



Capital
Markets

The Pulse of the Market

Taking The Stock Market's Temperature, Takeaways from an Avalanche of Earnings

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For Required Conflicts Disclosures, see page 137.

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In a Nutshell

In *Pulse*, we tackle hot topics and other updates to the indicators we track regularly. The big things you need to know: First, US equity market valuations are on the rise, but don't look topped out yet. We remain constructive on the US equity market in the year ahead, recognizing that the path may not be linear. Second, last week's earnings reports continued to point to resilient outlooks with a dose of caution fueled by a strong start to the year, highlighted challenges to consumer resiliency in restaurants and travel but otherwise a reiteration of the cautious but stable theme, and alluded to a complex web of buffers in place for companies regarding the impact of the war in Iran for a period of time. Third, things that jump out in our other updates include a sharp spike in company references to geopolitics in April, a stall in investor sentiment last week, and a pick-up in betting market expectations for a split Congress in the midterms.

Taking the Stock Market's Temperature

Many of the investors we met with in our travels last week (primarily long-only US-focused equity investors) seemed a little cranky. Some due to exhaustion after a volatile start to the year and the sheer avalanche of earnings they had to get through. Some expressed concern about how expensive certain Tech stocks were looking on cash flow multiples (echoing some of the AI anxieties that spooked the stock market last fall and earlier this year). Some were perplexed about how the stock market might be ignoring risks emanating from the situation in Iran. Some noted the duration of the war and how high oil could go were simply things they thought no one could know right now. Others thought that some forecasters were too quick to assume worst-case geopolitical scenarios would come true. Some (Small Cap PMs) noted the low-earnings-quality factor (which they tend to be underexposed to) was continuing to outperform.

With the S&P 500 closing Friday up more than 14% from the March 30th, 2026, low, the stock market's temperature has been rising – i.e., valuation levels have been climbing. Our analysis suggests that there is still some room for the broader US equity market to run before the highs that ended up being a ceiling are seen again. As we highlight on page 72, the bottom-up market cap weighted S&P 500 NTM P/E is trading a bit above 25x, still well below its high of more than 28x seen last year (a level that was close to the previous peak around COVID). Meanwhile, the Russell 2000 FY2 P/E is trading around 16.6x, still well below the +18x level that marked its peak earlier this year (which was close to that index's late-2024 high). And while it is now above its five-year high, the US/non-US relative NTM P/E also still has some room to travel before hitting its own 2025 high (page 90).

Throughout the first quarter of 2026, we have maintained our 12-month-forward S&P 500 price target of 7,750. In recent weeks, we have also highlighted how climbing the wall of worry is often the path higher for US equities in times of distress. That continues to be how we think about the stock market today. We did acknowledge in our meetings last week that we suspect that the path to 7,750 will not be a linear one (downward adjustments to 2H26 and 2027 EPS forecasts – at least outside of the mega cap Tech/AI-related names, the mid-term elections, and profit-taking on semis/AI winners are a few possible sources of volatility that come to mind). Our valuation indicators may help us identify when stocks get overheated again, but we don't think we've gotten to that point yet. Note, that our base case is that any further pullbacks will be contained in the 5-10% range (garden-variety pullback territory). Deeper drawdowns in the post-GFC period have tended to involve serious fears of recession or the onset of one. Last week, despite the crankiness we sensed, it was noteworthy to us that only one investor we spoke with expressed concern about a possible US recession.

What We Learned from Earnings: Resilience Fueled by a Strong Start, Consumer Challenges in Restaurants & Travel, a Complex Web of War Buffers

By our count, 168 companies in the S&P 500 posted results last week, likely explaining some of the investor irritation we witnessed last week. Our team read through a large sample of these companies, focusing on some of the more important names in the index, those that we've found to have provided useful macro color in the past, and some that experienced outsized stock price moves after reporting. Notable quotes can be found on pages 23-38. Here are our takeaways on five of the key topics that we focused on:

- **General outlook:** The overall theme that we highlighted in our previous *Pulse* – resilience with a dose of caution – continued to apply to what we read this past week regarding the overall company tone in the busiest week of 1Q26 reporting season. On the positive side, companies highlighted FX tailwinds, strength in datacenter and AI-related demand, strength in demand in a variety of industries, a better regulatory backdrop, tailwinds from IIJA and infrastructure spending, balanced labor markets, a strong economic foundation in the US, and an ability to pass through inflationary pressures via price or surcharges and manage supply chains. Many companies that we read either reiterated their guidance or raised guidance, with some (but not all) companies in both camps emphasizing strong starts to the year and in some instances taking care to illustrate how they believed their forecasts accounted for some of the stressors in markets for at least a period of time, or that they were otherwise operating with some caution and prudence. On the negative side, companies highlighted uncertainty in the outlook due to geopolitics, weather impacts, higher costs, consumer stress from higher gas prices along with general inflation and interest rate pressures, and corporate customers taking additional time to make decisions.
- **Consumer color:** The themes of a cautious but stable consumer, along with the K-shaped or bifurcated consumer (higher-end resilience vs. lower-end weakness), value-seeking behavior, affordability challenges, cost and interest rate pressures, are all themes that have been present in company descriptions of the consumer in the past, and those ideas all remained embedded in last week's earnings commentary. On the positive side, some of last week's companies also highlighted the beneficial impact of higher tax refunds (even as some acknowledged refunds weren't quite as strong as anticipated) and noted that the strength of the stock market had added to consumers' resiliency. On the negative side, some companies emphasized low levels of consumer confidence, with one food company noting they expected high levels of consumer anxiety to continue. Several consumer companies noted they aren't seeing any significant changes in behavior. Others did note some challenges with weak restaurant traffic in particular coming up in several transcripts. Challenging conditions were also apparent for travel-related names with one of the major cruise lines indicating that bookings had slowed in March but then recovered in April. One of the online booking companies also noted that "while room night growth was most impacted in the Middle East, we also saw an impact in other regions following the start of the conflict."

Taking The Stock Market's Temperature, Takeaways from an Avalanche of Earnings (continued)

- *Digging in deeper on the Iran war:* This week, we were struck by how many companies emphasized utilizing the playbooks and skill sets for managing through crises that they'd developed around COVID, tariffs, and other stress events in dealing with the challenges emanating from the Middle East situation. On this point, one automaker also echoed a sentiment we heard from a few companies last year during tariffs when they said: "What we don't want to do, we don't want to rush into a lot of things that are going to jeopardize or otherwise put at risk longer-term strategic initiatives by overreacting to what's going on around us." We think the emphasis that US public companies have made on their ability to manage through is one of the reasons the US equity market has been resilient since the war began. One topic we paid attention to again this week was views on the duration of the war. We once again saw a number of companies indicate their assumption that the conflict would last through June or 2Q, though others alluded to the idea it would be longer or was simply an uncertain, unpredictable, and fluid situation. Similar to last week, some companies indicated they had seen order or project delays associated with the conflict and were contemplating possible future impacts, while others emphasized they were not seeing impacts, shortages, or any kinds of supply chain disruptions yet. Some alluded to rising fuel, freight, and other material/input costs. Some of those outlined cost impacts in dollar terms, while others noted they would offset these through pricing, surcharges or mitigation. Hedging and inventory buffers were also highlighted. One phrase stuck in our mind came from one Health Care company noting they had "a year of poly."
- *AI intel:* We've focused our own reading on what non-Tech companies have to say about AI, in an effort to monitor the ultimate demand for the technology and its potential impact on company financials outside of the Tech space. While we did see a few cost-savings-related comments, last week we continued to read mostly about how companies are using AI to modernize workflows and augment efficiency, productivity, and innovation. Agentic AI was also in focus. We continued to notice that more companies are using statistics to illustrate the impact of their use cases. Some of the qualitative comments that stuck out to us from last week included one company arguing AI would help expand their addressable market, and another indicating that AI improved client engagement with their product. A hotel company also jumped out for attempting to assuage some of the existential fears around AI by noting, "There is no time in American history where big productivity gains weren't matched with big economic growth."
- *Tariff talk:* While a few companies noted seeing a benefit from the SCOTUS ruling against the IEEPA tariffs, most companies indicated no significant change in their tariff assumptions or noted that any benefit was being neutralized by other tariffs or challenges. On refunds, one shipping company noted they would pass through any savings to their customers, while others noted uncertainty around the refund issue or that they were not anticipating/baking in a benefit.

Overall, the commentary we read seems consistent with a few important ideas when it comes to the outlook for the US equity market. One, that there is a complex web of buffers in place, that vary by company, that can offset some of the challenges from the war for a certain period of time for some companies. Two, that what companies are seeing so far is consistent with the idea of a price shock rather than a supply shock. Third, that consumers are under a bit more pressure in certain regards due to the war, but aren't cracking broadly. Fourth, that companies are staying calm and focusing on managing through. As noted earlier, we were struck by how many companies took a moment to remind investors how many challenges they've had to manage through in the not so distant past, which leads us to believe that crisis management has simply become a feature of the current era of investing.

Overall, this reinforces a few different thoughts when we think about our S&P 500 forecast. First, though some downward adjustments to late-2026 and 2027 EPS forecasts may ultimately be needed in non-Tech/AI related industries, there also appears to be some inherent resiliency to the earnings forecast for the S&P 500 (even outside of the Tech/AI contribution). Second, there is likely to be some P/E compression in the S&P 500 due to higher inflation rates relative to the highs of last year. These are both ideas that we've already captured in our S&P 500 price target, specifically through our valuation/EPS modeling when we haircut bottom-up consensus EPS growth forecasts for 1Q27 (trailing 4Q basis) by 5% and input inflation assumptions into our P/E calculation that are materially higher than consensus for that time period. Third, calm corporates may help fend off layoff and recession concerns among equity investors. In this context, we'll be keeping a close eye on c-suite sentiment surveys going forward.

Quick Hits: What Else Jumps Out

- *Tracking hot topics.* We took a look at data showing how often certain topics appear in transcripts for S&P 500 and Russell 3000 companies over time. Not surprisingly, company references to geopolitics have spiked to new highs in April while the conversation about tariffs has retreated, and AI discussion has remained elevated (in a choppy uptrend). One comforting chart is that company commentary regarding layoffs remains quite low. See page 22. In last week's meetings, one client asked us what might cause us to turn outright bearish. We noted that a stark change in company tone would be one of the items on our list, as it would generate worries in our mind on the labor market.
- *Sentiment slips.* The crankiness we observed in our investor meetings showed up in the weekly AAIL investor survey last week, as net bulls fell to -1.6%, down from +11.6% the prior week (page 64). Last week, this indicator recently got close to the highs seen in January 2026, but fell short of those achieved throughout 2023-2024. In addition to the valuation indicators discussed above, this indicator is another way we're keeping tabs on the stock market's temperature.
- *Monitoring the midterms.* Betting markets are showing some slight moderation in expectations Democrats will sweep Congress in the midterms this fall, while expectations for a Republican Senate/Democratic House have crept higher (page 121). We think the underlying strength of the earnings outlook for the S&P 500 as a whole and the better fundamental backdrop in the US relative to non-US developed markets has been the primary driver of the major US indices of late. But we do think this dynamic is also worth paying attention to since S&P 500 performance has been aligned with Trump favorability, net job approval, and expectations for a Republican sweep in recent years (page 123). Mid-term elections have not been top of mind in our conversations with US equity investors recently, but were more prevalent to start the year particularly among non-US based investors, and we think betting market dynamics will give us clues into what the stock market may be baking in at any given point in time.

Summary / Update of Our US Equity Market Outlook

- **Our 12-month S&P 500 price target remains 7,750.** This implies a gain of 13.6% from the April 9th close, which is when we last refreshed our analysis. Our price target is maintained on a rolling 12-month-forward basis (it is not a December 31st estimate) and is updated monthly. At the time of publication, 7,750 was in line with the median of the outputs of our investor sentiment, valuation/EPS, earnings yield gap, GDP, and Fed models. Interestingly, the outputs of three of our models (our valuation / EPS test, our Fed test, and our earnings yield gap analysis) are all clustered around 7,750. Our models ranged from roughly 7,200 at the low end (our GDP test, reflects the typical return of 5.7% in a 1.1–2% real GDP environment) to more than 7,800 at the high end (our AAI sentiment test, which generates a +15% forward return signal based on the deep levels of bearishness that have been in place recently). Relative to our previous update published in early March, which leveraged late-February data, our sentiment model was sending a stronger signal while our GDP test was sending a weaker signal. Our valuation/EPS model (which signals fair value at the end of 1Q27 of 7,759) was also sending a less constructive signal, but this is due to the fact that we removed consensus macro and EPS assumptions from our modeling (macro assumptions have been slow to adjust to recent geopolitical developments, and bottom-up consensus EPS forecasts have been moving up) and replaced them with more conservative/onerous metrics of our own (including an EPS assumption for the next four quarters that haircuts the current bottom-up consensus as of late April by 5%, and bakes in headline inflation of 3.3% in early 2027, no Fed cuts, and 10-year yields that move up to 4.5% into our P/E assumption). Overall, the story that our models tell is that the S&P 500 can stay on a path headed to 7,750 over the course of the next year, supported by a recovery in investor sentiment from deeply bearish levels and a solid earnings growth and economic backdrop that don't incur too much damage (as a whole) from recent disruption to energy markets and the Middle East. We will keep a close eye on these assumptions and plan to adjust our forecast as needed if it appears that these assumptions are no longer valid.
- **Near-term thoughts.** We don't expect the S&P 500's move higher to be linear but anticipate that any pullbacks would be no worse than a tier 1 garden-variety pullback. We are keeping an eye on valuation levels in the S&P 500 and Russell 2000, which could indicate a return of short-term overbought conditions. One potential catalyst later this year could be downward adjustments to late-2026 or 2027 EPS outlooks due to war impacts. But in our view, unless recession concerns return, it is unlikely the S&P 500 would enter a tier 2 growth-scare drawdown or worse. Mid-term elections could be another stumbling block for the S&P 500 later this year, but we think heightened expectations around a Democratic sweep in Congress contributed to the 9.1% drawdown in the S&P 500 in 1Q26 given an increase in odds around that scenario in betting markets earlier this year, and note that anticipation of a split Congress has been on the rise again in betting markets (a possible tailwind to US equities of late) even though it is not the most expected outcome.
- **We continue to have a bias in favor of Large Cap Growth over Large Cap Value.** We think US equity market performance will reflect trends in earnings over the next 12 months, and our data suggests that the earnings story is simply stronger for Growth than Value at the moment. Our data on bottom-up consensus estimates points to eroding dominance for Growth and the biggest market cap names relative to the rest of the market. But we have not yet seen an outright shift in earnings leadership to Value, which has left the door open for the Growth trade to fight back. The latest consensus stats also point to EPS growth acceleration in 2027 for the Mag 7 but 2027 deceleration for the rest of the S&P 500 index. Meanwhile, the rate of upward EPS estimate revisions has also been stronger for the biggest market cap names in the S&P 500 recently than in the rest of the market. Impacts from the Middle East conflict also seem likely to be more of a headwind for earnings revisions and earnings expectations for the rest of the market and Value going forward. Shifting to valuation, P/E profiles look similar to us for both the mega cap growth names and the rest of the index – off their highs but not cheap yet in median terms. The relative P/E of the top-10 names relative to the rest of the market has rebounded back to levels in line with relative long-term EPS growth expectations between the two cohorts, suggesting Large Cap Growth no longer looks undervalued on this metric.
- **We continue to give an edge to US equities over non-US equities.** Ahead of the Iran war, US equities looked cheap relative to non-US equities on a five-year time frame, and no longer looked overvalued on a 20-year time frame. We think that helped to get US leadership started. Following the outperformance that the US saw after the war began, the US/non-US P/E has now moved a little above the five-year average but doesn't look stretched yet. On a 20-year time frame, the US/non-US relative P/E has moved up but is not yet back to past highs. This tells us there is still some room for the US to outperform non-US. In our latest EPFR updates, US equity flows were showing modest signs of improvement, while flows to Europe were weakening and had turned negative. We aren't getting terribly strong signals on the US relative to other developed markets geographics on our earnings revisions work right now (most of the areas we track are showing signs of deceleration) or on our economic indicators where GDP forecasts are starting to slip broadly. Fundamentally, we do buy into the idea that the US has had less exposure to Middle East/energy disruption than Europe or Asia, and may incur less impact from residual damage going forward (something supported by our recent global analyst survey work). In our meetings, we've continued to emphasize to clients that there has historically been a link between the Growth/Value trade in the US and the US/non-US equity trade. Over the past 20 years, US underperformance relative to non-US tends to be accompanied by Growth underperformance vs. Value within the US. Note, our recent global analyst survey work suggests that Europe is less appealing than the US in terms of perceived valuations, demand, and war impacts.
- **We like Small Caps, but not quite as much as Mega Cap Growth.** Small Caps suffered a setback amid derisking on Middle East fears as the war began, when the improving fundamental narrative for Small Caps also started to fade (weaker EPS revisions trends and beat stats toward the end of 4Q25 reporting season), and a weak February jobs report that overshadowed the improving trend underway in ISM manufacturing. Since mid-March, we've seen jagged outperformance by Small Caps relative to Large Caps, which we suspect was a mix of "buy the USA" and early attempts to put on rebound trades. Some of the positives we see for Small Caps at the moment include the strong March jobs report, continued improvement in ISM manufacturing, and the removal of froth from Russell 2000 valuations (which returned to their long-term average in March) and futures positioning (where CFTC data points to a net short in place but not deeply oversold levels). That being said, some of the negatives we see for Small Caps are the continuation of weaker earnings revisions trends relative to Large Caps (which may be starting to equalize), a lack of optimism about Fed cuts in 2026 among financial market participants generally (and the potential for inflation concerns to stoke hike fears), which tends to be a headwind for Small Caps. General concerns about the ripple effects of the war in the Middle East on the more cyclical parts of the US equity market may also weigh on Small Caps (since Small Caps' fate is often tied to perceptions of the health of the underlying economy), but a continued dialing down of concerns about the conflict may benefit Small Caps by lessening cyclical concerns. We remind investors that views on the Fed have tended to change quickly in recent years, and generally any renewed dovishness among market participants is likely to boost Small Caps and any renewed hawkishness seems likely to be a headwind for them.

The Four Tiers of Fear in Modern US Equity Markets

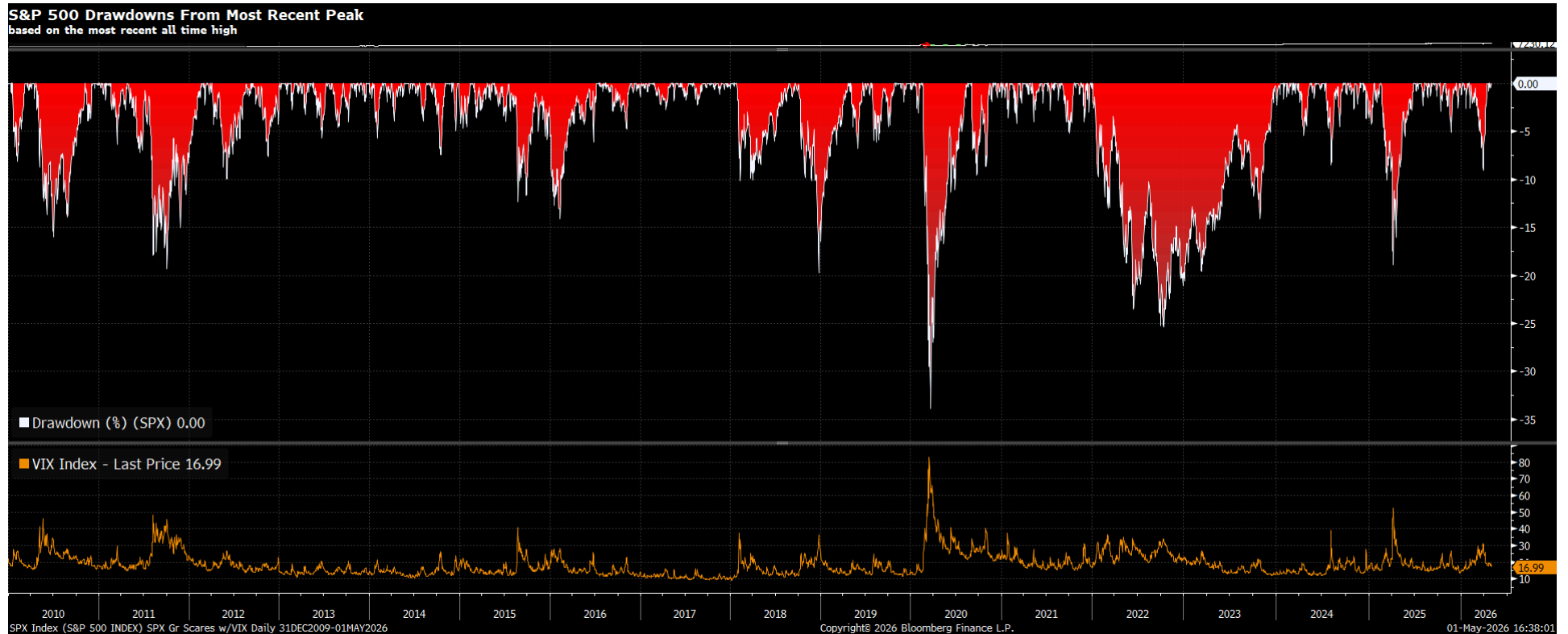
- This is a framework we've developed to think about potential downside levels in the S&P 500 whenever a period of stress and uncertainty emerges.
- We came into 2026 assuming the S&P 500 would experience at least one 5–10% tier-1 pullback this year, which occurred during 1Q26 – a 9.1% drawdown from the late-January peak through the late-March low.
- To the extent equities become weak again, a new pullback would begin from the latest April high. We think it would take a clear return of recession concerns to push the S&P 500 down into tier-2 pricing or worse. We do think as the year progresses, equity investors will increasingly start to focus on 2027, which may be where more earnings risk ultimately lies from the Iran conflict and hence renewed pullback risk in the broader market. On that point, we note that while bottom-up consensus EPS growth forecasts for the S&P 500 have remained resilient and have actually continued to move up, we have seen a little bit of slippage in the anticipated EPS growth rate expected by consensus for 2027 in the broader S&P 500. This slippage has been driven by the index ex the Mag 7 and the index ex Tech, as Tech and the Mag 7 have remained steady.

	What A Peak-To-Trough Drawdown Looks Like Historically In The S&P 500	Equivalent S&P 500 Downside Levels To Keep In Mind Today	Additional Thoughts
Tier 1 Garden-Variety Pullback	<ul style="list-style-type: none"> ▪ 5–10% drawdown 	<ul style="list-style-type: none"> ▪ 6,507–6,869 vs. the 5/1/26 high 	<ul style="list-style-type: none"> ▪ This is what the major pullbacks in the S&P 500 had typically looked like since 2022. ▪ This is a natural starting point for thinking about downside risk whenever a major source of uncertainty arises.
Tier 2 Growth Score	<ul style="list-style-type: none"> ▪ 14–20% drawdown 	<ul style="list-style-type: none"> ▪ 5,784–6,218 vs. the 5/1/26 high 	<ul style="list-style-type: none"> ▪ The US equity market experienced four of these: in 2010 (European debt crisis), 2011 (US debt downgrade), 2015-2016 (industrial recession), and 2018 (trade war / Fed fears over balance sheet unwind). ▪ The tariff tantrum of 2025 fit this category with an 18.9% drawdown from late February through early April. ▪ These were all periods in which equity market participants began to significantly price in a crisis or recession that ultimately did not materialize. All of these but 2010 also saw at least one quarter of real GDP growth in the +/-1% range.
Tier 3 Recession & Major Wars	<ul style="list-style-type: none"> ▪ Median & average drawdown of 27% and 32% 	<ul style="list-style-type: none"> ▪ Roughly 4,916–5,278 vs. the 5/1/26 high 	<ul style="list-style-type: none"> ▪ Recession drawdowns have ranged from 14% to 57% since the late 1930s. ▪ Recent, major wars have been similar to recessions, with the drawdowns around 9/11 and the two Gulf Wars ranging from 20% to 34%. 2022's Russia-Ukraine war contributed to a 25% drop.
Tier 4 Major Crisis	<ul style="list-style-type: none"> ▪ Drawdown of around 50% or more for a general rule of thumb 	<ul style="list-style-type: none"> ▪ 3,615 vs. the 5/1/26 high 	<ul style="list-style-type: none"> ▪ 49% drawdown for the Tech bubble ▪ 57% for the Great Financial Crisis ▪ 43% drawdown for WW2 vs. the high at the start of the war (more than 80% vs. the pre-Great Depression high)

Source: RBC US Equity Strategy, S&P

The Iran War-Related Drop in the S&P 500 Never Breached 10% from Peak

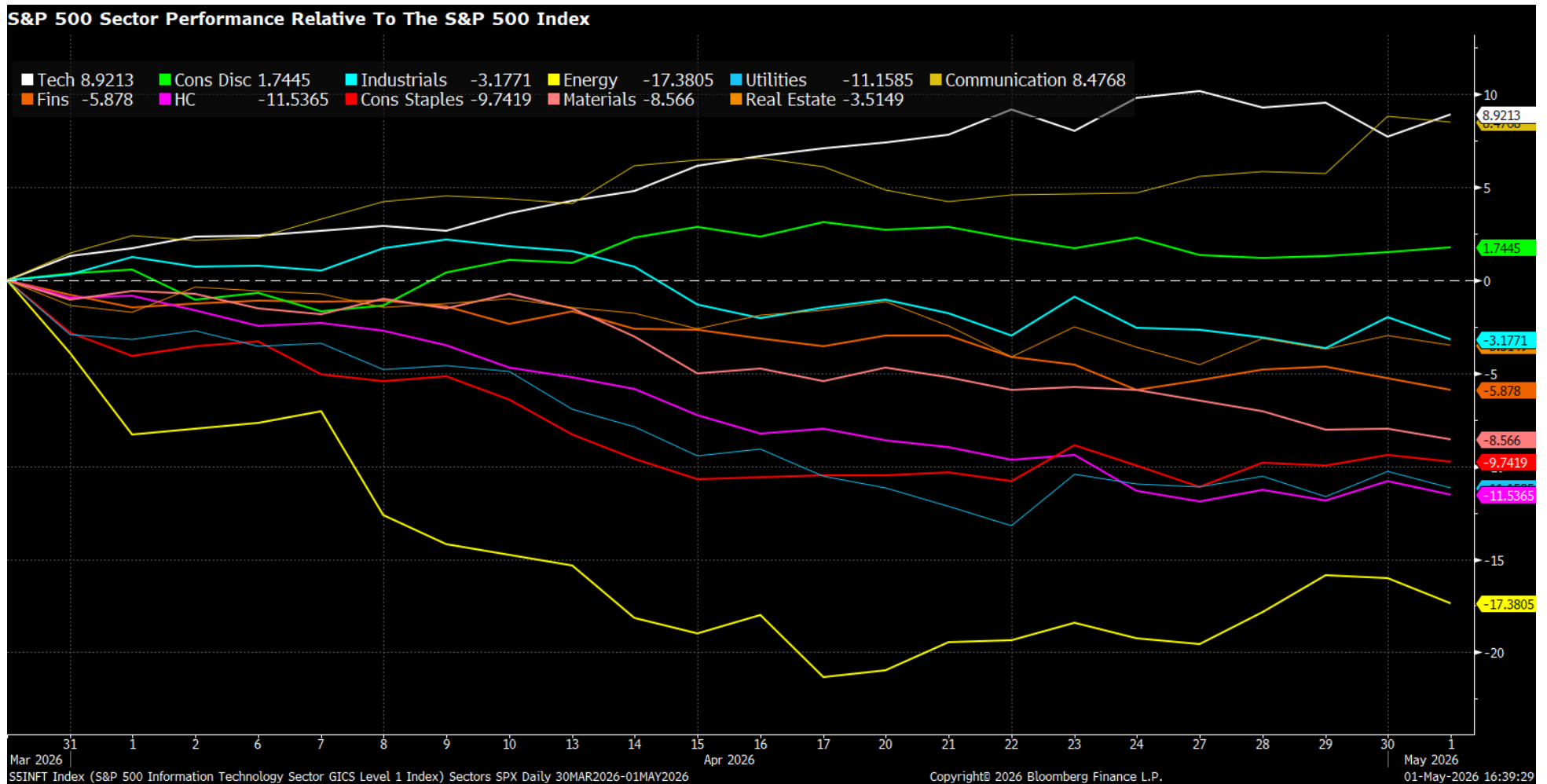
- Through its late-March low, the S&P 500 was still within what we'd consider to be garden-variety pullback territory – a drawdown of 9.1% vs. the January high.
- With the S&P 500 having made a new all-time high this past week, the pullback that occurred has officially concluded, in our view.



Source: RBC US Equity Strategy, Bloomberg as of May 1, 2026

Comm Svcs, Tech & Discretionary Have Outperformed Within the S&P 500 Since the March 30th Low

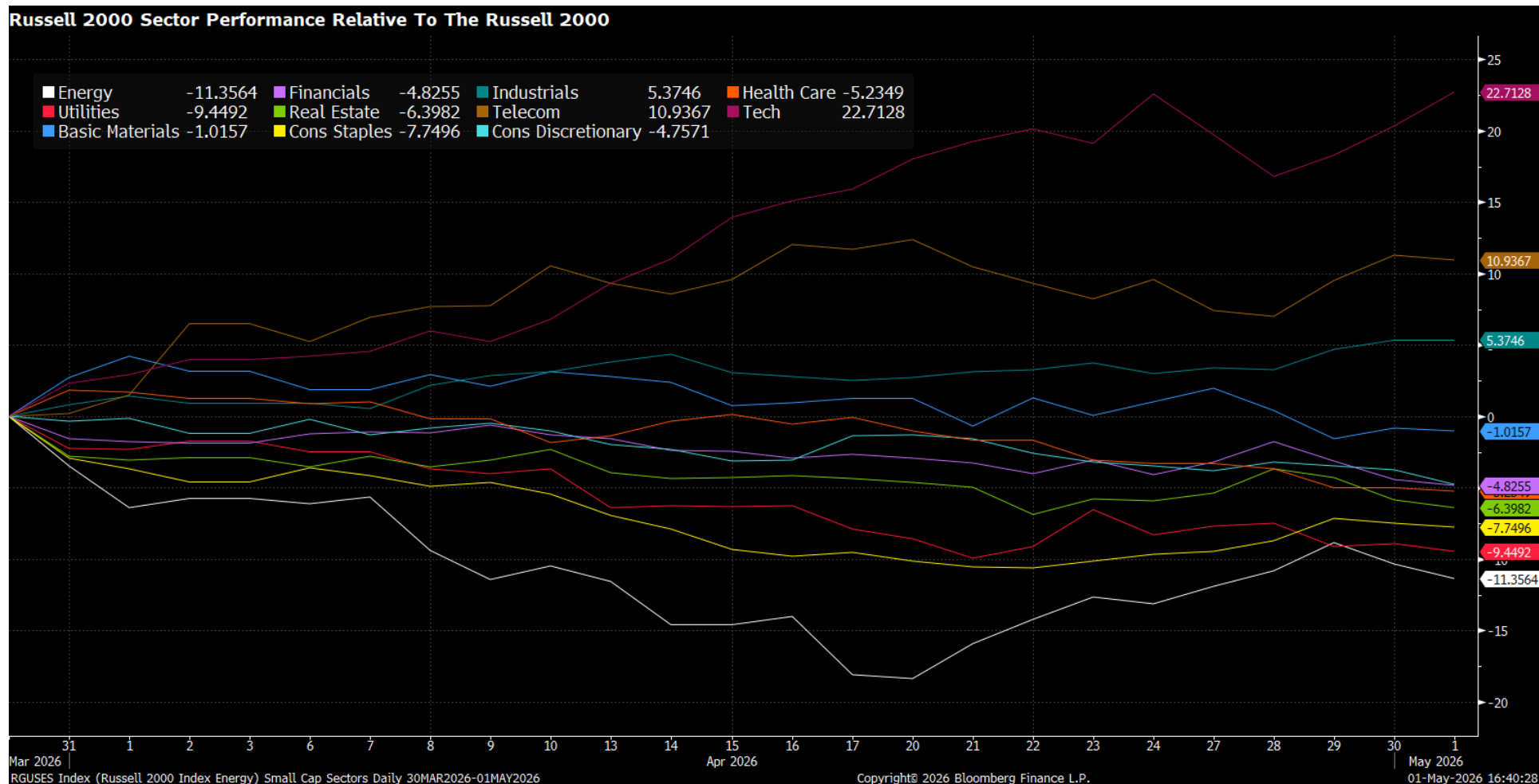
- These sectors are the three pillars of the Large Cap Growth trade.
- Energy is the weakest-performing sector in April after seeing strength throughout March, while Materials and defensives are also lagging.



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Source: RBC US Equity Strategy, S&P, Bloomberg; as of May 1, 2026

Similar to Large Cap, Tech Has Also Outperformed in Small Cap Since the End of March

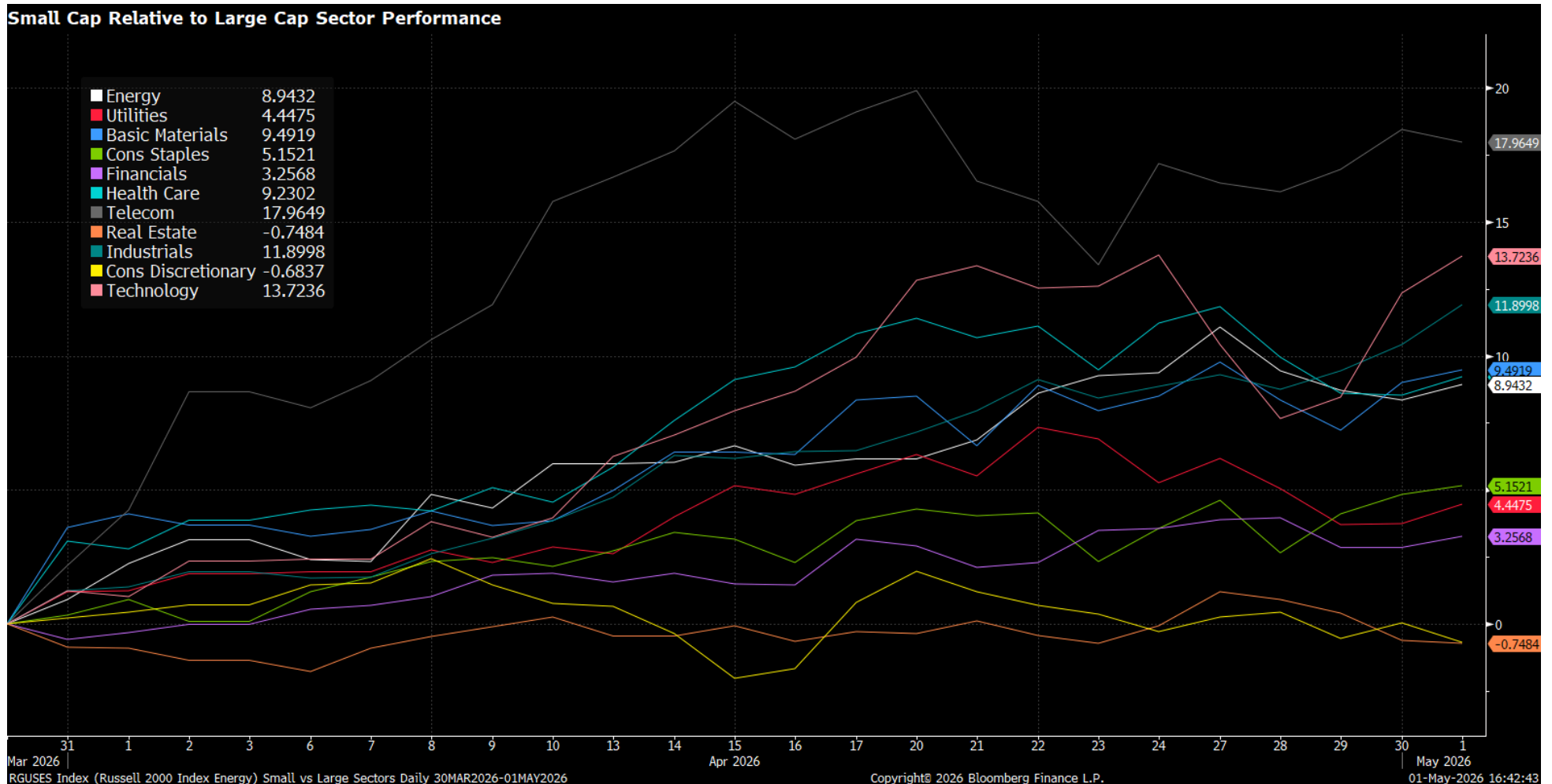
- Telecom has also seen strong performance in April. Unlike what we are seeing in Large Cap, Industrials has shown a little leadership in Small Cap, while Discretionary and Health Care have underperformed.
- Energy and Staples have also underperformed, something we are also seeing in Large Cap. That being said, Energy has perked up again in recent days. Utilities has faltered in recent trading.



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Source: RBC US Equity Strategy, Russell, Bloomberg; as of May 1, 2026

Almost All Sectors Are Getting a Lift in Small Cap Relative to Large Cap in April

- Since the end of March, Telecom has seen the strongest outperformance in Small Cap relative to its Large Cap peer, followed by Tech then Industrials.
- Consumer Discretionary and Real Estate have seen the most significant underperformance in Small Cap relative to its Large Cap peer since the end of March.

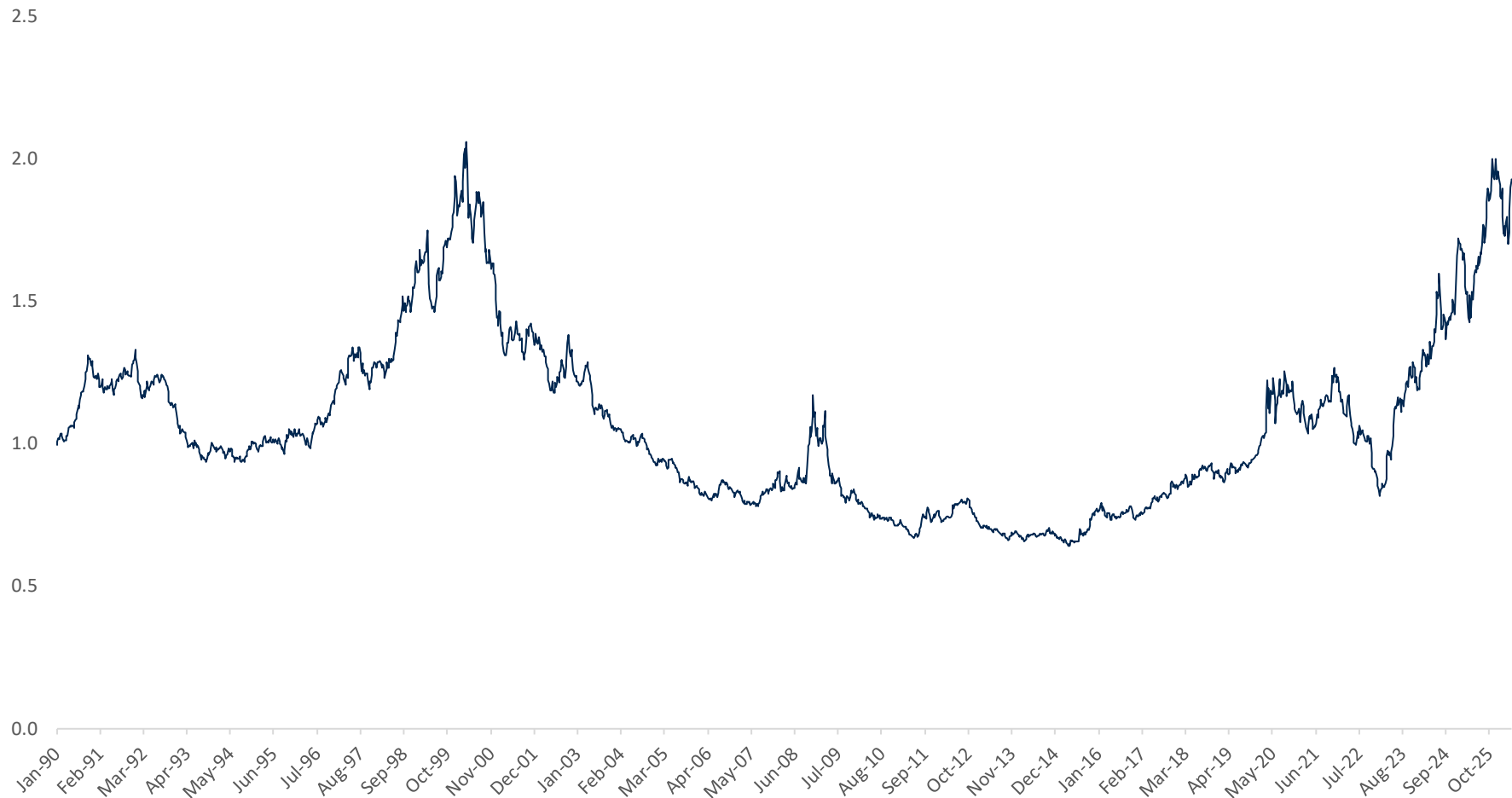


Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
 Source: RBC US Equity Strategy, Bloomberg, Russell (both Large Cap and Small Cap sector inputs), as of May 1, 2026

10 Biggest Stocks in the S&P 500 Outperforming Again After a Fall from Grace

The performance of the top-10 names recently saw some major deterioration relative to the rest of the stock market earlier this year. This was in line with the last two periods of major underperformance and we had noted the recent relative lows would be a natural place for mega cap growth to try to reclaim leadership. In March and mid-April, the mega cap growth names have attempted to stabilize, though technically the period of underperformance that began last year is still in place.

Top 10 Names Relative To S&P 500 Ex Top 10 (Equal Weighted Performance)



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.

Source: RBC US Equity Strategy, S&P Capital IQ / ClariFI, S&P, Compustat, CIQ estimates, IBES estimates; latest data point available as of April 21, 2026. Mid-week basket portfolio rebalancing applied; as of April 28, 2026

Growth Has Attempted a Comeback in Leadership vs. Value Within Large Cap in April

- This follows a brief return of Growth leadership in early March after the war began, then a renewed period of Value dominance in the second half of the month.
- In 2025, Value worked best to start the year, but after the tariff lows in the market, the Growth trade dominated.



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Bloomberg, Russell, as of May 1, 2026

The Russell 2000 Has Also Attempted to Bounce Back vs. the S&P 500 in Recent Trading

- Small Caps technically remain in an uptrend vs. Large Caps since last fall, but the price action has been choppy.
- The latest outperformance period in Small Cap began in mid-March but has been unable to break out to a new high yet, stalling a bit in recent updates.



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Source: RBC US Equity Strategy, Bloomberg, S&P, Russell, as of May 1, 2026

Russell 2000 Has Continued to Struggle to Keep Up With Nasdaq

- Unlike what we are seeing in Small Cap vs. Large Cap, we've not seen the relative ratio improve in Small Cap's favor in recent updates.



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Bloomberg, Russell, Nasdaq, as of May 1, 2026

Russell 2000 Outperformance of Private Markets Stocks Has Stalled

In recent months we've been seeing outperformance of the Russell 2000 relative to a basket of private markets-related stocks. But that trend has stalled with slightly better performance from the latter bucket of late.



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Bloomberg, S&P, Russell, as of May 1, 2026

The Low-Quality Trade Has Recently Returned in Small Cap

- The outperformance of high earnings quality within Small Caps peaked in early-April 2025, when the broader market bottomed a few days after the Liberation Day tariffs were announced, after which the market embarked on a fierce recovery. After that, low earnings quality led, as the market priced in rate cuts, looser financial conditions, and a hot economy in 2026. It's also worth noting that the Russell 2000 hit a recession low on our P/E model on April 8th, and that low-EPS-quality outperformance is a classic post-recession recovery trade. Starting mid-October 2025, high EPS quality fought back and started to outperform again, but as 2025 wound down, the trade turned choppy. Since last fall, the high-EPS-quality factor has been working again but there has been a bit of low-EPS-quality leadership that's returned again in recent trading.
- In Large Cap, high-earnings-quality stocks maintained steady outperformance from 2023 to 2025 but this trade peaked in May 2025. Between late October and mid-November, both Small and Large experienced a modest shift toward higher earnings quality. However, this trend then reversed, with low earnings quality gaining prominence once again in late 2025. This trade has generally been tilted to high-EPS-quality outperformance but has been choppy in very recent updates with a small tilt toward low earnings quality.



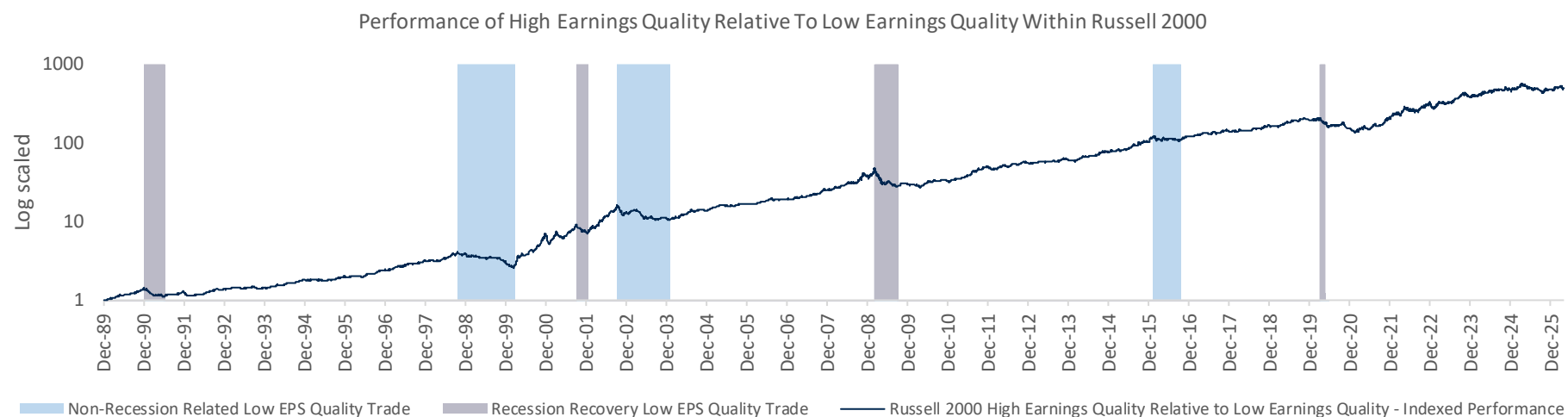
Note: The earnings quality factor is a sector-neutral, equal-weighted multifactor based on historical constituents that combines the trailing 12-month return on equity, earnings stability (measured as the ratio of the one-year change in EPS to the standard deviation of the one-year change in EPS across eight prior periods), and the distinction between positive and negative earnings based on whether EPS is above or below zero.

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Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi; Russell, S&P, as of April 28, 2026

High EPS Quality Tends to Outperform in Small Cap, but Low-Quality Bursts Can Be Lengthy

- We examined how long and how far low-quality bursts of leadership within the Russell 2000 lasted around the recession rebounds and other rebounds following growth scares and other major periods of stress over the past few decades.
- The latest period of low-EPS-quality leadership – which began after the Liberation Day low in the broader market back in April 2025 and ended in October 2025 – didn't match the prior low-quality bursts in terms of either duration or magnitude. It was similar to the low-EPS-quality-outperformance trade that occurred off the 2015-2016 growth-scare low in the broader market, however.



Event	Peak Date	Trough Date	Number of Trading Days	High Earnings Quality (%)	Low Earnings Quality (%)	Difference (%)
1990-1991 Recession Rebound	12/27/1990	06/25/1991	125	40%	83%	-44%
Dot-Com Bubble Rebound	10/16/1998	03/10/2000	353	39%	119%	-80%
2001 Recession Rebound	10/01/2001	01/08/2002	69	24%	60%	-36%
Post Dot-Com Period Rebound	10/09/2002	01/20/2004	340	92%	187%	-95%
Global Financial Crisis Rebound	03/05/2009	09/22/2009	140	87%	228%	-140%
2016 Growth Scare Rebound	02/10/2016	10/05/2016	166	33%	53%	-20%
2020 COVID Recession Rebound	04/03/2020	02/16/2021	219	114%	230%	-116%
2025 Trade Liberation Day Rebound	04/08/2025	10/20/2025	135	34%	71%	-37%
Median ex 2025			166	40%	119%	-80%

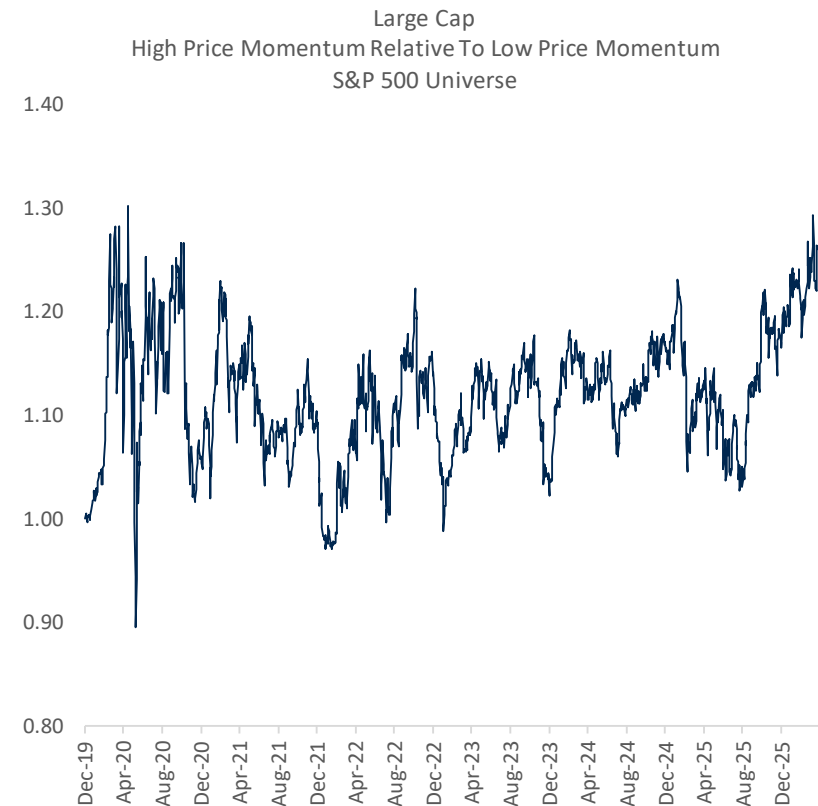
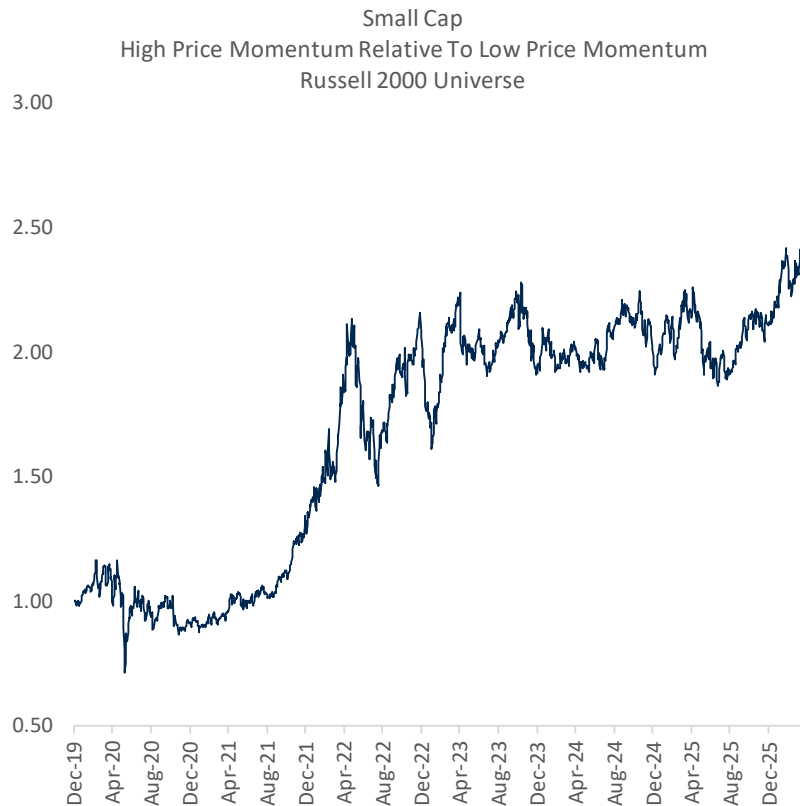
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High-Price-Momentum Leadership Has Cooled Off in Small Cap & Large Cap in Recent Trading

- Within Small Cap, high-price-momentum stocks experienced sharp underperformance during the Covid market shock in 2020. However, they rebounded strongly, outperforming throughout 2021 and 2022. The high-price-momentum factor saw a significant deterioration in performance during the summer of 2022, following a late-spring peak where it outperformed low-price-momentum stocks. A similar pattern unfolded in late 2022 and early 2023. High-price-momentum stocks failed to lead through the majority of 2023 and 2024. In 2025 there was a notable uptick in the relative performance of high-price-momentum stocks, with the relative ratio to low price momentum approaching the high end of its range. After a stall in late 2025, in early 2026 we initially saw the high-momentum factor outperform the low-momentum factor, but most recently we saw a breakdown of momentum. In the latest updates, high momentum is underperforming relative to low momentum.
- Within Large Cap, high-price-momentum stocks experienced a sharp underperformance during the Covid market downturn in 2020. From 2021 to 2024, the relative performance of high-price-momentum versus low-price-momentum stocks exhibited a choppy pattern, characterized by intermittent bursts of outperformance and underperformance. However, starting late summer of 2025, high-price-momentum stocks dominated again through much of the fall with the trade getting close to the high end of its range. In our previous published reports, we noted that we were close to the high of the typical range in this trade, and in the most recent trading, we have seen high momentum gain a little bit of strength relative to low momentum.



Note: The price momentum factor is a sector-neutral, equal-weighted factor based on historical constituents that measures the relative to the 200-day moving average.

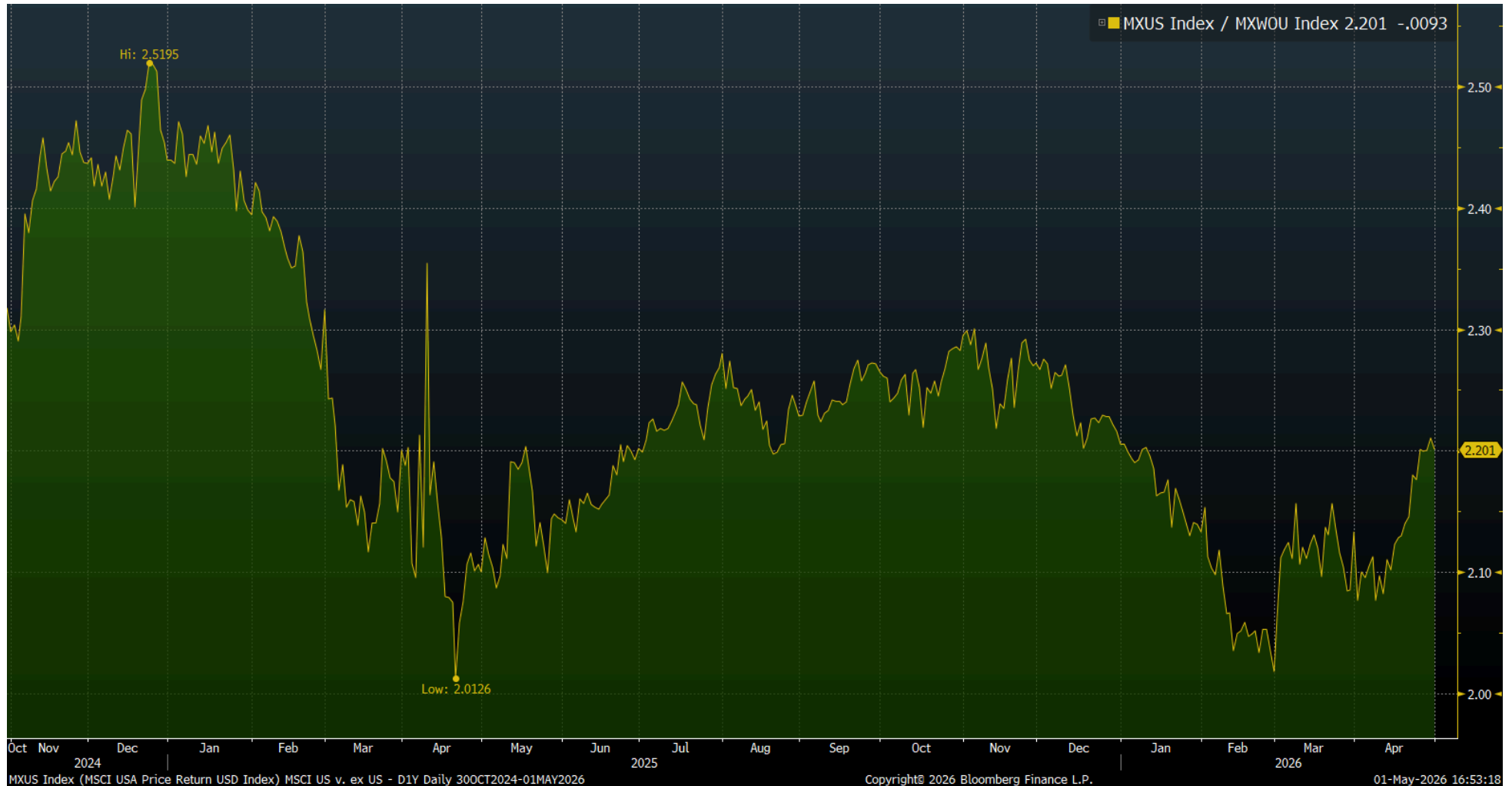
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age

The US Has Hit a New High Relative to Non-US Equities

- This reverses a stretch of US underperformance that began last fall.
- At the recent lows, the US/non-US relative ratio was close to the post-Liberation Day lows.
- The US surged relative to non-US equities in the early days of the Iran war, then engaged in a sideways relative trade throughout much of March, with the US hanging on to the leadership it accrued but not adding to it. That changed in recent updates, with the US breaking out to a new high relative to non-US equities.

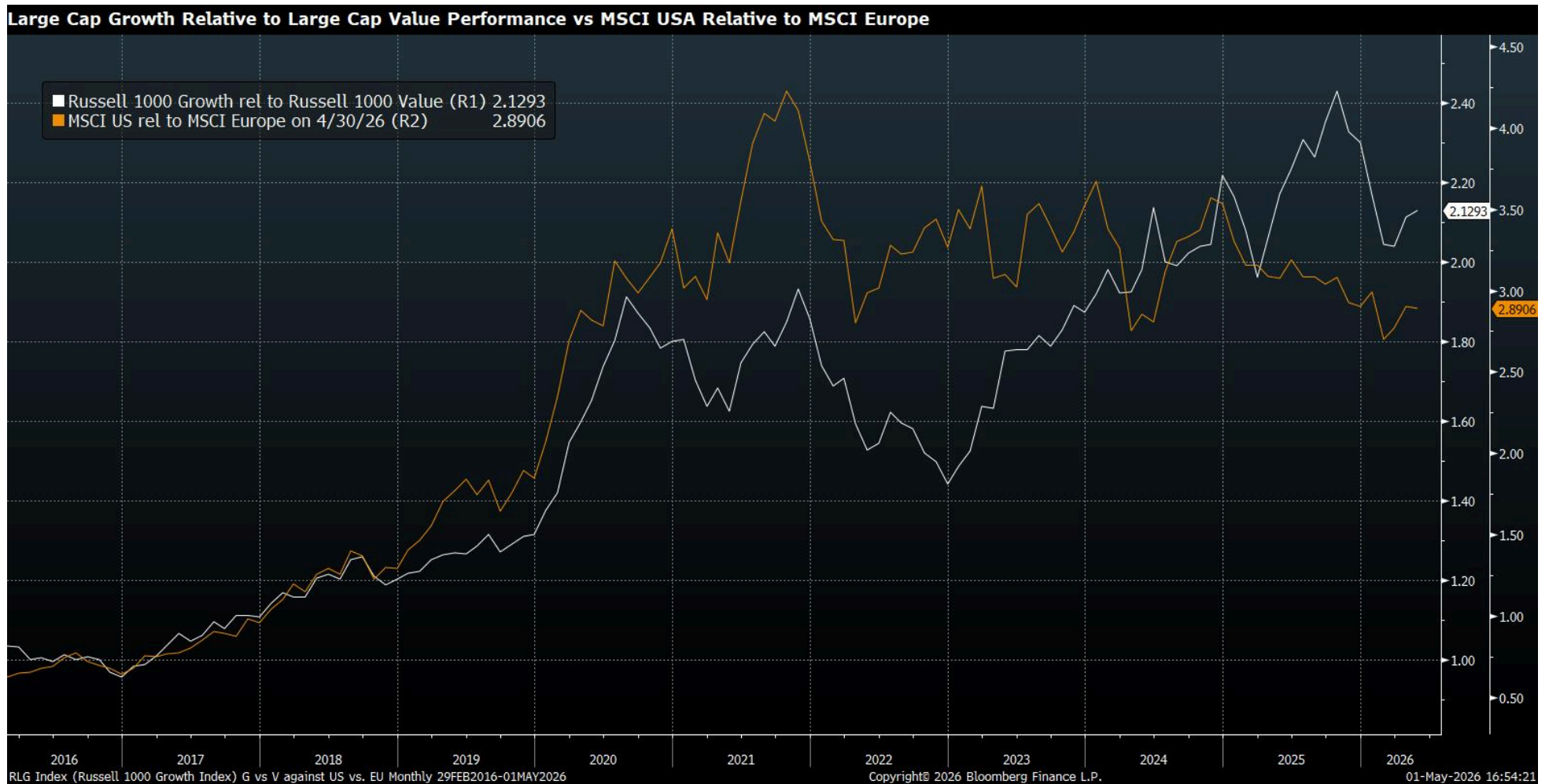


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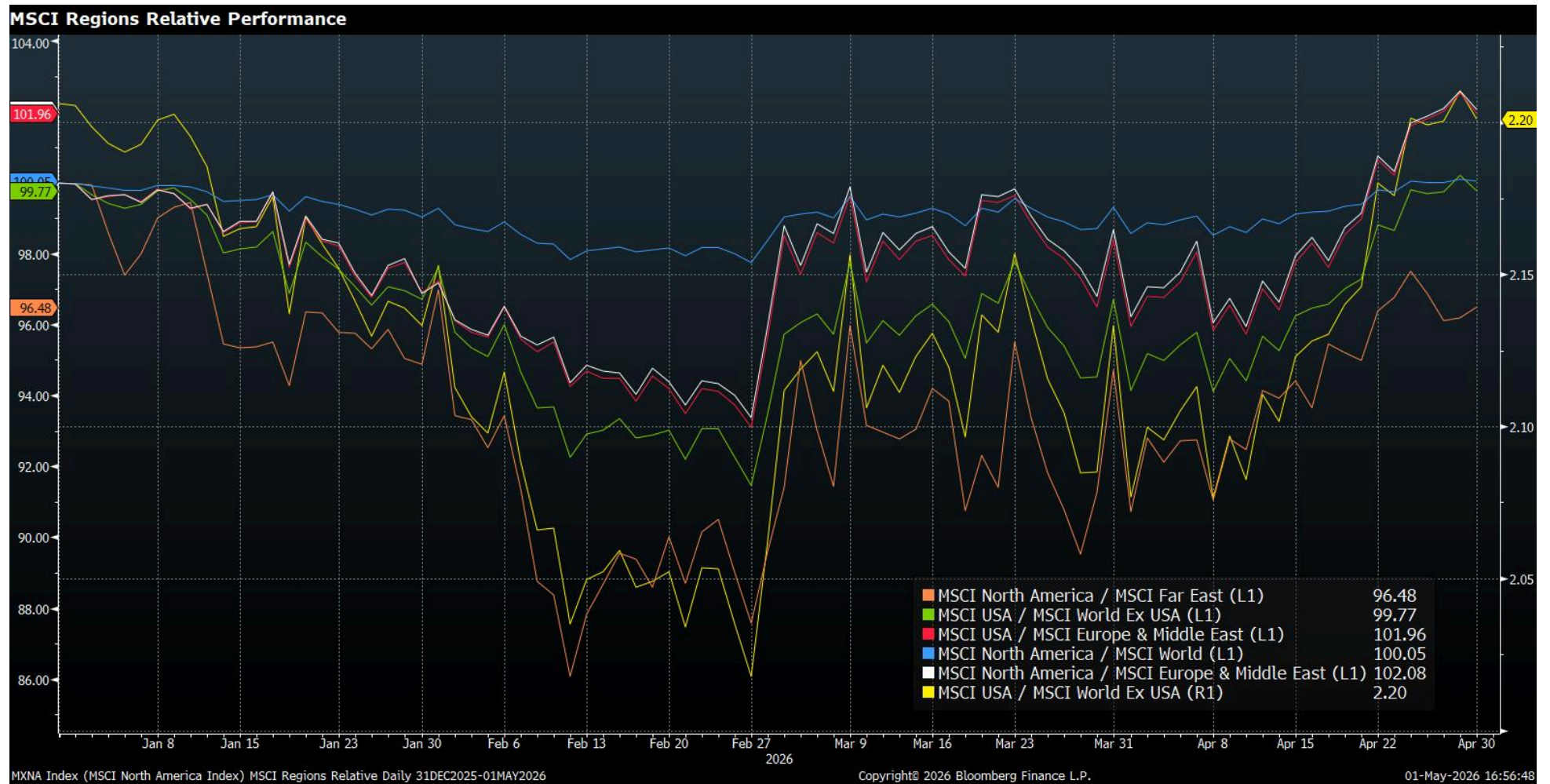
US Growth / Value Trade Has Tracked the US / Europe Trade in the Past

- The relationship broke down in 2022. It may be returning, however.



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North America Has Been Outperforming Other Major Regions in April

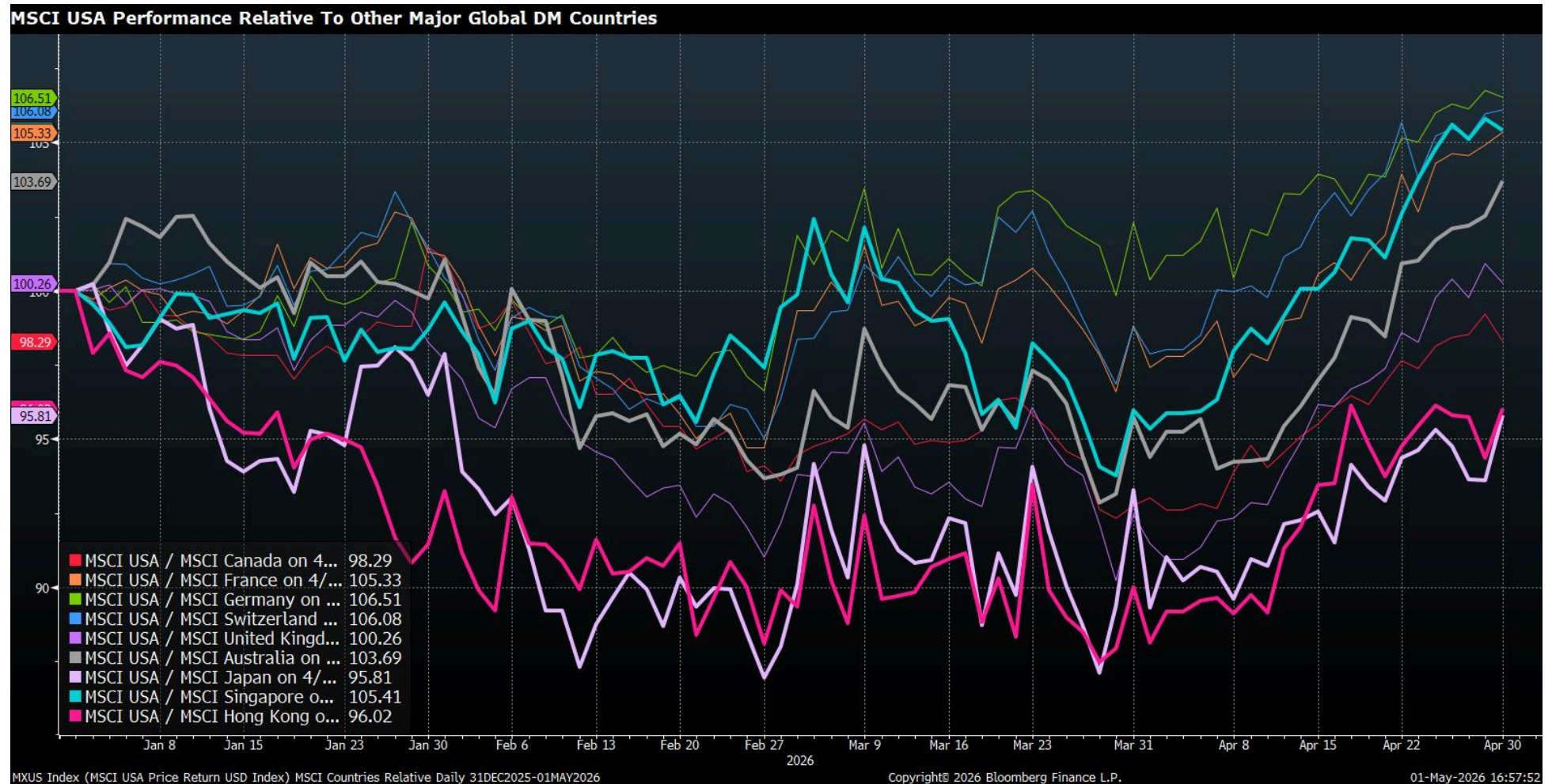


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The US Is Now Outperforming Most other Major Global Developed Markets Countries for 2026

- The US is still a little behind Canada, Japan, and Hong Kong for the year, but is closing the gap.
- We've seen broad US outperformance in recent weeks.



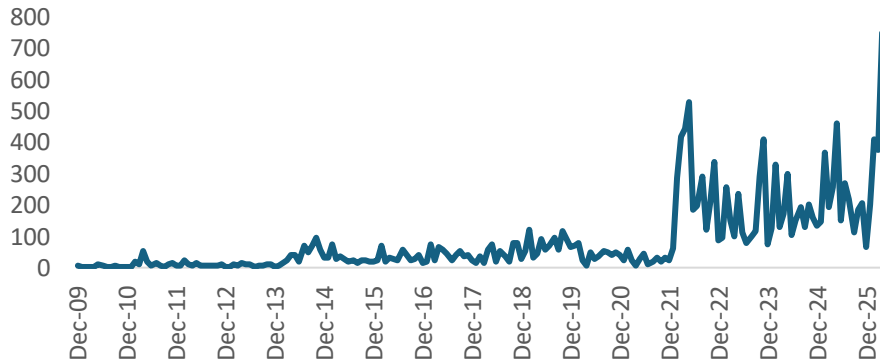
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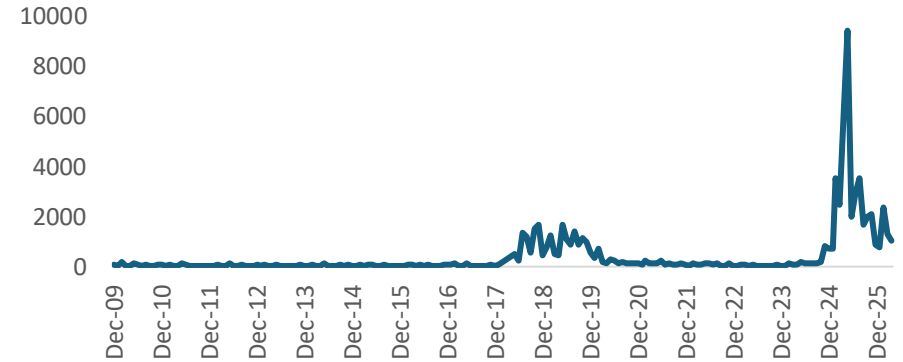
Company References to Geopolitics Have Spiked

- The parabolic move seen here is reminiscent of the spike in tariff references last year around Liberation Day.
- AI discussion remains elevated, in a choppy uptrend.
- Layoff discussion remains low. But interestingly, saw a similar parabolic move to what we're seeing on geopolitics back during COVID, and tariffs a year ago.

