

SUMMARY OF LAST WEEK

US stock markets extended their winning streak to their sixth consecutive week of gains, with the S&P 500 rising **2.33%** to close at a record high of 7,398.93, while the Nasdaq Composite surged **4.5%** to 26,247.08, while the Dow Jones Industrial Average lagged behind with a modest weekly gain of **0.2%**, marking the longest winning streak since 2014 for both the S&P 500 and the Nasdaq. The Bureau of Labor Statistics reported on Friday that nonfarm employment increased by 115,000 jobs in April, substantially exceeding the consensus forecast of 55,000 to 65,000 jobs, while the unemployment rate remained steady at 4.3%. This shows that the labor market had reached a point where only modest job creation was needed to maintain equilibrium, given the minimal growth in the labor force. However, average hourly earnings disappointed with monthly growth of 0.2% and year-over-year growth of 3.6%, compared to expectations of 0.3% and 3.8%, respectively. Revisions showed that February's job losses worsened to 156,000 from 133,000, and March's gains were revised upward.

until 185,000. The fragile truce between the US and Iran deteriorated dramatically midweek when three US Navy destroyers were attacked by Iranian missiles, drones, and small boats as they transited the Strait of Hormuz toward the Gulf of Oman on Thursday; the warships were unhit as US forces eliminated the threats, while on Friday US fighter jets were seen firing precision munitions at the smokestacks of two empty Iranian-flagged tankers—the M/T Sea Star III and the M/T Sevda—that violated the US naval blockade, although President Trump insisted the ceasefire was still in place, downplaying the military clashes as "just a love tap." Oil prices resumed their rally, with Brent crude futures rising 1.20% to \$101.26 a barrel and WTI adding 0.88% to \$95.64, as the military escalation fueled fears that the ceasefire was unraveling, although prices moderated earlier in the week after Defense Secretary Pete Hegseth confirmed that the ceasefire was holding despite attacks from the United Arab Emirates. Results from AI infrastructure companies disappointed, as

CoreWeave's stock price plunged approximately 7% on Friday after announcing first-quarter revenue of \$2.08 billion, compared to the expected \$1.97 billion, but reporting an adjusted loss per share of \$1.12 versus the anticipated \$0.90. The company raised its second-quarter revenue forecast to \$2.45 billion to \$2.6 billion, with a midpoint of \$2.53 billion, below the consensus estimate of \$2.69 billion. CoreWeave also raised its 2026 capital expenditure forecast from \$30 billion to \$35 billion to \$31 billion to \$35 billion amid pressure on component prices, echoing Meta's capital expenditure concerns from the previous week and reinforcing investor anxiety about the profitability of AI infrastructure spending. Federal Reserve officials expressed divergent views, with Chicago Fed President Austan Goolsbee calling the labor market "steady but not good," with unemployment, hiring, layoffs, and vacancies showing little change over the past 18 months, while technology and software stocks continued to drive market gains as investors shrugged off geopolitical risks and focused on the robust earnings momentum of AI-related companies.

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

May 4th

Orders for durable goods

Actual data: 0.8% compared to the forecast of 0.8%

May 5th

Trade balance

Actual figure: \$60.3 billion vs. to the forecast of -\$60.6 billion

S&P Global Services PMI in the U.S.

Actual 51.0 vs. the poll 51.4

S&P Global US Composite PMI

Actual 51.7 vs. poll 52.0

ISM Services Index

Actual 53.6 vs. the poll 53.7

New home sales

Actual 635,000 versus the survey of 636,000

May 8

Change in non-agricultural employment

Actual 115,000 versus the survey of 62,000

Unemployment rate

Actual 4.3% vs. the survey 4.3%

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,757.30	1.78% \bar{y} 6.33%	7.38%
MSCI EM	1,711.25	6.86% \bar{y} 10.58%	21.85%
MSCI EM LATIN AMERICA	3,205.05	0.38% \bar{y} -3.83%	18.30%
MSCI AC ASIA x JAPAN	1,125.63	7.63% \bar{y} 12.65%	23.23%
USA			
S&P 500 INDEX	7,398.93	2.33% \bar{y} 8.54%	8.08%
NASDAQ COMPOSITE	26,247.08	4.51% \bar{y} 14.60%	12.93%
DOW JONES INDUS. AVG	49,609.16	0.22% \bar{y} 3.53%	3.22%
RUSSELL 2000 INDEX	2,861.21	1.72% \bar{y} 8.77%	15.28%
EUROPE			
STXE 600 (EUR) Pr	612.14	0.10% \bar{y} -0.44%	3.37%
Euro Stoxx 50 Pr	5,911.53	0.51% \bar{y} -0.25%	2.07%
DAX INDEX	24,338.63	0.19% \bar{y} 2.25%	-0.62%
CAC 40 INDEX	8,112.57	-0.03% \bar{y} -1.78%	-0.45% US RATES
FTSE MIB INDEX	49,289.54	2.16% \bar{y} 3.53%	9.67%
IBEX 35 INDEX	17,889.40	0.61% \bar{y} -1.73%	3.36%
SWISS MARKET INDEX	13,100.63	-0.27% \bar{y} -0.63%	-1.26%
FTSE 100 INDEX	10,233.07	-1.40% \bar{y} -3.47%	3.04%
ASIA			
NIKKEI 225	62,713.65	3.59% \bar{y} 10.17%	24.58% HY Bonds Spread
HANG SENG INDEX	26,393.71	2.39% \bar{y} 1.93%	2.98%
CSI 300 INDEX	4,871.91	2.39% \bar{y} 5.08%	5.23%
SENSEX	77,328.19	0.54% \bar{y} -0.29%	-9.26%
LATAM			
S&P/BMV IPC	69,855.58	2.94% \bar{y} -0.24%	8.63% EM Local Currency
BRAZIL IBOVESPA INDEX	184,108.29	-1.71% \bar{y} -6.70%	14.26%
MSCI COLCAP INDEX	2,122.70	-2.54% \bar{y} -7.78%	2.64%
S&P/CLX IPSA (CLP) TR	10,758.90	-1.37% \bar{y} -2.87%	2.65%

