

Week in review and ahead (vol.18-26)



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May 3, 2026

Week in review

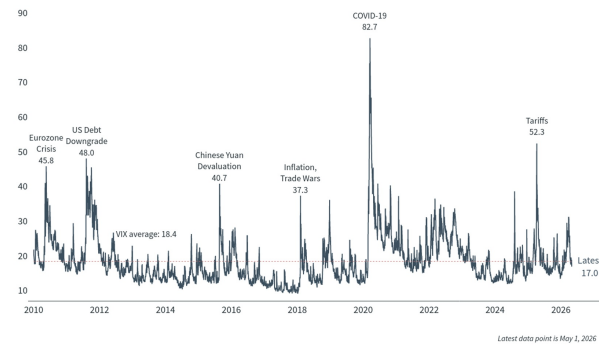
US markets advance this week driven by strong corporate earnings overall, including strong contributions from the largest tech companies known as the Magnificent Seven (“M7”), and the Fed maintaining monetary policy steady, despite dissent towards an easing bias in policy begins to build. Despite an unresolved cessation to hostilities with Iran that keeps the Strait of Hormuz closed and the energy supply shock intact, markets are looking past the geopolitical risk (for now). As the price of oil spiked, with Brent crude reaching a high of \$126 per barrel on Thursday, the Cboe’s VIX continued to ease closing below 17.0 for the week. The calm, low-fear environment seemingly breaks the pattern between oil and risk-asset markets that drove much of March and April.

With corporate earnings continue to post strong quarterly results and guides, the S&P500 and the Nasdaq gained 0.9% and 1.1%, respectively, for the week after setting new highs but closing the week just off their record-highs. The Dow Jones and Russell-2000 saw gains of 0.6% and 0.9% for the week, respectively.

Internationally, energy price and supply concerns remained as major equity markets in Asia and Europe were mixed for the week as the ECB, the Bank of England, and the Bank of Japan’s central banks decided to keep their respective monetary policies unchanged. In Asia, Japan’s Nikkei and Hong Kong’s Hang Seng indices declined for the week by -0.3% and -0.8%, respectively. South Korea’s Kospi and China’s CSI300, on the other hand advanced for the week by 1.6% and 0.8%, respectively, with strong earnings for memory companies lifting the former and better than expected prints of manufacturing PMI in China lifting the later. In Europe, UK’s FTSE and France’s Cac-40 declined by -0.2% and -0.5%, respectively, the latter driven by disappointing Q1’26 GDP estimates. Germany’s DAX gained +0.7% for the week as Q1’26 and inflation for April came in line with expectations and despite weaker consumer confidence. Overall, for the Euro-Zone (“EU”), Q1’26 GDP slowed to 0.8% year-over-year (“YoY”), missing estimates of 0.9% and lower sequentially (from 1.2%). Inflation in April for the EU accelerated on higher energy prices to 3% YoY, above estimates of 2.9%, and up from 2.6% YoY, previously.

Stock Market Volatility

CBOE VIX Index



Latest data point is May 1, 2026

Sources: Clearmatics, CBOE
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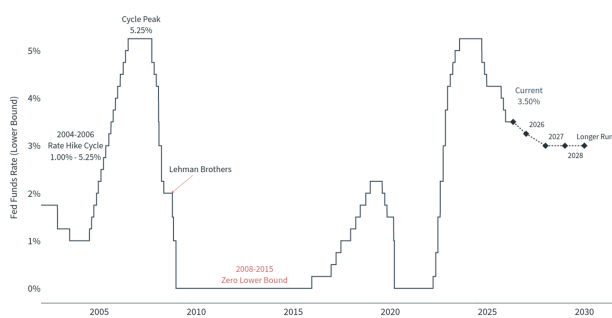
Week in review – US macroeconomics

With market focus squarely on corporate earnings and risks from continued geopolitical uncertainty somewhat ignored (for the time being), this past week’s macroeconomic calendar was headlined by the Federal Reserve’s policy decision, the advanced reading on Q1’26 GDP, and the March Personal Consumption Expenditures ("PCE") report. Other releases included the Conference Board’s consumer confidence, housing, and durable goods. In all, inflationary pressures persist, however, the economy continues to expand at a solid, but slower than expected pace with consumer activity holding up and a manufacturing sector that continues to expand, as the labor market, on the surface, continues to look unusually firm.

