

Chart of the Day

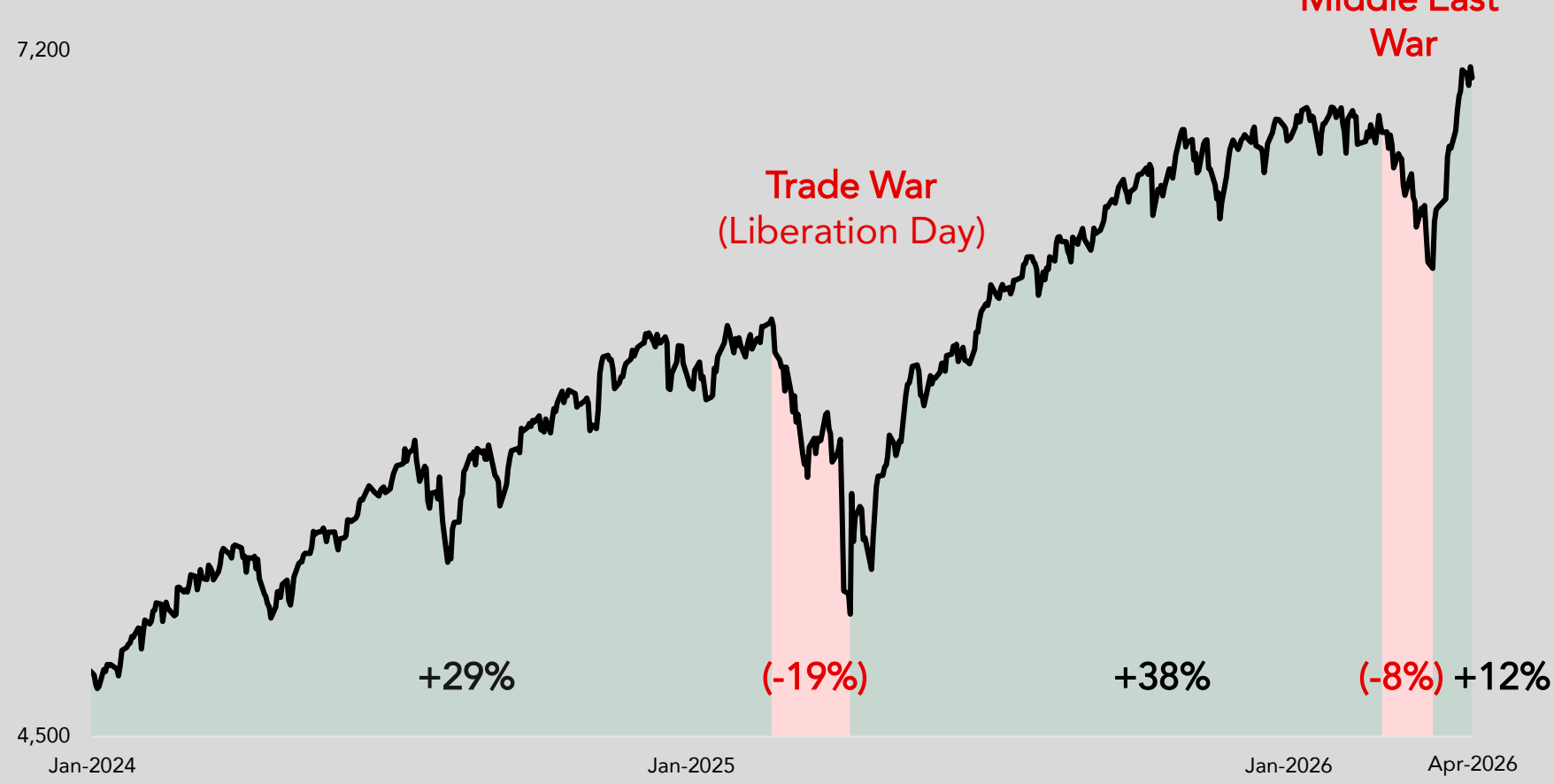
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AI & Earnings > Left Side Tail Risk (For Now)

Over recent years, equities have continued to grind higher throughout the trade war, Fed uncertainty and geopolitical shocks as the balance of forces has consistently favored earnings growth, AI-driven capex and easier financial conditions over left-tail global macro risk. While the “wall of worry” remains formidable, fundamentals (GDP growth, earnings) have remained resilient. Defensive positioning has also underperformed during the shocks of recent years, strengthening the fear of missing out (FOMO) dynamic in risk assets. In our view, sustained closure, or a slow return to normalization of traffic flow, in the Strait of Hormuz will pose a significant threat to this narrative as the year progresses.