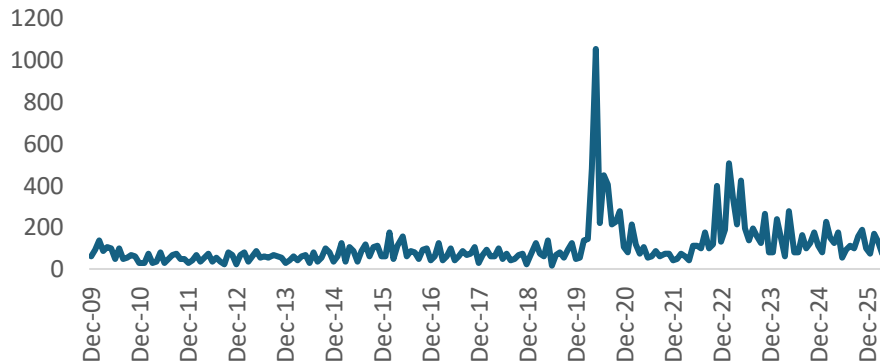
Company Transcript References to Geopolitics
monthly, S&P 500 and Russell 3000



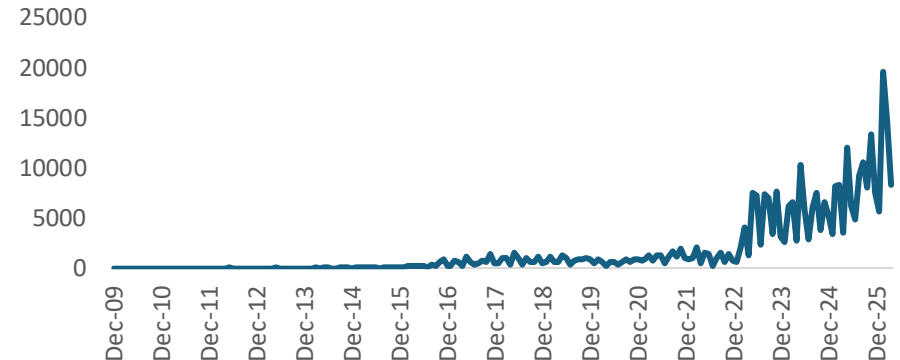
Company Transcript References to Tariffs
monthly, S&P 500 and Russell 3000



Company Transcript References to Layoffs
monthly, S&P 500 and Russell 3000



Company Transcript References to Artificial Intelligence
monthly, S&P 500 and Russell 3000



Source: RBC US Equity Strategy, Bloomberg; as of April 2026

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Color on the General Outlook / Macro / Business Confidence

In summary, our second quarter outlook and our growth trajectory in 2026 reflect the story of breadth, depth and acceleration. Our company-specific growth drivers are performing as designed. Our core business is inflecting, and today we have made the growth of our data center revenue transparent to support your understanding of our exposure to this important market. **Data center revenue is ramping now, and it will more than double in 2026 from a year ago.** We remain disciplined in how we invest, how we allocate capital, and how we manage the factors we can control.... Related to other supply factors, yeah, **supply in – different parts of the supply chain are tight.** And we do see these inflationary costs that Rafael referred to. And if we can't offset them internally from operational efficiency or productivity, we then unfortunately have to pass them along onto our customers. And so we are starting to do that in selective areas, but trying to do that in a controlled way. If things get really tight, we'll do what we did during COVID to do – to make sure that we protect our gross margins related to it. But **we are seeing bottlenecks, slight bottlenecks in certain parts of the supply chain.** – **NXP Semiconductors**

Putting it all together, first quarter comparable EPS of \$0.86 increased 18% year-over-year, **helped by 3% currency tailwinds**... Enabled by our all-weather strategy, we're on track to deliver on our updated 2026 guidance. We continue to expect organic revenue growth of 4% to 5%. We now expect growth in comparable currency neutral earnings per share, excluding acquisitions and divestitures, of 6% to 7%. Notwithstanding volatility in certain commodities like tea and coffee, **we believe the overall impact on our cost basket is manageable at this time.** However, **uncertainty stemming from geopolitical tensions may cause this outlook to change.** – **Coca-Cola**

As we look ahead to the second quarter, **we remain encouraged by a continuation of demand trends that we've been observing since late 2025 and now through April. But we do expect some headwinds related to the Middle East.** For the full year, we expect improving performance in the lower and mid-chain scales, with RevPAR strength continuing to move downstream from luxury and upper upscale toward a more balanced convergence demand shape, or what I have been calling a C-shaped economy. **This trend should be most evident in the US, where supportive tax and regulatory policy, expected lower interest rates, increased private sector investment in AI and the AI complex and ongoing public infrastructure spending are benefiting the middle and lower income consumer and driving broader demand growth.** As a result, for the full year, our systemwide RevPAR growth expectations are now 2% to 3% factoring in a range of scenarios for the Middle East conflict and recovery. For the year, we continue to expect group to lead, followed by business and leisure transient. – **Hilton Worldwide**

Overall demand remains relatively stable. There are pockets of strength such as data centers, energy, border, fence and infrastructure, and there are some markets that are remain softer for now, including consumer cyclicals, traditional office heavy equipment and agriculture. Taken as a whole, we expect domestic steel consumption to be stable, with overall demand remaining flat, up 2% for 2026. – **Nucor**

Source: RBC US Equity Strategy, Alphasense

So I think when you when you look at the inflation, the pressures that we're seeing, the offsets come in a couple of different forms. Number one, we've put a little bit in the bank in Q1 from our outperformance from what we've seen. Some of that was timing, but there was some good core movement on many of the staples that we've talked about, whether it's warranty or EV profitability, regulatory costs, et cetera. **But then there's also the playbook that we referenced in our comments, which is similar to what we've done, whether it was tariffs or chip shortage or COVID, et cetera.** That's worked really well for us. So we're, we're looking at doing that. **What we don't want to do, we don't want to rush into a lot of things that are going to jeopardize or otherwise put at risk, longer term strategic initiatives by overreacting to what's going around us.** So, we have sort of degrees of freedom in terms of what we're going to do, starting with relative low hanging fruit, maybe deferring some hiring or things like that, but overall, I think we're going to be measured about it. So while we have this uncertainty, I think holding our numbers, consistent net of IEEPA, I think is the prudent thing to do with all this uncertainty. And if things abate, then we could potentially see upside in the future. – **General Motors**

Spec activity is strong in non-res. Might go so far to even call it very strong in recent months, and I'd say it's broad-based. We've got a portfolio and a channel reach that affords us broad end market exposure. **So, we're seeing broad-based growth on the spec side.** Channel checks with our largest customers support that view. To the more detailed points of are we seeing elongation from spec to shovel-ready or doors being hung, not really. I don't think that environment hasn't meaningfully changed. But that is a reason why we don't disclose a whole bunch of detail, because the line of sight from a spec to revenue for us really depends on the vertical and the project. You could imagine smaller projects or maybe multi-family, office renovations for tenant improvements could be pretty quick. Something like a very large hospital complex could take a couple of years. But suffice it to say, spec activity has been strong. Channel checks also, we feel, support our outlook. On the question about data centers crowding out other projects, I would feel like not in our space do I see that really as an impact. That being said, I feel good about the position, the competitive position we've carved out for doors and door hardware in data centers, and that it's a small part of our business, but it has been growing nicely. – **Allegion**

Moving to our 2026 financial outlook. **While the macroeconomic environment is different now compared to our expectations at the beginning of the year, we have been quick to adjust to the changing conditions, and we're continuing to closely monitor the broader impacts across the global economy.** As Carol stated, we are reaffirming our full-year 2026 consolidated financial target. We are on track to generate revenue of approximately \$89.7 billion, with an operating margin of approximately 9.6%, and diluted earnings per share expected to be about flat to 2025. The conflict in the Middle East in March drove an immediate spike in fuel costs. **Our fuel surcharges are linked to published fuel benchmarks and adjust with fuel prices on a weekly basis, and we expect these surcharges to provide coverage as fuel prices continue to fluctuate.** – **UPS**

While there is increased uncertainty due to geopolitical events and elevated energy prices, our end markets have been resilient. We're closely monitoring the environment and we're not forecasting material impact to our 2026 outlook at this time... Overall, the outlook for North America remains positive as sales to users are anticipated to grow versus last year. **Construction spending remains at healthy levels supported by the IJJA, with the remaining funds to be spent over the next few years.** Also, investment in critical infrastructure programs and data centers is contributing to overall construction spending levels. Dealer rental fleet loading and rental revenue are both projected to increase compared to 2025. In EAME, Europe is expected to remain stable, supported by nonresidential construction and construction activity in Africa is projected to remain strong. While softening in the Middle East is anticipated, as of now, we expect the impact on EAME sales to users to be limited. In Asia Pacific, outside of China, softer economic conditions are expected. In China, we anticipate moderate conditions with full year growth in the above 10-ton excavator industry off of low levels of activity. Growth in Latin America is expected to continue. – **Caterpillar**

Color on the General Outlook / Macro / Business Confidence

First, market occupancy in our established regions remain solid, supporting near-term fundamentals and allowing us to enter the peak leasing season with relative strength. Second, **our customers continue to experience healthy wage growth**, which will support rent growth throughout the year. Third, the supply backdrop remains very constructive in our markets, with new market rate apartment deliveries expected. To stay. At historically low levels for the foreseeable future. And fourth, the economics of renting versus home ownership remain very favorable. During the quarter, the percentage of customers leaving us to purchase a home declined to 8%. – **Avalon Bay Communities**

Turning to our outlook based on what we can see today, including the strength of Q1 and the forward curves, as we look at the balance of the year, we are increasing our full year adjusted EPS guidance range to \$9 to \$9.50, and that's up from the \$7.50 to \$8 we provided our fourth quarter call. **While the current macroeconomic and geopolitical environments remain uncertain, our balanced footprint and diversified value chains give us the tools to adapt.** The long-term fundamentals driving demand for our products and services remain firmly in place, and we're well positioned to execute in any environment. – **Bunge Global**

As we think about the capital equipment backdrop, we're seeing healthy customer demand globally with resilient procedure growth. Aligned to this, we saw solid performance in orders, book-to-bill and backlog. We delivered double digit reported growth in EMEA and rest of world, mid-single-digit growth in US and China sales were in line with our expectations....**Later in the quarter, we began to see more significant increases in material cost, which we expect will continue for the remainder of the year.** We remain confident in our ability to procure supply to meet customer demand, but given the inflationary environment, we're taking a prudent view and reducing our profit and free cash flow guidance for 2026. – **GE Healthcare Technologies**

What's so very good about our businesses performing. **But there's obviously some ongoing geopolitical uncertainty. And we're remaining prudent with our guidance.** You know we have places on our business. We're laser focused on material input costs. **We believe we're going to be able to offset any inflationary costs with pricing.** So we expect to offset inflation including tariffs with pricing. But but we feel good. But we're laser focused on changes in the macro. – **AMETEK**

International shipments also increased at a strong rate year-over-year, driven primarily by revenue from products sold to the data center end market, global shipments of our control solutions, and the **favorable impact from foreign currency.** Sales increased across most regions, partially offset by softness in the Middle East and Latin American regions resulting from geopolitical instability and trade policy uncertainty. – **Generac Holdings**

We're seeing lower customer moving activity overall in the first quarter with some weather impacts and modest demand. But at the same time, we have driven better rental rates than expected. And importantly, our existing customer base remains very healthy. Move out activity was meaningfully lower in the quarter, leading to better occupancy than last year. – **Public Storage**

Our performance this quarter was a clear display of our resilience, as stronger Materials Group results offset a softer Solutions Group performance and growth in our base label materials business more than compensated for temporary softness in certain high-value categories. **As we have seen in past cycles, geopolitical uncertainty has triggered a significant shift in raw material inflation. While we do not know how long this inflationary pressure may last, we are responding proactively, implementing price increases and driving material reengineering, where necessary to offset these pressures.**....The net benefit of pricing and raw material cost, inclusive of material reengineering and strong label volumes, was partially offset by employee costs, mix and investments regarding raw material costs. We experienced low-single-digit year-over-year raw material deflation in the first quarter. That deflation shifted to inflation as we went through March. We saw impacts on commodities which are linked to petrochemical prices. Our teams are leveraging our proven playbook to navigate the inflation spike through strategic sourcing adjustments in the implementation of pricing. Overall, we are anticipating high-single-digit sequential inflation in the second quarter. – **Avery Dennison**

Upon closing, we believe Astrea will add a critical layer to our AI builder technology stack. We achieved these results against a softening demand environment. Market conditions have become more complex since the start of the year, and we expect the impact from heightened macroeconomic uncertainty to persist in the near term. However, **while clients are appropriately cautious about making large investments in this environment, they recognize AI's transformative potential and the value of strategic partners.** – **Cognizant Technology Solutions**

We see no sign of slowing demand in this vertical, where customer investments and AI infrastructure, cloud infrastructure and overall digital transformation are driving unprecedented levels of activity. – **Emcor Group**

Entering the fiscal year, we have a relatively conservative view given muted outlooks for industrial production and manufacturing growth. Now, with our performance through the first half, we are more confident about a sustained level of industrial activity and the potential for continued volume growth in some areas. Though the ongoing conflict in the Middle East introduces some uncertainty, we expect the combination of favorable dynamics in core end markets and some new wins to support volume improvement. – **Air Products & Chemicals**

We thought it was prudent to reaffirm guidance. We're a quarter into the year. **Obviously, the macroeconomic environment remains challenging and uncertain.** Gas prices have increased at the end of the quarter significantly. **There's been some maybe short-term offsets to that as we've seen tax refunds higher than we have seen in the past years.** And that may be somewhat short term if you think about it. So, we'll see how the rest of the year plays out. Obviously, if there's any updates as the year progresses to our guidance, we would communicate that. But we feel really good about our ability to reaffirm guidance for the year. As far as cigarette volumes go, again, I mentioned the cross-category moderation that we've seen played out. But the consumer does remain under pressure, and that's been a driver of the growth in the discount category. – **Altria Group**

I mean, we're a little bit below normal seasonality right now in April, but I still feel good at just looking at the trend of seeing, you know, how the revenue is performing and our volumes as well. And, you know, we've had good acceleration through the month as well. So it's been good to see. **And but, you know, it's not a surprise to see things pull back a little bit in some customers showing a little bit of caution, but it still feels like, you know, there's a lot of cautious optimism there from the feedback we're hearing.** – **Old Dominion Freight Line**

Color on the General Outlook / Macro / Business Confidence

I'll start at 30,000 feet at kind of the macro level, which is that on the challenging side the 30-year is above 6, and **there's still some stress on the consumer with the high fuel prices**. But I will say, on the other hand, **there is clearly pent-up demand both at a housing level**, there's 4 million too few homes in the United States, and for HVAC replacements, because there was probably a bit of repair over replace last year. So, we think existing home sales will be up in the mid-single-digit range, which would be very important. New home construction, probably flattish. And yesterday it was reported that applications for mortgages to buy a home were up 20%, which was good to see. So **there's some counterbalancing macro indicators**. – **Carrier Global**

The consumer backdrop remains healthy, and demand for our vacation experiences continued to be strong. Across our portfolio, we see consistent engagement from guests, strong booking volumes, and onboard spending that remains well above prior years.. Before diving into the first quarter results, I want to briefly touch on recent geopolitical developments, starting with the Middle East. From an operational standpoint, two of our TUI Cruise ships sailing in the Middle East region were directly impacted by the conflict and therefore had to temporarily pause operations. Both ships have since safely repositioned out of the area and are heading to the Mediterranean, where they will welcome guests beginning in the middle of May. **The most notable financial impact from the Middle East conflict has been on fuel costs. While we are approximately 60% hedged for 2026, fuel prices at current spot levels are expected to increase costs by roughly \$0.62 per share this year**. In addition to fuel, we saw a short-term moderation in demand trends for 2026 for high yielding Mediterranean sailings, which modestly impacted our outlook for the upcoming summer season. **The softer booking trends lasted for a few weeks, but we have now turned a corner and are experiencing improved demand for the limited inventory we have remaining for Q2 and Q3 sailings**. Lastly, we experienced some disruption in demand for select West Coast Mexico itineraries driven by travel disruption concerns during the quarter. Demand trends for other products remained largely consistent with our expectations. – **Royal Caribbean**

On the short cycle, looking specifically at the US, we're seeing signs of a stabilization and improvement, which is definitely consistent with the ISM moving back to above 50 now for the past few quarters. I'll say that, you know, compressor activity in the US stabilized during the quarter as well and we're seeing an encouraging order trend across several compressor categories. In addition, the short cycle businesses continue to improve. We mentioned on the prepared remarks, you know, core tool business is growing organically at mid-single digit rate. That's a good indicator for us to see on that short cycle. And then, on the -- within the PST side, in the precision technologies, we saw book and turn or our short cycle business grow organically, which also lines up really well with what we're seeing and, actually, continue improvement as we went through the quarter and here into April....**As we indicated before, what we're seeing right now is kind of customers on EPC is taking a little bit of time more to decision making and finalizing deals, which is consistent to what we have said before in terms of the elongation of the funnel and the overall decision making**. However, you know, projects are not canceled or anything of that nature. So we feel this is just a bit of a timing side in terms of the elongation of the decision that has not decreased. And, as we have mentioned previously that, specific to the Middle East, we have seen some of these longer cycle projects being delayed, but we expect that to come back over the course of 2026. And, as Vik mentioned on the prepared remarks, already a third of those projects have come in and booked here in the month of April. . – **Ingersoll-Rand**

Source: RBC US Equity Strategy, Alphasense

In March as the macro outlook shifted abruptly with the Iran war, investors turned to non-0DTE options to help manage their portfolios as longer term risks over inflation and growth increased. 0DTE options still grew, but at a more-steady 6% rate month-over-month in March, while non-0DTE options jumped over 26%, helping to drive a new monthly ADV record of 5.4 million SPX options contracts. – **CBOE**

Looking at the macro picture, the economic foundation remains generally supportive with healthy underlying consumer and business spending. However, the backdrop remains uncertain, driven by geopolitical tensions, which has put some pressure on cross-border travel. Overall, **labor markets continue to be balanced** and wages are still outpacing inflation in most major markets. As we've done consistently, we are monitoring the situation in the Middle East and the global economy and we will adjust as needed...As we look at Q2 and the full year, our base case assumes underlying consumer spending remains healthy, outside of the impact of the conflict in the Middle East. We assume the conflict ends in Q2, and the related headwinds will be largest in Q2, and then progressively recover as we move through the second half of the year. As it relates to our expectations for the second quarter of 2026, year-over-year net revenue growth is expected to be at the low end of low double digits range on a currency-neutral basis, excluding inorganic activity. This includes our current estimates for the impacts from the conflict in the Middle East, without which we would have expected Q2 growth to be generally in line with the first quarter on a currency-neutral basis. We expect minimal impact from a disposition that we anticipate to close within the quarter and a tailwind of approximately 1 ppt to 2 ppt from foreign exchange. From an operating expense standpoint, we expect Q2 growth to be at the low end of low double digits range versus a year ago, again, on a currency neutral basis, excluding inorganic activity. We anticipate a 0 ppt to 1 ppt benefit from the disposition, while foreign exchange is forecasted to be a headwind of approximately 0 ppt to 1 ppt for the quarter. – **Mastercard**

This quarter we had to recover from more weather-related disruptions than normal, and that was mainly in North America...Direct revenue in the Middle East is very small, and there's really no manufacturing. It's primarily a sales organization. **So our teams are doing a fantastic job managing the supply chain, handling logistics, and doing everything they can to minimize the disruption to our customers**. So at this point, we're not seeing any material impact to demand. And talking about, tariffs and what's going on there, it continues to be very dynamic. And as always, our teams are doing a great job managing them to make sure that there's no impact to earnings. And as you know, price-cost management has been a core element of The Win Strategy for us. This is a strong muscle for us for over 25 years, and we don't expect this to have any impact. When you're looking at, changes in tariffs, again, I would say we're very close to it. We analyze it on a regular basis, and it's nothing that we're concerned about taking care of. – **Parker Hannifin**

Our outlook for 2026 remains strong, supported by our record bookings and backlog. Our Americas Commercial HVAC business is executing at a very high level, significantly outperforming end markets. We expect continued strength in data centers and other core markets like higher education, government, and healthcare, just to name a few. Our Q1 book-to-bill was approximately 150%, and our backlog is up nearly 70% year-over-year, strengthening our visibility into 2026 and beyond.... tariffs and inflation, look, it's certainly a dynamic environment with many changes since our last earnings call in January. On a net basis, we are expecting more inflation, including from raw materials and tariffs in the year than was estimated, say 90 days ago. We do expect inflation will put some near-term pressure on price costs. However, we expect to manage this for the full year, and it's baked into our guide. – **Trane Technologies**

Color on the Consumer

The US, the consumer confidence there remains quite low. We expect it to further deteriorate as the Middle East conflict continues. **Purchasing power is up, but the consumer remains very concerned about affordability, economic outlook and job security.** Our main category, biscuit, the value is flattish. And where there is growth, that's usually in the value club channels and in better-for-you and premium.... At this stage, I would say, we don't see anything in the consumer that would be something that preoccupies us in their sales or in their buying patterns. **But we know from the fact that the Middle East conflict will affect the energy prices, which are very sensitive in Europe. That's the one thing to watch. I think the aftereffects of the Middle Eastern conflict, if it continues, is going to show in many areas like fertilizers, packaging, oil prices and so on. And the consumer will start to feel that probably with increased inflation.** So they're aware of that. They've seen this sort of situations. So that's what I meant when I said it's very fragile in the sense that they are vigilant. But so far, I would say from a categories perspective, **there's nothing there that we feel is starting to show that there's a slowdown or something like that,** no. Like I said, we feel pretty good about how particularly chocolate has been behaving in the first quarter of the year.... Let me talk a little bit about the consumer and then I'll let Luca talk a little bit about our business within that consumer context. So I think consumption in the US for a number of reasons will remain subdued in general. I think the consumer is quite concerned about their financial situation. Most food categories and snacking categories remain soft in general, I would say. We can look at the basket, the shopping basket, which has not increased in dollar value for three years now. But at the same time, the items in that basket have gone quite up in price, and so consumers need to take more conscious decisions. We see shifts where higher income consumers, yes, buy premium products as the K-shape economy. But then we also see lower income consumers really focused on lower unit prices and being very selective when and what exactly they buy. We see the channel shifts that we talked about from food and mass to value, club and online. For instance, Walmart, the value channel, and Costco saw biscuits grow over 4% versus the total US biscuit market, which was only 0.3% up. **So I would say, yes, the consumer, to my opinion, will remain quite anxious.** I think as the conflict continues and they see the effect of oil prices, and they will start to see it in some of the other things they buy, I believe that that is not going to help with the overall consumer confidence. But that doesn't mean that our business is not going to continue to improve, but I'll let Luca talk about that. – **Mondelez**

Auto tends to be pretty stable unless there's like a really disruption in the economy. A lot of the, a lot of volume on the card side is really the banks that are marketing. And if they want to market more, they'll find consumers that will take it off. So – and that can, and that can vary quarter to quarter. But so far, we haven't really seen any significant weakness on the volumes. They've actually been pretty good. There's been a little bit of a falloff in the subprime, but it's been picked up throughout the rest the prime, super prime. So, yeah, we haven't really seen anything. – **Fair Isaac**

We aren't really seeing any large-scale shifts in consumer buying behavior. And we are still seeing consumers under pressure, but that's not a new dynamic. – **Kimberly Clark**

In both North America and EMEA, overall market demand is softer than we expected coming into the year by about 1 point. This reflects a more cautious consumer, particularly as inflation pressures and uncertainty persist. We have not seen abrupt changes in order patterns in either region, but I'm cautious about demand. – **International Paper**

Source: RBC US Equity Strategy, Alphasense

I think the number one thing, that we're watching is what happens from with the Iranian conflict? Because obviously if with oil prices affect a lot more that we're seeing from not only the logistics, but also other commodity costs. So if the conflict ends in a shorter period of time, I think we'll, we'll see a return back to normal levels. If it stays on longer and tell me how high oil prices go before we'll start talking about what demand is. But I also want to remind you that, although we have an incredibly strong truck franchise and I'm very excited about the new truck that we have coming out at the end of the year. We also have a very strong mid-size crossover portfolio and small crossover portfolio, as well as a midsize truck. So I think we're well prepared with a portfolio I'd stand against any one. **When we look at how consumer behavior might shift depending on how long the war lasts, but we just don't know.** So, I think those are the primary things that we're watching. And as Paul said, we looked at the year, seeing that uncertainty, especially as the conflict began. And that's why we started to really work on cost management. There's other areas that we're working on to continue to do that, but I think the biggest variable that we're looking at is how long does the conflict last and what does it cause from a cost perspective across logistics supply chain. And if it ends up having anything, any impact on a shift in mix, but to date, we really haven't seen that. – **General Motors**

Looking back at Q1, pressure intensified throughout the quarter, in particular in March because of growing consumer uncertainty. Consumer sentiment hit COVID level lows and ongoing inflation continued to impact purchase decisions. Weather also affected our business in the quarter, including the beginning of our Carryout Special Boost Week. Competition within the QSR Pizza space also increased in Q1, as the national pizza players offered deals comparable, if not identical, to the renowned value Domino's has made famous. While this created some short term pressure, we believe Domino's wins in the sustained value environment...The gas prices right now we're seeing there is really more the impact on the consumer disposable income and as long as that continues I think that will continue to be a driver of both consumer confidence and, what our customer is able to afford if gas prices are higher, which is why the companies that are going to exceed during this – to succeed during this timeframe are the ones who can continue to drive profitable value, because that is not going to change. On the – on availability of drivers, we are staffed to levels that I'm very, very happy with and that's been consistent for a long time and we're not seeing anything there. – **Domino's Pizza**

Overall, **traffic to restaurants remains challenged,** and Sysco was improving our performance due to selling initiatives within our direct control....The declining foot traffic to restaurants per black box has disproportionately affected our national chain restaurant customer, and can be seen in our results as volume with these customers was down year over year. – **Sysco**

First of all, the high end is remaining strong. But that's what we already have seen over the last few quarters. Really encouraging to see that the lower end segment is improving. And that has been quite weak, as you know, for the recent past. So what are we seeing? The booking window is now stable, ADR are flat. And that is really a change because they were down at the lower end segment for many quarters in a row, but there are now flat. Although trips are still slightly shorter. So I don't think we're completely out of the woods yet, but really much more positive and optimistic than we have seen for a long period of time. **In terms of the more recent signals, it's too early to draw any conclusions around it.** Yes, we see some prices going up, for example, over airline ticket prices with some of the airlines reducing capacity. How much that ultimately will impact demand is still uncertain. So I can't give you a specific answer on it. But lifting this up a little bit and just from a bigger picture outside of those areas that we highlighted in terms of Middle East impact, outside of those. Actually travel markets globally have remained very healthy. – **Booking**

Color on the Consumer

Pricing is embedded into this equation as well. We are going where the consumer is, right? Affordability continues to be part of the revenue growth management architecture that we have, not only in the US but in different parts of the world as well. **The consumers that have pressure today are the low-income consumers, and we really dialed up our affordability options to get closer to them.** In North America, for instance, we went into bringing options not only on the single-serve, but on the multi-serve entry packs and helped us to continue to keep them in the franchise. – **Coca-Cola**

There is a lot of public talk about how consumers are stressed. And certainly, you know, we probably all have to believe that's true. At the same time, many of the banks and, and monitors of personal credit usage and spending seem to be very positive. People seem to be shaking off, whatever their concerns are, that they're voicing for the customer base that we serve, we tend to serve those that place a high priority on their personal health and wellness and as well as products for active lifestyles and mobility. And so we believe we're serving a customer base in a market that's probably a little more resilient than what the average reporting out there is in terms of segments where we feel better or worse. I would say we're, you know, optimistic about all of them. I would say that if there's any area of concern when it comes to oil prices and conflict, is that it can tend to give some of those markets, like marine and aviation, a little more hesitancy as people think about fuel prices and investments there. **The one thing I would think is, is a positive, even in that backdrop, is that the stock market and the financial markets have been very strong, and so that tends to offset any hesitation.** So it's in general it's a mixed bag. But I would say, you know the environment and the scenario is really very good considering everything that's going on. – **Garmin**

This year, we do believe the combination of a increased average in average refund size, as well as higher total refund dollars coincided with favorable weather to produce a benefit for our business.

Warm and generally dry conditions in most of our markets provided a supportive backdrop for consumers looking to perform vehicle maintenance in conjunction with the benefit from tax refunds. While we surpassed expectations each month, our business strengthened as we moved through the quarter relative to both our plan and on a one, two and three year stack comp basis. April has had the expected degree of seasonal moderation in volumes relative to March, but our business continues to be strong in both DIY and professional. From a category perspective, our results were driven by broad based strength across the business, with solid results in many of our undercar hard part categories, coupled with continued healthy performance in our maintenance categories, including oil, filters and fluids. **Even in light of widespread strong comp contributions across a broad range of categories, we still see some evidence of consumer caution.** Discretionary categories were not as pressured from a relative comp perspective as we've seen in the past few quarters, but this was mainly due to the soft comparisons as we are lapping periods of pressure in this small subset of our business. **I will discuss in more detail in a moment, but our outlook assumes a continuation of this uncertain stance by consumers.** Growth in average ticket was a mid single-digit contributor to comps on both sides of our business. While average ticket growth represented the larger driver of our comp for the first quarter these results were essentially in line with our expectations.... With the caveat that we said earlier that the short-term spikes at the pump can just create a shock with a consumer that even though we define the consumer today is still relatively healthy, the low income to middle income consumer, that's our core customer has seen a lot of inflation over the last couple of years. And a lot of other ways that they operate their household and everything they do. And so could see some short-term shocks, but it would take a sustained level well over those numbers that we have yet seen. – **O'Reilly Automotive**

Source: RBC US Equity Strategy, Alphasense

Customer demand trends in our business remain strong today. And while history demonstrates the resilience of our brand through periods of high gas prices, **the current macro environment brings heightened uncertainty to our operating landscape and consumer behavior more broadly. Our comp guidance accounts for these considerations....So, we haven't seen a lot of the macro effects trickle into consumer behavior as it relates to Starbucks.** But I think we want to be cautious going forward because we're not sure how this will play out as the issues continue to happen, whether it shows up in gas prices or utilities in other ways or other input costs like fuel costs. – **Starbucks**

I would say, what we've experienced through the end of the first quarter is consistent with the back half of last year, which, as you hint in a really challenging global macro backdrop, I would say, the pro and the consumer hanging in better than one might expect. **Obviously, there's been softness the back half of last year as tariff pricing went into effect and volumes adjusted to that pricing, around a one-to-one elasticity and that continued into the back half or the front half of this year.** And our outlook anticipates that while the buyers will continue to be challenged, they kind of hang in there where they've been the last three quarters, and that's what our outlook is based upon. – **Stanley Black & Decker**

Overall, I would say we're extremely happy with the way the business performed and the way the team operated during the quarter. I think it's a little hard to massage out some of those effects. **I think there was an expectation that tax dollars would be larger. I think that did play out – like there's data out there that suggests that that is true and that that may lead to additional vehicle demand.** I think we only see our own data and that did coincide very closely with the Iran situation. So I think it's hard to disentangle, but I would say our view would be that it probably was not as strong as expectations in terms of converting to vehicle demand and was probably more similar and maybe even a touch softer than years past. But I think overall not really a huge event for the quarter and I think hard to separate the tax season effects from the gas price effect. Since then it feels like things are operating the way that we'd expect and I think that's true almost any way you look at the business whether it's volume or seasonality or distribution of customers or anything like that. – **Carvana**

For consumers, the macroeconomic environment remains challenging. Elevated everyday expenses and higher gas prices later in the quarter continued to weigh on discretionary income among more price-sensitive adult smokers. Although higher-than-normal tax refunds provided some short-term relief, these pressures were primarily – were the primary driver of year-over-year discount segment retail share growth of 2.4 share points....So, later in the quarter, you did see a significant increase in gas prices. And obviously, that has an impact on discretionary spending that the consumer does have. And they've been under pressure for quite a while, just as everyday items continue to be at elevated prices. **But there are some shorter term tailwinds, I guess, you would call it, related to some of the higher levels of tax refunds that we are seeing based on the data coming out of the IRS.** So, obviously, we have to pay close attention to that. You are seeing a growth in the discount category within the cigarette business or cigarette segment. And that is driven by the macroeconomic difficulties that the consumer is facing. – **Altria Group**

Color on the Consumer

The housing market remains weak as affordability challenges and muted consumer confidence continue to weigh on demand. In recent months, geopolitical tensions have added to market volatility by contributing to higher interest rates and additional inflationary pressure. The surprise of the Middle East conflict and the uncertainty around implications for both affordability and consumer confidence have undermined the spring selling season. While we are managing what's in our control, these conditions have created sales and cost headwinds that we don't expect to fully offset this year. Sales improved in the first quarter, in line with expectations, and daily sales have continued to build in April. However, sentiment is clearly weaker as people discuss. Our revised full-year guidance reflects these dynamics. – **Builders FirstSource**

I think, the important part to note here is that even though the consumer is under stress, and you could argue a lot more stress now, given what they're experiencing from gas prices and just the uncertainty of what's going on, they're still really resilient in our categories, and that's a good sign. We're seeing them continue to buy innovation. Private label shares did not increase this quarter. They're still shopping for brands. We're seeing the premium tier in many of our businesses do very well as people are looking for value in all of its forms, whether that be convenience or a little bit of joy in their lives, as well as trading up to larger sizes and trading down to smaller sizes. So, all of that's playing out. But I would say generally, again, the consumer is pretty resilient in our categories. And we will watch closely for 2027 for what this means. I think, what Luc outlined, from a cost perspective, is the single most important variable. Whatever happens in the Middle East and how costs play out, that will impact the consumer environment in 2027. But again, what we're focused on is that we have resilient categories. They respond well to innovation. They respond well to growth plans. And that's what we're focused on is improving our superiority and being the leaders in category growth as we move to 2027 and making improvement on share. – **Clorox**

What we did see in Q3 though was marked differences in January, February and March. January and February were more in line with what we expected and March was slightly better, meaning that the categories at the end of Q3 were slightly above our expectation of 1%. **What we think happened in March was that, people received additional tax refunds and some of that money they spent back in essentials categories on stock-up trips.** But we're starting to see that decline a little bit as people are having to spend more money at the pump. – **Clorox**

While it's early in the year, we navigated a complex external environment and continue to make progress against our strategy. At the same time, the US beer category started the year on better footing. **However, macro uncertainty continued to put pressure on input costs and consumer behavior, especially lower income consumers for beer.** The number of trips and buyers improved, while consumer sentiment declined in the media and iPAC. Macro pressures increased over the quarter, driven by geopolitical events including the conflict in Iran impacting fuel costs and consumer sentiment. – **Molson Coors**

We closely monitor consumer behavior through millions of daily interactions on our commercial platform and with 170,000 plus guests on our ships every day. **What we see is a consistently engaged consumer who prioritizes vacations and seeks quality, variety, and value, which is exactly what we deliver. Based on our most recent research, our consumers remain very healthy, supported by excess cash, strong employment trends, and a continued preference for consuming experiences over purchasing things.** Travel remains a top priority, ranking as the number one leisure category where consumers intend to spend more. 31% of consumers say traveling more is a top priority for the next year, ranking behind only physical health and finances. – **Royal Caribbean**

Conditions remain dynamic and the consumer backdrop continues to be mixed. Consumer sentiment remains pressured by inflation, borrowing costs, and geopolitical uncertainty related to the Middle East, which, as you know is also contributing significant inflation in commodities and transportation costs. **That said, the consumer remains resilient. Employment remains stable and our largest categories grew 3% in the quarter...**Our personal view is the consumer is pressed. And if they were pressed three months ago or six months ago or 12 months ago, they were pressed even more today, because gas costs show up immediately. And when that happens, they're going to retrench, and the worst thing to do in an environment like this. So we have no plans to try to price through this \$25 million, \$30 million offer. We're going to go offset it with productivity. There's just no appetite out there for the consumer to bear something like this. So that's our plan. I think companies who do that will be more successful than companies that don't. – **Church & Dwight**

Starting with housing. **After a lackluster 2025, the housing market remains largely stuck in second gear. Based on conversations with our home builder customers, the biggest issues continue to be weak consumer confidence and ongoing affordability challenges, and more recently, the conflict in the Middle East has reinvigorated inflationary pressures and elevated uncertainty around the economy.** Further, after briefly dipping below 6%, mortgage rates have ticked back up to around 6.3% here recently. **Given these headwinds, the spring building season has gotten off to a somewhat softer start than we were expecting at the outset of 2026.** However, we're still fairly early in the year, so there's certainly time for the housing market to pick up some momentum, especially if we see a resolution in the Middle East or if mortgage rates trend lower. I'd also note a few positives on housing. First, we did see a much better March starts number than we were anticipating. Plus, we've seen a slight pickup in mortgage applications here recently. Additionally, there have been some positive developments on the policy front with recent executive orders and the potential for bipartisan legislation on housing, which could be an additional tailwind over time. But that all being said, in the near term, I suspect we'll continue to see choppiness in the housing market as consumers navigate ongoing affordability challenges and uncertainty around the economy. Our longer term outlook on housing fundamentals, however, remains favorable, supported by strong demographic trends and a vastly under build housing stock....**Turning to the repair and remodel market. Activity has been steady but is lacked a clear catalyst, largely driven by many of the same factors impacting the residential construction market.** We do expect to see the typical pickup in activity as we get deeper into the building season and more broadly if interest rates move lower and we get some improvement in existing home sales. In addition, we think the dynamic around deferrals of large discretionary projects over the last few years will ultimately serve as a tailwind, particularly as the macro environment improves. But similar to the housing market, a material pickup in repair and remodel activity likely will require an improvement in overall consumer confidence. Putting the near-term uncertainty aside, our longer-term outlook continues to be positive as many of the key drivers supporting healthy repair and remodel demand remain intact, including favorable home equity levels and an aging housing stock. – **Weyerhaeuser**

Color on the Iran War

Now let me move to our guidance...The key messages we are increasing our total net revenue and EPS guide for the full year. For net revenue growth, we now expect low-double-digit to low-teens. This incorporates the strong year-to-date performance and our current assumptions on drivers, incentives, volatility, and expected higher value-added services revenue growth, which incorporates the increased enthusiasm from our clients for the upcoming FIFA World Cup. Let me walk through those assumptions. First the drivers, we are assuming the broader consumer spend stability continues from a macro perspective. **The Middle East conflict has introduced some near-term uncertainty in particular to cross-border travel spend in the CEMEA region.** As we have seen our spend is incredibly diverse, and as we look to the rest of the year, we are expecting improvements in the US and Latin America inbound travel due to FIFA, and we have the lapping impact of low US inbound growth from last year. Furthermore, cross-border e-commerce continues to grow very well, so we're assuming our drivers overall remain resilient and strong. – **Visa**

I'll take the question, given it is on EPS and overall broader outlook, I presume. So, look, we feel quite good about the start of the year.... It's fair to say we are ahead of expectation in Q1. But on the remainder of the year, while we continue to be cautiously optimistic, we need also to address some headwinds that we didn't have in our original forecast, particularly as they stem out of the Middle East crisis. The team is managing that situation quite well, finding alternative routes to produce our brands and to deliver our brands, but that is coming at an extra cost. And clearly, the oil cost, albeit we are covered for the year, is having a little bit of an impact on the profitability. So, look, we were ahead. We are ahead. We are optimistic about the remainder of the year. **We have the Middle East situation in terms of extra costs under control. But at this point in time, to be able to swallow it, we had to confirm guidance on the bottom line.** Clearly, we are confident. But as I said also quite a few times, given there is quite a bit of momentum, particularly in emerging markets and in some brands, both in Europe and in the US, if EPS upside materializes, we would like most likely to invest it back in the business and really continue momentum ahead of clearly what we committed to, which is a strong 2027 EPS growth...**The supply chain folks are doing quite an amazing job between procurement and manufacturing.** We are delivering year-on-year benefits to the P&L. So whether it was the usual high-performance supply chains of Latin America and EMEA, we added quite a bit of upside even in places like North America this quarter. So all-in-all, I think between the volume mix, us pricing in line with expectations, costs coming a little bit better due to productivity, I mean, all of that resulted in the upside. Now, that upside would have resulted in a benefit to the year, quite frankly. But at this point in time, as I said, there is a little bit of cost headwind coming out of the Middle East situation. We are well covered for oil and packaging costs for the remainder of the year, and quite frankly, also into 2027. But some regulated markets do not allow us to do anything in terms of protecting ourselves, and that's the cost headwind that will materialize in the remainder of the year for which we have to account. And that's where we decided to guide for clear EPS in line with what we said the last time. – **Mondelez**

You know, what we've seen is I think those are really good words you used, confidence and demand, Rob and I would say that confidence, yeah, **I think people are paying attention to and trying to discern what it might mean in the general economy, of course. I would say from a demand standpoint, we've seen less impact. We've seen continued good order intake throughout the last couple of months, so less of a show there.** – **Paccar**

Source: RBC US Equity Strategy, Alphasense

There is a lot of disruption, a lot of global displacement because of the conflict in the Middle East, but I'd say as far as the impact to our business, **we've been able to manage it quite well.** The impact has been relatively immaterial to our results. – **CH Robinson Worldwide**

Turning now to the June quarter outlook. **Despite rising geopolitical tensions, including the ongoing conflict in the Middle East, we do not currently expect materially impacts to the business. Our teams acted quickly to mitigate supply and logistics disruption, and we will continue to monitor this dynamic situation.** Underlying demand fundamentals have not changed. AI is reshaping data into a strategic asset, accelerating our customer need for storage capacity at scale. We see strengthening exabyte demand and continue to execute our Mozaic product qualification alongside our pricing strategy. With that as a context, we expect June quarter revenue to be in a range of \$3.45 billion plus or minus \$100 million, which represents a 41% year-over-year improvement as a midpoint. – **Seagate Technologies**

So our Northstar KPI is just net deposits like that is our customers healthy or they're trusting us, \$18 billion in Q1 despite was a really tough macro backdrop. **If you recall, to start the year, there was a government shutdown, a software sell off and then a global conflict. Despite all of that, our customers remain resilient.** I think the big difference from a couple of years ago is one we're a lot more diversified, so there's a lot of different products that customers are using. We mentioned banking, for example, Robinhood credit card. We also have Robinhood Strategies. That's our Robo like product that has over a \$1.5 billion. And so regardless of the macro backdrop, customers are using that. The second thing is we have more active trader tools. So we now have index options which allows you to go long or short. We also have shorting which is growing nicely. So for more active traders they're continuing to engage. On your question on April specifically, really healthy volumes across equities and options I mentioned, prediction markets, it's on track to be around \$3 billion and probably our second highest month ever. So really strong engagement there. So everything we're seeing is the customers healthy. They're engaged a little bit more activity from the active trader constituency, but the thesis was if you build great products, if you diversify, if you give active traders the tools, they'll be there throughout the cycle. And that's what we've seen thus far. – **Robinhood**

The environment promises to remain turbulent, but we're going to remain agile and discipline. **We've been through a number of these things over the last, well, in my tenure in this role, right, if you go through COVID and a few other wars, unfortunately, and other commodity or input cost situations. So we've had a lot of experience navigating a lot of different disruptions, including this quarter. And I'd say, overall, our process is to remain very disciplined.** And one concept that we felt very important is PNOC or pricing net of commodity input cost discipline. And we expect that to be at least neutral over time, and we're going to leverage all the tools that we have to make sure that we continue to do that. And so, **I think the key thing for us is we have a lot of levers to pull in terms of how we're managing our cost profile,** which Nelson is going to talk more about right now. But I also say, having that discipline on pricing net of cost is an important concept for us...If we look into the back half of the year and we assume that oil prices remain at around \$100 per barrel on average, we would be facing potentially gross incremental input costs of around \$150 million to \$170 million. We've not built this into the outlook because there's a lot of moving pieces, as we speak, but we have also not built in any potential mitigations, which our teams are currently working through as we roll through the different scenarios. – **Kimberly Clark**

With respect to oil in particular, it's pretty small exposure for us. The bigger impact would be indirect through packaging and so forth. And those impacts take time. So it does go back a little to what Kirk said, is how high and how long would the oil price impact last? At this stage sitting here, we wouldn't change anything as we look to 2027 and beyond. – **Hershey**

Color on the Iran War

Relative to our international regions, we expect China to remain profitable and to deliver results consistent with 2025. However, **we anticipate some softness in our international operations outside of China due to the impact of the conflict in Iran on Middle East**, wholesales in particular. There is no change to our other 2026 key guidance assumptions... **Just like we've done with other macro headwinds, we are proactively planning for a range of potential outcomes. We are working to identify additional profit improvement opportunities and have begun taking initial no regret steps to moderate spending.** As events continue to unfold, we will remain flexible and execute the right playbook to optimize profitability, maximize free cash flow, and continue to deliver strong returns for our shareholders...What we've done is essentially taken the kind of the curve where it sits today, net of our hedges and remember, it's not all direct and linear because we've got, for example, steel contracts. If you'll recall, we have about a third, a third, a third, a third spot, a third expiring within a year and a third kind of over a two years. So that's helped us quite a bit. You know, during times when prices go down, we pay a little bit more, but we pay a little bit less when prices go up. So, we're really looking at the current environment kind of persisting for the year. And to Mary's point, if we see conflict end and commodity prices and oil prices returning back down to pre-conflict levels, then we could potentially see upside in that scenario...**We vary our hedge levels based on commodities. We're kind of seeing pressure a little bit across the board, as you would expect, primarily driven by higher energy prices, et cetera. We're not projecting or worried about any shortages right now.** And I think the supply chain team has continued to prove their resolve through yet another challenge as we've seen them do in years past. So no shortages. On the commodity side, it depends 25% to 50% hedged. That certainly helped us in the aluminum space this year. But overall, I think it's pretty manageable from that standpoint. We're just going to continue to watch it. I think the hedges and the staggered steel contracts buy us a little bit of time to adjust the business, which is why we do it that way. But overall, no real concerns right now. – **General Motors**

I've had to live through stuff like wars and pandemics and like whatever else you know, it feels like. And so, I, I feel like in this moment, we're trying to be responsible with you all and telling you, we're giving you a range of outcomes that, you know, that we think, are rational and if anything, probably on the conservative side as they should be. In terms of, I mentioned it on the development side. Only about 2% of our deliveries for the year are coming out of the Middle East. But those are important deliveries. We do think things will slow down a little bit there. It's so early in the year we don't know. And so, again that's why I think, but for that we probably would have been telling you we're in the upper half of our 6% to 7% range. **But because of the Middle East and potential for supply chain knock on and other parts of the world, we feel like keeping the range where it was more appropriate.** Again, I mean, you could say we're being too conservative or whatever, but I mean, war is war. There's a lot, a lot of possible outcomes. We've tried to frame it around those and be thoughtful about it. – **Hilton Worldwide**

While we remain bullish about the combination for the year ahead, we're also mindful of the broader geopolitical environment. **The ongoing conflict in the Middle East, which represents less than 2.5% of our revenue, continues to create uncertainty in the region and across the world.** As always, we are prioritizing the safety of our people in the region and monitoring developments closely so we can adapt quickly to changes that impact our business. – **Omnicom**

Source: RBC US Equity Strategy, Alphasense

We are assuming the broader consumer spend stability continues from a macro perspective. The Middle East conflict has introduced some near-term uncertainty in particular to cross-border travel spend in the CEMEA region. As we have seen, our spend is incredibly diverse and as we look to the rest of the year, we are expecting improvements in the US and Latin America inbound travel due to FIFA and we have the lapping impact of low US inbound growth from last year. Furthermore, cross-border e-commerce continues to grow very well. So, we're assuming our drivers overall remain resilient and strong. – **Visa**

The environment, as you say, is fluid. It's difficult at this stage to say exactly how it's going to play out. As highlighted in our script, right now, we estimate it's manageable at the company level, given we have less exposure. Our bottling partners have more exposure, particularly to aluminum and PET, on the back of both the oil price impact and just the overall supply disruptions that are likely to affect us as we go through the year. **With the system, we have a playbook that we've had to use now for quite a few years on a range of disruptions. And it's a playbook that is working well for us.** We have our RGM capabilities, as Henrique just pointed out. We have our cross-enterprise procurement group that works with the vast majority of our system partners on both resiliency and productivity initiatives. We have a number of playbooks, I would describe them, at the cost management level. And yet, each market is different. And so, the way that we use these various levers will vary by market. And we have confidence that the decision-making at the local level will allow us to navigate as well as we can through this. As we said, the next few months are fluid, and it's important to keep agility at the center of this equation. **And I guess just from the way that we've operated over the last three, four, five years on this front gives us that confidence. And it's important, I think, to be able to lead forward on a range of these topics as we look to Q2 and the rest of the year.** – **Coca-Cola**

On fuel, look, we reaffirmed our guide. We are not updating for fuel at this point. Fuel didn't have a material impact in the first quarter because really the ramp in prices happened late in the quarter and as we've gone into April. **Look, fuel, we manage fuel through fuel surcharges.** So even though we have a large airline, we're very different than passenger airlines and our industry operates very differently. And so our fuel surcharge indexes protect us from impacts to profit, right? Now there could be revenue impacts of that, but there will also be offsetting expense. What we don't know is how long the high prices could persist, and then what happens with relative to oil prices and commodity prices around the world where we actually procure. **So we feel confident in the profit number based on the protection our indexes will provide and our surcharges, but it's not appropriate for us to update until we have further clarity on how long this will last.**...It's just too early in terms of the conflict. Clearly, there's a benefit right now to the top line, not so much on the bottom line because we're just covering our costs. But it's too early in the conflict to predict what fuel might mean for the rest of the year. So we're going to stay close to it and we're going to manage through it as carefully as we can. But we didn't want to list because it's just too early. – **UPS**

From a macro standpoint, obviously, like everybody else, we continue to monitor what's happening in the Middle East. Today, we have seen no material supply disruptions, a minor freight cost increase in the quarter that we're able to absorb -- from a supply standpoint, most of our key products are dual source, if not three sources. **We got at least one year of Poly. So this is not something that we're concerned about. So we're not seeing any distribution challenges there.** So again, so far, life is good. And then from a sales impact standpoint, we didn't see any impact in the first quarter. So that's on the Middle East. And then you got a variety of other macro or deals that we're monitoring, but nothing that it was impactful in the quarter and nothing that we see as being impactful in the second quarter and beyond. – **Zimmer Biomet**

Color on the Iran War

The conflict in Iran has brought considerable volatility and uncertainty to the energy markets that has persisted into the second quarter. Some of the energy customers in the Middle East have experienced a direct impact to their facilities and many are facing supply chain and/or distribution disruptions. **Even in this environment, Energy revenue grew 7% this quarter as we benefited from very strong events revenue and we saw a spike in volume-driven transactional activity.** At the same time, the conflict weighed on other parts of our Energy division, including our subscription revenue. Sanctions continue to be a headwind as well, as we've called out in recent quarters, but the conflict in the Middle East is pressuring clients and could lead to slower growth in the coming quarters...Now, shifting to our outlook, starting with slide 22. **I'd like to review the key macroeconomic assumptions that underpin our guidance, which takes into account the current geopolitical environment.** The conflict in Iran has led to the largest energy shock since the 1970s and counterbalance what was previously a broadly favorable economic environment for a business. **Our current outlook assumes the situation stabilizes by the end of the second quarter, though we acknowledge the risk of a protracted conflict.** We assume 3.2% global GDP growth, including 2.2% growth in the US. We also assume 3.2% CPI growth in the US. We expect near-term energy client demand to remain suppressed given our expectation for ongoing market uncertainty. Should the conflict persist longer or escalate, we could see more significant direct headwinds, particularly in our Energy business, and significant indirect headwinds in our market-sensitive businesses depending on equity market reaction and credit market conditions. We continue to see favorable market conditions for issuance in 2026, even though we now only expect one rate cut in the US. We also entered the year with encouraging maturity walls, as we discussed on our fourth quarter call. And we are encouraged by the growth of announced M&A...For Energy, the macro disruption has a concentrated impact in the second quarter, and we have already seen that impacting our near-term sales pipeline. We expect revenue growth in the second quarter to fall slightly below the guidance range for the full year before reaccelerating in the second half. We will be monitoring the sales motion, customer health, and macro environment closely, and managing expenses throughout the year to ensure we are preserving margin. – **S&P Global**

We are, of course, as you'd expect, we're seeing the impacts of higher energy costs as a result of the conflict in the Middle East in several places across our business. In Timberlands most notably, that's going to be in log and haul costs, fertilizer, transportation, as well as ocean freight for our export business. On the Wood Products side, to your point, yes, we are going to see that in resin and additive costs as well as transportation as we think about getting products to customers. Right now, when you take all of that together across the businesses, the headwind on a gross basis is about \$10 million a month. But that said, **we're able to offset a majority of that headwind. As always, we're focused on leveraging our procurement, logistics expertise to minimize the cost and really focusing on disciplined execution. But we're also able to share some of those costs with vendors and customers, whether that be through log and haul rates or via the delivery costs that are typically passed along to customers.** So the net effect of that, that's incorporated into our guidance for the second quarter and, of course, we're going to continue to monitor how the macro environment evolves while continuing to be focused on disciplined execution and cost control. – **Weyerhaeuser**

We saw an increase in cancellation rates and lower travel demand, resulting in March room night growth of 1%. We estimate that the impact of the conflict on March room night growth was about six percentage points, with about half the impact coming from reduced bookings, and the other half, coming from increased cancellations, which have historically been the highest in the first months after the start of a conflict. While room night growth was most impacted in the Middle East, we also saw an impact in other regions following the start of the conflict. Looking at our room night growth by Booker region in the first quarter, Europe was up mid-single digits. Including the. Impact from the conflict on bookers traveling to the Middle East and Asia. Within Europe, intra regional demand from European bookers was up high single digits, consistent with the fourth quarter of 2025. Asia was up high. Single digits included the impact from the conflict on bookers traveling to the Middle East and Europe. Within Asia, intra regional demand from Asian bookers was up low double digits, similar to the fourth quarter of 2025. Rest of world, which includes the Middle East, was down low single digits. Bookers in the Middle East, including Turkey and Egypt, represented approximately 4% of our global room night booked in 2025. If we include inbound travel to the Middle East, in addition to the bookers in the region, the Middle East represents approximately 7% of our 2025 global Room night. The US accelerated. For the fourth consecutive quarter to low teens growth, driven primarily by domestic travel. **We're encouraged by the acceleration we saw in our U.S. direct channel...**We estimate that the Middle East conflict impacted our room night and gross bookings growth by approximately two percentage points, accounting for directly impacted countries in the region, as well as bookers whose travel was affected by the conflict. Excluding this impact, we believe our Room night would have been up by approximately 8% on a year over year basis...**We have navigated similar moments many times before, including the global shutdown of travel during the Covid period and, more recently, Russia-Ukraine war, which began in 2022, and Israel-Hamas conflict, which began in 2023. Each time, while the near-term environment can be difficult to predict and there are immediate consequences to travel volumes, the fundamental drivers of travel demand the desire to experience the world do not change. People have a deep and enduring desire to explore and connect, and that demand is proven resilient over time, generally growing faster than the broader global economy...**Turning to the full year 2026, **our planning assumption is that the direct and indirect impacts from the conflict in the Middle East continues through the end of June,** followed by a recovery in bookings in the second half of the year reflecting the assumption that the direct and indirect impacts from the situation in the Middle East continues for four months or one third of the year and this is followed by a recovery period where lowering our guidance ranges at the midpoint. The high end of the range for gross bookings and adjusted EPS remains in line with our prior expectations. Despite the variability of the current environment of a full year, guidance reflects the resilience of our business model on a reported basis. – **Booking**

We're still price cost positive from a price of material cost including the tariff piece. Again, I think the teams have been extremely proactive and have built up a solid skill set to understand the levers, timing and process to capture the incremental value to offset inbound inflation. Obviously, we've seen it here with the escalation with Iran and fuel prices increasing. We've seen immediate fuel surcharge is going to place to offset that. So I think we're confident that we can stay ahead of inflation through price is our first lever. And the teams continue to work on sort of sourcing actions as a secondary lever...**And then now potential increased inflation due to rising fuel costs and the ripple effect that that has across the industrial supply chain. I think we're confident that we can continue to offset that. The magnitude could compress margins slightly.** You know, as we're not getting incremental flow through of 40% on that and those types of price increases. But relative to dollar for dollar right now our expectations are that we can we can manage. Obviously we'll see the next four weeks I think will be critical to see what happens with the conflict of the Strait opens up. – **Xylem**

Source: RBC US Equity Strategy, Alphasense

Color on the Iran War

The Middle East conflict, which was just emerging when we gathered in March, has continued to evolve. In addition to the very real impacts those involved, it has meaningfully disrupted global trade flows, logistics costs and supply chains. In response, we are taking prudent operational steps to support the continuity of supply for our customers, including working with relevant regulators, policymakers and partners to preserve essential commodity flows and manage risk....Globally, there are many variables still at play, not the least of which is the **uncertain duration of the Middle East conflict and the impact that will have on everything from farmer inputs, including fertilizer to fuel prices, and what that might mean for the mix of crops farmers plant in the next growing season.** What we can say with confidence is that Bungie's business is designed for complexity and change. Our combination of an integrated global platform, disciplined risk management and operational excellence allows us to perform through the cycle. And this quarter is clearly evidence of that. – **Bunge Global**

And then just as fuel changes, you know, it creates a lot of headwinds from a variable cost standpoint that, you know, that may get overlooked. And that's why pointing people back to 2022, you know, might be a good sort of measure to, to look at. But obviously, you know, meetings, petroleum based products, any of those we're going to see inflation but other overhead type costs, things you wouldn't think of like credit card fees and the percent of bad debt write offs that we have, things like that....**And, you know, and I think that, you know, what we seem to hear right now with, with, you know, obviously there's some geopolitical risks to everything right now, but it seems like most people are kind of looking through what's going on. And I think that's supported a positive consumer in these positive trends and thoughts that that we're still hearing from customers that, you know, whatever can be settled within the next, you know, 3 or 4 months or whatnot.** You know, hopefully we can get back to business, restocking inventories, doing all the things that was starting to contribute freight to us and still is. – **Old Dominion Freight Line**

In Europe, our business has an effective hedging strategy in place to help mitigate the impact of higher energy prices. The exposure is significant, but our strategy should allow inflation pressure to be offset commercially, assuming recent market price increases stick. Now I'm turning to freight. Freight is having a significant near-term impact across both regions. In North America, sharply higher and volatile diesel prices are putting pressure on costs across the supply chain. Combined with an exceptionally tight freight market, this remains a strong headwind. **As a reminder, rising freight costs are not passed through directly; they're recovered through pricing over time.** In other impacts, in North America higher diesel prices are also flowing through to OCC and chemicals, reflecting increased transportation costs and oil-linked inputs....**The macro environment represents about a \$200 million unfavorable impact, primarily driven by higher diesel and chemical costs, inflation and OCC and other raw materials, as well as the impact of lower demand.** Performance represents approximately \$75 million of headwinds, primarily driven by operation reliability costs, as well as operational and commercial challenges in our specialty business. And finally, winter weather in the first quarter created an impact of approximately \$50 million, as I previously discussed. Taken together, these items explain the step-down from our original outlook to where we are today. – **International Paper**

We have not seen any impact from some of the recent developments in the Middle East and and some of the conflict there when it comes to registration rates. In fact, some of them are the strongest that we've been experiencing in the near term. So so no worries there for the near term component costs wise, I would say that right now we are not experiencing that in our our current results. But keep in mind that component costs come through our inventory on the balance sheet. So consequently as cost change will, we'll see some of those go up as the year unfolds. We do have significant safety stock of some components that are under pricing pressure. So I would expect that 2026 is still going to be somewhat muted. And we'll start to see some effect in 2027. – **Garmin**

Source: RBC US Equity Strategy, Alphasense

And as for the current conflict and its relevance to unit growth, the entire Middle East represents less than 150 units in our current pipeline. **And as of today, our partners in that region expect no change to plans.** And so we have a lot of confidence in KFC, both based on track record as well as what we're seeing on the ground....While the Middle East conflict creates uncertainty globally, **the impact on development has, thus far, been relatively minor and has included short-term delays to obtain government permits and procure equipment in select markets,** such as the UAE and Turkey. – **Yum! Brands**

With the impact of the Iran war, **costs have risen for raw materials, energy, logistics, and packaging across the coatings value chain....**Considering our procurement capabilities, our global footprint, our formula flexibility, our portfolio strengths, and the current macro environment, the impact to PPG is expected to be a mid-single-digit percentage in the cost of goods sold for the remainder of the year. **We expect to fully offset these costs, and we are proactively raising prices to secure raw materials for our customers....**We've got a good order book there. We have not seen any order book changes with the Iran conflict. Obviously, we've seen change in feedstock pricing, but when it comes to volume and order books, based on today's current environment, we have not seen any negativity in our order books. – **PPG Industries**

Two things I just want to point out. One is about 80% of our commodities, stay domestic between the US and Canada, but **we do have some exposure to what's happening globally, which really is about freight disruptions,** given what's going on in the Middle East. So, we have no qualms about demand for our products. It's really about us tracking what those freight costs might look like. And that's going to be really a function of how long this goes on in the Middle East. So, that being said, we feel really positive about the \$70 a ton that we guided on. We'll give more of an update in Q2 on where we think it could head up or down. – **Waste Management**

The conflict in Iran and resulting constraints on global oil supply have the potential to be disruptive to certain categories, particularly motor oil and could impact supply chain costs such as freight. However, we did not see a material impact in the first quarter and have not adjusted our full year outlook assumptions for these factors....And there is some pressure across our supplier base right now on pricing there. And that's something that our merchandise teams are working with those old suppliers on. So there could be some pressure there again, depending on the duration of the conflict and how long some of the oil price inflation persists. But our teams are working through that. We feel confident in our ability to do that. – **O'Reilly Automotive**

On the supply chain front, we're not seeing any significant impacts or constraints on the supply chain side. I'd say, what would be more noteworthy is over the course of the last couple of months with some of the disruption over in the Middle East, we did have a little bit of aluminum that we were purchasing out of that region, would be a noteworthy area. **We do have other qualified sources of supply around the globe. We were able to move that to other suppliers and we weren't, at the end of the day, impacted by that but it was something we had to address. We're not seeing constraints in other areas yet, chips or metals or component parts of any substance. So, I would say, the supply chain as we see it right now, is holding up well and supporting what we need to do to service our customer demand.** – **Hubbell**

Color on the Iran War

Worth noting, we did see a delay in orders of approximately \$40 million, which was driven by a few long cycle projects. This delay was primarily driven by the conflict in the Middle East. We believe that the impact is transitory, and we expect these orders to be recovered in the balance of 2026. As a matter of fact, we've already recovered approximately a third of these orders in the month of April. Excluding that delay, organic orders would have finished approximately flat year over year. Total revenue grew 8% year over year, finishing in line with expectations. – **Ingersoll-Rand**

We said in our comments we were having a spectacular quarter from an order standpoint across the board here in the United States, as well as the Middle East. And then as the conflict started to take form, we saw some slowing in order intake in the Middle East. So certainly impacted on the order side, albeit still pretty robust. From a supply side, as you can imagine, some of what we get from that part of the world is impacted, and it's really a labor force issue. So all of the airplanes that we delivered in the first quarter of 2026, we actually had those airplanes in inventory ready for completion prior to the conflict. So, I mean, we're watching that. But certainly, world events could impact supply there. From a demand side on the defense side, I mean, it's a little early. We're certainly in plenty of discussions with a number of customers where we've had long-standing relationships, but we haven't necessarily matured those opportunities to the point where I can comment that we see increased demand. But I think a lot will depend on how long this goes and what sort of demand we see in terms of refilling their inventories. – **General Dynamics**

Our assumptions for the year, embedded in our gross profit margin guidance, includes oil at roughly \$110 on average for the remainder of the year and the associated impact that has on raw and packaging materials. **Since the fourth quarter call, we've seen an additional raw materials and logistics impact for the year of roughly \$300 million. And you should think of that as roughly two-thirds raw materials and one-third logistics. The biggest incremental impact we saw is coming from oil by-products, resins, petrochemicals, fats and oils. And we now expect that spending in those areas to be up more than 20% year-on-year for the full year.** So you can see the impact that that has. Our logistics costs are up nearly 10%, impacting both ocean and land freight. So that's what led us to take a look and put that into our guidance. And offsetting that is the work around RGM productivity across the entire P&L, which allows us to maintain our guidance. – **Colgate-Palmolive**

Let's now turn to our 2026 outlook. While the macro environment remains dynamic, we remain encouraged with our path forward. The strength of our brands, our strategic portfolio actions in 2025, and our growth initiatives continue to provide us confidence. And as we noted in our press release, **the situation in the Middle East is fluid, and is creating some incremental volume, and inflationary pressure on commodities, and transportations. For example, we currently are estimating \$25 million to \$30 million of incremental inflation pressure. Our teams across the globe are responding to these developments and are taking actions across the P&L.** As a result of our mitigating actions we are reiterating our full year 2026 outlook. We remain on track to deliver full year organic growth of approximately 3% to 4%, and we continue to expect reported sales growth to decline approximately 1.5% to 0.5% as a result of the strategic portfolio actions taken in 2025. – **Church & Dwight**

So, look, to-date, we have not seen a material impact on the ongoing conflict. We monitor the impact of those higher oil prices, and as you point out, it has both positives and negatives to our various end markets. And I think, as you correctly stated, on the aviation and helicopter side in particular, that's where we see some of that positive correlation. So, we're watching that very closely. – **Textron**

So, just from a Middle East perspective, I think, what's important to note, and I'll just go back to what Luc said, I think that's what everyone knows. Q4 is right in front of us. So, we can the energy complex effects that are happening, and you got that right in the \$20 million to \$25 million. **But as we look to the year ahead, what I would just caution us all to do is, there are so many impacts potentially depending on how this conflict plays out, how long it goes, other related downstream commodity impacts that can happen. That we're watching carefully and they're just really uncertain and volatile right now.** And so, if everything were to continue as is and it was just energy complexes, that would be a fair set of assumptions. But I think based on what we know and what goes through the Strait of Hormuz and things that are happening now across infrastructure, we'll be better positioned to tell you in 2027 exactly what we think that looks like, depending on the assumptions that we'll have at that time. But I wouldn't take that and just multiply that. That's only one of the impacts. And again, we'll be watching the other ones carefully as we move forward. – **Clorox**

So, you cut out a little bit but I think you're asking particularly about some of just the higher input costs as a result of maybe the oil and other inflationary areas. **So, we are expecting that we will see some level of pressure just coming out of some of the geopolitical items that are happening and events that are happening across the world. And as a result, we do expect that there will be some level of pressure on some of our input costs. But we have – our procurement team is actively working right now in terms of trying to mitigate those where necessary or what we can.** And certainly, we have contracts that are in place that help us do that a little bit in terms of mitigating some of those input costs as we go forward. So, that's something that's factored into our guidance as we have it right now. And so we anticipate, based on what we know today, to be able to absorb those input costs that are rising as we see them right now. – **Stryker**

So I think a little bit of an impact from the Middle East, kind of delayed sales in the aerospace business, which is sitting on significant order and backlog, that those sales have been delayed. So that was about a combined -- that and the combination of PLS efforts that are somewhat, I'd say, front end loaded this year, reduced the overall organic growth rate by three points in Specialty in the first quarter. We would expect that growth rate in Specialty to improve from here. I'd say the Equipment businesses and Specialty are performing very well. And then in some of the more consumer-oriented businesses, there are some challenges as we -- as you are well aware, as Chris talked about. And then there are places like the medical business that is growing leaps and bounds at this point in time. So it's really, all those factors offsetting each other. And as we said, we expect the Specialty business to deliver, positive organic growth this year and meaningful margin improvement based on what we're seeing in the businesses that make up Specialty as we sit here today. – **Illinois Toolworks**

Turning to our outlook, **the current geopolitical and macroeconomic environment remains uncertain and continues to drive global volatility.** Starting with fiscal 26, our solid year to date results supported by continued net benefits from a PRP and disciplined cost management, give us confidence in raising our fiscal 26 outlook in terms of the conflict in the Middle East. **Our outlook assumes a greater year on year impact from disruption to our business in the fourth quarter relative to the third, as shipments for key shopping moments had already gone out before the conflict began.** This helped to minimize the impacts to a third quarter sales and profitability for the fourth quarter. We expect an unfavorable impact of approximately two percentage points to sales growth and \$0.06 to EPS. Now, looking at our fiscal 26 outlook, we expect organic net sales growth of approximately 3% at the high end of our prior guidance range for the full year. **The impact of business disruptions in the Middle East is expected to be less than 1%.** – **Estee Lauder**

Color on AI

We believe AI and agentic commerce will expand our addressable market in four important ways. First, like e-commerce and mobile commerce before it, agentic commerce will accelerate the digitization of commerce around the world. And just like the acceleration from e-commerce and mobile commerce, Visa will benefit. Second, agents will create significantly more transactions. Agents will intelligently split purchases across multiple transactions, optimizing price, timing and value to the buyer. And importantly, in some use cases, we expect agents will pay for their own data and resource consumption, transaction by transaction and event by event, which creates an entirely new category of commerce with microtransactions. Third, we will see accelerated digitization of B2B payments, where there is still enormous friction that AI agents can help remove. They will be able to automate payment initiation directly from invoices and contracts, and manage approvals autonomously. In this context, virtual cards and tokenization will become a preferred way to pay and be paid. And lastly, just like the advent of e-commerce and mobile commerce, agentic commerce will increase economic growth generally. Third-parties estimate we are looking at a boost of 80 to 150 basis points of incremental GDP growth from AI, and when GDP grows, spending grows, and digital payments transactions grow. – **Visa**

FICO Platform is the world's leading AI decisioning platform for financial services. Recognized as such as a leader by Gartner, Forrester, and IDC. Its agentic architecture powers a real time, always on customer profile engine that delivers hyper personalized consumer experiences where every interaction can inform and improve the next. **There are over 150 clients globally using the FICO Platform across multiple connected use cases to power their customer experience, business critical operations, risk management, and fraud monitoring and prevention.** FICO Platform brings together multiple functions within an enterprise in a common operating environment, and enables them to operationalize AI at scale to drive real business outcomes. – **Fair Isaac**

In March, average annual session duration hit an all time high of 26% year over year, and bounce rate hit an all time low, down 29%. Homes AI is the engine behind this engagement search. **AI users run nearly four times as many searches, favorite seven times as many properties and submit seven times as many leads.** In April, time on site reached 18 minutes for AI users versus four minutes 32 seconds for non AI users. Put plainly, when consumers experience Homes AI, they spend roughly four times longer than they do on conventional residential search. This is precisely the dynamic that precedes meaningful consumer share shift, and is exactly the proof point we expected our AI investments produce. – **CoStar Group**

Given the accelerating momentum of our business, we are raising our 2026 revenue growth outlook to 17% and expect to achieve the Rule of 60 for the first time. John will provide more details in a moment. **Agentic AI is here, and Cadence is leading the transformation of semiconductor and system design.** – **Cadence Design Systems**

We're continuing to push the envelope of what's possible. We're excited to be rolling out live translation on beta soon. **Our first network native AI application that we demoed for you at our February event, live translation uses language learning models embedded into our core and translates your voice into one of 80 different languages anywhere in the world. All you need is just one connected T-Mobile phone.** Importantly, this is just the initial step in us building AI capabilities directly into our network core. Longer term, we see a world where our network becomes the connective tissue for physical AI and accommodates inferencing at the edge. As a step towards this, we're delighted to share today that we're connecting our 5G advanced network to figure AI's F3 humanoid robots, enabling seamless and reliable connectivity from the moment they power on. This partnership, amongst others, will allow us to explore how the T-Mobile 5G advanced network and its capabilities, including assets like the network edge can support the broader evolution of physical AI. This is an important stepping stone towards building an even more capable network of the future with 6G. – **T-Mobile**

Today, AI sits at the center of nearly all customer demand conversations. We are in the midst of an inference inflection where compute infrastructure is shifting from periodic training to becoming engines that continually generate mass capacity data. Leading AI chatbots now handle billions of user prompts daily each consuming and producing multimodal outputs that fuel an unprecedented surge in data creation. Agentic AI pushes this even further transforming sporadic engagements into autonomous workflows that continuously ingest inputs, generate reasoning, and store durable outputs that are dramatically increasing data intensity, and long-term storage requirements. AI is amplifying demand across existing applications such as Video, where large cloud providers are integrating AI into platforms to boost user engagement, and revenue opportunities, driving new video creation, and the need to store it. **We believe demand will further accelerate as AI applications move beyond the data center into the physical world powering manufacturing systems, autonomous vehicles, and robotics.** These physical AI deployments generate massive data streams from sensors, cameras, and telemetry with a single autonomous vehicle producing up to 4 terabytes per hour. A portion of this data is reused for simulation, validation, and retraining, with retention requirements stretching 5 years to 10 years to meet compliance standards. These inference based applications are creating a growing need for both cloud and local storage. We have started to see interest from Sovereign and Neocloud data centers for our enterprise line nearline drives, and system solutions. To manage these intensifying workloads, Cloud, and Edge data centers deploy storage tiers that work in concert to optimize performance, cost, energy efficiency, and data durability. – **Seagate Technologies**

So I think when people talk about AI powered financial advisors, they can mean one of two different things. One is just specifically advice on what to invest in. Right. And that can be a spectrum of things as well, like trading recommendations and allowing you to build trading strategies with with that Reg BI compliant capability. It could also mean like robo advisor services. So for the latter we have Robinhood Strategies. And for some of the work that we're doing on the agentic side, you should expect that that increases in capability as well. And everything that we do whenever we, if we do add recommendations, we got to make sure they're in accordance with Reg BI and all of those rules. So we're making progress on those things. And with Robinhood Strategies, I think it's the best like deposit money and we invest for your product out there today under the fiduciary standard, we actually published some returns and historical performance a couple of weeks ago, which look really good. Now, the other thing people mean when they say financial advice is, I want help just managing my entire spectrum of financial things. Right. And that involves your banking, your spending and budgeting, your estate planning. And we'll have a solution there for you, multiple solutions. So with TradePMR, some people still want humans. And I should point out there's Synergy Conference for TradePMR coming soon, where we're going to start unveiling some of the things that we've been working with on the human advisor side. I think that's a durable product. **We should expect human advisors to be around, because that fills a very, very specific need that I don't think AI is quite going to fill in the near term.** – **Robinhood**

Color on AI

We think about the opportunity presented by AI as three superimposed waves, each building on the one before it. We are in the heart of the first wave, which focused on the build out of general purpose AI data center capacity. This was behind the massive increase in data center spend in 2025. In 2026, we are entering the second wave. While there is still huge investment in general purpose AI data centers, these data centers are being augmented with compute silicon optimized for inference at scale. This wave will grow to a high run rate over the next few years. Still yet to come. – **Teradyne**

We are also advancing our leadership as we help our customers unlock the potential of AI. As we discussed at our Investor Day, **we are deploying AI-native solutions and tools like ChatAI and Document Intelligence for those seeking speed and scale on our platforms.** For those who want to build their own AI-enabled or agentic solutions, we are increasingly making our data accessible via standard protocols like MCP. – **S&P Global**

And in the network, we have really deployed quite extensively inside our network. 85% of all of our issues right now are autonomously resolved. That means we are resolving issues before our customers even see them. We used to have in our network like a bill of material. It was over like 1 million different combinations. Think about the costs and the complexity around that. Using AI, we've driven that down now to about 20 kits. And so, our ability to deploy safe costs because of this is radically improved. **We already have over \$200 million of energy savings as a result of deploying AI into the network and looking at how we can optimize on energy, and we are doing things now at industrial scale.** – **Verizon Communications**

During 2025, we focused heavily on scaling solutions that reduce the burden of our routine administrative tasks. We deployed and scaled a total of eight different use cases of AI solutions into our revenue cycle. Operations that are now yielding significant benefit. When I go forward basis for 2026, we are focusing more heavily on enabling solutions in our clinical operations to improve hospital level efficiency and patient experience. Included in our 2026 roadmap are several new use cases being designed and built with Hippocratic AI, which is one of our key AI solution partners. It is too early to project the longer-term financial impact of the 2026 initiatives, although we expect them to be incremental to margins over time. And just as importantly, we expect them to have a real impact on quality and patient experience. – **Universal Health Services**

We're scaling AI by building on top of our common data ontology, shared API architecture, and the operating workflows we already run at scale. **Our AI capabilities are powering new products, accelerating our software development cycle and driving productivity gains.** – **Broadridge Financial**

Omni, our AI-enabled intelligent sales and marketing platform, is connecting our talent, data and services. **We've scaled our next-generation of Omni across the entire organization in Q1, putting the latest agentic AI tools in the hands of all of our employees.** The new Omni is delivering on multiple fronts, driving stronger media performance, greater addressability and improved measurement, increasing speed to activation and enhancing ROI with Acxiom's Real ID, improving performance across retail and commerce channels, and enabling more effective marketing and client outcomes through deeper integrations with partners like Adobe and Amazon. – **Omnicom**

Source: RBC US Equity Strategy, Alphasense

I'll state the obvious, you have a lot of investing going on in, America. Where is that investing? Obviously, AI, all the AI companies, the whole AI complex around it, data centers, energy. It's like a, one of it's like the great race people or people are spending money, like crazy in and around that, you have infrastructure, which I've talked about for a number of quarters. The Biden era infrastructure bill, 1.6 trillion, very little of which percentage wise has been spent. The CHIPS ACT to reassure you know critical manufacturing again 800 billion. Very little of that is spent. Why? Because it takes time to get these things like land, permits, bill. So, these things they take a number of years to sort of seep into the system. But I think you're starting to see it. The best evidence of that, if you go back and there's the correlation sort of got obtuse or broken apart during COVID like a lot of things. But, over long spans of time, the highest correlation, 95% plus over a very long span of time, the correlation and demand growth for hotel rooms has been growth and NRF nonresidential fixed investment, sort of like we've lived in crazy Ville post-COVID where we have all this swirling stuff going on. Hard to understand, but to me, over the long-term that is exactly what is going to drive the mid-market of the business. All that investing in nonresidential fixed investment that takes the middle class getting in the game. And if you look at those numbers, they've been moving up and they're perennially bad at forecasting and RFI from my experience. But the actual numbers being reported are moving up. And my guess is the next several years they're going to keep moving up. And as they do, you're going to see this convergence. All those things that are going on, you are going to see this convergence. By the way, if that's not enough, I mean, I know it's a whole different topic of displacement and everything that goes with AI, but AI is also going to provide one of the greatest productivity booms. I mean, it's going to be equal to or bigger than the internet productivity boom. And yes, there are people, there's winners, there's losers. There's need to retrain and, shift and reskill people. All of that stuff we won't get into today with the limits of time. **But there is no world where economically it's not advantageous to have productivity gains. Like there is no world. There is no time in American history where big productivity gains weren't matched with big economic growth.** So, I sort of put all that together. And I, I feel like, okay, it's happening. Like I want it to keep happening. We don't, I want to be, thoughtful about like, we're talking about, a little bit of fourth quarter in the first quarter. And now looking into the second quarter. And I don't want to overcook it, but, I, all the things I've been thinking, I think are happening and I think it's now showing up in our business, and it makes me feel good that we could be in a timeframe, honestly, where, like, I love it when we're sitting around at this very table every week talking about performance. And every time we talk, it's getting better, right? And that's what's been happening for a while, for weeks and weeks. It's getting better. Like so I, and as we look further out the year with the visibility we have in US it feels better. – **Hilton Worldwide**

One of the main things we've been focused on the last year or two has been investing in tools for all of our teammates, the 7,500 people that we have around the world, not just investing in the tools, but in education and how to apply to process adoption across AI, GenAI. And it kind of gets then applied to large-scale applications, but also to people's BAU. We estimate that close to 80% of our employees, some way, shape, or form are using these tools every day in their business activities. **To your specific question about big use cases, they're either in use or in development really across the entire company with an emphasis on enabling outputs.** And so we've got use cases in the investment process. We've got use cases around client growth, things like investment, research, aggregation, sell signal adaptation, performance analytics, client communications, all those sorts of things. – **Invesco**

If you look at the first half of the year, we had approximately \$50 million in sales in the first half of the year on these use cases. **That's up more than 200% year-on-year, and we are now approaching about 100 customers that are using F5 for their AI use cases.** That's why we have a bit of a conservative estimate because those are customers from whom we absolutely know that they are using F5 for these AI use cases. – **F5**

