

Week in review and ahead (vol.21-26)



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Week in review

US markets ended the week higher on hopes of a resolution to the conflict with Iran and a strong earnings report by the last of the Magnificent Seven to report for the season, Nvidia, underpinning the AI trade. The renewed focus on finding a resolution in the Middle East, including the reopening of the Strait of Hormuz, has slowed the global bond selloff, after yields spiked to levels not seen in decades for most, as fears of sustained, global inflation and growth deceleration led to a repricing of treasuries around the world, including the US. Concerns about elevated governmental indebtedness everywhere amidst the oil shock may limit the ability for fiscal policy to respond to sustained impact while central banks may be forced to tightened monetary policy to address inflation.

For the week, the Dow Jones advanced +2.1%, setting a new all-time high on Friday, while the S&P500 and Nasdaq gained 0.9% and 0.5%, respectively, ending the week just off their respective all-time highs. With another weekly gain, the S&P has now posted the longest weekly gains since 2023. The Russell-2000, regained the previous week's losses of -2.4% on concerns of rate hikes, advancing 2.3% last week.

Internationally, markets in Europe posted strong gains on geopolitical hopes of a resolution to the Iran conflict. The impact of the oil shock has been of greater concern to the European continent due to its greater dependency on the energy supply from the Middle East. The German Dax posted strong gains more than offsetting the declines of the previous week, gaining 4% for the week. Similarly, markets in the UK and France advanced 2.7% and 2.2%, respectively. Markets in the UK were lifted on better inflation rate for April of 2.8% year-over-year ("YoY") well below estimates of 3% and the 3.3% recorded for March. In Asia, markets were mixed. While Japan's Nikkei saw strong gains of 3.1% on geopolitical hopes, and sequentially better inflation rate for April of 1.4% YoY (compared to 1.5%, previously), markets in China and Hong Kong declined by -0.5% and -1.4%, respectively, on disappointing retail sales and industrial production for China in the month of April. For April, in China, retail sales growth of 0.2% YoY came in well below expectations of 2% and the 1.7% growth previously, while industrial production of 4.1% YoY was below expectations of 5% YoY, and the 5.7% achieved previously. Furthermore, regulatory decisions weighed on sentiment after the China Securities Regulatory Commission decided to crackdown on "illegal" cross-border securities trading to stem capital outflows with several Chinese online brokerages seeing steep declines as a consequence. The order stipulates that the brokerages have two years to wind-down operations and are no longer allowed to trade other than liquidating positions held by clients.

Stock Market Cycles

Dow Jones Industrial Average since 1995



Latest data point is May 22, 2026

Sources: Clearnomics, Standard & Poor's © 2001 Clearnomics, Inc.

Week in review – US macroeconomics

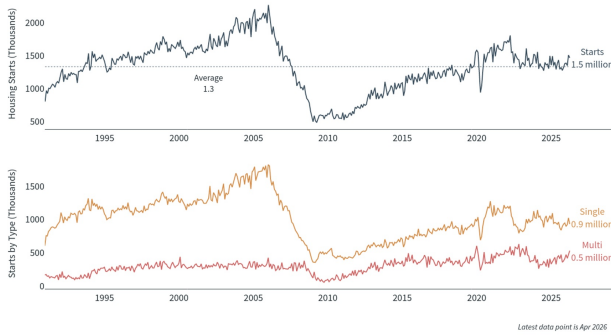
It was a light week for US macroeconomic data, dominated by the housing sector and rounded out by the latest reading on weekly jobless claims, S&P Global’s flash estimates for May, and the minutes from the Fed’s April 28–29 FOMC meeting. The more consequential development, however, came from the Federal Reserve itself, as the Jerome Powell era formally drew to a close and a new chapter begins under chair Kevin Warsh.

The housing data, while broadly better than feared, still shows significant headwinds and weakness. Homebuilder sentiment beat expectations but remained well below the neutral threshold of 50, signaling that conditions remain poor. Housing

starts surprised somewhat to the upside at 1.47M annualized pace, above expectations of 1.42M, the weakest reading since February, and rising 2.8% on a month-over-month (“MoM”) well ahead of expectations for a -5.3% decline. Similarly, building permits, often regarded as a forward-looking gauge of construction activity, were 1.44M ahead of the 1.39M expected. The pending home sales reinforced the cautiously constructive tone, rising 1.4% MoM in April against the 1.0% expected and increasing 3.2% YoY, maybe providing some “cautious optimism” for the housing sector against the backdrop of higher rates that is likely to mute activity.

Housing Starts

New privately-owned housing units started



Latest data point is Apr 2026

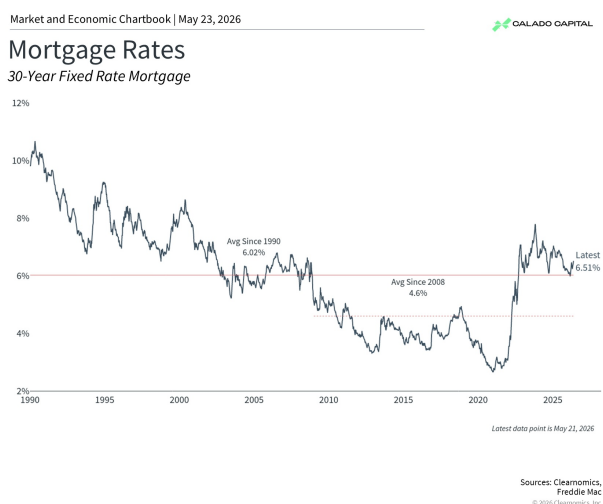
Sources: Clearnomics, U.S. Bureau of the Census © 2001 Clearnomics, Inc.