S&P 500

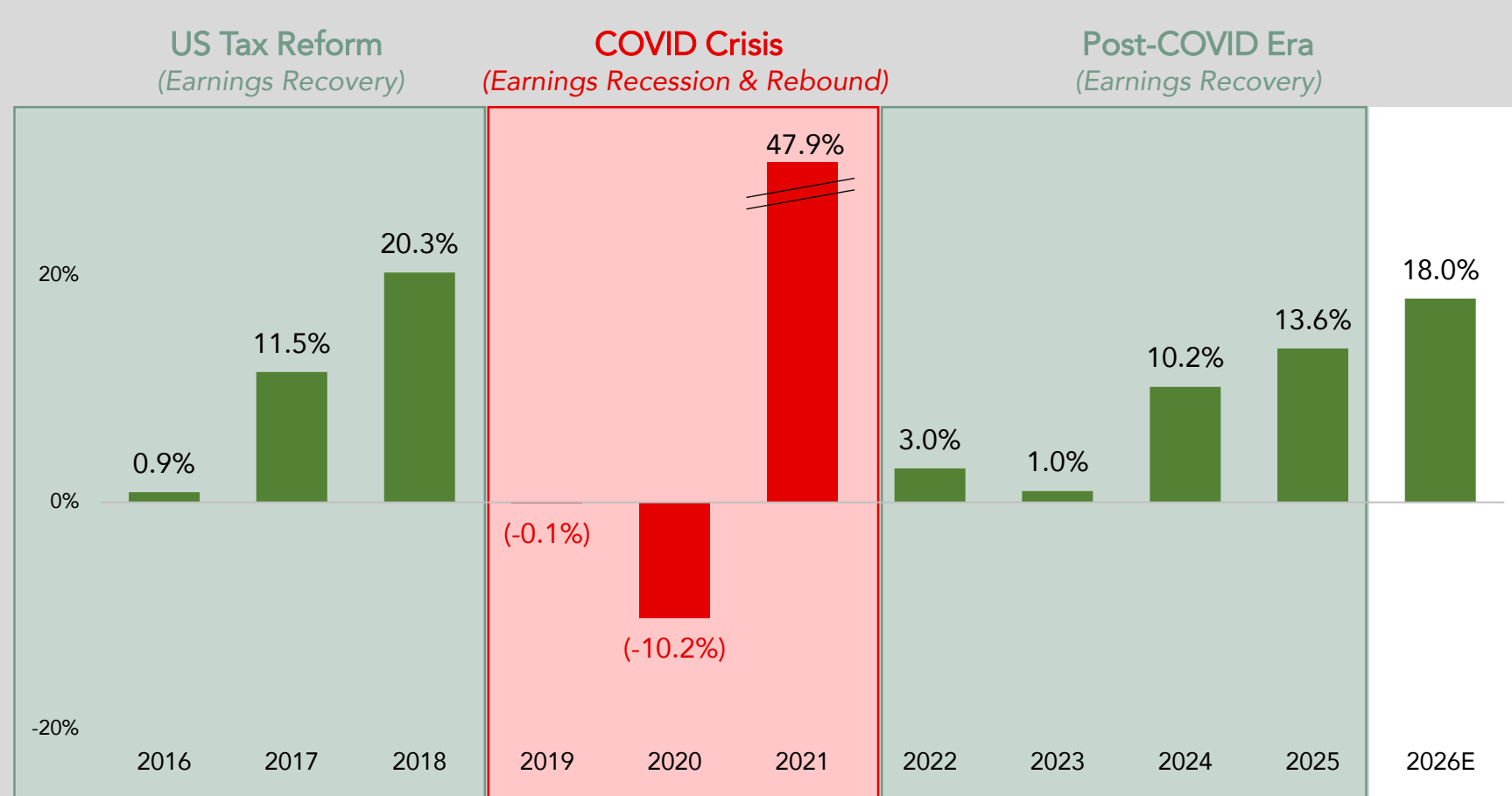


Source: (1) Bloomberg, Data as of April 23, 2026.

Corporate Earnings Remain Strong Despite Uncertainty

Despite elevated geopolitical uncertainty, S&P 500 earnings have enjoyed strong double-digit growth for three straight years, driven by a combination of mega-cap tech AI, corporate margin resilience and a broadening of profit growth across more cyclical sectors. While 2023 and 2024 were driven more by multiple expansion, equity returns in 2025 and 2026 have been driven more by strong earnings. By historic standards, corporations have also been able to maintain elevated profit margins due to continued pricing power, automation and early AI-driven productivity gains.