Color on AI

We are not immune to shifting employment trends but we are built for the world they represent. What differentiates ADP's approach is that our AI is built into the very core of how we orchestrate, govern and execute HR and pay processes grounded in regulatory logic, operational data, and decades of expertise. **This goes far beyond chatbots or surface layer automation that can enhance the user experience. It's about delivering real world outcomes where accuracy and auditability are non-negotiable.** For example, in January, we launched ADP assist agents that apply advanced intelligence to real workforce challenges across payroll and HR. These persona based agents think, plan and act with human oversight. They are designed to handle routine tasks so people can focus on high value strategic work that requires judgment, expertise, creativity, and connection. And since that launch, we've already seen meaningful results. Our ADP assist payroll agents have saved an average of 30 minutes per payroll. Our ADP assist tax registration agents have helped businesses maintain compliance and avoid penalties and interest on late tax filings. Our smart actions search has reduced clicks and time spent by around 80% for common HR actions. And those are just a few examples. – **Automatic Data Processing**

We are very excited about the data center investment cycle and not just the construction and buildout stage, but frankly, the larger and more durable opportunity for ongoing operations and maintenance of this, this massive data centers that again, buildout. And like you mentioned, Fluke already participates in the tool belt for visitor centers with a wide range of products in power quality monitoring and analytics and high voltage diagnostics and high density fiber testing. Electrical ground for detection power calibration, et cetera. And I think new technologies like optical switching to your point will create additional demand for a lot of these products we already have. – **Fortive**

Agent orchestration is predominantly CPU-bound and Qualcomm has the world's best performing CPU across smartphones, PCs, auto and soon the data center. Qualcomm's unparalleled connectivity solutions and power-efficient NPU for local models will also be key assets to delivering agentic AI experiences. – **Qualcomm**

Iron Mountain's DXP platform leveraging AI capabilities will process over 20 million medical records. DXP will be fully integrated with the customer systems to reduce manual efforts, eliminate errors, and ensure compliance for time-sensitive clinical results. And we won a new contract with a US healthcare center to improve patient data visibility. – **Iron Mountain**

It's clear that our AI investments and full stack approach are driving performance across our business. In Search & other, revenue grew 19%. People love our AI experiences like AI Mode and AI Overviews, and they're coming back to search more. Cloud accelerated again this quarter due to strong demand for our AI products and infrastructure. Revenue grew 63%, exceeding \$20 billion for the first time, and our backlog nearly doubled quarter-on-quarter to over \$460 billion....CapEx was \$35.7 billion in the first quarter, with the overwhelming majority of the spend in technical infrastructure to support the AI opportunities we see across the company. Approximately, 60% of our investment in technical infrastructure this quarter was in servers and 40% was in data centers and networking equipment...**Looking ahead, these strong results reinforce our conviction to invest the capital required to continue to capture the AI opportunity, and as a result, we expect our 2027 CapEx to significantly increase compared to 2026.** In terms of expenses, as we've discussed previously, the significant increase in our investment in technical infrastructure will continue to put pressure on the P&L in the form of higher depreciation expense and related data center operations costs such as energy. We also expect to continue hiring in key investment areas such as AI and Cloud, and are investing in marketing to support our AI products. – **Alphabet**

Companies are keen we focused on how they can partner with Veris and capitalize on our robust and proprietary data sets. Through this significant technology transformation, I was particularly impressed with the engagement with our largest clients as they develop their AI strategies. In several instances, clients have included us in their own internal discussions to explore how we can integrate our data and capabilities into their AI strategies as a co-development partner. There has been a recurring theme that while I can be powerful, it requires both deep industry knowledge and relevant data sets to be most effectively applied. Coming out of both events, client interest and sales pipelines are robust and competitive win rates have been very strong. Additionally, **we are experiencing a faster pace of trial and growing number of proof of concepts for our AI solutions.** In fact, we already have over 20 follow up meetings set up related to augmented underwriting. That said, in certain cases we are seeing an extended sales cycle related to the more complex contracting to incorporate AI governance and compliance. We are also engaging with many of our large clients, regulators and the frontier Model companies on partnership opportunities to leverage our data and insights. A key focus for all parties is accountability, transparency, governance and protection of intellectual property. Based on our interactions with several frontier model companies, it is clear that they recognize the importance of leveraging not just proprietary data sets, but also deep industry specific knowledge and established workflows, all of which we have at risk. – **Verisk**

Color on Tariffs

Our first quarter gross margins were not materially impacted by the changes within the tariff environment as **our net tariff exposure has remained relatively stable**. Additionally, at this point, **neither our first quarter results nor our outlook include any benefit from tariff refunds**. We actively monitor these topics as they develop and are being proactive to ensure our sourcing is competitive and reflects the scale of our company. – **O'Reilly Automotive**

(In response to question on simplified metals tariffs that went into effect in April). **It doesn't really have a lot of impact for us** because of the truck specific 232 has specific offsets and it applies mostly to those materials. So, there's some moderate impact but not significant. – **Paccar**

So let me, let me cover the tariff question first. So all we've done here is taken the IEEPA direct tariff that we paid last year. That was subject to the Supreme Court decision and credited that back as a receivable. And as we said, **we haven't changed our free cash flow guidance because we don't know what the -- when the refunds are going to be received, how that window might work going forward, but that's all we've assumed**. Now, keep in mind, most of our tariff burden comes from 232. So IEEPA versus our size is relatively small. But because of that entry, that's why we took it. We took the guidance down. We're not projecting any other change or -- we're not projecting any other changes to our tariff bill. When I said guidance down, I meant the tariff bill guidance down. – **General Motors**

This is a complicated matter for sure. I'm going to zoom out just to talk about the IEEPA tariffs in total. So last year, well, since the tariffs have been initiated, the Customs and Border Protection processed 53 million IEEPA-related entries and collected \$166 billion in tariffs. For us, we processed 16 million IEEPA-related entries and remitted over \$5 billion to the US Treasury. Ravi, **we are just a pass-through**. We collect and we remit to the government. **So, now that the tariffs have been deemed refundable, we are working with the Customs and Border Protection to apply for those refunds. Our approach is to work with the US government and not to sue the US government**. We have applied for the refunds pursuant to the guidelines from the Customs and Border Protection. Interestingly, they are not going first-in first-out, but actually last-in. So it's for the tariffs that have happened this year. For us, it means applying for tariffs for 2.5 million entries, a little under \$500 million. We are making those applications started on April 20th. We are making those applications today. We think it's going to take some time before the Treasury remits money to us. But as soon as we get that money, we're going to remit it right back to our customer. – **UPS**

With respect to tariff recovery, I mean, given our producer, we sell philosophy, I mean, the reality is the direct impact of tariffs was largely mitigated at ITW. And to the extent that there was an impact, we were able to recover this in price. So in this regard, **tariff recovery is not something that's on our radar**, I would say, and we certainly don't have anything in our guidance for it. – **Illinois Toolworks**

On gross margin, we saw a very strong quarter, largely driven by the invalidation of the IEPA tariffs, which contributed about \$0.20 to our results in the quarter. We were beyond that a little bit better on underlying performance as well. The way you should think about the gross margin line is of that \$0.20 that we benefited in Q1, we had originally assumed about half of that would be credited in the second half. So that was a bit of a pull forward. And so the remainder of that \$0.20 drops \$0.10 to the bottom line and is largely the driver of the beat or the raise, I should say, on earnings per share. – **Zimmer Biomet**

Source: RBC US Equity Strategy, Alphasense

I think tariffs are, net-net, slightly more than we currently expected. Not by a lot, Nigel, but a little bit more. And we feel that we've pushed that price appropriately to the channel. I do want to also mention that there is the tariffs and then, what I would call, incremental inflation. We are seeing some commodities running hotter right now than they were initially expected. And, again, we have taken price actions to neutralize those in our full year guidance forecast. **So there's a little bit of benefit from one side of the tariffs. After the Supreme Court, it was little. And then we had the incremental Section 232 tariffs that offset it. And then we priced effectively at both of those elements**. – **Pentair**

There's been, like the last many months, there's been a flurry of changes with respect to trade and tariff policy. IEEPA was declared unconstitutional. Right on the heels of that, Section 122 was implemented. Soon after that, there was a wide range of Section 232 changes. And when you net all of that out, along with some inflationary pressures on fuel in particular, we see an impact, a net impact of around 1 point of COGS. And think of the playbook we used a year ago, some pricing actions. It could be surcharges. It could be list price increases. They are not yet in the market, and that's why **we're not yet updating any organic revenue guide as a result**. We'll certainly announce that to the market, to our customers first as we work through all of the details there. And as always, there's an enormous amount of details to work through on all the different trade policies. There are some cost actions that we're taking, I think just normal hygiene for a company our size, and that will contribute. So, when you add it all up, we expect to mitigate this on a dollar basis at the adjusted operating income line and net earnings per share. – **Allegion**

While market dynamics can change, we expect these tariff and coffee pressures to moderate in the back-half of fiscal 2026, especially given recent trends in coffee prices. As a reminder, our results typically lag the market both upward and downward due to our coffee purchasing and hedging practices. – **Starbucks**

We continue to expect tariff impact in 2026 to be lower than 2025. Note, that we do not expect a material benefit following the tariff policy changes announced earlier this year.... So, that might be an opportunity. As far as refunds, we will be submitting as many companies will for refunds related to the tariffs that we paid last year. We're hopeful that we'll be successful in terms of recovering that and we haven't determined how we will report that or account for that in terms of, adjusted EPS or anything like that. That's not included in the forecast that we've put forth today. – **GE Healthcare Technologies**

And so as we mentioned in the remarks, when you make a comparison of first quarter 2025 to first quarter 2026, neither of those two quarters had any tariffs to speak of. And then we only assumed a very modest amount – or included a very modest amount of recovery in the first quarter. **So, really nothing material. And then going forward, as it relates to these IEEPA tariffs, we haven't assumed anything different**. – **General Dynamics**

First of all, regarding the gross margin year over year, there was an unfavorable impact on tariffs this Q1 versus last year. **Since the tariffs were not in effect of that period of time. As we think about near the remainder of the year, we do expect there to be some tariff impact for the remainder of the year**. Basically, at the current trends we're seeing, obviously that's evolving, but that's our current opinion as it relates to the refunds. We have not recorded any receivable or benefit for those for those refund. At this point in time. We'll continue to evaluate that in a quarter and recorded the appropriate time. – **Garmin**

Color on Tariffs

One additional comment to make on tariffs has to do with 232 tariffs, which were altered by a policy change on April 6. The way 232 tariff policies are applied is complex, and broad industry headlines are not always good barometers of our profit and loss impact. Although there was much speculation in the market about our outsized exposure to these higher 232 rates, we assess the incremental headwind to be just \$15 million on an annualized basis and less than \$10 million for 2026. Though recall, the net of all the 2026 tariff changes, inclusive of 232 tariff changes, and our updated assumptions for the rest of the year, indicate that tariffs are going to provide a tailwind relative to our prior assumptions, and will be offset by inflationary impacts caused by the war, battery metals, and tungsten....Second, **there have been numerous tariff policy changes since our last earnings call, which prompted new assessments and assumptions. We expect that all-in, these tariff policy changes and our updated tariff assumptions equate to net tailwind for us this year on a gross basis compared to our assumptions at the beginning of the year.** In the near-term, we have a temporary period of lower tariffs since the replacement Section 122 tariffs are lower than the former IEEPA tariffs. Our base case assumption is that new Section 301 tariffs will be introduced at the same level as the old IEEPA tariffs, which means our underlying tariff costs would be virtually the same by August as they were prior to the Supreme Court ruling in February. This is our current expectation, but that is subject to change as policy is finalized, and we will update our assumptions as appropriate...Third, since the start of the conflict in the Middle East, we have seen inflationary cost pressures in resins and freight. Last, we have also seen meaningful inflation in recent months in battery metals and tungsten, which is applied to the tips of our saw blades and drill bits for increased durability and heat resistance. **We believe the combined impact from these inflationary pressures roughly offsets the benefit from the tariff tailwind in the year.** – Stanley Black & Decker

I'll note that obviously you know the last five quarters, the majority of those have been impacted by the, the you know, the kind of the tariff dynamics and kind of the underlying impact that's had on some of the demand environment, which is really the driver of what you're seeing on the margin front. You know, I think from a, you know, total year perspective, our expectation on a full year basis is that it's will be approximately flat year over year. As we indicated, Q1 was going to be the most challenging quarter. You know, particularly given we hadn't really started comping, you know, or lapping the Liberation Day tariffs from prior year, which really started in second quarter. As far as the second half. And to the question we do expect that's where margin expansion kind of comes back. You know, supported by I would say, you know, the slightly better organic volume outlook that we have kind of expected in the back half of the year. Continued improvement in in price cost, you know, driven by, I'd say, full implementation of, you know, all the tariff related pricing actions that have been taken, as well as kind of some of the targeted in-year actions that we always kind of have, have, have executed on. And then many of the productivity initiatives, including, you know, we were I think you saw us take some pretty meaningful restructuring charges in the back half of last year, which we would expect to continue to bolster margins, particularly move into the back half of this year....We continue to monitor the changes in tariffs carefully, including the recent changes in Section 232 tariffs. We remain nimble and continue to pivot, adjusting our mitigation actions to best minimize the effect of tariffs, as well as inflation. And, as a result, **we do not currently expect any net tariff and inflation impact to our full year guidance.**So the pricing actions related to the tariffs have largely all been taken through the balance of 2025. You're seeing that come through now offsetting tariffs I would say it's dollar neutral but obviously margin dilutive. And now obviously on a year over year basis you move through Q2 to Q4. You're seeing the tariff piece of that start to normalize because you had the tariffs in prior year. And clearly with the mitigation actually taken, combined with some of the ongoing pricing actions we're taking, that's why we expect to see better momentum, particularly exiting the year in Q4. – Ingersoll-Rand

Starting with the tariff, I'd probably start just answering it maybe more broadly with the events of tariff changes in the first quarter of which, yes, 232 was a piece of what changed. We also saw the repeal of IEEPA. We saw 122 come online and we saw some of those changes in 232. **The sum of all of that is about neutral to us for the year.** So, that impact was not significant. We were paying 232 going back to Liberation Day. So 232, with product lines that would have had US melted steel, the changes there were entirely offset by some other impacts on some other product lines. So, overall, not significant. – Hubbell

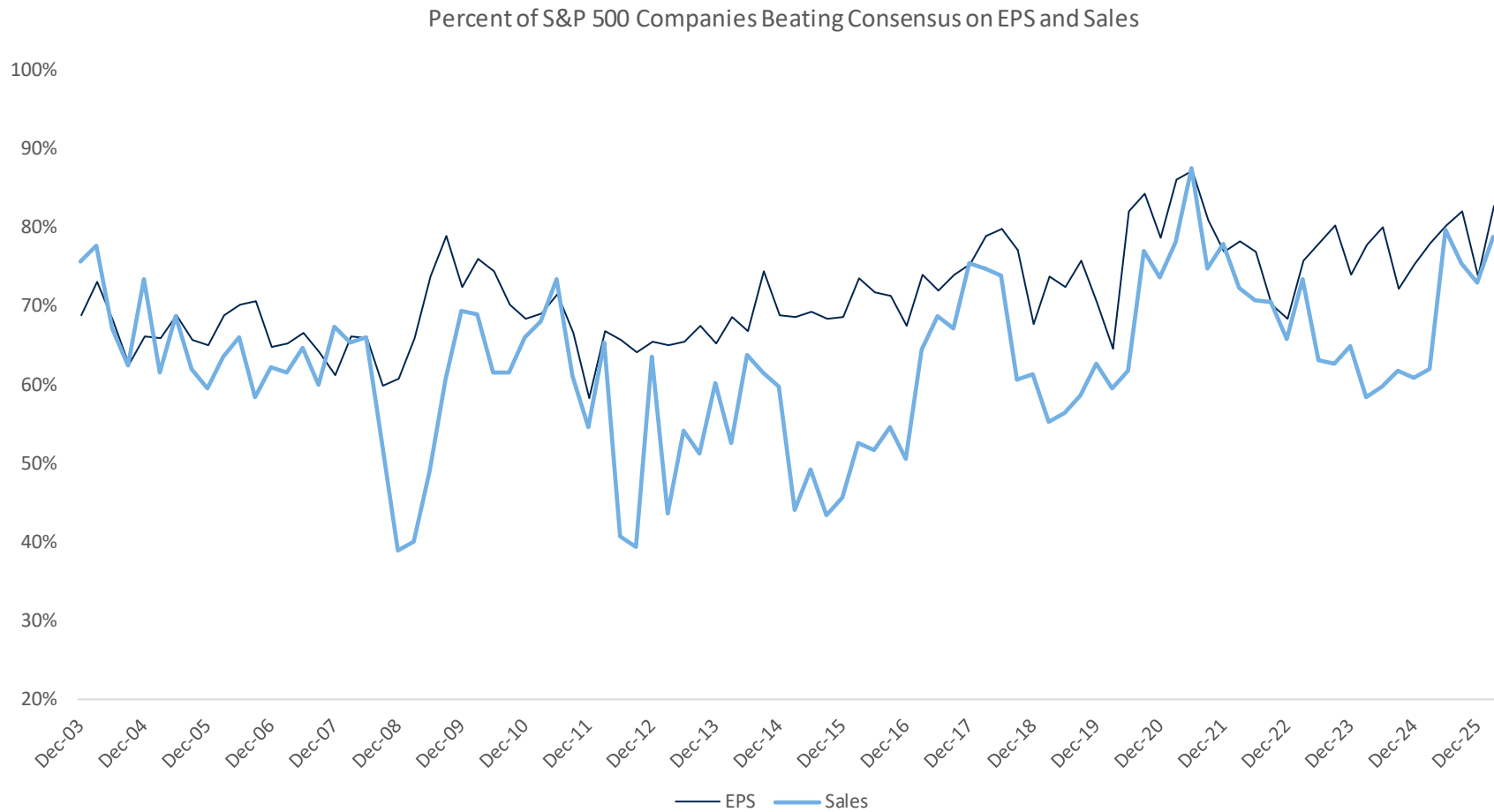
As you are aware, our tariff exposure is concentrated in the GMPD segment. In February of 2026, the Supreme Court ruled tariffs imposed under the International Emergency Economic Powers Act unlawful and work is underway to establish a refund process. **Uncertainty remains in the timing, scope, and administration of refunds, and we have not recognized any financial impact in the quarter nor reflected potential impacts in our updated guidance.** To-date, we had paid approximately \$200 million in IEEPA tariffs and previously noted sharing in these impacts with our customers. As a result, if circumstances change and become more certain, we would anticipate the potential future net benefit to Cardinal Health to be about half of that \$200 million, primarily driven by the repayment of IEEPA pricing that we've taken to our customers. – Cardinal Health

Including tariffs, we continue to anticipate that the adjusted operating profit margin will be near the bottom of the target range. However, with the improved sales and revenues outlook, full year adjusted operating profit margin will be higher than we expected in January. As I mentioned, the situation is complex, but we now anticipate full year 2026 tariff costs in the range of \$2.2 billion to \$2.4 billion based on our current volume assumptions. This figure reflects our estimated 2026 full year impact of tariffs implemented since the beginning of 2025 and in place over the course of this year. This compares to the \$2.6 billion estimate we provided last quarter. Let me provide some additional context on our tariff assumptions. The bottom line is, **our expectation for tariff costs in the second through fourth quarters has not changed significantly since January.** Based on a recent ruling on IEEPA tariffs by the US Supreme Court, we removed these tariffs from our estimate and added Section 122 tariffs. We expect to ramp up our actions to mitigate our tariff costs in the back half of the year. The recent updates to Section 232 guidance have a roughly neutral effect, and we are not currently including any IEEPA-related refunds as the result of the Supreme Court's decision. – Caterpillar

For the March quarter, the gross margin of 49.3% did include the impact of tariff-related costs. However, tariffs in the March quarter versus the December quarter were lower because we had lower product volume, as you know, sequentially from Q1 to Q2. **And there was the full quarter benefit from a reduction in the IEEPA tariff rates, as well as the reduced global tariff rate under Section 122. In terms of applying for refund of tariffs paid, we're following the established processes, and we plan to reinvest any amount we receive back into US innovation and advanced manufacturing.** These would be new investments and would be in addition to our prior commitments in the US. – Apple

In Large Cap, EPS and Revenue Beats for 1Q26 Have Been Stronger Than 4Q25 so Far

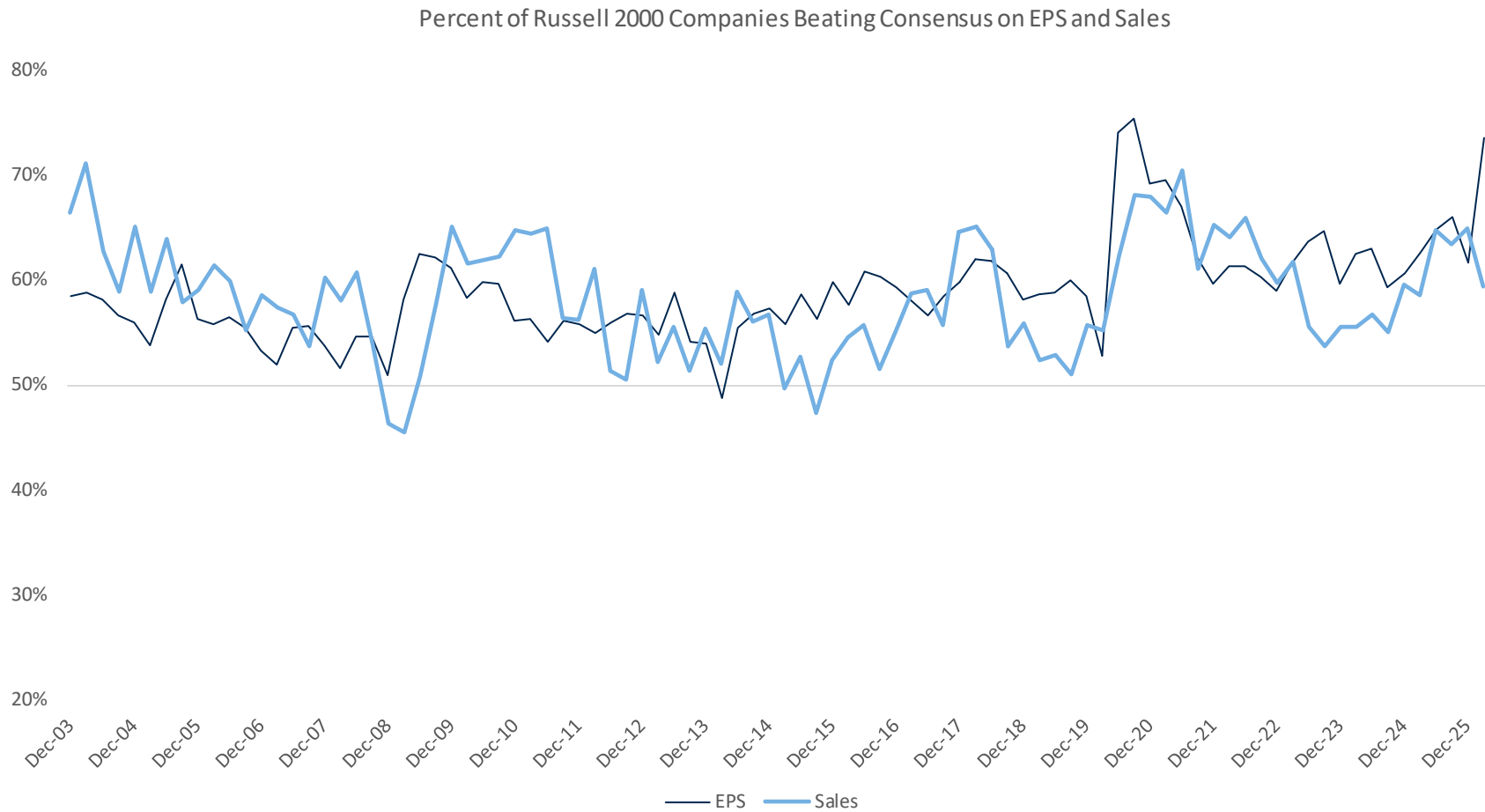
- 83% beating on EPS and 79% beating on sales for 1Q26 (vs. 74% on EPS and 73% on sales during 4Q25).



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Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi, CIQ estimates. S&P, Prelim data point for 1Q26 captured on April 28, 2026, with 40% of S&P 500 results in.

In Small Cap, EPS Beats Are Coming in Stronger Than Last Quarter so Far, but Not Revenue Beats

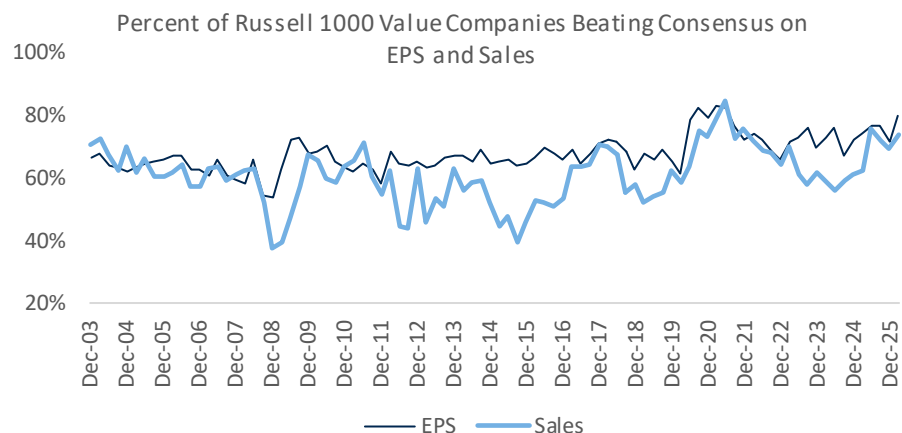
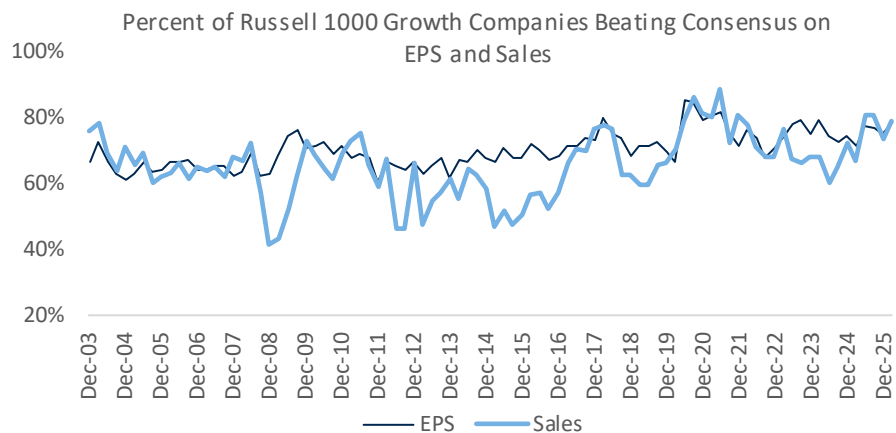
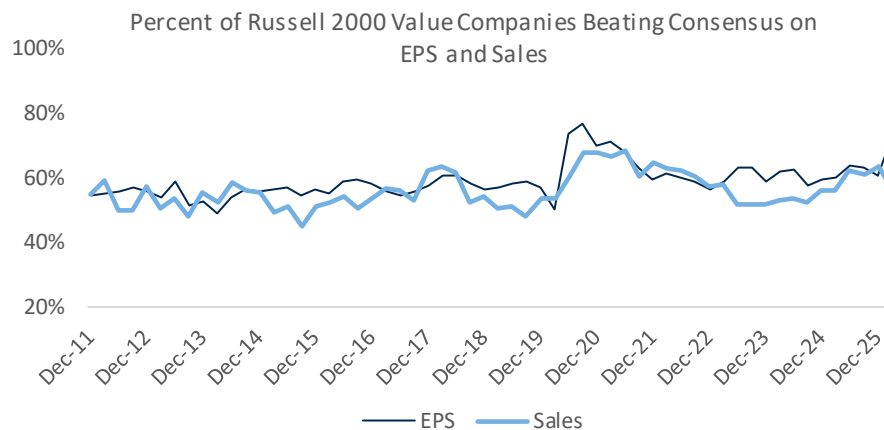
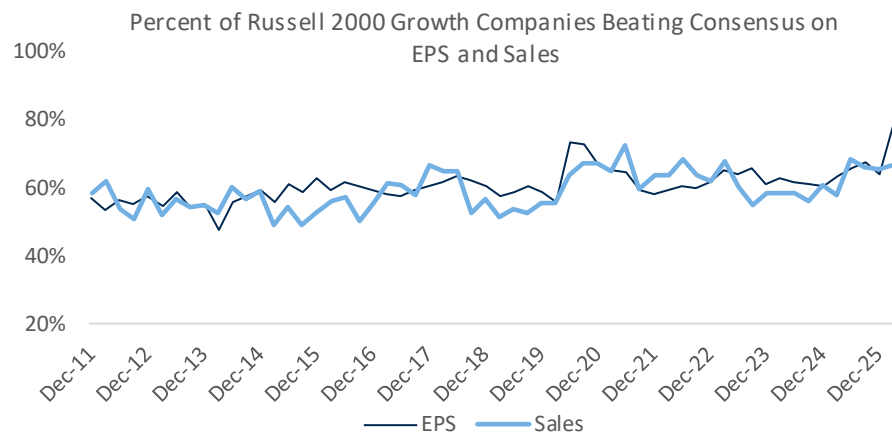
- 74% beating on EPS & 59% beating on sales for 1Q26 (vs. 62% on EPS and 65% on sales during 4Q25).



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors. Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi, CIQ estimates. Russell; Prelim data point for 1Q26 captured on April 28, 2026, with 20% of Russell 2000 results in.

EPS Beats Off to a Good Start in All Size/Style Combos, Revenue Beats Better Ex Small Cap Growth

- For Small Cap Growth, 79% beating on EPS & 67% beating on sales for 1Q26 (vs. 64% on EPS and 65% on sales during 4Q25).
- For Small Cap Value, 73% beating on EPS & 56% beating on sales for 1Q26 (vs. 61% on EPS and 64% on sales during 4Q25).
- For Large Cap Growth, 79% beating on EPS & 79% beating on sales for 1Q26 (vs. 75% on EPS and 74% on sales during 4Q25).
- For Large Cap Value, 80% beating on EPS & 74% beating on sales for 1Q26 (vs. 72% on EPS and 70% on sales during 4Q25).

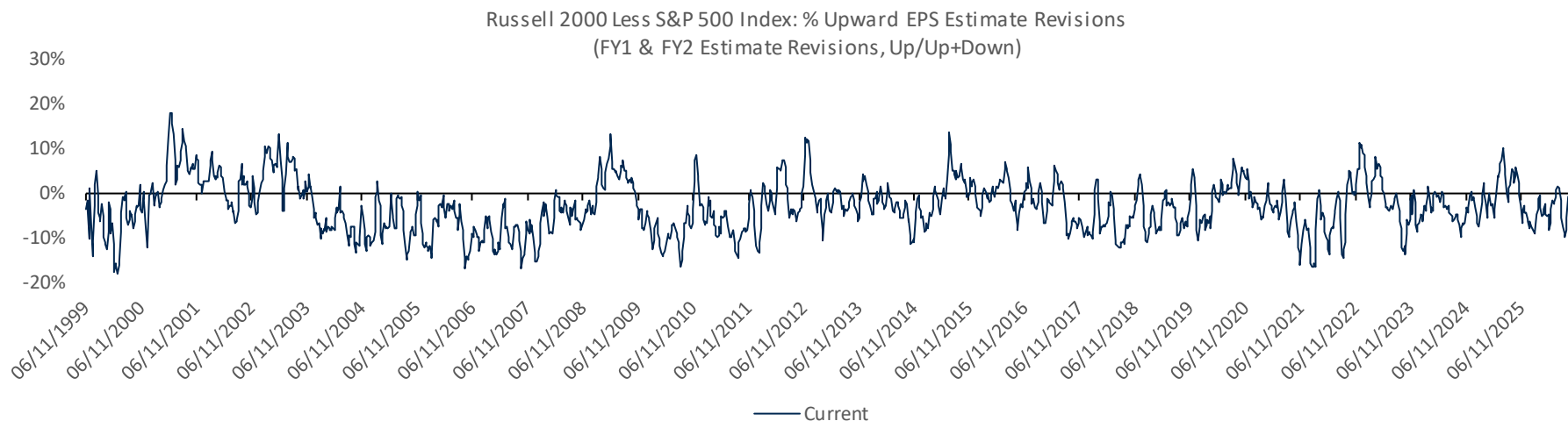
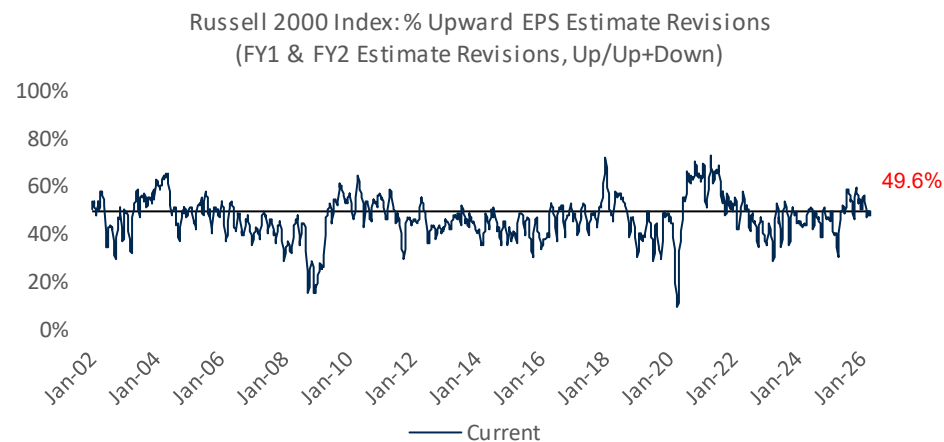
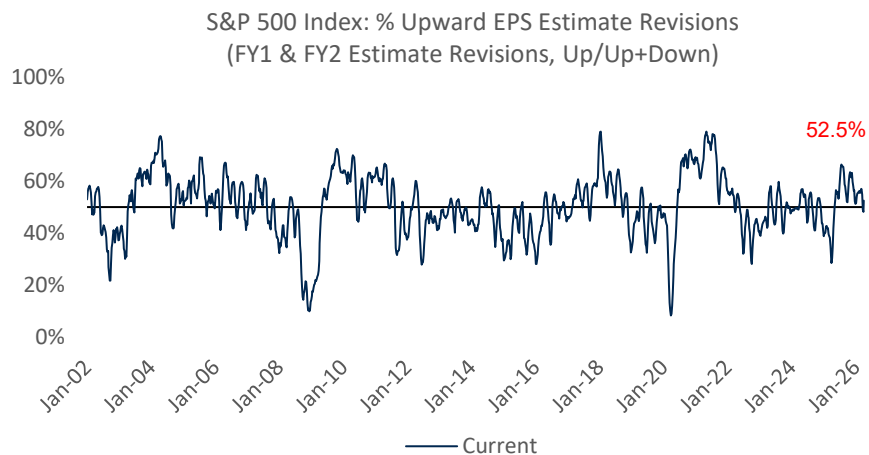


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Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi, CIQ estimates. Russell; Prelim data point for 1Q26 captured on April 28, 2026, with 15% of Russell 2000 Growth, 24% of Russell 2000 Value, 26% of Russell 1000 Growth and 32% of Russell 1000 Value results in.

EPS Estimate Revisions Weak for Both S&P 500 and Russell 2000 Recently

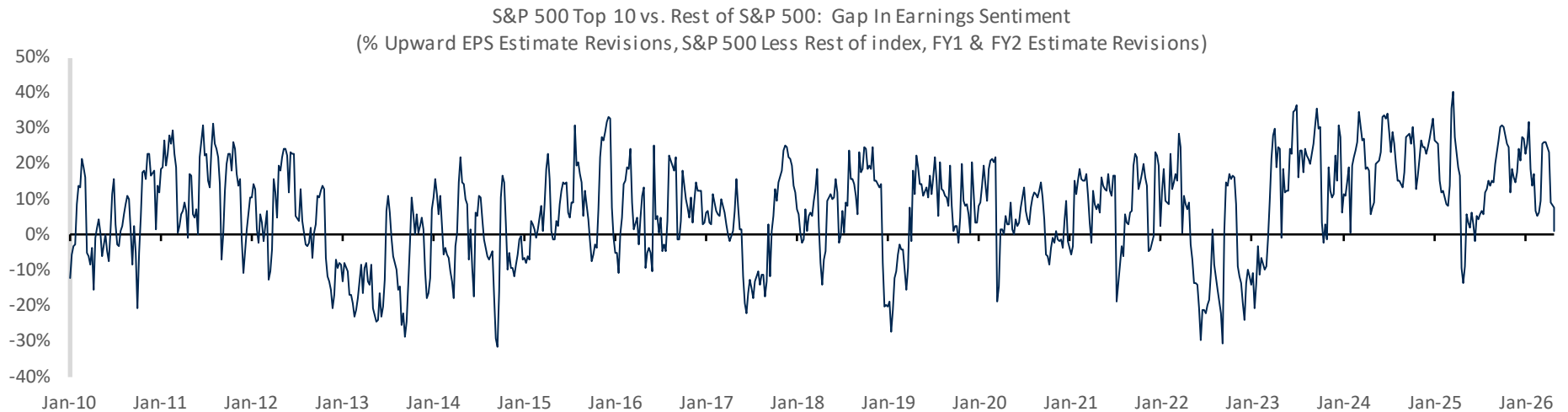
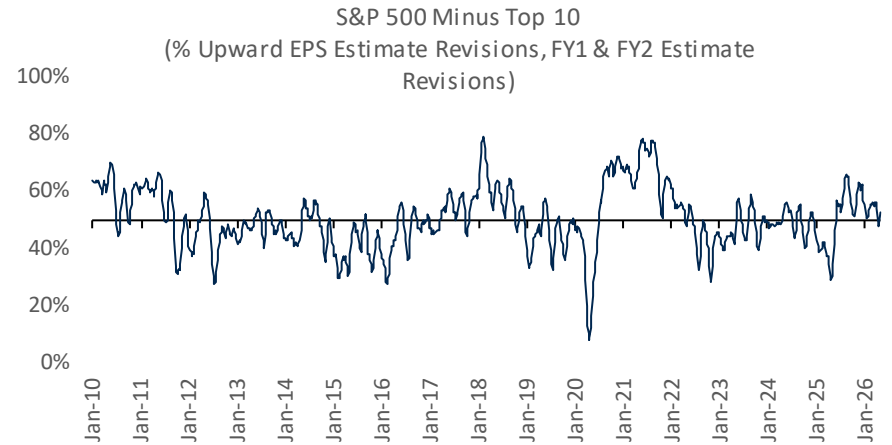
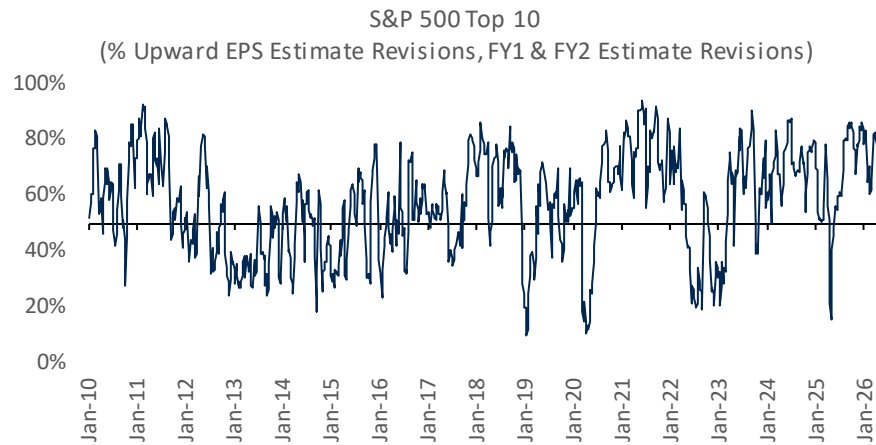
- Upward revisions are slightly negative for Small Cap in the most recent update, while revisions moved into slightly positive territory for Large Cap.
- Of note, this gauge of earnings sentiment is below the highs of fall 2025 for both.
- Note that the S&P 500 reclaimed a slight advantage to the Russell 2000 on this stat earlier this year, but the gap is narrowing again.



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi, CIQ estimates, S&P, Russell. For REITs, FFO/share revisions are used instead of EPS revisions; as of April 28, 2026.

EPS Revisions Have Been Better for the Biggest Cap Names in the S&P 500 vs. the Rest of the Index

- The dominance of the biggest market cap names has weakened in the most recent update.
- Both the top-10 names and the rest of the index are seeing rates of upward revisions below last year's highs. Levels are slightly weaker in the rest of the index than the top-10 names, but strengthened in the most recent update.

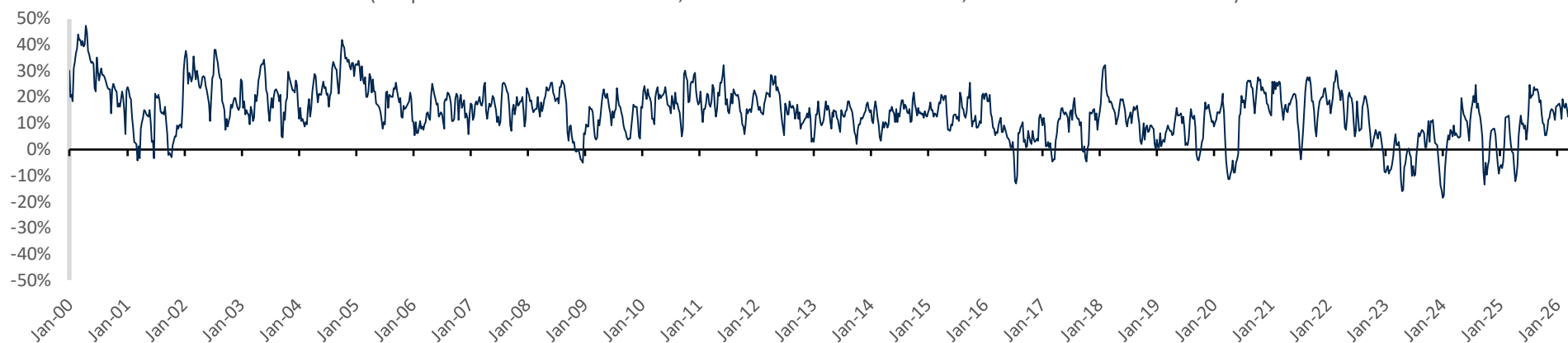


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Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi, CIQ estimates, S&P. For REITs, FFO/share revisions are used instead of EPS revisions; as of April 28, 2026.

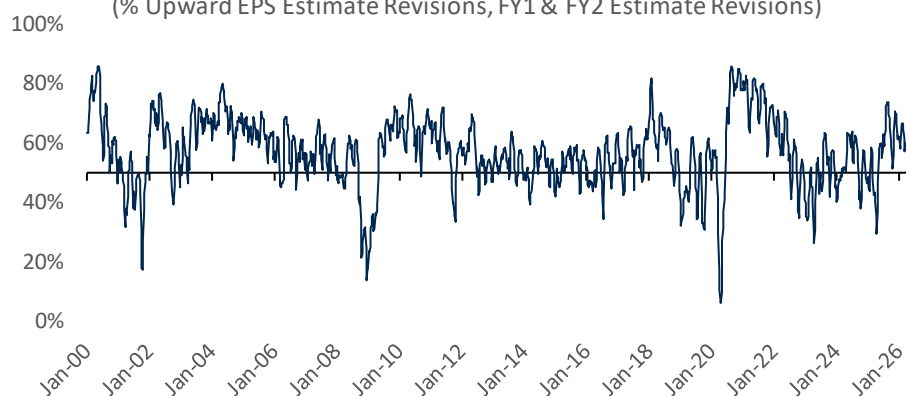
Small Cap Stocks With High EPS Quality Have Started to Have Weaker Revisions Trends Recently

- High EPS Quality Small Cap stocks are now seeing rates of upward revisions that are neutral.
- Low EPS Quality Small Cap stocks are seeing rates of upward revisions that are slightly negative.

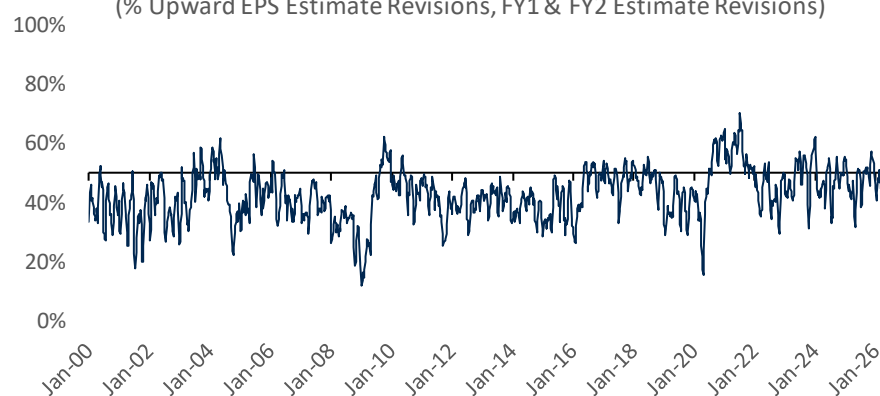
Russell 2000 High Earnings Quality vs. Low Earnings Quality: Gap In Earnings Sentiment
(% Upward EPS Estimate Revisions, Russell 2000 Less Rest of index, FY1 & FY2 Estimate Revisions)



Russell 2000 High Earnings Quality Factor
(% Upward EPS Estimate Revisions, FY1 & FY2 Estimate Revisions)



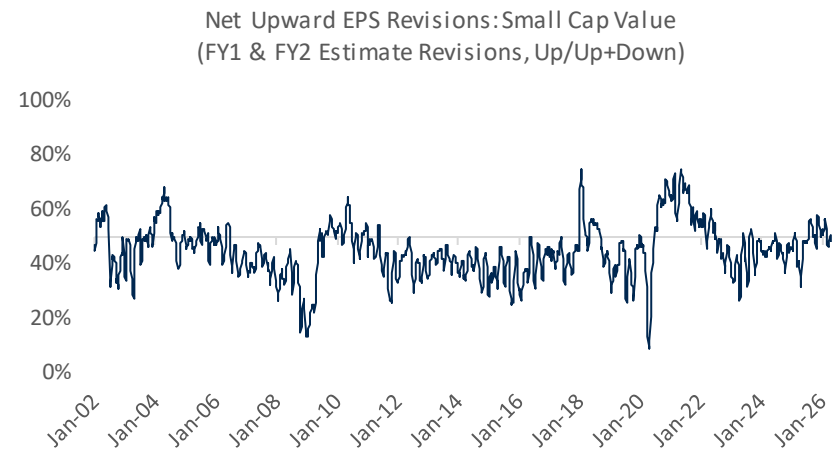
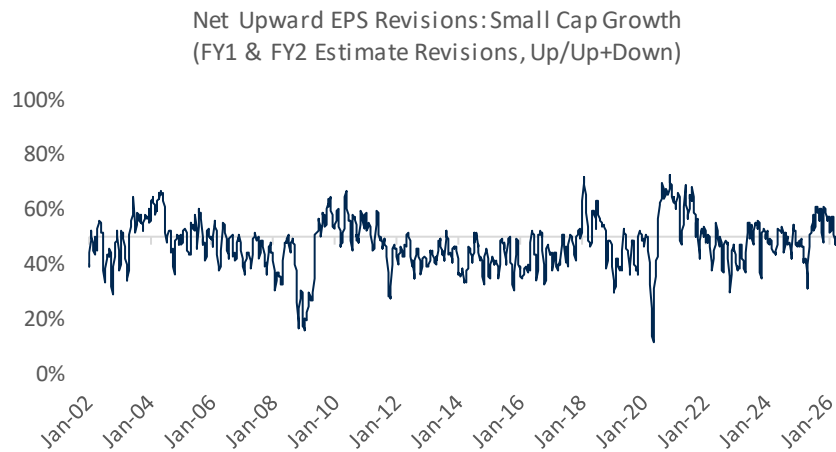
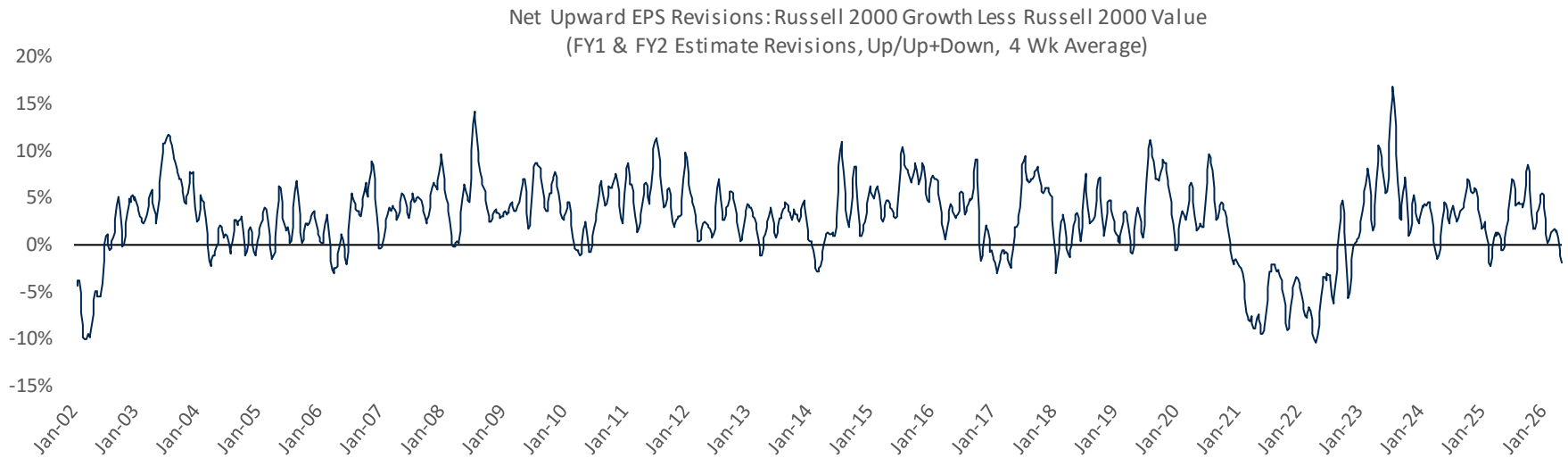
Russell 2000 Low Earnings Quality Factor
(% Upward EPS Estimate Revisions, FY1 & FY2 Estimate Revisions)



Note: The earnings quality factor is a sector-neutral, equal-weighted multifactor based on historical constituents that combines the trailing 12-month return on equity, earnings stability (measured as the ratio of the one-year change in EPS to the standard deviation of the one-year change in EPS across eight prior periods), and the distinction between positive and negative earnings based on whether EPS is above or below zero.

Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi; Russell, S&P, as of April 28, 2026

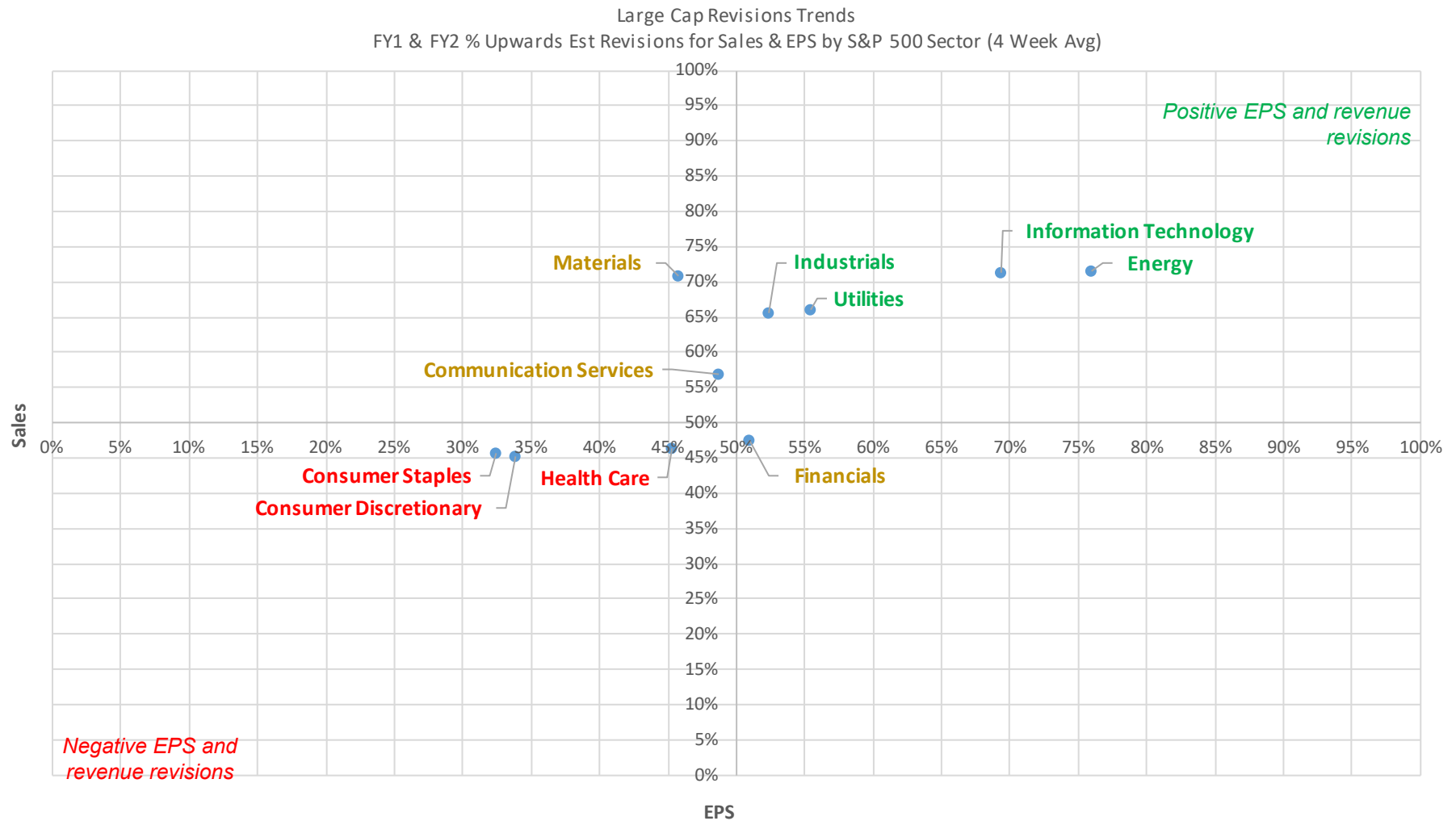
Growth No Longer Ahead of Value on EPS Revisions Within Small Cap



Source: RBC US Equity Strategy, S&P Capital IQ/ClariFI, CIQ estimates, Russell; as of April 28, 2026

Within Large Cap, a Handful of Sectors Are Seeing Positive EPS and Sales Revisions

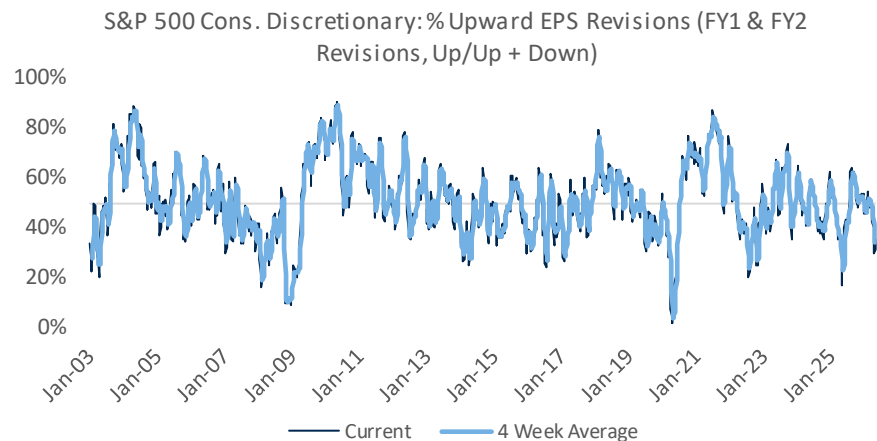
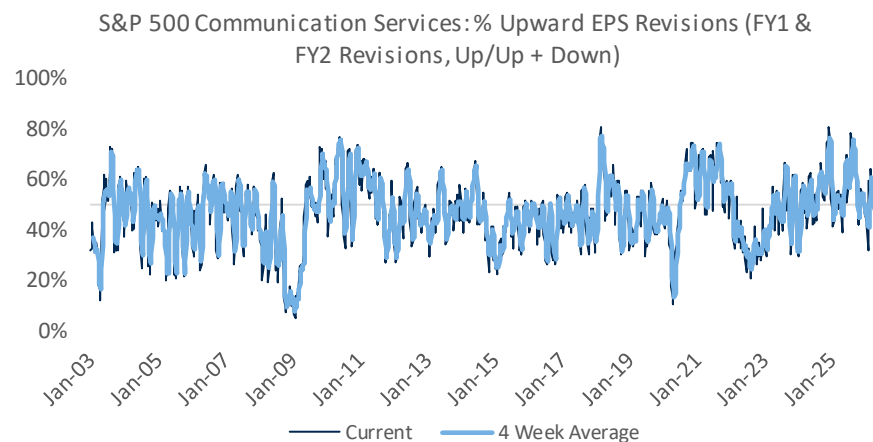
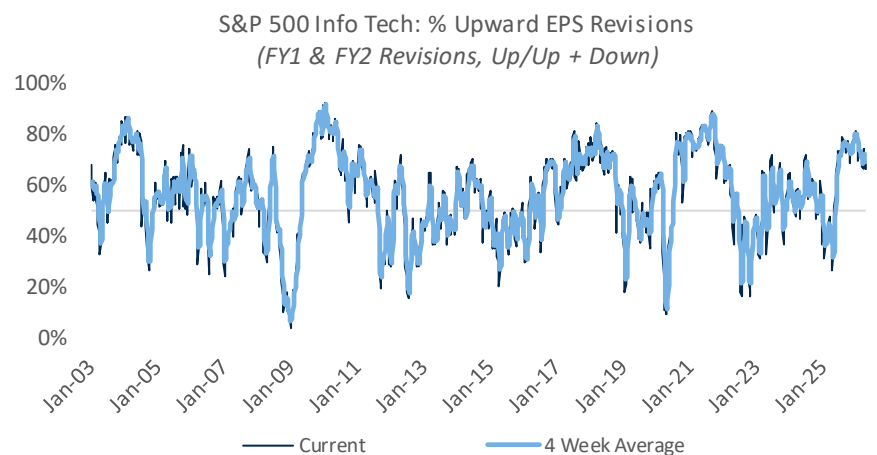
- Trends remain strongest in Tech and Energy. Industrials and Utilities also remain strong.
- Discretionary has seen EPS revisions deteriorate and turn negative, however, improved slightly in the most recent update.
- Staples and Health Care strengthened in the most recent update, but remain negative on the 4-week average.



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, CIQ estimates, S&P. Excludes REITs; as of April 28, 2026

S&P 500 Tech EPS Revisions Have Slipped Slightly, After Coming Close to Past Peaks

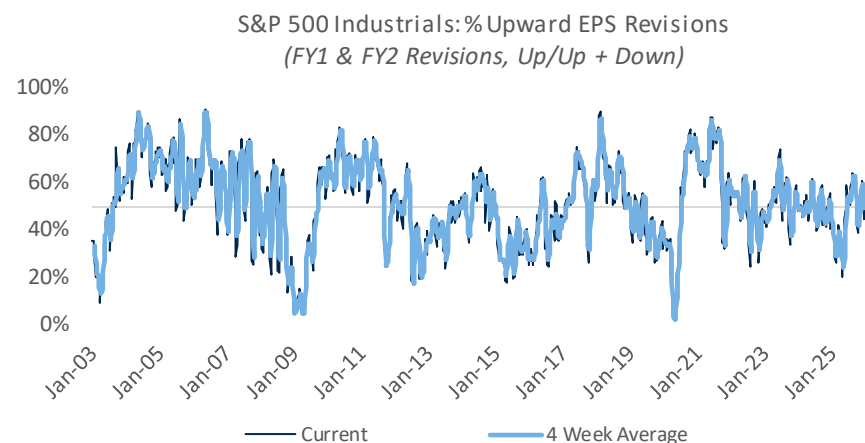
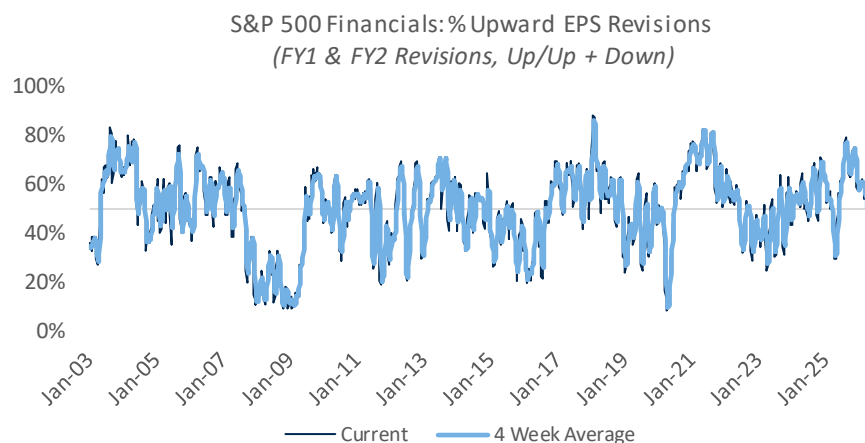
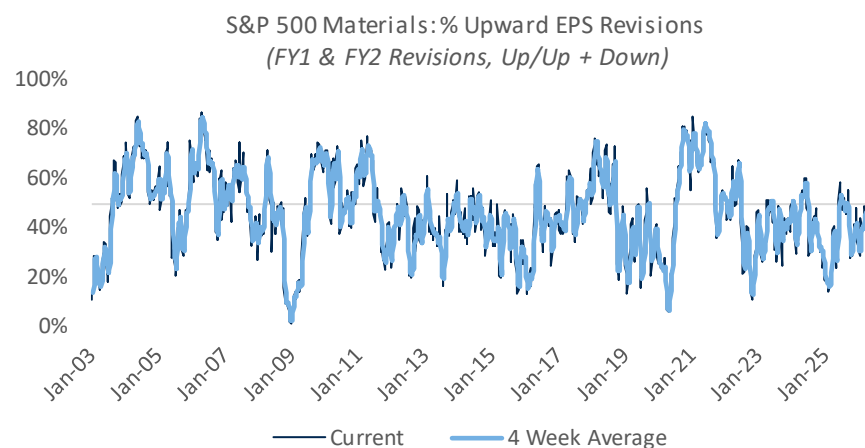
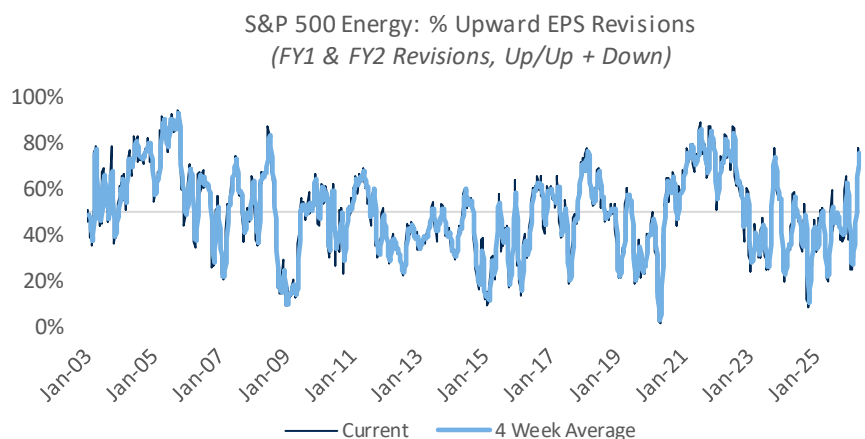
- The other growth-oriented sectors – Comm Services & Consumer Discretionary – had already seen a significant downshift in the rate of upward EPS estimate revisions. Tech is making a move that many other sectors had already experienced. EPS revisions for Communication Services and Consumer Discretionary improved in recent updates, but remain negative on the 4-week average.



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, S&P; as of April 28, 2026

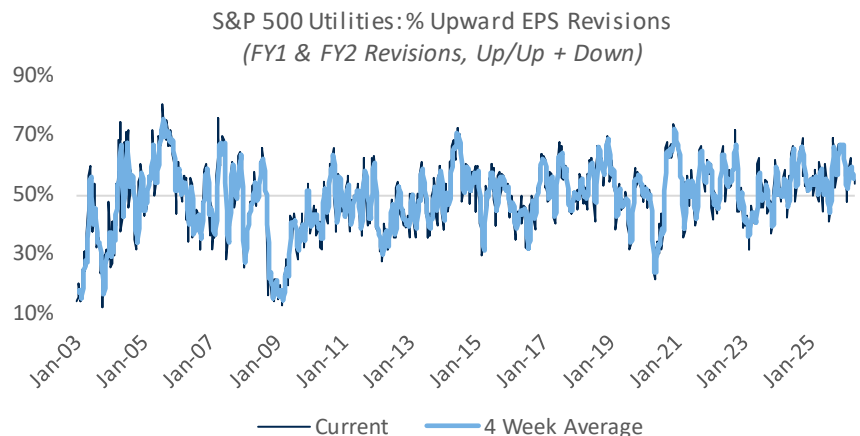
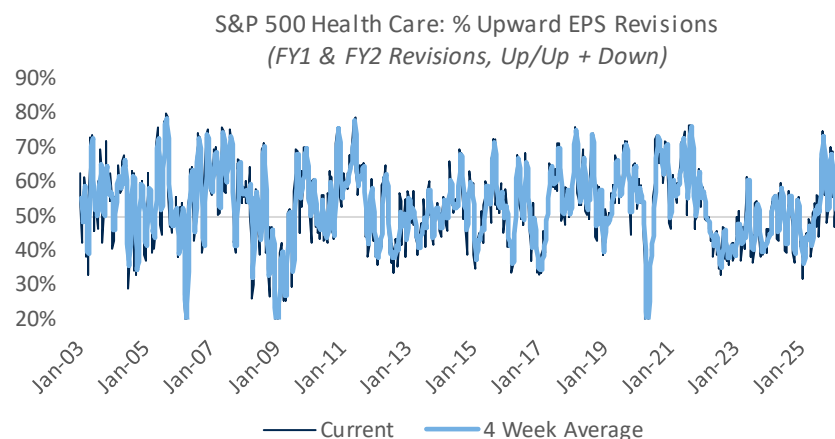
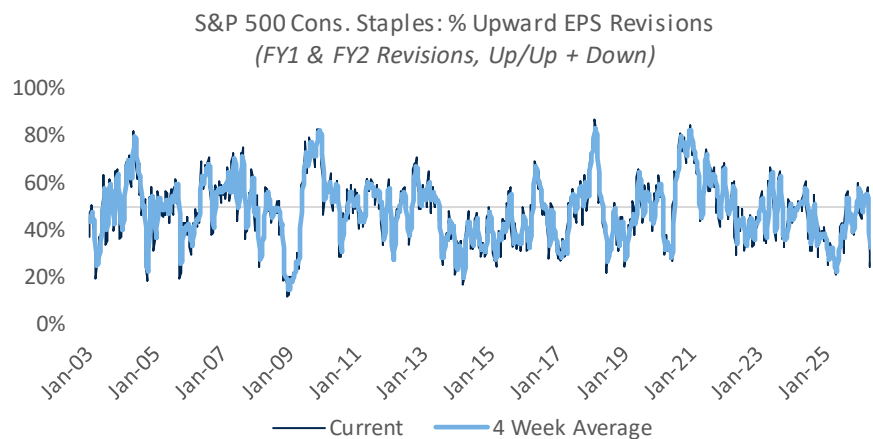
S&P 500 Energy Has Seen Improvement in EPS Revisions, While Financials Has Deteriorated

- Materials is still seeing negative EPS revisions – but moved higher in the most recent update. Industrials is slightly positive on the 4-week average despite some deterioration in recent updates.
- Financials has fallen from peak.
- Energy weakened in recent updates but remains positive on the 4-week average, closing in on past highs.



S&P 500 Defensive Sectors Have Seen Deterioration in EPS Revisions

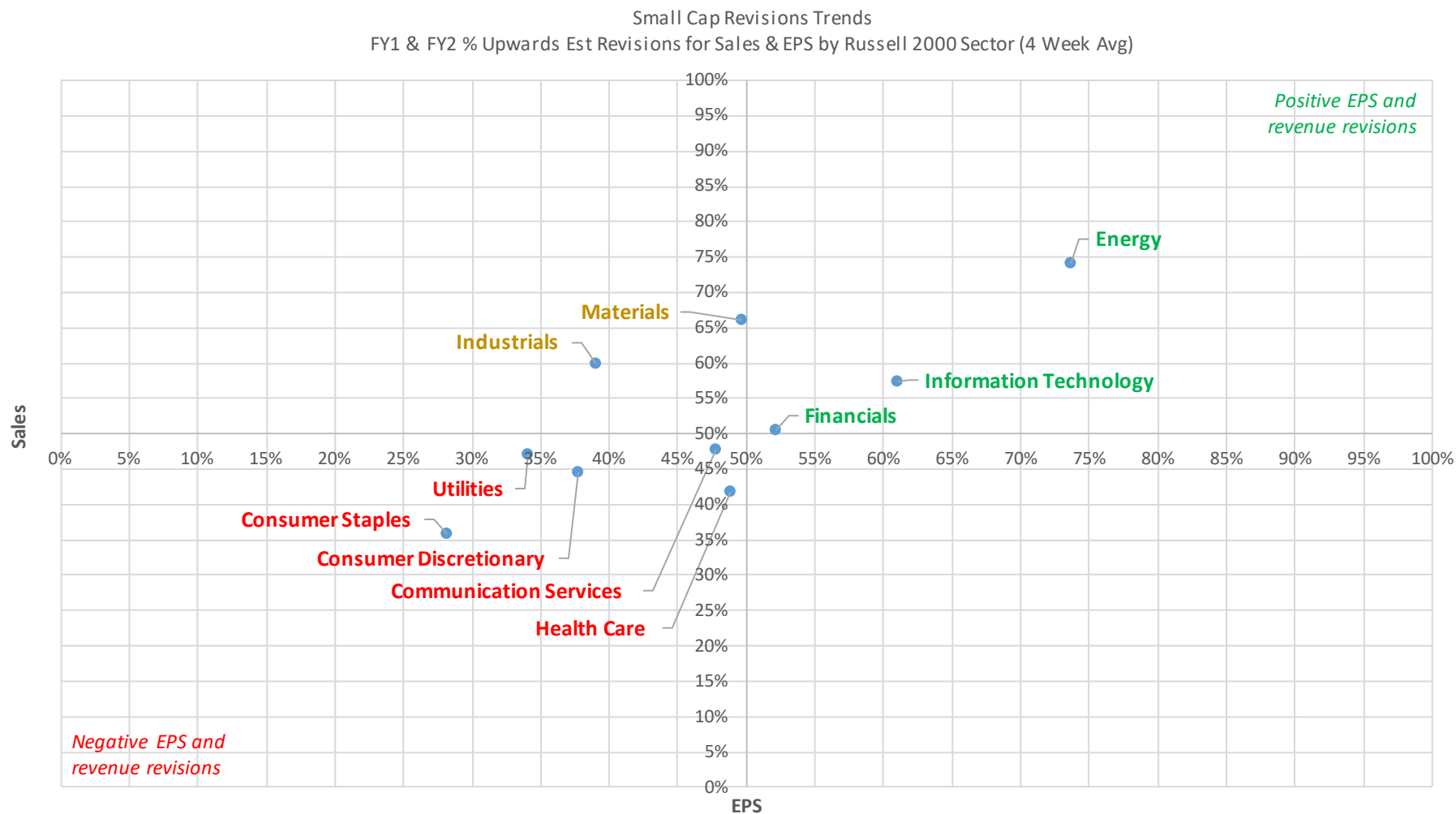
- Utilities revisions remain positive despite some deterioration in recent updates.
- Staples has weakened in recent updates and is now negative on the 4-week average.
- Health Care has deteriorated recently and is now slightly negative on the 4-week average data point. Although, the sector saw some improvement in the most recent update.



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, S&P; as of April 28, 2026

Within Small Cap, Only Tech, Financials and Energy Are Seeing Positive EPS & Sales Revisions

- Staples, Consumer Discretionary, Utilities, Communication Services and Health Care are now seeing negative revisions for both EPS and sales.
- EPS revisions for Communication Services, Staples, Energy, Health Care and Materials weakened during recent updates.
- EPS revisions for Financials improved in the most recent update, alongside positive revenue revisions.

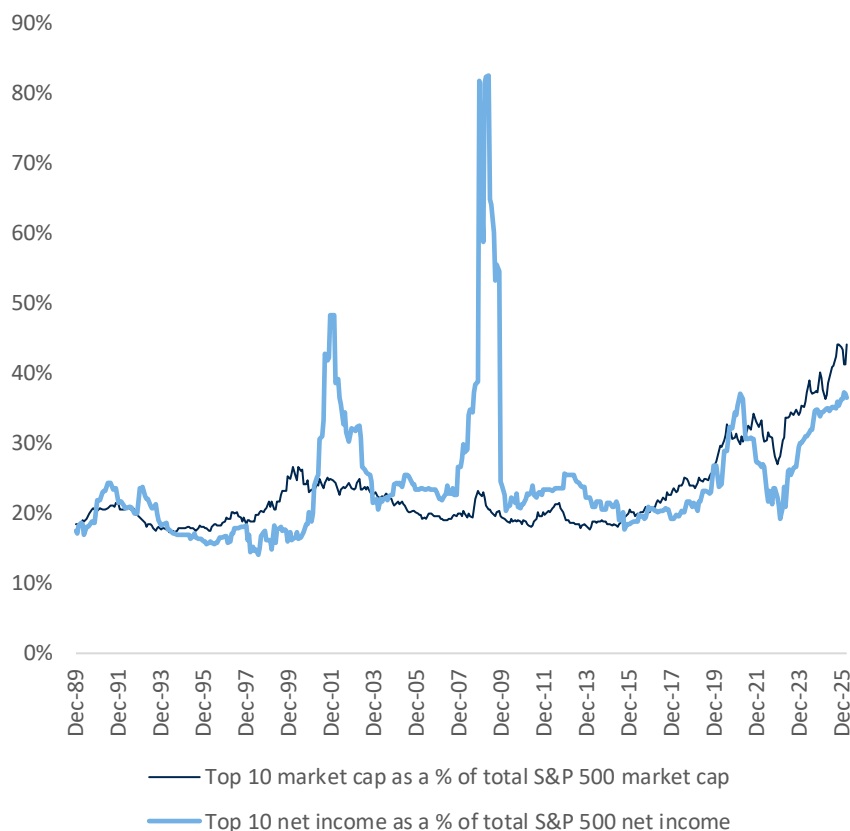


Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, CIQ estimates, Russell. Excludes REITs; as of April 28, 2026

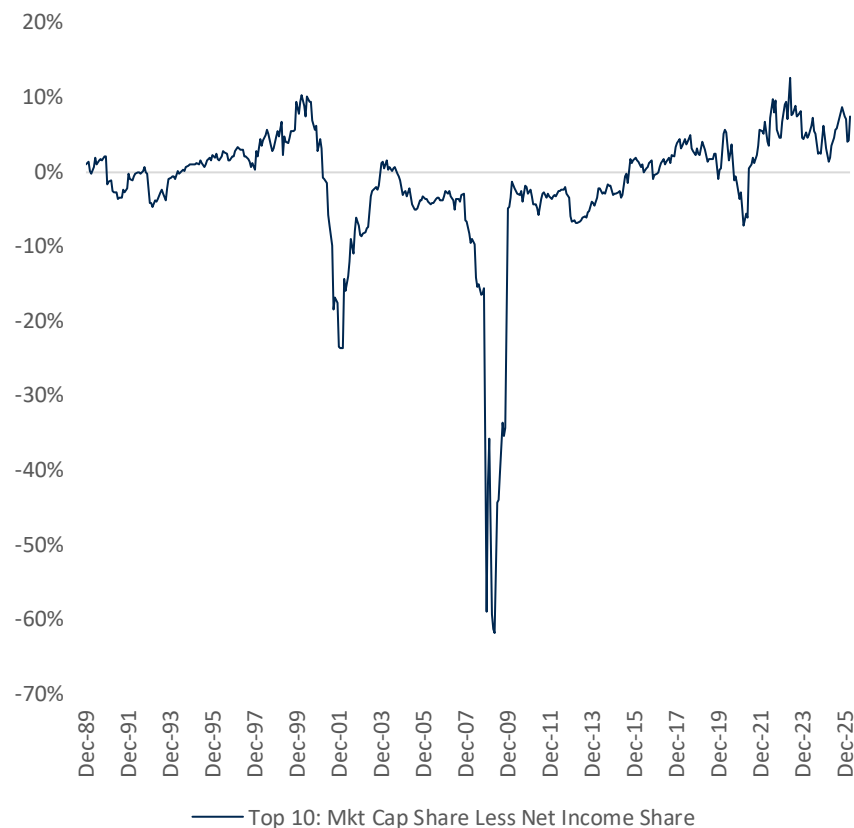
Gap Between Market Cap & Net Income Share for the Biggest S&P 500 Names Has Been Wide

Since 2021, we've generally seen the top-10 names in the S&P 500 capture a greater share of the index's market cap than net income. We think this is because equity investors have been willing to pay up for better long-term growth expectations around the AI story. However, in recent months, the gap has widened – i.e., the top-10 names' market cap share is outpacing this group's net income share by a wider-than-usual amount. As of late-April, market cap share was 44.1% while net income share was 36.6%, increasing the gap to 7.5%. As of March 2000, the gap was 10.3%.

