

Earnings Estimate Revisions Are Very Optimistic

? At a Glance

?? Market Brief ? Earnings Are Driving The Market

The S&P 500 and Nasdaq closed at fresh all-time highs for the second consecutive week, with the broader index adding roughly 1.4% to finish near 7,330. Markets were led by communication services, energy, information technology, and consumer discretionary, while materials, industrials, and health care lagged. The geopolitical overhang defining the prior ten weeks is now background noise, and the market is trading on what it always ultimately trades on: earnings.

The week's most important print came on Monday after the close. Palantir's earnings report was what can only be described as a statement quarter. Revenue surged 85% year-over-year to \$1.63 billion, against a \$1.54 billion estimate, the fastest growth since the company went public in 2020, while adjusted EPS of \$0.33 beat the \$0.28 consensus. Management guided Q2 revenue to \$1.8 billion, well above the \$1.68 billion expectation, and raised full-year guidance to \$7.65-\$7.66 billion, implying 71% growth for 2026. **The most striking detail: U.S. commercial revenue grew 133% year-over-year to \$595 million. U.S. government revenue rose 84% to \$687 million, and the company's Rule of 40 score hit 145%. That is a figure CEO Alex Karp noted is matched only by Nvidia, Micron, and SK Hynix.**

Tuesday brought AMD. The company reported adjusted EPS of \$1.37, beating estimates of \$1.29, on revenue of \$10.25 billion, versus the \$9.89 billion consensus, a 38% year-over-year revenue increase. Data center revenue surged 57% to \$5.8 billion, and CEO Lisa Su said the company has *strong and increasing confidence* in its ability to reach tens of billions in data center AI revenue next year. The stock jumped 16% on Wednesday. **Taken together, Palantir and AMD confirm what Alphabet signaled the prior week: the AI infrastructure buildout is not slowing, and the earnings leverage from that cycle is just beginning to show up at scale.**

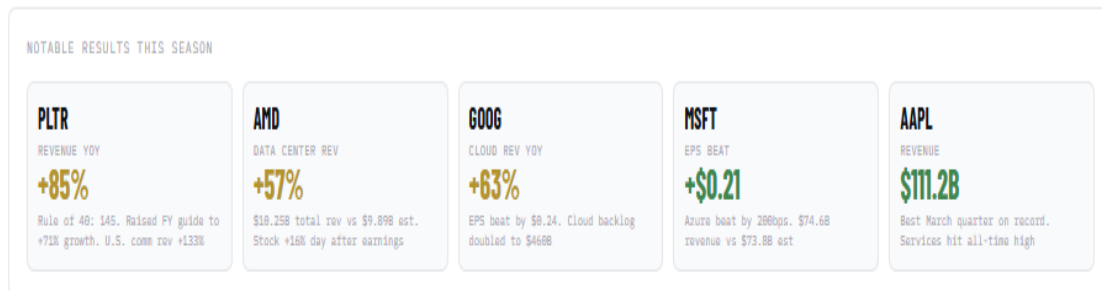
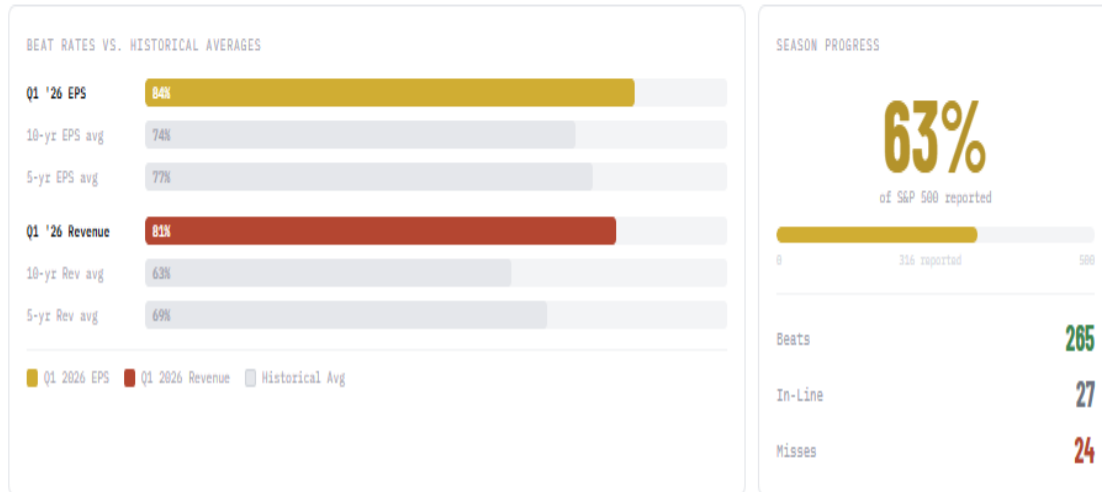
With roughly 63% of S&P 500 companies having reported, 84% have beaten EPS estimates by an aggregate of 20.7% above consensus. Wall Street now projects S&P 500 EPS growth of 19.7% for 2026, accelerating from 14% in 2025. An atypical pattern of upward revisions has continued; analysts typically revise estimates lower as the year progresses, but 2026 is running in the opposite direction.

Q1 2026 EARNINGS SEASON TRACKER

S&P 500 · 316 OF 500 REPORTED · AS OF MAY 8, 2026

63% Complete

Bull Bear Report · RIA Advisors



▲ **Full-Year 2026 EPS Estimates Revised Higher – Against All Expectations**

Wall Street now projects **+19.7% EPS growth** for the S&P 500 in 2026, accelerating from +14% in 2025. Goldman Sachs notes estimates have risen **+4% since late January** – running in the opposite direction from what bears predicted when Brent crude hit \$113. BlackRock flags this as an **atypical upward revision cycle**; analysts normally revise estimates lower as the year progresses. The AI infrastructure earnings cycle is overriding geopolitical fear.

+19.7%
projected 2026 S&P 500 EPS growth

Source: FactSet, LSEG, Goldman Sachs, BlackRock Investment Institute, company filings · May 8, 2026

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With respect to Iran, the extended ceasefire held but remained fragile. Iran submitted a new proposal, *?relaxing negotiation conditions.?* However, President Trump said he was *?not satisfied,?* but did announce an indefinite extension of the ceasefire. Brent crude drifted down into the \$95-\$100 range, which is high, but no longer the volatility engine it was in March.

One cautionary note deserves mention. Market breadth has dropped to its narrowest level since the dotcom era, with index gains concentrated in a handful of mega-cap AI names. This is typically a warning sign of an upcoming correction. Records are being set, but fewer and fewer stocks are doing the lifting. That divergence rarely resolves favorably indefinitely. Respect the trend, but watch the internals.

?Technical Backdrop ? Pullback Likely

The S&P 500 closed Friday at a **new all-time high of 7,398.93**, up 0.84% and roughly 17.5% off the March lows. But the headline masks a critical divergence. Friday's Nasdaq surged 1.71% while the Dow gained just 0.02%. **The S&P Tech sector rose 3.27% Friday and is up 35% since April 27th.** Micron hit an all-time high (+25% in one week). AMD gained 15%. Meanwhile, Thursday's internals told a different story: decliners outnumbered advancers 1.8-to-1, with only 18 new highs against 11 new lows. This week's rally was overwhelmingly a semiconductor and AI chase, not a broad market improvement. The April jobs beat (115K vs. 65K expected) provided cover, but the money is flowing into one trade.



The 14-day RSI has surged to **74.58**, deep into overbought territory and the highest since January's peak. RSI above 70 has preceded every 2%+ pullback since June 2024. Investtech flagged the index as overbought after a break above the upper parallel channel, a condition in which past false breakouts have occurred. The index trades 7.2% above the 50-DMA (~6,863) and **8.7% above the 200-DMA (~6,753)**. Deviations of this magnitude historically revert within 2-4 weeks, producing pullbacks of 3-5%. The MACD is at the most extended reading of the year. Every indicator says *buy*, and that unanimity is itself a contrarian warning. As the old saying goes: *When no one is left to buy, who provides the next bid??*

The risk of corrective action remains high. Semiconductors are flashing exhaustion on diminishing volume, the hallmark of a trade running out of fuel. Western Digital's 8% intraday collapse this week was an early signal of what happens when the most extended names gap down. The more probable near-term outcome is not a crash but a *rotation*: capital moving out of exhausted semi-leaders into lagging sectors. If orderly, the S&P churns sideways while the 50-DMA catches up. If disorderly, potentially triggered by an Iran escalation or hot CPI, a 3-5% pullback to 7000, or the 50-DMA below that, comes fast.

Bottom line: *This is not a market to initiate new longs at the highs. The trend remains bullish, but trends that move this far, this fast, always revert to the mean. The question is how, not if. Tighten stops, take profits in extended semi names, and build a buy list for the pullback. Patience pays. Trade accordingly.*

? Key Catalysts Next Week

After two weeks of Magnificent 7 earnings and payrolls data, the calendar pivots back to the macro gauntlet that will define the Fed's June path. Tuesday's April CPI, Wednesday's April PPI, and Thursday's April Retail Sales create a three-day inflation-consumer trifecta that will either confirm or break the *'higher for longer'* trade heading into the June 16 FOMC meeting. This week isn't about individual stocks; it's about the price level and the consumer's willingness to pay it.