S&P 500 annual earnings growth, y/y

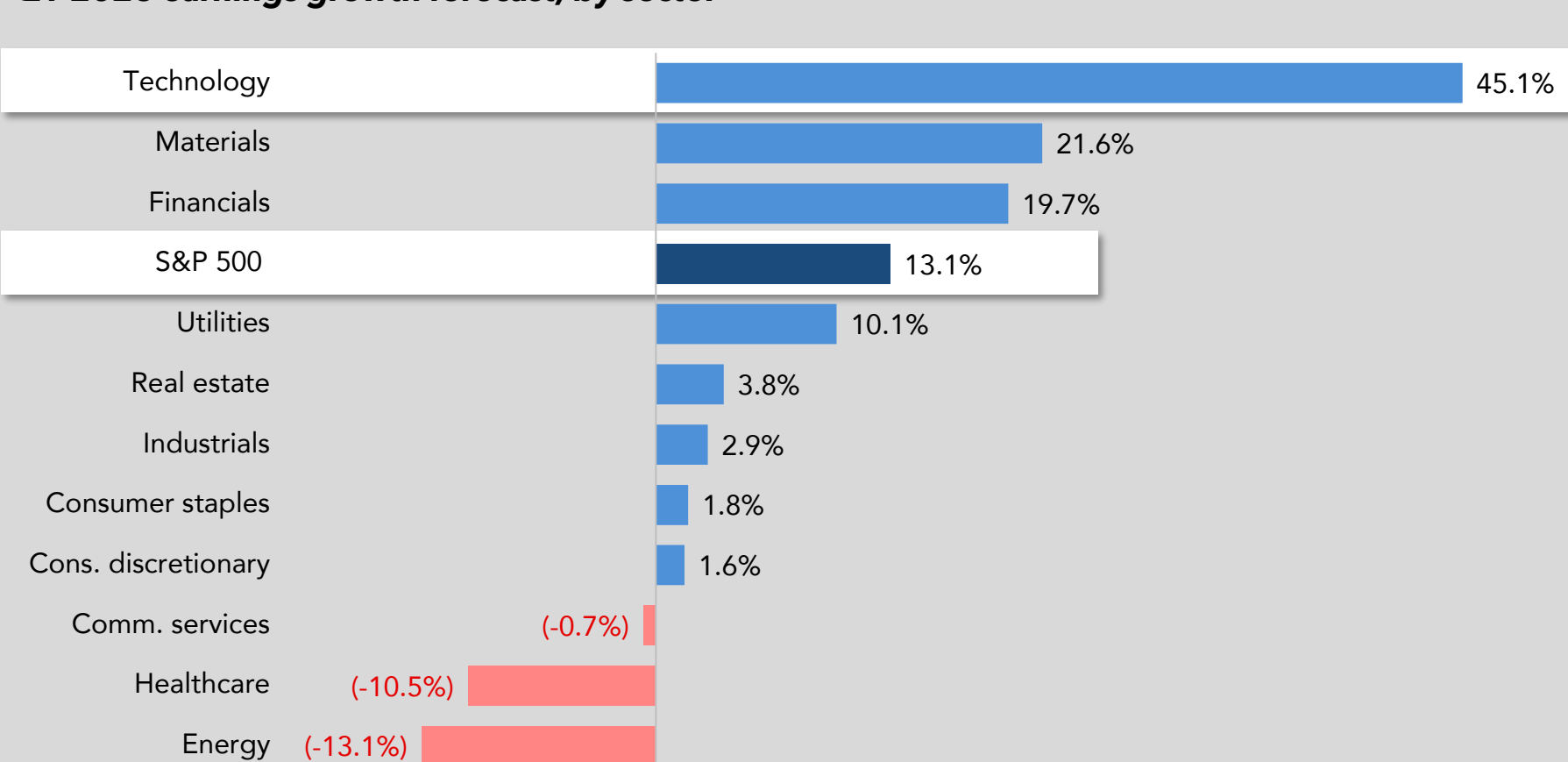


Source: (1) FactSet, Earnings Insight Report (April 17, 2026).

Tech Sector Driving S&P 500 Earnings Growth

Eight of 11 S&P 500 industry sectors are projected to post positive EPS growth in Q1 2026, with the high growth, AI-driven tech sector doing the heavy lifting, followed by materials and financials. Key drivers of the outperformance in tech include AI-related investments, strong semiconductor demand and cloud / software monetization. All 11 sectors are expected to report revenue growth on the quarter. The percentage of companies beating estimates and the magnitude of positive surprises are also running above recent averages.