EQUITIES SECTORS	Last	5 Days	1 Month YTD	
PHILA GOLD & SILVER INDX	384.72	8.87% \bar{y} -5.02%	12.40%	
MSCI WORLD/INF TECH	1,124.51	6.64% \bar{y} 18.77%	15.50%	
MSCI WORLD/MATERIAL	452.79	2.32% \bar{y} -0.65%	14.21%	
MSCI WRLD/COMM SVC	183.63	1.89% \bar{y} 11.21%	10.18%	
MSCI WORLD/CONS DIS	501.10	1.63% \bar{y} 6.00%	-0.35%	
MSCI WORLD/INDUSTRIAL	558.36	0.67% \bar{y} 1.71%	11.78%	
MSCI WORLD/REAL EST	1,145.75	0.14% \bar{y} 2.76%	8.72%	
MSCI WORLD/CON STPL	314.37	-0.60% \bar{y} 0.74%	5.76%	
MSCI WORLD/FINANCEVAL	184.94	-0.65% \bar{y} 0.59%	-0.39%	
MSCI WORLD BANK INDEX	193.05	-0.73% \bar{y} -0.38%	2.90%	
MSCI WORLD/HIGH CARE	371.40	-1.35% \bar{y} -3.34%	-7.02%	
MSCI WORLD/UTILITY	214.17	-3.42% \bar{y} -4.24%	7.47%	
MSCI WORLD/ENERGY	333.85	-5.20% \bar{y} -2.91%	24.90%	
	Last	5 Days Close	12M Close	
2Y	3.88	3.88	0.01 3.87	0.01
5Y	4.00	4.01	-0.01 3.98	0.02
10Y	4.35	4.37	-0.02 4.38	-0.02
	BONDS CREDIT SPREAD	5 Days Close	12M Close	
EM Bonds Spread	216.19	221.4	-5.2 313.40	-97.2
BBB 10yr Spread	170.59	173.0	-2.4 184.72	-14.1
	FIXED INCOME	5 Days	1 Month YTD	
US High Yield	2,954.55	0.05% \bar{y} 0.57%	1.37%	
EM Bonds USD	1,405.26	0.41% \bar{y} 1.02%	1.33%	
CoCos USD	152.68	0.43% \bar{y} 0.94%	0.94%	
IG BBB 3-5yr USD	396.01	0.37% \bar{y} 0.50%	0.07%	
IG AA Corp USD	286.08	0.22% \bar{y} -0.14%	0.66%	

COMMODITIES	Last	5 Days	1 Month YTD
CRB INDEX	389.44	-2.90% \bar{y} 5.45%	30.34%
WTI	95.42	-6.40% \bar{y} 1.07%	66.18%
Brent	104.94	-10.58% \bar{y} -15.73%	68.05%
US Natural Gas	2.76	-0.83% \bar{y} 1.21%	-25.20%
S&P GSCI Precious Metal	6,395.21	2.59% \bar{y} -0.18%	9.90%
Gold	4,715.25	2.19% \bar{y} -0.08%	9.17%
Silver	80.34	6.61% \bar{y} 8.39%	12.11%
Platinum	2,058.68	3.43% \bar{y} 1.25%	-0.09%
Palladium	1,490.62	-2.39% \bar{y} -4.40%	-7.99%
S&P GSCI Industrial Metal Index	618.74	1.80% \bar{y} 3.59%	12.02%
Aluminum	3,503.00	0.83% \bar{y} 1.39%	16.94%
Copper	13,515.39	4.68% \bar{y} 7.16%	8.53%
Nickel	18,691.59	-3.07% \bar{y} 9.29%	13.28%
S&P GSCI Agriculture	379.48	-1.19% \bar{y} 5.34%	7.68%
	Last	5 Days	1 Month YTD
CHF vs USD	0.7766	0.71% \bar{y} 1.91%	2.06%
JPY vs USD	156.6800	0.21% \bar{y} 1.21%	0.02%
CAD vs USD	1.3677	-0.64% \bar{y} 1.24%	0.34%
EUR vs USD	1.1787	0.56% \bar{y} 1.06%	0.35%
GBP vs USD	1.3631	0.35% \bar{y} 1.77%	1.16%
AUD vs USD	0.7246	0.61% \bar{y} 2.87%	8.59%
BRL vs USD	4.8889	1.36% \bar{y} 4.31%	11.99%
MXN vs USD	17.1763	1.63% \bar{y} 1.57%	4.84%
COP vs USD	3,736.90	-2.63% \bar{y} -2.59%	1.09%
CNY vs USD	6.8005	0.41% \bar{y} 0.47%	2.76%
EUR vs CHF	0.9148	0.02% \bar{y} 0.90%	1.74%
DOLLAR INDEX	97.9000	-0.26% \bar{y} -1.24%	-0.43%
BITCOIN	80,357.59	0.53% \bar{y} 10.95%	-8.32%