Tuesday's April CPI is the week's anchor. March ran hot with the headline at +0.4% MoM and the core reading rising +0.3%. That reflected the first full month of the Iranian oil shock and the broadened tariff regime. April is the second month of that regime, and the question is whether the acceleration was a one-month spike or the beginning of a new trend. Energy prices eased modestly in late April as Iran ceasefire talks gained traction, potentially providing a one-month offset. But core goods, where tariff passthrough lives, won't have that benefit. Used car prices, which had been masking tariff pressure in prior months, are no longer declining. Shelter costs remain stubbornly elevated. If the headline comes in above +0.3% MoM or core reaccelerates, summer rate-cut expectations are dead.

Wednesday's PPI doubles down. Producer prices feed directly into the PCE calculation that the Fed actually targets. March PPI printed a blistering +0.7%, the hottest monthly reading in over a year. April PPI tells us whether the upstream pipeline is still pressurized or whether oil's modest pullback and easing supply chains provided relief. A PPI-to-CPI passthrough story is forming: if producers are absorbing cost increases now, margins will compress, and earnings will be revised down. If they're passing them through, consumer inflation stays elevated, and the Fed stays on hold. Either outcome is negative for someone.

On the earnings side, this is the bridge week between Big Tech and the Nvidia event on May 20th. Cisco, on Wednesday after the close, is the enterprise IT capex bellwether. AI-driven switching demand, progress on Splunk integration, and the order backlog will tell us whether corporate technology spending is holding up or pulling back amid macro uncertainty. Alibaba Wednesday morning is the China read on cloud and AI revenue from the Qwen model, quick commerce investment, and tariff/trade war impact on cross-border commerce. Applied Materials on Thursday after the close is the semiconductor capital equipment signal ahead of Nvidia, its \$5 billion EPIC platform bet, and wafer fab equipment orders are the leading indicator for chip manufacturing capacity expansion.

CPI will tell us where inflation is, while PPI tells us where it's going. Retail Sales on Thursday will tell us whether the consumer breaks before the Fed blinks. Three data points, three days, one narrative. If all three run hot, the *'higher for longer'* trade hardens into *'higher for the foreseeable future,'* and risk assets may begin to reprice. This is why we continue to suggest maintaining portfolio management practices carefully.


DAY	TIME	EVENT	TYPE	FOCUS / WHY IT MATTERS
MONDAY, MAY 11				
Mon	10:00 AM	Existing Home Sales (Apr)	ECON	Spring selling season update. Inventory, median price & mortgage rate sensitivity. Prior Mar rose on rate pullback — did April hold?
TUESDAY, MAY 12				
Tue	8:30 AM	CPI (Apr)	ECON	🌟🌟 Week's anchor. March was hot — headline +0.4% MoM, core +0.3%. Second month of Iran oil shock + full tariff regime. Energy, food & core goods passthrough. Sets June 16 FOMC tone.
WEDNESDAY, MAY 13				
Wed	8:30 AM	PPI (Apr)	ECON	🌟 Upstream inflation. Producer prices feed directly into PCE calculation. Pipeline pressure from oil, tariffs & supply chain costs. Mar was +0.7%.
Wed		BABA — Alibaba FY26 Full Year + Q4	EARN	China barometer. Cloud + AI revenue acceleration. Qwen model monetization, quick commerce losses (-56% rev growth but heavy investment). Tariff/trade war read.
Wed		CSCO — Cisco Q3 FY26	EARN	🌟 Enterprise networking + AI infrastructure. EPS est ~\$1.00. Orders backlog. Splunk integration, AI-driven switching demand. Bellwether for IT capex cycle.
THURSDAY, MAY 14				
Thu	8:30 AM	Retail Sales (Apr) + Import/Export Prices (Apr)	ECON	🌟🌟 Consumer spending follow-through after CPI. Control group feeds GDP nowcast. Import prices = tariff border pipeline. Did consumers spend despite inflation?
Thu	8:30 AM	Initial Jobless Claims	ECON	Weekly layoff pulse. Post-NFP context — did April's labor read hold into May? Federal/DOGE claims trend still elevated.
Thu	10:00 AM	Business Inventories (Mar)	ECON	Inventory-to-sales ratio. Tariff front-loading signal — rising inventories + slowing sales = GDP drag & margin compression ahead.
Thu		AMAT — Applied Materials Q2 FY26	EARN	🌟 Semicap equipment bellwether. EPS est ~\$2.67. Rev est ~\$7.68B. EPIC platform (\$5B bet). China export restrictions, wafer fab equipment demand cycle. Pre-Nvidia signal.
FRIDAY, MAY 15				
Fri	8:30 AM	Empire State Manufacturing (May)	ECON	First May factory survey. New Orders + Prices Paid = demand & inflation signal. Tariff/geopolitical drag on NY-area manufacturing.
Fri	9:15 AM	Industrial Production & Capacity Utilization (Apr)	ECON	Factory output & utilization. Manufacturing sector health check alongside retail + inflation data. Recession signal if output contracts again.
LOOK-AHEAD: WEEK OF MAY 18				
—		FOMC Minutes (May 13) + NVDA Nvidia (May 20) + WMT Walmart (May 21)	NEXT	This week's inflation data sets the stage for the FOMC Minutes release, Nvidia's Q1 FY27, and Walmart's consumer spending read the following week.

BMO = Before Market Open | AMC = After Market Close | All times ET

Sources: BLS, Census Bureau, NY Fed, ISM, Scotiabank, Company IR | 🌟 = High-impact | 🌟🌟 = Critical

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? Earnings Estimate Revisions Are Very Optimistic

Last week, we discussed the [S&P earnings record](#) and why such record earnings could be a warning for the market. I want to continue that discussion by focusing not only on what has happened but also on what is expected to happen in the future. While the Q1 2026 earnings results are spectacular, so far, the earnings estimate revisions behind them are the real story.

The first-quarter 2026 earnings season is delivering results that Wall Street rarely sees. With roughly two-thirds of the S&P 500 having reported, the blended growth rate has climbed to 27.1% year-over-year, more than double the 13.2% that consensus modeled at the end of the quarter on March 31. If that figure holds, it will be the strongest year-over-year print since the post-COVID rebound quarter of Q4 2021. 84% of companies have beaten EPS, 81% have beaten revenue, and the average earnings surprise sits at 20.7%, nearly three times the 5-year average of 7.3%.

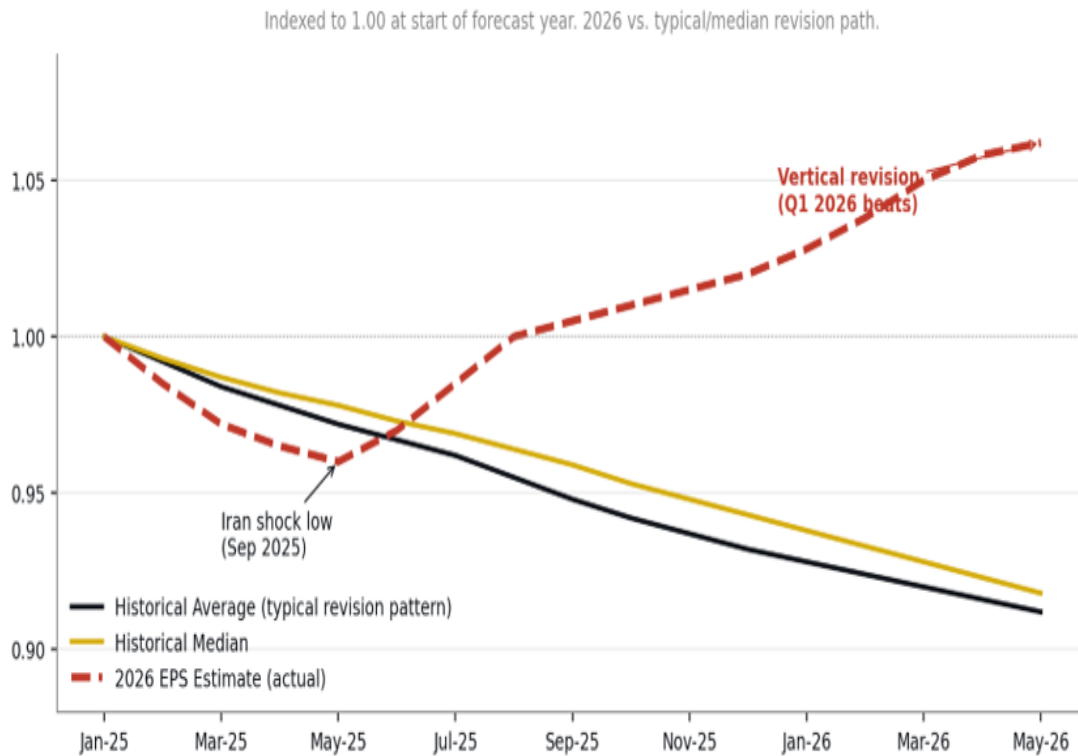
METRIC	Q1 2026	5-YR AVG	CONTEXT
EPS growth (blended, YoY)	27.1%	8.6%	Highest since Q4 2021
Revenue growth (YoY)	11.1%	5.7%	Highest since Q2 2022
EPS beat rate	84%	78%	Above 5-yr and 10-yr averages
Avg. earnings surprise	20.7%	7.3%	Nearly 3x historical norm
Net profit margin	14.7%	12.3%	Highest in 15+ years
Mag 7 EPS growth (blended)	61.0%	Was 22.4% on 3/31	Driving the revisions

Table 1. Q1 2026 earnings scorecard. Sources: FactSet Earnings Insight, May 1 2026; RIA Advisors.