On the labor front, initial jobless claims of 209K came in marginally below the 210K expected and continue to run well below historical averages; continuing claims, however, ticked up sequentially, a tentative sign that those losing their jobs may be taking somewhat longer to find new ones. Economic activity data was less encouraging. S&P’s Global flash purchasing managers’ indices (“PMI”) for May came in below expectations for both the manufacturing and services sectors, yet each remained in expansionary territory with readings above 50. The composite output index estimate for May was equally disappointing, with readings of 51.7 just missing expectations of 51.8.

The minutes from the Fed’s April 28–29 FOMC meeting, released Wednesday, did not surprise markets as it showed a decidedly more hawkish tone beneath the surface even though the federal funds target range remained unchanged at 3.50%–3.75%. The dissent to remove the easing bias from the Fed statement was widely announced at the day of the FOMC meeting with some expressing concern of inflation diverging from the Fed’s target amid the oil supply shock.

That hawkish undercurrent sets the stage for a new chapter at the central bank. The new Fed chair era is set to begin at a time of treasury yields rising on concerns of re-accelerating inflation and decelerating growth, leaving Warsh to navigate the Fed’s dual mandate under conditions as challenging as any his predecessor faced. His first meeting at the helm of

the FOMC is scheduled for June 16–17.

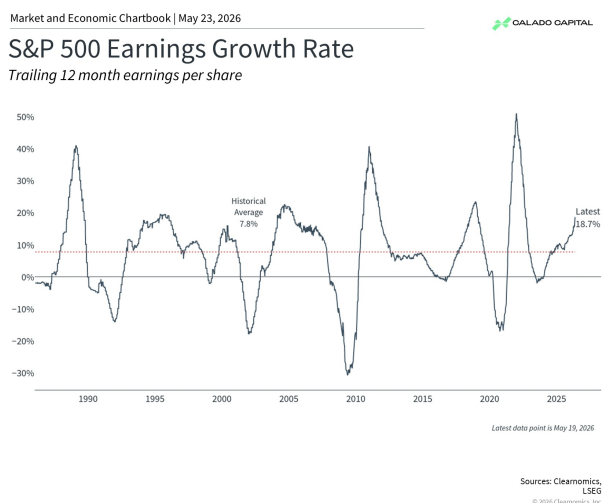


Corporate earnings

The corporate earnings season is nearing conclusion, and last week saw few companies report with markets focused on Nvidia, which beat consensus expectations, and issued strong guidance yet again, underpinning the semiconductor and AI trade.

Earnings season continues next week dominated by software/SaaS companies that had seen greater volatility since the beginning of the year, on fears of displacement by AI. While some of the fears may have waned somewhat in recent weeks, these upcoming reports will certainly be scrutinized not just for the past quarter's performance, compared to expectations, but also for its guidance for the

upcoming quarter and year. Besides the software/SaaS, a number of retail companies are scheduled to report after a disappointing report by big-box retailer Walmart that had issued concerns about higher oil prices having an impact on margins.



Week ahead

With market's focus shifting to the conflict yet again, as it is entering its thirteenth week, hopes of a near term resolution will be pivotal for the markets, already concerned by sustained inflation. The holiday shortened week in the US will have key macroeconomic reports. The second estimate of Q1'26 GDP, due Thursday, will refine the advance reading of 2.0% YoY, which did fall shy of expectations of 2.2% even as it marked an acceleration from the 0.5% pace of Q4'25. Absent any major revisions to Q1'26 GDP growth, markets will undoubtedly focus on Friday's Personal Income and Outlays report for April, including the personal consumption expenditures ("PCE") price index, the inflation measure the Fed weighs most heavily as

concerns mount that energy-driven price pressures are feeding through to the Fed's preferred gauge. With expectations for headline and core PCE of 3.8% and 3.3%, respectively, any material miss would likely enforce expectations that the Fed's next move is more likely a hike than a cut and would likely add further upward pressure to yields. Before those reports, other macroeconomic data includes the Conference Board's consumer confidence index for May (Tuesday) and new home sales for April (Wednesday).

Number of the week: \$58.3 billion

Nvidia's reported quarterly net income for Q1'26 surpasses many S&P companies' sales, on record revenues of \$81.6 billion, driven by the continued datacenter built out, which accounted for more than 92% of Nvidia's revenue, or \$75.2 billion, growing 92% on a YoY basis. Absent Fannie Mae that may have reported a greater quarterly net income in 2013, after the great (financial) recession of 2008, on one-time, non-cash, mark-to-market gains, this is the largest quarterly profit figure reported by a single company and exceeding Saudi Aramco's astonishing \$48.4 billion profit in Q2'22 as oil prices spiked to nearly \$120 a barrel.

The actual figure exceeded markets expectations of \$42.9 billion by more than 35% with the Company further guiding above market's estimates for the upcoming quarter. Datacenter sales for the upcoming quarter have been guided to reach \$91 billion, or about 21% quarter-over-quarter growth, likely elevating Nvidia's quarterly revenues above \$100 billion.

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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