KEY DATES OF THE NEXT WEEK

May 11

Sales of existing homes

Survey: 4.06 million

May 12

Month-on-month CPI

Survey 0.6%

year-on-year CPI

Survey 3.7%

May 13

Inter-monthly final

demand PPI

Survey 0.5%

May 14

Month-on-month change in retail

sales

Survey: 0.6%

May 15

Month-on-month

industrial production

Survey 0.2%

FIRST QUARTER OF 2026 – FINANCIAL RESULTS

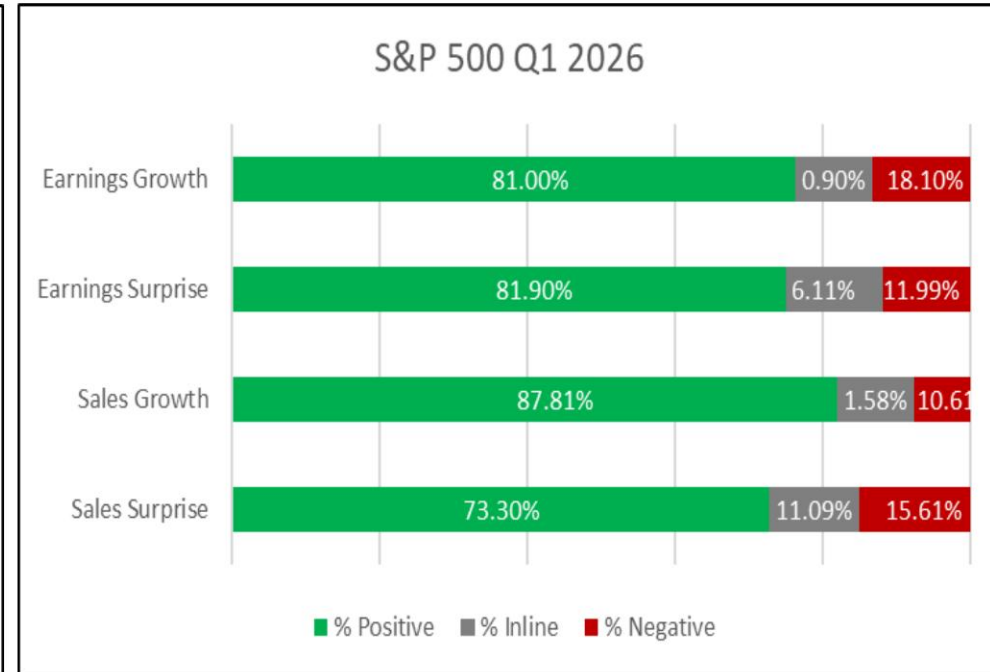
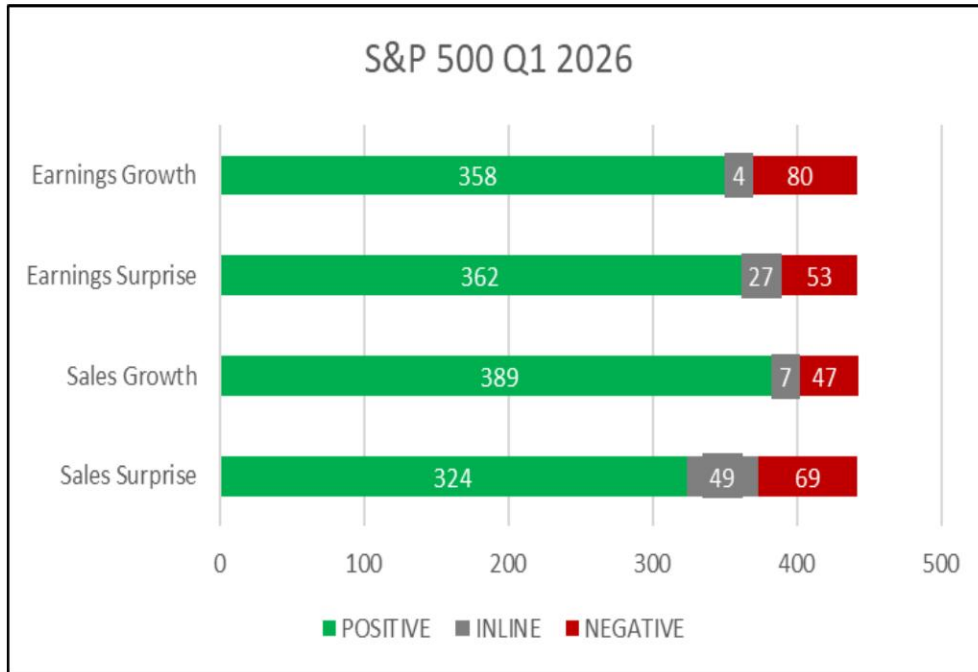
Earnings Growth				
	Positive	Inline	Negative %	
S&P 500	358	4	80	25.28%
Materials	20	0	5	41.72%
Industrials	59	1	12	13.62%
Consumer Staples	17	0	8	6.21%
Energy	15	0	7	1.36%
Technology	44	0	3	41.98%
Consumer Discretionary	24	0	11	48.21%
Communications	16	0	6	46.90%
Financials	77	0	3	23.51%
HealthCare	42	0	12	-3.14%
Utilities	24	0	6	17.28%
Real Estate	20	3	7	13.47%