That's the surface story. The more interesting question, and the one investors should be asking, is *why* analysts were so wrong heading in, and what it means that they're now revising earnings estimates higher with a velocity that has almost no historical parallel.

Look at Morgan Stanley's chart of consensus 2026 earnings estimate revisions versus history. In any normal year, by the time Q1 earnings season rolls around, analysts have been quietly walking earnings estimates down for six months. The historical median revision pattern drifts from 1.00 in January to roughly 0.92 by year-end. Two years of cuts. That's the analyst playbook. Start the year too optimistic, get reset by reality, and end the year right.

2026 EPS REVISIONS HAVE BROKEN THE HISTORICAL PATTERN



Source: FactSet, Morgan Stanley Research, RIA Advisors | As of May 5, 2026

Chart 1. The 2026 estimate path versus the historical pattern. The divergence is the story.

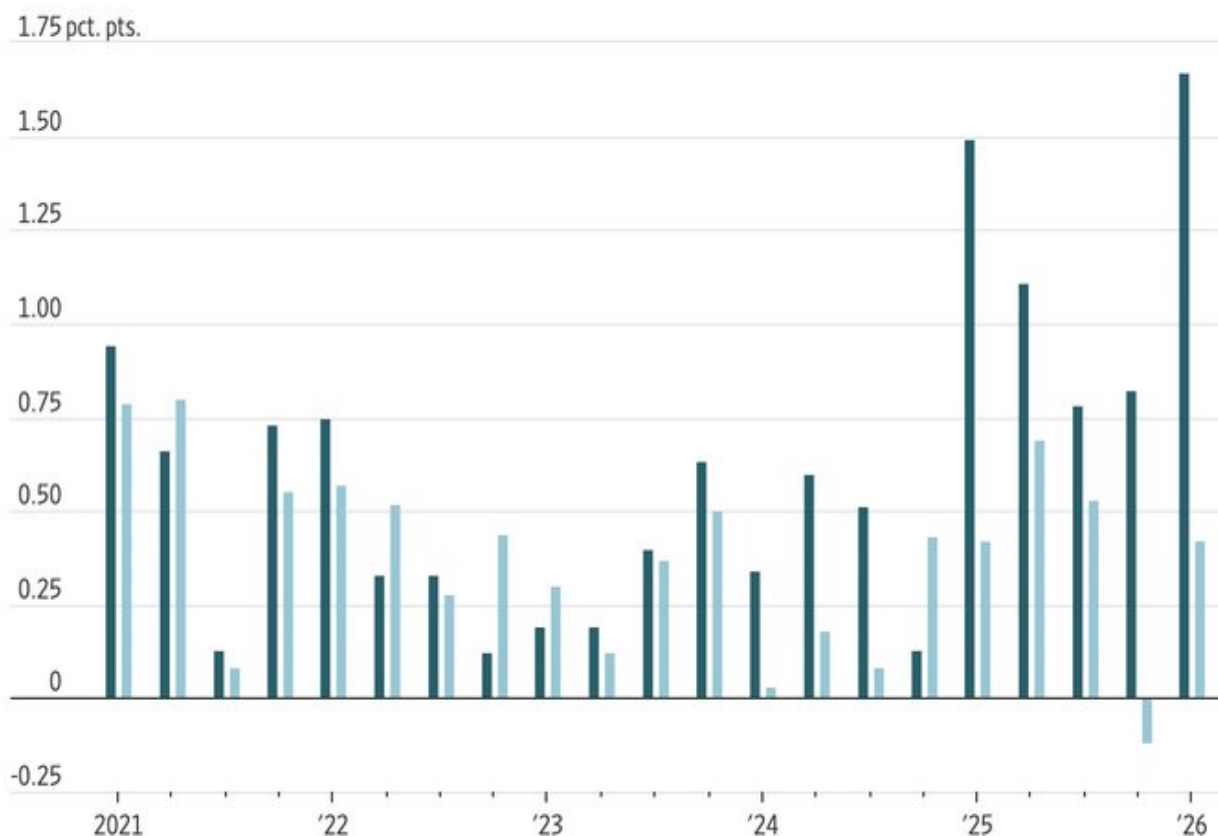
This year is doing the opposite. The 2026 earnings estimate index cratered to 0.96 last summer during the Iran shock, then turned vertical. By May, it's broken above 1.06. We're looking at a roughly 14-point swing in earnings estimates relative to the historical pattern. That is what Morgan Stanley calls *fairly unprecedented*, and that's analyst-speak for something they don't have a clean comparison for.

The Mag 7 alone moved from a 22.4% expected growth rate at the end of March to a 61% blended print today. Four of the top five contributors to S&P 500 earnings growth this quarter are Alphabet, NVIDIA, Amazon, and Meta. The same four names driving index returns are now driving the earnings estimate revisions. That's not a coincidence, and there is more to this story as noted by Sage Road Research:

*The AI distortion goes beyond stock prices to profits. Total S&P 500 earnings are on track to rocket 27% higher in the first quarter, FactSet estimates. **But profits for the Mag-7 alone will be up 61%; for the other 493, just 16%, a figure itself inflated by semiconductor companies like Micron.** This is skewing the division of the economic pie between capital and labor. As profits gallop ahead, labor compensation (wages and benefits) grew just 3.1% annualized in the first quarter, and actually shrank 0.5% after inflation, the Labor Department reported Thursday. Labor's share of total business-sector output fell to 54.1%, the lowest since records began in 1947. ? ? @TrevorNoren*

Contribution of computer spending to U.S. GDP growth, quarterly data

■ Gross (unadjusted for imports) ■ Net (less components in imports)



Note: Annualized and adjusted for inflation

Source: Ernie Tedeschi analysis of BEA data

So, if it isn't consumers? and subsequently economic growth, driving earnings estimate revisions, then what is?

What's Actually Driving the Upside

Three things are happening at once, and we have to separate them.

First, the AI capex cycle is finally showing up in the income statement. Hyperscalers have spent the better part of two years building out compute. The revenue is now landing. Communication Services is reporting +53% earnings growth, Tech is at +50%, and Consumer Discretionary is at +39%. Those aren't soft beats. They're the result of capex that was already locked in before the quarter started.

SECTOR	Q1 EPS GROWTH	KEY DRIVER
Communication Services	+53.2%	Alphabet, Meta ad strength + AI revenue
Information Technology	+50.0%	NVIDIA, hyperscaler infrastructure cycle
Consumer Discretionary	+39.0%	Amazon margin expansion + Tesla unit beat
Financials	Double digits	Trading desks, NIM stabilization, capital markets
Industrials	Double digits	Defense, aerospace, electrical equipment
Materials	Double digits	Pricing recovery + cost discipline
Median S&P 500 company	Double digits	Highest median growth in 4 years

Table 2. Q1 2026 sector earnings growth rankings. Sources: FactSet, Deutsche Bank, RIA Advisors.

Second, margins are at a record. The blended Q1 net profit margin came in at 14.7%, the highest reading in over 15 years. That's the real engine behind the surprise factor. Revenues grew 11.1%, which is solid but not extraordinary. The gap between 11% revenue growth and 27% earnings growth is operating leverage. **A company that cut 8% of its workforce in 2023 and held headcount flat through 2025 is now monetizing every dollar of incremental revenue at a much higher incremental margin.**

Third, breadth in Q1 results is finally improving. The Deutsche Bank charts make this point clearly. Earnings growth for the median S&P 500 company is now in the double digits, the highest reading in four years. All eleven sectors are tracking positive growth for the first time since 2022. Margins for *the rest* of the index, the 493 names outside the Mag 7, are turning higher after a steady three-year decline. Operating cash flow for non-financial corporates is running near 20% year-over-year. Q1 results are genuinely broader than they have been in years, and that deserves credit. But there's an important asterisk on this point that I'll address in the next section.

The Asterisk on ?Broadening?

Now we have to separate two things that get confused in the headlines. Q1 reported earnings broadened, but the forward-year earnings estimate revisions did not. Those are different statements about different time horizons, and the difference matters.

Goldman Sachs published a chart in early May that quantifies the gap. The bank tracks a basket of AI infrastructure stocks (S&P 500 constituents in their AI Semiconductors, AI Data Centers, and Power Up America baskets) and compares it to the broader index on cumulative 2026 EPS revisions since December 2024. The numbers are striking.