The Federal Reserve left the federal funds target range unchanged at 3.50–3.75% as expected, however, did so in an 8-4 decision, the largest number of dissents at a single FOMC meeting since October 1992. Three of the four dissenters supported leaving rates unchanged, but argued for the removal of the easing bias from the policy statement, on the view that convergence to the Fed’s 2% inflation target remains uncertain. The accompanying statement, containing a bias to further ease monetary policy, characterized economic activity as expanding at a solid pace, with job gains remaining low and the unemployment rate unchanged, while flagging that inflation remains elevated, in part on high energy prices, and that uncertainty around the outlook is high. Other than policy announcements, markets were keen to hear from Fed Chair Powell on his decision as confirmation of new Fed chair Kevin Warsh is imminent. As such, Fed chair Powell (likely) held his last press conference and surprised (some) by announcing that he would remain on the Fed’s board of governors for now.

Federal Funds Rate

Target range lower limit



Latest data point is May 2026

Sources: Clearmatics, Federal Reserve
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On the state of the economy, the advanced reading for Q1’26 GDP came in at 2.0% on a quarter-over-quarter ("QoQ") basis, somewhat below estimates of 2.4% but higher than the 0.5% during Q4’25. Personal consumption was soft at 1.1% QoQ, however, with most of the headline print, nearly 1.5% of the 2.0% figure, driven by private investment growing at the fastest pace in nearly three years, broadly tied to the AI build-out and well offsetting the -1.3% drag (on GDP) from net exports. The GDP price index registered 3.6% versus 3.9% expected, while the core measure ran hotter at 4.3% (vs 4.1% prior), and the accompanying employment cost index ("ECI") rose 0.9% QoQ versus estimates of 0.8%, highlighting inflationary pressures at a time when inflation is already elevated.

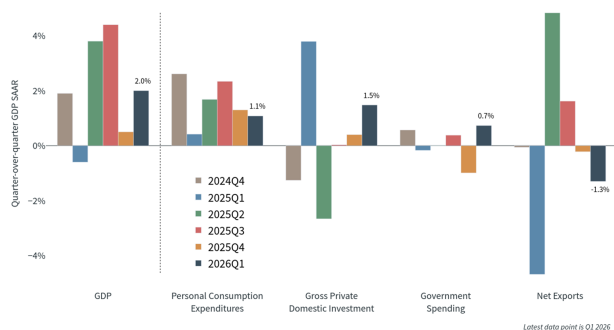
The S&P Global US Manufacturing PMI for April improved to 54.5 from earlier estimates of 53.9, while the ISM Manufacturing index for April printed at 52.7%, a fourth consecutive reading above 50 (i.e., expansionary), albeit slightly below estimates of 53.0%. Within the survey, prices paid continued to point to pricing pressures as it rose by 6.3% points to 80.4%, and the employment sub-index of 46.4% (-2.3%) came in well below expectations of 49% and softened

sequentially, suggesting hiring intentions in the manufacturing sector continue to lag activity. The (three of five) sub-indices that is keeping ISM Manufacturing expanding are new orders at 54.1% (+0.6%), supplier deliveries at 60.6% (+1.7%), and production at 53.4% (-1.7%). Similar to the employment sub-index, inventories remained in contraction but at a slower pace compared to previously with a reading of 49% (+1.9%).

Market and Economic Chartbook | May 3, 2026

GDP Growth Components Over Time

Quarterly GDP growth rate (SAAR) and contributions



GALADO CAPITAL

Latest data point is Q1 2026

Sources: Clearnomics, U.S. BSA © 2026 Clearnomics, Inc.