Earnings Surprise				
	Positive	Inline	Negative %	
S&P 500	362	27	53	17.80%
Materials	20	2	3	17.12%
Industrials	61	5	6	8.48%
Consumer Staples	22	1	2	6.82%
Energy	18	1	3	21.71%
Technology	43	3	1	10.54%
Consumer Discretionary	24	2	9	48.03%
Communications	16	0	7	51.18%
Financials	66	2	11	6.70%
HealthCare	48	2	4	10.19%
Utilities	22	4	4	6.83%
Real Estate	22	5	3	5.36%

Sales Growth				
	Positive	Inline	Negative %	47
S&P 500	389	7		10.43%
Materials	21	0	4	9.03%
Industrials	63	2	7	9.49%
Consumer Staples	19	2	4	10.28%
Energy	15	1	6	4.23%
Technology	44	0	3	23.27%
Consumer Discretionary	28	1	6	10.05%
Communications	21	0	2	14.57%
Financials	72	0	8	9.78%
HealthCare	51	0	3	7.03%
Utilities	29	0	1	11.19%
Real Estate	26	1	3	11.38%

Sales Surprise					
	Positive	Inline	Negative	49 69	%
S&P 500	324				1.91%
Materials	22	1	2		3.08%
Industrials	54	9	9		2.58%
Consumer Staples	19	4	2		1.11%
Energy	16	0	6		2.14%
Technology	40	6	1		2.71%
Consumer Discretionary	22	6	7		1.56%
Communications	14	5	4		1.59%
Financials	48	9	22		1.30%
HealthCare	44	3	7		1.39%
Utilities	23	1	6		5.64%
Real Estate	22	5	3		2.16%

FIRST QUARTER OF 2026 – FINANCIAL RESULTS



LAST WEEK'S RESULTS SEASON

DATE	COMPANY	Value yourself		CURRENT		DIFFERENCE	
		EPS	REV	EPS	REV	EPS	REV
05/01/2026 (AM)	CHEVRON CORP	\$0.90	\$50.61 B	\$1.41	\$48.61 B	57.0%	-4.0%
01/05/2026 (AM)	EXXON MOBIL CORP	\$0.96	\$80.74 B	\$1.16	\$85.14 B	21.1%	5.5%
05/01/2026 (AM)	LINDE PLC	\$4.27	\$8.60 B	\$4.33	B \$5.32	1.5%	2.1%
01/05/2026 (AM)	COLGATE-PALMOLIV	\$0.95	\$5.21 B	\$0.97	B \$93.68	2.6%	2.2%
02/05/2026 (AM)	BERKSHIRE HATH-B	\$7,777.54	\$91.21 B	\$7,889.45	B \$1.63 B	1.4%	2.7%
04/05/2026 (PM)	PALANTIR TECHN-A	\$0.28	\$1.54 B	\$0.33	\$14.45	18.7%	6.2%
05/05/2026 (AM)	PFIZER INC	\$0.73	\$13.84 B	\$0.75	B \$9.18 B	3.0%	4.4%
05/05/2026 (AM)	DUKE ENERGY CORP	\$1.87	\$8.45 B	\$1.93	\$10.25	3.4%	8.6%
05/05/2026 (PM)	ADV MICRO DEVICE	\$1.28	\$9.89 B	\$1.37	B \$4.56 B	6.8%	3.7%
05/05/2026 (PM)	EMERSON ELEC CO	\$1.53	\$4.60 B	\$1.54	\$25.17	0.5%	-0.9%
06/05/2026 (AM)	WALT DISNEY CO/T	\$1.51	\$24.87 B	\$1.57	B \$13.20	3.9%	1.2%
06/05/2026 (AM)	UBER TECHNOLOGIE	\$0.71	\$13.33 B	\$0.13	B -81.7%	-1.0%	
06/05/2026 (AM)	CVS HEALTH CORP	\$2.18	\$94.77 B	\$2.57	\$100.43B	17.9%	6.0%
07/05/2026 (AM)	MCDONALDS CORP	\$2.75	\$6.46 B	\$2.83	\$6.96B	3.0%	0.8%
07/05/2026 (PM)	GILEAD SCIENCES	\$1.91	\$6.91 B	\$2.03		6.4%	0.7%