Market Cap Share vs. Net Income Share
Top 10 Market Cap Names in the S&P 500



Market Cap Share Less Net Income Share
Top 10 Market Cap Names in S&P 500 as % of Total S&P 500

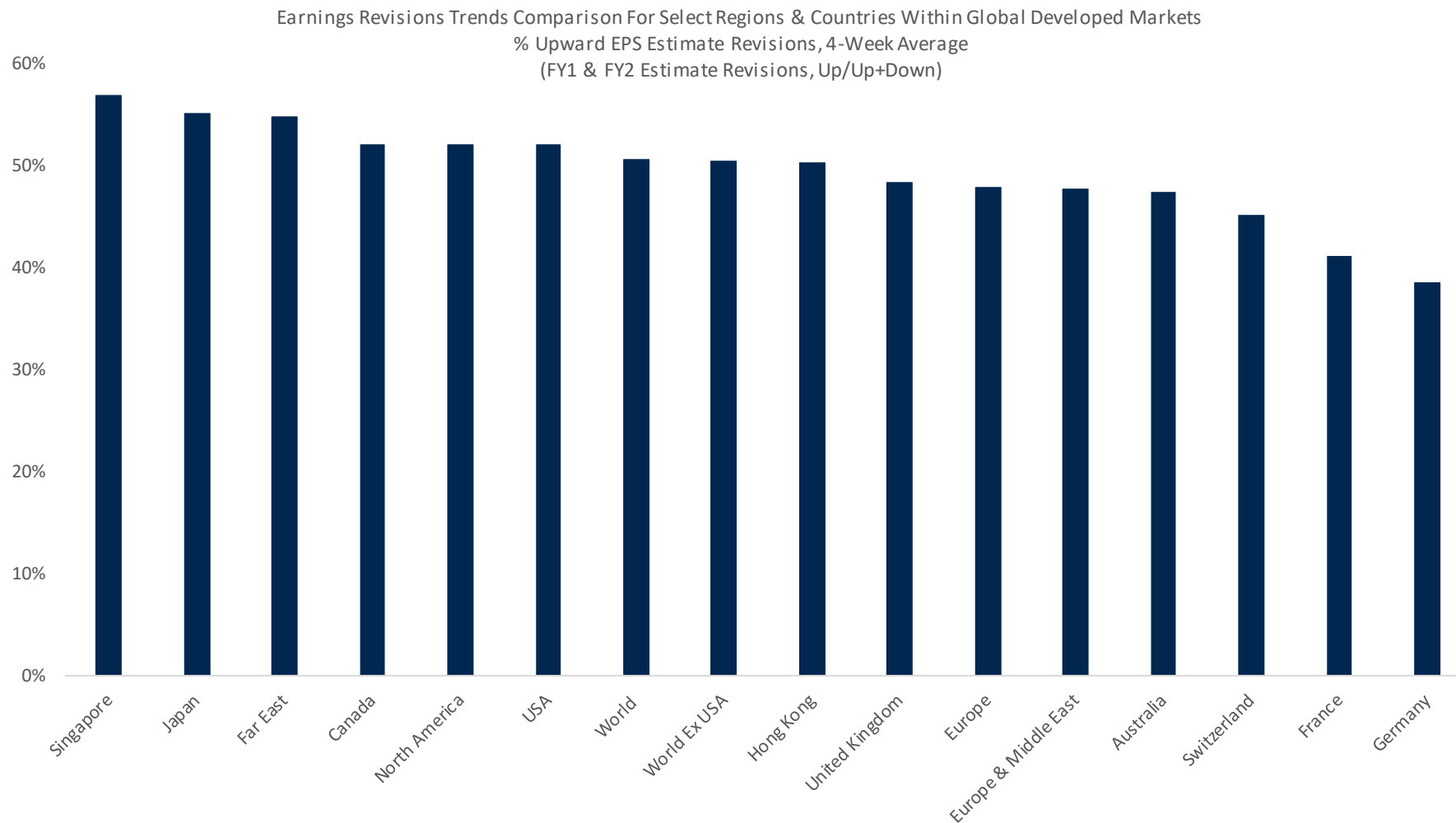


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Source: RBC US Equity Strategy, Bloomberg, S&P, latest data point available as of April 28, 2026. The top 10 names are currently: AAPL, BRK.B, MSFT, AMZN, NVDA, GOOGL, GOOG, META, AVGO, and TSLA.

EPS Revisions Have Been Strongest in the Far East & North America, Weakest in Europe

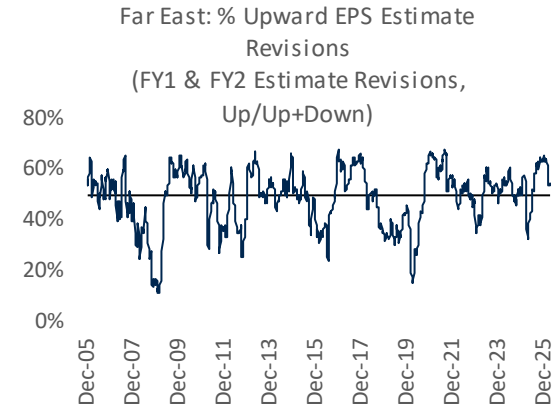
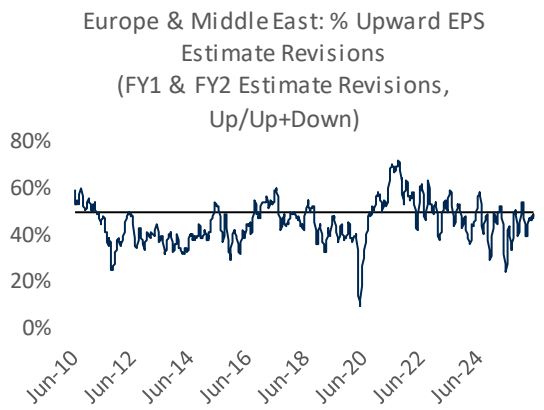
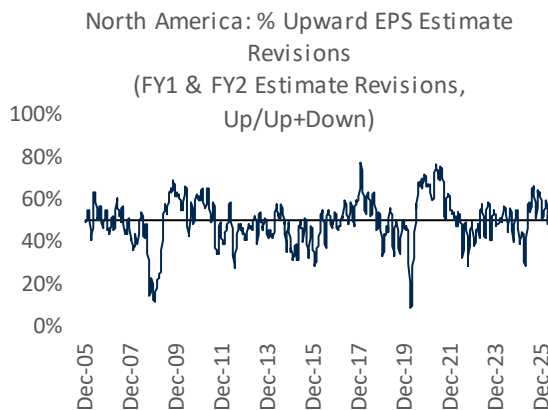
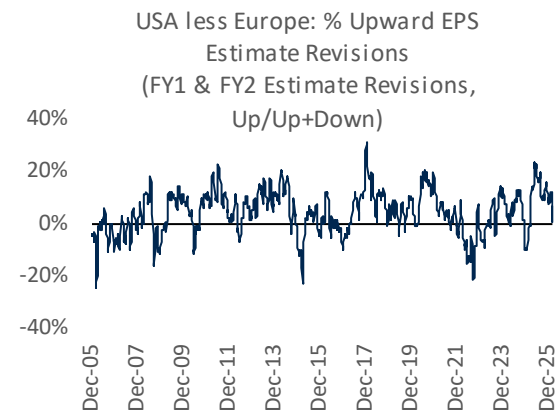
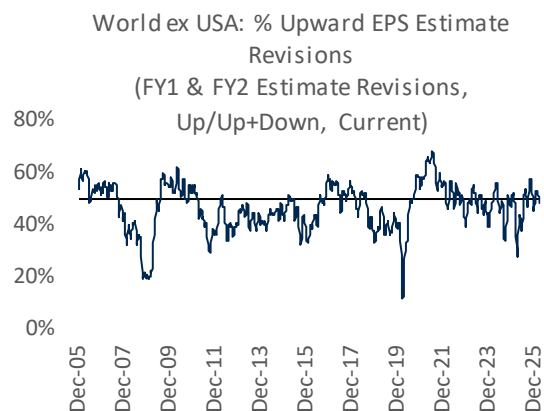
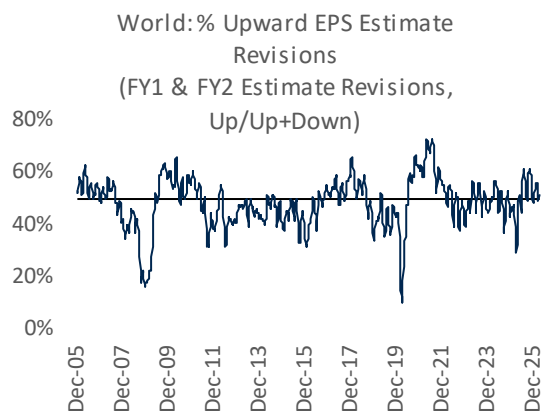
- Revisions for Europe have been balanced between upward and downward revisions.



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 Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; regions/countries based on MSCI constituents

EPS Revisions Trends Deteriorating Globally & in the US

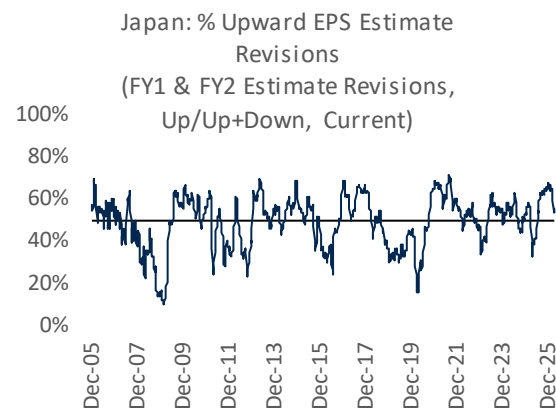
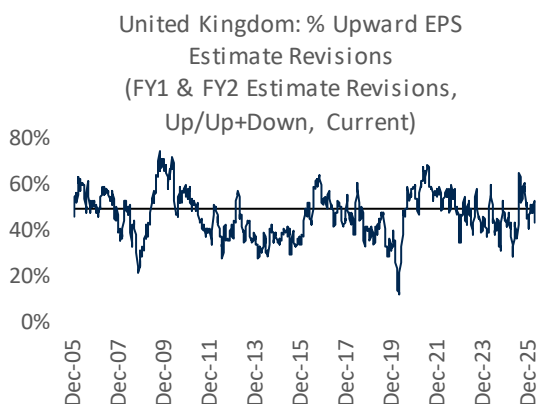
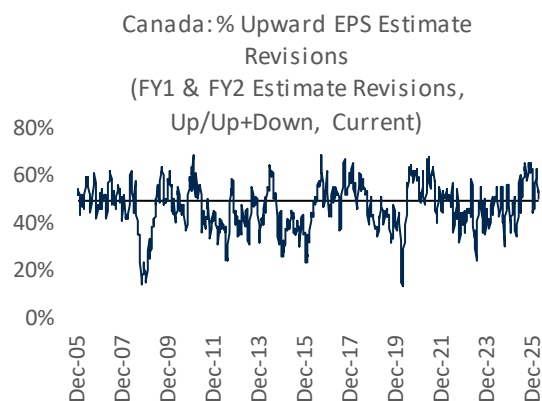
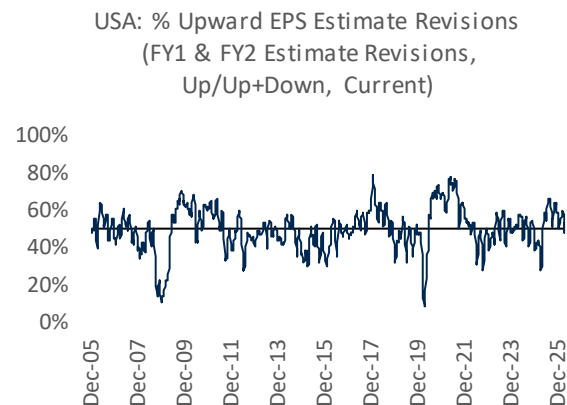
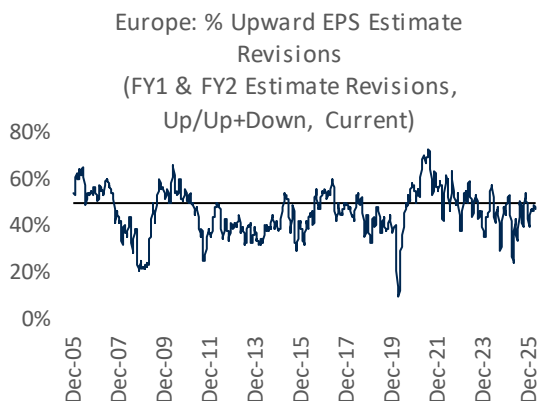
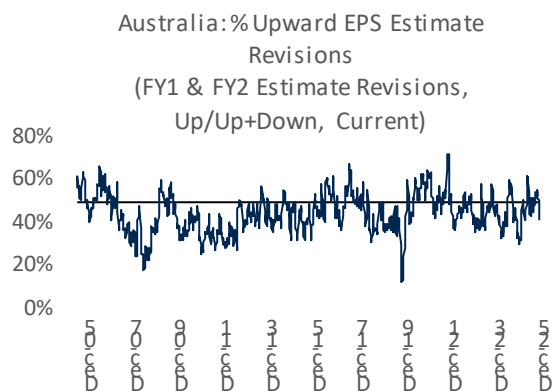
- US dominance relative to Europe has been weakening and is well below recent highs. Europe had been improving, but weakened in the most recent update, remaining in negative territory. Far East had been strong but is also deteriorating.



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Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; regions/countries based on MSCI constituents

EPS Revisions Trends Are Weakening for Most of the Biggest Developed Markets Countries

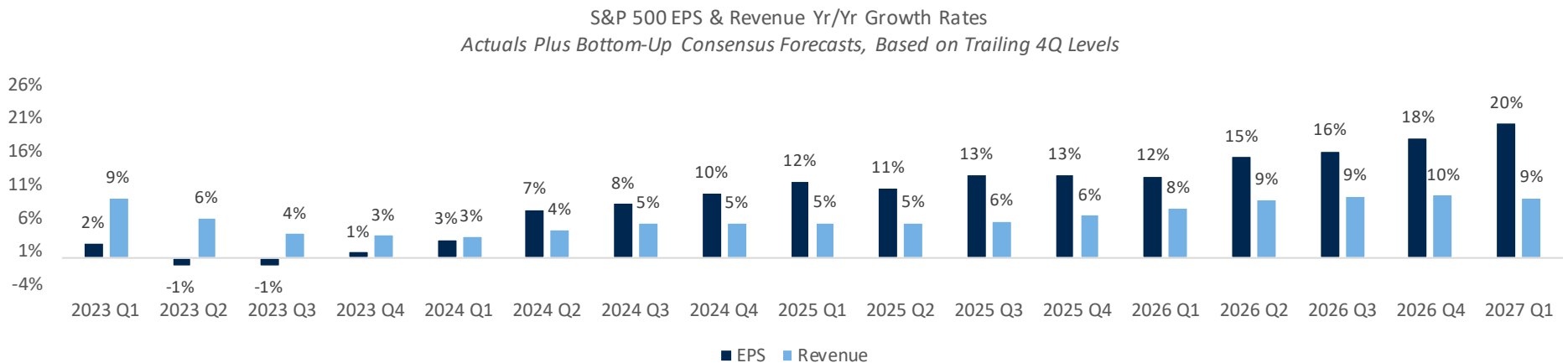
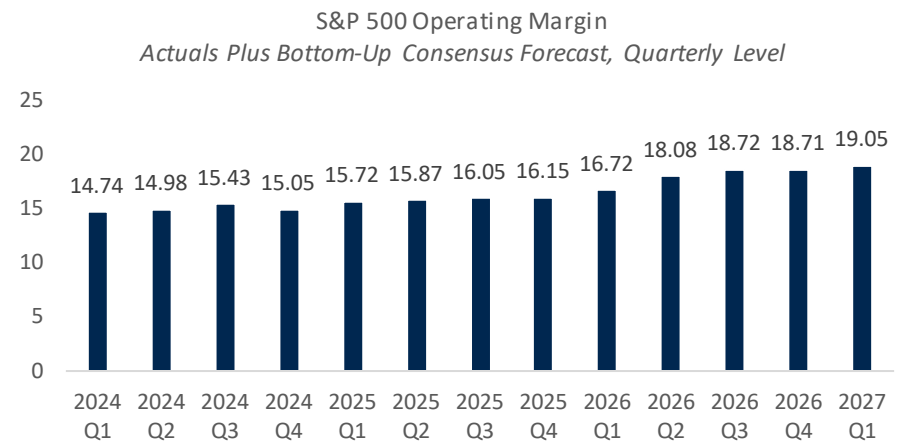
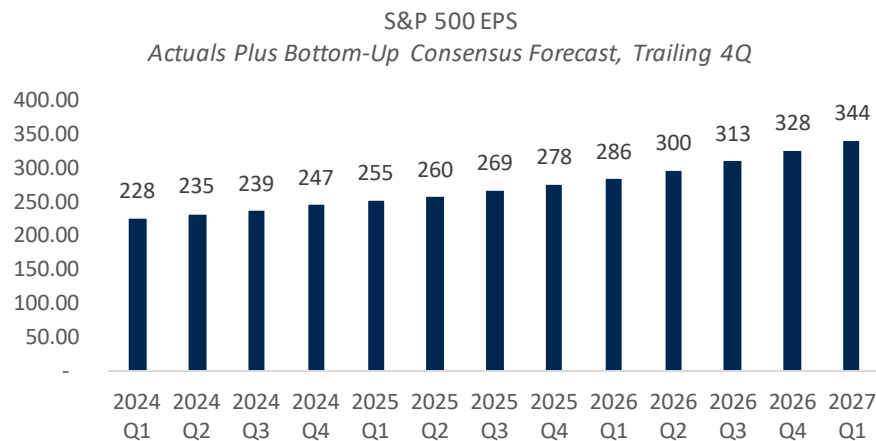
- A deceleration in earnings revisions momentum appears to be underway globally.
- Japan is the exception and (until recently) had been strengthening but is deteriorating after hitting past peaks.



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Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; regions/countries based on MSCI constituents

Tracking the Bottom-Up Consensus for S&P 500 EPS

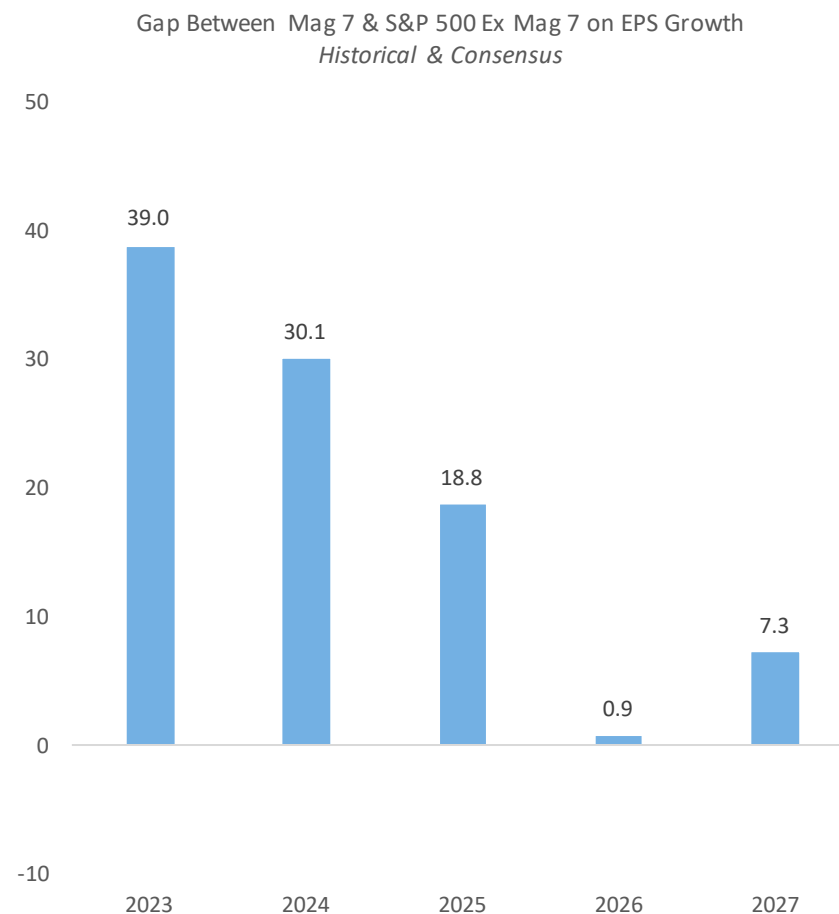
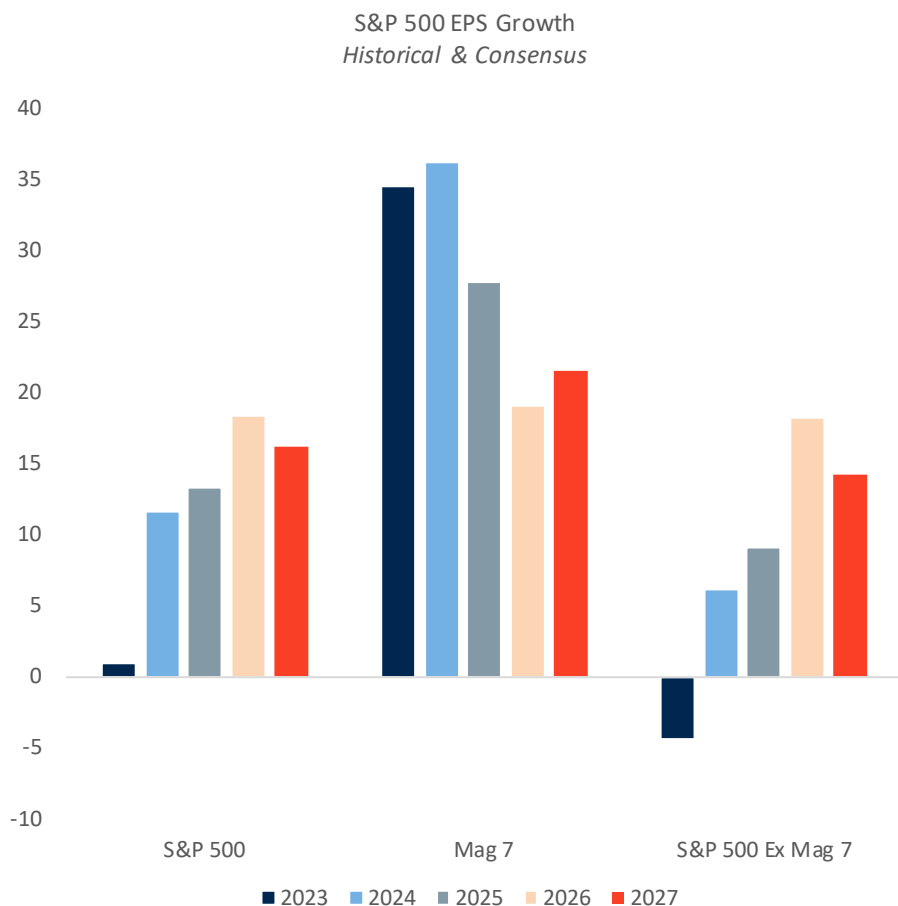
- In our valuation and price target modeling, we are utilizing the bottom-up consensus S&P 500 EPS forecast as tracked by Bloomberg.
- For 4Q26, the trailing dollar value per share level is \$328 (which also currently reflects a full-year, calendar-year 2026 level). This has improved significantly since the start of the year where it started out at \$313.
- The current bottom-up consensus forecast bakes in some operating margin expansion for the broader index this year ahead and revenue growth of 10%.
- The anticipated yr/yr growth in EPS for 4Q26, on a trailing four-quarter basis, is 18.2%, up from the 12.6% growth rate anticipated for 2025.
- Note, our valuation/EPS modeling now uses 1Q27 as its starting point, where consensus anticipates \$344 on a trailing 4Q basis for a growth rate of 20%.



Note: Operating margin stats exclude REITs and Financials; this data is maintained by Bloomberg and can be found on the BI STOXX page on Bloomberg – an interactive model is not available from the RBC US Equity Strategy team. Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors. Source: RBC US Equity Strategy, Bloomberg; latest available data as April 29, 2026

Mag 7 EPS Growth Expected to Slow in 2026, but Pick Up Again in 2027

- Meanwhile, the rest of the S&P 500 is expected to move higher in 2026, then lower in 2027 (a recent development).
- The gap between Mag 7 and the rest of the S&P 500 on EPS growth has been shrinking since 2023, but Mag 7 has maintained an advantage – refusing to cede its earnings dominance on the forward-looking consensus stats.
- There was a subtle change in our last few updates. The latest forecasts imply the gap between Mag 7 and the rest of the market is expected to continue to narrow into 2026 and then widen in 2027. We think that this has empowered the latest surge in the mega cap growth trade.

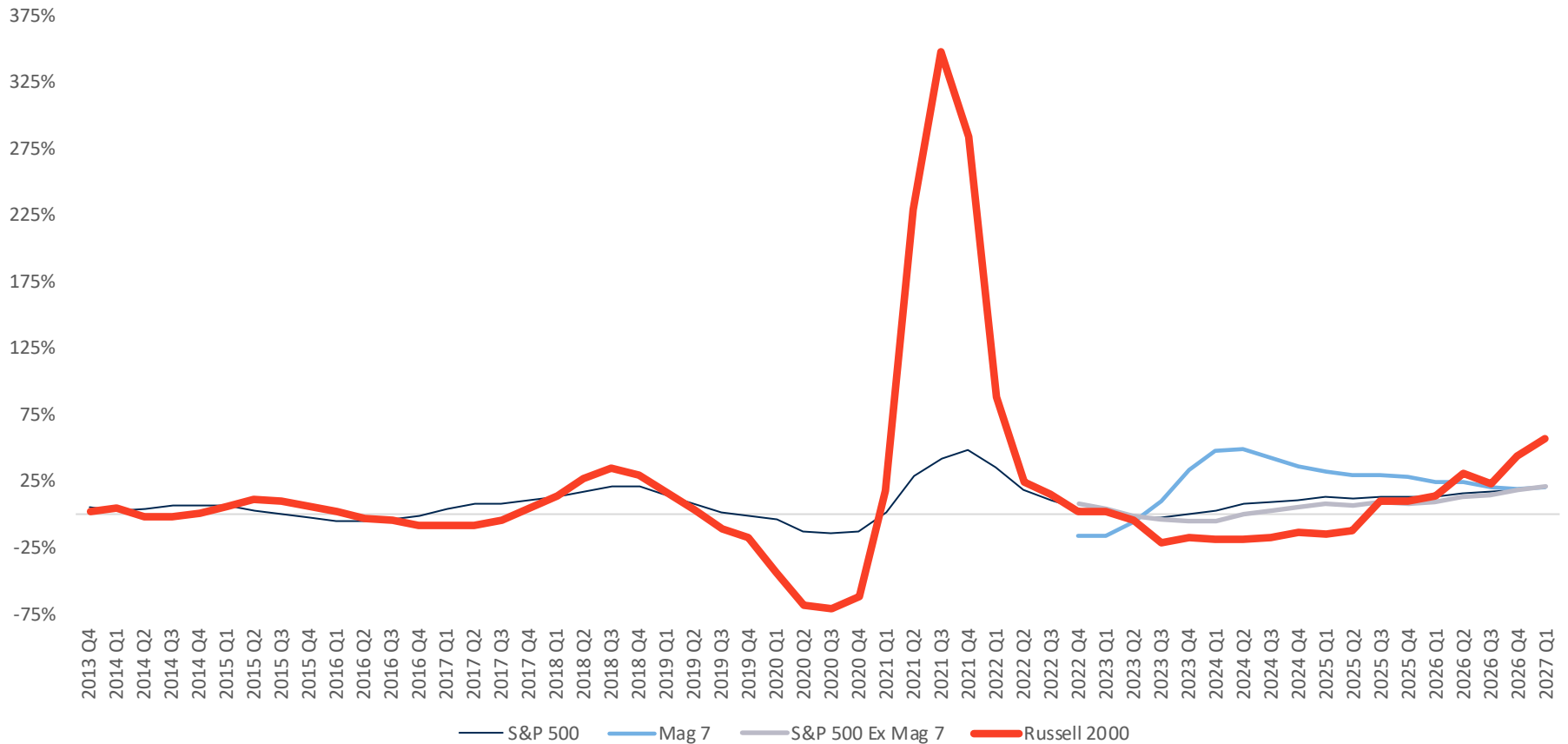


Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

Consensus Expects Small Caps to Surpass S&P 500 and Mag 7 on Net Income Growth in 2026

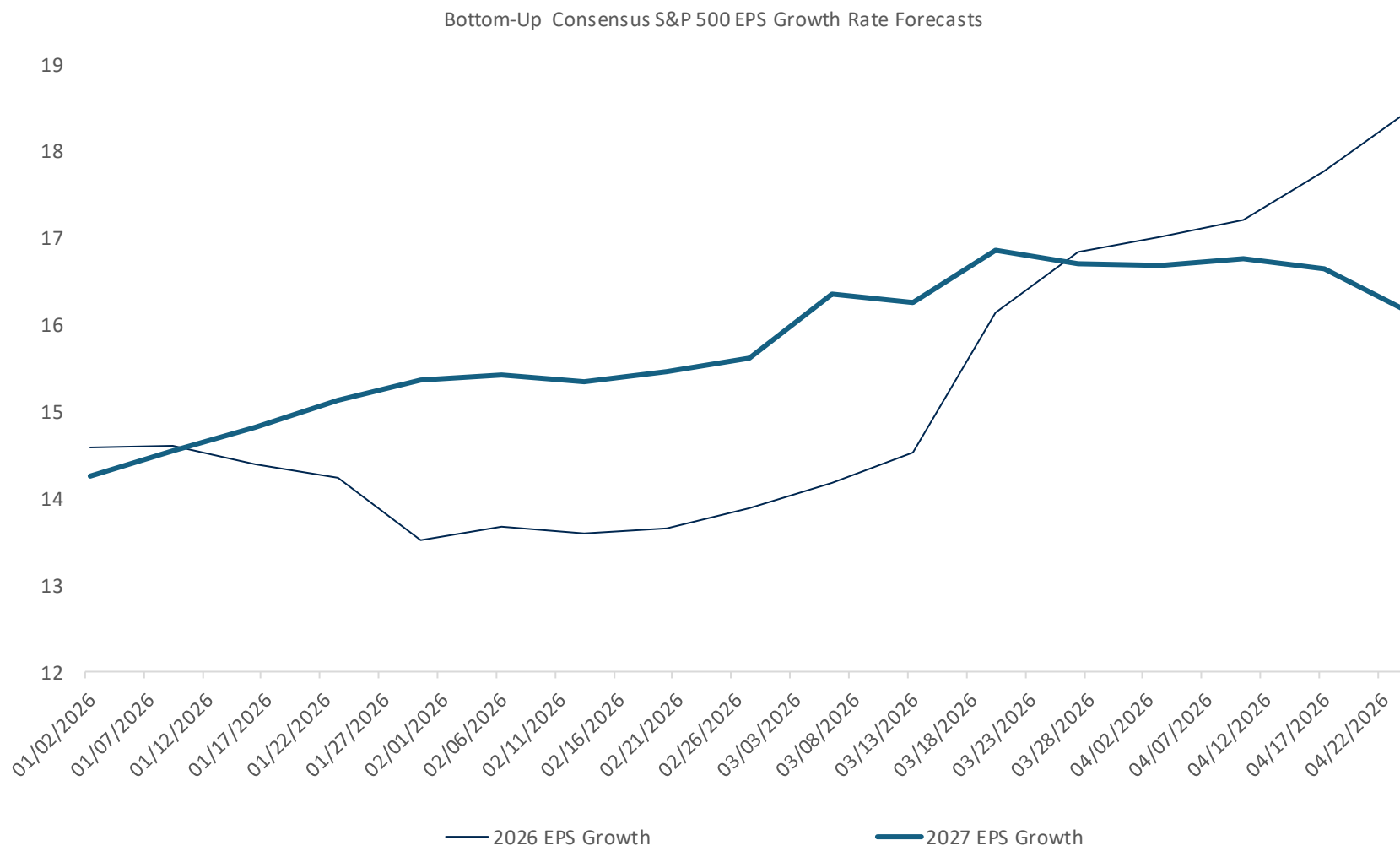
- Small Caps' growth rate is now expected to keep accelerating through 1Q27.
- For 4Q26, Small Caps' growth rate is 44%, followed by the Mag 7 (19%), the S&P 500 (19%) and the S&P 500 ex Mag 7 (19%).

Net Income Trends
 S&P 500, Mag 7, S&P 500 Ex Mag 7, & Russell 2000
 Trailing 4Q, Yr/Yr
 Actuals Where Available Plus Bottom Up Consensus Expectations



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
 Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

2026 Consensus EPS Growth Rate Forecast Has Moved Up, While 2027 Has Moved Down

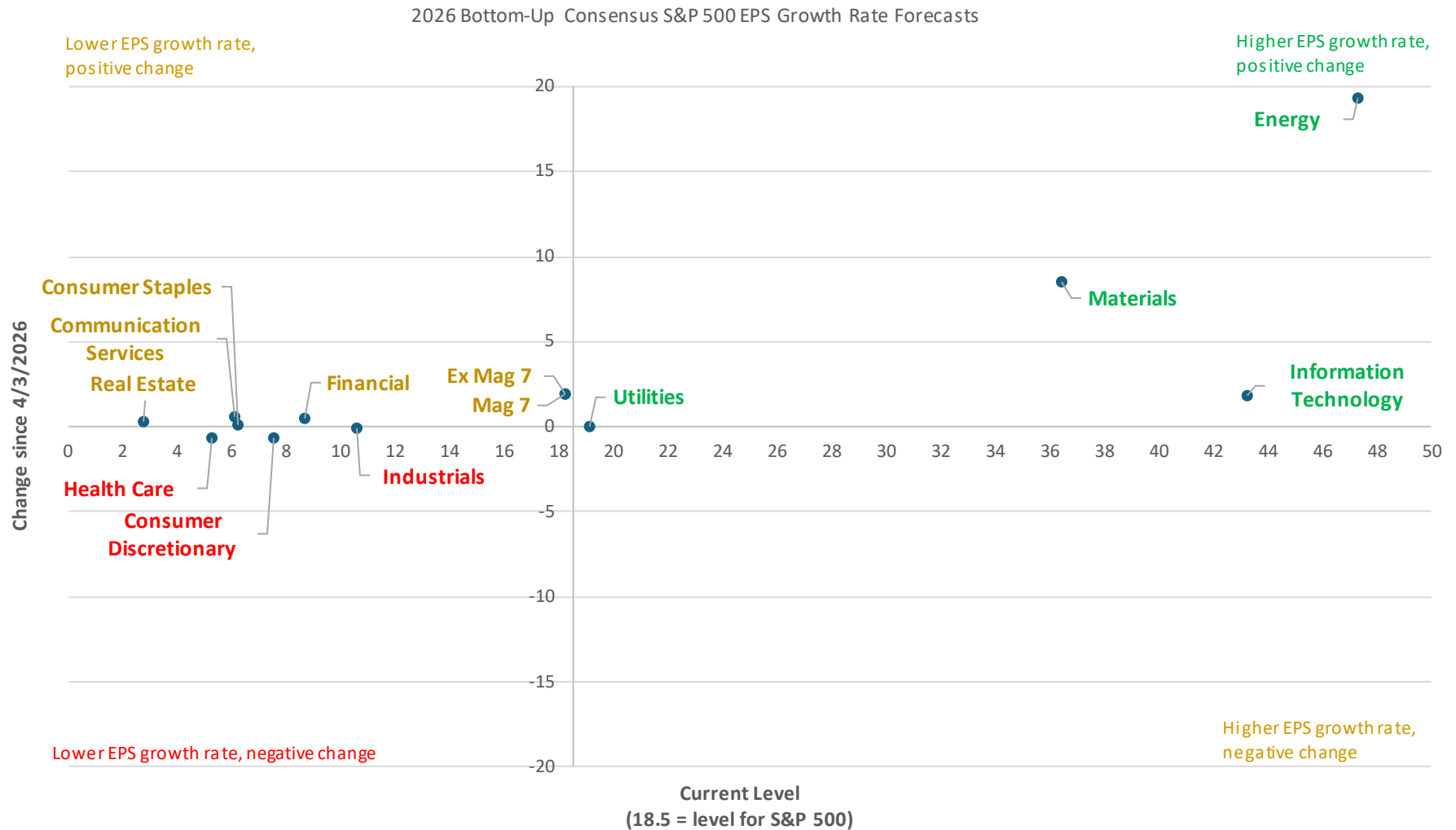


Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

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2026 Consensus EPS Growth Rates Strong & Improving for Energy, Tech, Utilities & Materials

- Most sectors have seen their EPS growth rate forecasts stay essentially flat since the reporting season began, with only a modest increase or decrease.



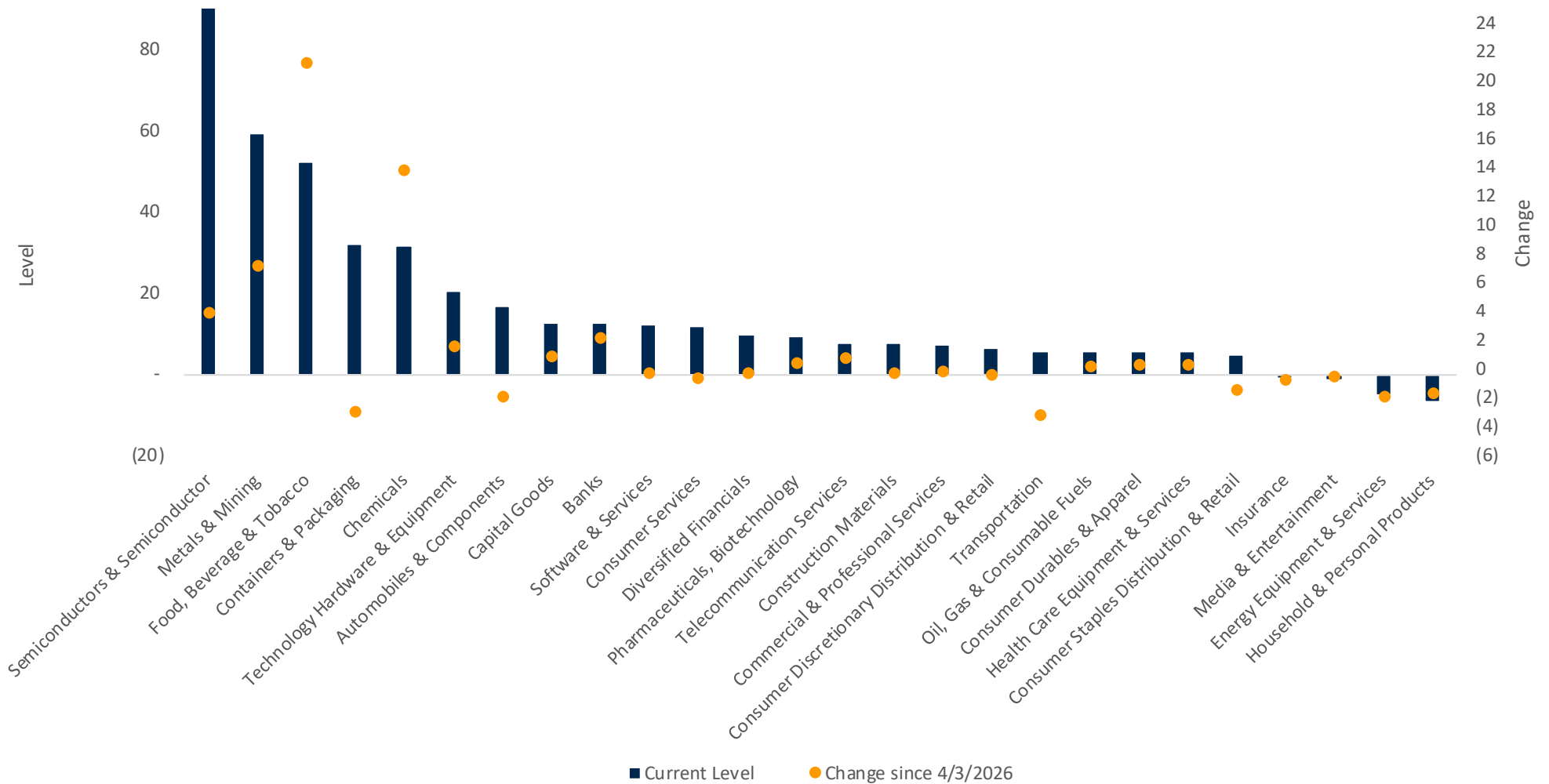
Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

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Highest 2026 EPS Growth Rate Still Expected for Semis & Semi Equipment, Then Metals & Mining

- Both of these have moved up since reporting season began.
- Most industries have seen their anticipated growth rates fall recently or stay flat.

2026 Bottom-Up Consensus S&P 500 EPS Growth Rate Forecasts



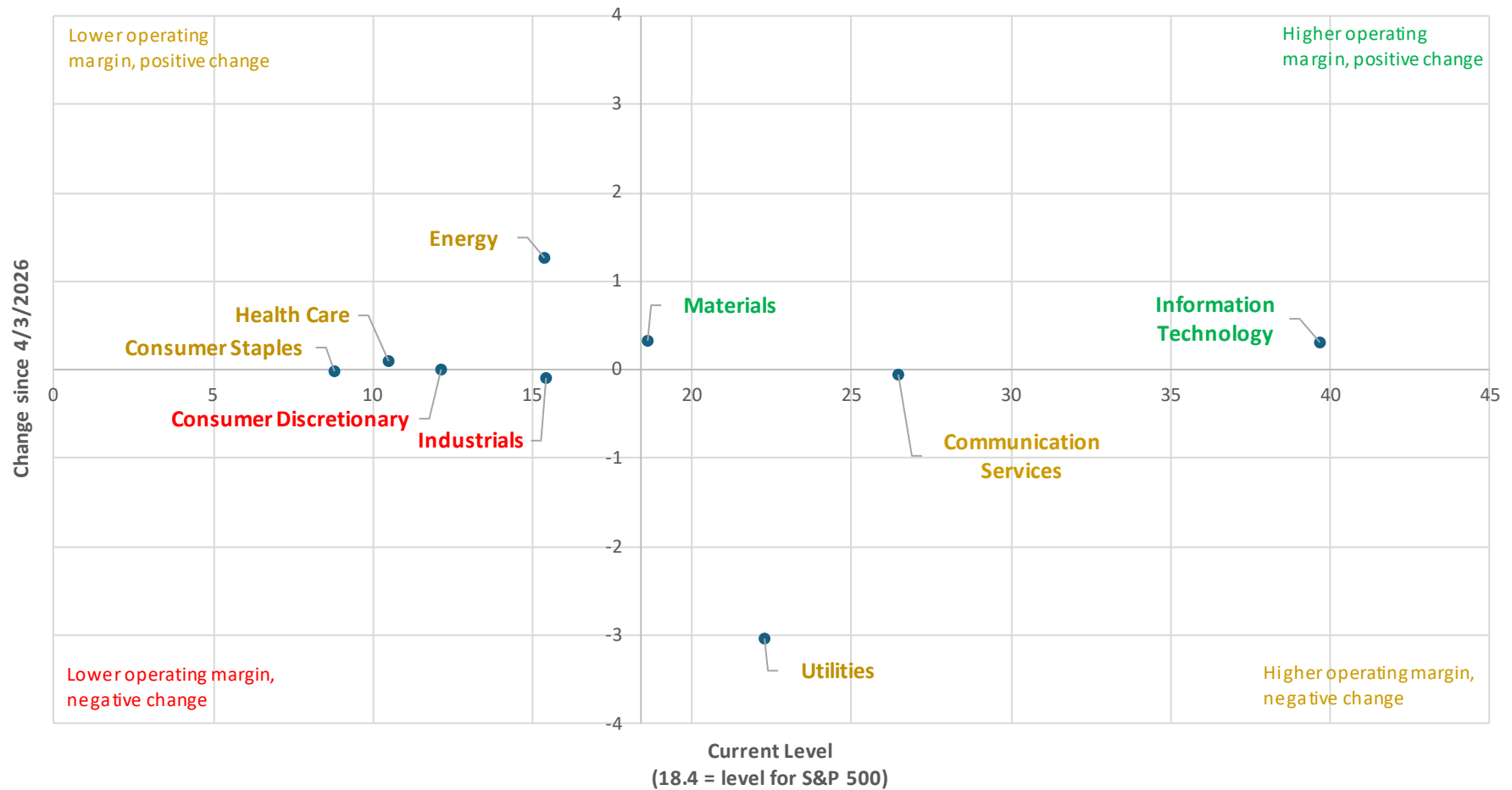
Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

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2026 Consensus Operating Margin Forecasts Have Been Strong & Improving for Tech

- Most other sectors haven't seen much movement of late.
- Energy has improved but remains below the broader market level.

2026 Bottom-Up Consensus S&P 500 Operating Margin Forecasts

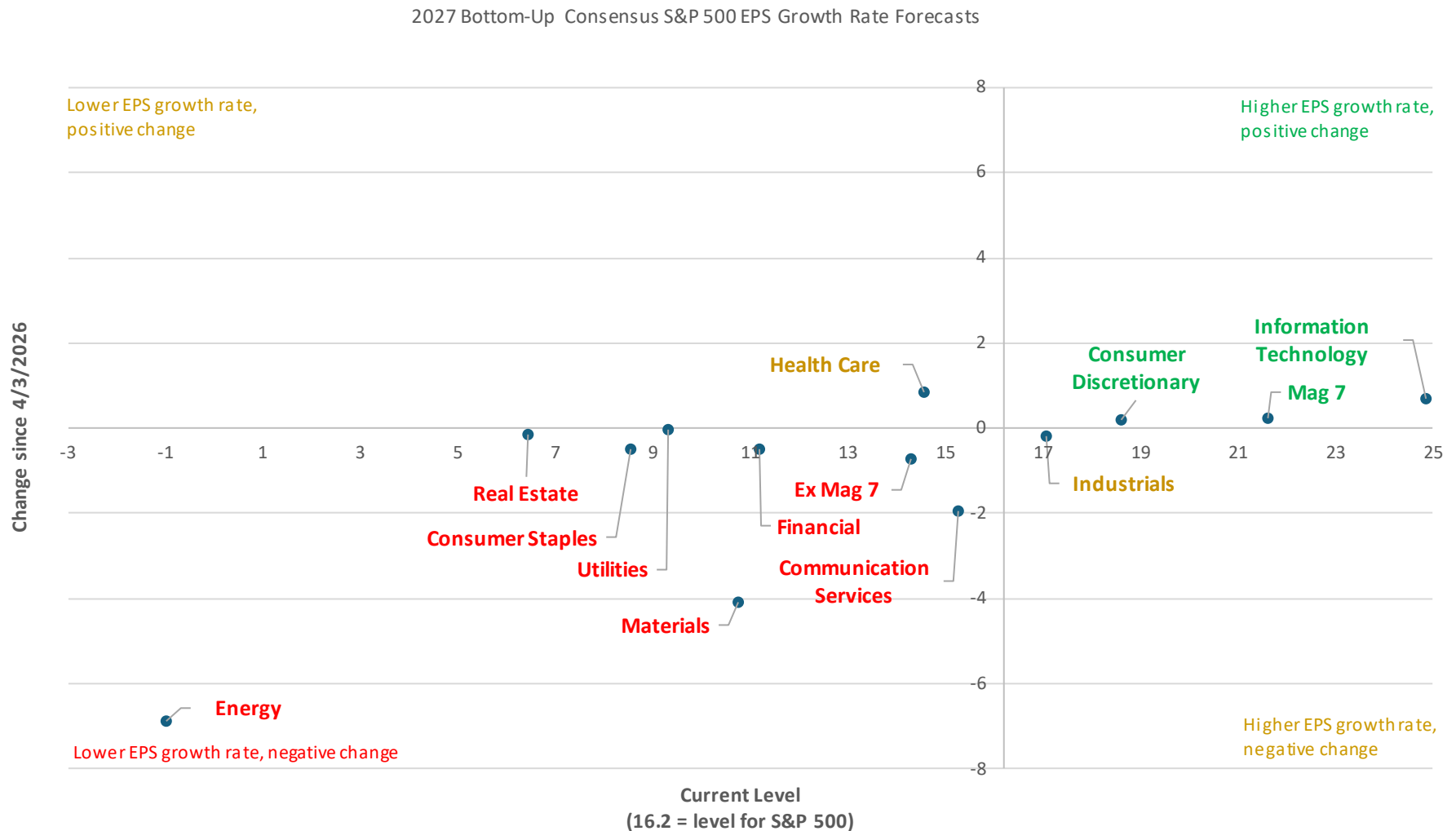


Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.

Consensus 2027 EPS Growth Rates Have Been Strong & Improving for Tech, Mag 7 & Discretionary

- Most other sectors haven't seen much movement of late or have dipped a little.



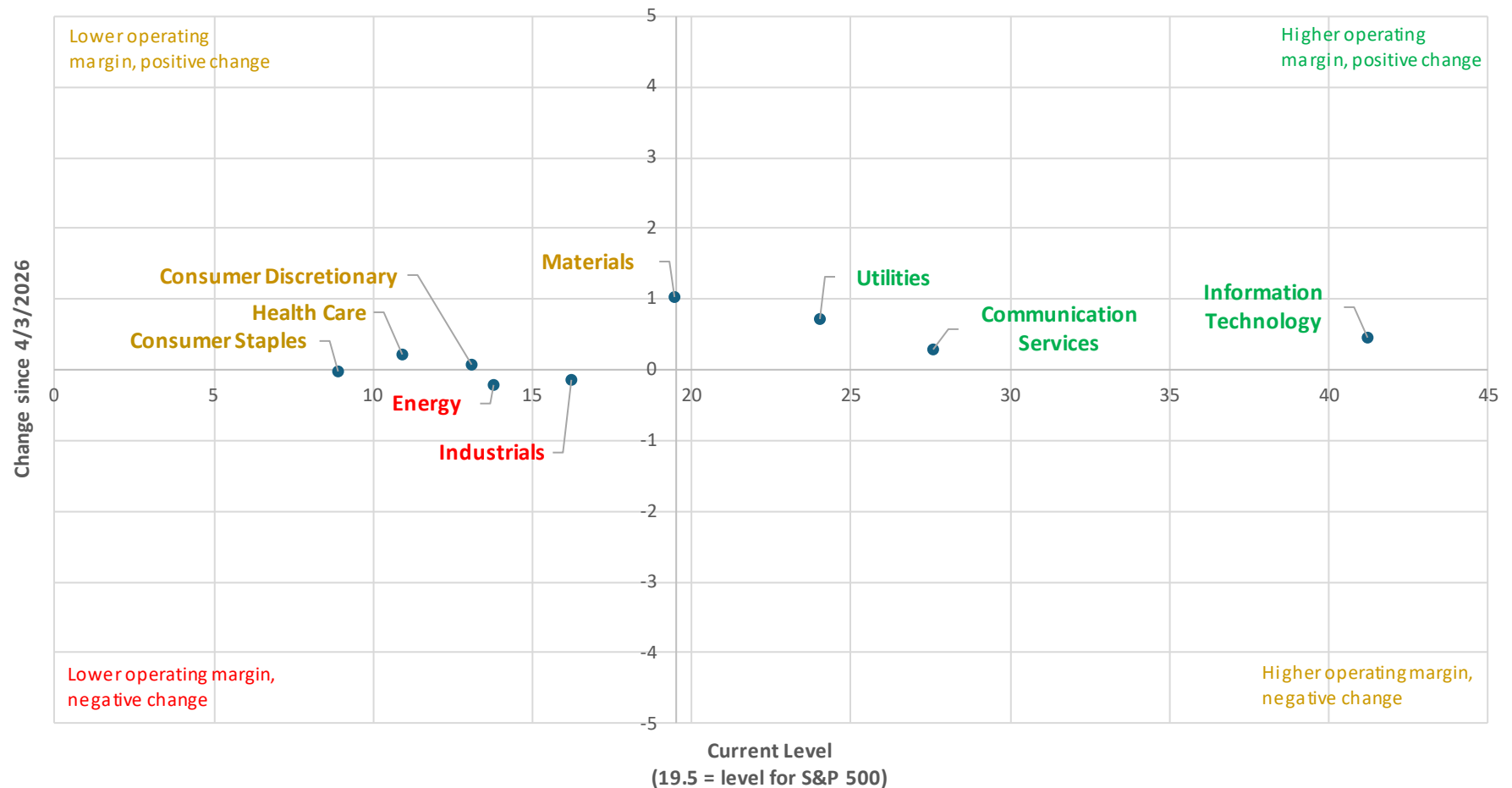
Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

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2027 Consensus Margin Forecasts Have Been Strong & Improving for Tech, Utilities & Comm Svcs

- Materials has also improved of late but remains in line with the broader market in terms of level.

2027 Bottom-Up Consensus S&P 500 Operating Margin Forecasts

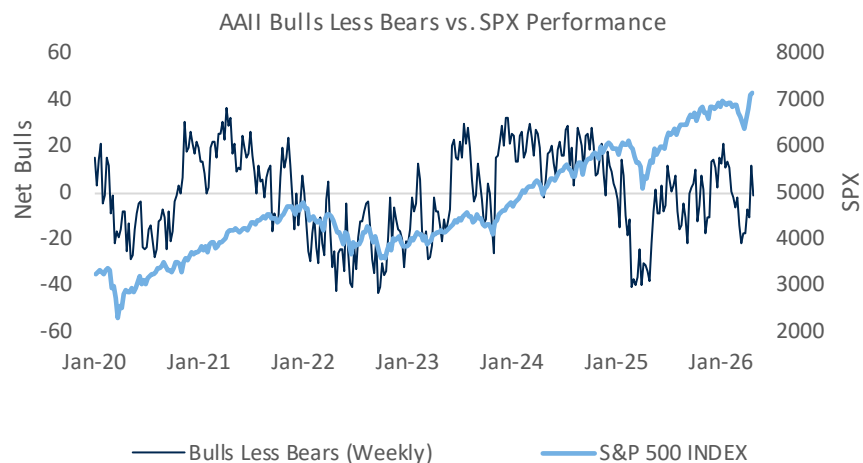
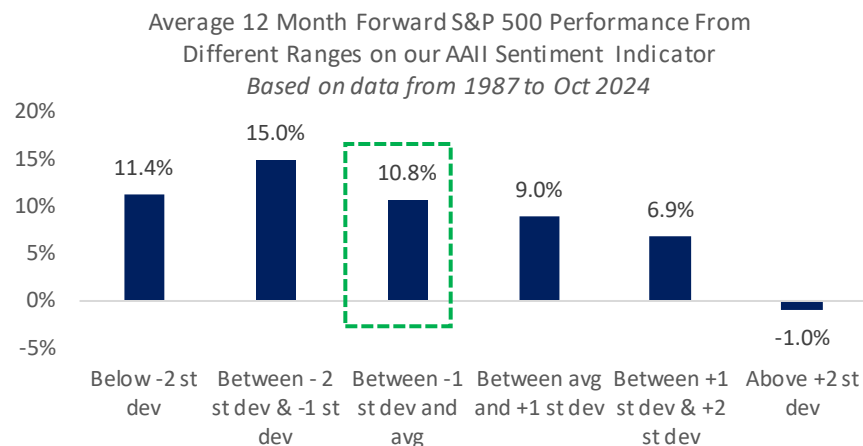
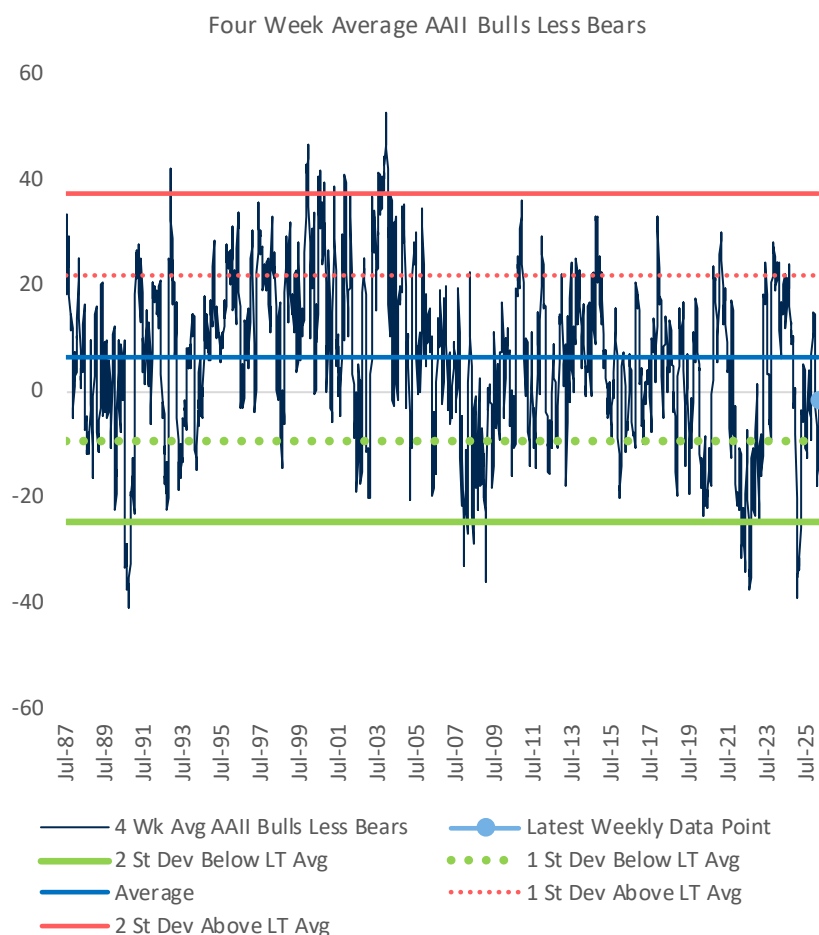


Source: RBC US Equity Strategy, Bloomberg, latest available data as April 29, 2026

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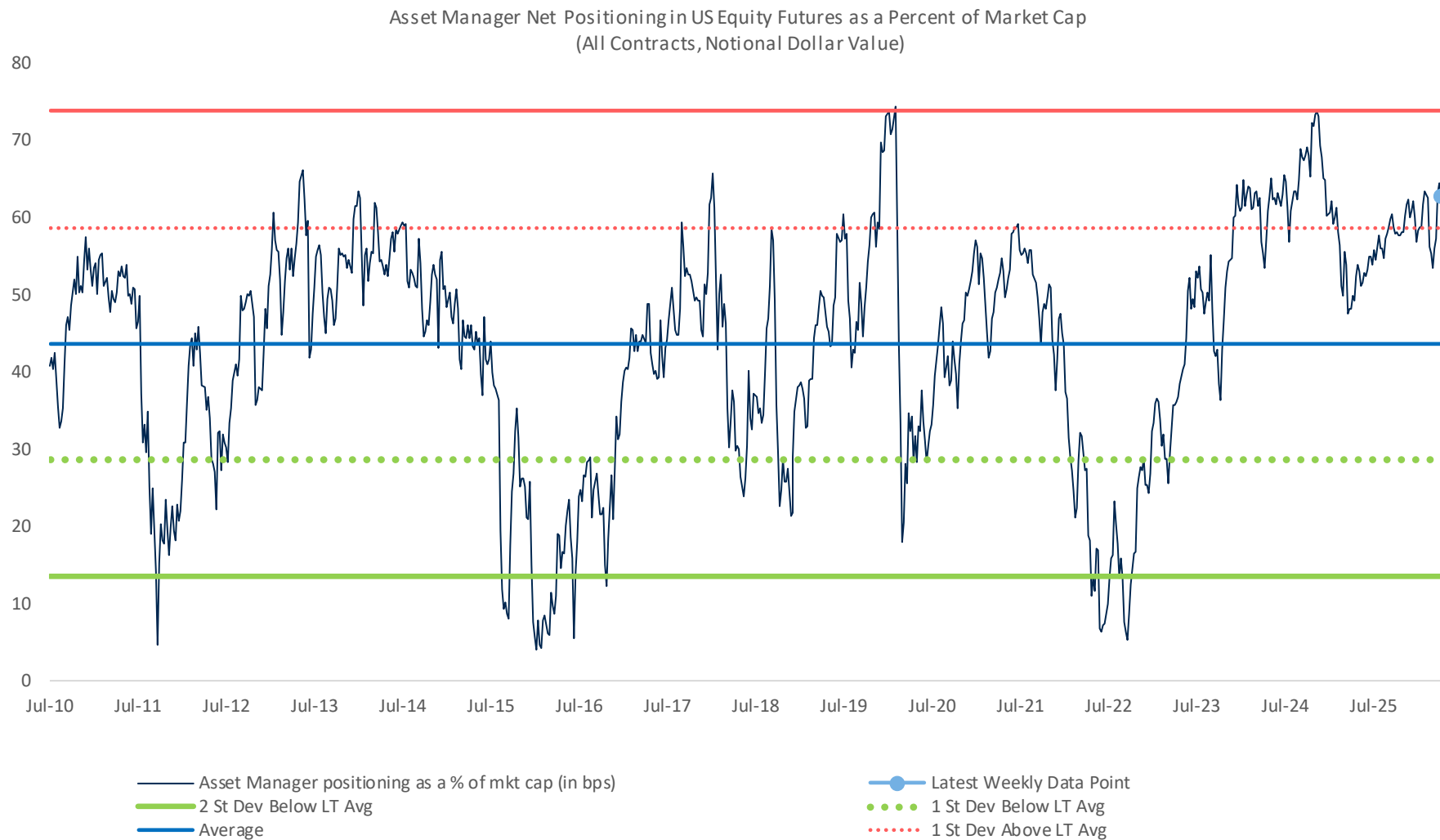
Our Main Sentiment Model Points to a Gain of 10.8% Over the Next 12 Months

- As of 4/30/26, net bulls were at -1.6% on the weekly update (a deterioration vs. the prior week's 11.6%) and -2.1% on the four-week average (up vs. -6.15% the prior week).
- The four-week average is now between average and one standard deviation below the long-term average, a level that has, on average, been followed by a gain of 10.8% in the S&P 500 on a 12-month-forward basis.
- Net bulls on the weekly data point hit an absolute low on 9/22/2022 (-43.2%) and on 2/27/2025 (-41.2%), but only fell to -21.6% in March 2026. The recent drop in sentiment to more than one standard deviation below average was consistent with what we'd expect in a tier 1 / garden variety (5-10%) S&P 500 drawdown. But if risk of a deeper drawdown (tier 2 or 3) emerges, those deeper lows of 2022 and 2025 are good reference points for how negative sentiment could turn.



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Source: RBC US Equity Strategy, Bloomberg, AII, S&P; updated April 30, 2026

US Equity Futures Asset Manager Positioning Has Returned to Recent Highs, but Not All-Time Highs



Source: RBC US Equity Strategy, Bloomberg, CFTC; as of 4/28/2026

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Small Cap Positioning Remains in Net Short Territory

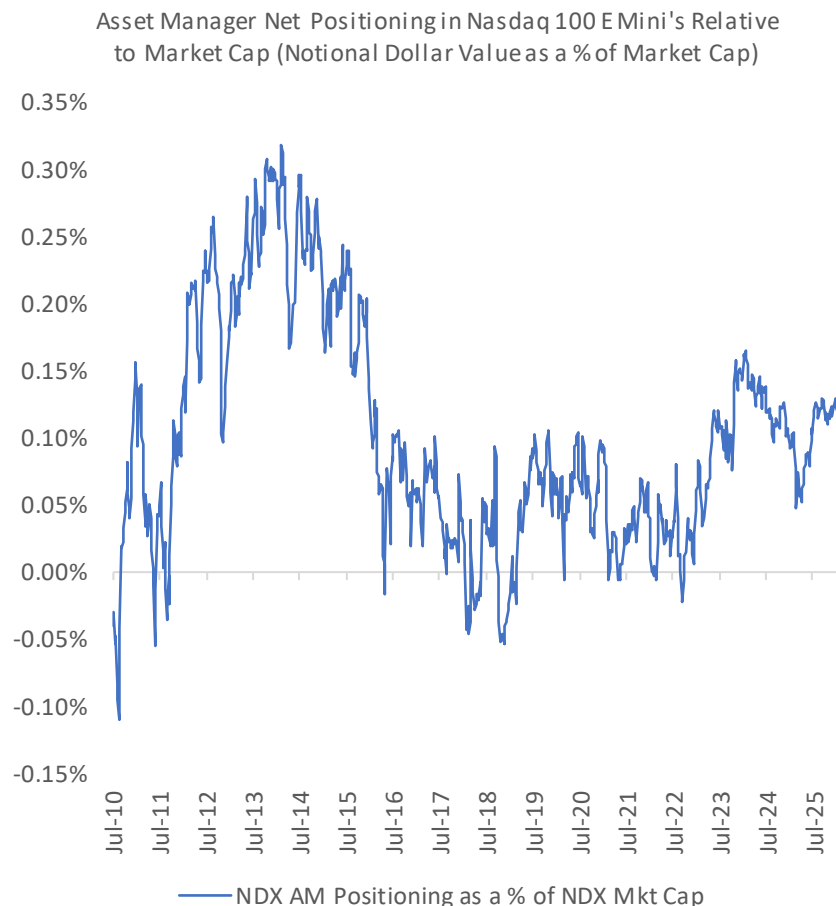
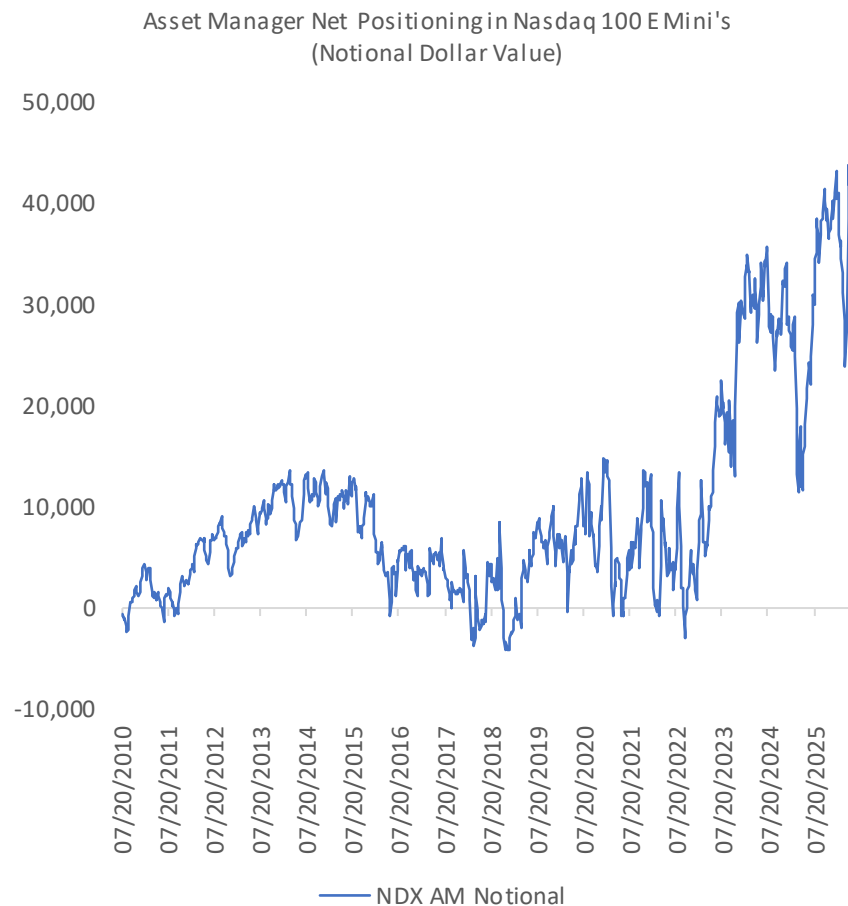
- The recent high was close to levels that often mark the top, but admittedly was not back up to all-time highs.



Source: RBC US Equity Strategy, Bloomberg, CFTC; as of 4/28/2026

Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.

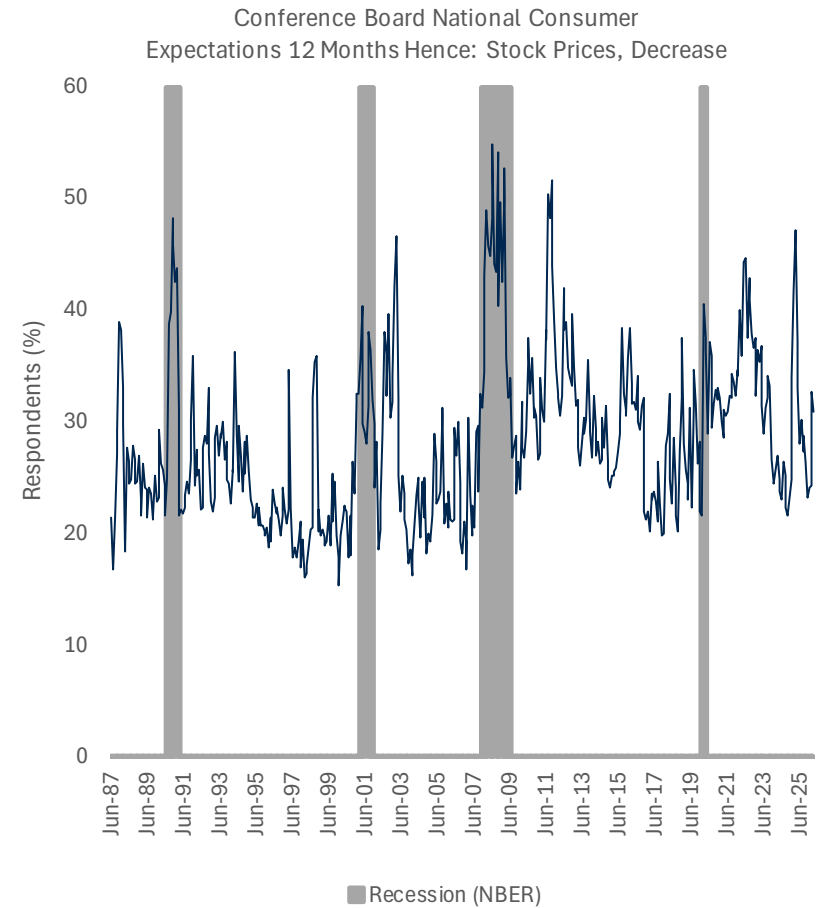
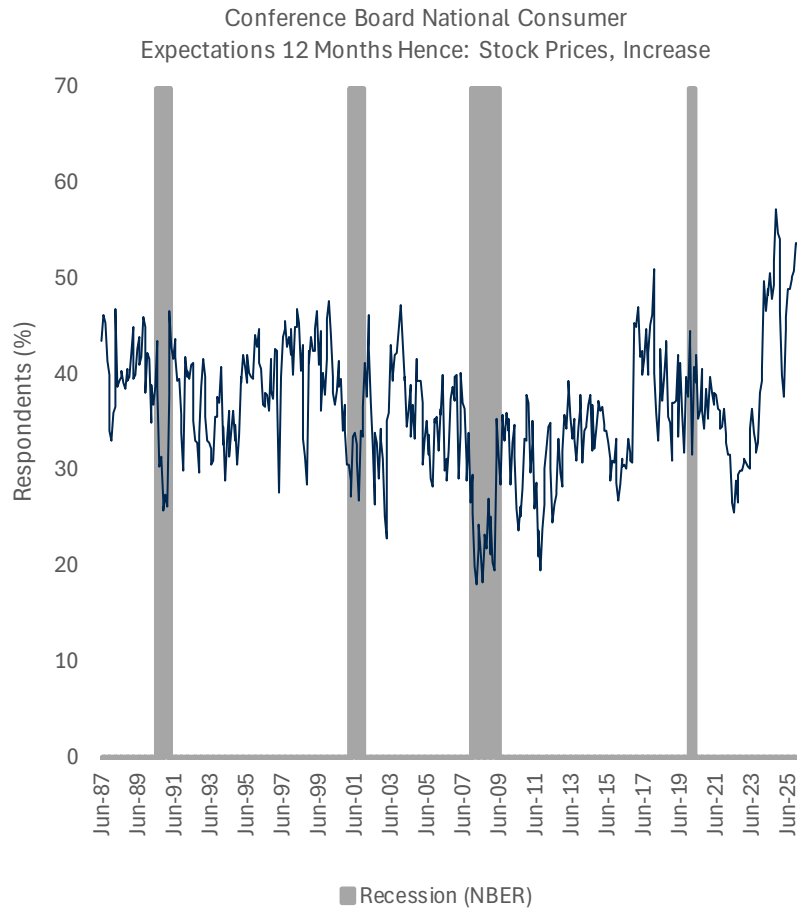
Asset Mgr Positioning in Mega Cap Growth Has Surged Again



Source: RBC US Equity Strategy, Bloomberg, CFTC; as of 4/28/2026

Consumers Have Been Highly Optimistic on Stocks, but That Optimism Has Stalled in Early 2026

- Those expecting higher stock prices are down sharply since the latest highs, but remain elevated vs. history. In the latest update, this data has ticked up a little.
- Bulls on the stock market did not return to the most recent all-time high, but did get back in line with prior peaks in recent months.
- Those anticipating lower stock prices moved up sharply in previous month's update, but in the latest update it has ticked down a little.

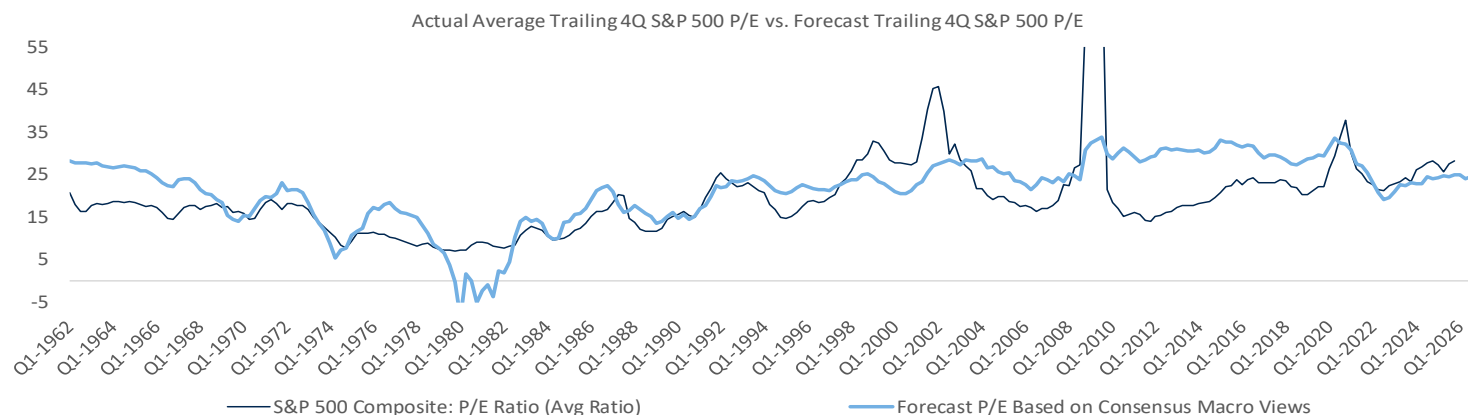


Source: RBC US Equity Strategy, Bloomberg; through April 2026

Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.