AI INFRASTRUCTURE IS DRIVING THE ENTIRE 2026 REVISION STORY

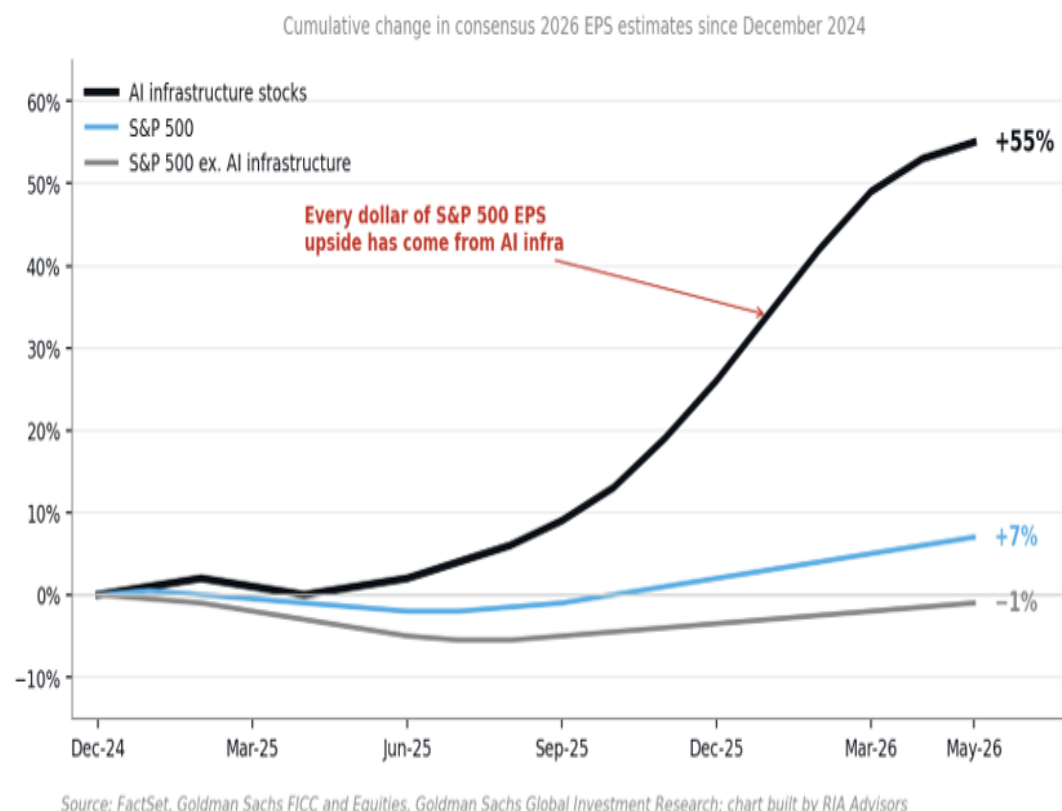


Chart 3. AI infrastructure stocks alone account for the entire 2026 revision story. Source: Goldman Sachs Global Investment Research.

AI infrastructure stocks have seen 2026 earnings estimates revised higher by 55% since December 2024. The full S&P 500 is up 7%. The S&P 500 ex-AI infrastructure is down 1%. Read that last figure twice. **Strip out chip designers, hyperscaler infrastructure, AI data centers, and the power and grid names that feed them, and the remaining 470-odd companies in the index have collectively had their 2026 earnings estimates revised lower over the past 17 months. Not flat. Lower.**

This is the cleanest picture of concentration risk you'll see this cycle. The narrow-market critique, which has been valid for 2 years, isn't going away, even after Q1 results came in. It's hiding inside the index math. Mega-cap AI names have absolute earnings dollars so dominant that even modest forward growth in their numbers swamps the rest of the 500. When analysts publish their 2026 earnings estimate consensus forecast for the index, they're effectively publishing a forecast for roughly 30 companies. The other 470 are a rounding error to the headline.

?Strip AI infrastructure out of the index, and 2026 estimates are actually lower than they were 17 months ago.?

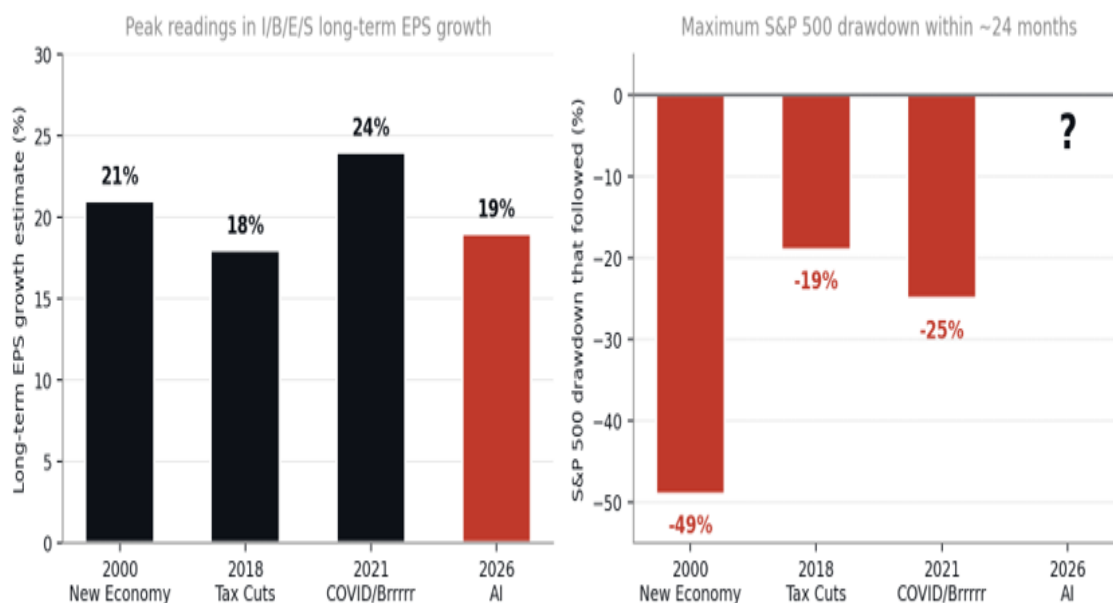
The implication for portfolio construction is direct. If you own a market-cap-weighted S&P 500 index fund, you don't own the diversified earnings stream the marketing material implies. **You own a concentrated AI infrastructure bet wrapped in a passive vehicle.** The two largest holdings in the SPY are Nvidia and Microsoft. Apple, Amazon, Meta, Alphabet, and Broadcom round out the top eight. Seven of the top eight names are direct AI infrastructure plays. That's not diversification. **That's a thematic fund with 490 other names attached for legal reasons.**

None of this is bearish on AI itself. The capex cycle is real, the earnings growth is landing, and the demand picture remains durable. The point is more subtle. The index's strength masks the weakness of its components. If AI infrastructure names hit a single quarter of disappointment, whether from capex digestion, an export control surprise, or simple revenue deceleration, there's no second engine in the index to absorb the impact. Equal-weighted measures of breadth being healthy on Q1 results don't fix the forward-revision concentration problem. They are two different problems.

Here is What Nobody Wants to Talk About

Here's where I have to put the brakes on. When earnings estimates are revised this hard, this fast, you have to ask whether the market is pricing the beat or the trend. Because historically, vertical earnings estimate revisions are a late-cycle phenomenon, not an early one.

PRIOR PEAKS IN LONG-TERM EPS GROWTH ESTIMATES, AND WHAT FOLLOWED



Sources: Topdown Charts, LSEG I/B/E/S, S&P; RIA Advisors. Drawdowns are peak-to-trough on a closing basis.

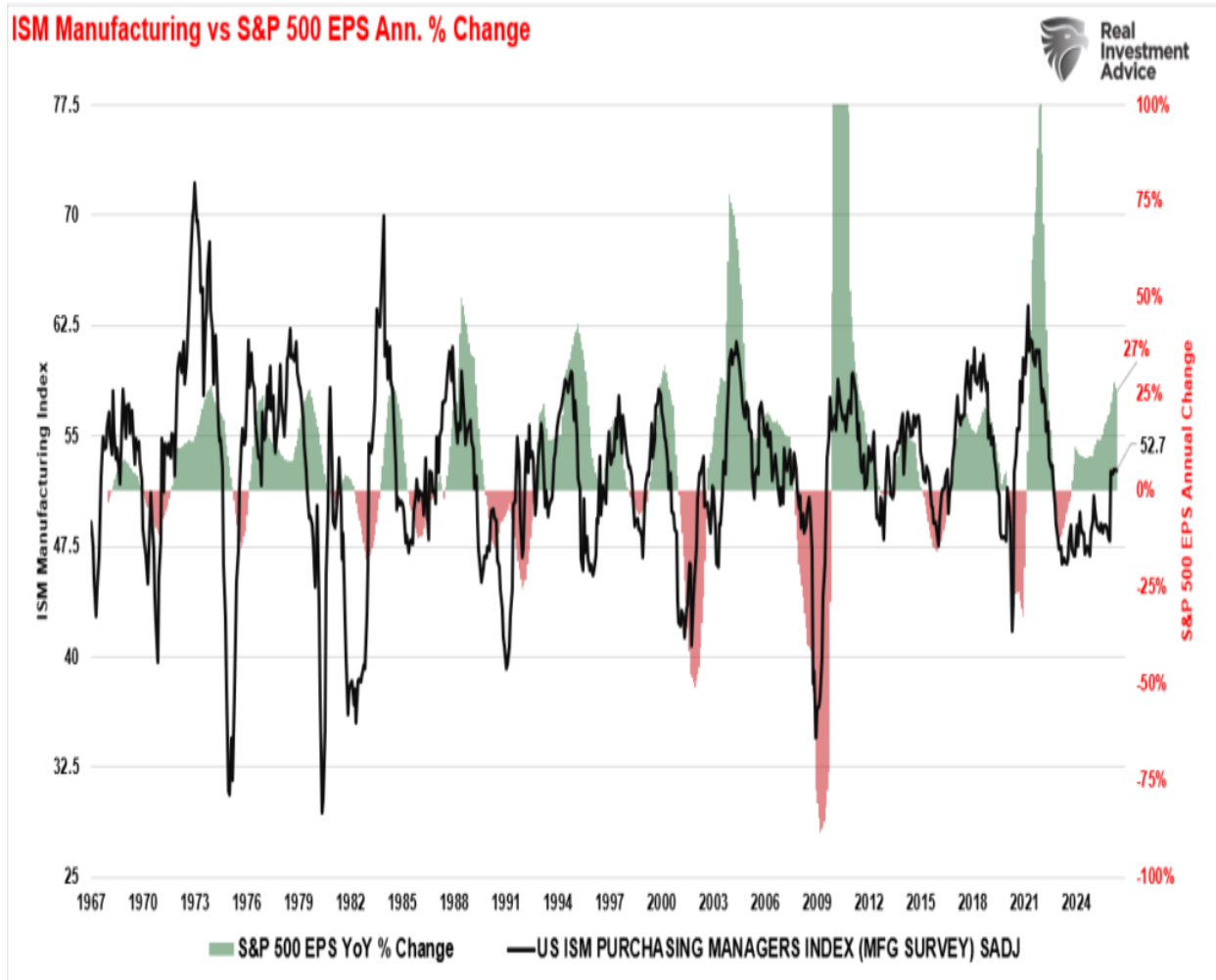
Chart 2. Every prior peak in long-term EPS growth estimates has been followed by a meaningful equity drawdown.