NEXT WEEK'S RESULTS SEASON

DATE	COMPANY	Value yourself		CURRENT		DIFFERENCE	
		EPS	REV	EPS	REV	EPS	REV
05/11/2026	SIMON PROPERTY	\$3.01	\$1.67 B				
05/13/2026	CISCO SYSTEMS	\$1.04	\$15.57 B				
05/14/2026	APPLIED MATERIAL	\$2.68	\$7.66 B				

IN ON CAPITAL'S VISION

Asset Class	U	N	O
Renta Fija			
Renta Variable			
Alternativos			
Regions (Equity)			
Regions (Equity)	U	N	O
North America			
Europe			
Emerging Markets			
Japan			

Equity Sectors	U	N	O
Consumer Staples			
Health Care			
Telcom Services			
Utilities			
Consumer Disc.			
Energy			
Financials			
Industrials			
Technology			
Real Estate			
Materials			

April 2026 was the strongest month since 2020, and the first week of May propelled the market higher, marking its sixth consecutive positive week and a total return of +17%, the longest winning streak since 2024. Markets are now at their highest level of the year in positive territory, and the consensus is very favorable regarding ESP growth, making valuations more attractive than a few months ago. However, the situation remains fragile, and the current recovery rally should be viewed with caution.

We remain cautious, as markets are still overvalued in the long term, with high expectations based on exceptional first-quarter results, but with a heavy concentration in a few technology companies. The economy was already weakening before the conflict with Iran, and tensions surrounding the Strait of Hormuz have added another layer of economic pressure. The market is perfectly valued, with high expectations.

THE TOPIC OF THE WEEK

Is the market going crazy or is it reflecting a new reality?

The end of the Iranian conflict has shifted the market from risk aversion to full-on risk appetite. Ironically, prices are now higher than before the disruption of the Strait of Hormuz, despite a potentially weaker economic outlook. **Even more surprising, while prices are 5% higher than the previous peak, forward price-to-earnings (P/E) ratios are surprisingly 9% lower than at the beginning of this year** (Chart 1). Despite the increased threat of inflation and the potential negative economic impact of the conflict in the Middle East, analysts are more optimistic than ever. **In fact, earnings per share (EPS) growth expectations for 2026 are now at +21.3%, the highest level in the last decade, excluding the post-COVID downturn** (Chart 2). How can this be explained? Is the market going crazy, or is this simply anticipation of a new reality?

To some extent, the paradox between a deteriorating macroeconomic environment and rising EPS expectations dissipates when we examine what is currently driving the consensus figure. As an initial note, the 2026 consensus figure was reconstructed from first-quarter results, which were mostly released before the situation in Hormuz escalated, and has been extrapolated to the second half of the year. Furthermore, the 27.7% first-quarter earnings growth in 2026 was overwhelmingly concentrated in a handful of large-cap technology companies—Alphabet, Amazon, and Meta alone accounted for roughly 71% of the net dollar increase in S&P 500 earnings—and those companies are largely insulated from the channels through which the Iranian conflict is transmitted to the real economy.

Chart 1: S&P 500 futures P/E ratio (20.98x)

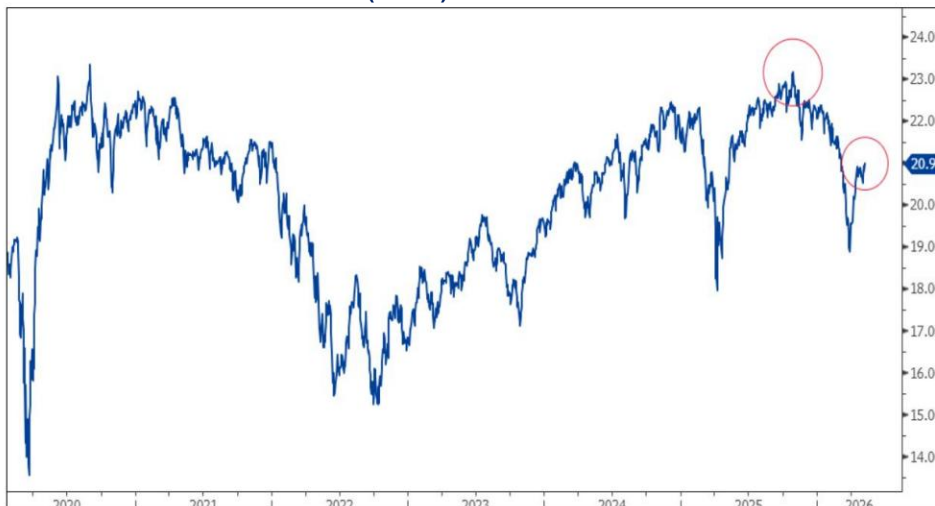
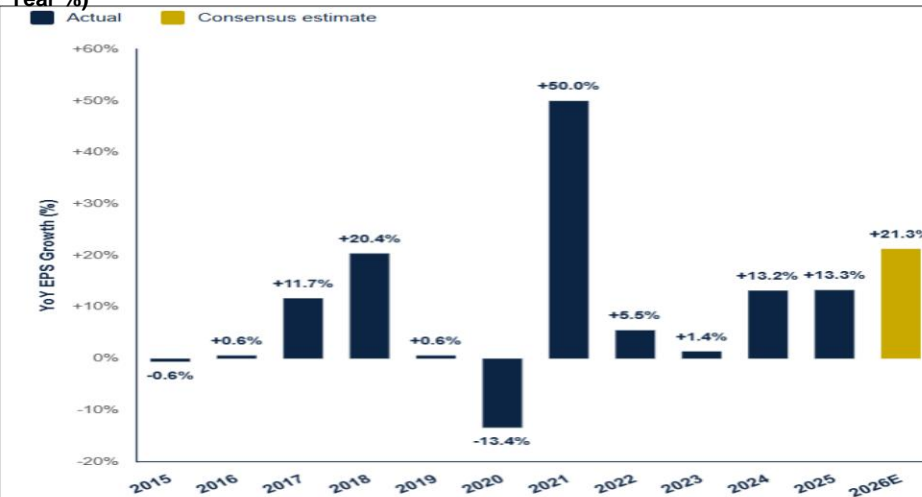