The PCE report for March appear to reinforce the state of the US economy. Personal income surprisingly rose 0.6% on a month-over-month ("MoM") basis versus estimates of 0.3%, with the prior reading unchanged, while personal spending was robust at 0.9% MoM, in line with expectations and denoting still-resilient consumer activity. Headline PCE inflation rose 0.7% MoM, in line with consensus but the highest monthly print since June 2022, with the YoY figure at 3.5% (also in line, but the highest reading since May 2023); core PCE came in at 0.3% MoM as expected, with the YoY measure ticking up to 3.2% from 3.0% previously, also in line but further diverging from the Fed's inflation target. The balance of the week's data was broadly constructive — Conference Board consumer

confidence (92.8 vs 89.0), durable goods orders (+0.8% MoM vs +0.5%), housing starts (1.5M vs 1.4M, the best since December 2023), and the S&P Global Manufacturing PMI (54.5 vs 53.9) all printed ahead of expectations, while initial jobless claims of 189K marked the lowest reading since September 1969 (which, in our view, may reflect structural shifts in the labor market, namely lower immigration and white-collar dislocations that tend not to translate into traditional claims, more so than renewed acceleration). Treasury yields finished the week higher, consistent with the firmer inflation prints and the more cautious tone from the Fed.

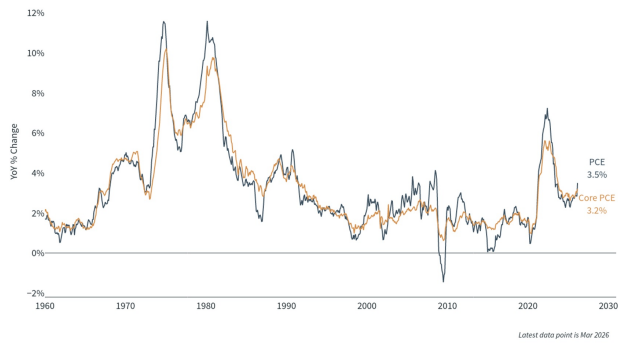
Corporate earnings

In accordance with FactSet, and with nearly two-thirds of the companies belonging to the S&P500 reporting, strong results continue with the number of companies exceeding expectations (84%) and the magnitude of beating them (by an average of 20.7%). Both metrics range well above recent averages, in large part due to the impressive results of three of the four M7 last week. Per FactSet, those companies were the single largest contributors to the S&P earnings growth rate. As such, the current earnings growth rate for the quarter (including estimates for companies yet to report) is an estimated 27.1%, well ahead of last quarter's 13.1%. If confirmed, this would be the highest quarterly growth rate since Q4'21 and the sixth consecutive quarter with double-digit growth.

Estimates for subsequent quarters based on guidance (thus far), are for quarterly earnings growth to remain above the 20%-mark, for a YoY growth rate of 21.3% in calendar year 2026. Similarly, the companies reporting better than expected revenues (of 81%) continue above (historical) five-and ten year averages. From a sector perspective, nine of eleven sectors are seeing YoY earning growth (of which seven are reporting double-digit growth), led by tech, materials, and consumer discretionary, while all sectors are reporting YoY revenue growth, here again led by the tech sector.

Earnings season continues next week with 126 S&P500 companies due to report, as well 2 of the Dow 30 components. Per FactSet, the forward 12-month P/E ratio of 20.9x continues well above the five- and ten-year averages of 19.9x and 18.9x, respectively.

PCE Inflation



Sources: Clearnomics,
Bureau of Economic Analysis
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Week ahead

The geopolitical (re-)escalation risk with Iran persist despite no longer taking center stage as the conflict enters the tenth week. This may change should hostilities resume if talks for extending a cease fire or a peace deal continue to fail. From a US macroeconomic perspective, non-farm payrolls for April will be the feature next week aside the ISM report on the service sector and the UMich preliminary consumer sentiment for May. Scheduled appearances by many Fed's FOMC members will provide additional insight into the Fed's recent decision to maintain monetary policy as some Fed members dissented on keeping the easing bias (in the statements). Other reports scheduled but likely to have a lesser impact on markets are factory

orders for March and new home sales for February and March.

Number of the week: \$725 billion

The combined, upward revised, capital spending guidance for 2026 by the major hyperscalers, namely Amazon, Alphabet, Meta, and Microsoft. Adding guidance provided by Oracle of \$50 billion, Tesla's just announced \$25 billion, and estimates of non-public frontier AI labs, Open AI and Anthropic, together with the spend of Neoclouds, this number likely approaches or exceeds the \$1 trillion threshold. As such, expectations are for 2026 to eclipse last year's investment-grade corporate (debt) issuance record of \$1.5 trillion with hyperscalers alone estimated to issue about \$250 billion, or about 1/3 of the projected and guided spend for this year.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at claudio@caladocapital.com.

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