Notice the long-term S&P 500 earnings growth estimate chart. The current reading sits near 19%, the highest print since 2000. The chart's prior peaks tell a story. The 'New Economy' peak in 2000. The 'Tax Cuts' peak in 2018. The 'COVID' rebound peak in 2021. Every one of those readings was followed by a meaningful drawdown in equities and a sharp downward revision cycle in earnings within twelve to twenty-four months. Forecasts above the long-term trend channel have a poor history.

When everybody is revising higher, the marginal trade is no longer to buy the beats. It's to fade the next miss.

The other tell is the divergence between hard data and earnings. ISM Manufacturing is sitting in the low 50s, barely above the contraction line. The S&P 500 is up roughly 19% year over year. That gap historically closes one of two ways. **Either ISM rallies into the high 50s as the cycle accelerates, or earnings get marked down to meet the macro. The latter has happened more**

often than the former at this point in a cycle.



This Summer is Where Headwinds Rise

There's a calendar problem stacking up behind these numbers. The Q1 print benefited from easy year-over-year comparisons. Q2 won't have that tailwind. By the time July prints arrive, the comparison base resets to 2025's stronger second-quarter results, which means the same level of underlying earnings translates into a much smaller growth rate. That mechanical effect alone could pull the headline growth rate from 27% back into the low double digits, even if absolute earnings keep climbing. **Markets don't always distinguish between *growth slowing* and *earnings missing*. They tend to react to the headline number first and sort it out later.**

Then there's the bond market setup. The 10-year is still trading near 4.4%, the front end is pricing barely two cuts for the rest of the year, and core inflation has been sticky in the high 2s for six months. If the AI capex cycle keeps running hot, that's incremental demand for chips, electricity, and skilled labor, all of which feed into the inputs the Fed watches. The risk isn't a recession scare. It's a "no cuts, maybe a hike" repricing that historically chops 5% to 8% off equity valuations in short order.

Positioning is the other variable. Sentiment surveys are stretched. Equity allocations among retail and institutional investors are at multi-year highs. CTAs are max long. When everyone is on the same side of a trade, and the data starts to disappoint, price discovery is brutal because there are no marginal buyers left to absorb the unwind.

HEADWIND	WHAT TO MONITOR	PROBABILITY	IMPACT
Q2 base-effect rollover	July prints lap stronger 2025 comps; growth rate likely halves mechanically	Near certain	Mid
Bond yield repricing	10Y above 4.5% on hot CPI; Fed cut path eroding	Moderate	Mid-high
AI capex digestion	Hyperscaler Q2 capex guidance; if any one cuts, the trade unwinds fast	Watch closely	High
Iran / energy flare-up	Brent breaking \$90; tape has fully forgotten last summer	Tail risk	High
Sentiment / positioning	AAIL bull-bear spread, CTA exposure, retail call buying at multi-year highs	Already extended	Mid

Table 3. Summer 2026 watch list. Source: RIA Advisors.

Institutions Are On Risk Watch

The most useful way to gauge the risk landscape is to look at what institutional trading desks are actually doing, not just what they're saying. The substance of the conversations across the buy-side and the dealer community is converging on a single posture: stay long, but explicitly hedge. The same desks publishing constructive twelve-month equity targets are simultaneously paying for downside protection in size. That's the tell.

Five points are worth laying out.

- **First, positioning.** *The Nasdaq 100 just delivered its biggest monthly gain in over 23 years. A move of that magnitude has consequences for who is left to buy. Systematic strategies (CTAs, vol-target funds, risk parity) have completed their re-risking. The buy-the-dip retail bid has been engaged since the March lows. Discretionary trading desks are now running long exposure at around +6 on a -10 to +10 scale, up from -4 at the March lows. The marginal buyer in this tape has already shown up. From here, the question is who steps in if the data disappoints.*
- **Second, the fundamental catalyst stack is largely behind us.** *The fiscal pulse that supported corporate margins is fading. The Q1 EPS print of 27% will not repeat against tougher comparisons. The operating leverage that drove the surprise factor cannot keep expanding indefinitely. The combination means the next four quarters of earnings reports face a higher bar with less wind at their backs.*
- **Third, the Strait of Hormuz is still live.** *The tape has effectively forgotten last summer's oil shock. That's how markets work. We discount tail risk after the immediate catalyst passes, but the underlying geopolitical setup has not materially improved. A single headline can reprice oil 4% in a session, and equities are positioned for a benign energy backdrop that may not hold.*
- **Fourth, the Fed is constrained.** *Last week's hawkish hold told us where the committee sits when core inflation prints closer to 3% than 2%. The base case for cuts in September and December assumes labor market softening that has not yet arrived. If those cuts get pushed,*

the equity multiple has to absorb the disappointment, and historically that costs the index 5% to 8% in short order.

- **Fifth, narrow breadth is a real risk that history takes seriously.** Most standard measures of S&P breadth are exceptionally thin right now. Nine of eleven sectors are positive on the year, which sounds healthy on the surface, but participation under the index headline is concentrated in a handful of mega-cap names. The strongest historical conclusion isn't that narrow breadth is bearish (because, for two years, it hasn't been), but that it raises the probability of a momentum rollover when the rotation eventually breaks. You don't pick that fight. You do prepare for it.

RISK VECTOR	DESK READ	WHAT IT MEANS
Positioning / flows	Systematic re-risking complete; length at +6 of +10	Marginal buyer is gone if data wobbles
Catalyst stack	Fiscal pulse fading; Q1 EPS surprise won't repeat	Bar has been raised, not broken
Strait of Hormuz	Still live; tape has forgotten the 2025 oil shock	Energy tail risk is underpriced
Fed path	Hawkish hold; cuts at risk if core stays near 3%	5-8% multiple compression risk
Market breadth	Narrowest in years; 9 of 11 sectors positive but concentrated	Momentum rollover risk is elevated

Table 4. The institutional risk matrix. Source: RIA Advisors synthesis of buy-side and dealer commentary.

Here's the practical math that ties this back to portfolio action. One-month at-the-money puts on the S&P 500 are currently priced at less than 2% of the spot price. For investors carrying meaningful long exposure into a summer with the stack of risks described above, that's compelling risk transfer. The same institutional desks publishing constructive twelve-month equity views are paying for that protection right now. They call it *the cost of a good night's sleep*. That phrase belongs in every portfolio review this quarter.

What Should Investors Do Now

Q1 was a genuinely strong quarter. Margins are real. Cash flow is real. The broadening is real. None of that is in dispute. What's worth disputing is the assumption baked into consensus. An 18.6% full-year forecast assumes the run rate from Q1 just delivered continues for three more quarters, with no margin compression, no demand weakness, and no AI capex digestion. That's a stack of optimistic assumptions, and the historical record on stacks like that is unkind.

For investors, the playbook into summer is unchanged in direction but tighter in execution. Trim into strength rather than chase. Reduce concentration in the names that have done the most work, especially where position sizes have crept up from price appreciation rather than active accumulation. Add hedges, not insurance you'll never use, but actual collars or put spreads on the largest exposures. Keep dry powder for the first material disappointment, because it always comes, and the names worth owning rarely go on sale during euphoria.

Heading Into Summer 2026

Six actions to consider as Q1 earnings revisions hit historic extremes

- 1 TRIM INTO STRENGTH**
Don't chase the rally. Take profits where positions have outrun your risk budget.
 - 2 CUT CONCENTRATION RISK**
Rebalance names that grew through price appreciation, not active accumulation.
 - 3 ADD REAL HEDGES**
Collars or put spreads on your largest exposures. Not insurance you'll never use.
 - 4 KEEP DRY POWDER**
The first material disappointment always comes. Quality rarely goes on sale during euphoria.
 - 5 WATCH THE Q2 SETUP**
Easy 2025 comps roll off in July. The 27% growth rate could halve on math alone.
 - 6 MONITOR THE TAILS**
Hyperscaler capex guidance, 10Y yields, oil shocks. Asymmetric risk lives at the edges.
-

The setup that worries me isn't that earnings are bad. It's that they're so good the bar has been raised to a level that historically marks a peak, not a launching pad. When everybody is revising higher, the marginal trade is no longer to buy the beats. It's to fade the next miss. That moment usually arrives without warning, and the pattern has held in every prior cycle that produced a chart like the one in front of us today.

Stay long, but stay hedged. The asymmetry has shifted.

?? From Lance's Desk

This week's [#MacroView](#) blog is Part 1, examining the narrative of a [commodity supercycle](#), why it is historically a boom-bust cycle, and how to navigate it.