Chart 2: S&P 500 — Consensus Annual Earnings Per Share (EPS) Growth (Year-over-Year %)



THE TOPIC OF THE WEEK

The question that worries investors is rather whether this rate of growth is sustainable or, on the contrary, too rapid. As is often the case in these situations, Several indicators contradict each other. Pessimists have just as many tangible arguments to make as optimists. The former, when analyzing current benefits, those already Analysts, based on data generated by companies, conclude that stock market indices appear too high. **Looking at the current P/E ratio, valuations are now at their highest level of the last 5 years, compared to a future P/E ratio that is almost 10% lower than at the beginning of this year** (Chart 3). In the first case, it is a overvaluation. In the second case, it is adjusted to the weighted median of the last 30 years. An even more intriguing phenomenon is that the gap between the two approaches has never has been so broad, with the understandable exception of the pandemic. **If we compare the current earnings per share (EPS) situation with the EPS forecast for 2026, the Profits would have to grow 31% in the next nine months to justify the current level of the S&P 500, at \$7,398. Conversely, optimists They refer to future profits, those based on forecasts for the next twelve months. From this equally valid perspective, the flagship stock market index of The US could rise to at least \$7,400, which is where we are currently** (Chart 4). What accounts for this discrepancy? Are the gains of Productivity linked to the deployment of artificial intelligence capable of generating 30% annual profit growth? And can this be achieved without a contraction Does unemployment undermine household consumption and, consequently, the ability of businesses to sell and generate profits? When the internet took off in the late In the 1990s, the economic and financial landscape was quite similar. The index of major US stocks managed to rise for a time (1999 and 2000). while valuation multiples soared to dangerously high levels. Subsequently, despite significant productivity gains, the indices ended up Returning to reality, it fell by 20% annually between 2001 and 2003.

Chart 3: Future S&P 500 P/E ratio (21x); Current P/E ratio (26.7x)

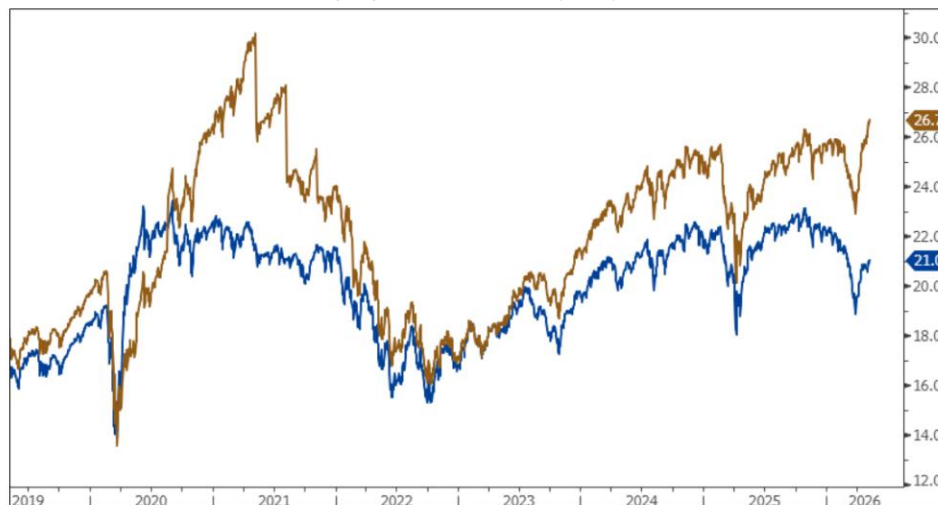
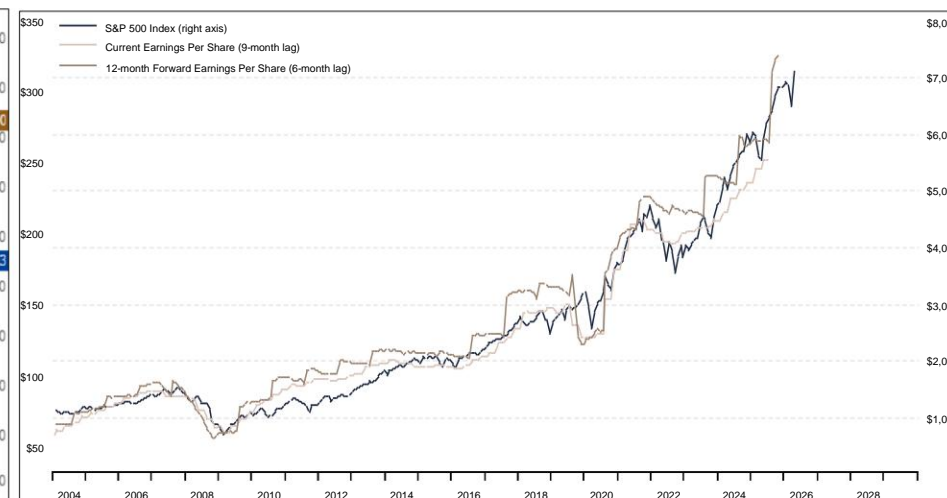