Current Assumptions and Stress Tests from Our Valuation / EPS Model

- This model is based on regression analysis using data going back to 1962. We use quarterly data series for CPI (yr/yr, 3-month average), Fed funds (the effective date, then the upper bound of the announced rate when available), and 10-year yields along with the trailing average S&P 500 P/E multiple. We have excluded the 2010s (the decade between the GFC and COVID) from our regression analysis, as the historical, inverse relationships between the macro variables and the P/E either reversed or eroded during that decade.
- In our S&P 500 price target process, we normally use a projected P/E that is generated by this model using consensus macro forecasts for CPI, the Fed, and 10-year yields with a reference period of four quarters from now as opposed to a static year-end level, along with the bottom-up consensus EPS forecast for the next four quarters. As of our April 2026 update, the reference point for all assumptions has been changed to 1Q27 from 4Q26.
- In order to inject some conservatism into our S&P 500 price target modeling, we are, for now, utilizing an EPS assumption for 1Q27 (trailing 4Q basis, as of 4/10/26, before reporting season got busy) that haircuts the consensus estimate by 5%. We are also leveraging macro assumptions in our P/E calculation that are more conservative than the consensus. On the P/E, we are bringing in 3.3% CPI (in line with a stress test for \$100 oil that RBC's Economics team published in April), a flat Fed (no cuts or hikes), and 10-year yields of 4.5% (not quite the 5% threshold that equity investors tend to worry about, but a bit higher than where we are today). This math points to fair value for the S&P 500 for 1Q27 of 7,759, roughly a 13.6% gain versus mid-April pricing. Note this version of our model has the P/E contracting to a little above 24x, down from the 26-28x levels that have been in place in recent quarters.



Scenarios and Stress Tests For 1Q27		Macro Assumptions			Implied P/E Using Model	1Q27 T4Q EPS Assumptions					
		CPI Y/Y, 3 Mo Avg	Fed Funds Upper Bound / Qtr End	10 Year Yield Quarter End		Bottom - Up Consensus	5% Haircut to Consensus	10% Haircut to Consensus	Flat vs. 1Q26	5% Drop vs. 1Q26	10% Drop vs. 1Q26
P/E Test	Consensus Macro	Used in model			25.17	\$339	\$322	\$305	\$286	\$272	\$258
	RBC Rates/Econ Inputs	As of mid April 2026 monthly forecast update			25.46	8,526	8,100	7,673	7,201	6,841	6,481
	Higher Oil Scenario #1	RBC Econ CPI stress test, flat Fed, slightly higher yields			24.11	8,624	8,192	7,761	7,284	6,920	6,555
	Higher Oil Scenario #2	RBC Econ CPI stress test, cuts, yields lower			25.14	8,167	7,759	7,350	6,898	6,553	6,208
	Higher Oil Scenario #3	Higher CPI, hikes, much higher yields			22.71	8,517	8,091	7,665	7,193	6,834	6,474
		3.8	4.25	5.00	22.71	7,691	7,307	6,922	6,496	6,172	5,847

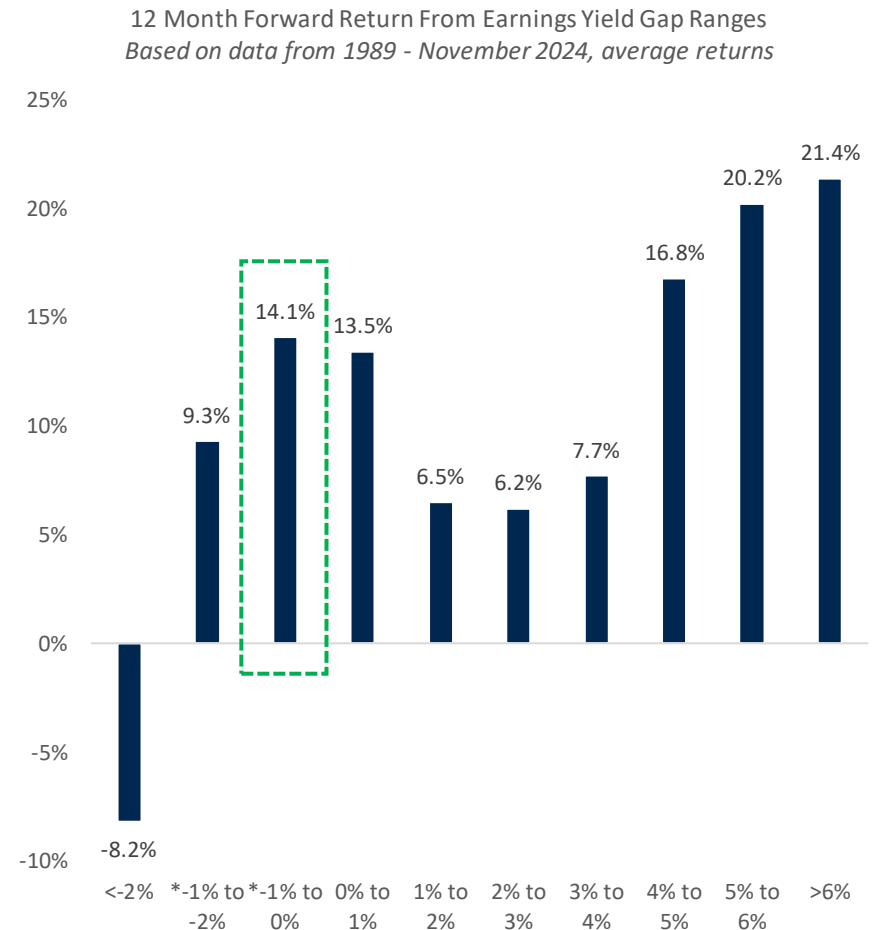
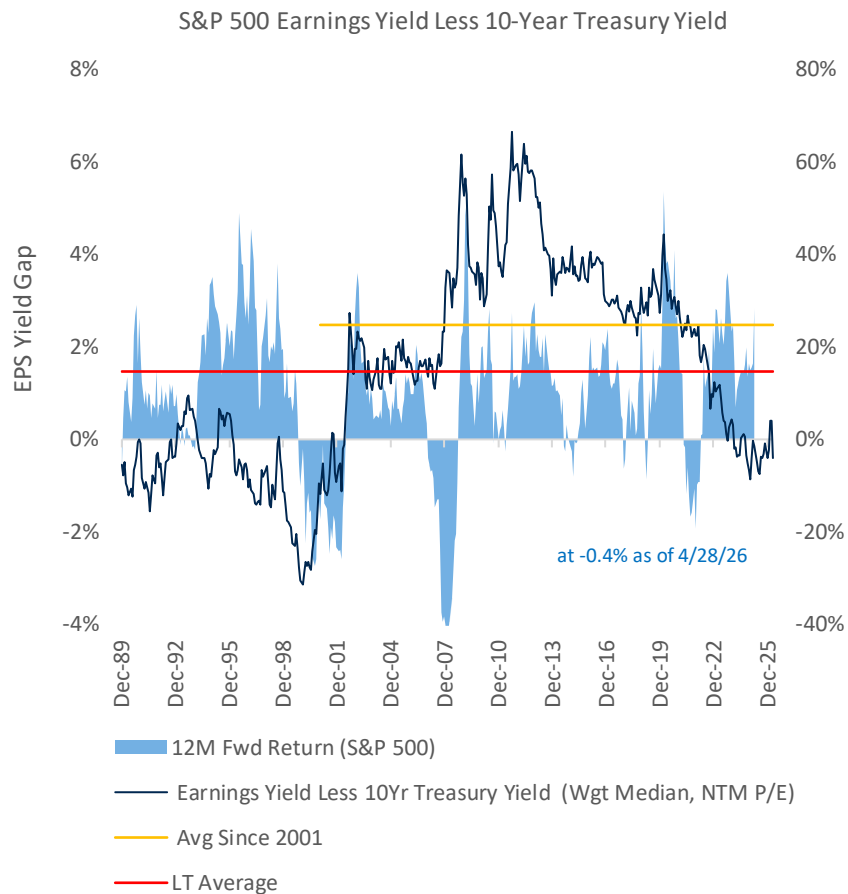
Reference period for macro assumptions and trailing 4Q EPS is 1Q27; Consensus macro is latest available as of 5/1/2026; EPS consensus is as of 4/10/26; RBC Econ/Rates forecasts are as of 4/13/26

Source: RBC US Equity Strategy, Bloomberg, Haver, S&P

Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors; we do not share the excel version of this model.

Our EPS Yield Gap Analysis Points to Mid-Teens Gains for the S&P 500 in the Next 12 Months

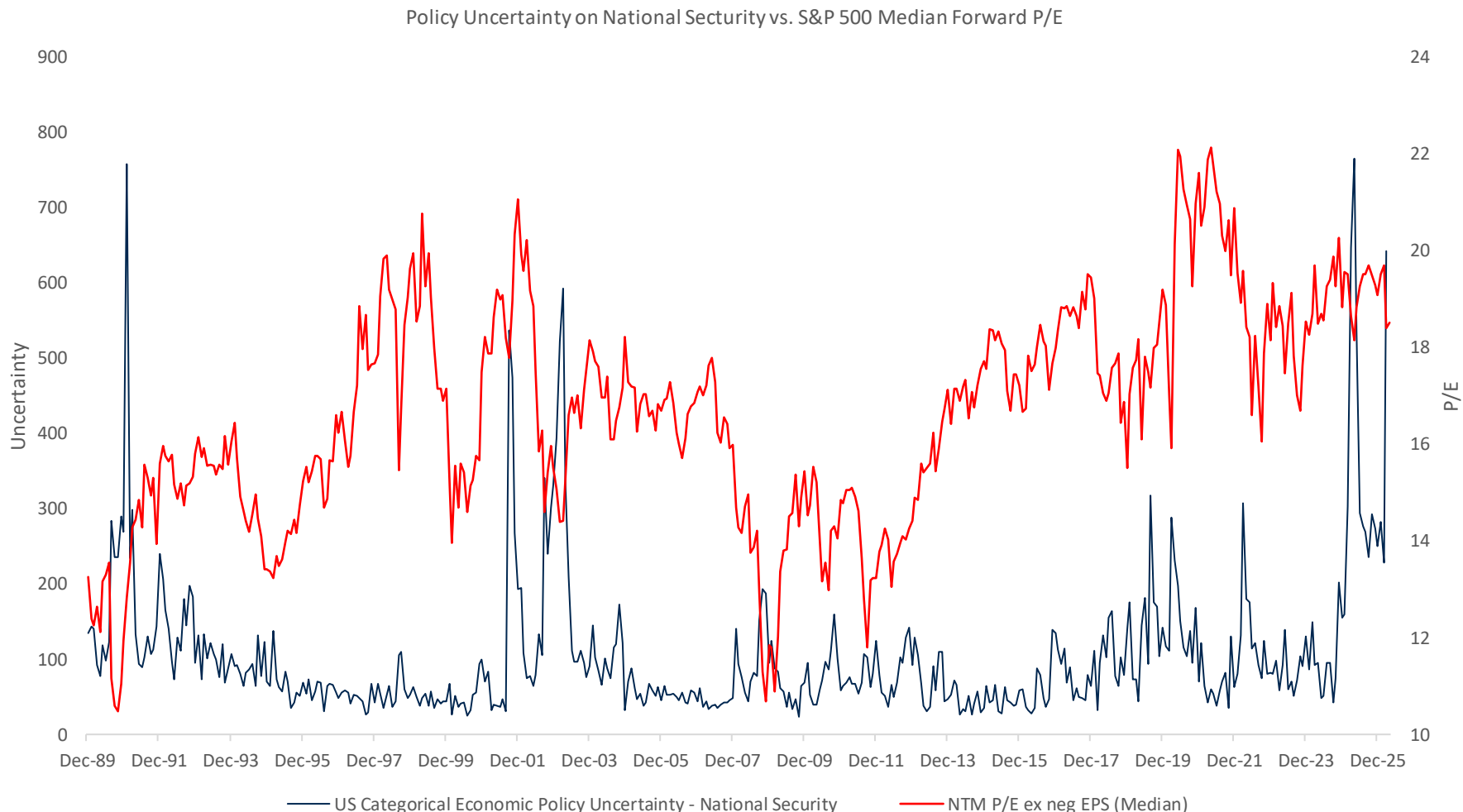
- The gap between the next 12 months' earnings yields in the S&P 500 and the 10-year Treasury yield is now slightly negative, and within a range that has been followed by strong gains in the S&P 500 in the past.



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Source: RBC US Equity Strategy, Haver, Bloomberg, S&P; April 28, 2026.

Foreign Policy Uncertainty Tends to Weigh on P/E

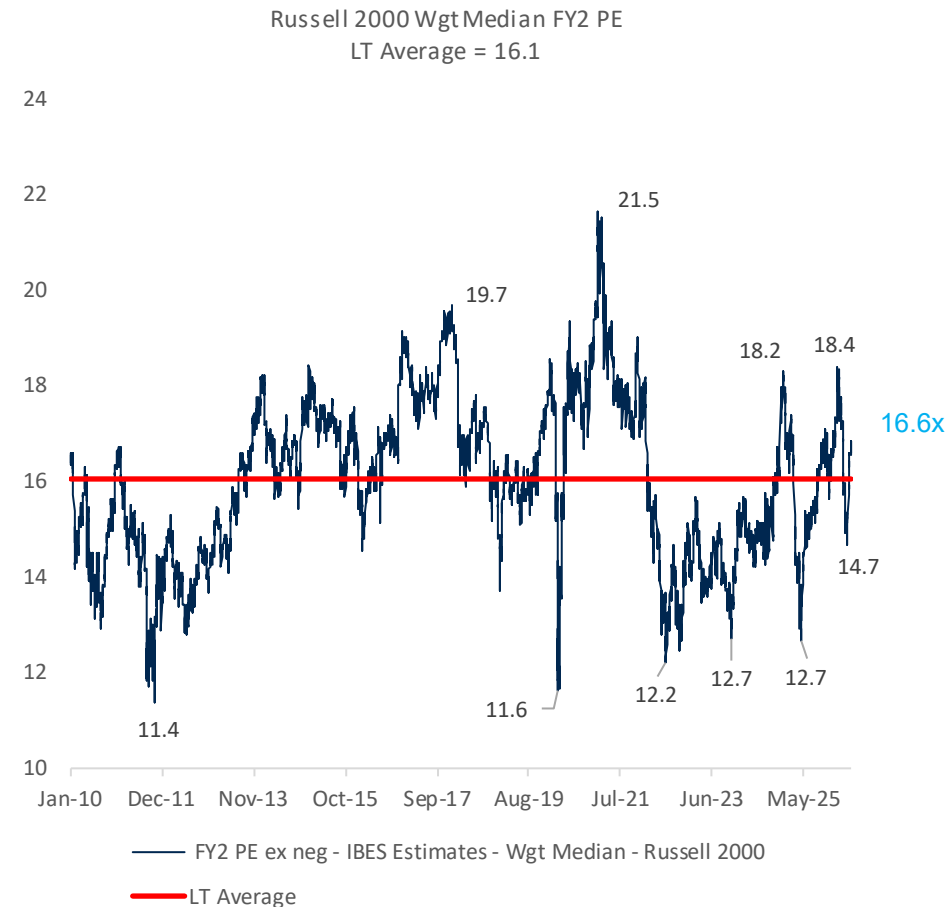
- Whenever geopolitical uncertainty spikes, the first thing that usually jumps into our mind is that forward P/E multiples tend to come under pressure for the S&P 500. This speaks to one of the transmission mechanisms of geopolitical conflicts and risks to equities.
- In recent years we've seen some deterioration in S&P 500 median P/E's when uncertainty regarding national security spiked in spring 2025 (Liberation Day tariffs), 1Q22 (Russia's invasion of Ukraine), and 1Q20 (COVID). This is something we also saw in early 2003 as the US was preparing to invade Iraq.



Source: Bloomberg, Baker Davis & Bloom, S&P Capital IQ Clarifi, April 28, 2026

After Falling Back to Average, Valuations Are Rebounding but Aren't Yet Back to Most Recent Highs

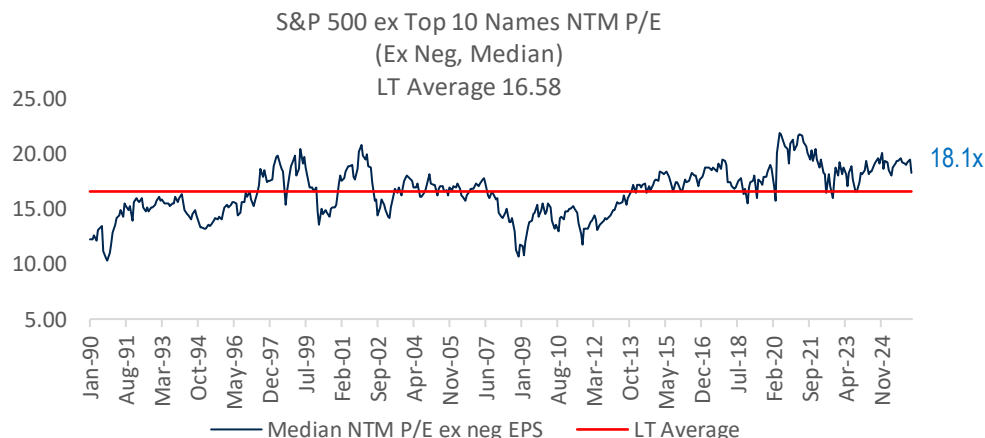
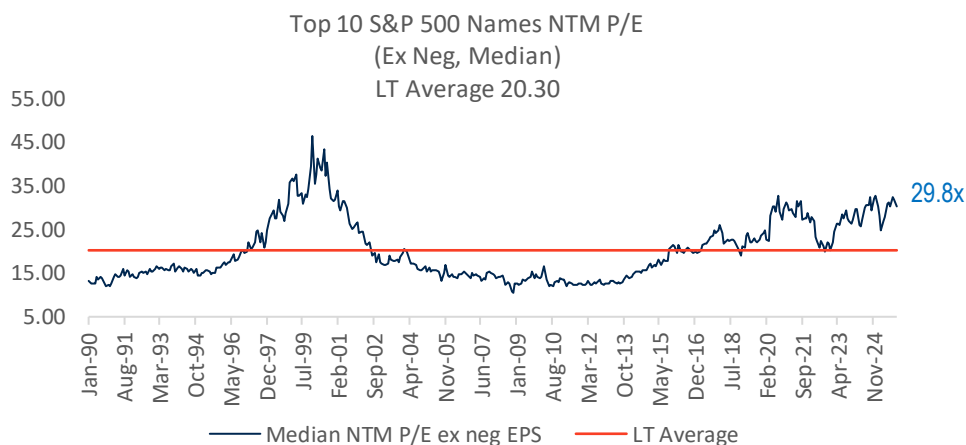
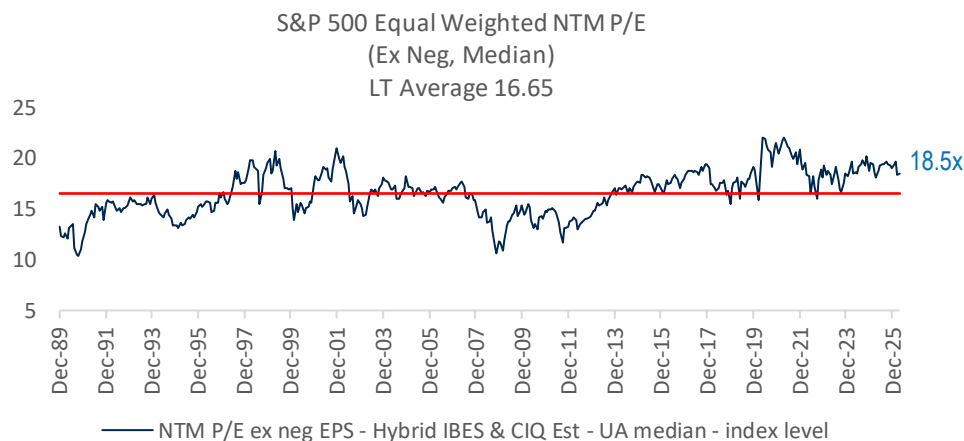
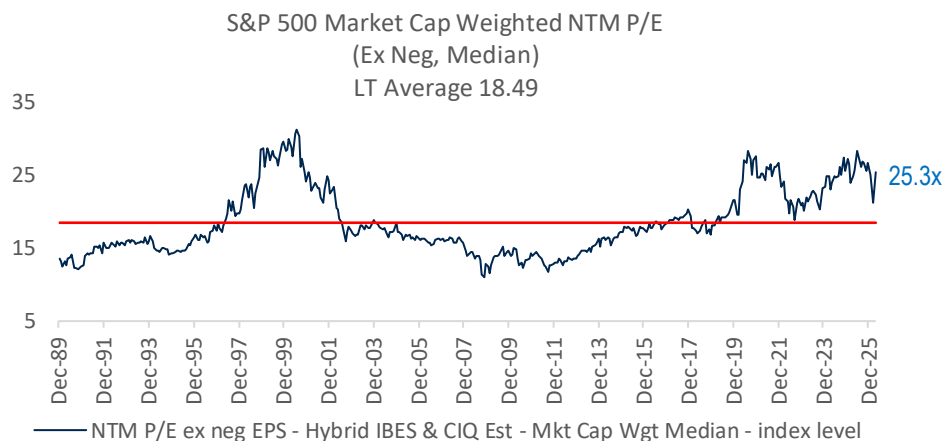
- Valuations came down across both Large and Small Caps early this year as investors digested AI and private credit fears and geopolitical concerns.
- While the S&P 500 got down to 2025 lows, this metric failed to break below average or recapture the lows of 2018-2023.
- The Russell 2000 broke slightly below average, but failed to reach the recession zone of 11-13x, which it achieved during the lows of COVID, 2022, 2023, and 2025.
- Overall, we think it's fair to say the froth was recently removed from both Large Caps and Small Caps, giving both size segments room to move up once the fundamental (geopolitical) narrative improved. But we disagree with those who argue that valuations became a reason to buy the market on their own. We simply didn't see washout conditions on either index.



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Russell, S&P Capital IQ / ClariFI, CIQ estimates, IBES estimates; as of April 28, 2026.

Forward P/E's Stalled Near Their Pre- and Post-COVID Era Ceilings Throughout the S&P 500

- When we look at NTM P/E's on bottom-up consensus EPS forecasts, we find that valuations were coming under pressure in the S&P 500 generally – whether we're focusing on the overall index, the top-10 market cap names, the index excluding those names, and looking at the data on an equal-weighted or market cap-weighted basis.
- On this methodology, the broader index on a cap-weighted basis and the top-10 names bumped up against their pre- and post-COVID ceiling last year. In the equal-weighted S&P 500 and the index excluding the top market-cap names, the NTM P/E stalled near its post-COVID high but not its pre-COVID high.
- We saw more noteworthy slippage in the market cap-weighted P/E in part due to compression in the P/E's of a handful of the biggest market cap names.



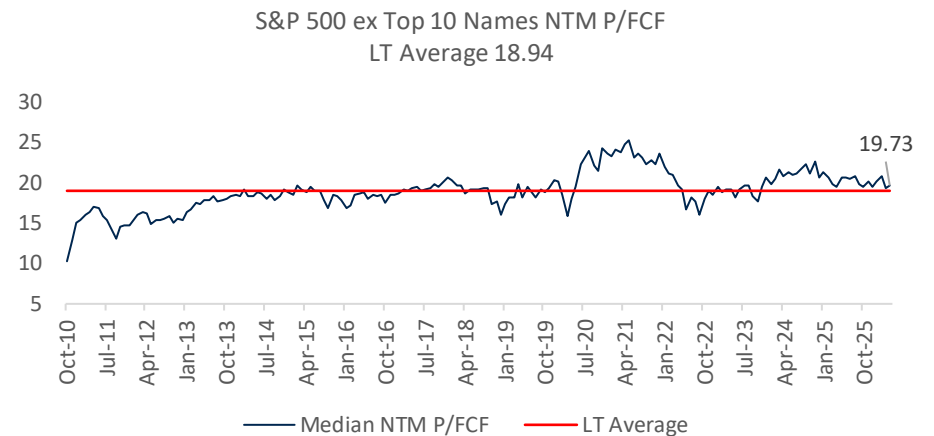
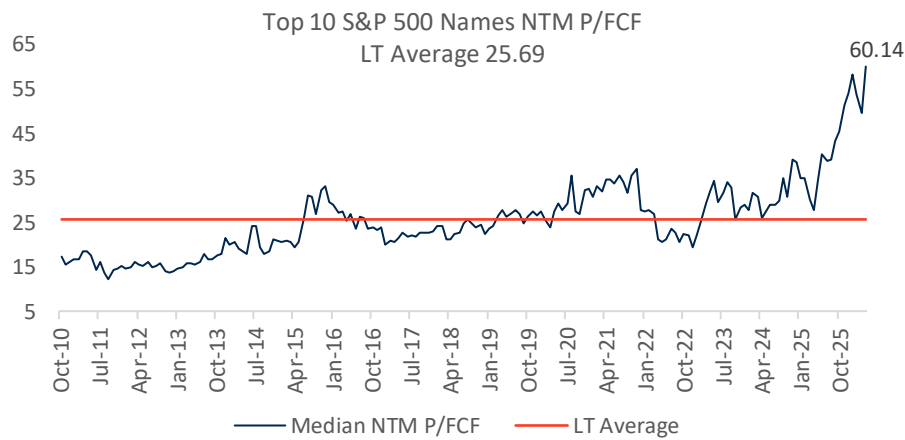
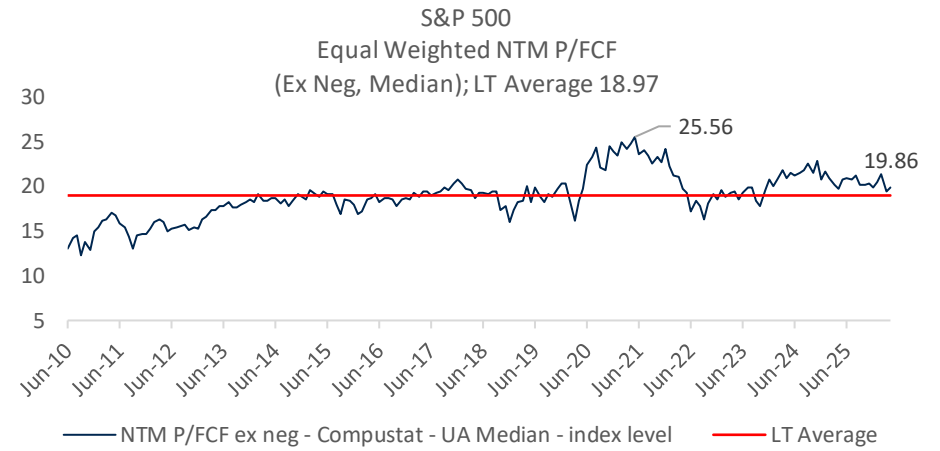
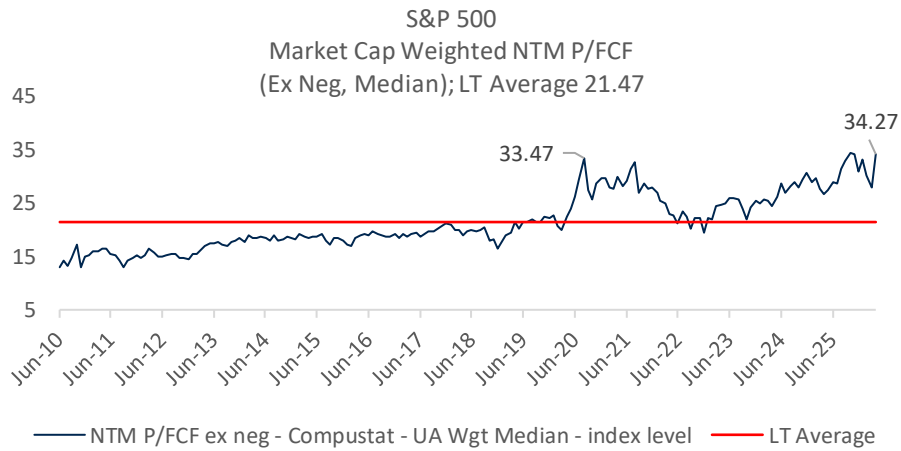
Note: Mid-week basket portfolio rebalancing applied for the Top 10 and S&P ex Top 10 baskets; as of April 28, 2026.

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Source: RBC US Equity Strategy, S&P, S&P Capital IQ / Clarifi, CIQ estimates, IBES estimates; as of April 28, 2026.

The S&P 500 Has Returned to Past Peaks on Projected Cash Flow, Driven by Mega Cap Growth Stocks

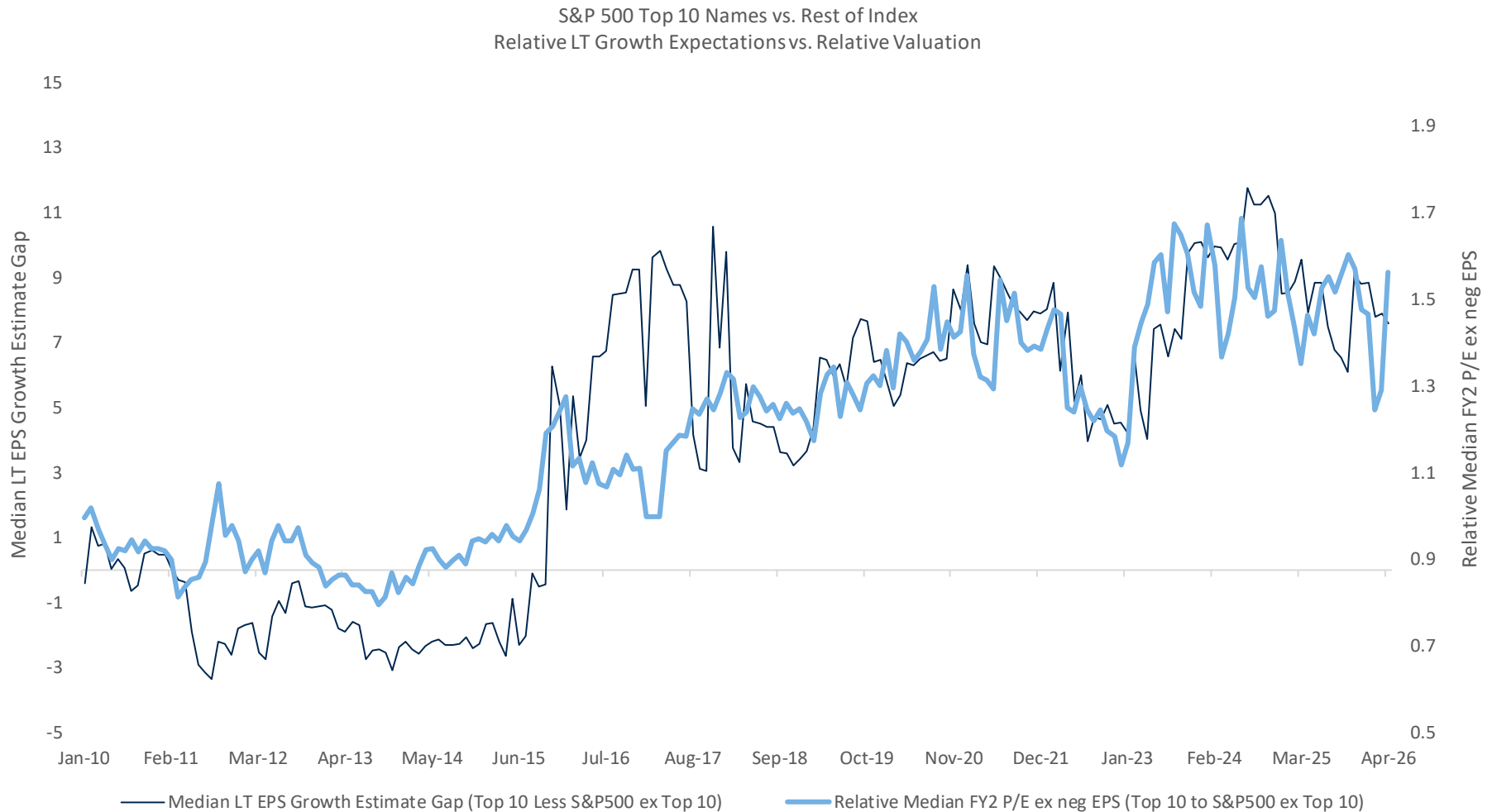
- The last major peak on this metric for the S&P 500 was achieved in mid-2021 – the index would go on to rally through the end of the year, peaking in early-January 2022.
- The problematic cash flow multiple is something that very much seems to be concentrated in the mega cap growth complex. This multiple is well below recent and prior peaks for the equal-weighted S&P 500 and the index excluding the top-10 market cap names.



Note: Mid-week basket portfolio rebalancing applied for the Top 10 and S&P ex Top 10 baskets; as of April 28, 2026.
 Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
 Source: RBC US Equity Strategy, S&P, S&P Capital IQ / ClariFI, Compustat, CIQ estimates, IBES estimates; as of April 28, 2026.

Relative Valuations of Top-10 S&P 500 Names Usually Track Relative LT EPS Growth

In the chart below we look at the biggest market cap names against the rest of the S&P 500 on relative P/E and relative LT EPS growth. Generally, these two lines have been tracking one another. Last year, a gap opened up suggesting the mega cap growth trade was a bit ahead of itself. In the most recent updates, the gap has disappeared – indicating that the mega cap growth trade does not look undervalued anymore from this perspective. Indeed, this model may be starting to signal that the growth trade has gotten a little overbought and is due for a breather.

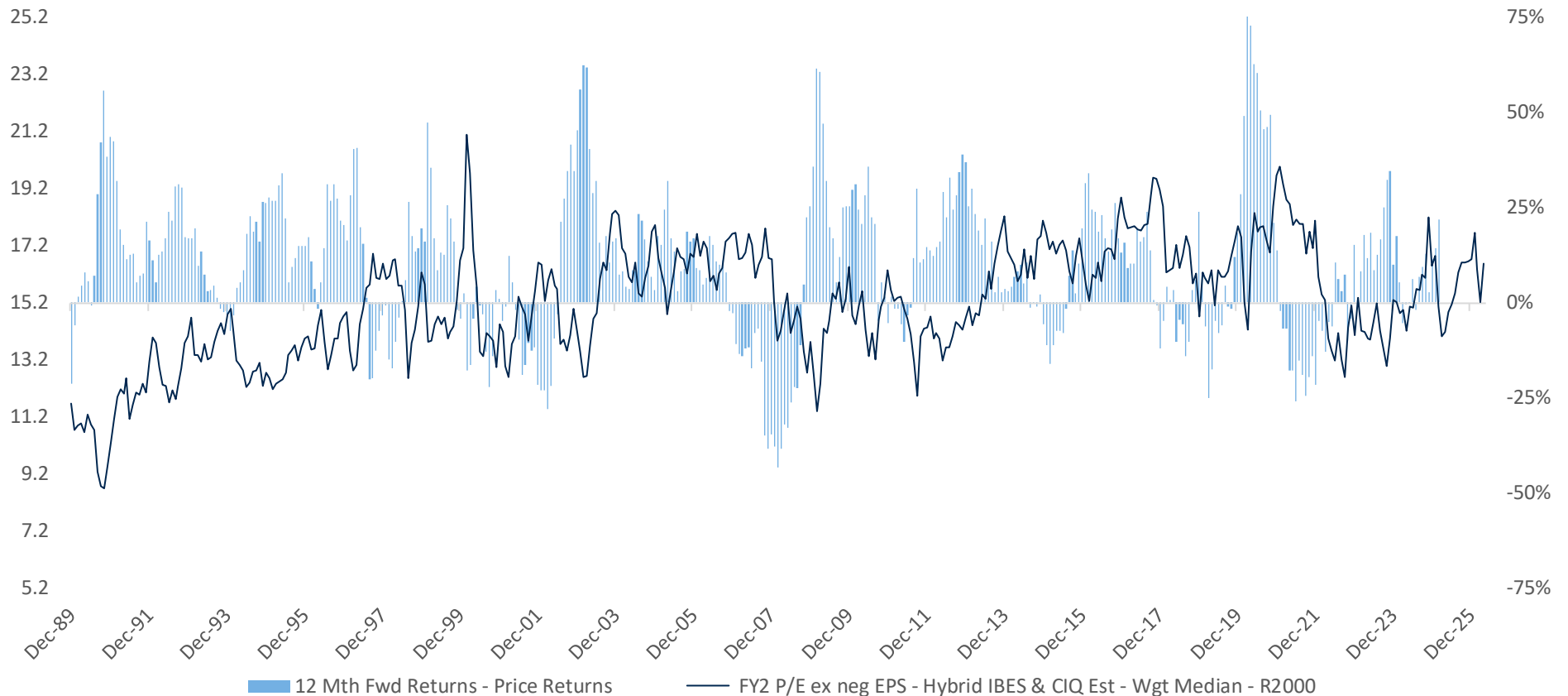


Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
 Source: RBC US Equity Strategy, S&P, S&P Capital IQ/ClariFi, CIQ estimates, IBES estimates, as of April 28, 2026. Mid-month basket portfolio rebalancing applied.

The Russell 2000 FY2 P/E Is Back Above Its Long-Term Average, but Not Yet Recent Highs

- The Russell 2000 forward P/E hit 12.65x when the stock market hit its YTD low in early April. That was a significant milestone, as this indicator often bottoms in the 11-13x range. That level was also in line with its 2022 and 2023 lows.
- At January month-end, this stat was 17.5x, close to the November-2024 high of 18.1x. On an intramonth basis, this metric got even closer to the November-2024 level.
- As of late-April 2026, this metric is 16.58x – above its long-term average of 15.18x (it briefly dipped below it in March). A return to the November-2024 and January-2026 highs will be an important test for the market. A return to even higher levels is possible based on history, but it's worth noting that the index failed to break out earlier this year.

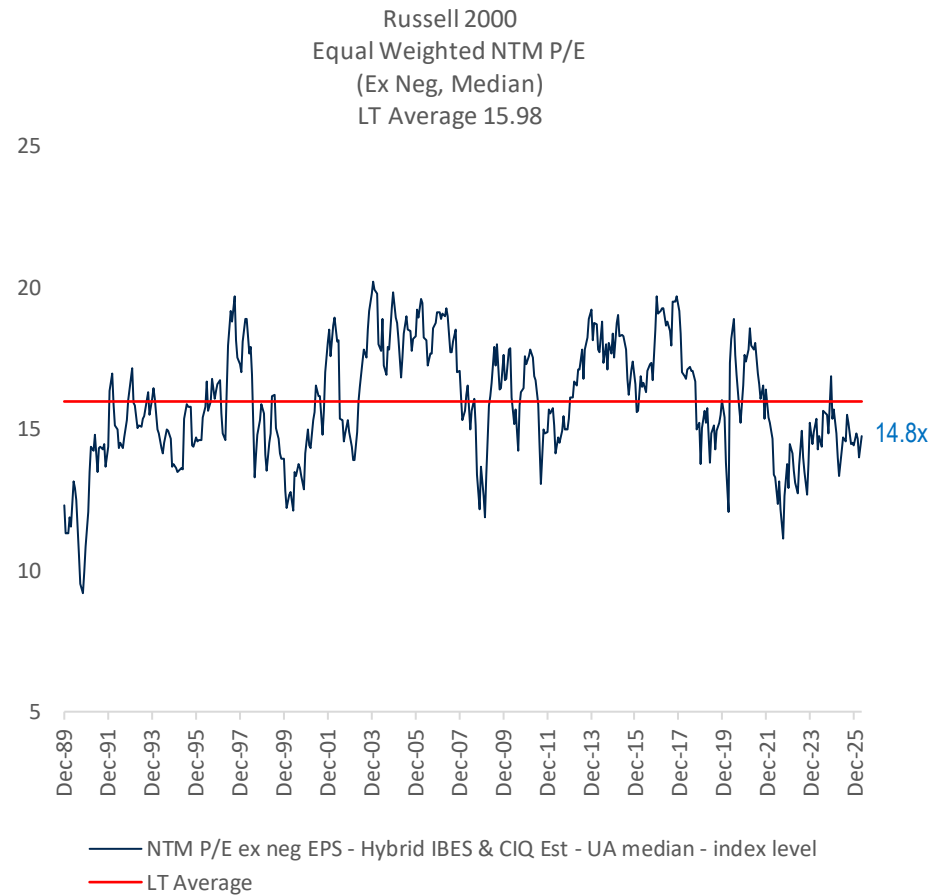
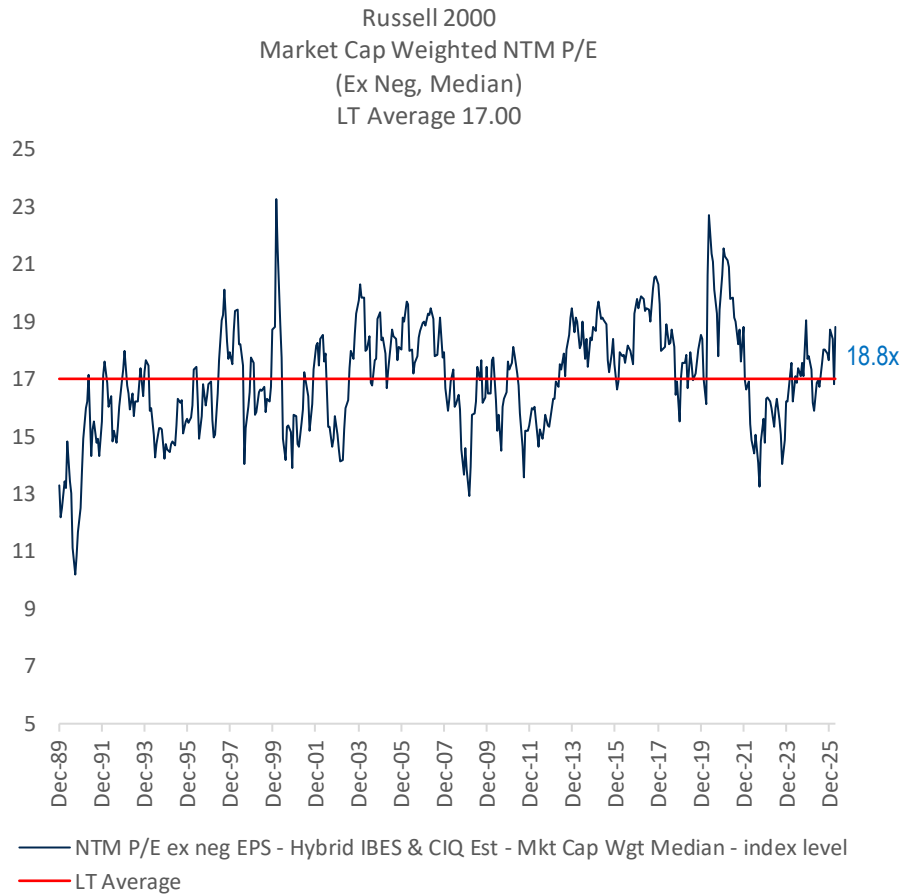
R2000 FY2 P/E ex neg EPS (Wgt Median) vs. 12 Month Fwd Russell 2000 Performance



Source: RBC US Equity Strategy, Russell, S&P Capital IQ / ClariFI, CIQ estimates, IBES estimates; as of April 28, 2026

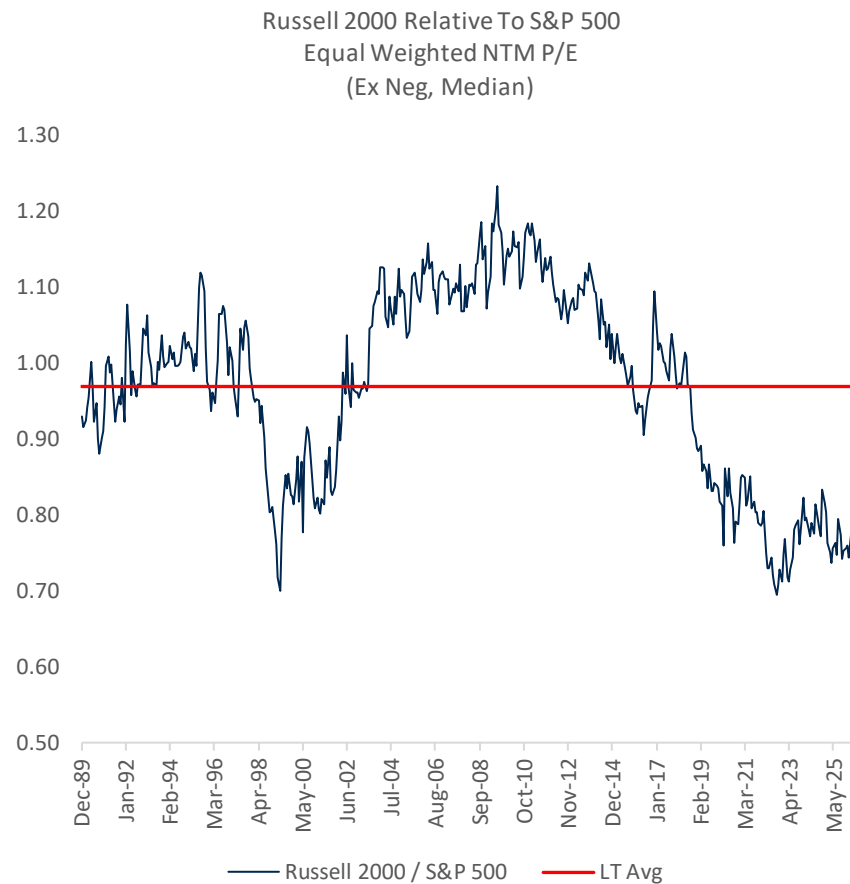
The Russell 2000's Market Cap-Weighted NTM P/E Is Back to Recent Highs

- Note that in 2022, this P/E got back down to 11.1x in 2022 and 13.4x in 2025.



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Russell, S&P Capital IQ / ClariFI, CIQ estimates, IBES estimates; as of April 28, 2026.

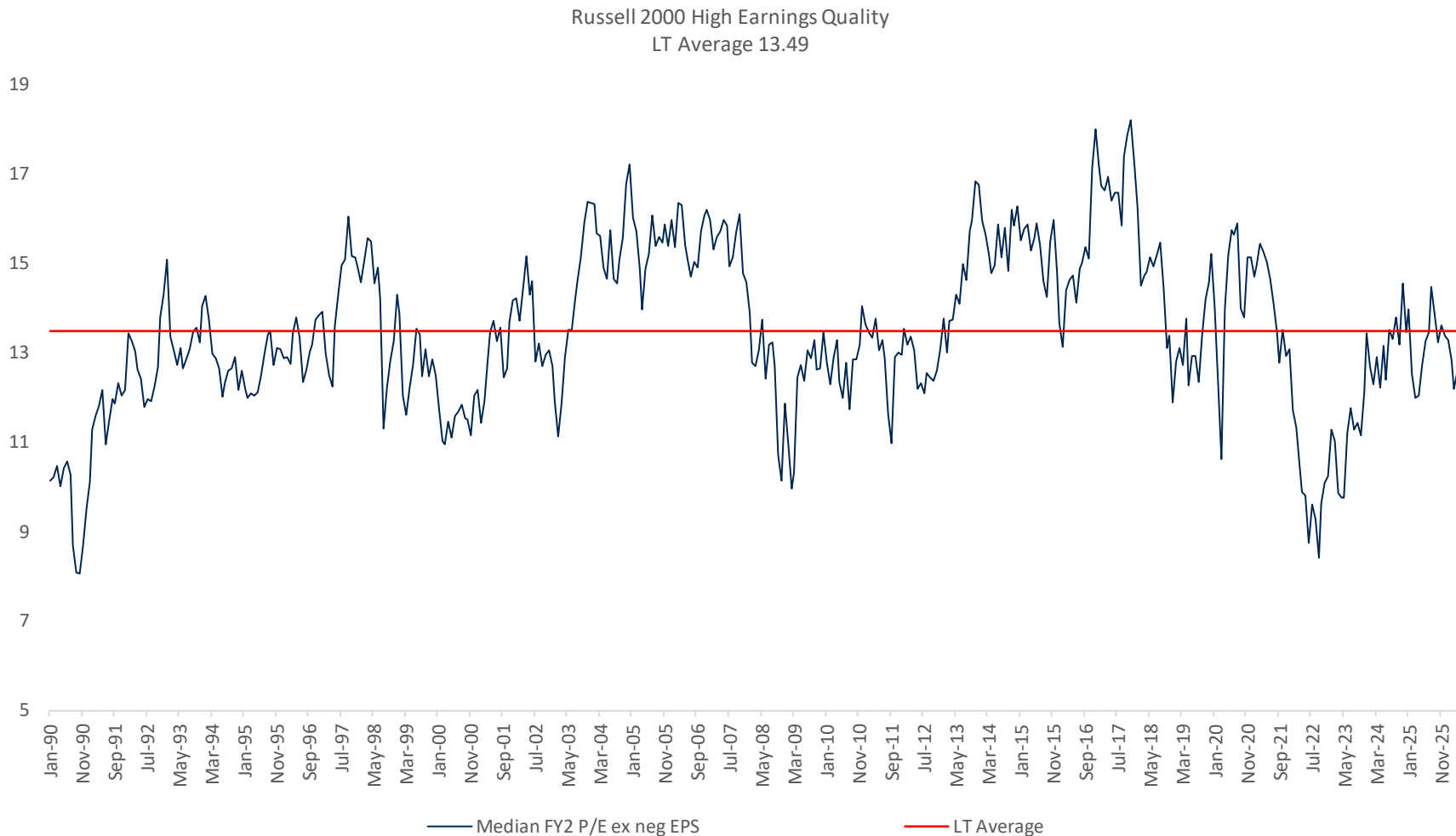
Russell 2000 Remains Undervalued vs. S&P 500 on NTM P/E



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Source: RBC US Equity Strategy, S&P, Russell, S&P Capital IQ / ClariFI, CIQ estimates, IBES estimates; as of April 28, 2026.

High Earnings Quality Trades at a Discount Within Small Cap on Forward P/E

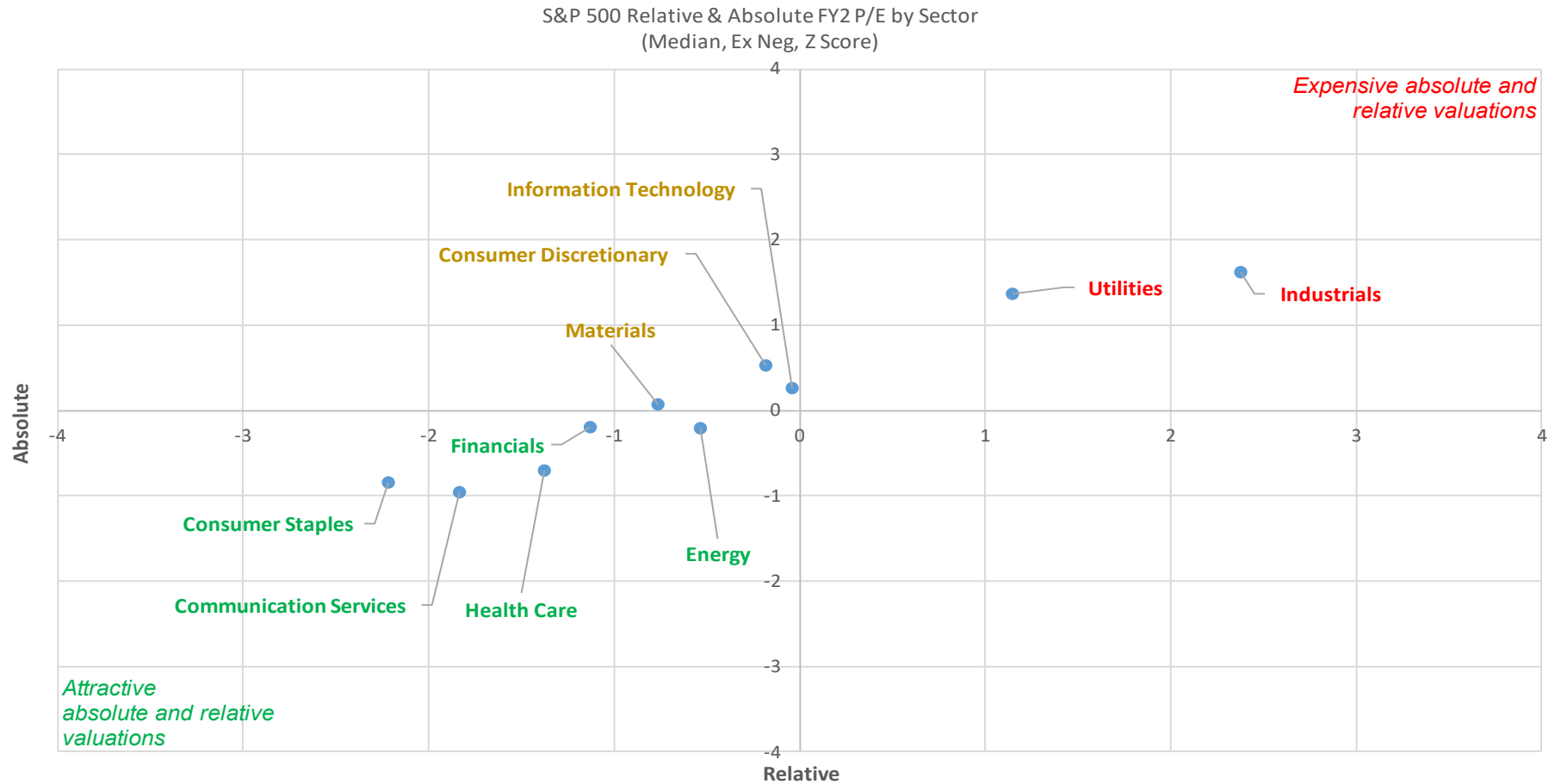
- We examined median valuation multiples for the high-EPS-quality baskets within the Russell 2000. We found that the high-EPS-quality basket's forward P/E is below its historical average, suggesting to us that valuation opportunities do exist within this cohort.



Note: The earnings quality factor is a sector-neutral, equal-weighted multifactor based on historical constituents that combines the trailing 12-month return on equity, earnings stability (measured as the ratio of the one-year change in EPS to the standard deviation of the one-year change in EPS across eight prior periods), and the distinction between positive and negative earnings based on whether EPS is above or below zero.
 Source: RBC US Equity Strategy, S&P Capital IQ/ClariFi; Russell, S&P, as of April 28, 2026.

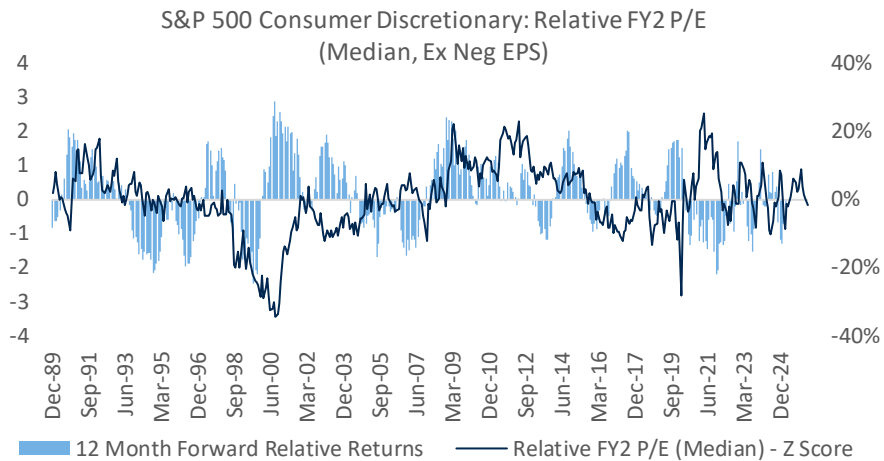
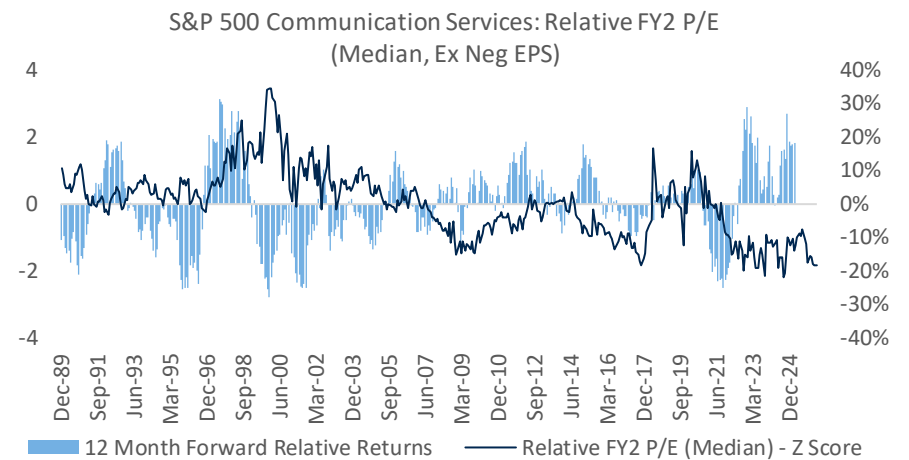
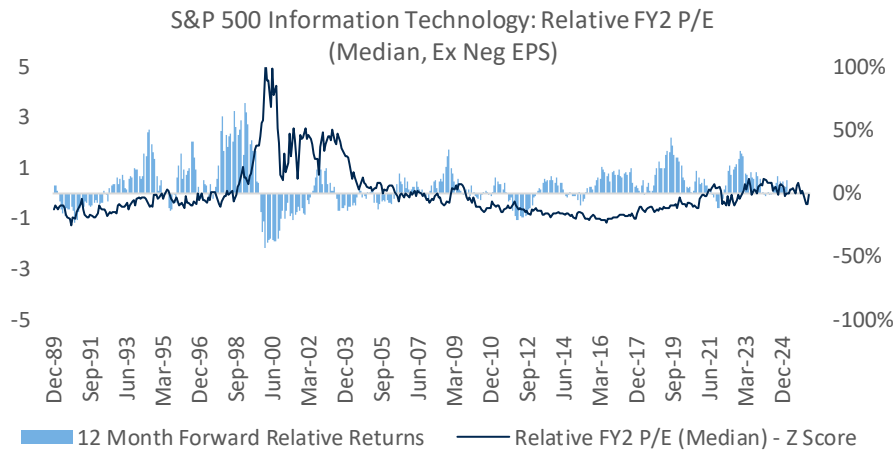
Industrials and Utilities Look Most Expensive Within Large Cap

- Tech and Consumer Discretionary are now slightly above their long-term averages on an absolute P/E, but slightly attractive/close to average on a relative P/E basis.
- Meanwhile, Energy, Health Care, Communication Services, Financials, and Consumer Staples look attractively valued on both absolute and relative P/E – more so on relative than absolute.



Note: Excludes REITs; data since December 1989 for all sectors ex REITs; as of April 28, 2026.
Source: RBC Equity Strategy, S&P Capital IQ / Clarifi, S&P

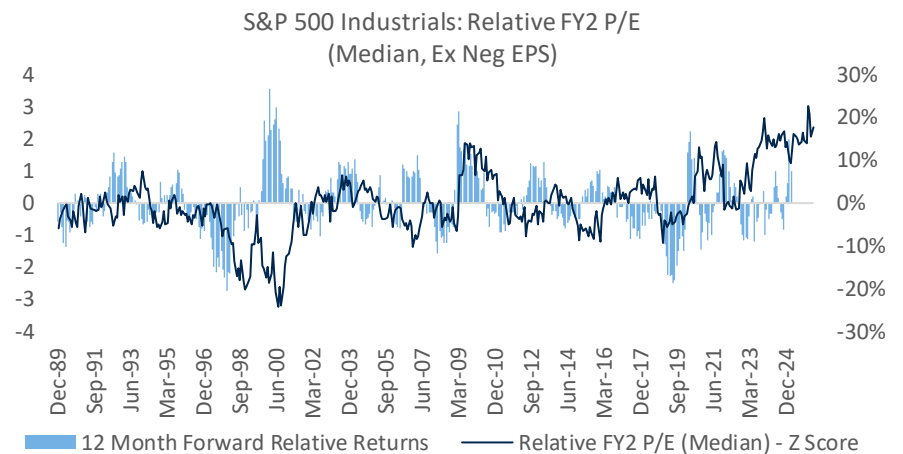
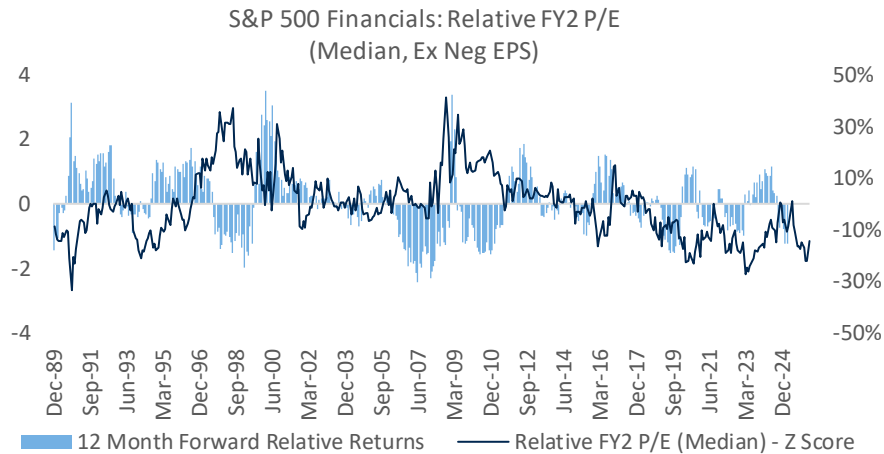
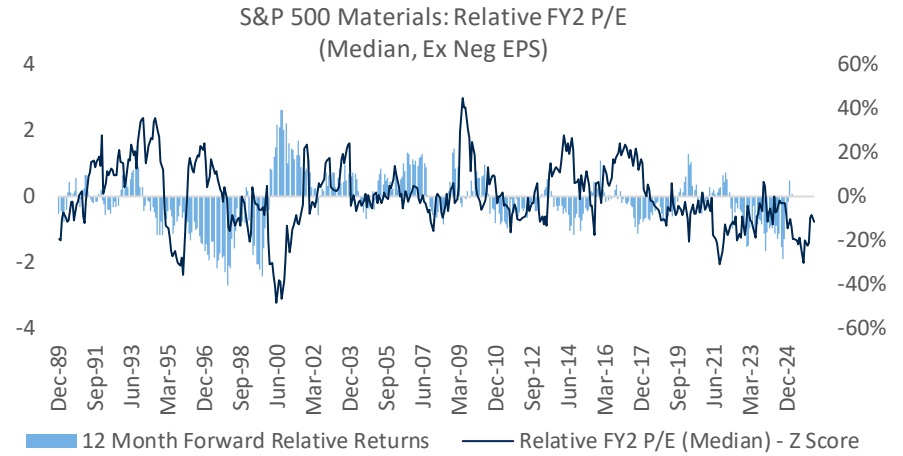
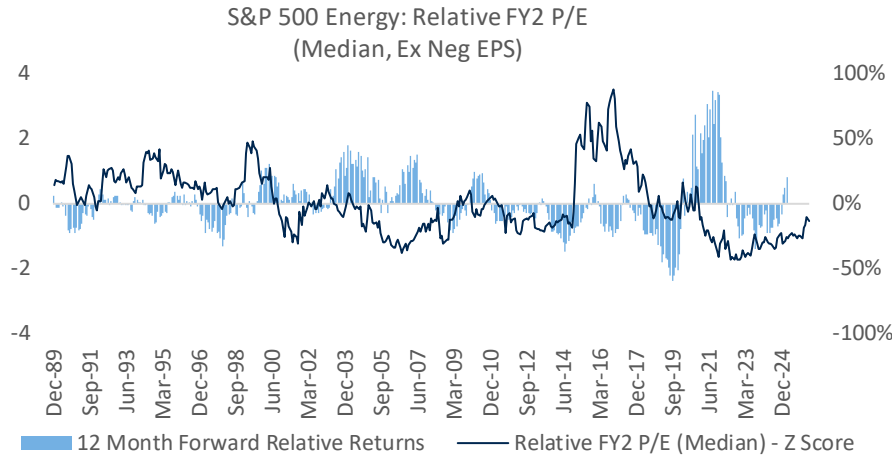
Tech's P/E Is Now Close to its Average; Comm Svcs Looks Undervalued; Cons Disc Reasonably Priced



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, as of April 28, 2026

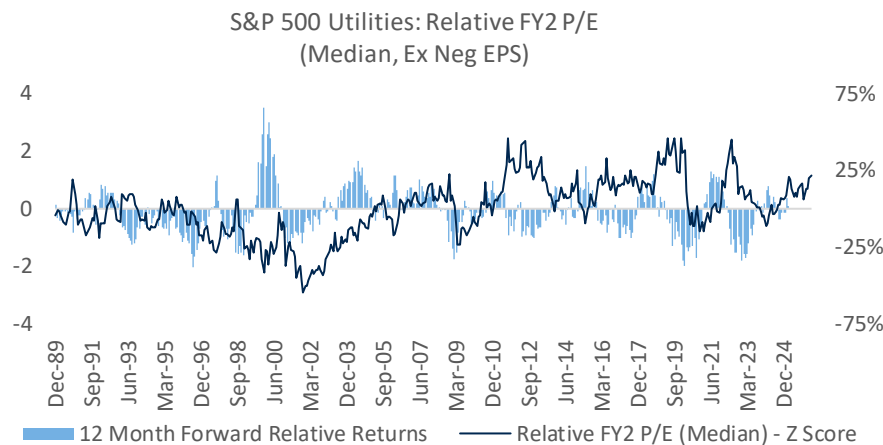
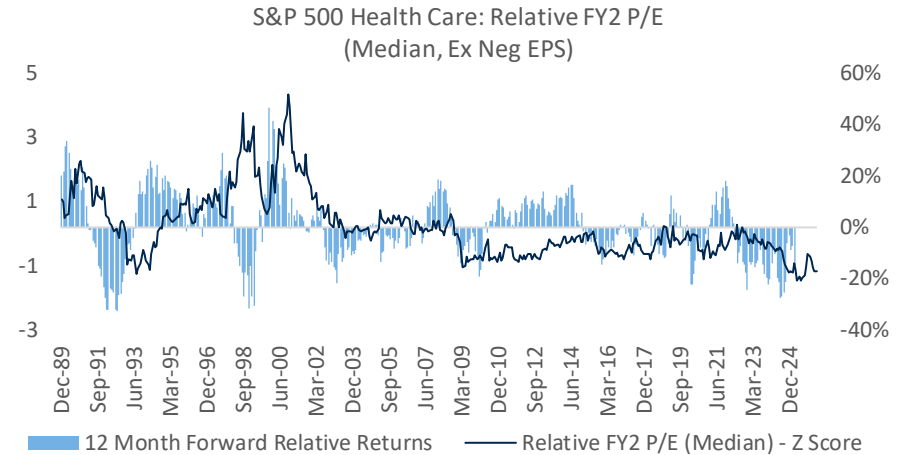
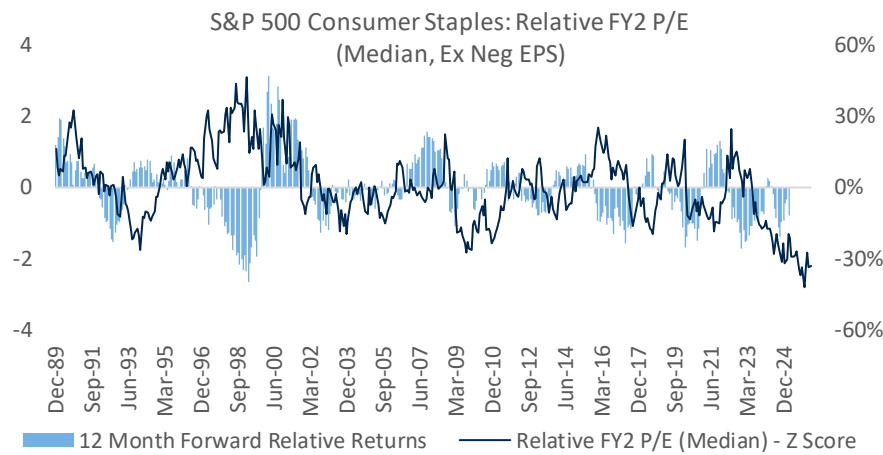
Energy, Materials & Financials Have Attractive Valuations, but Industrials Looks Highly Expensive

- Energy and Materials have seen their relative valuation appeal erode a bit recently, however. Financials recently got back to post-COVID lows.



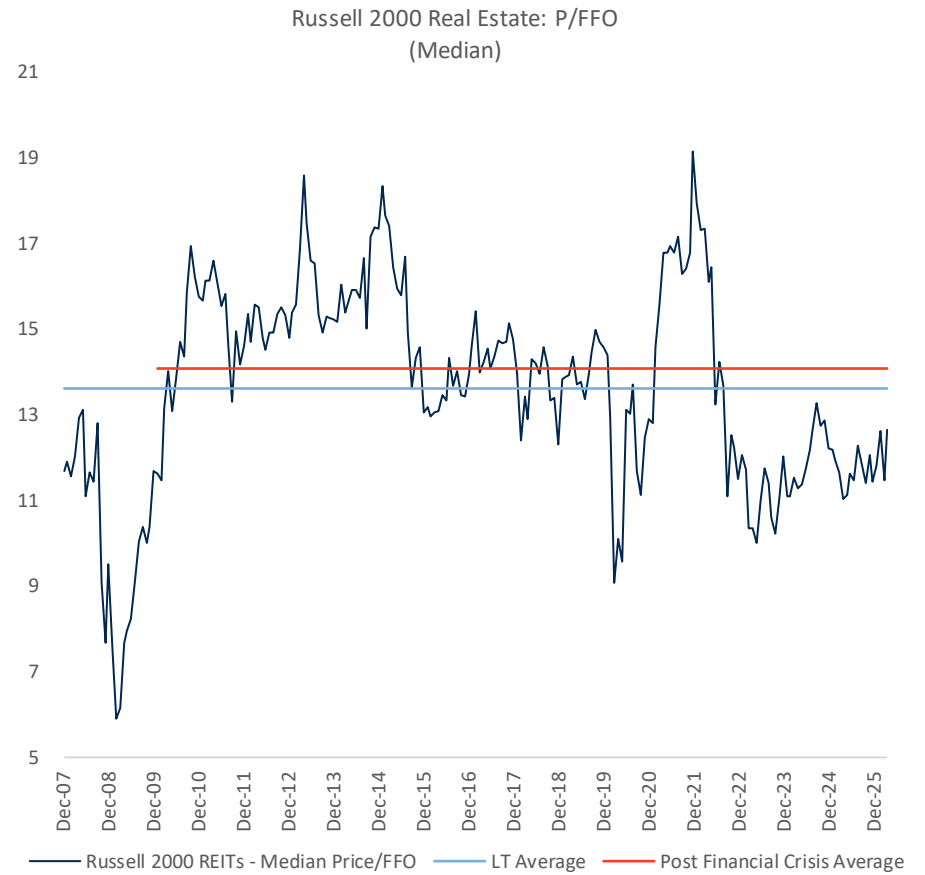
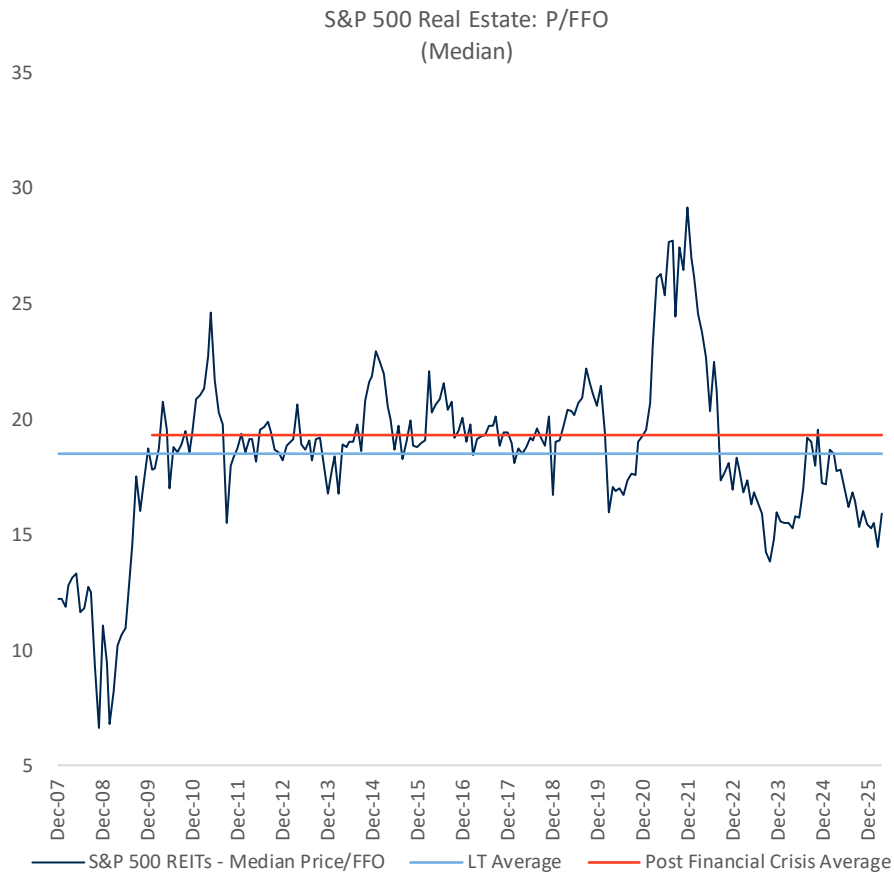
Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, as of April 28, 2026

Cons Staples and Health Care Have Deeply Attractive Valuations, Utilities a Bit Above Average



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, as of April 28, 2026

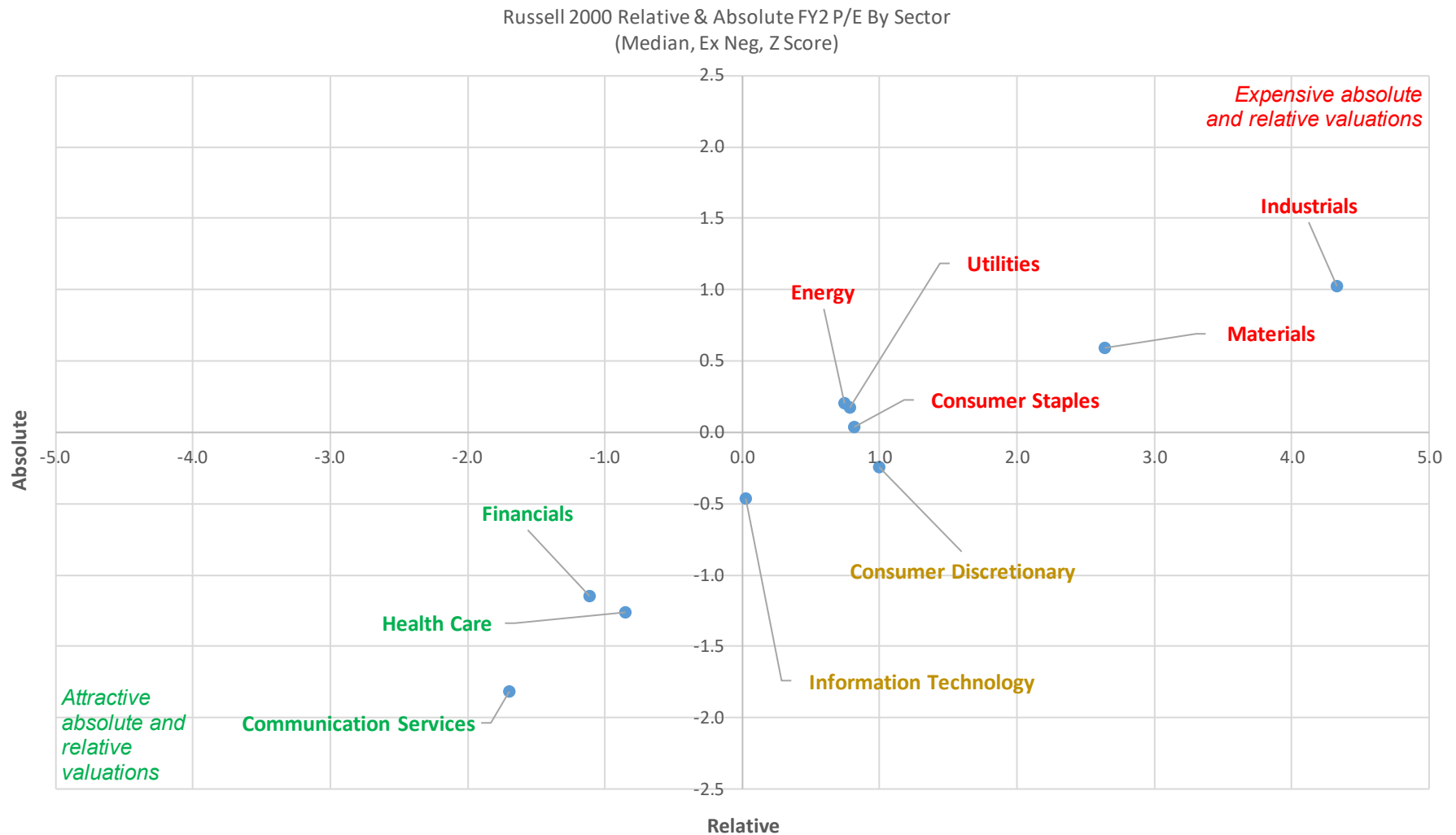
REITs Have Attractive Median Valuations Within Both Large & Small Cap



Source: RBC Equity Strategy, S&P Capital IQ / Clarifi, as of April 28, 2026

Valuations Look Most Attractive in Comm Svcs, Financials & Health Care Within Small Cap

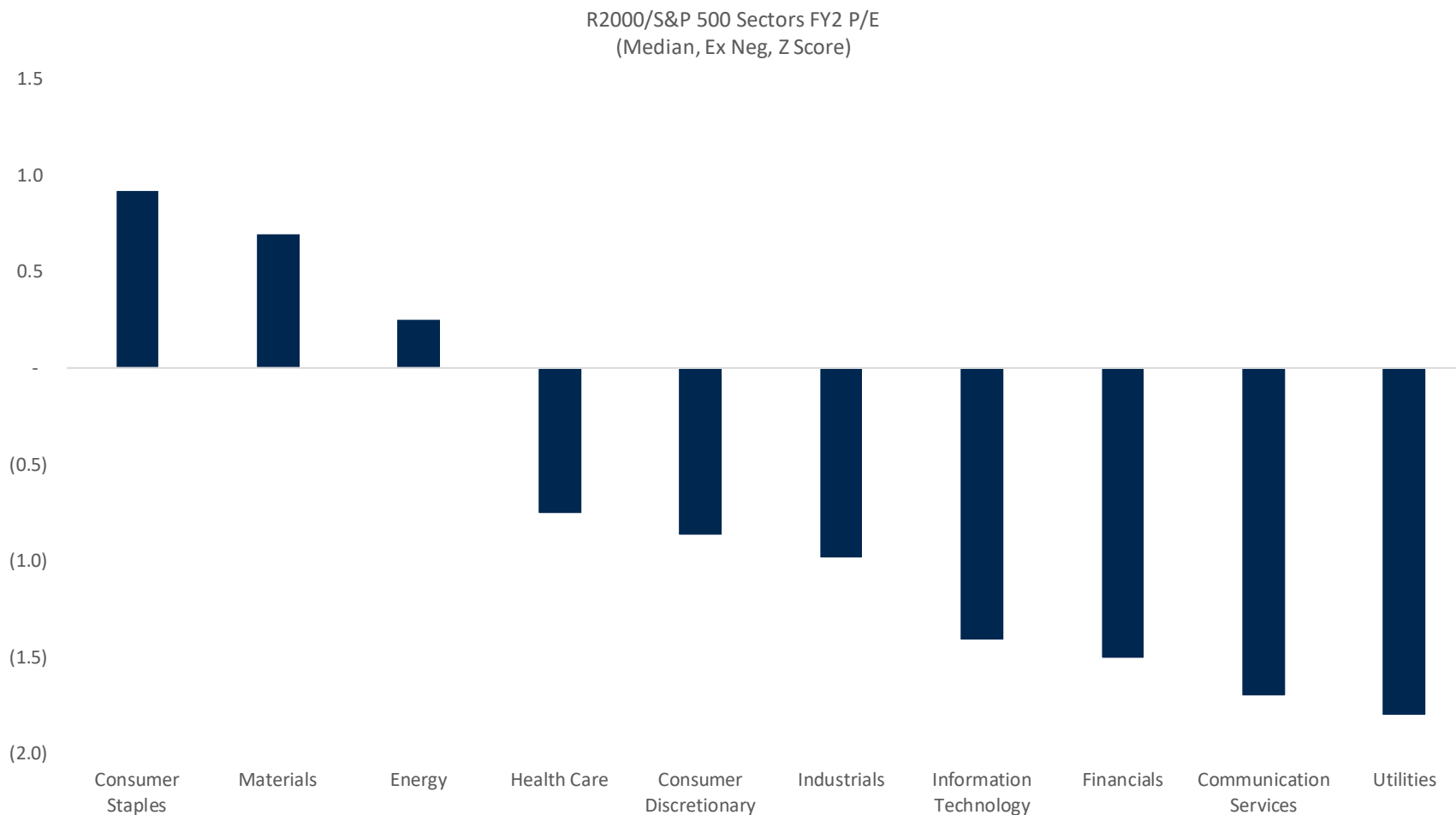
- Energy, Utilities, and Staples screen expensive on a relative P/E basis and somewhat neutral on an absolute P/E basis. The Industrials sector in the Russell 2000 stands out as the most expensive, especially on a relative P/E basis. Materials is now screening negative on both an absolute and relative P/E basis. Consumer Discretionary screens attractive on an absolute P/E basis, but expensive on a relative P/E basis. The Info Tech sector now screens attractive on an absolute P/E basis, and somewhat neutral on a relative P/E basis. This is a recent development for Info Tech.