COMMODITY SUPERCYCLE: THE ENEMY OF THE BULL THESIS (PART 1)



By LANCE ROBERTS | May 8, 2026



Also Posted This Week:

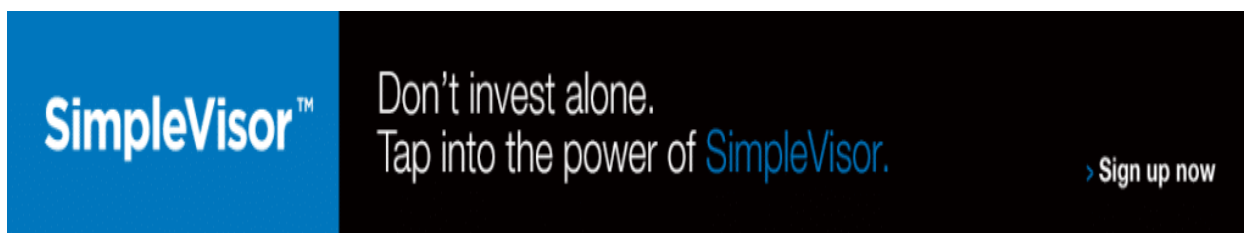
? Watch & Listen

For four years, investors have been told the next crash was right around the corner. Russia-Ukraine, inflation at 9%, Fed rate hikes, Silicon Valley Bank, tariffs, AI fears, Iran tensions, and endless recession warnings all fueled bearish headlines. Yet despite every crisis narrative, the market has doubled from the October 2022 lows.

[embed]<https://www.youtube.com/watch?v=1BrnxwNgzeY>[/embed]

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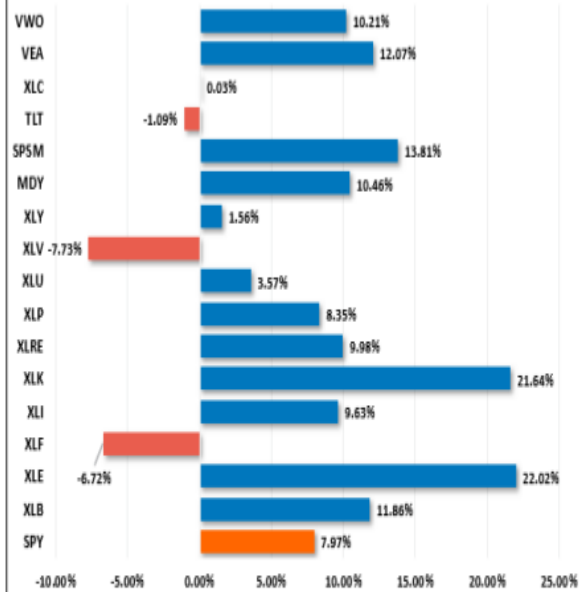
? Market Statistics & Analysis



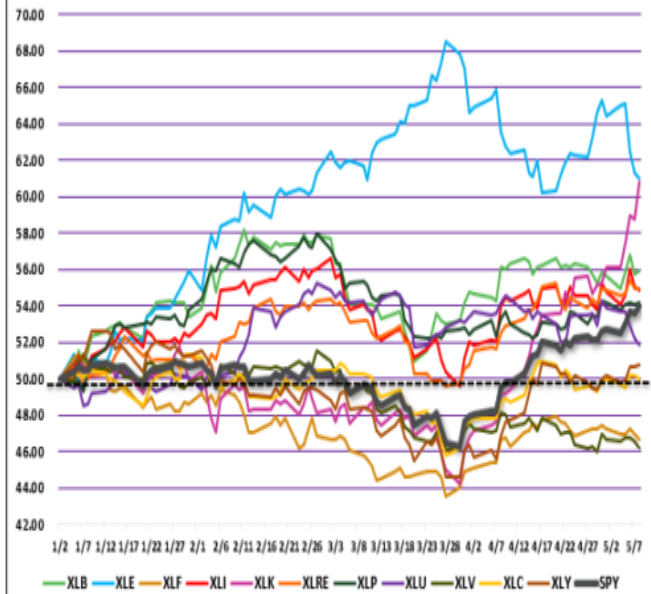
? Market & Sector X-Ray: Market Cracks Support

The surge in Technology over the last two weeks has been nothing short of remarkable, and that sector has now caught up with the Energy trade from earlier this year. With the market up about 7% this year, it has largely been driven by Semiconductors leading the charge. The market is now bifurcated, which historically suggests we could see a rather rapid internal market rotation (*risk on to risk off*), so manage exposures accordingly.

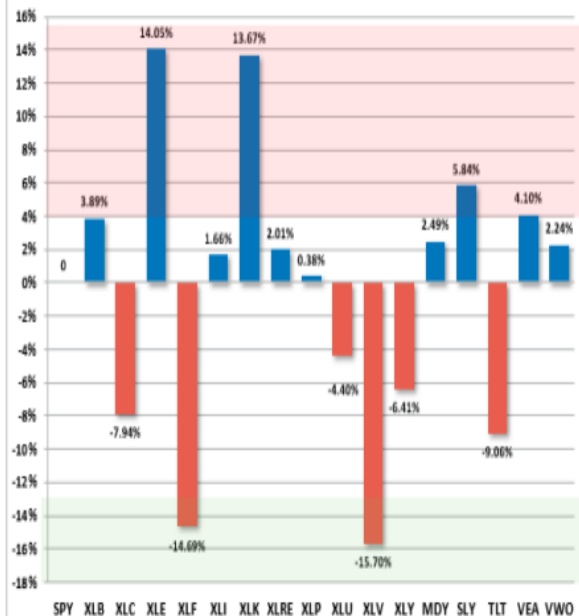
Year To Date Performance



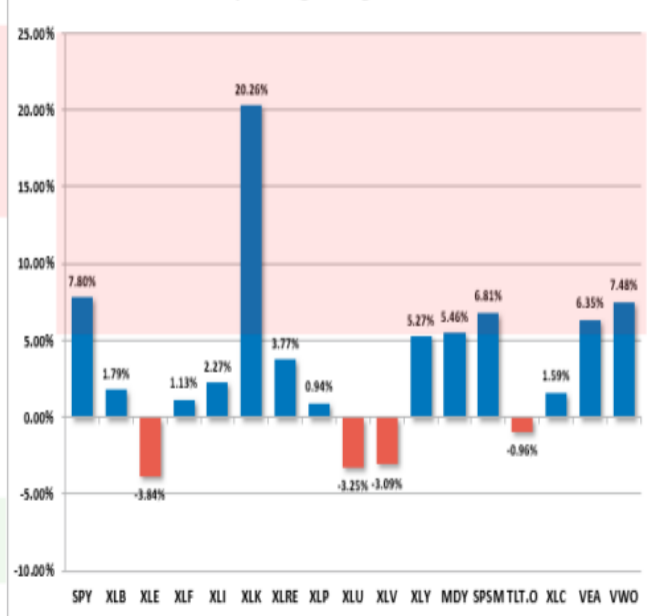
YTD Price - S&P Sectors Recalibrated To \$50/share



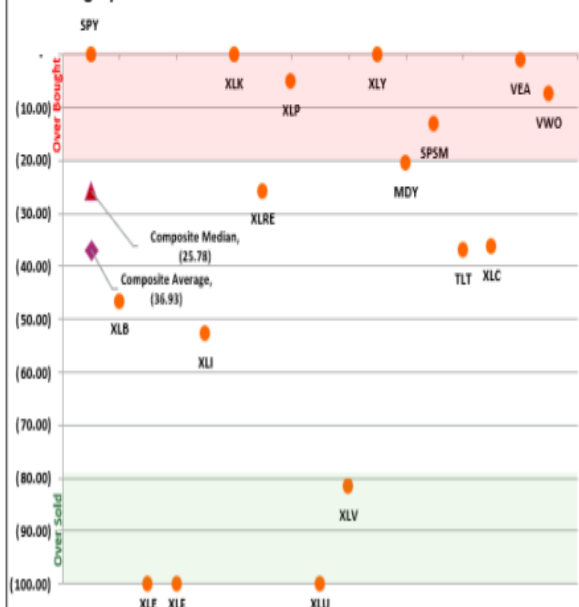
Year To Date Performance Relative To S&P 500



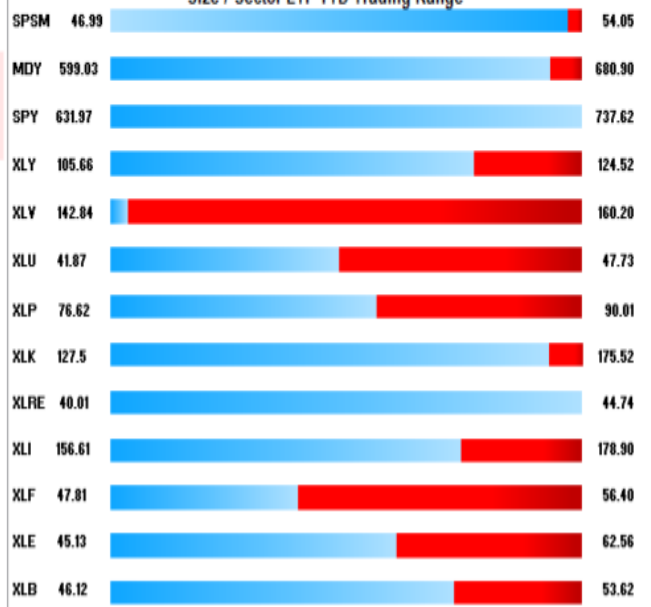
Price Deviation From 50-Day Moving Average