Chart 4: S&P 500; Current EPS (9-month lag); 12-month EPS forecast (6-month lag)



THE TOPIC OF THE WEEK

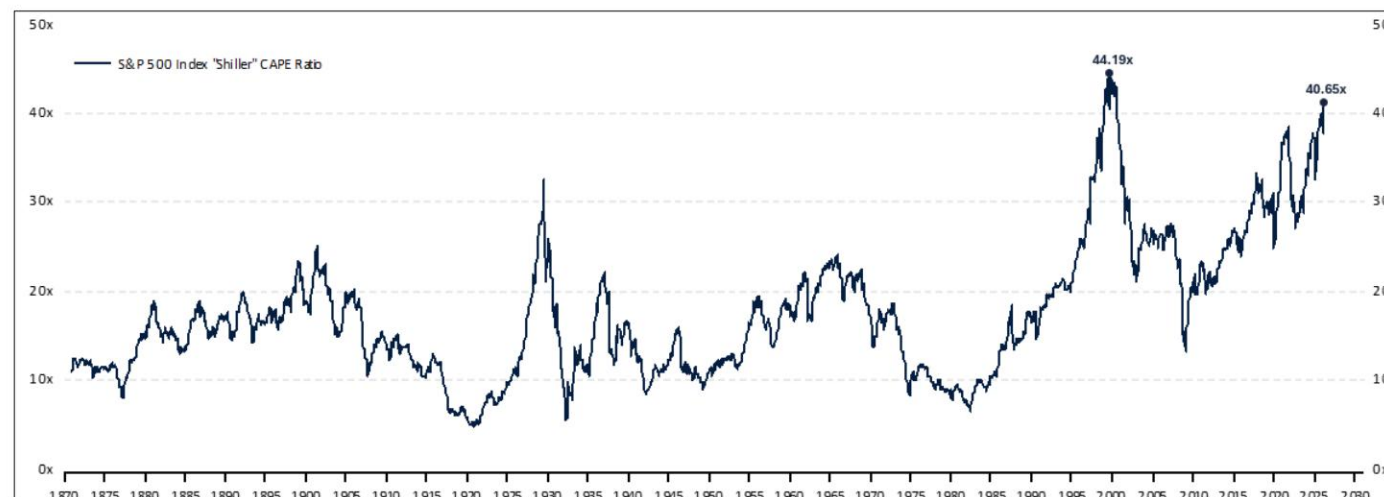
Shiller's CAPE Ratio Reaching Historic Levels. There is another

valuation indicator currently reaching historic highs: the cyclically adjusted price-to-earnings (CAPE) ratio, developed by Nobel Prize-winning economist Robert Shiller (Chart 5). It allows for an assessment, independent of economic cycles, of whether a market is overvalued or undervalued. It is calculated by dividing the S&P 500 index by the average earnings of the past 10 years, adjusted for inflation. At the end of April, it surpassed the psychological threshold of 40 times earnings.

Since 1871, this ratio has only been higher than the current one in 1% of cases, that is, in 18 of the 1,864 months analyzed. Clearly, there are few historical instances in which investors have been so euphoric, which should encourage them to act cautiously in the coming years. But what will happen in the coming months?

It's important to remember that these 18 months aren't randomly distributed throughout the entire series. They all occurred between February 1999 and August 2000, with a rise in the first half and a fall in the second. During this period of euphoria, the US index performed well, continuing to climb by 23%. It then took seven months of losses to erase the initial gains. Today, investors face the same difficult choice. The first is to keep dancing until the music stops, to take full advantage of the rally, even if it means absorbing the initial losses. The second is to stay out of the final dance and the profits it brings, while patiently waiting. It's each individual's risk aversion that should guide them in making the wisest decision.