Notes: Excludes REITs; data since December 1989 for all sectors ex REITs; as of April 28, 2026.
Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell

Most Sectors Look Undervalued in Small Cap Relative to Their Large Cap Peers

- Staples, Energy, and Materials are exceptions.

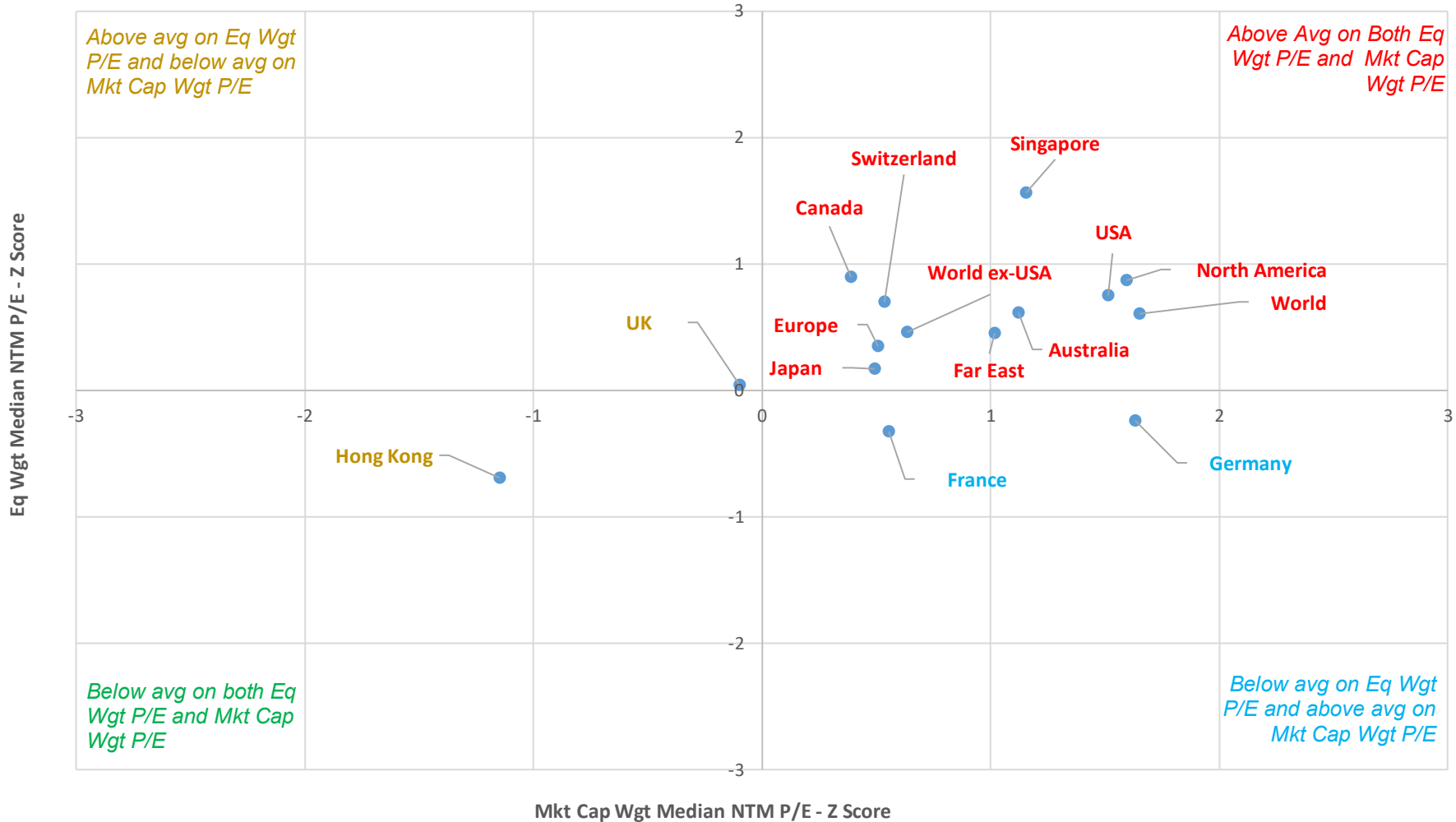


Notes: Excludes REITs; data since December 1989 for all sectors; as of April 28, 2026.
Source: RBC Equity Strategy, S&P Capital IQ / Clarifl

North America Has Been Driving Up Global Developed Market Equity Valuations

- It is no surprise that the US looks expensive. More interesting to us is that Australia and Singapore look similarly or more overvalued than other major developed market countries. That was also true for Canada until recently.
- While World ex USA and Europe don't look cheap, valuations look more reasonable than what we see in North America and the commodity-driven countries. Note within Europe, Germany and France look expensive on a market cap-weighted basis.

Valuation Comparison of Global Developed Markets Regions & Major Countries

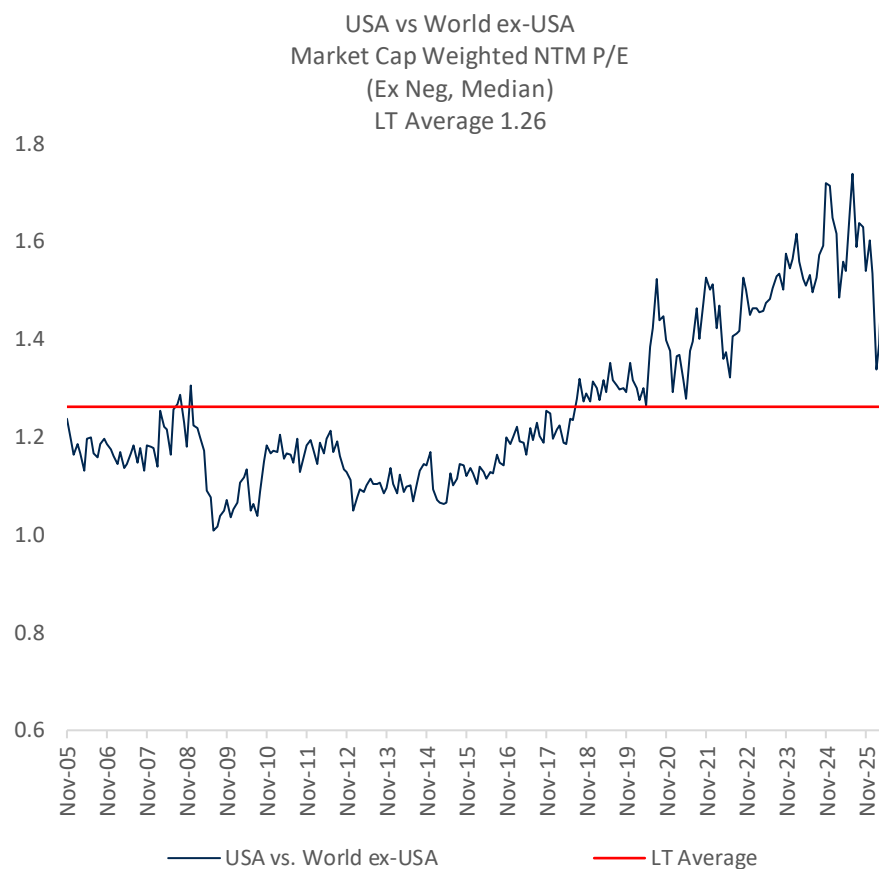
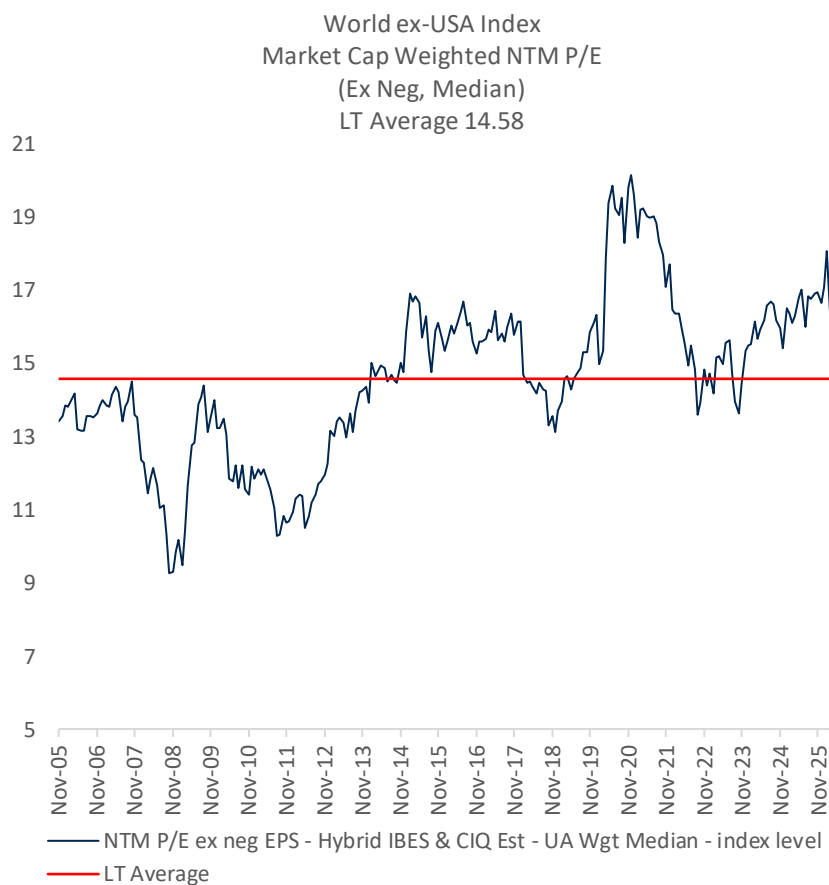


Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.

Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; regions/countries based on MSCI constituents with negative earners excluded.

US Premium Relative to Non-US Dropped Sharply Ahead of the War, Is Returning Again

- The US valuation premium over the rest of the world fell last fall and in early 2026, and got close to its long-term average in February ahead of the Iran war. The US has begun to rebuild its premium in recent updates, but is not yet back to past highs.

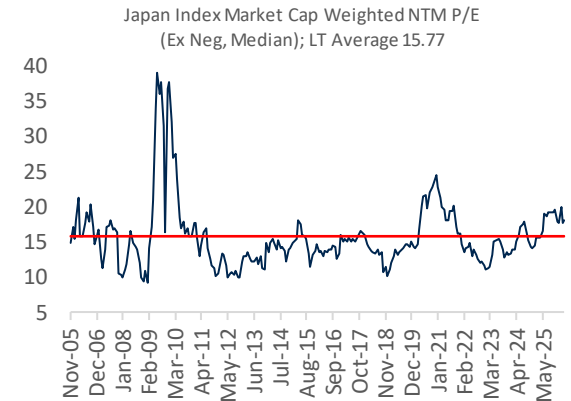
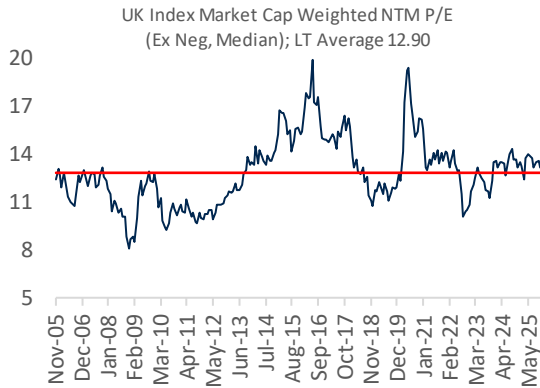
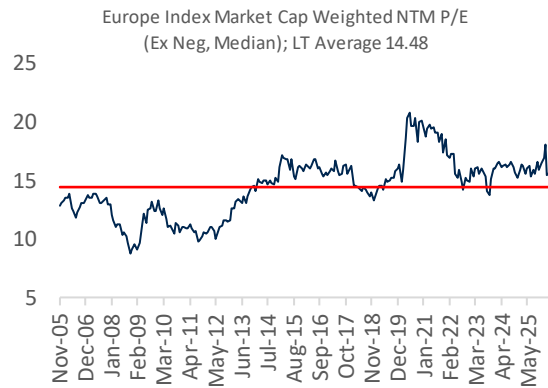
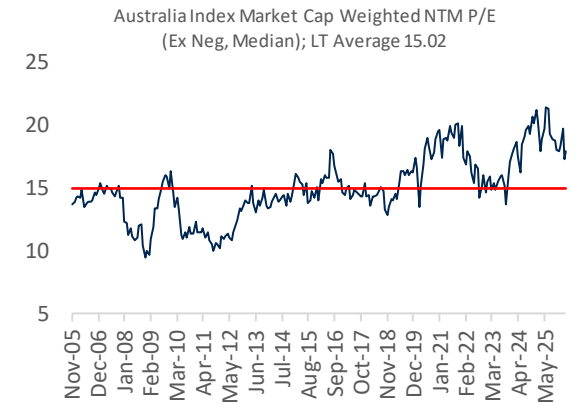
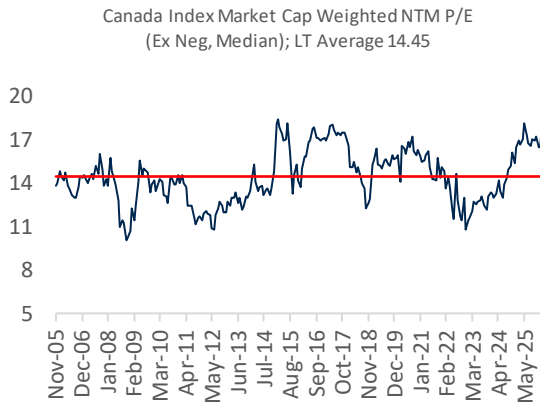
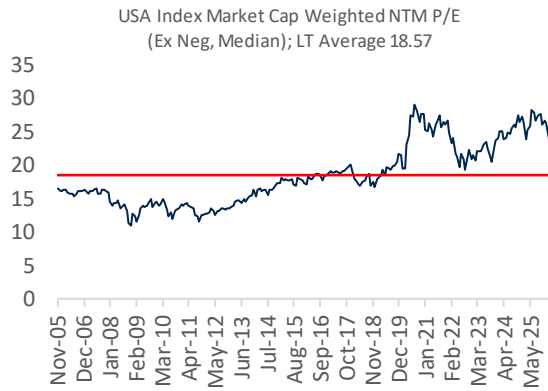


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Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; regions/countries based on MSCI constituents with negative earners excluded.

Key Major Non-US Developed Markets Countries Have Seen Their P/Es Move Down

- The US P/E has started to rebound. The P/Es for Canada, Australia, Europe, and UK have moved down in the latest updates.
- In the case of Canada and Australia, early-2026 levels were close to past highs (more so for Canada).



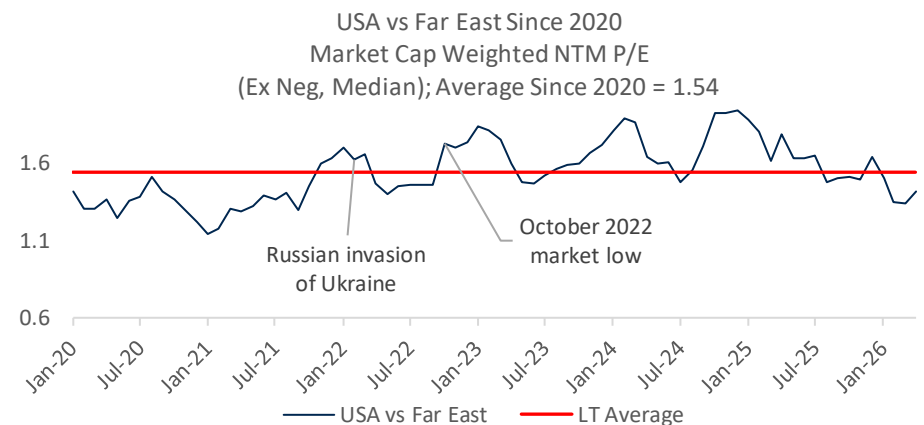
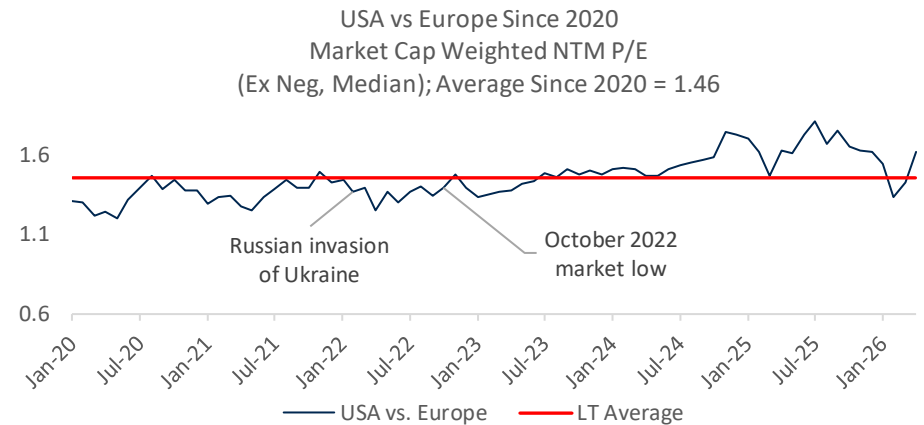
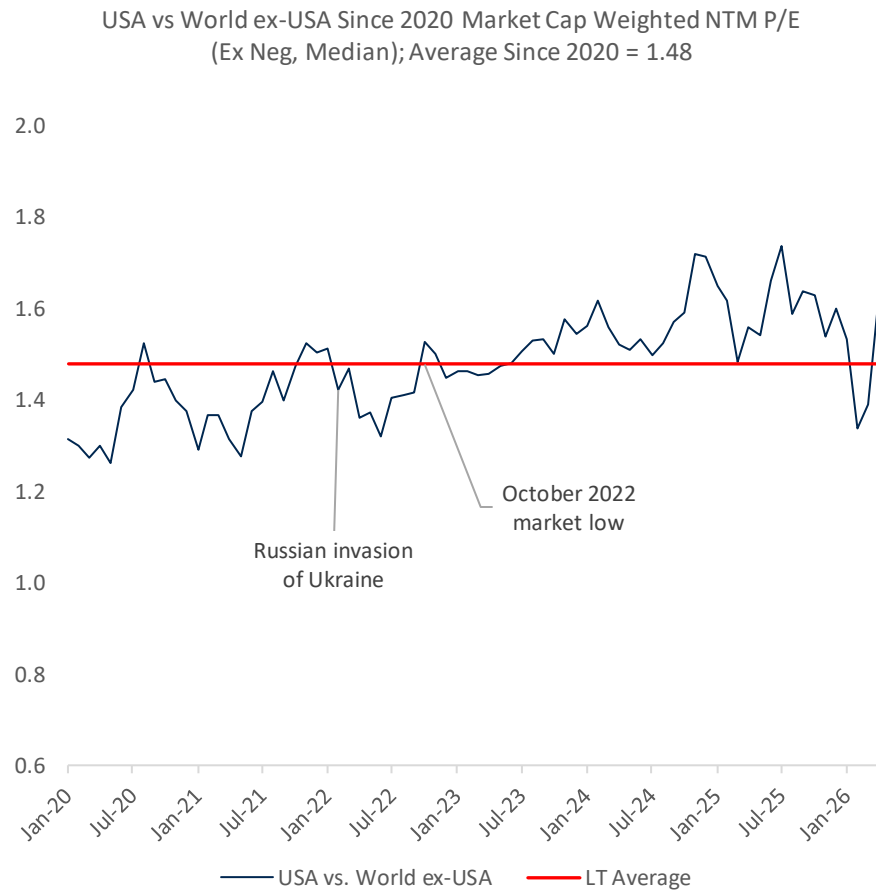
Note: The red line represents the long-term average of the time series.

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Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; countries based on MSCI constituents with negative earners excluded.

US P/E Is Now Slightly Above Its Five-Year Average Relative to Non-US and Europe

- In late 2025/early 2026, we saw the US P/E compress relative to Non-US, Europe, and the Far East. Those declines took the US below its post-COVID average relative to non-US, Europe, and the Far East. We think AI fears were largely responsible for the relative P/E compression seen late last year, setting up for a defensive trade back into the US after the US strikes on Iran occurred.
- Since the low in the broader market in late March, US valuations have been climbing relative to non-US valuations again. They are back above average but don't look extreme yet.



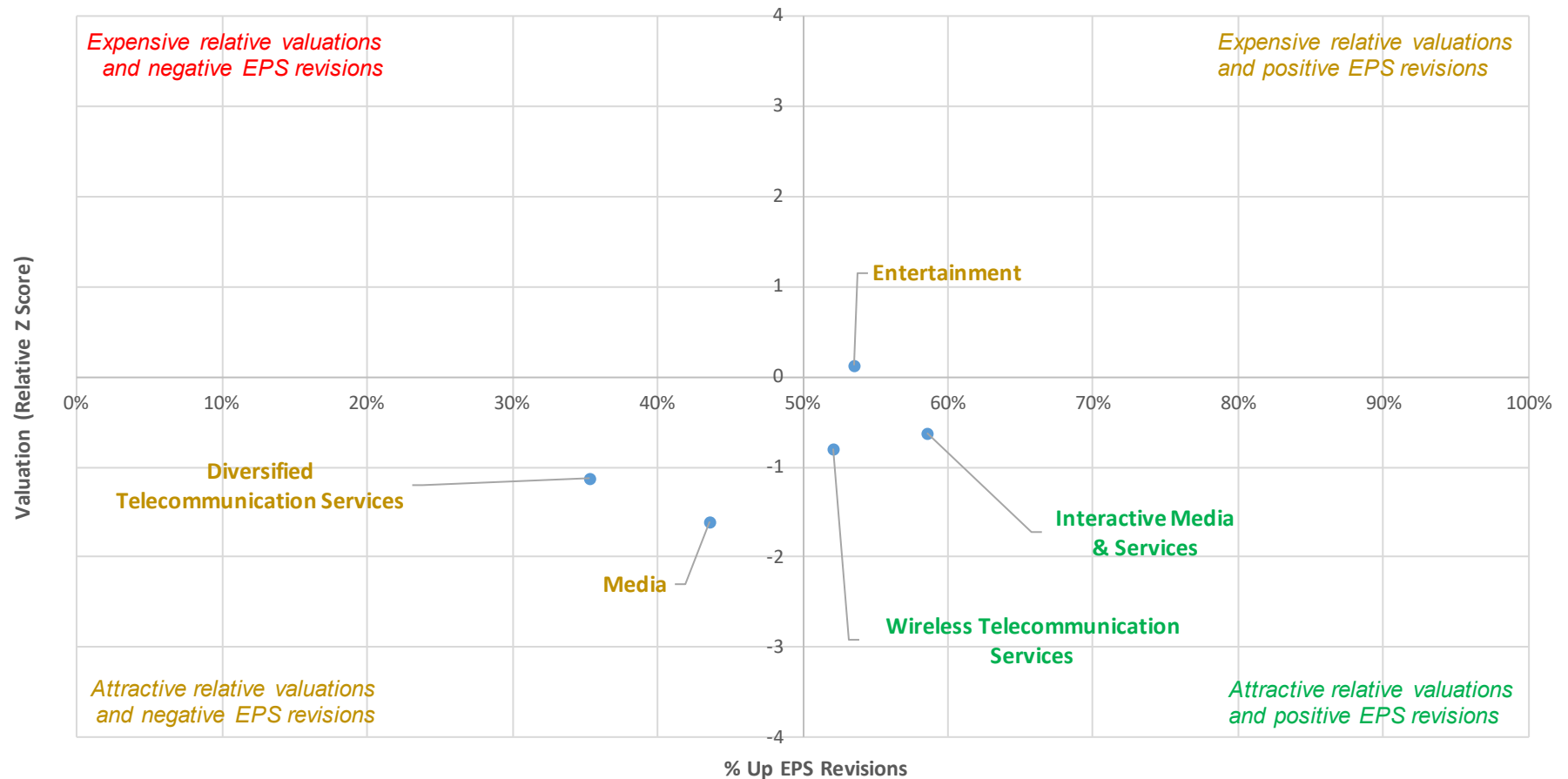
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Source: RBC US Equity Strategy, MSCI, S&P Capital IQ Clarifi; as of April 28, 2026; please see the MSCI disclaimer at the end of this report; regions/countries based on MSCI constituents with negative earners excluded.

Within Comm Svcs, All Industries Look Attractively Valued Except for Entertainment

- Interactive Media & Services and Wireless Telecommunication Services have attractive valuations and positive revisions.
- Diversified Telecommunication Services and Media have negative EPS revisions, but attractive valuations.

FY1 & FY2 % Upwards Est Revisions for EPS by Industry (4 Week Avg)
vs. Rel FY2 P/E (Median, Ex Neg, Z Score)
Russell 3000 Communication Services Sector

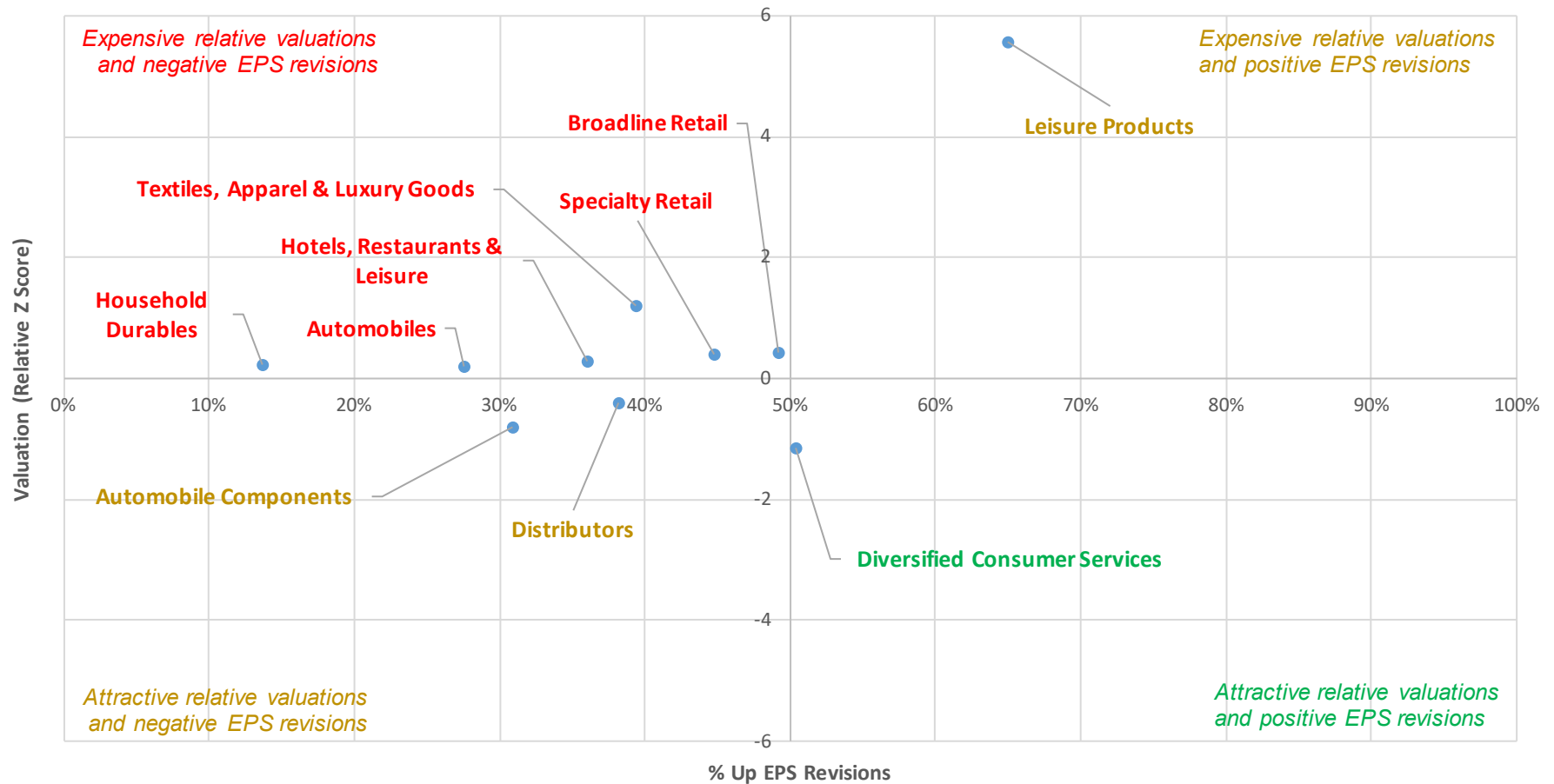


Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell, as of April 28, 2026

Within CD, Most of the Industry Groups Have Negative EPS Revisions & Lack Valuation Appeal

- Textiles, Apparel & Luxury Goods, Hotels, Restaurants & Leisure, Broadline Retail, Specialty Retail, Autos, and Household Durables look pricey and have weak EPS revisions. Leisure Products have positive revisions but expensive valuations. These are all areas that may be more vulnerable to the impacts of higher energy costs going forward given the lack of valuation appeal.
- Automobile Components and Distributors have weaker revisions. Valuations look reasonable (in line with the average) but not cheap.
- Diversified Consumer Services are the only bright spots with slightly attractive valuations and positive earnings revisions.

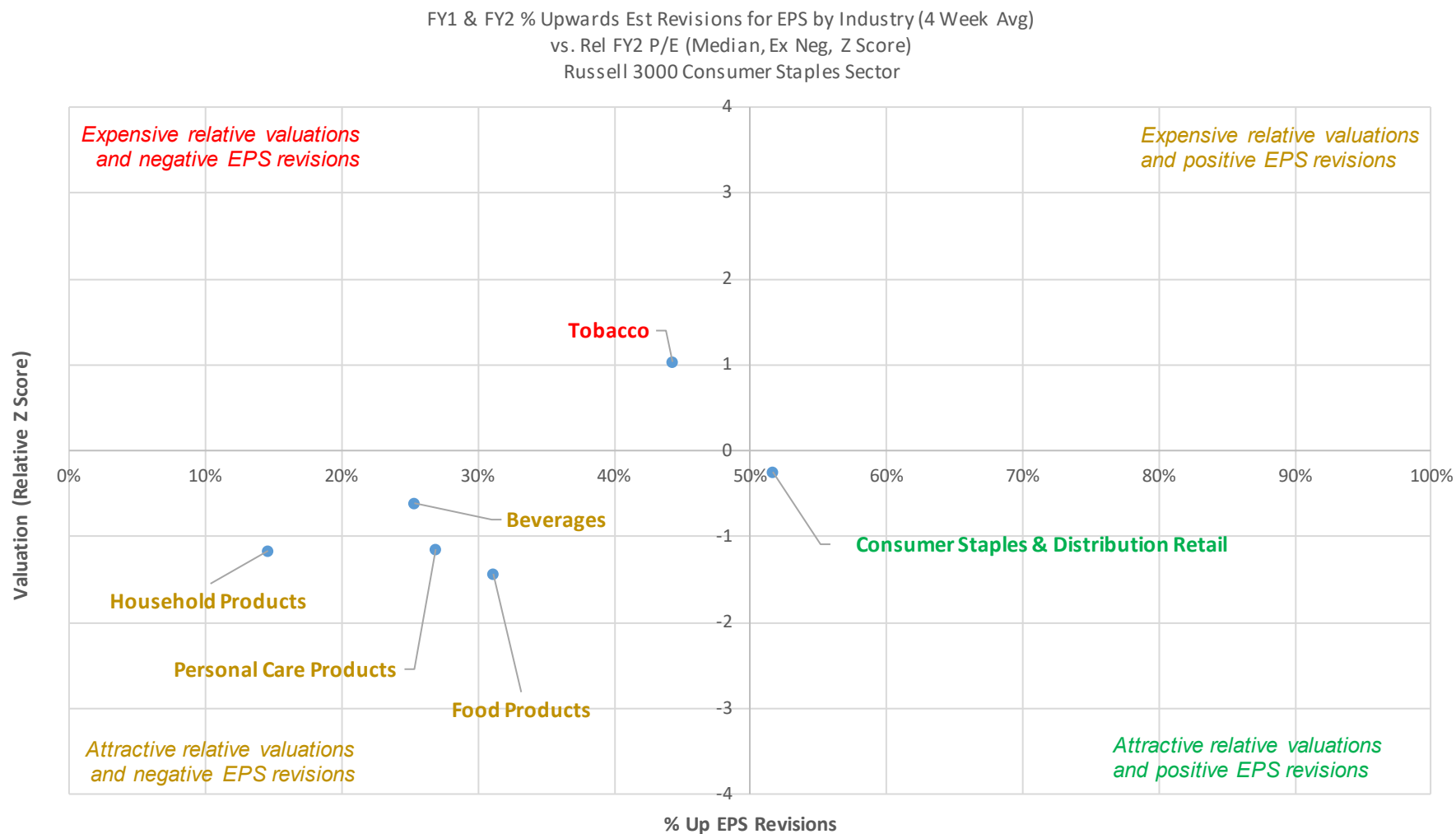
FY1 & FY2 % Upwards Est Revisions for EPS by Industry (4 Week Avg)
vs. Rel FY2 P/E (Median, Ex Neg, Z Score)
Russell 3000 Consumer Discretionary Sector



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell; as of April 28, 2026

Within Staples, Tobacco Has Expensive Valuations but Other Groups Look Cheap

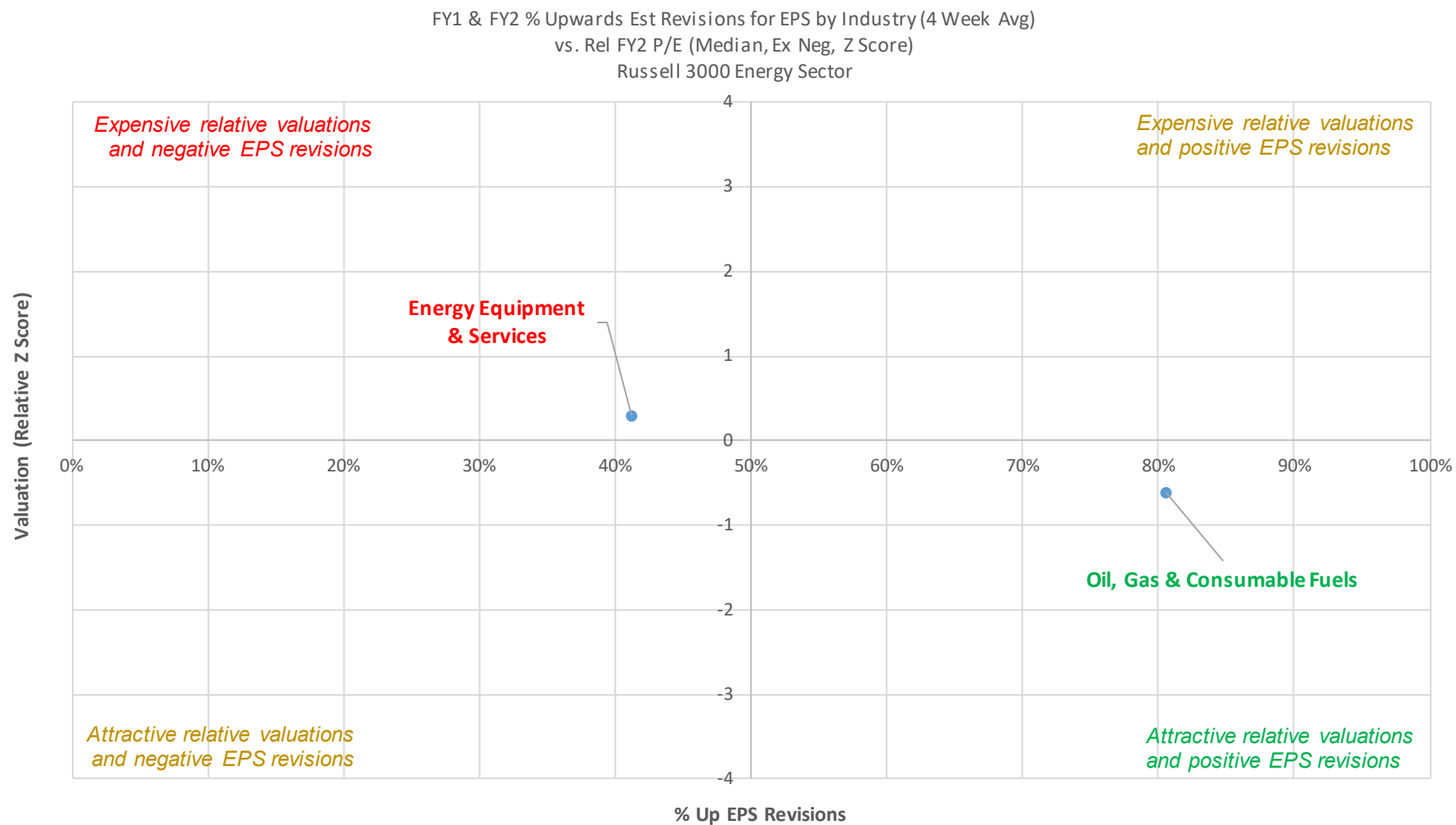
- Consumer Staples & Distribution Retail has attractive valuations and positive earnings revisions.
- Food Products, Beverages Household Products, and Personal Care Products look attractively valued but EPS revisions are weak.



Source: RBC Equity Strategy, S&P Capital IQ / Clarifi, Russell; as of April 28, 2026

Within Energy, Valuations Are Close to Average for Both Industries

- We see a little more valuation appeal in the oil and gas names.
- Oil, Gas & Consumable Fuels have positive EPS revisions while Energy Equipment & Services have negative ones.

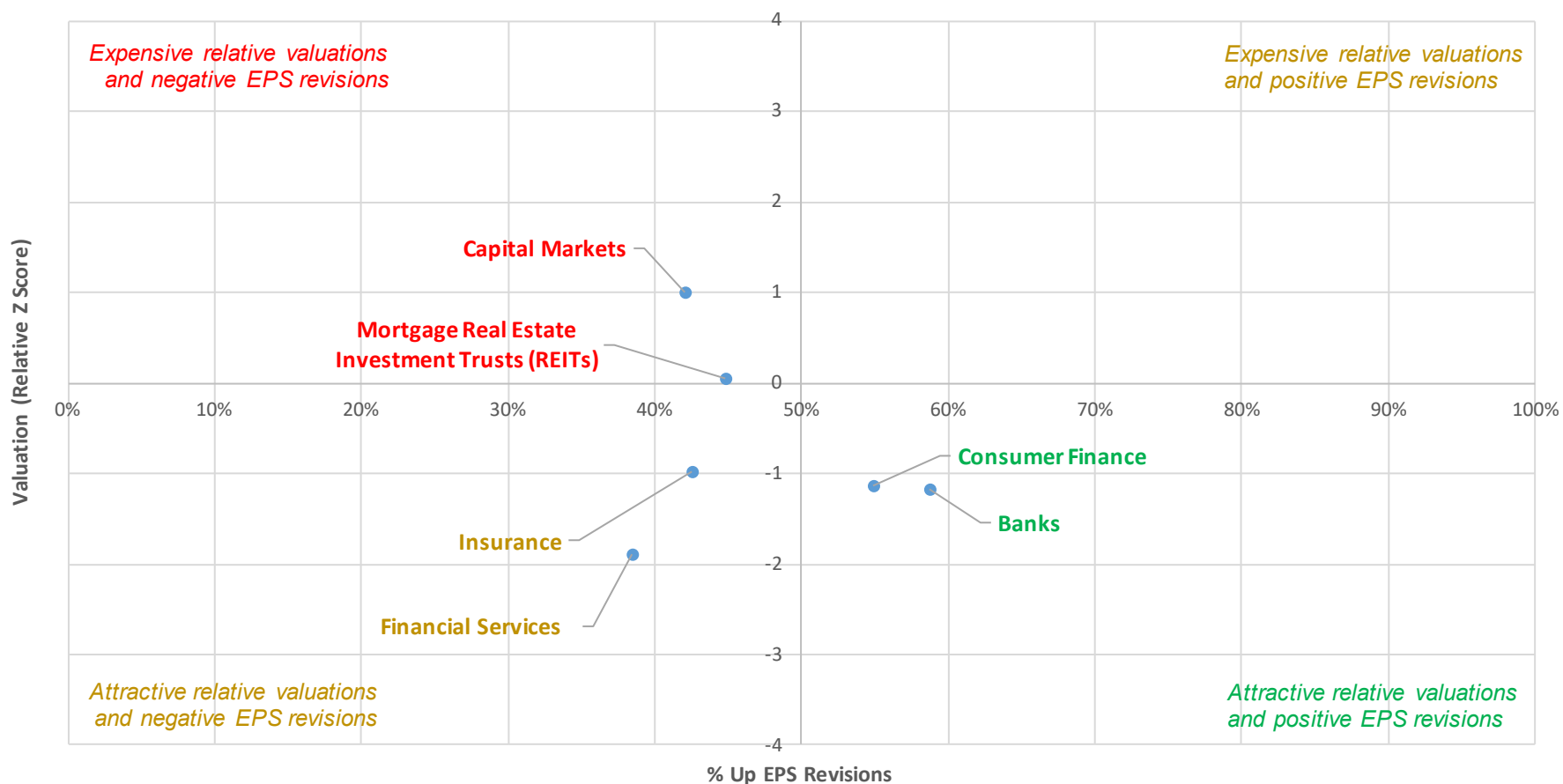


Source: RBC Equity Strategy, S&P Capital IQ / Clarifi, Russell; as of April 28, 2026

Within Financials, Capital Markets Are Still Screening Expensive With Negative EPS Revisions

- Capital Markets was expensive to start the year. Valuations had improved to average levels but have turned slightly expensive again. Note that the industry used to have positive earnings revisions, but those have turned negative now. Mortgage REITs also screen expensive with negative earnings revisions.
- Banks and Consumer Finance have attractive valuations and screen positive on their EPS revisions.
- Insurance and Financial Services have attractive valuations too but screen negative on their EPS revisions.

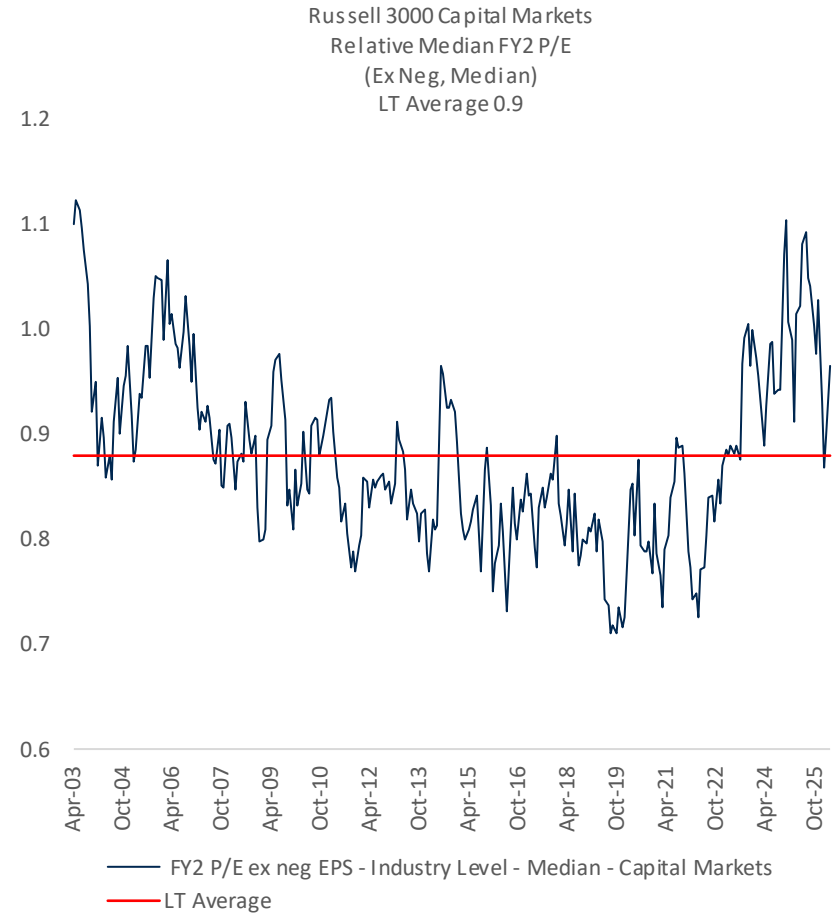
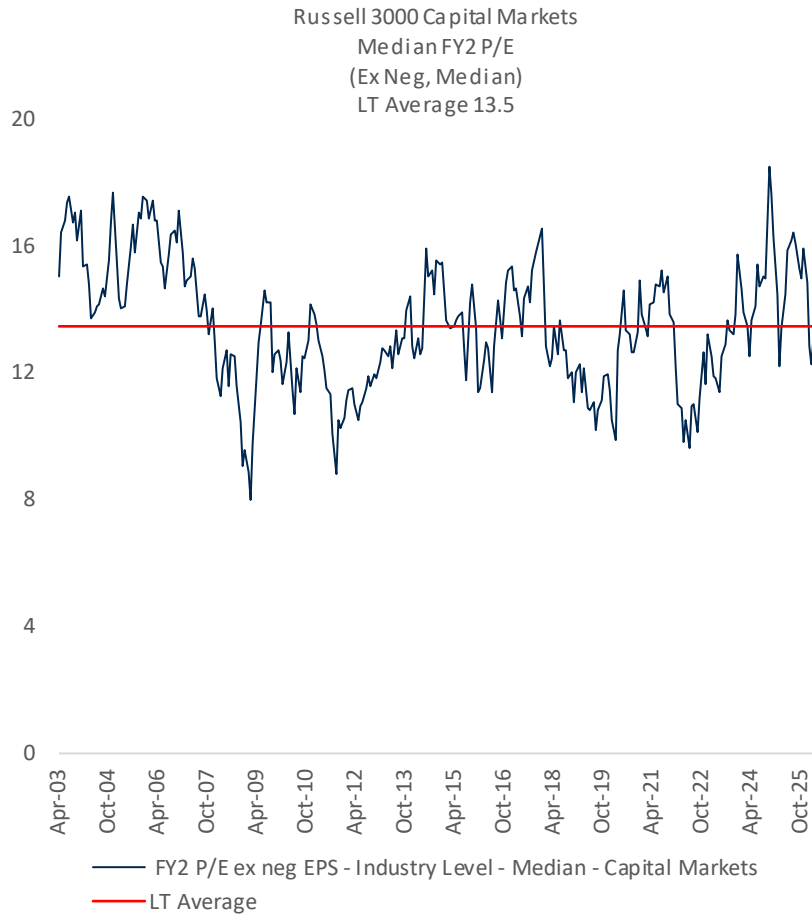
FY1 & FY2 % Upwards Est Revisions for EPS by Industry (4 Week Avg)
vs. Rel FY2 P/E (Median, Ex Neg, Z Score)
Russell 3000 Financials Sector



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell; as of April 28, 2026

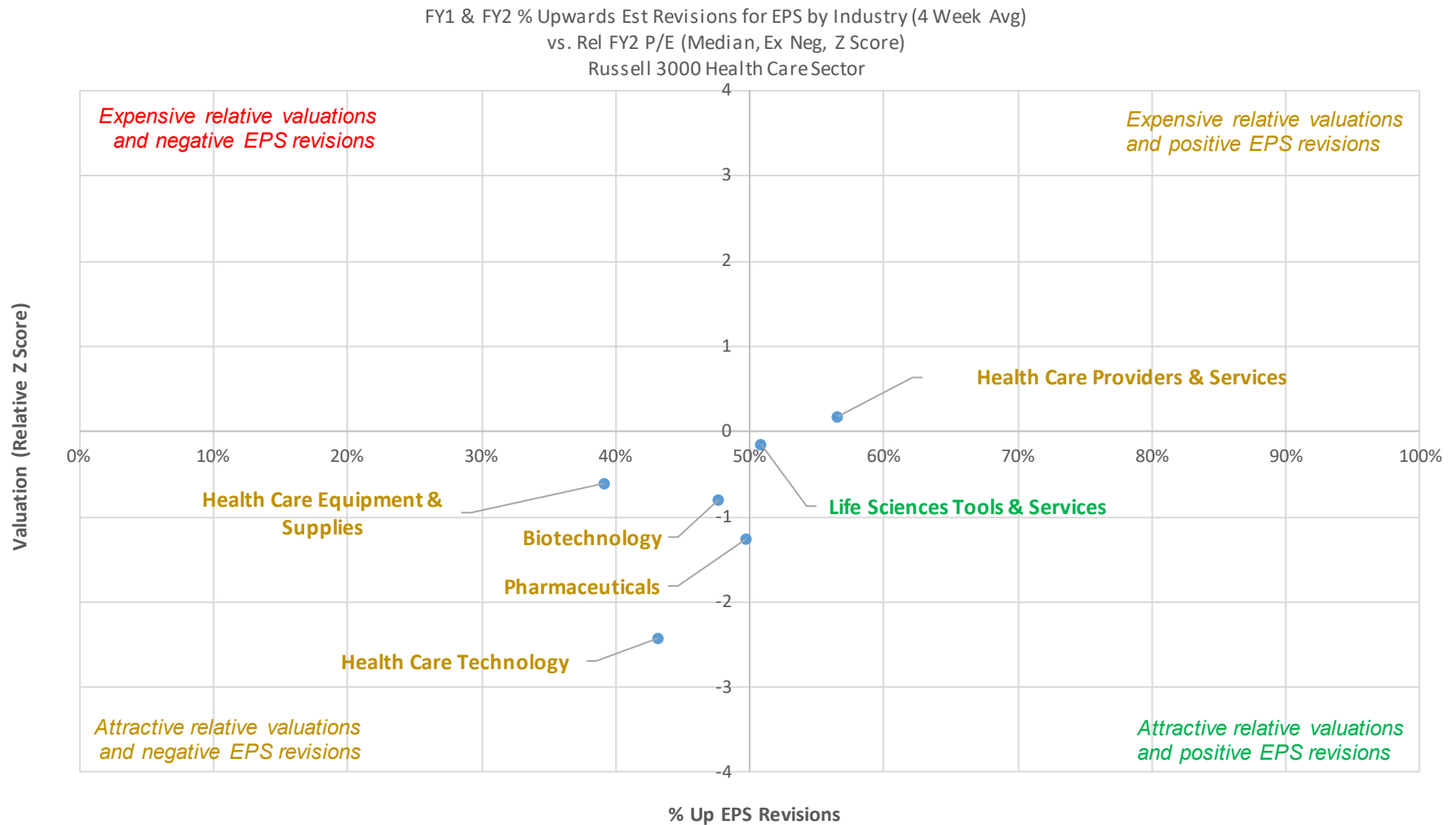
Within Financials, Capital Markets Valuations Have Pulled Back but Remain Above Prior-Cycle Lows

- Absolute valuation and relative valuation vs. the Russell 3000 recently fell back down to levels slightly below the long-term average, but remained well above past troughs.



Within HC, Most Industries Have Attractive Valuations

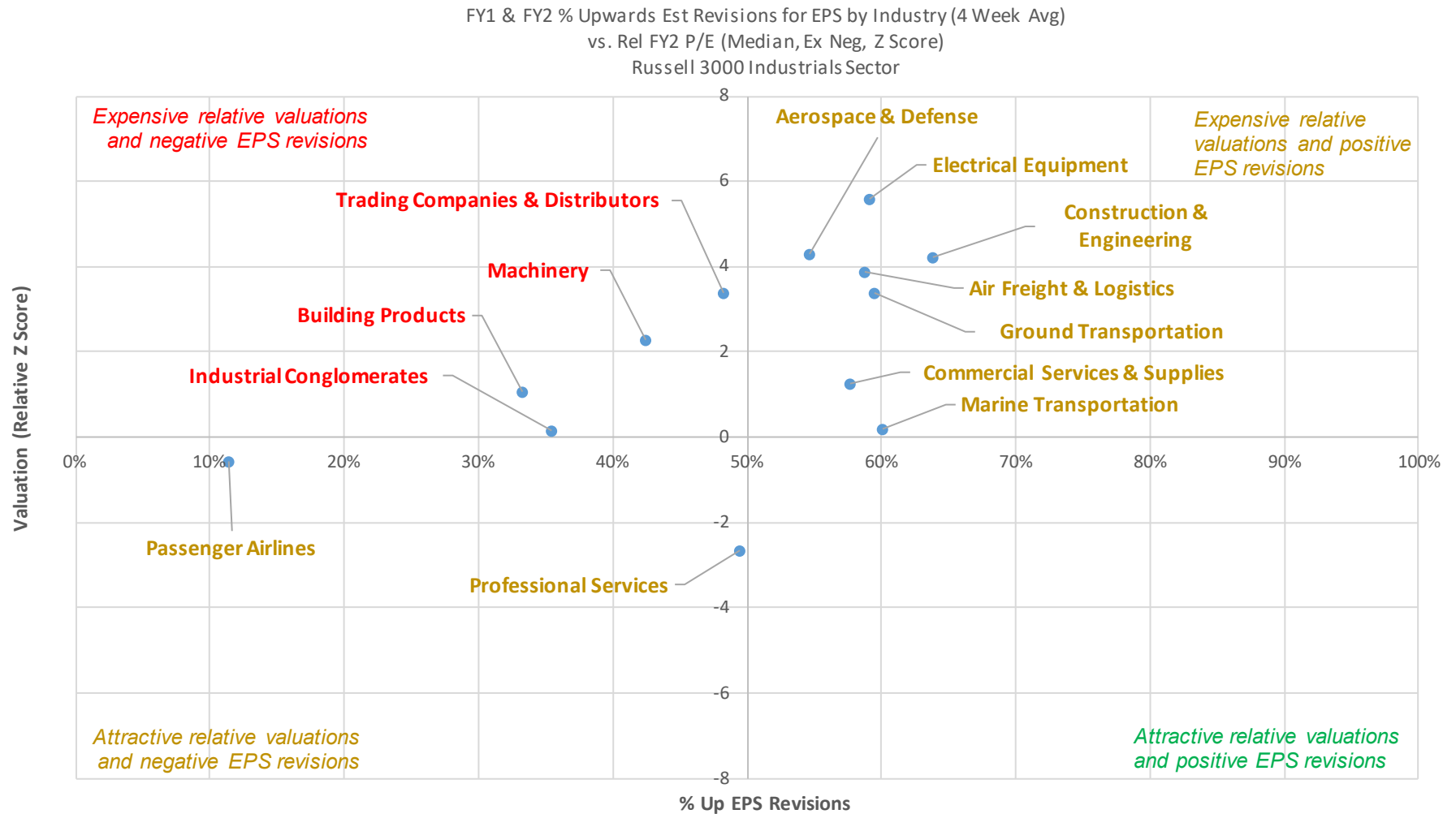
- Health Care Equipment & Supplies, Health Care Tech, Biotech, and Pharma have attractive valuations but negative EPS revisions. On the flip side, Health Care Providers & Services are pricey with positive revisions.
- Meanwhile, Pharma is the only industry with attractive valuations and slightly positive earnings revisions.



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell, as of April 28, 2026

Within Industrials, Few Groups Look Attractively Valued

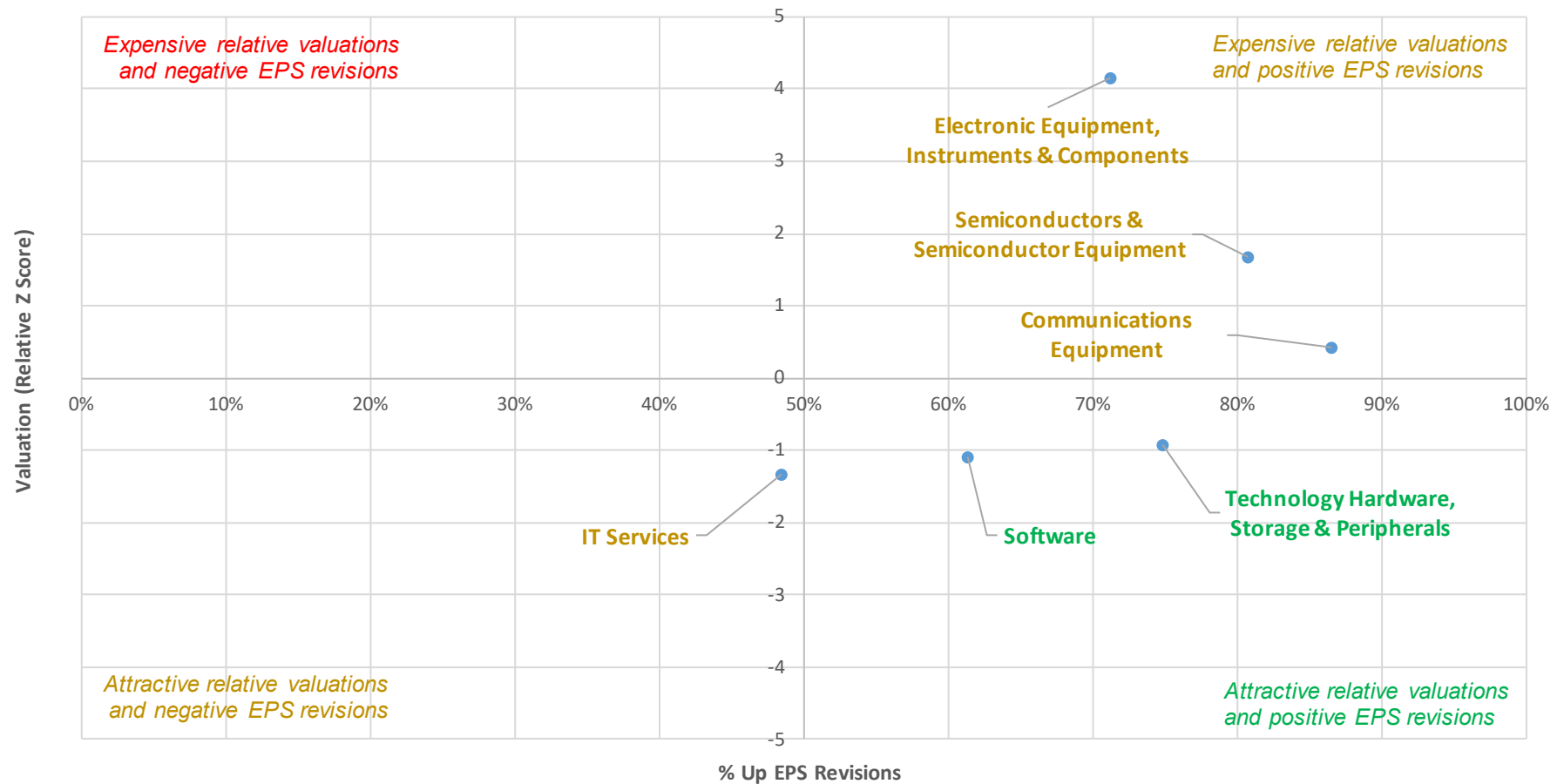
- No industry looks attractively valued and has positive EPS revisions. Electrical Equipment and Aerospace & Defense now screen extremely expensive per our model with relative valuations of close to six and four standard deviations above the long-term average, respectively.



Within Tech, All Industries Have Positive EPS Revisions Except for IT Services

- Software, Tech Hardware, and IT Services all have attractive valuations.
- Semis/Semi Equipment and Electronic Equipment Instruments & Components lack valuation appeal.

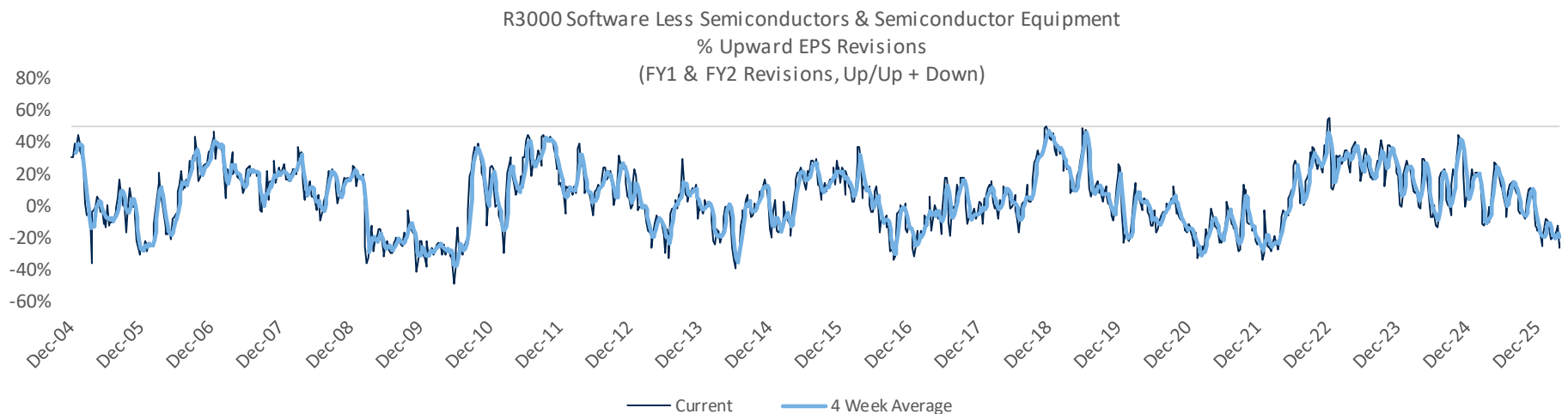
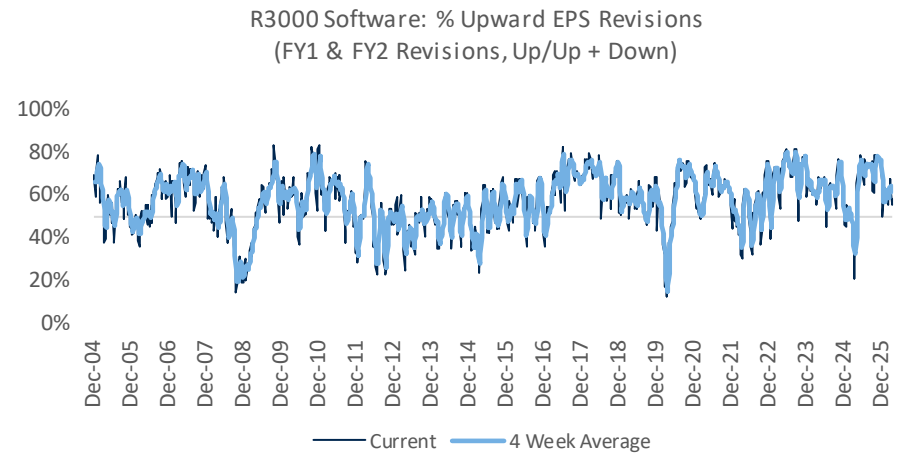
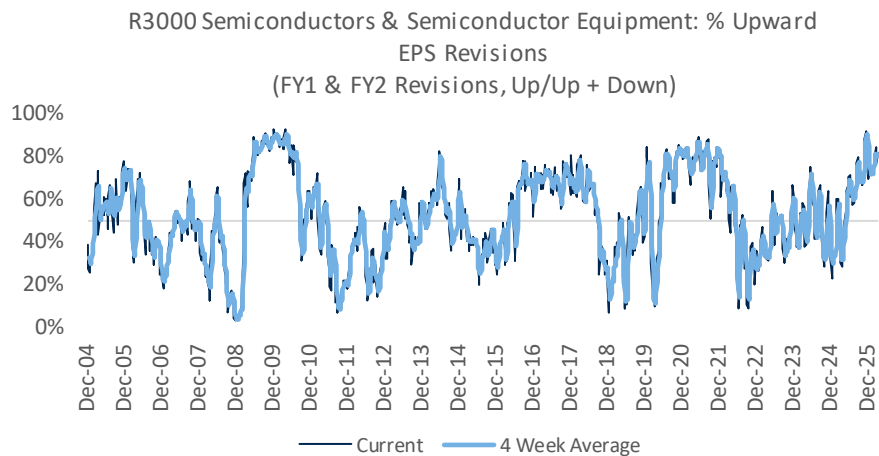
FY1 & FY2 % Upwards Est Revisions for EPS by Industry (4 Week Avg)
vs. Rel FY2 P/E (Median, Ex Neg, Z Score)
Russell 3000 Information Technology Sector



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell; as of April 28, 2026

Semis EPS Estimate Revisions Have Been Near Peak, While Software Revisions Have Fallen Sharply

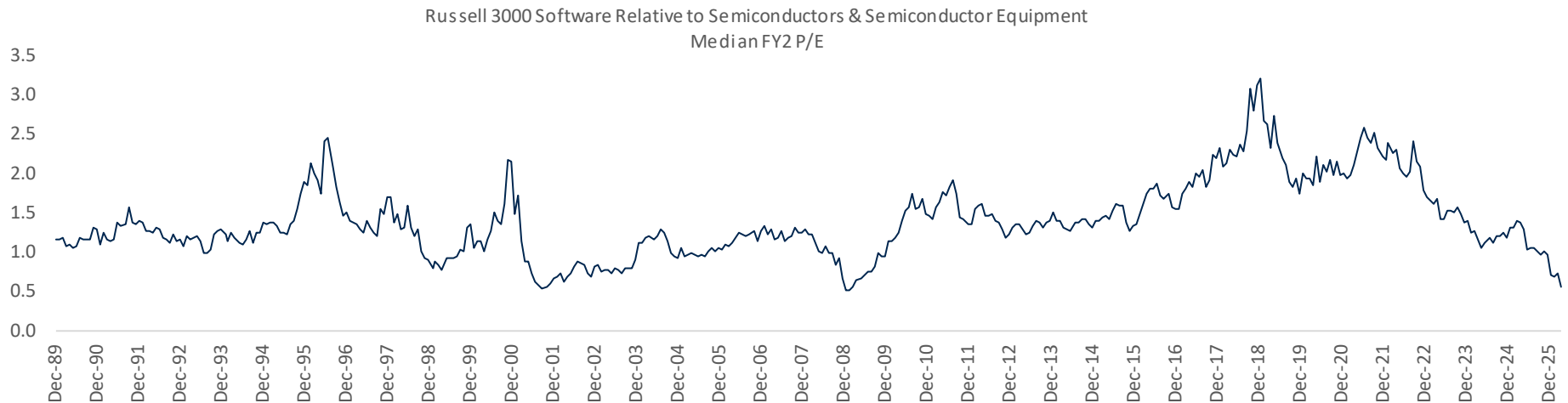
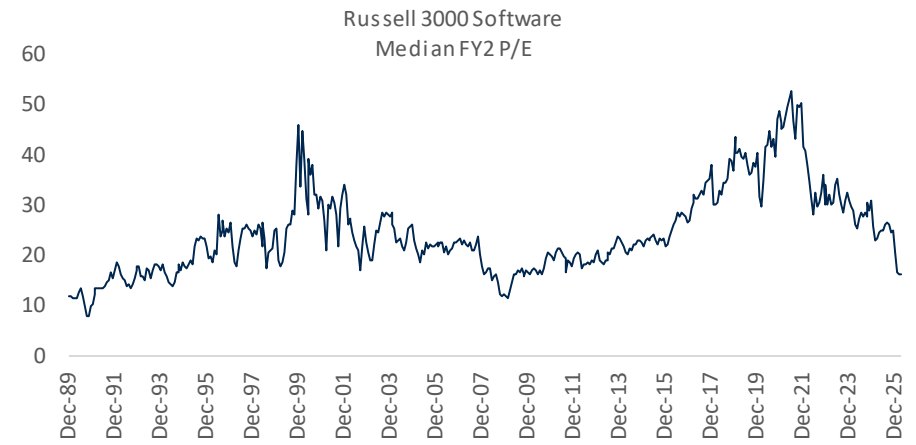
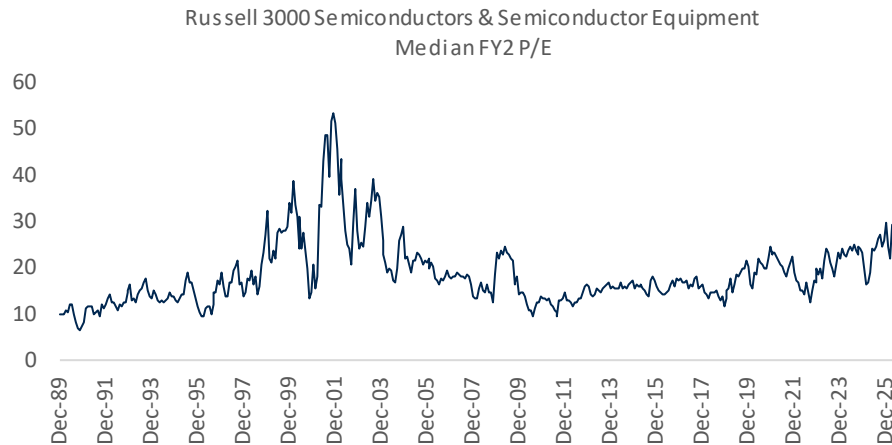
- One thing we've been pointing out in recent client meetings is that Software revisions have stabilized around the 50% mark, but haven't yet entered negative revisions territory. While valuations for this industry are close to past lows, we are not seeing the same thing on Software EPS revisions and normally like to see extreme negative EPS revisions and depressed valuations before considering an industry to be washed out.



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell; as of April 28, 2026

Semis Valuations Stalling Near Post-GFC Highs, Software FY2 P/Es Approaching Past Lows

- We had seen some slight contraction in Semis P/E, but it's popped back up again to recent highs.
- The relative P/E of Software relative to Semis has gotten close to Tech bubble and GFC lows. Some investors have recently raised the idea to us of Software potentially going up in the Russell value indices in the upcoming reconstitution, which could prompt buying by Value PMs.

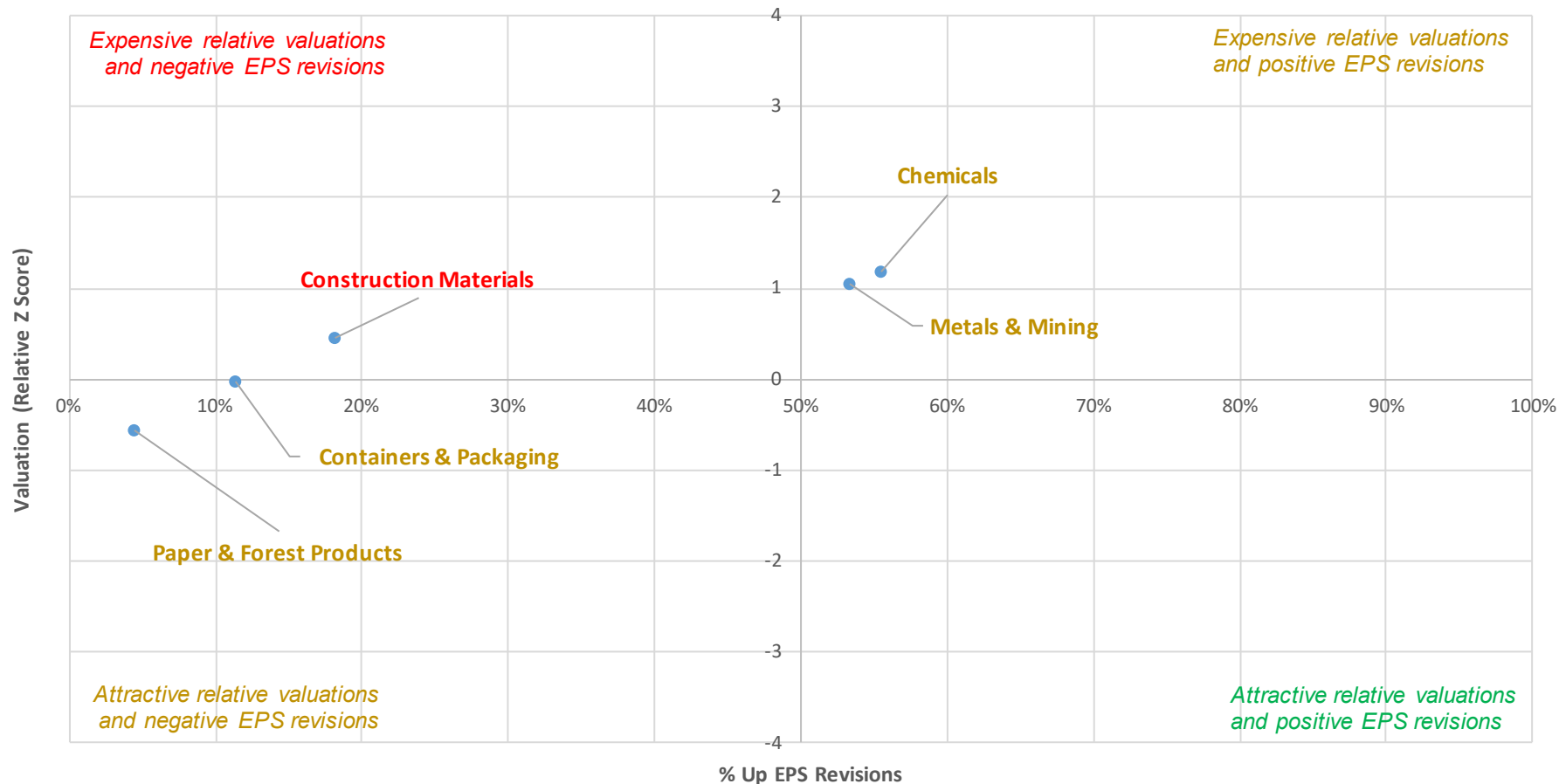


Source: RBC Equity Strategy, S&P Capital IQ / Clarifl, Russell; as of April 28, 2026

Within Materials, Construction Materials Stands Out With Negative EPS Revisions and Pricy Valuation

- Metals and Mining and Chemicals have positive EPS revisions. Valuations have fluctuated recently and are currently sitting a bit above their long-term average.
- Paper & Forest Products and Containers & Packaging appear to have attractive valuations but have negative earnings revisions.

