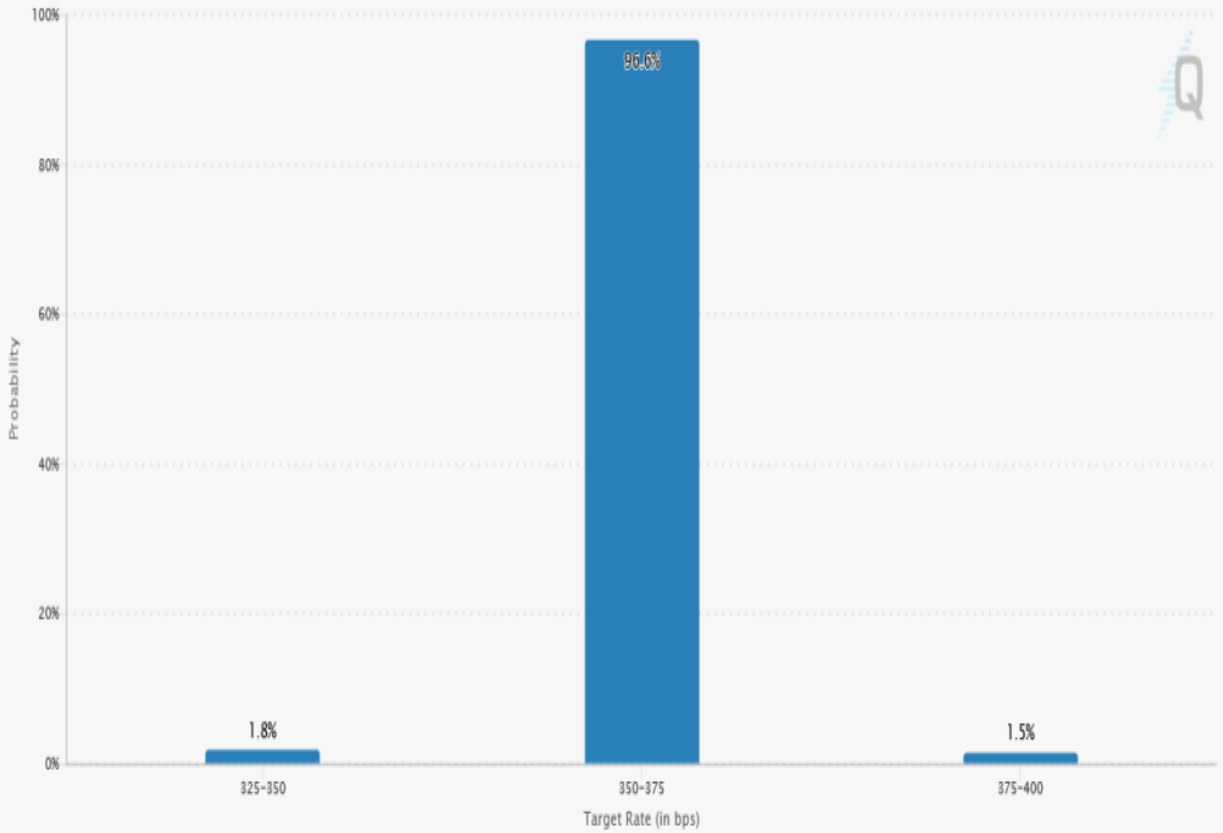
With the cease-fire and sharp decline in oil prices, the outlook in these minutes may be outdated. Stay tuned!

29 Apr26 17 Jun26 29 Jul26 16 Sep26 28 Oct26 9 Dec26 27 Jan27 17 Mar27 28 Apr27 9 Jun27 28 Jul27 15 Sep27 27 Oct27 8 Dec27

MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	HIKE
17 Jun 2026	ZQM0	30 Jun 2026	96.3575	25,877	188,428	1.8 %	96.6 %	1.5 %

Target Rate Probabilities for 17 Jun 2026 Fed Meeting

Current target rate is 350-375



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW*	1 DAY 8 APR 2026	1 WEEK 2 APR 2026	1 MONTH 9 MAR 2026
300-325	0.0%	0.0%	0.0%	3.4%
325-350	1.8%	2.0%	5.7%	33.3%
350-375 (Current)	96.6%	97.0%	94.3%	63.2%
375-400	1.5%	1.0%	0.0%	0.0%

* Data as of 9 Apr 2026 06:51:45 CT

Tweet of the Day



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Great article by [@johnauthers](#), whom I suggest you read regularly, offering a very good overview of yesterday's market surge. However, a key point is that EPS forecasts for Bloomberg's indexes for the Magnificent Seven tech platforms and the so-called "Other 493" large-cap groups. They've done nothing but grow for the hyperscalers, while hopes for everyone else have actually declined.

The whole article is a good read.

[bloomberg.com/opinion/newsle...](https://www.bloomberg.com/opinion/newsletters)



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