Chart 5: S&P 500 CAPE "Shiller" Ratio



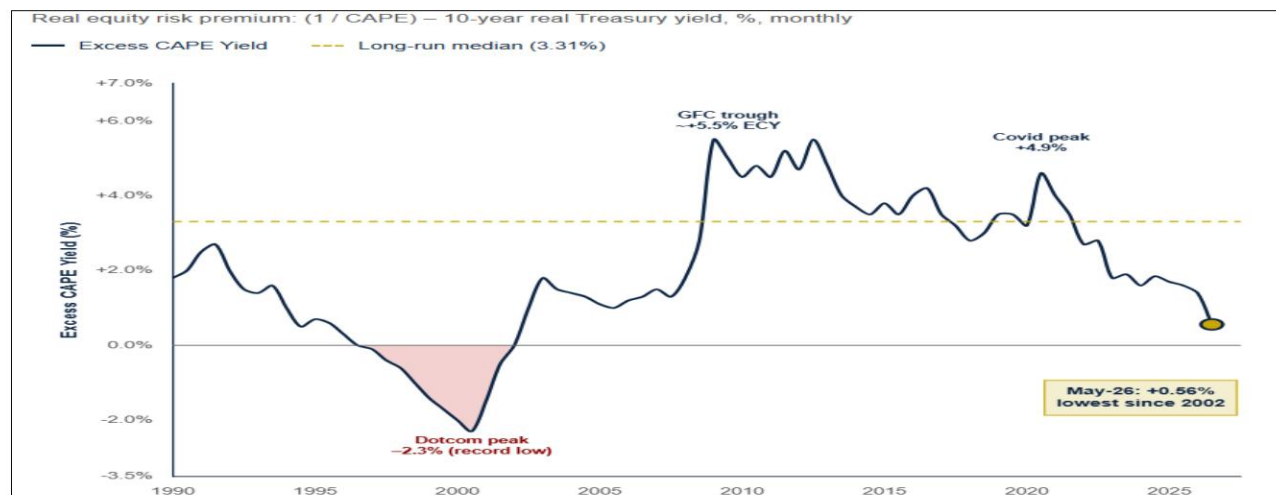
THE TOPIC OF THE WEEK

The “Excess CAPE Yield” offers greater detail.

To delve deeper into the analysis, simple descriptive statistics are insufficient. Complementary approaches are necessary, with all due respect to the limited data. Conditional probabilities and analogical approaches allow us to estimate the likelihood of the ratio rising and, perhaps, reaching a new high. Since the Shiller P/E ratio has only exceeded its current level once historically, the probabilities derived from this are more like comparative benchmarks than statistical laws. Otherwise, one might absurdly conclude that in 100% of the cases where the ratio has exceeded this threshold, it has continued to rise, and therefore, that the upward momentum has not been exhausted. The excess CAPE yield approach allows us to refine this assessment.

This indicator, which Shiller himself developed to complement his ratio, measures the real risk premium offered by equities relative to bonds. It is calculated by subtracting the real ten-year yield from the implied return on equities (the inverse of the CAPE ratio). **With a CAPE ratio of 40.65x, this implied return stands at 2.46%. Since ten-year US Treasury Inflation-Protected Securities (TIPS) currently offer 1.90%, the equity risk premium is now only +0.56%** (Chart 6). It is virtually zero. In December 1998, when the CAPE ratio first exceeded the 40x threshold, this same calculation yielded a result of -1.39%. Bonds were outperforming equities in terms of real return, and yet the rally continued. Thus, the interest rate environment is not fundamentally different from that which prevailed at the start of the previous episode in 1999. It is even slightly more favorable for equities. According to this specific criterion, the comparison with the dot-com bubble suggests a possible continuation of the current momentum, rather than an immediate loss of strength.

Chart 6: S&P 500 — Shiller Excess CAPE Yield (ECY)



THE TOPIC OF THE WEEK

CONCLUSION The

apparent paradox between a deteriorating macroeconomic environment and rising earnings-per-share expectations could be explained by several factors. First, the 27.7% earnings growth in the first quarter of 2026 was overwhelmingly concentrated in a handful of large-cap technology companies— Alphabet, Amazon, and Meta alone accounted for roughly 71% of the net dollar increase in S&P 500 earnings—and these companies are largely insulated from the channels through which the Iranian conflict is transmitted to the real economy. They consume little energy relative to their revenues, derive a substantial portion of their profits from intangible assets, and directly benefit from an AI investment cycle that hyperscalers are funding internally. The Hormuz risk premium affects airlines, transportation, chemicals, and parts of the consumer discretionary sector, but these sectors have a much smaller weight in S&P 500 earnings than they do in the broader economy. Second, margins have done structural work. The combined first-quarter net profit margin reached 14.7%, the highest level since FactSet began tracking this metric in 2009, with the information technology sector alone at 29.5%. When margins expand from a base of 12% to over 14%, even modest revenue growth yields substantial gains in earnings per share. Pricing power has held, AI-driven productivity is beginning to translate into operating leverage, and the weak US dollar provides a favorable boost to multinationals in terms of currency conversion. Third, let's be realistic about timing. The consensus figure for 2026 was reconstructed from first-quarter results, which were mostly released before the situation in the Strait of Hormuz worsened. Future estimates are almost certainly lagging behind the macroeconomic deterioration. The risk is not that the +21% figure is wrong in terms of what has already been achieved, but that it extrapolates the strength of the mega-caps from the first quarter to the second half of the year, and that the oil and geopolitical context may not support the full trajectory that the consensus is currently discounting.

However, according to the CAPE ratio, markets are currently near extreme levels and are perfectly valued, so any disappointment could lead to disillusionment and a sharp correction. That said, excess CAPE yields demonstrated during the dot-com bubble that markets could remain euphoric for an extended period. **Despite this, we still believe that, statistically speaking, the market has more downside risk than upside potential.**

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