FY1 & FY2 % Upwards Est Revisions for EPS by Industry (4 Week Avg)
vs. Rel FY2 P/E (Median, Ex Neg, Z Score)
Russell 3000 Materials Sector

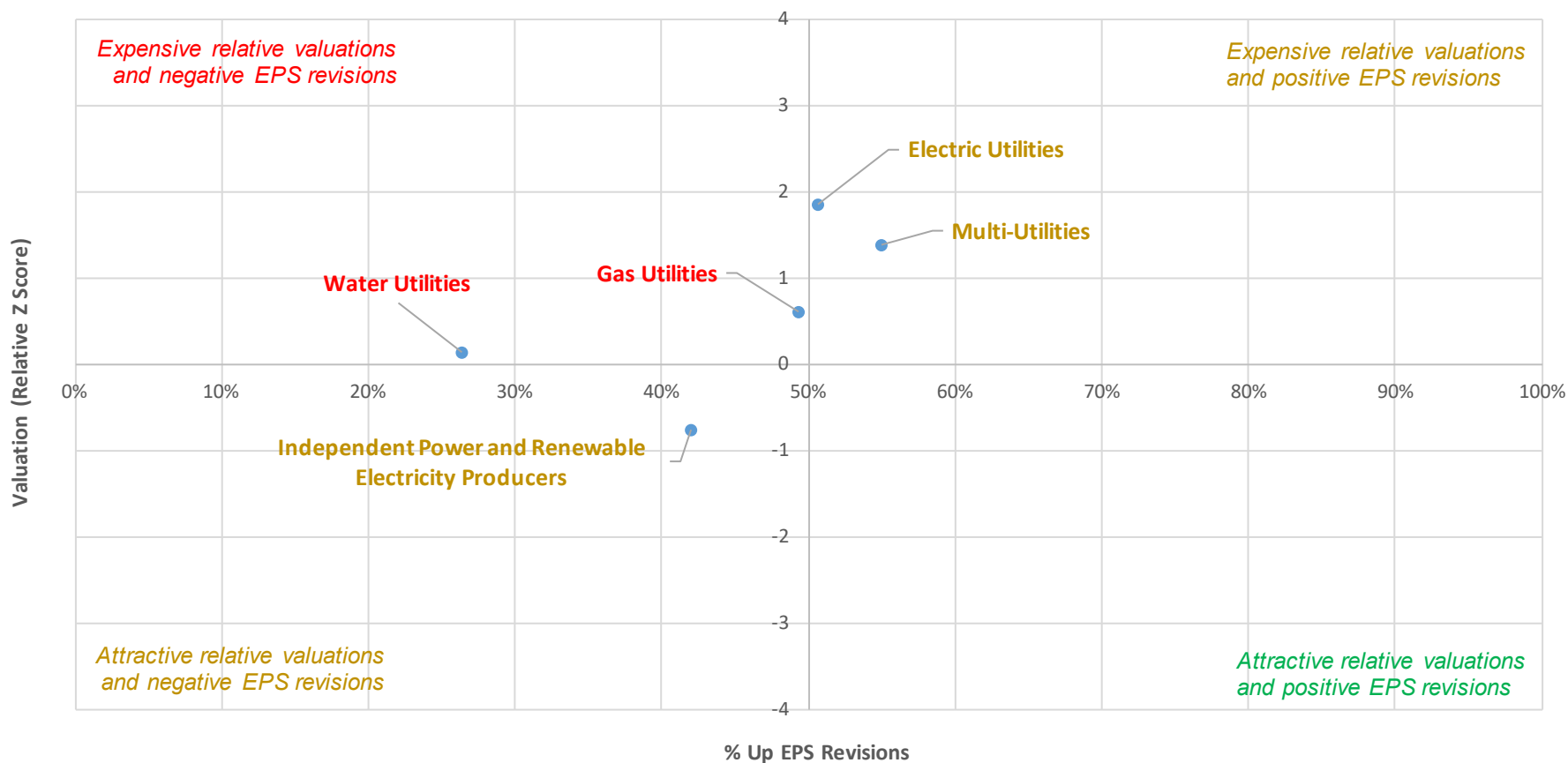


Source: RBC Equity Strategy, S&P Capital IQ / Clarifi, Russell, as of April 28, 2026

Within Utilities, Most Industries Have Expensive Valuations

- Electric Utilities and Multi Utilities have positive EPS revisions but expensive valuations.
- Water Utilities and Gas Utilities screen expensive with negative EPS revisions.
- Meanwhile, Independent Power and Renewable Producers has negative EPS revisions but is the only industry with attractive valuations.

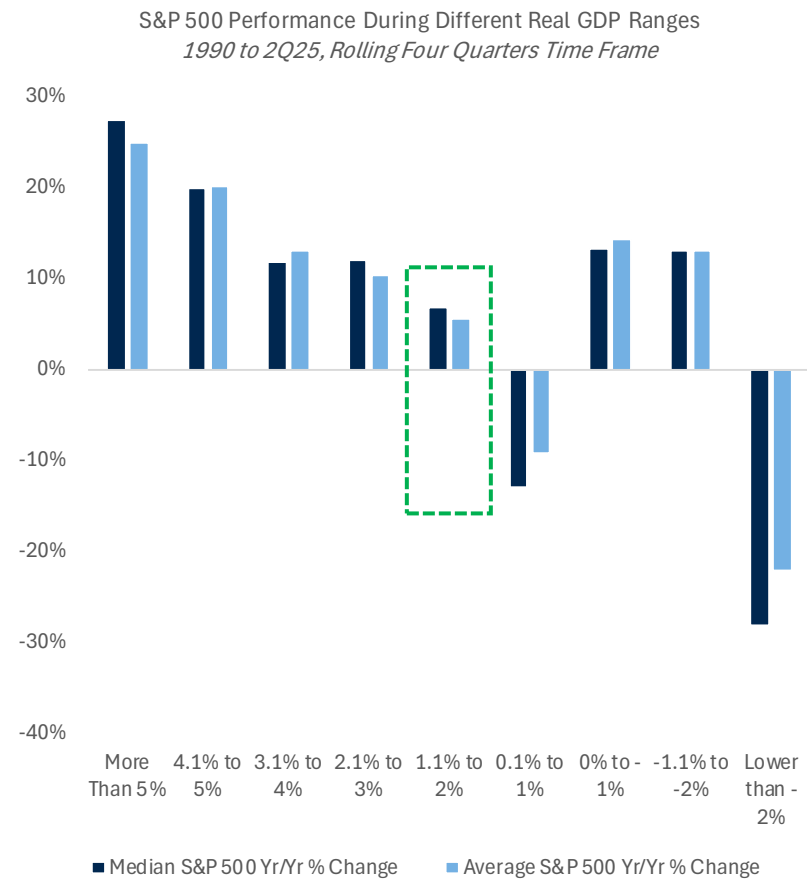
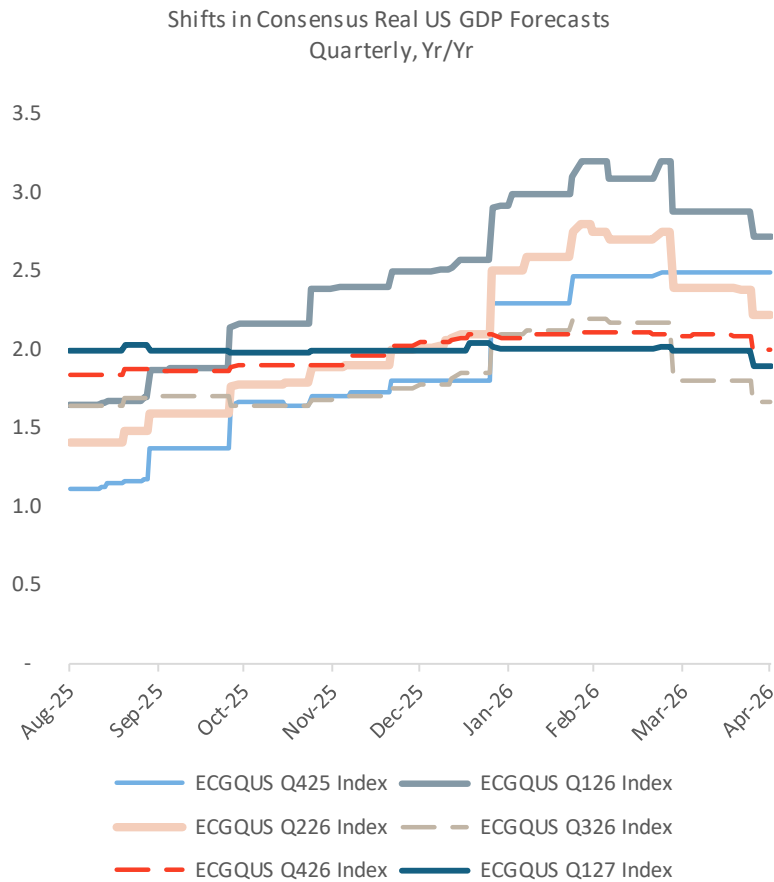
FY1 & FY2 % Upwards Est Revisions for EPS by Industry (4 Week Avg)
vs. Rel FY2 P/E (Median, Ex Neg, Z Score)
Russell 3000 Utilities Sector



Source: RBC Equity Strategy, S&P Capital IQ / ClariFI, Russell; as of April 28, 2026

Expectations for the Real GDP Backdrop Have Remained Solid from a Stock Market Perspective

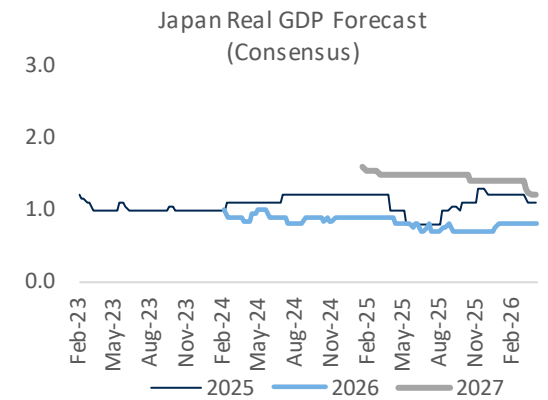
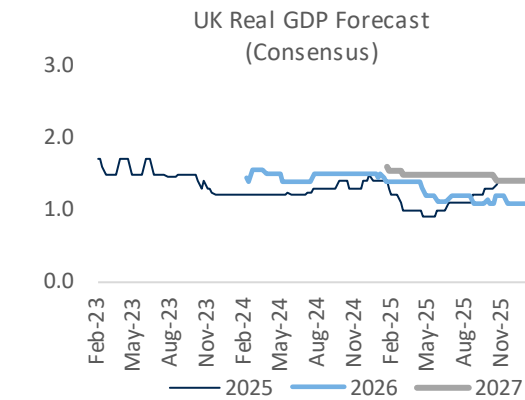
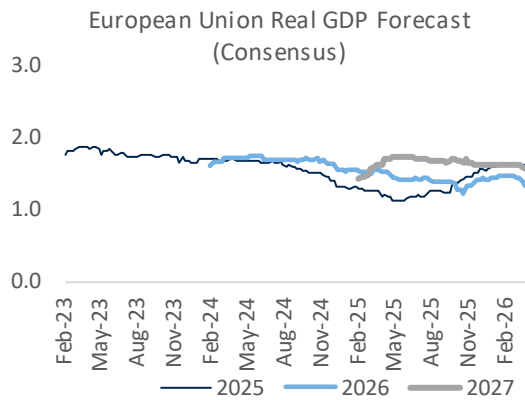
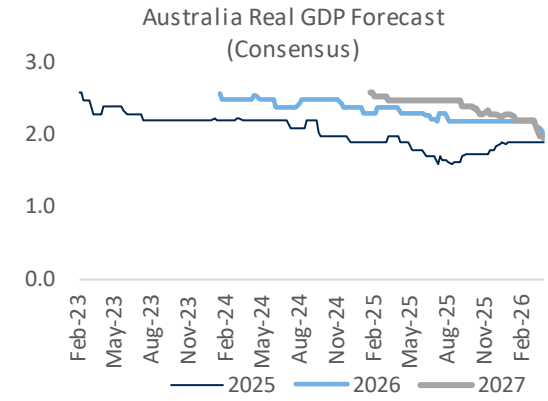
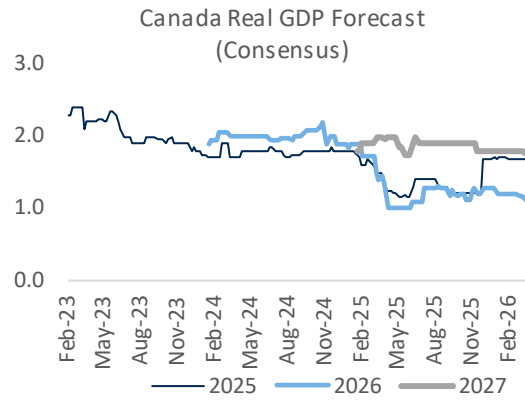
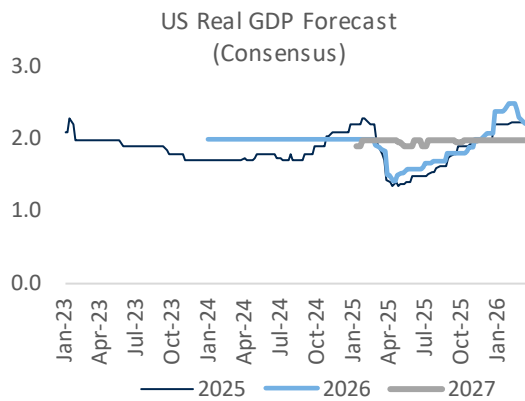
- We have seen some modest downward revisions to quarterly GDP forecasts recently, but are still in a range that points to decent stock market returns.
- RBC Economics is anticipating 1.7% for 1Q27 while the street consensus is tracking at 1.9% per Bloomberg.
- Given the fact that RBC and consensus are in the upper end of the 1.1–2% range for 1Q27, we are using an anticipated return of 5.7% in our price target modeling.
- Note if the 1Q27 real GDP forecast slips into the 0.1–1% range, that poses a downside risk to our price target as stocks tend to fall in that range.



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Source: RBC US Equity Strategy, Bloomberg, S&P; as of 4/30/26

Trends in Consensus US GDP Forecasts Had Been a Bright Spot Among Global Developed Markets

- US GDP forecasts for full-year 2026 have softened lately but remain on par with 2025's levels, which ended on strong footing and early-2027 expectations have been firm.
- Outside the US, we've seen some slippage in consensus GDP forecasts for 2026 for Canada, Australia, and Europe, but not the UK or Japan. 2027 consensus forecasts have been stable for Canada and Europe but have come down a bit for Australia, the UK, and Japan.
- Before the war, what had been jumping out to us about the US relative to other global developed market areas was that the US is expected to see GDP acceleration in 2026, while most other areas were expected to see deceleration and that among the ones with acceleration anticipated, the US was the only one where 2026 numbers had also been moving up. At the moment, what jumps out to us is that the US is expected to see some deceleration in 2027 vs. 2026, while most other non-US developed markets are expected to see some acceleration in 2027 vs. 2026. It is hard to say if this will stick with estimates in flux.

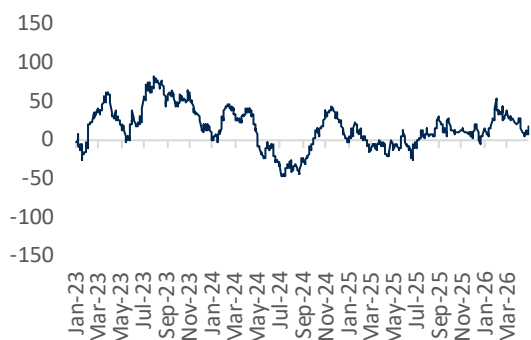


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 Source: RBC US Equity Strategy, Bloomberg; as of 4/24/2026; forecasts are the consensus tracked by Bloomberg

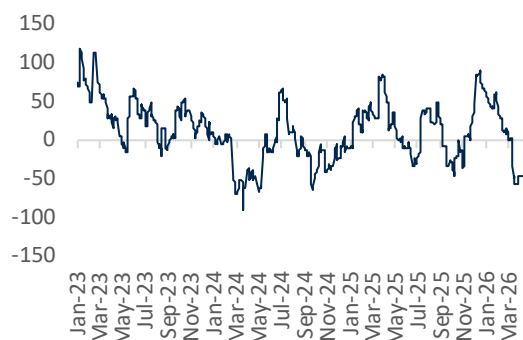
Economic Surprises Deteriorating Across Most Key Global Developed Markets

- Economic surprises generally have been positive for the US lately but trends have deteriorated in recent months. The data is starting to improve a little in the latest updates.
- Canada and Europe have fallen sharply in recent months and are in negative territory. Australia had been moving up but has stalled a bit in the last few updates.
- The UK has been picking up in recent months. Japan has been weak but in the latest updates it has seen some uptick.

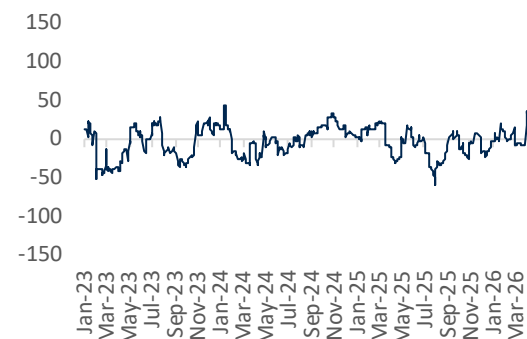
Citi Economic Surprise USA



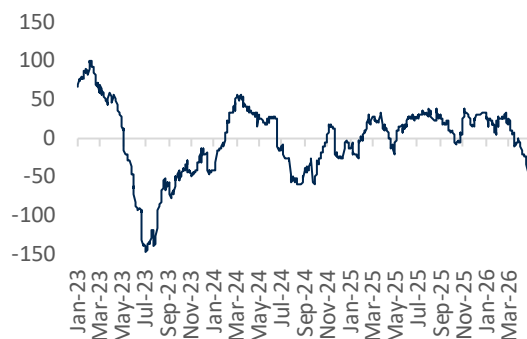
Citi Economic Surprise Canada



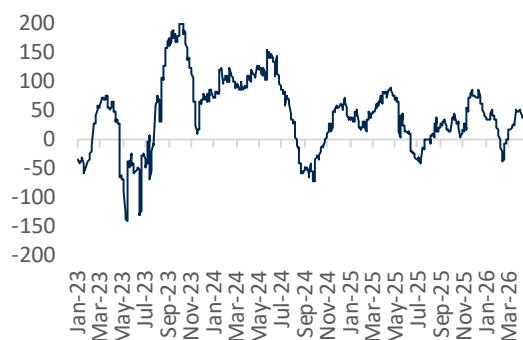
Citi Economic Surprise Australia



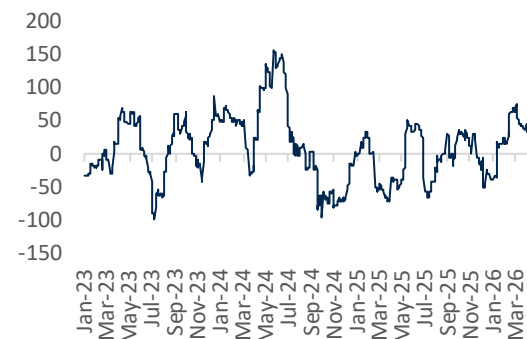
Citi Economic Surprise Eurozone



Citi Economic Surprise UK

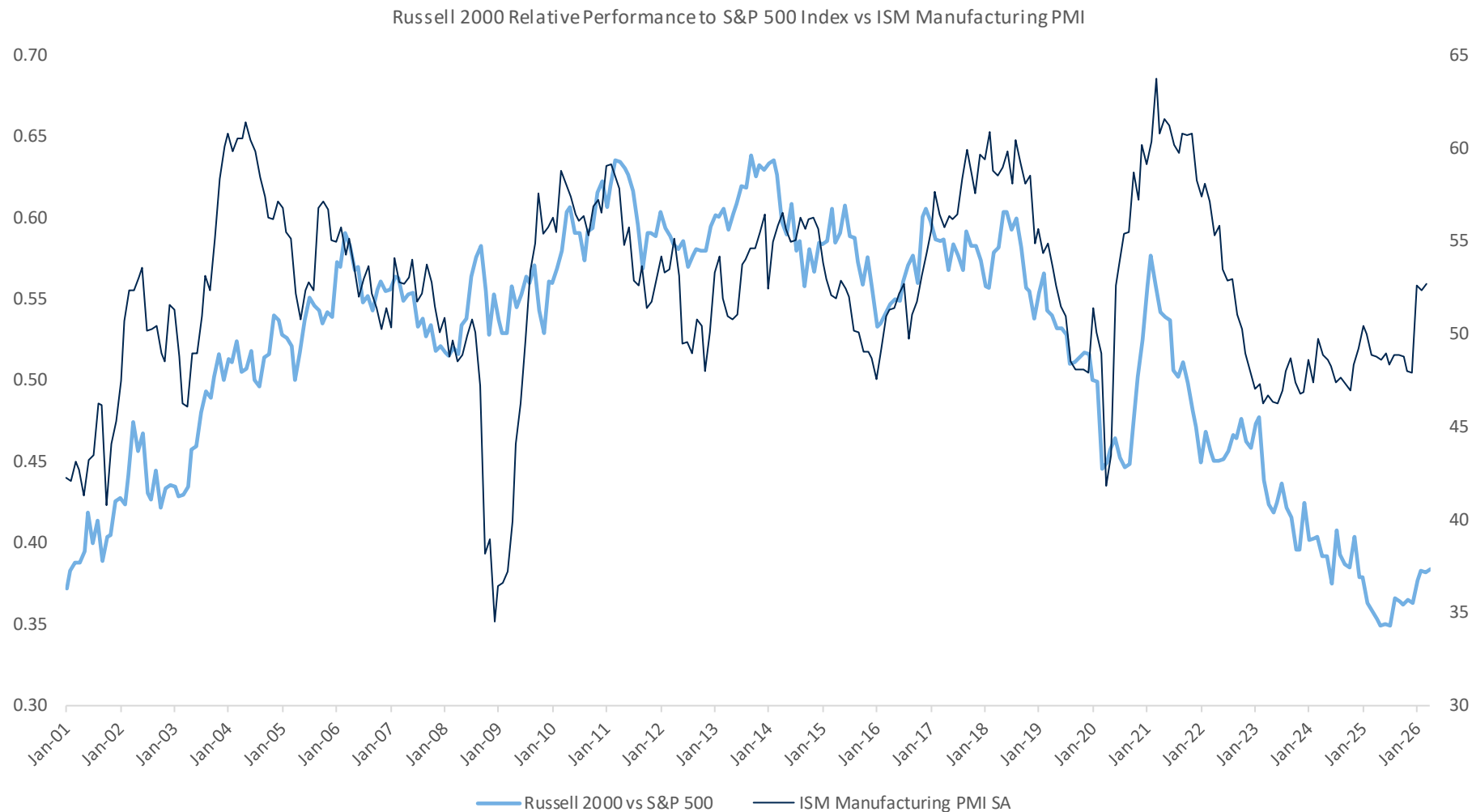


Citi Economic Surprise Japan



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 Source: RBC US Equity Strategy, Bloomberg; as of 4/30/26

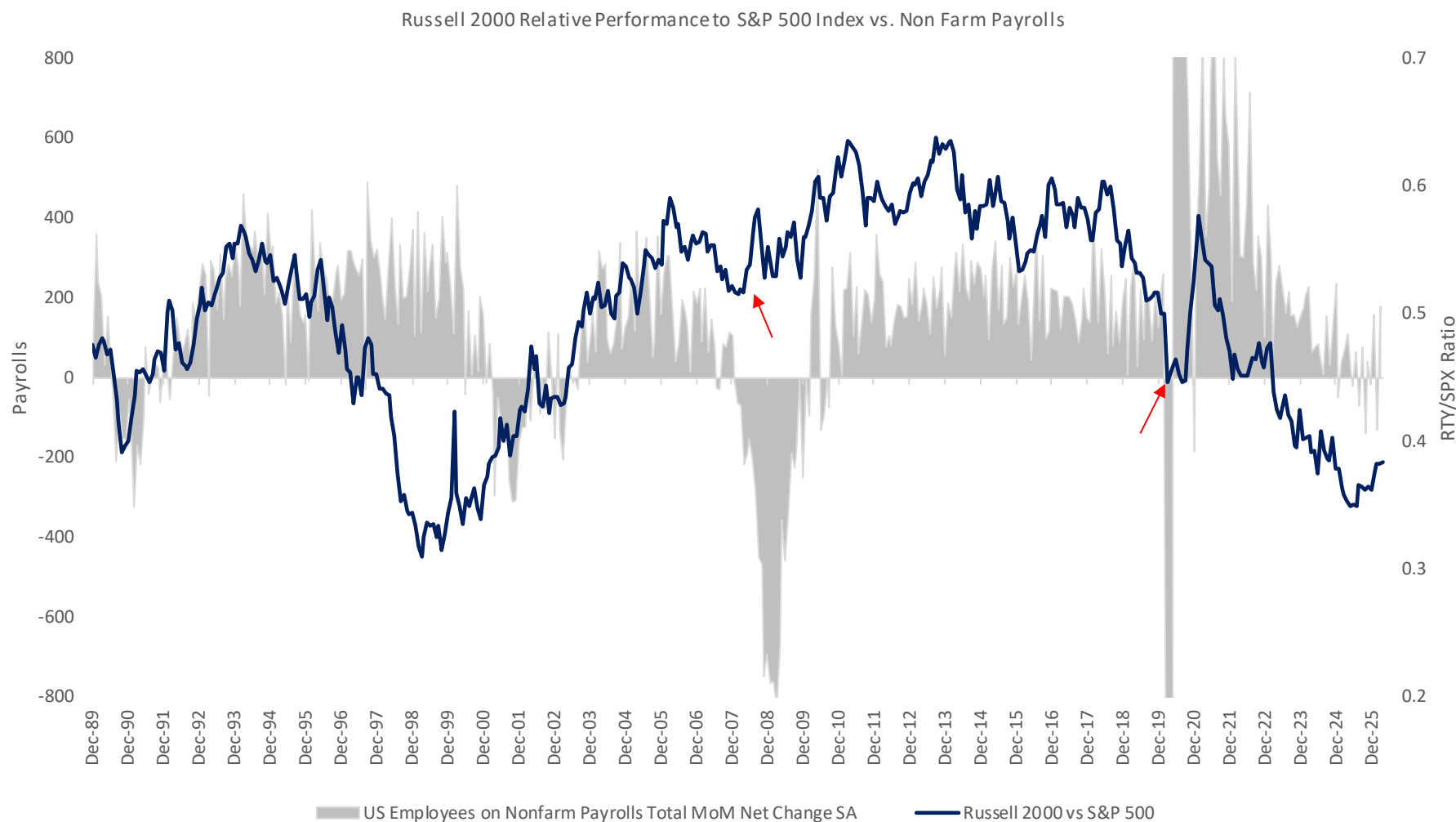
Recent Improvement in ISM Manufacturing Is Supportive of Small Caps



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Bloomberg, Russell, S&P, latest available data as of 4/30/26

Small Caps Usually Lag When Jobs Growth Is Weak, and Outperform When It Is Strengthening

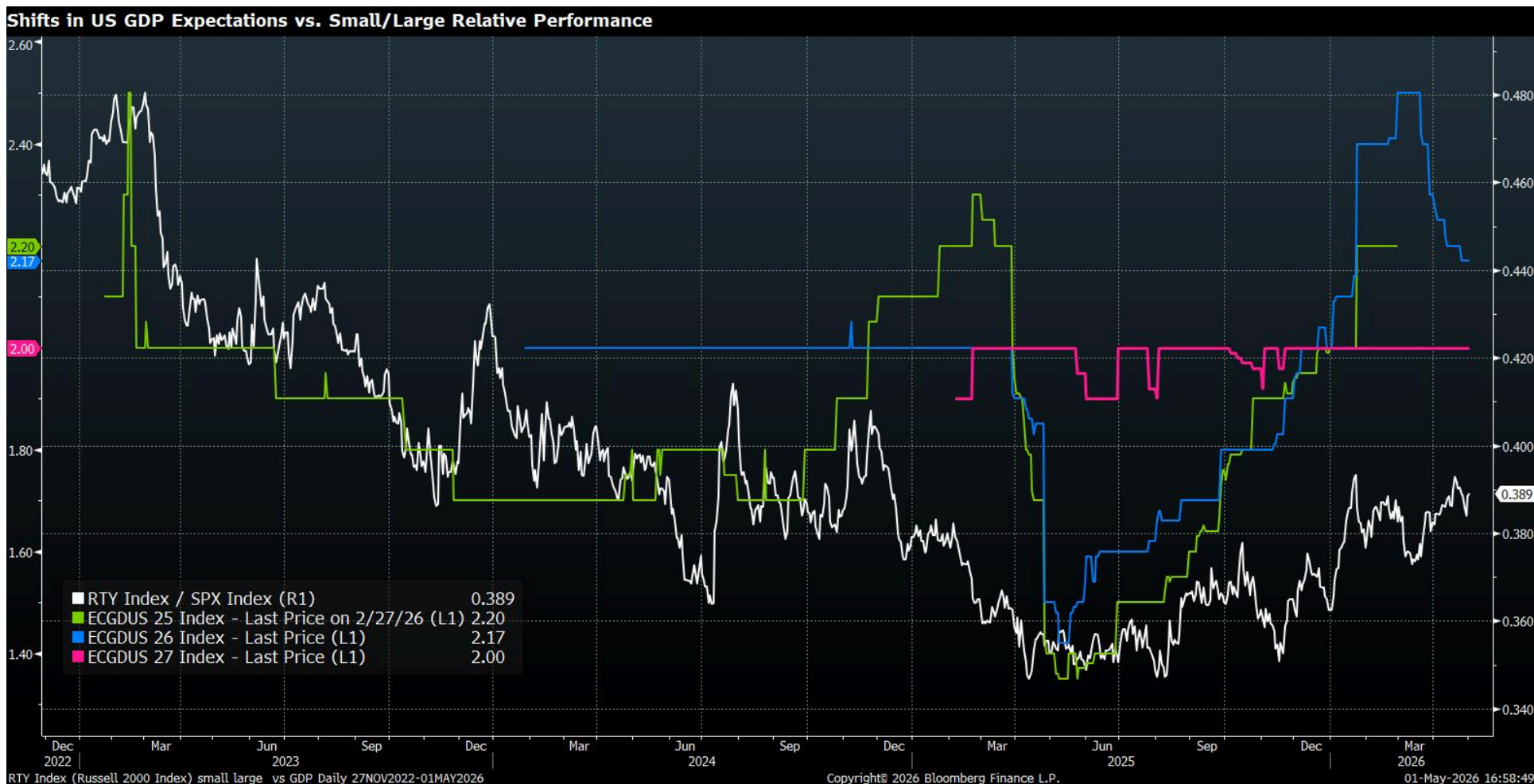
- We had been starting to see some signs of a positive jobs growth environment in the January NFP release, but this shifted abruptly in the update for February, which came out in early March. That downtick was a challenge to the positive fundamental story for Small Caps that had been unfolding. The good news for Small Caps is that trends improved again in the March NFP release, which came out in early April.
- Generally, neither stalling nor deteriorating jobs growth tends to be good for Small Cap performance relative to Large Caps. Usually, Small Caps need to see accelerating jobs growth to outperform. There is a wrinkle to that idea, however. In the last two cycles, Small/Large relative performance has tended to bottom right around when deep and sustained jobs losses emerge.



Source: RBC US Equity Strategy, Bloomberg, Russell, S&P. As of 4/30/2026.

Small Caps Had Benefited from Improving Enthusiasm on the US Economy

- In recent years, Russell 2000 performance relative to S&P 500 performance – our preferred way to gauge Small/Large relative performance – has been linked to shifts in GDP expectations in the US for 2025 and more recently 2026. Small has lagged as economic growth expectations cooled off.
- Late-2025 strength in Small Cap leadership occurred alongside a sharp pickup in domestic economic expectations. 2026 expectations have come down, while we have seen some momentum in Small Cap leadership of late. It's worth noting that 2027 GDP expectations have been relatively flat.
- Note that 2026 full-year GDP forecasts have been trimmed in recent updates as Middle East peace talks continue.

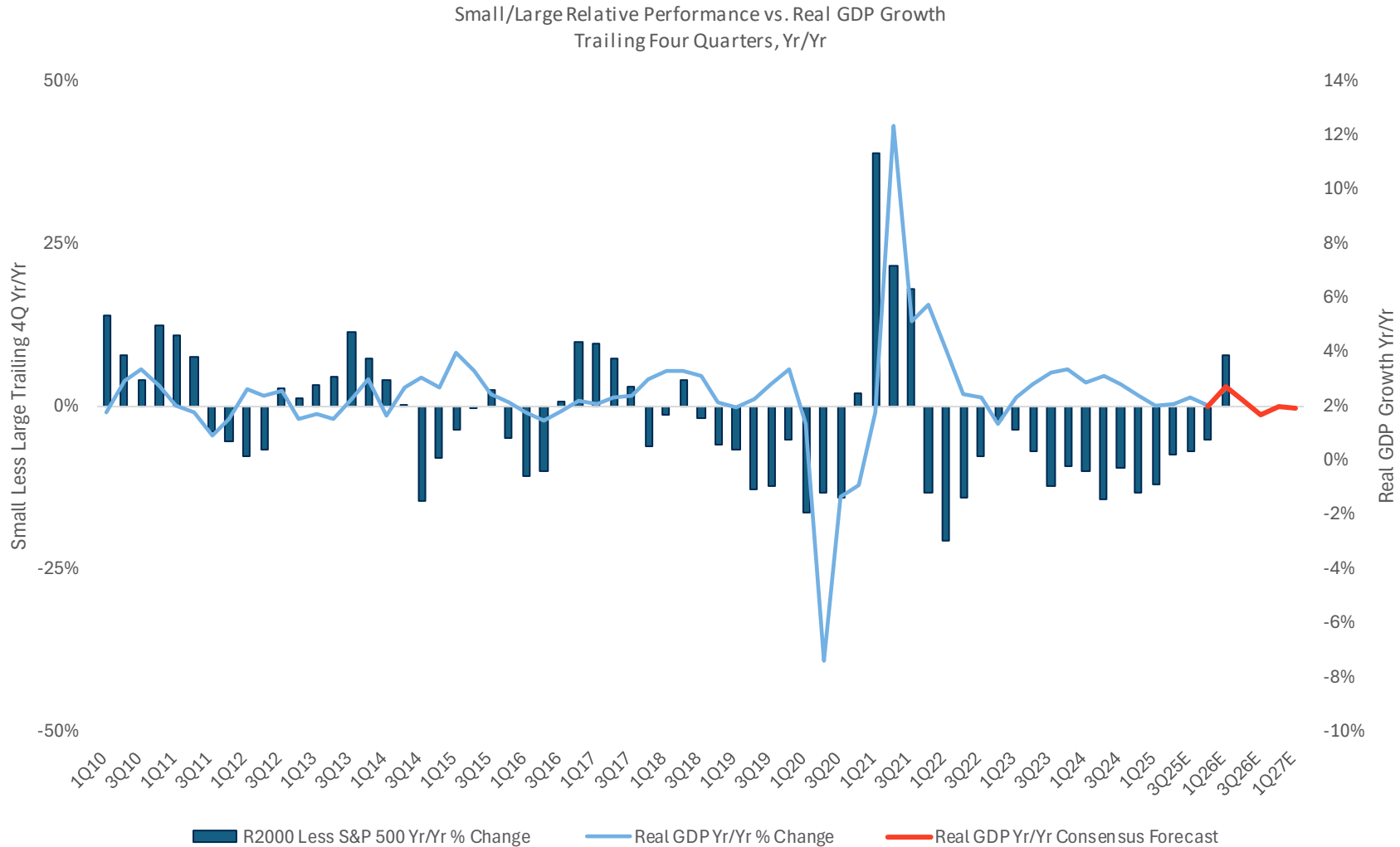


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Source: RBC US Equity Strategy; Bloomberg, S&P, Russell, as of 5/1/26

Small Cap Outperformance Cycles Have Been Short-Lived Since the GFC

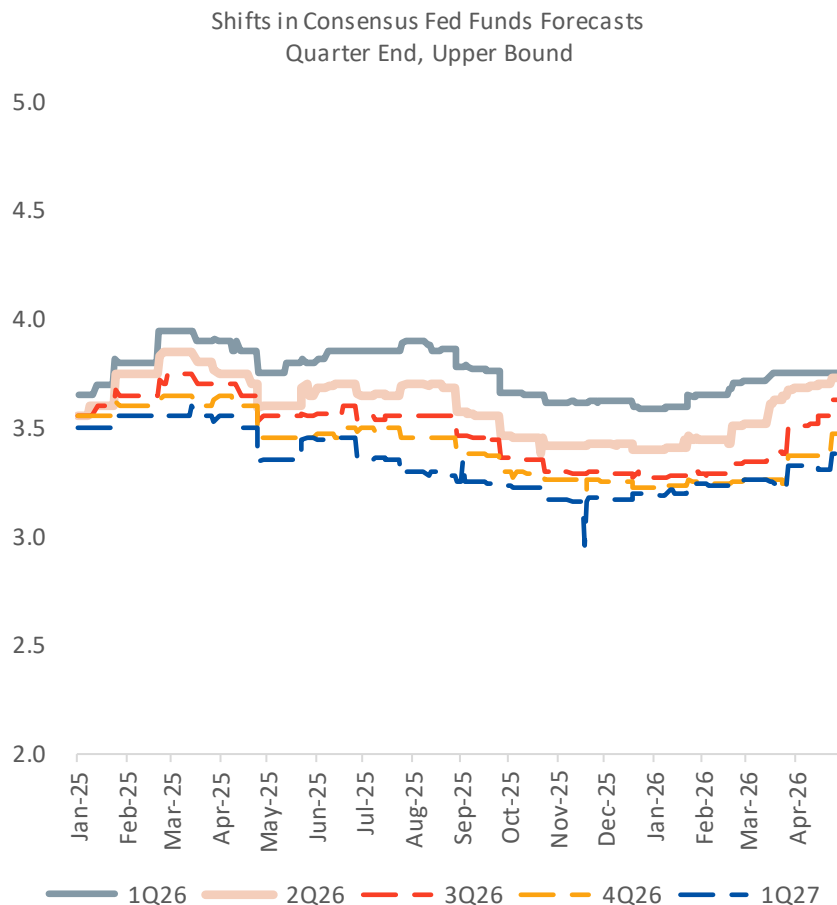
- Since the GFC, Small Cap leadership trades vs. Large Cap haven't lasted long and have generally occurred against the backdrop of improving real GDP trends, with some of the stronger moves coming out of the 2015-2016 growth scare and the COVID recession.



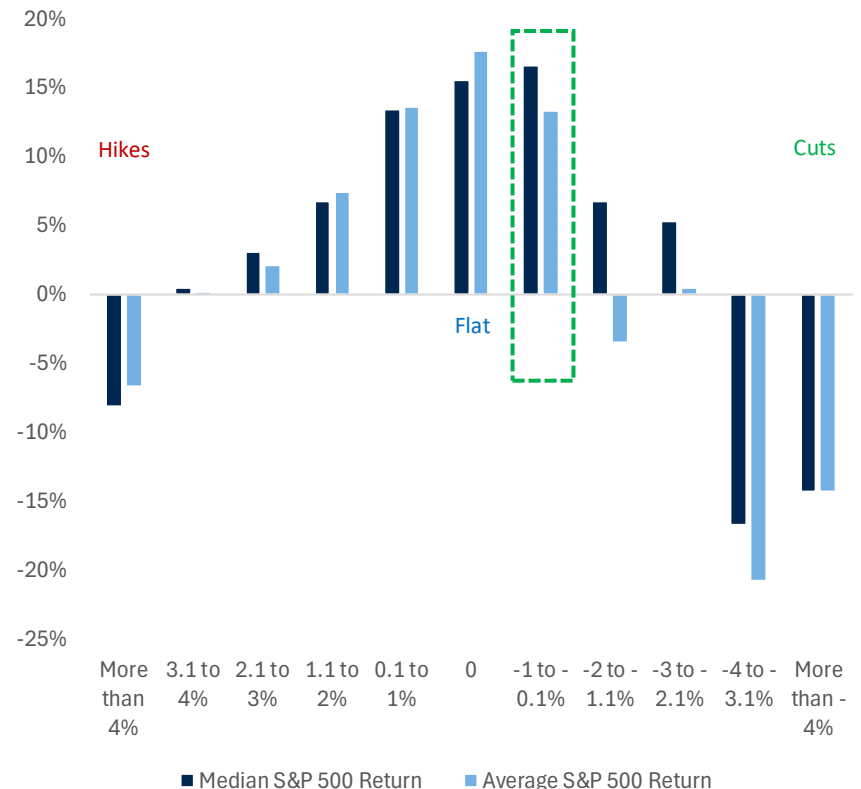
Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy; Bloomberg, S&P, Russell, as of 4/30/26

How We Think About Fed Moves in the Context of Longer-Term US Equity Market Moves

- Historically, when the Fed has made modest cuts in a 12-month period (that amount to 1% or less), the S&P 500 has gone up by 13.3% on average. When the Fed does nothing or hikes modestly, returns tend to be similar. Deeper cuts during a 12-month window tend to be accompanied by weaker equity market returns or declines.
- The published consensus per the ECFC function on Bloomberg currently points to between one and two cuts through 1Q27. With this in mind, we are keeping in place the assumption in our 12-month S&P 500 price target process that Fed expectations are signaling a 13.3% return in the index, the same core assumption that has been in place in our process over the past few months.
- Note that if the Fed does not cut over the next 12 months, this would have a minimal impact on our S&P 500 outlook, as S&P 500 moves tend to be slightly stronger (17.7%) when the Fed does nothing in a 12-month time frame. A few hikes, while likely to upset markets in the short term, would also not be onerous to our forecast from the perspective of this model, though we do acknowledge the removal of cuts tends to generate some downside in the US equity market in the short term.



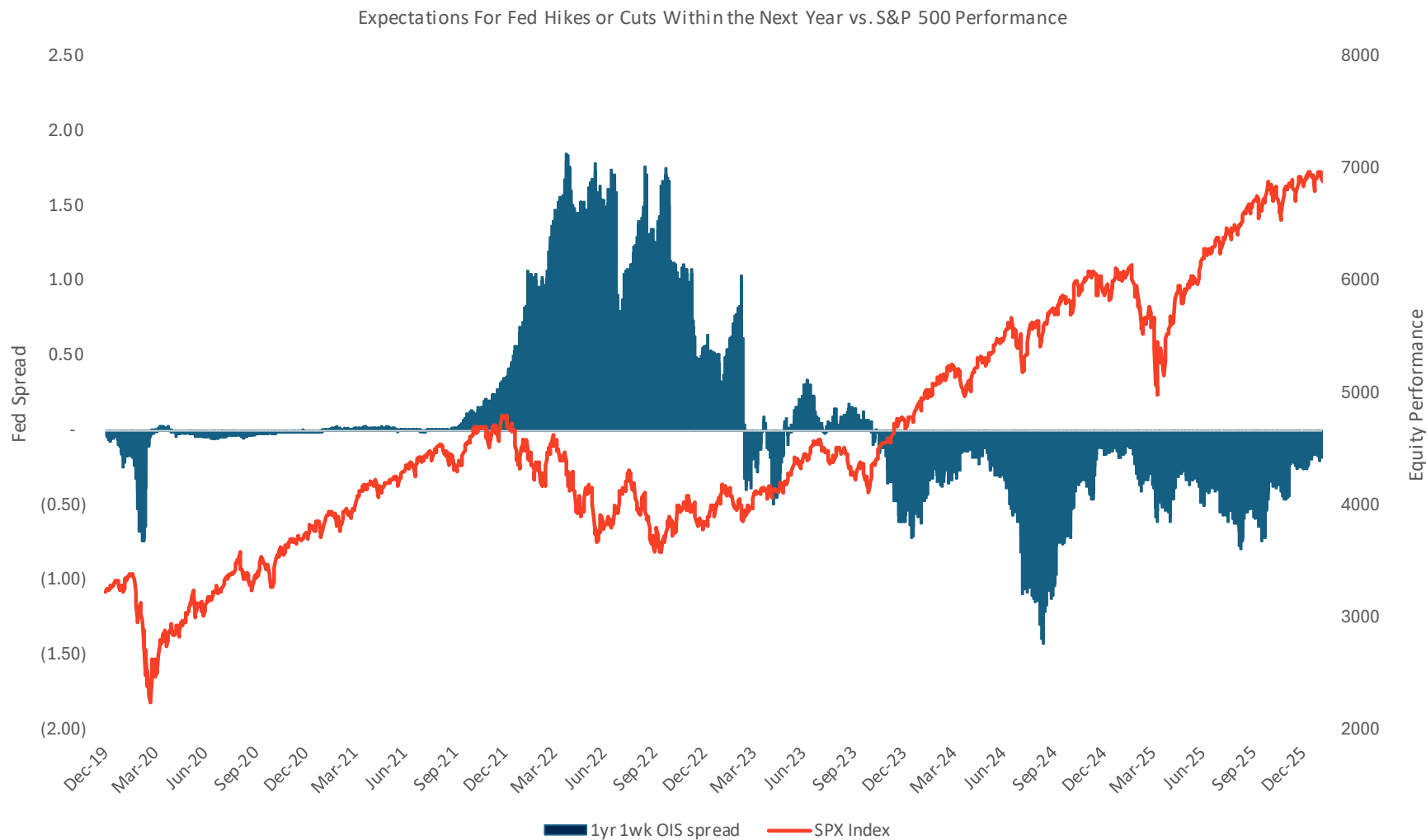
S&P 500 During Different Fed Backdrops
Based on Returns & Total Fed Moves On a Past 12 Months Time Frame From Jan 1990 to Oct 2025



Note: The RBC US Equity Strategy team does not authorize the reproduction of its published charts and is not able to share their underlying data due to license restrictions with our vendors.
Source: RBC US Equity Strategy, Bloomberg, S&P; as of 4/30/26

Adding Fed Cuts Tends to Boost the S&P 500 Near Term, Removing Cuts / Adding Hikes Usually a Challenge

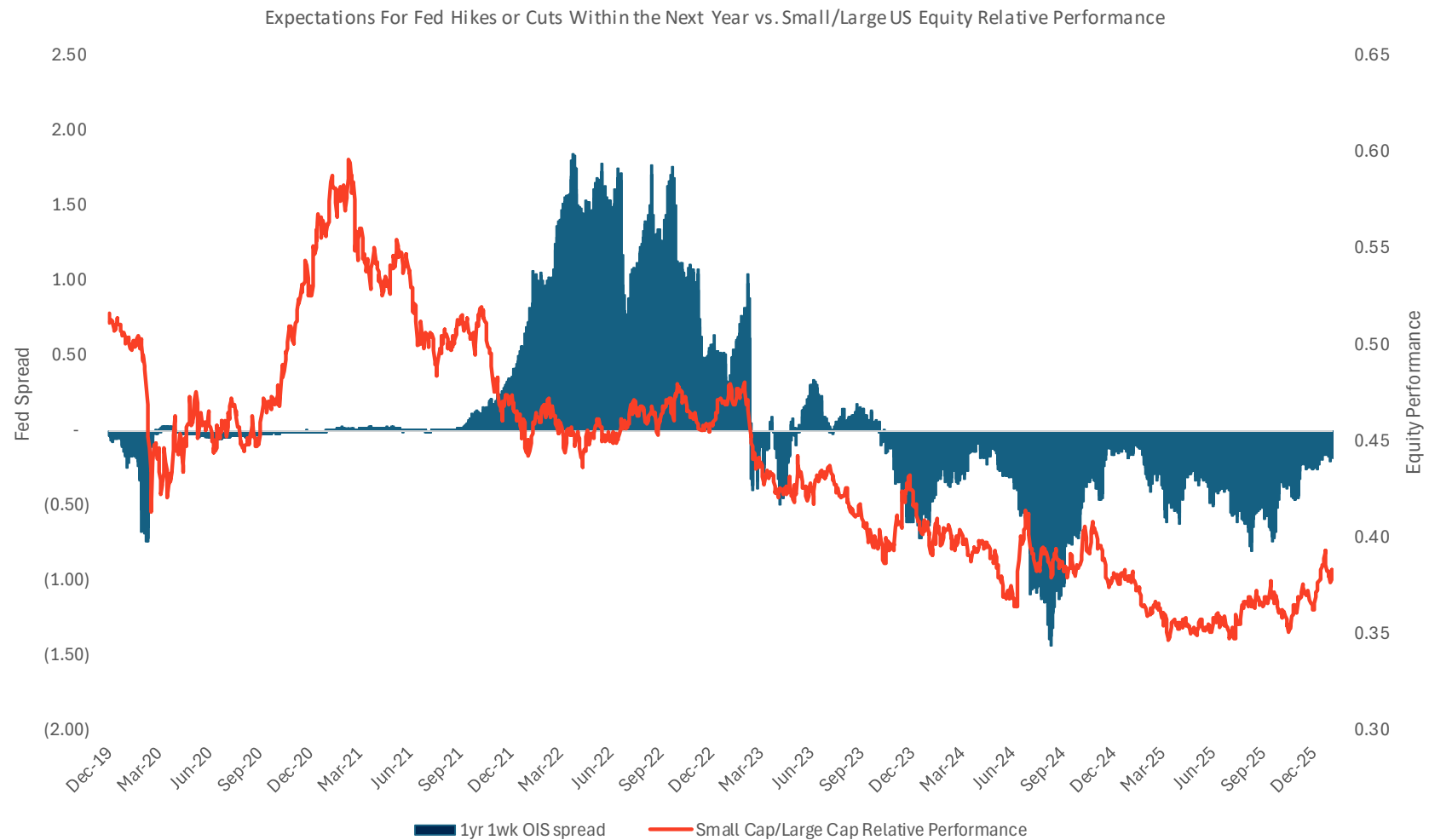
- We've gradually seen a dialing down of Fed-cut expectations in recent months, which has resulted in a weaker tailwind for the US equity market.



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 Source: RBC US Equity Strategy; Bloomberg, S&P, through April 29, 2026.

The Dialing Up & Dialing Down of Fed Rate-Cut Expectations Have Driven Small Cap Relative Performance

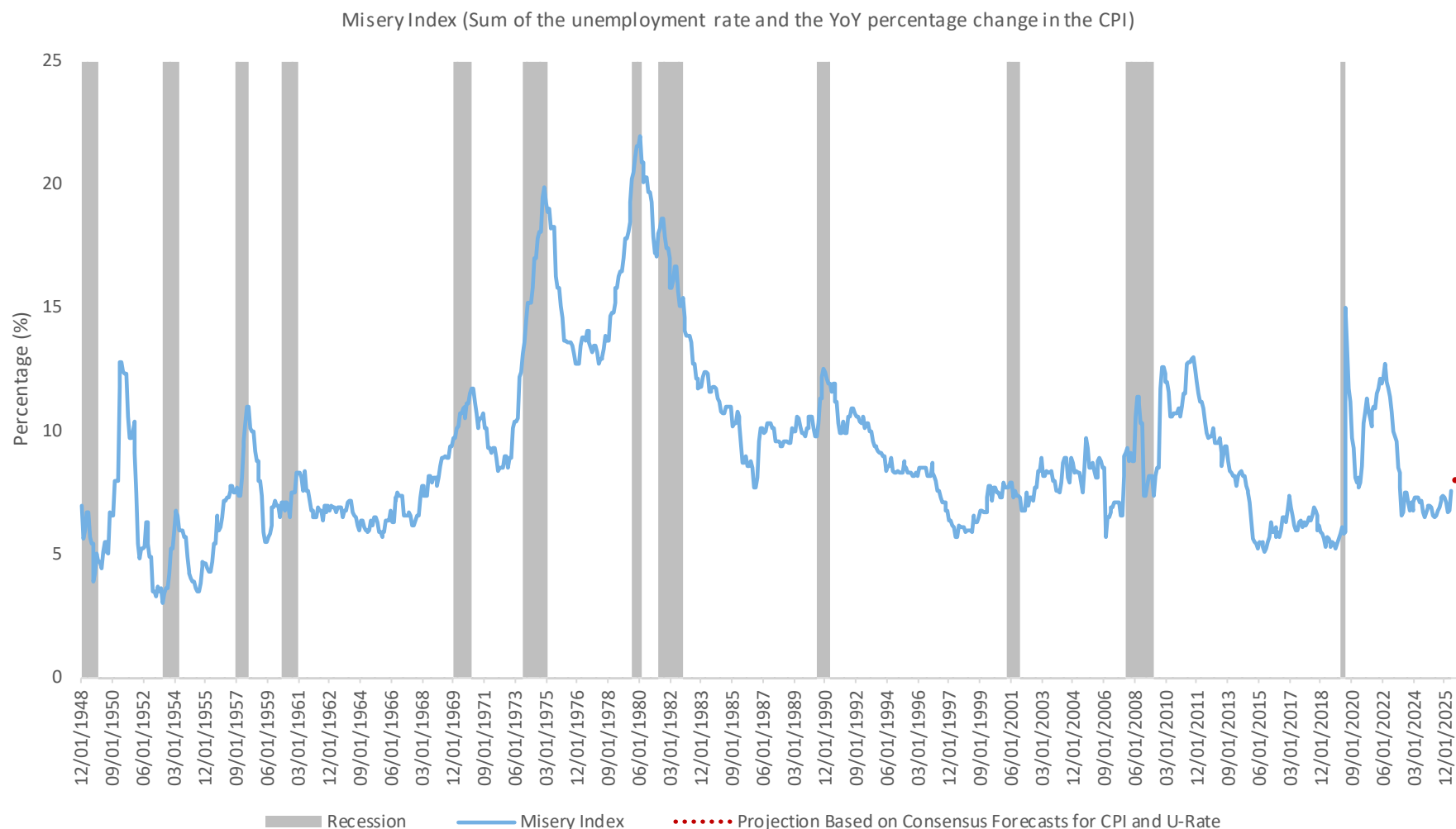
- In recent years, Small Caps tend to outperform Large Caps when Fed-cut expectations have increased, and have underperformed when Fed-cut expectations have eased back or when hikes have gotten priced in. To the extent the situation in Iran keeps the Fed on hold, it would be a problem for Small Caps in the short term from this perspective.



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 Source: RBC US Equity Strategy, Bloomberg, S&P; through April 29, 2026.

Consumer Misery Below the Highs Seen Under Biden, but Above the Lows Seen Under Trump 1

- The spike in this index under Biden suggests to us that many Americans felt as bad as they typically do in a recession even though the US didn't technically have one, which helps to explain the price action in the S&P 500 that year.
- Current consensus CPI and unemployment rate projections expect the misery rate to remain elevated, but don't point to a return to post-GFC or post-COVID levels.

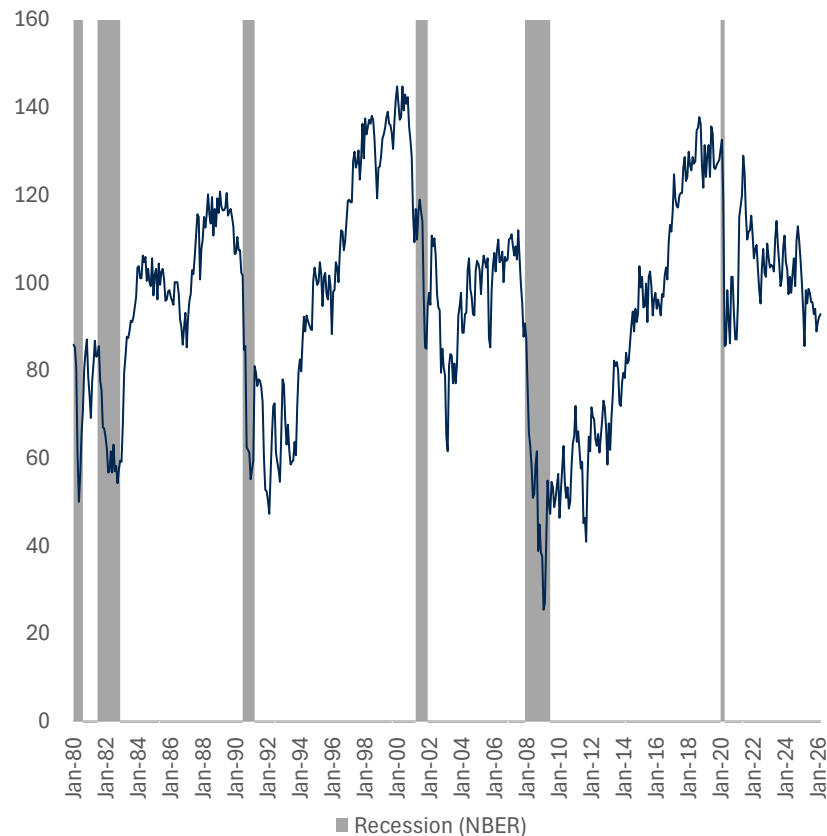


Source: RBC US Equity Strategy, Bloomberg, Haver; as of May 1, 2026

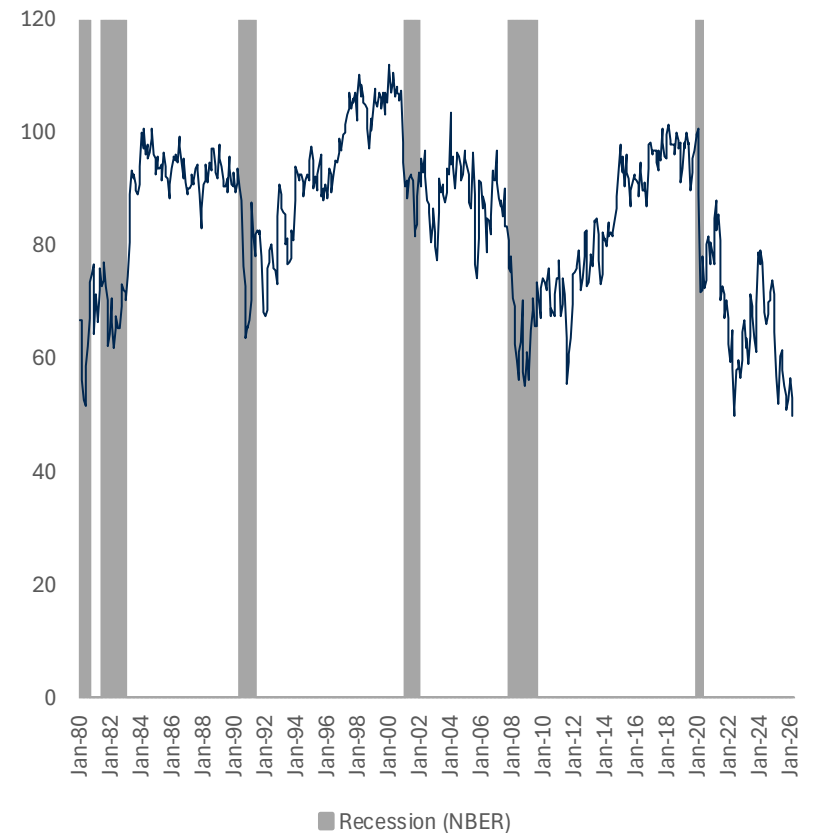
Consumer Confidence / Sentiment Has Been Weak, and Is Not Showing Signs of Recovery

- Consumer sentiment on the University of Michigan survey broke slightly below prior 2025 and 2022 lows in the November update. After a period of attempted stabilization, April final data showed some renewed signs of deterioration, with sentiment dropping to 49.8, a new post-COVID low.
- Conference Board consumer confidence has shown more signs of stabilization. For the month of April, overall confidence came in at 92.8.

Conference Board Overall Consumer Confidence, SA 1985=100



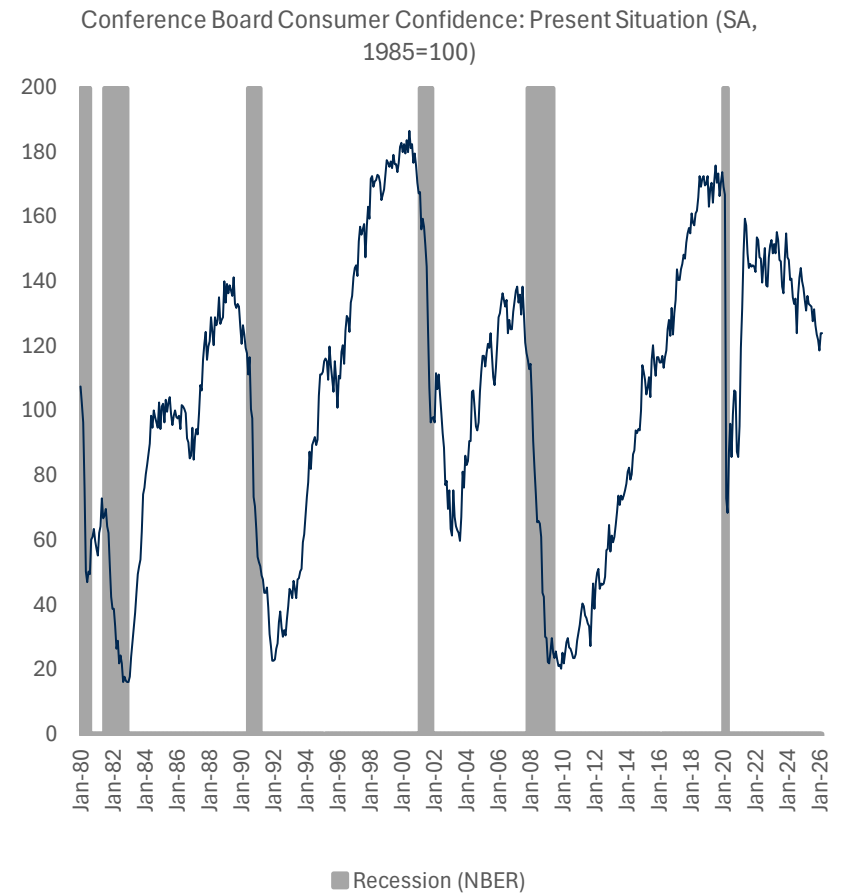
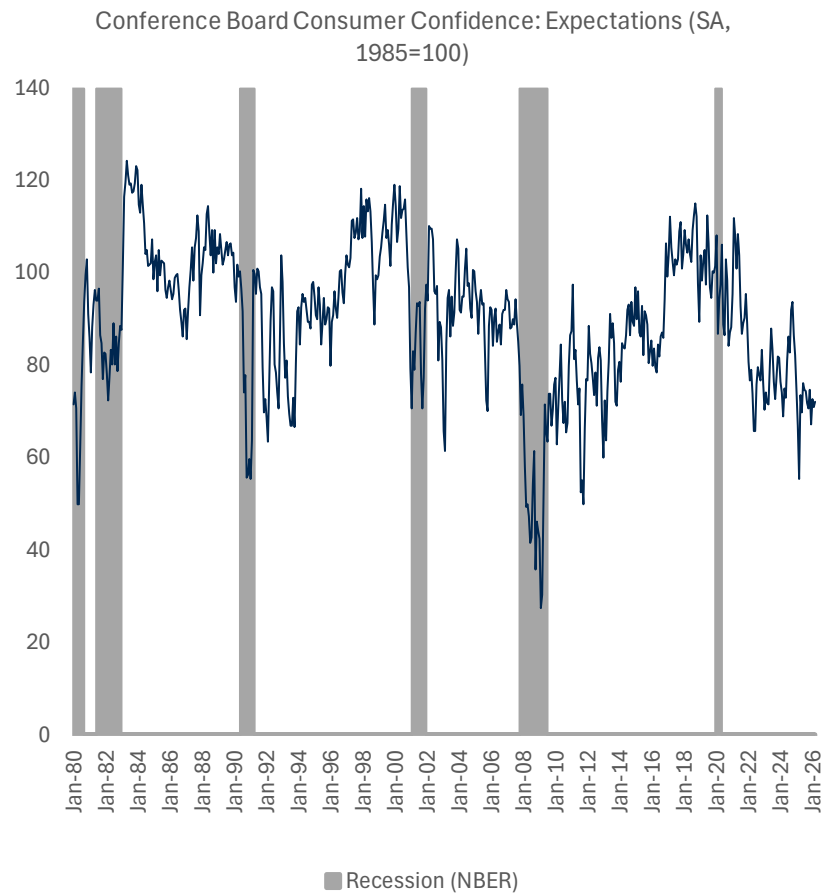
University of Michigan Overall Consumer Sentiment Index



Source: RBC US Equity Strategy, Haver Analytics, Bloomberg. UMich data as of April 24, 2026; Conference Board data through April 2026.

Consumer Expectations Improved a Bit in the Latest Conference Board Release

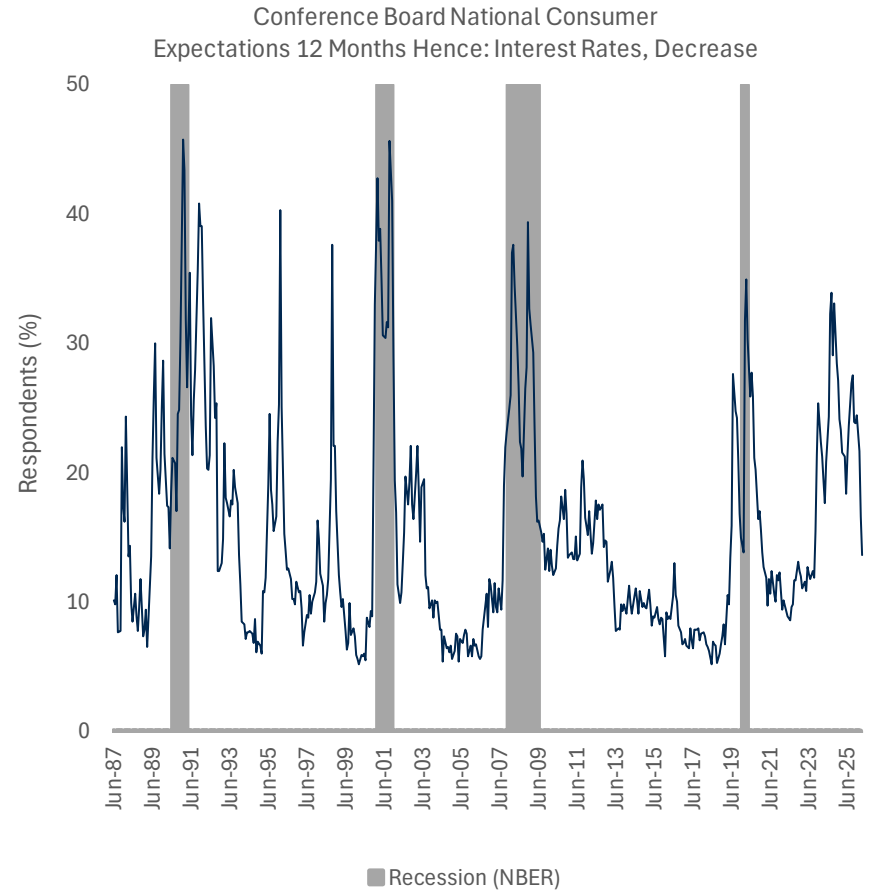
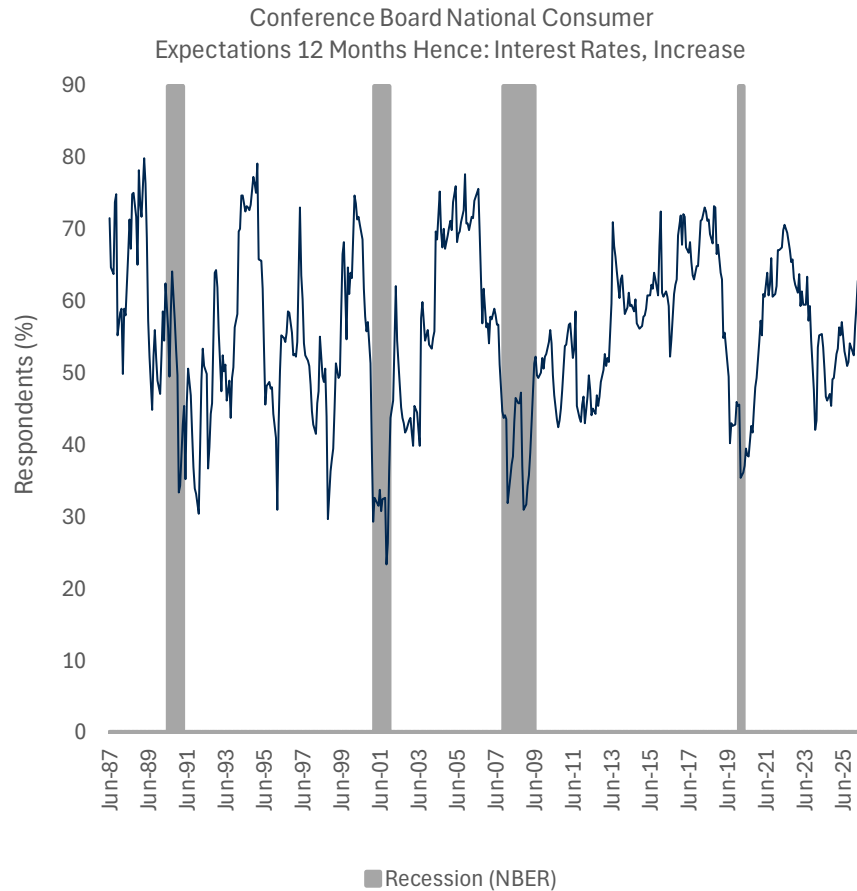
The present situation gauge stalled a little for the month of April.



Source: RBC US Equity Strategy, Haver Analytics, Bloomberg. Through April 2026.

Interest Rate Views Have Worsened for Consumers in Recent Months

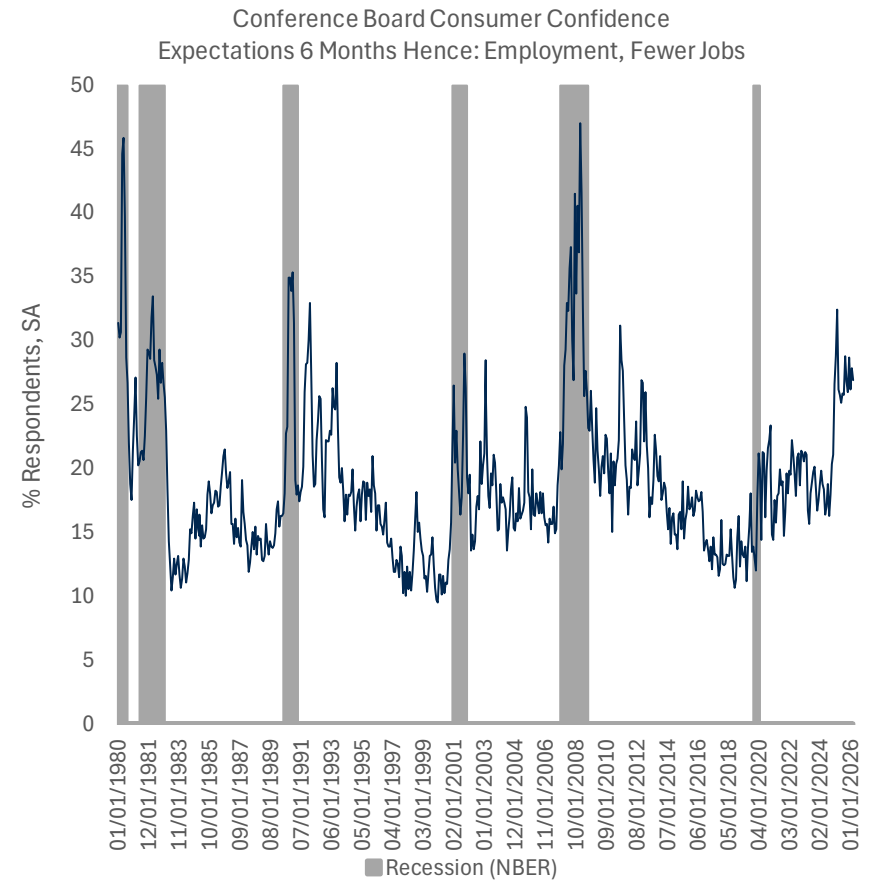
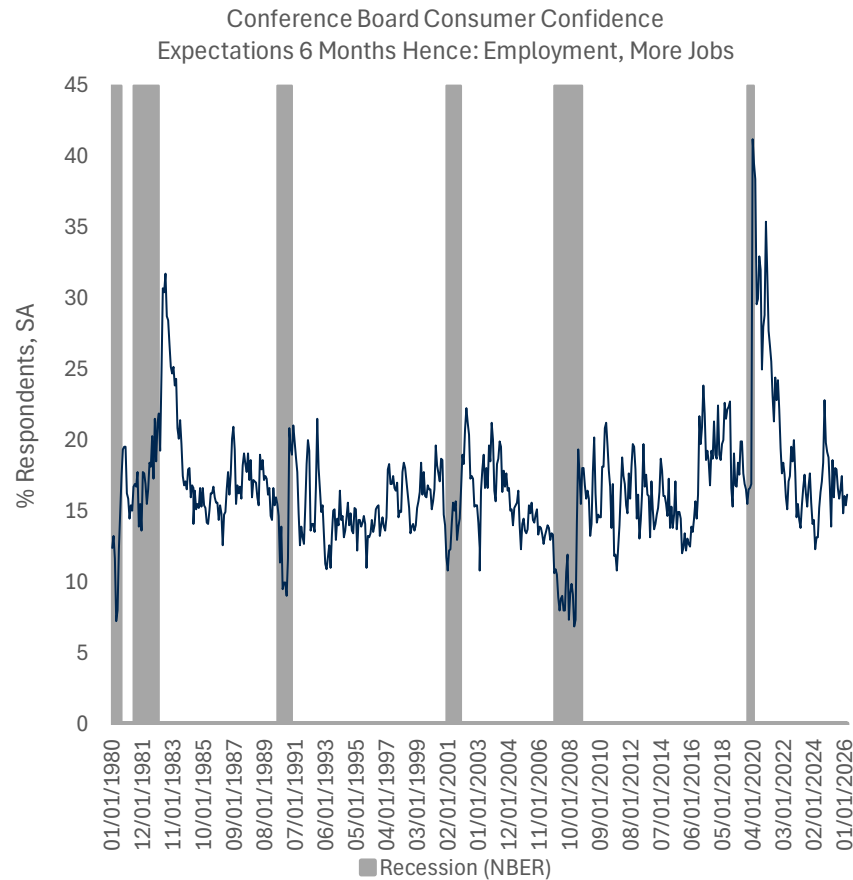
Those expecting higher interest rates increased in the latest update for the month of April, and those expecting decreases ticked down.