Overbought/OverSold 14-Periods

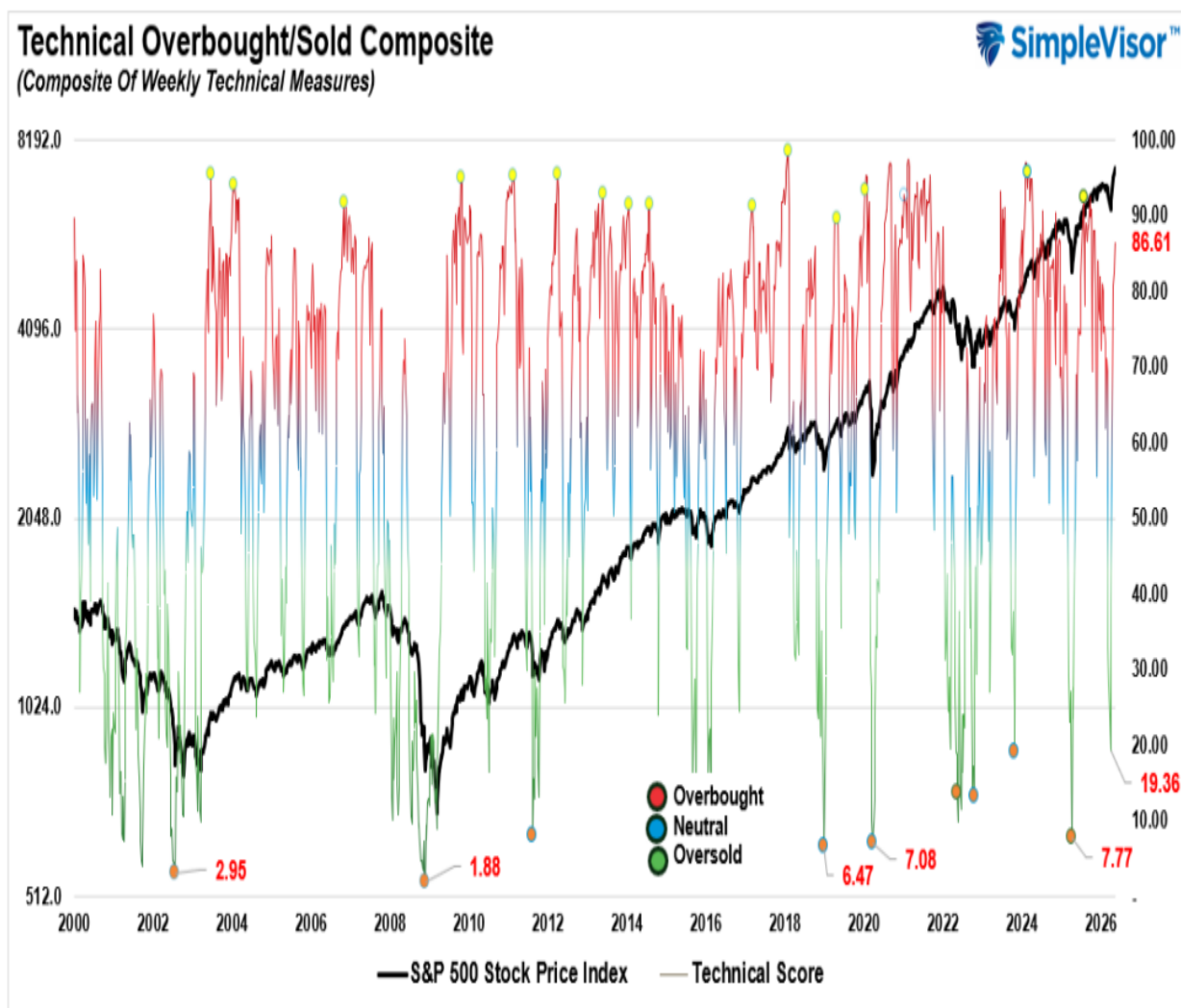


Size / Sector ETF YTD Trading Range



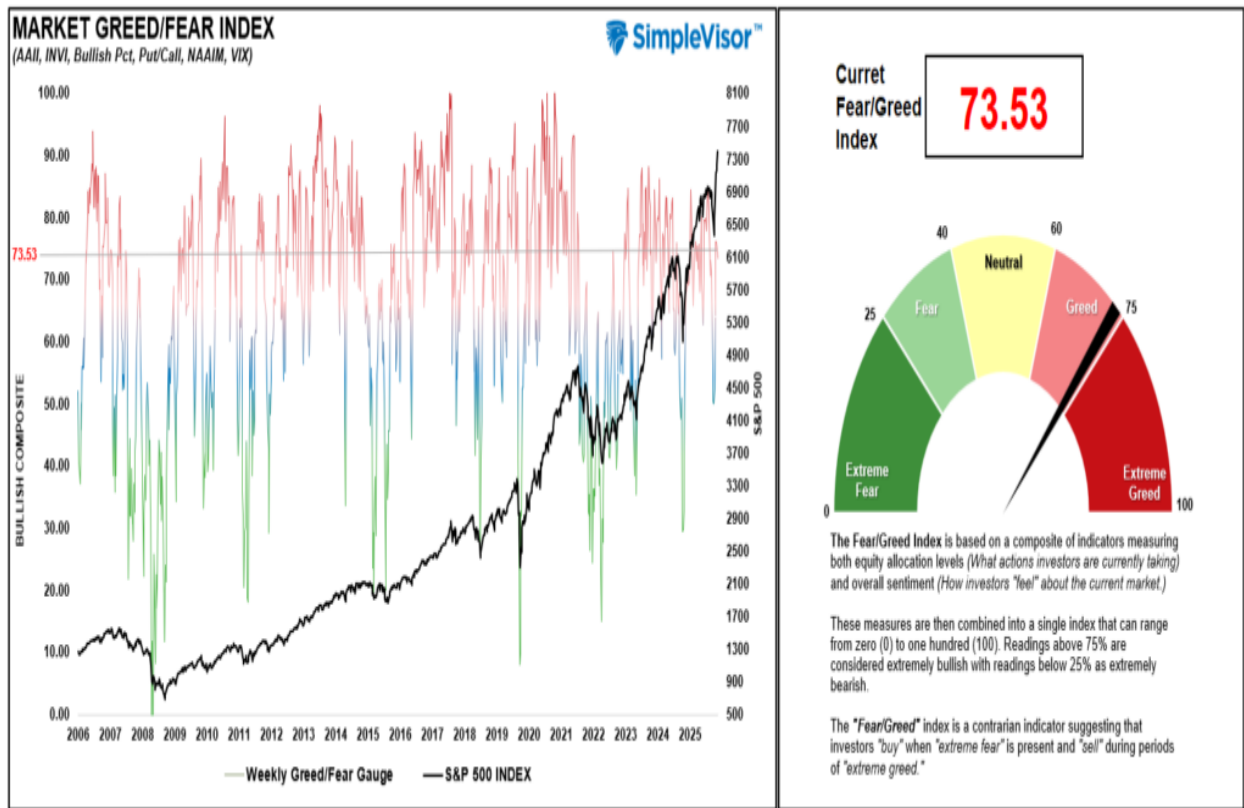
? Technical Composite: 86.61 ? Market Overbought

In early April, during an interview, we noted that a 10-15% rally from the lows was not out of the question. That market has now eclipsed 17% and seems poised to keep going higher. However, as the market becomes more overbought, it won't take much to trigger a reversal. Take profits and rebalance risk.



? Fear/Greed Index: 73.53 ? Pushing Extreme Greed

Investor sentiment and positioning are bordering on extreme greed. Put call ratios are surging, bullish sentiment is rising, and speculative positioning is very aggressive. While that does not mean a *crash* is coming, it does suggest that the risk of a reversal is rising. Trade accordingly.



? Relative Sector Performance

As noted last week: ?It didn?t take long, but the previous most ?out of favor? sector, Technology, reverted to the most overbought, while Communications, Financials, and Healthcare are now the most out of favor.? That continues to remain the case this past week, and the deviation has become even more significant with Technology the most overbought that we have seen historically with a reading of .93 out of 1.00. A rotation is likely, but a catalyst is needed.



