

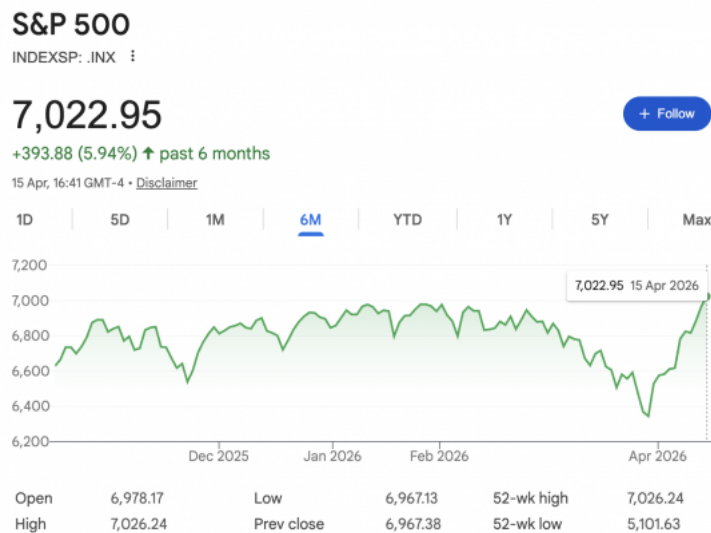
Funding the Future

The S&P 500 loses touch with reality

Published: April 16, 2026, 6:31 am

As the [New York Times](#) reports this morning:

The S&P 500 hit a fresh record high on Wednesday, reflecting investors' optimism that a peace deal would be reached before the war in Iran could inflict significant damage on corporate America.



The benchmark stock index, which is widely watched across the world as a barometer of the health of the U.S. market, rose about 0.8 percent to close above 7,000 and higher than its previous peak, reached in January. The index had already erased its losses during the war in Iran and now sits 2 percent higher than it was before the fighting began in late February.

This is insane.

Firstly, the war in Iran is not over as yet. In fact, it still has the inherent possibility of significantly escalating as a result of attacks on oil supply lines to China and the failure of peace negotiations.

Secondly, to pretend, as is implicit in this supposed price signalling, that this war will have no long-term economic consequences for the USA is utterly ridiculous. It will. People in the USA have already seen dramatic increases in fuel prices. This will have a significant impact on US inflation. That will also, most certainly, reduce demand for other goods and services within the US economy, meaning that a recession is likely.

And, there appears to be no consideration in the stock market evaluation of the risk of serious food shortages arising with a major impact on the US economy as a consequence, even if it is less dependent upon Middle Eastern fertiliser supplies than other countries, as far as I can work out.

This war does, then, offer no reasons for encouragement within the US domestic economy.

Thirdly, the only sector where it might be said that there is a prospective term is in defence. If that is the case, and the reason for what is happening, then the US stock market is celebrating what is always true, which is that war waged with the intention of seeking to oppress is always good news for those in the powerful elite who consolidate their positions as a consequence.

Is my interpretation wrong? I do not think so. As the same article in the New York Times noted, the increase in the value of the index is hard to understand in light of comments from the International Monetary Fund yesterday. As they reported:

The International Monetary Fund said on Tuesday that disruptions to oil markets could slow growth, fuel inflation and raise the possibility of a global recession. Even if the war is short-lived, the damage to the global economy has been done, the I.M.F. warned as it cut its forecasts for economic growth.

So what is this index increase all about? It is that the supposed benefit of price signalling that stock markets are meant to supply, [as discussed in my video on Monday](#), is wholly illusory. I stand by my belief that stock markets provide an indication of nothing but the irrationality of those with wealth living lives detached from reality.