Source: RBC US Equity Strategy, Bloomberg. Through April 2026.

Consumers' Views of the Employment Backdrop Improved a Bit

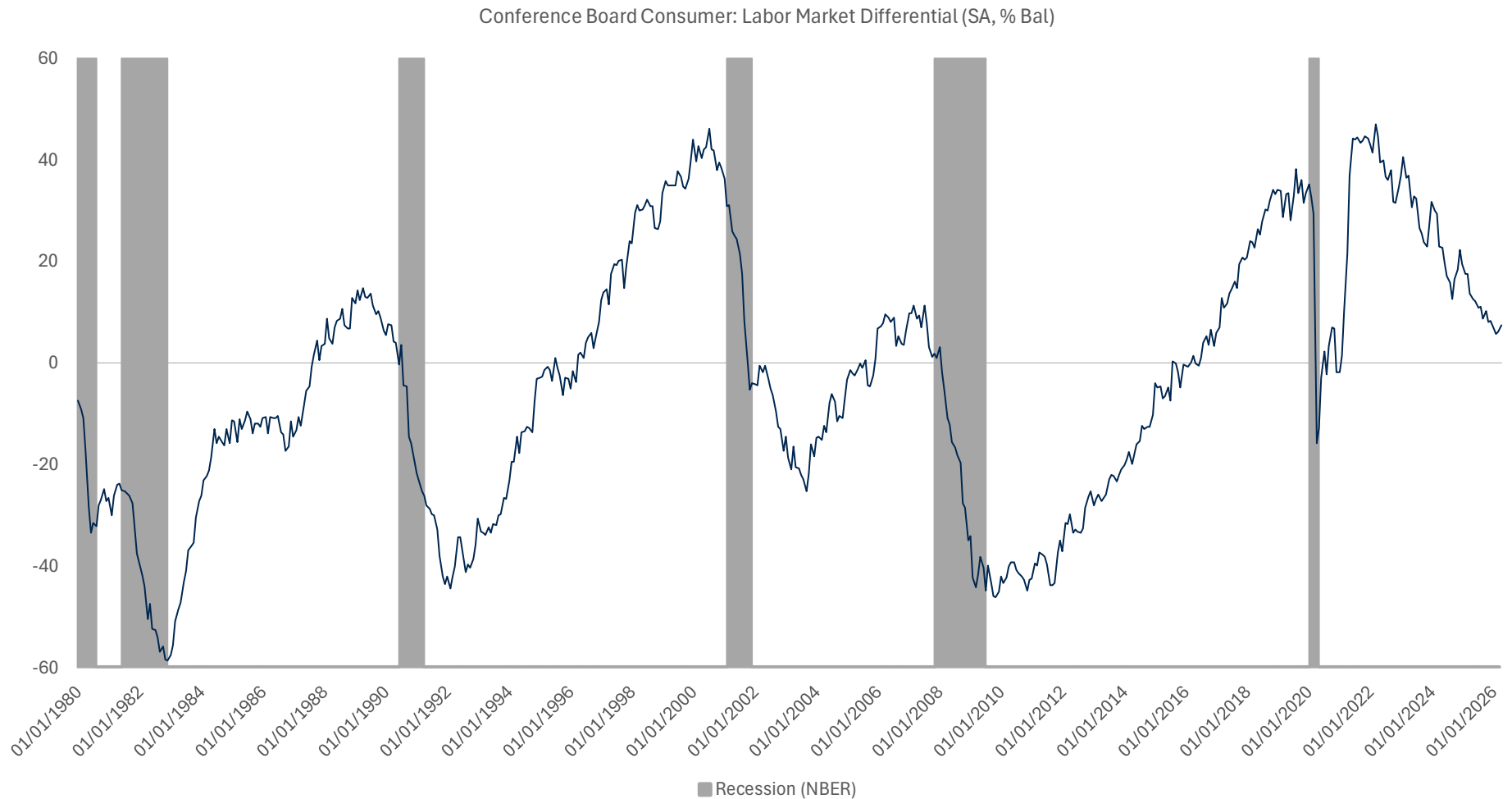
Those saying they expect more jobs to be available ticked up in the latest update, and those expecting fewer jobs to be available ticked down.



Source: RBC US Equity Strategy, Haver Analytics. Through April 2026.

Consumer Labor Market Expectations Have Remained Weak Overall

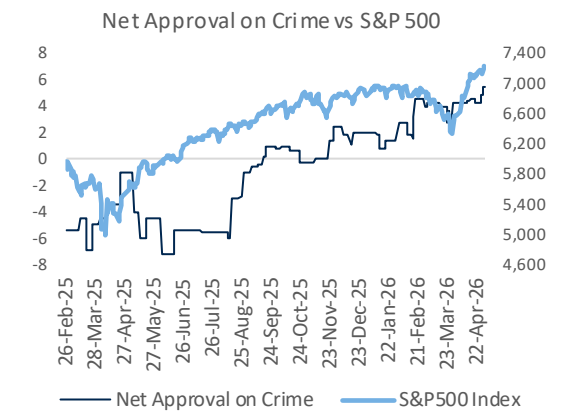
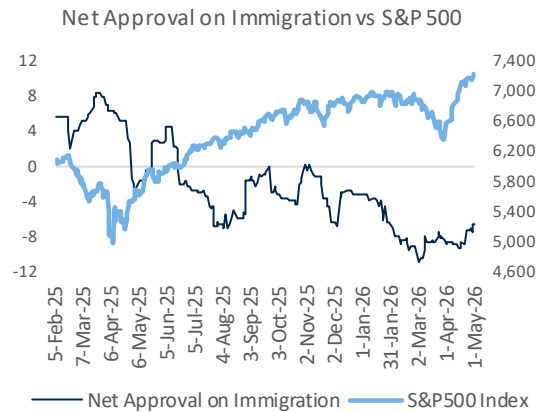
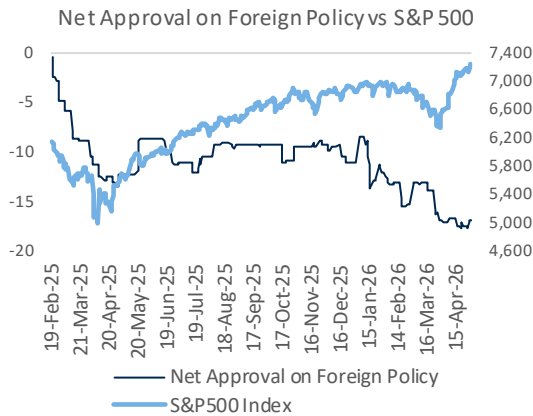
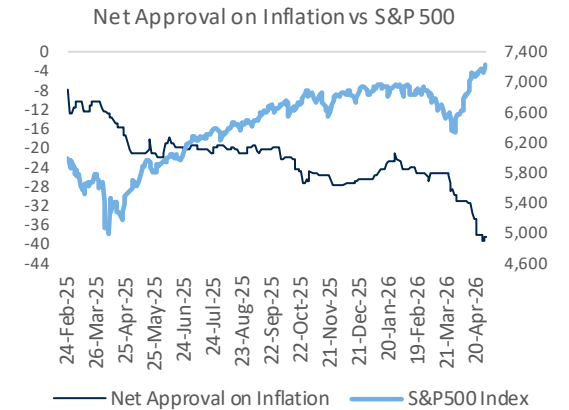
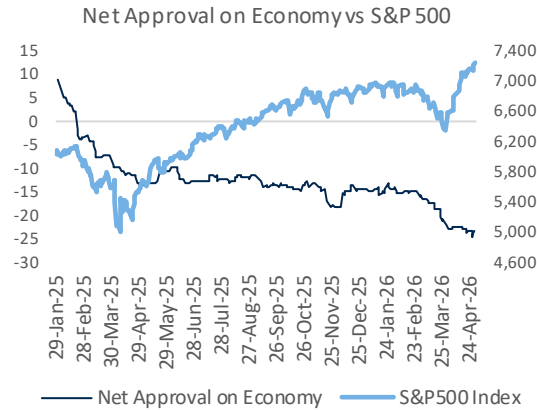
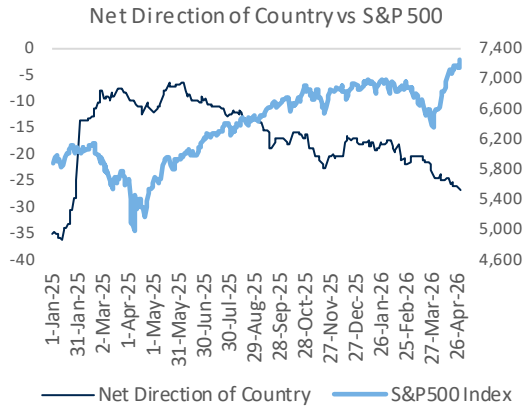
Labor market differential measures the percentage of consumers who think jobs are plentiful minus the percentage who believe that jobs are currently hard to get. However, the latest data for the month of April shows a little improvement.



Source: RBC US Equity Strategy, Haver Analytics, Bloomberg. Through April 2026.

Net Approval Has Been Moving Down on Most Key Policy Issues

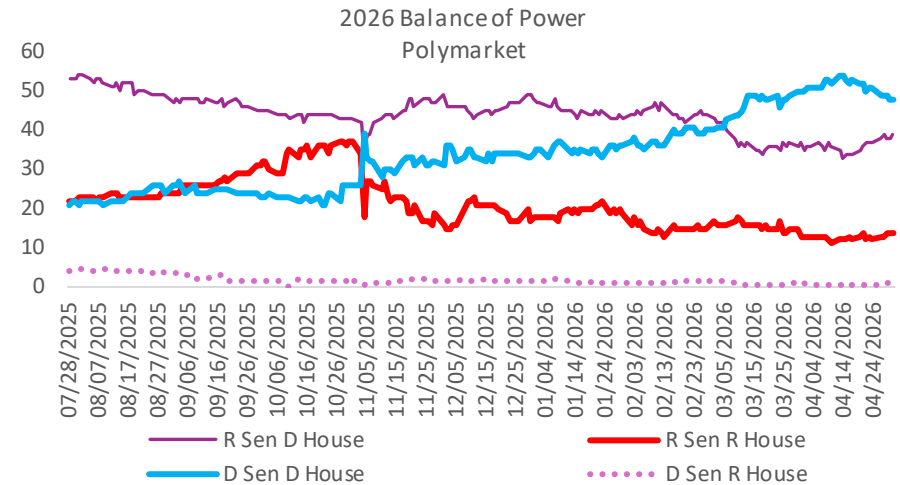
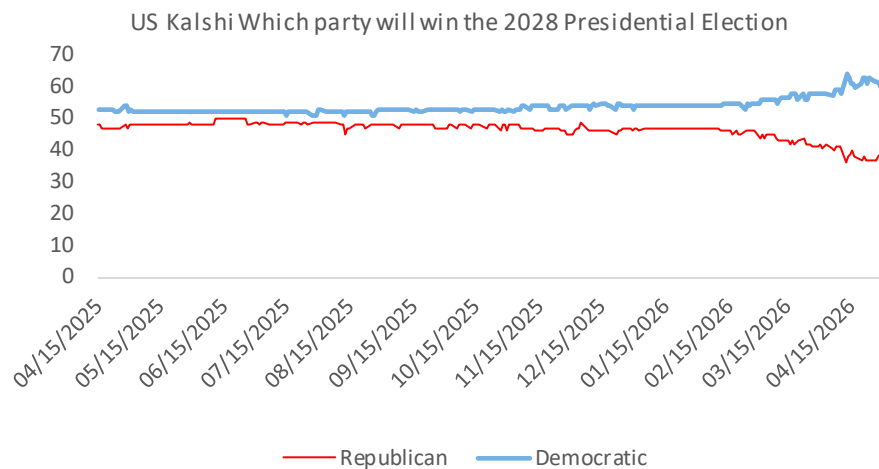
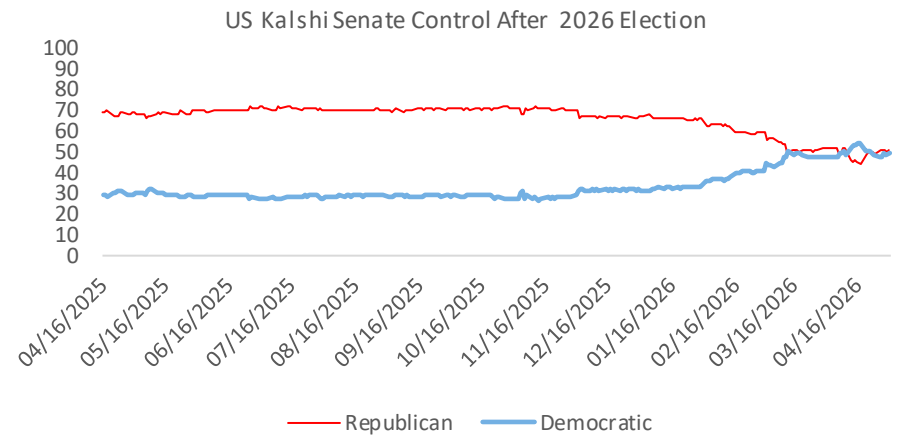
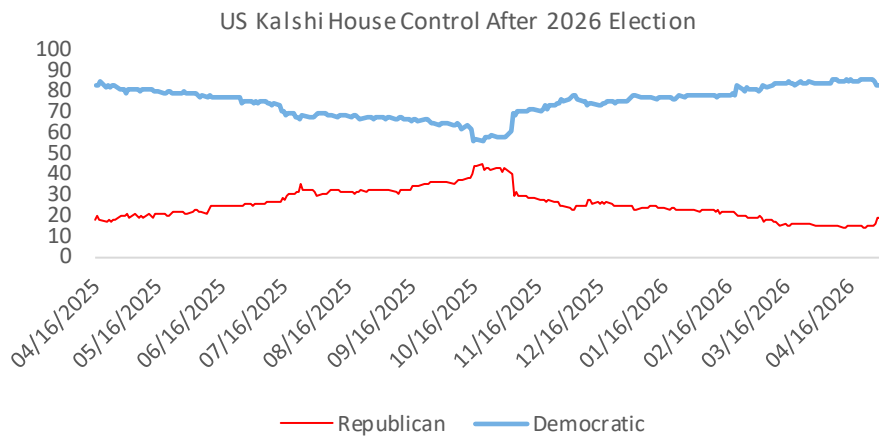
After an initial move up on the Iran strikes, trends in foreign policy have deteriorated again. Meanwhile, views on the direction of the country and inflation have also been falling – particularly the latter. Immigration views are off their lows and inching higher. Crime remains the only major issue in net positive territory but has flattened out.



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 Source: RBC US Equity Strategy; Bloomberg, S&P, as of May 1, 2026

Betting Markets Have Shown Improved Expectations for Democrats in the Midterms Since Last Fall

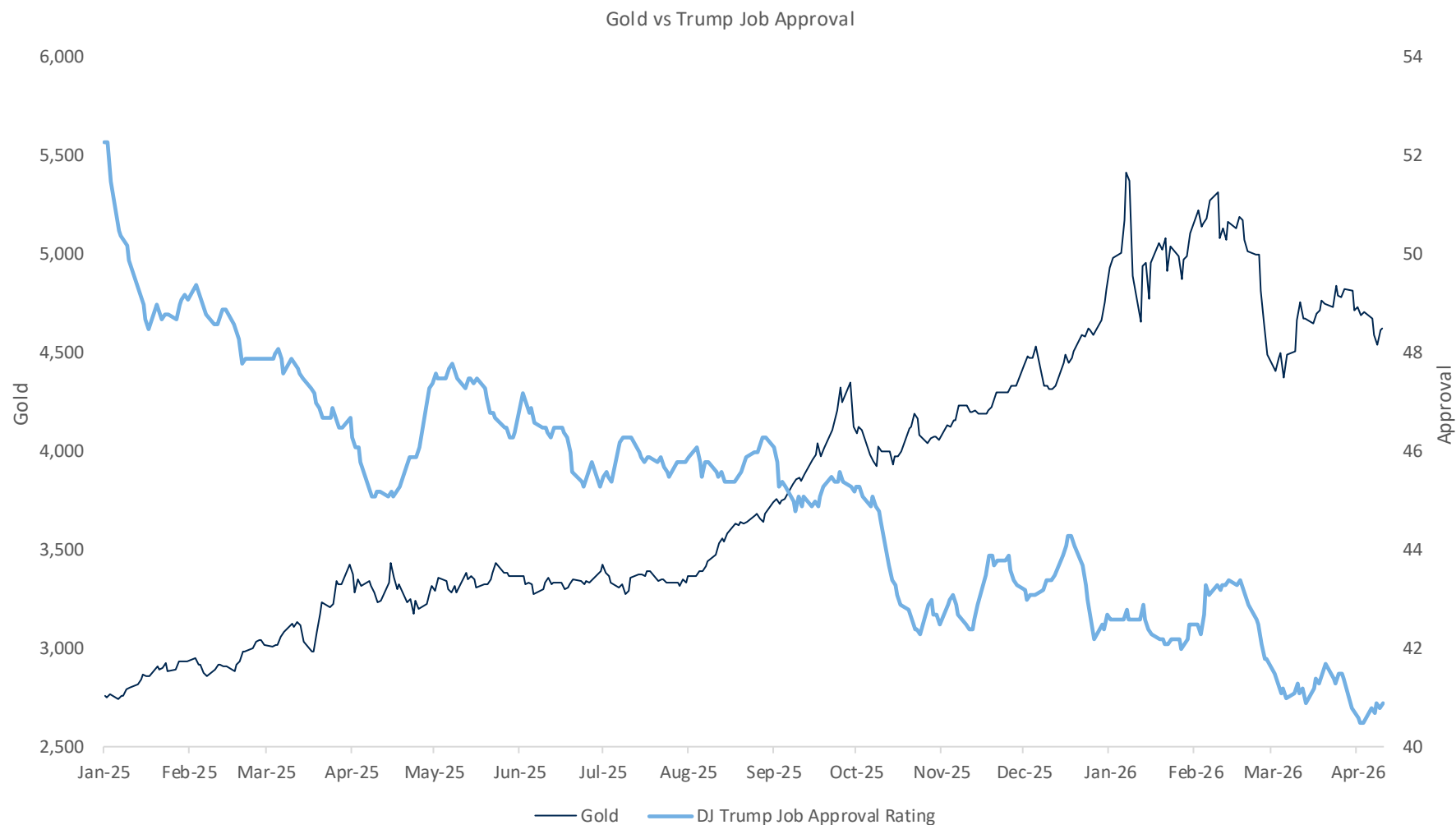
- Currently, betting markets anticipate Democrats will take back the House in 2026 and the White House in 2028. Views on the Senate have been essentially tied between the two parties, with slight moves back and forth between them for the modest lead in recent updates.
- In Polymarket's balance-of-power scenarios, a blue sweep in the midterms is currently in first place, followed by a Republican Senate/Democratic House scenario, and then the Republican sweep scenario whose odds fell sharply last year around the November off-cycle elections. In recent updates, we're seeing a pick-up in the Republican Senate/Democratic House scenario and a decline in the Democratic sweep scenario.



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Source: RBC US Equity Strategy; Bloomberg, as of May 1, 2026

The Surge in Gold Since 2025 Has Occurred as Trump's Job Approval Has Fallen

- RBC's Gold strategist, Chris Louney, has emphasized uncertainty as a major factor in pushing the gold price to all-time highs and has also highlighted weaker US dollar dynamics. Going forward, he expects gold prices to be supported by continued uncertainty.
- Note, the correlation between Trump's net favorability in polling and the gold price has been -91%.
- The relationship between these two indicators has weakened a bit since the Iran war began, but we have started to see some pickup in gold again as Trump's approval weakened.



Source: RBC US Equity Strategy, Bloomberg; as of May 1, 2026

Sentiment on Stocks and Trump/Congressional Republicans Has Also Been Linked

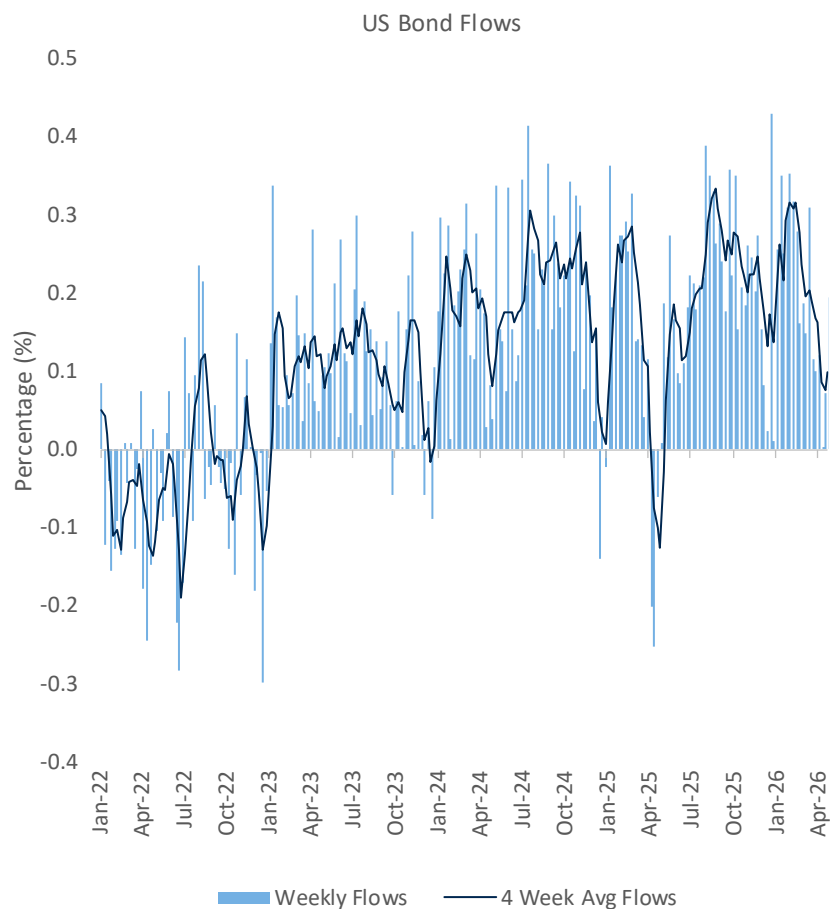
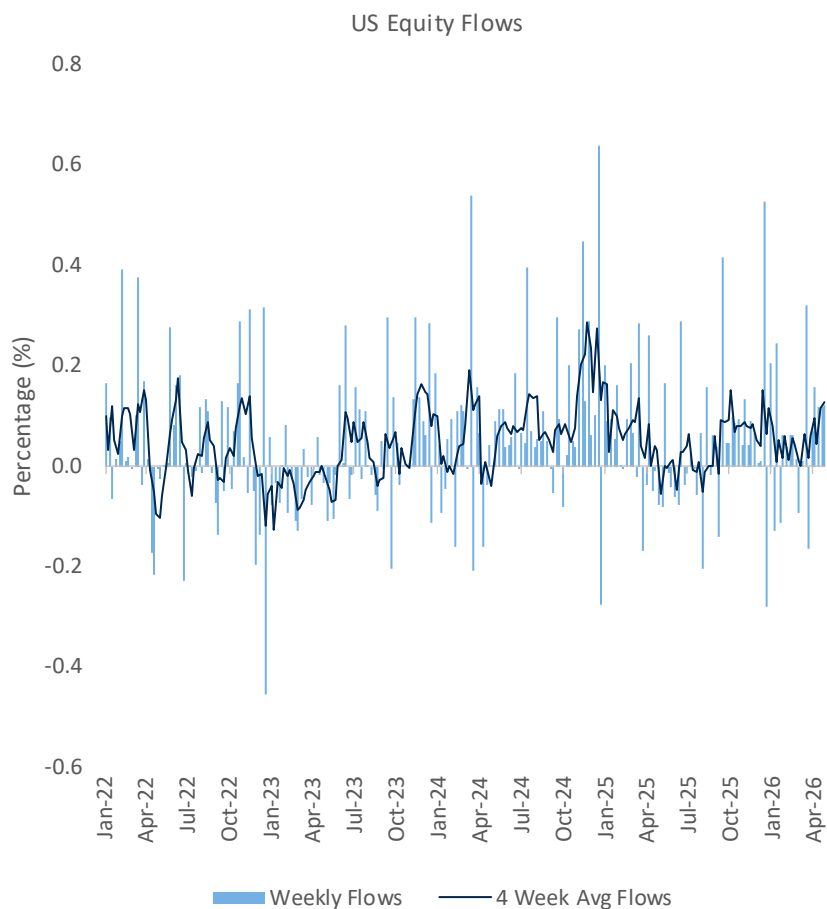
- In 2024, the S&P 500 and Trump net favorability moved in tandem. After Trump took office, S&P 500 performance and Trump's net job approval trended together until the summer of 2025. Then, the S&P 500 became more aligned with betting market expectations for a Republican sweep in the midterms.
- The November-2025 dip in the S&P 500 saw the stock market become aligned with all three of these gauges of political sentiment again.
- The 1Q26 weakness in the S&P 500 coincided with low Trump approval/favorability levels and lowered expectations for a Republican sweep in the midterms. The recent bounce-back in the S&P 500 has come with some very slight improvement in those metrics.
- What we've noticed though, is that there's also been an uptick in anticipation of a Republican Senate/Democratic House scenario, making us wonder if increased expectations for a split Congress may have become a tailwind for the S&P 500 recently. Starting last fall, expectations for a Democratic sweep had risen, but those have been easing back of late.



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 Source: RBC US Equity Strategy, S&P, Bloomberg; as of April 30, 2026 (SPX) and May 1 (polling/betting market)

US Equity Fund Inflows Are Improving

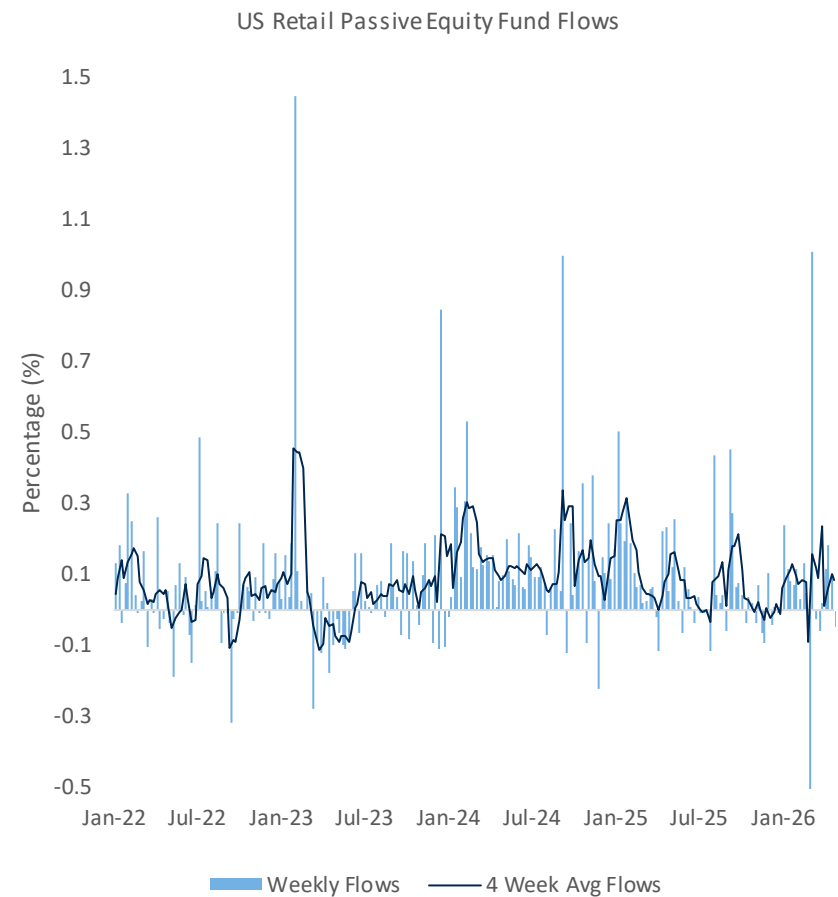
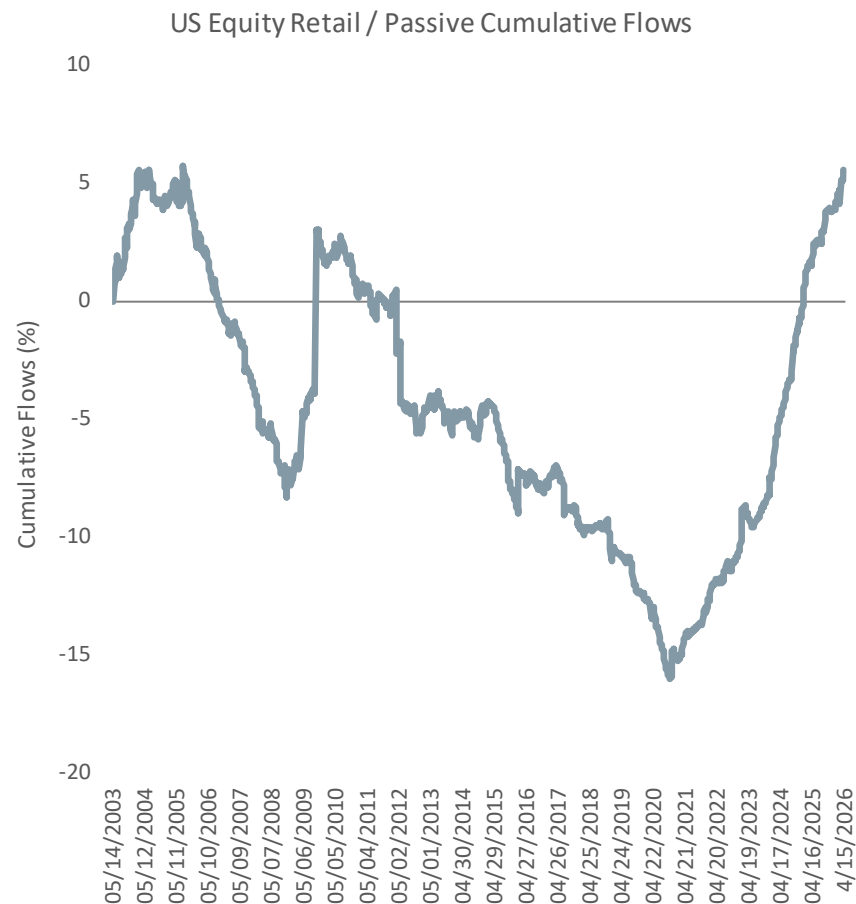
- US equity funds saw inflows return on the weekly EPFR data in 2H25, but well below the levels in place in late 2024 and early 2025. We've seen some outflows on a weekly basis in early 2026, but in recent weeks we are seeing some inflows return and gathering steam.
- Meanwhile, US bond flows have been strong this year. They recently have lost a bit of momentum, however.



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 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

Passive Retail Flows Have Been Choppy in Recent Updates

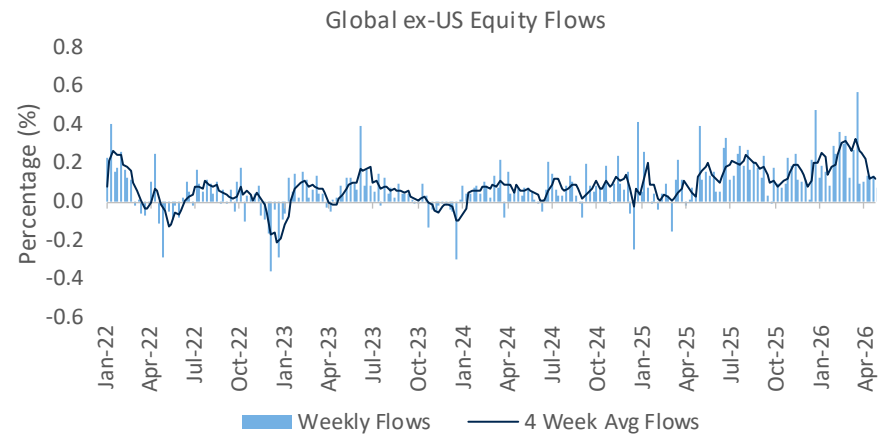
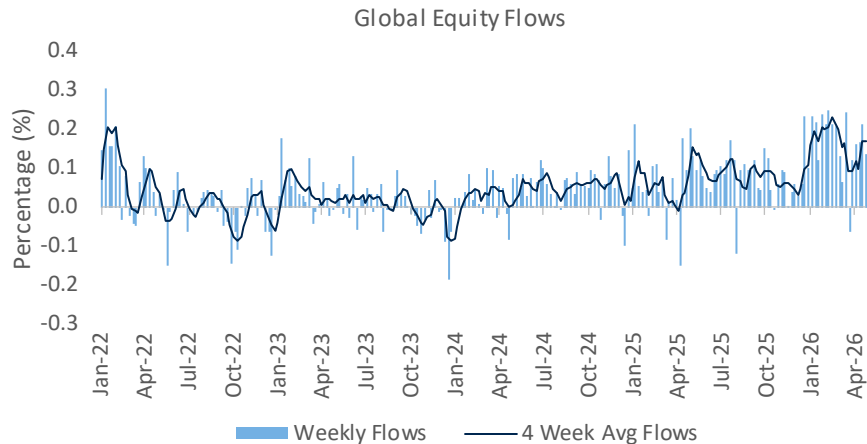
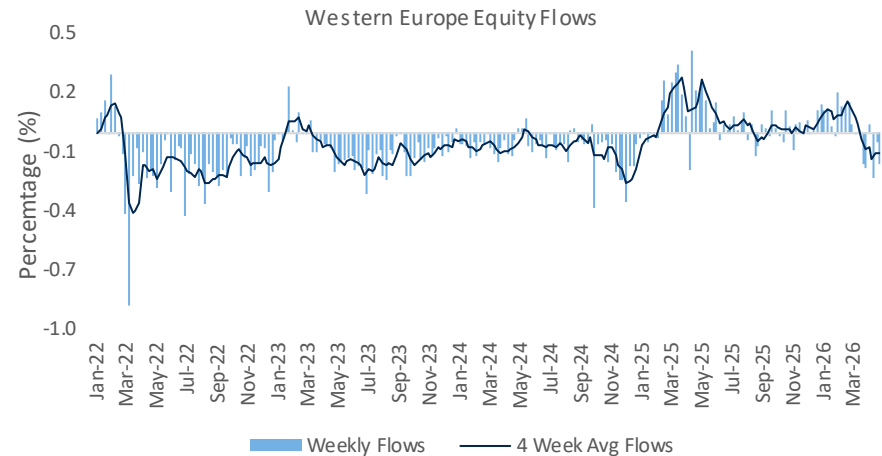
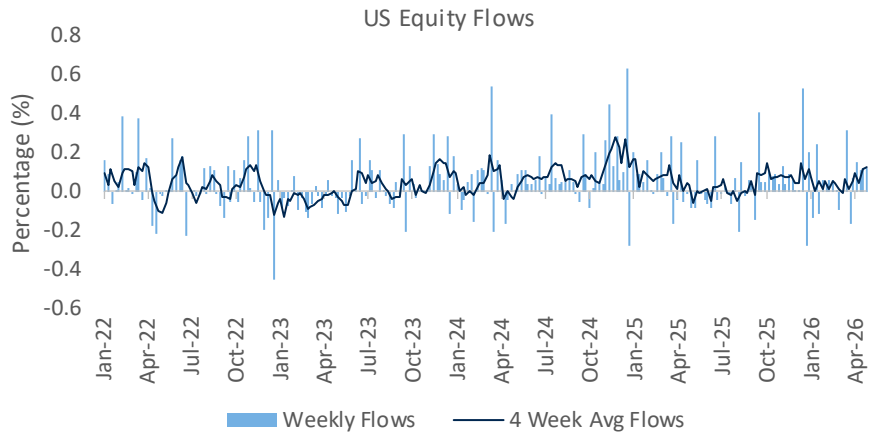
- Flows to passive retail funds have ebbed and flowed since the start of this year. In the latest weekly updates, small inflows were seen, which followed a few weeks of modest outflows.



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 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

Improving US and Global Equity Flows Seen Alongside Weaker European & Global ex-US Flows

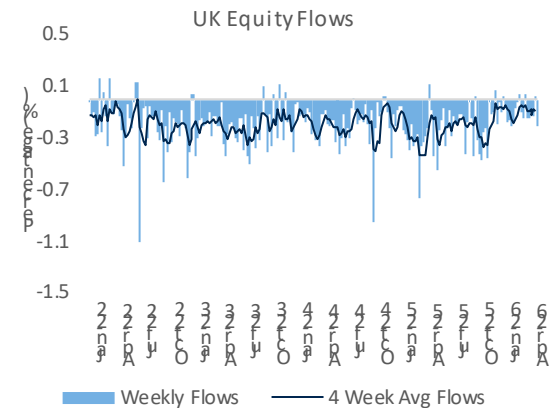
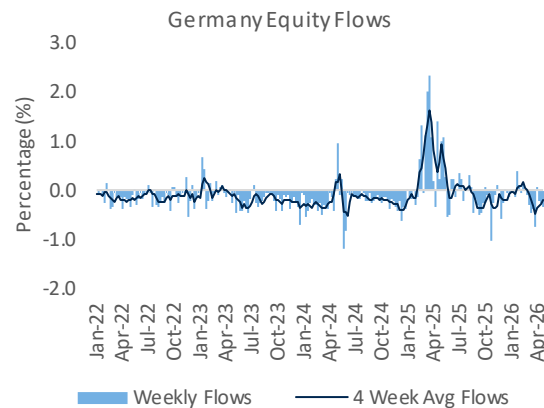
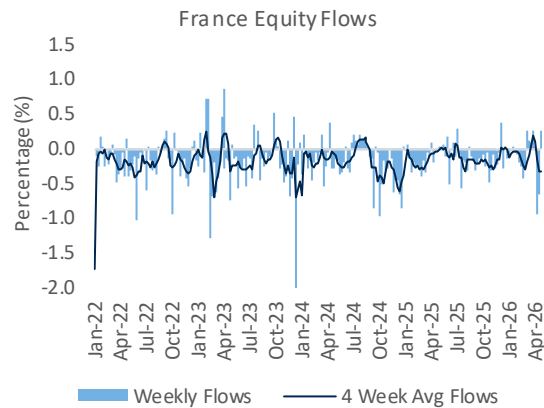
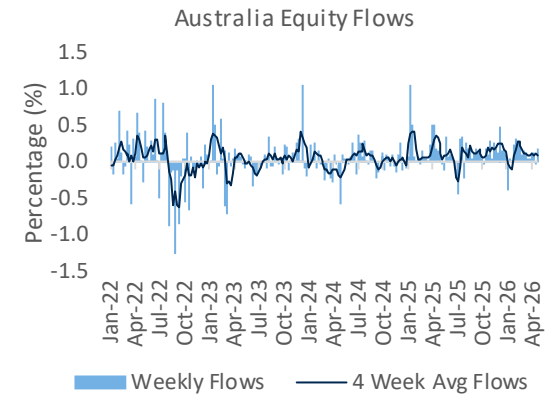
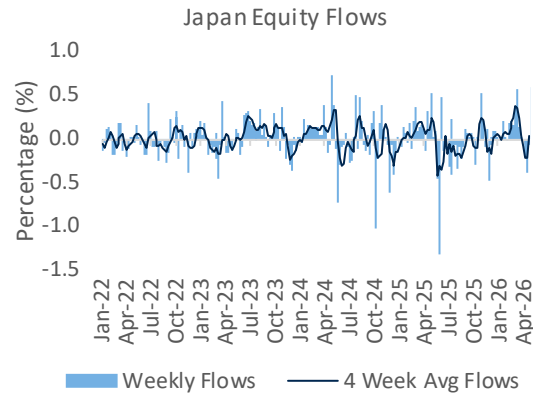
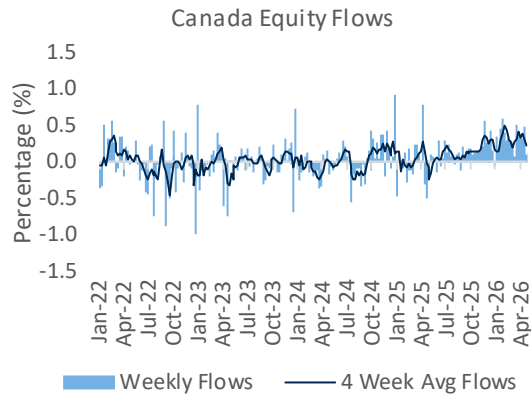
- Western Europe flows off to a good start in 2026 as part of the rotation in leadership that occurred within US equities, but we are seeing clear outflows over the past month as a “buy the USA” trade took hold as the war in Iran broke out.
- Flows to global equity and global ex US equity funds are off their highs.



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 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

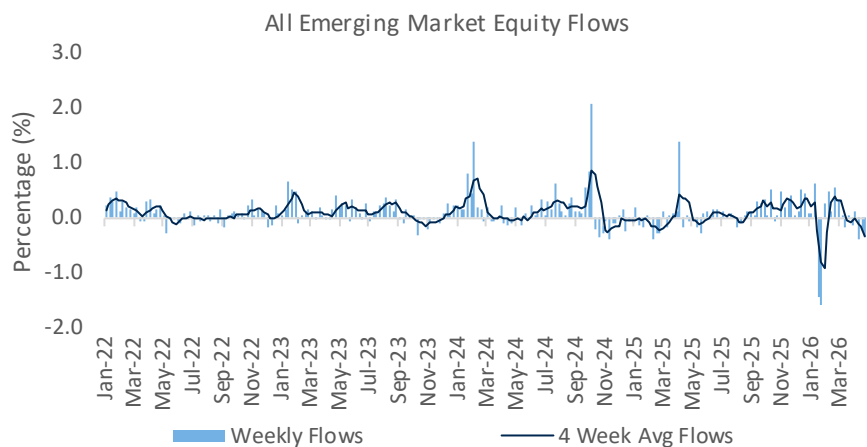
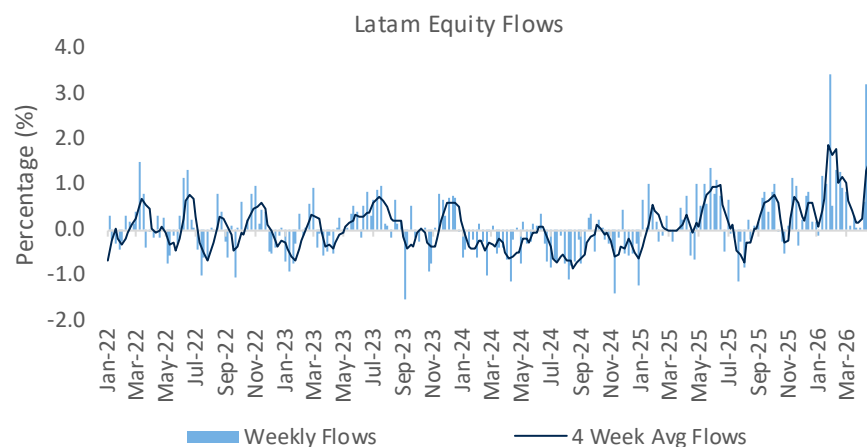
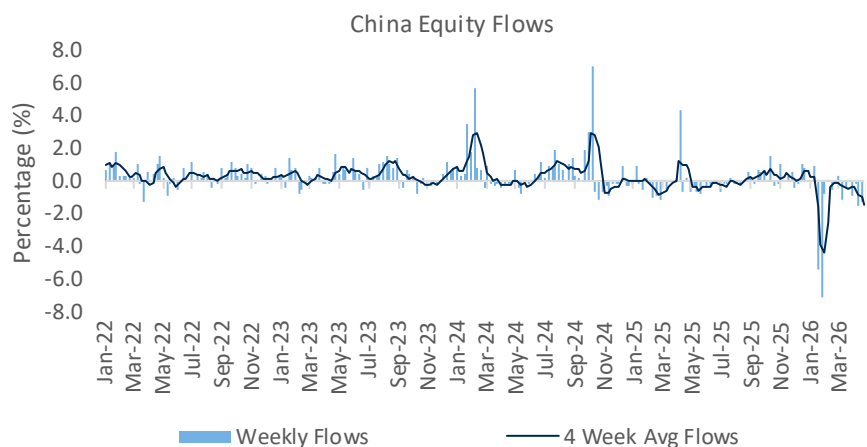
Mixed Trends for Key Developed Market Country Equity Fund Flows

- We are seeing solid inflows for Canada and positive but slightly weaker flows into Australia.
- Japan, France, and Germany have turned negative.



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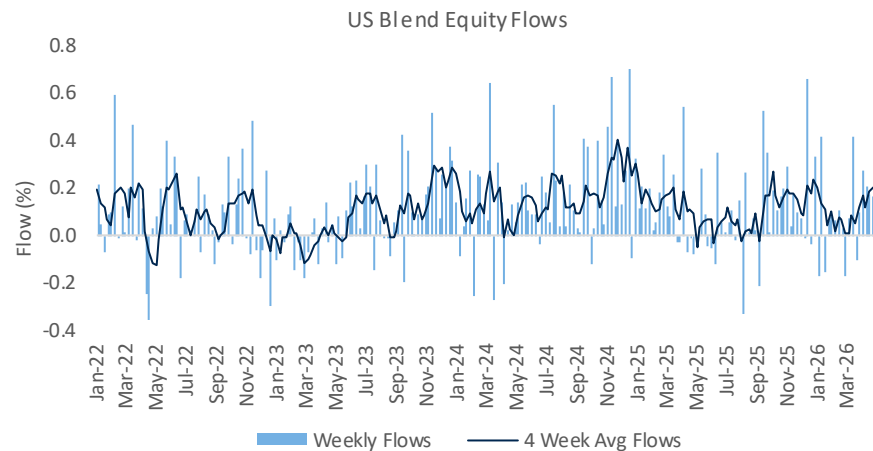
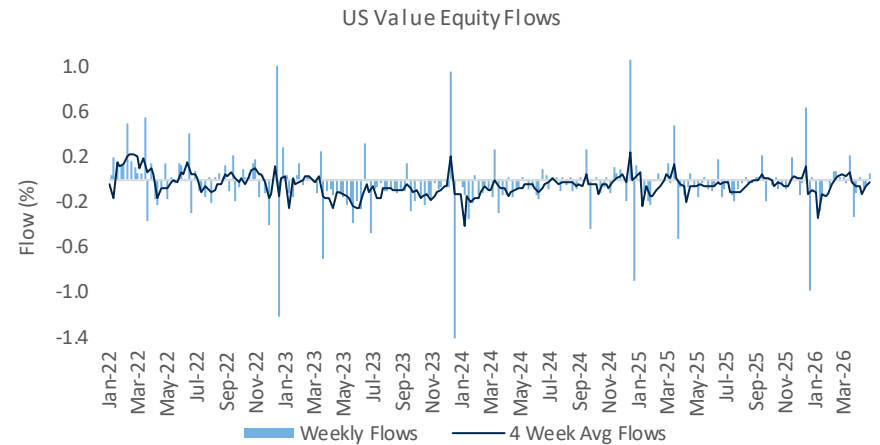
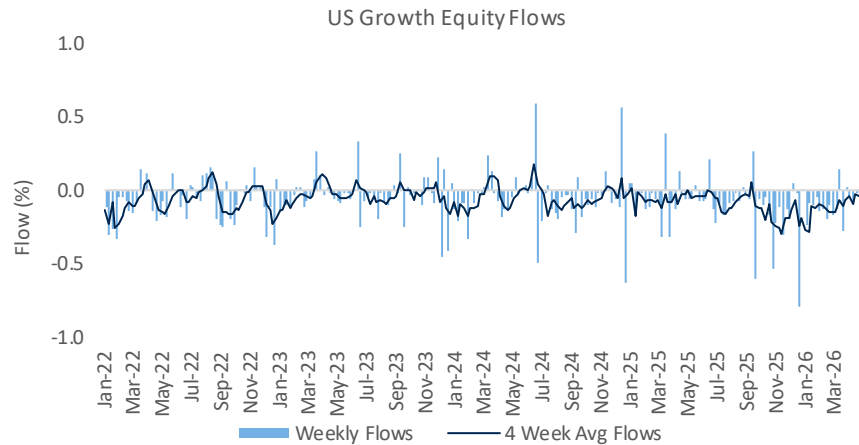
EM and China Flows Are Weakening and Negative; Latam Flows Have Improved and Are Positive



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 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

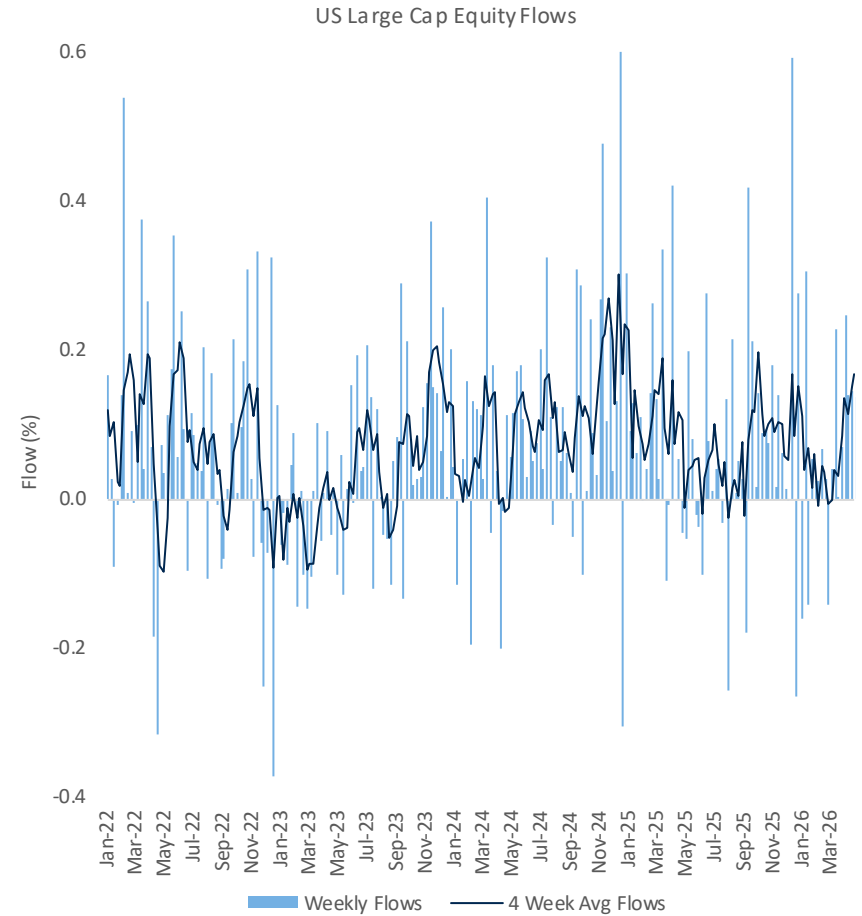
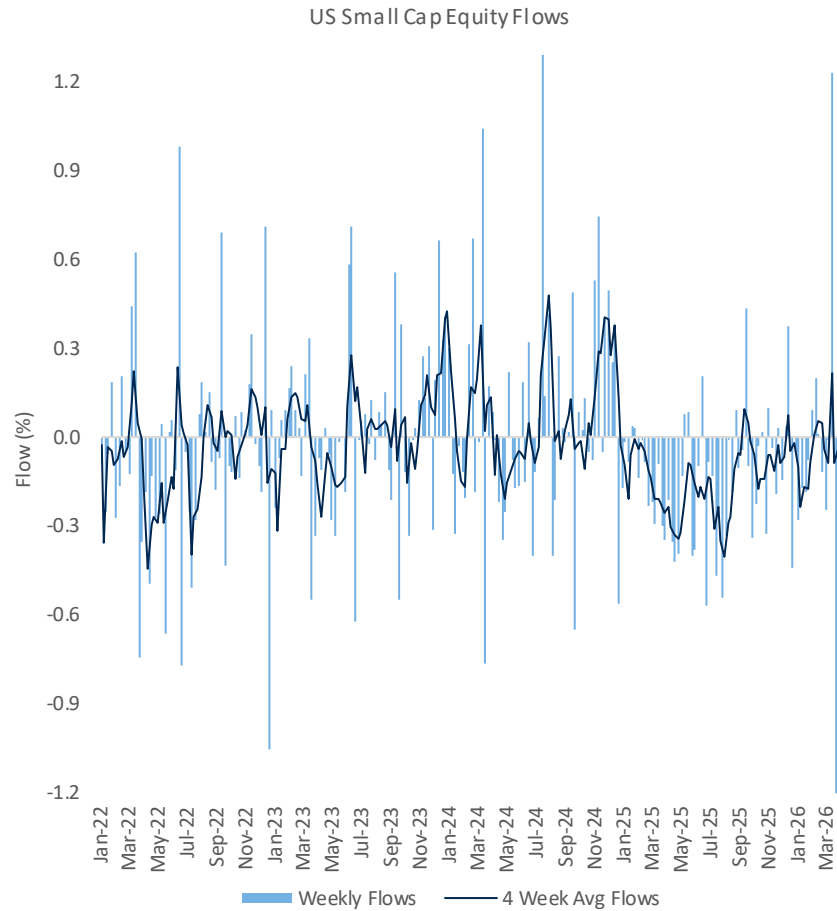
Within US Equities, the Blend Style Is Registering Inflows

- Growth and Value flows are getting less negative.
- Blend funds have been the source of strength / resilience for the US equity category. In the most recent data updates, they are seeing strong inflows.



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 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

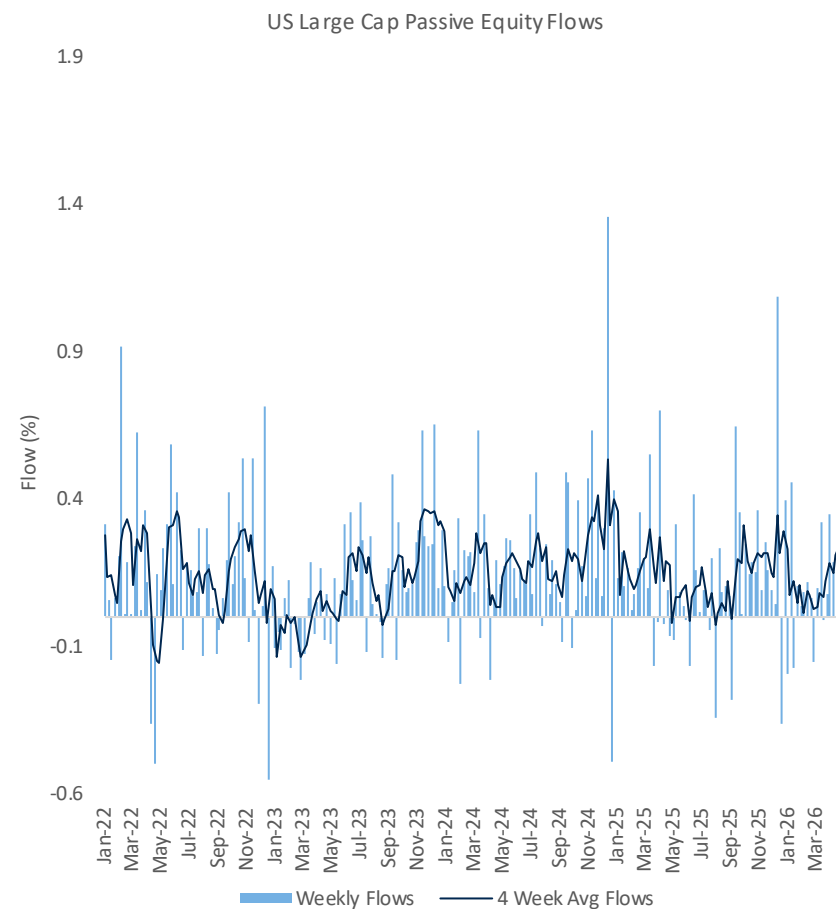
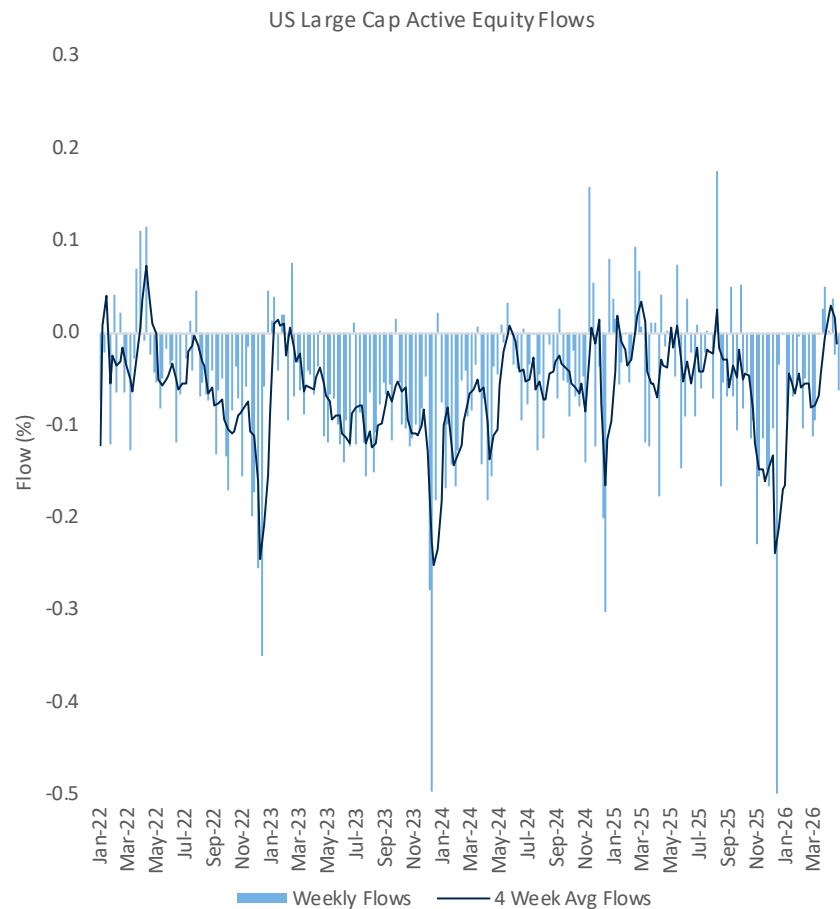
Small Cap Flows Have Been Weak, Large Cap Flows Have Been Strong Recently



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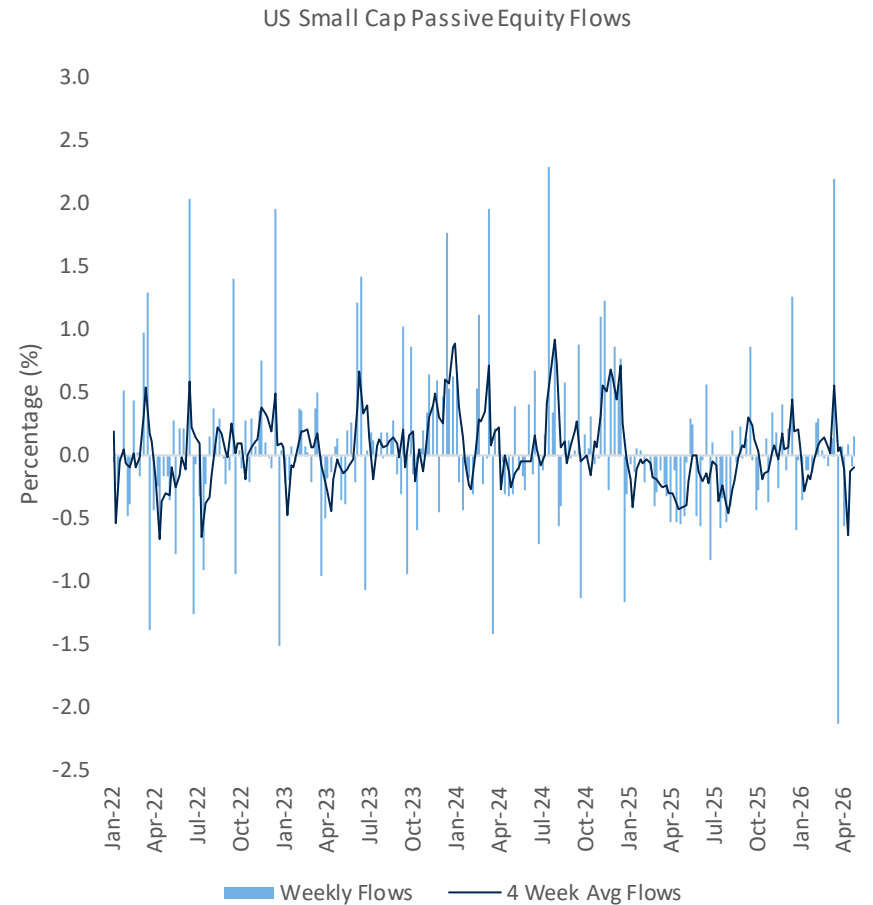
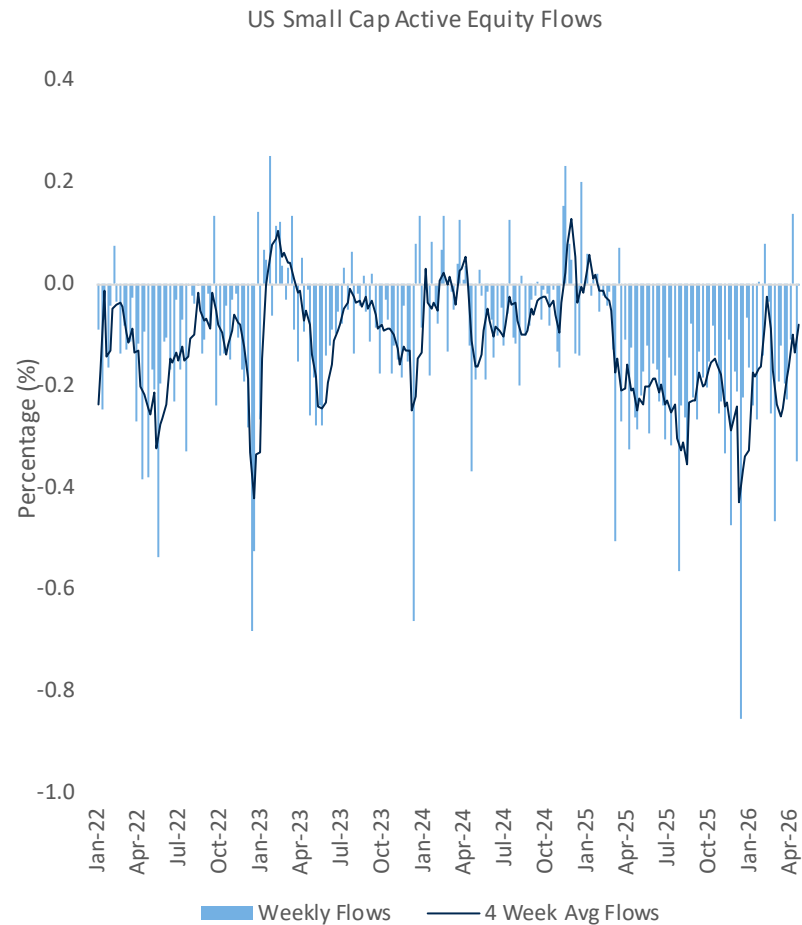
Within US Large Cap, Active Funds Are Registering Outflows Again

US Large Cap passive flows have started to improve now after a period of weakness.



Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

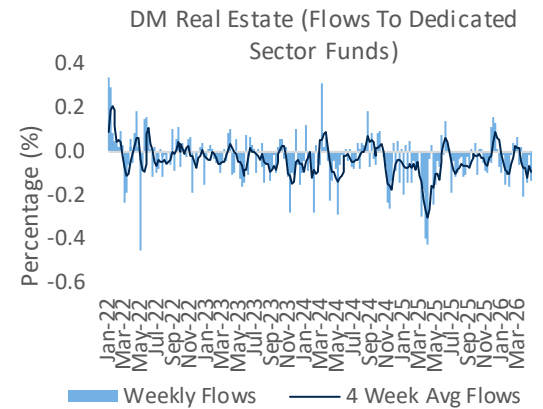
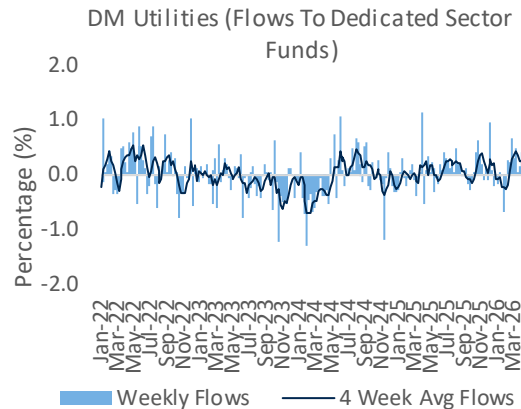
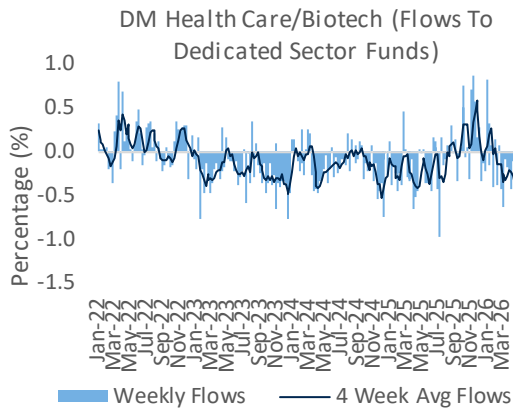
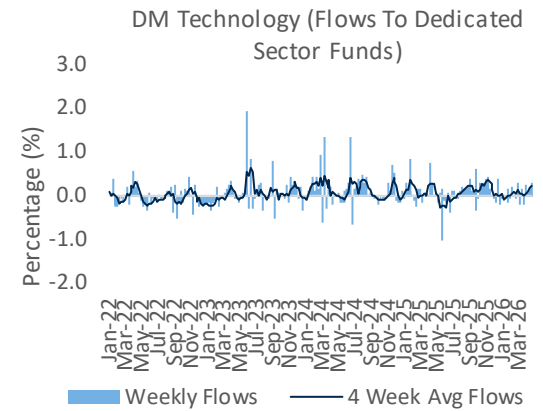
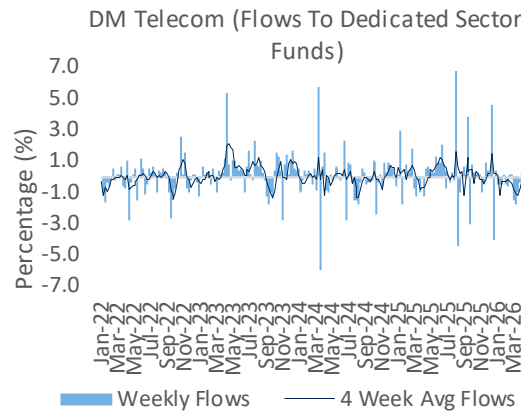
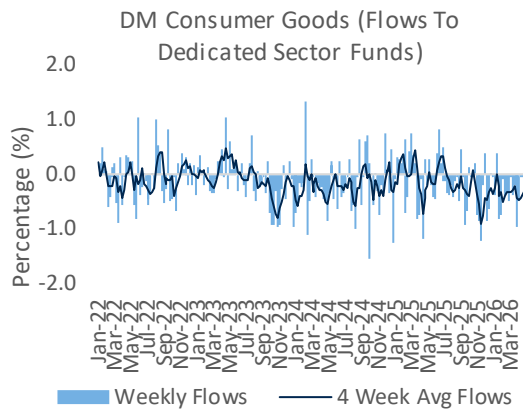
Within Small Cap, Active Funds Just Registered an Outflow, Passive Flows Are Weak



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 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

Global Developed Markets Sector Flows (Growth and Defensive)

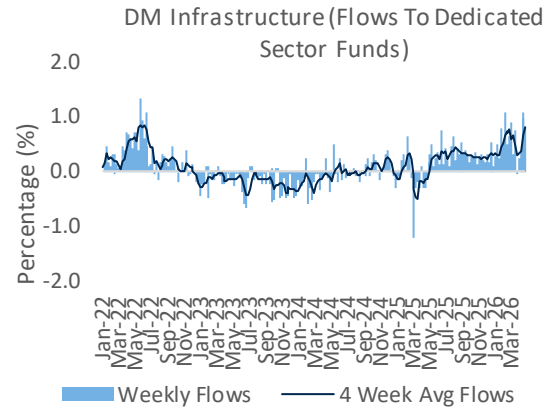
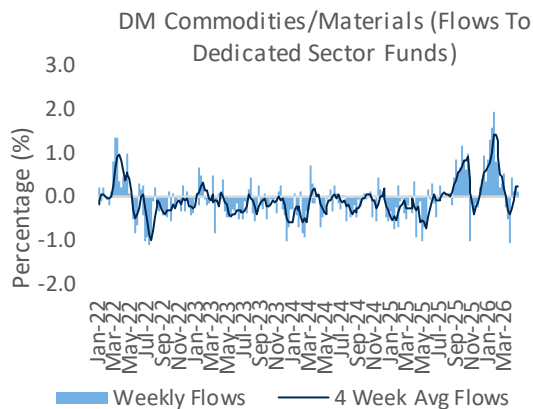
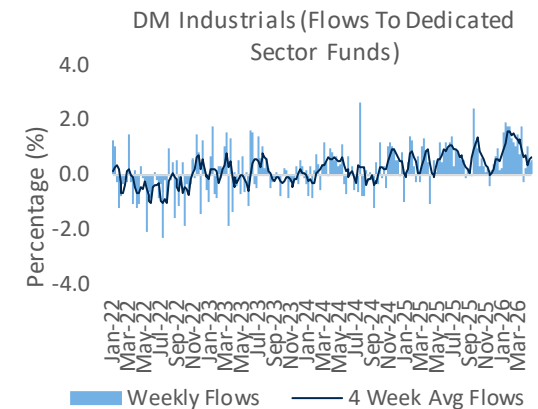
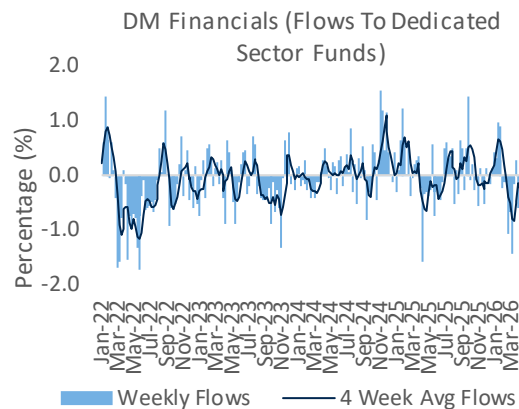
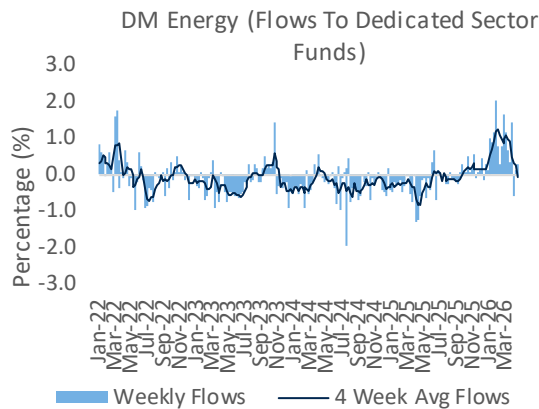
- These charts capture inflows / outflows to funds dedicated to specific sectors.
- On the growth side, Consumer flows have generally been negative. Telecom flows have turned positive again. Tech flows are still holding up.
- On the defensive side, Health Care continues to see deep outflows in the latest updates. Utilities flows are deteriorating and have turned negative, and REITs continue to be out of favor.



Note: Global Developed Markets includes all developed market funds dedicated to Asia-Pacific, North America, Western Europe, and Global as their regional mandate.
 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

Global Developed Markets Sector Flows (Cyclical and Value)

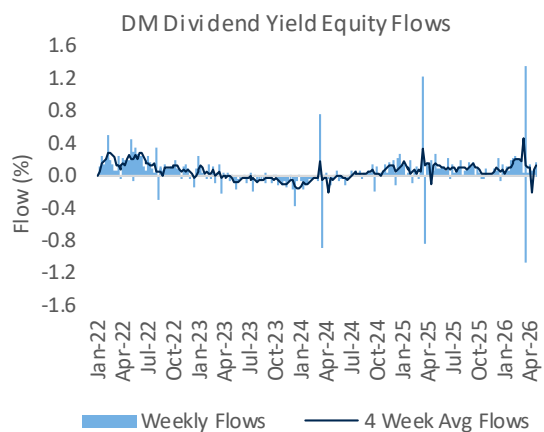
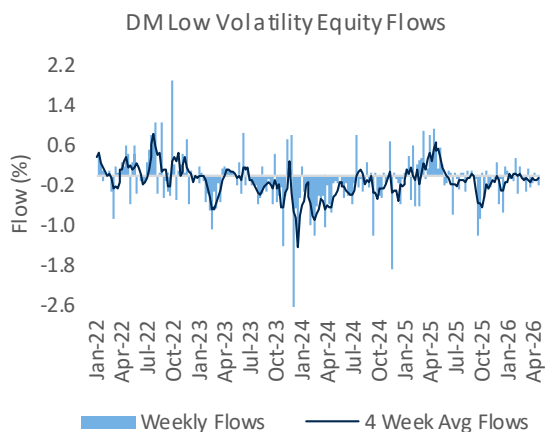
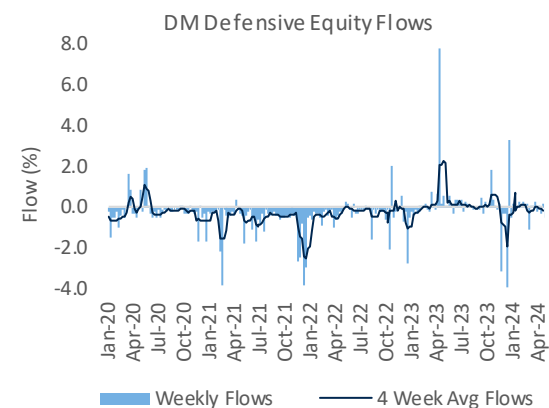
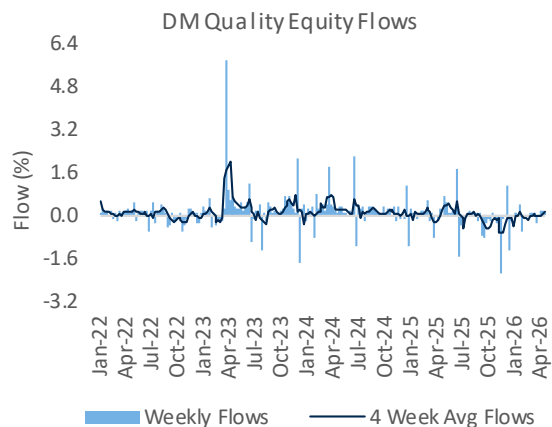
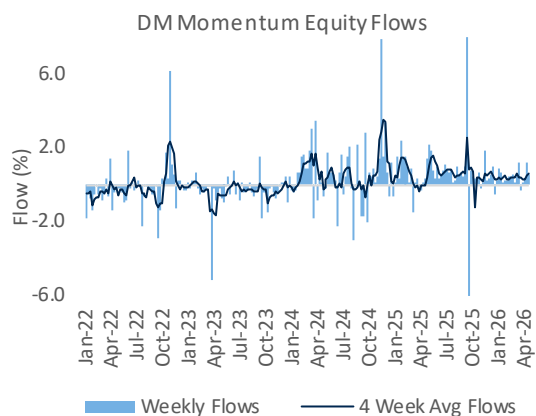
- These charts capture inflows / outflows to funds dedicated to specific sectors.
- On the commodity side, Energy flows have started to turn negative.
- Materials flows had turned back to positive and are starting to stabilize.
- On the cyclical side, Industrials flows have been strong but are weakening. Financials flows have been weak but are getting less negative.
- Infrastructure flows have been positive and continue to be strong.



Note: Global Developed Markets includes all developed market funds dedicated to Asia-Pacific, North America, Western Europe, and Global as their regional mandate.
 Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

Global Developed Markets Factors Flows

- These charts capture inflows / outflows to funds dedicated to specific factors.
- Flows for momentum funds have been positive and stable lately.
- Flows for low vol and for quality funds have been muted.
- Flows to defensive funds have been choppy recently.
- Dividend funds recently registered their largest weekly inflow and outflow since 2022.



Source: RBC US Equity Strategy, EPFR; as of April 29, 2026

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