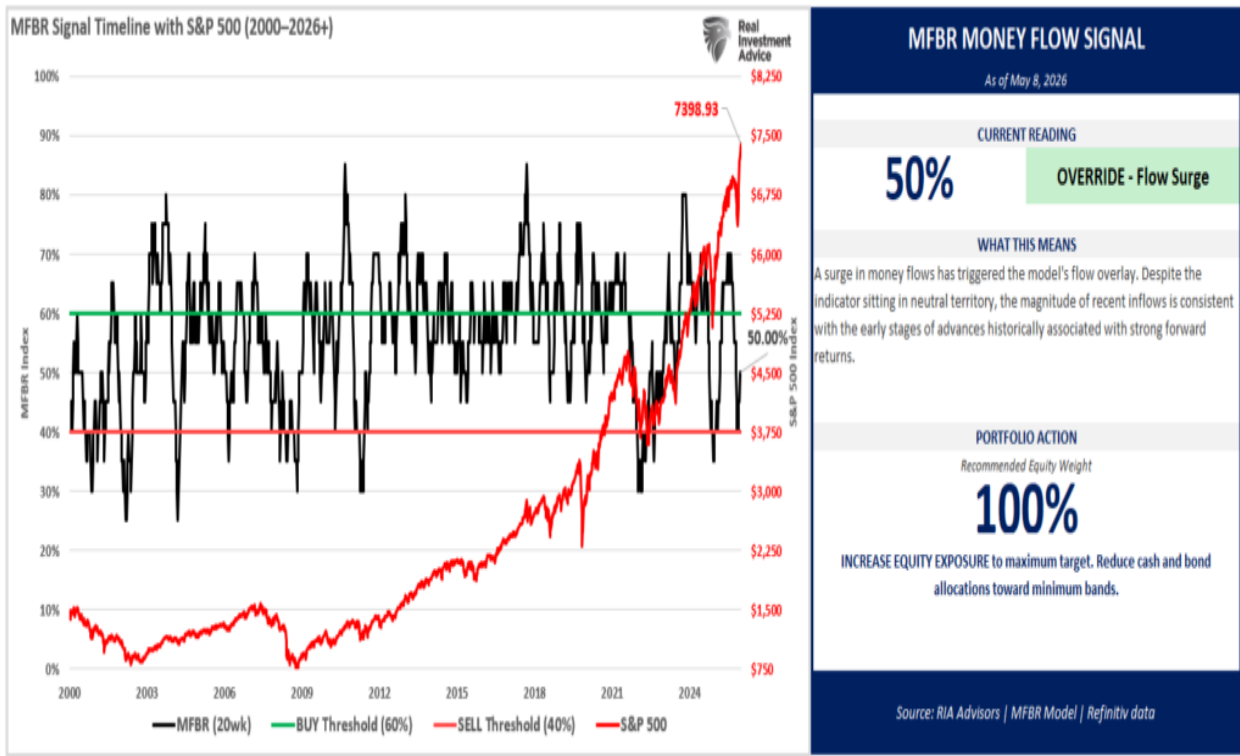
Note: scores can stay extremely overbought or oversold for a few weeks so patience is required at times.

? MFBR Index (Money Flow/Breadth Ratio Indicator): 45% = Neutral/Bullish

NEW! MFBR Index: The Money Flow Breadth Ratio (MFBR) model is a rules-based equity allocation framework that uses weekly S&P 500 money flow data to generate buy, sell, and neutral signals. It is designed to systematically adjust portfolio equity exposure in response to the direction and persistence of institutional capital flows, aiming to reduce drawdowns while capturing the majority of market upside.

?As of May 8, 2026, with the S&P 500 at 7,398.93, the Money Flow Breadth Ratio (MFBR) stands at 50% and rising. This places the indicator in the 50-60% range, triggering a **OVERVERRIDE** ? Flow Surge signal. The prior week reading was 50%, representing a 5% decline over the trailing four weeks. The model currently recommends increasing equity exposure aggressively, with a target equity weight of 100%. This reflects a **FLOW-OVERLAY OVERRIDE**: the trailing 4-week net dollar flow has swung sharply positive (>\$300B) after a deeply negative prior 4 weeks, a historically strong contrarian buy signal.

Flow-overlay override is **ACTIVE** and locks full equity exposure for up to 4 weeks. The model's 25-year backtest shows this signal captures major post-correction rallies that breadth-only readings miss. This override is rare and time-limited (4-week lock). Monitor for signs of follow-through confirmation.?



? Sector Model & Risk Ranges

As we noted last week, *?The good news is that the market has recovered and the bulls are back in control. The bad news is that there are numerous extreme deviations from long-term weekly means. Basic Materials, Energy, Technology, Transportation, Small Caps, and Emerging Markets are all 10% or more above their long-term weekly means, which generally precede mean-reversions. Take profits and rebalance accordingly.?* That remains the case this week, as well.

RELATIVE PERFORMANCE		Current Price	PERFORMANCE RELATIVE TO S&P 500 INDEX					SHORT WMA	LONG WMA	MONTH END PRICE	REL S&P BETA	RISK RANGE		% DEV - Short M/A	% DEV - Long M/A	M/A XVER SIGNAL
Ticker	ETF NAME		1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks					HIGH	LOW			
IVV	ISH CORE S&P 5/d	740.97	2.34	8.55	8.21	11.88	30.71	687.94	682.59	722.07	1.01	740.12	704.02	8%	9%	BULLISH
XLB	SL ST STR MT E/d	51.59	(1.88)	(9.26)	-11.44	7.61	-8.89	51.15	47.60	51.47	0.94	53.24	49.70	1%	8%	BULLISH
XLC	SL ST STR CM E/d	116.94	-2.15	(5.92)	-6.15	-7.38	-10.37	115.28	115.69	116.51	0.99	120.57	112.45	1%	1%	BEARISH
XLE	SL ST STR ENR E/d	55.70	-7.70	(10.73)	-5.72	12.70	4.44	57.09	49.86	59.65	0.45	61.41	57.89	-2%	12%	BULLISH
XLF	SL ST STR FN E/d	51.24	-3.95	(7.62)	-9.00	-12.71	-27.94	51.08	52.62	52.13	0.89	53.90	50.36	0%	-3%	BEARISH
XLK	SL ST STR TCH E/d	175.52	6.09	14.52	17.56	16.61	30.82	144.71	143.85	159.50	1.31	165.57	153.43	21%	22%	BULLISH
XLI	SL ST STR IN E/d	173.20	-2.20	(7.57)	-8.77	3.87	-3.46	170.56	161.46	174.58	1.02	180.72	168.44	2%	7%	BULLISH
XLP	SL ST STR CN E/d	84.18	-2.33	(6.35)	-14.16	-3.82	-26.67	84.54	81.14	84.31	0.50	86.84	81.78	0%	4%	BULLISH
XLRE.K	SL ST STR RE E/d	44.41	-2.14	(4.83)	-6.12	-3.30	-23.98	42.86	41.88	44.40	1.01	45.96	42.84	4%	6%	BULLISH
XLU	SL ST STR UTL E/d	44.72	-6.27	(13.32)	-12.04	-10.42	-19.24	46.07	44.60	46.85	0.61	48.31	45.39	-3%	0%	BULLISH
XLV	SL ST STR HC E/d	143.49	-3.49	(11.14)	-17.20	-19.07	-22.56	150.12	149.49	145.99	0.58	150.49	141.49	-4%	-4%	BULLISH
XLY	SL ST STR CNS E/d	120.20	-1.02	(2.07)	-4.75	-5.27	-11.94	114.82	117.66	118.35	1.23	122.76	113.94	5%	2%	BEARISH
XTN	SPDR SS TRNS E/d	104.27	-2.16	(6.36)	-5.50	14.97	10.41	100.02	93.21	104.59	1.36	108.63	100.55	4%	12%	BULLISH
SDY	SPDR SSS&PDV E/d	148.01	-3.10	-8.07	-12.87	-4.83	-18.98	149.69	144.12	150.07	0.72	154.90	145.24	-1%	3%	BULLISH
RSP	INVS S&P500EQ E/d	204.10	-1.71	-4.76	-7.60	-2.01	-12.44	199.15	194.35	203.44	0.93	210.41	196.47	2%	5%	BULLISH
SPSM.K	SPDR SSS&P600 E/d	53.83	-1.69	-2.27	-2.74	7.61	2.53	50.53	48.48	53.36	1.04	55.25	51.47	7%	11%	BULLISH
MDY	ST STRT MID ET E/d	675.24	-0.70	-3.55	-4.43	4.08	-5.34	643.05	620.11	664.17	1.02	687.57	640.77	5%	9%	BULLISH
EEM	ISH MSCI EM MK E/d	67.94	3.60	3.64	2.95	16.07	20.57	60.49	57.05	63.99	0.72	66.05	61.93	12%	19%	BULLISH
EFA	ISH MSCI EAFE E/d	103.96	-0.52	-6.81	-8.48	0.33	-9.78	100.92	97.61	102.32	0.78	105.68	98.96	3%	7%	BULLISH
IAU	ISH GOLD E/d	88.87	0.14	-9.32	-14.41	4.12	10.87	91.10	83.79	86.85	0.16	89.16	84.54	-2%	6%	BULLISH
GDX	VNCK GLO MNS E/d	94.59	6.24	-13.38	-17.20	16.55	57.08	96.67	87.54	88.29	0.62	91.05	85.53	-2%	8%	BULLISH
UUP	INVSC INDX BLS E/d	27.34	-2.60	-8.91	-6.27	-15.58	-31.86	27.41	27.56	27.36	(0.19)	27.99	26.73	0%	-1%	BEARISH
BOND.K	PIMCO ACT BD E/d	92.32	-2.03	-8.75	-10.26	-13.31	-29.09	92.91	93.28	92.32	0.28	94.88	89.76	-1%	-1%	BEARISH
TLT.O	ISHARE TRSRY B/d	86.08	-1.79	-9.02	-12.27	-15.70	-31.82	87.42	88.40	85.62	0.52	88.21	83.03	-2%	-3%	BEARISH
BNDX.O	VNG TTL INTL B/d	48.14	-1.99	-8.26	-9.58	-14.75	-32.82	48.31	48.86	48.05	0.22	49.36	46.74	0%	-1%	BEARISH
HYG	ISH IBOX \$ H/d	80.14	-2.24	-8.32	-9.09	-12.17	-26.68	80.13	80.52	80.38	0.40	82.71	78.05	0%	0%	BEARISH



RISK RANGE REPORT



Have a great week.

Lance Roberts, CIO, RIA Advisors