Q1 2026 earnings growth forecast, by sector

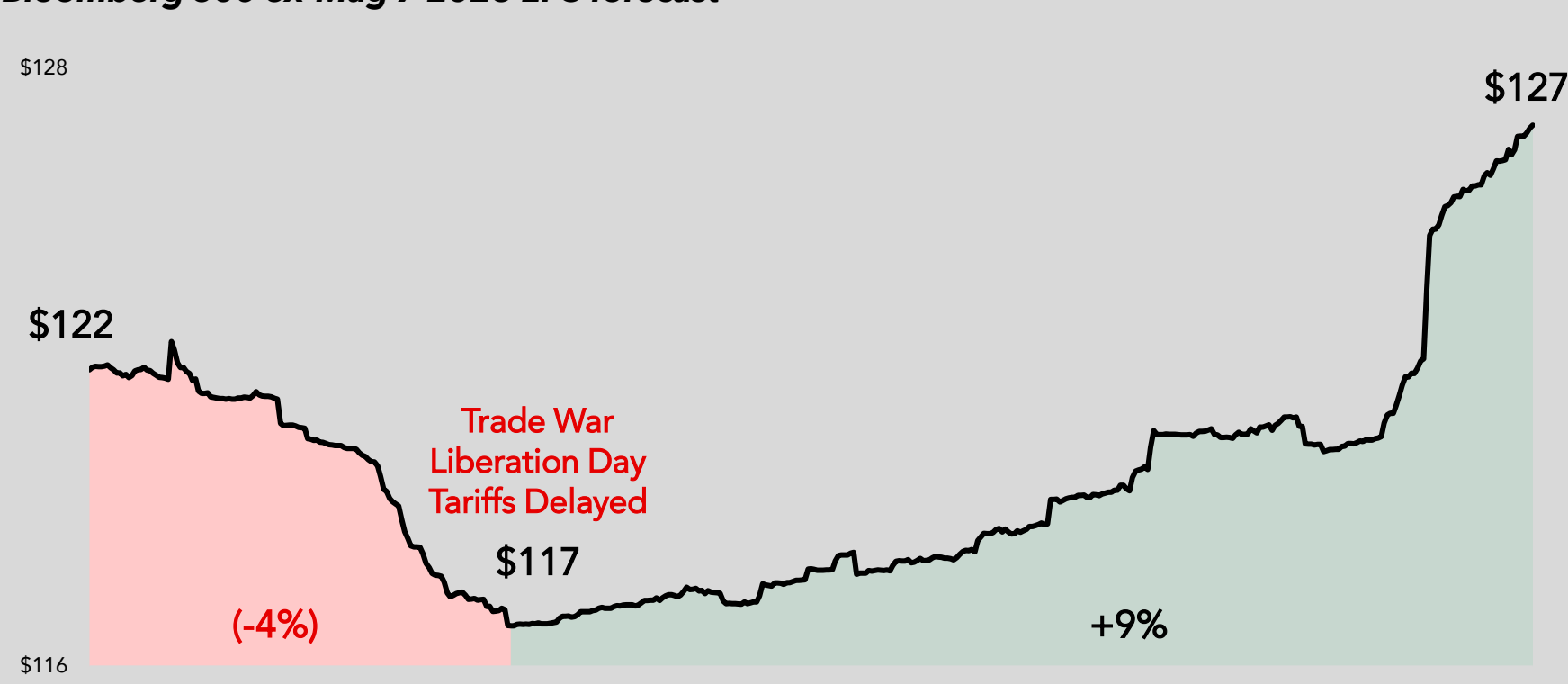


Source: (1) FactSet, Earnings Insight Report (April 17, 2026).

2026 Earnings Revised Higher

Since the Liberation Day shock in April 2025, expectations for 2026E corporate earnings have reversed the initial sharp markdown of the trade war and are now 12 months into a persistent upward revision cycle. Notably, companies have proven more nimble and resilient than previously feared, while the forward profile for the tech and energy sectors continues to improve. Regarding the trade war specifically, companies have pivoted supply chains, renegotiated with suppliers and passed on selected costs to customers in a manner that has maintained profit margins and growth. Nonetheless, sustained Hormuz closure remains high risk for the current stasis across the economy, corporate earnings and markets.

Bloomberg 500 ex-Mag 7 2026 EPS forecast



Source: (1) Bloomberg, Data as of April 23, 2026.

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“Macro stability isn’t everything, but without it, you have nothing.”