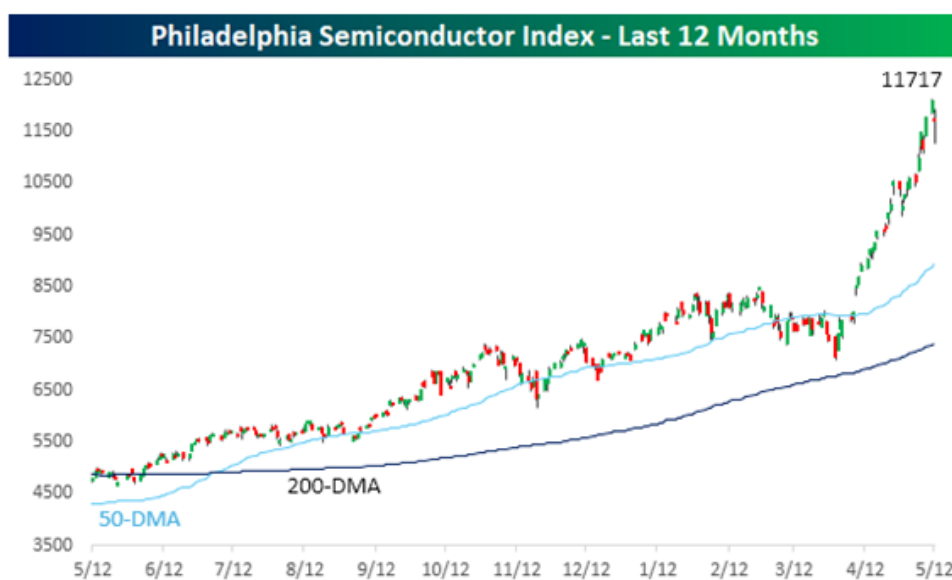


Like Sonny Bono's famous hit, the beat goes on. Last week, the market once again hit a fresh all-time closing high as the bell rang on Friday afternoon. The S&P 500 notched its sixth consecutive week of gains, fueled by surging corporate earnings growth. It remains my view that as long as profit growth remains strong, this bull market has more room to run.

Some investors may be perplexed that the market continues to rally amid negative headlines around the Iran conflict and rising energy costs. I'm not surprised. These headline-driven concerns are largely a distraction from the core fundamental theme powering this secular bull market: the ongoing multi-year capital investment boom that's driving strong profit growth, especially among the market's dominant companies.



Source: Bespoke Investment Group

Since the 1960s, nearly every bear market has coincided with an earnings recession — the notable exception being the sharp but brief 1987 crash. As long as corporate profit expansion remains intact, history suggests the bull cycle should persist. I see no reason for that pattern to break in the current environment.

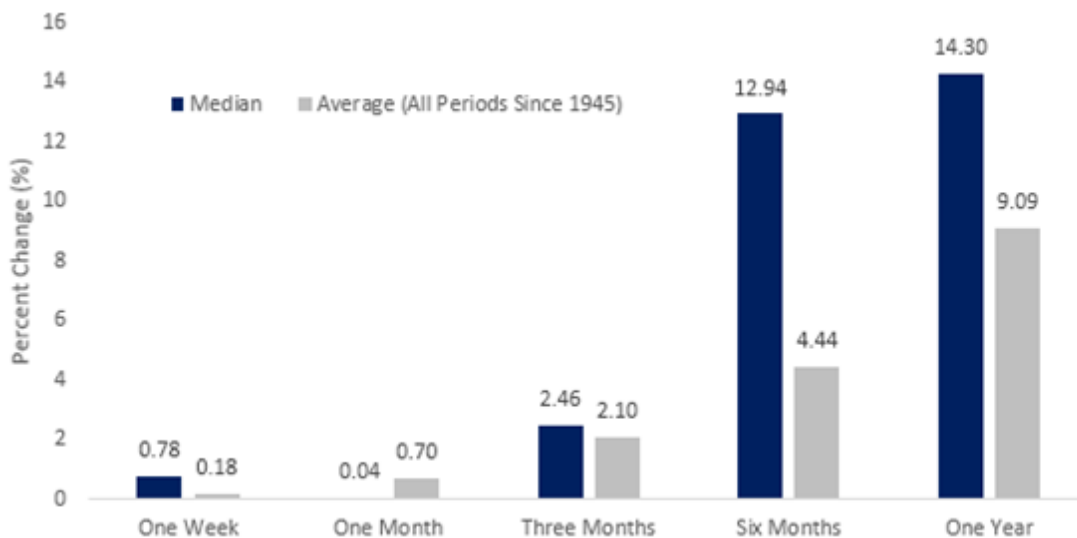
While the worry of the day may generate ratings buzz, investing based on headline events rarely produces optimal results. Successful investors instead focus on the core fundamentals: the earnings power, cash flow trajectory, and growth prospects of leading companies across key sectors.

Geopolitical risks will always exist — the players simply trade places on the chessboard. What ultimately moves markets are the factors that directly influence earnings, cash flows,

and risk profiles for the most important companies: capital spending plans, balance sheet strength, revenue visibility, and expense management. Macroeconomic variables will certainly factor into some of these items, such as the correlation between economy-wide spending behavior and corporate revenue trends. However, even this read-through is limited — while consumer spending accounts for roughly two-thirds of the U.S. economy, for example, enterprise spending is a far more important driver for corporate profits versus the economy as a whole. In essence, instead of speculating regarding macro events or headlines, investors are better served by remaining focused on the key drivers impacting U.S. businesses.

The fundamental picture is getting even stronger, which keeps me firmly in the bullish camp. S&P 500 earnings are now projected to grow 21% in 2026, with consensus estimates revised higher by roughly 9% since the start of the year. Companies have delivered strong revenue and earnings beats overall — 84%+ exceeding estimates in Q1 — while frequently raising guidance. This underscores the robust profit expansion underpinning the market's gains. Notably, these upward revisions have kept valuation multiples relatively contained despite the rally, reinforcing that this leg of the bull market is earnings-driven rather than multiple-expansion fueled.

S&P 500's Performance After 5 Week Winning Streaks Following 5 Week Losing Streaks



Source: Bespoke Investment Group

With most of the quarterly earnings season now behind us, the key secular themes fueling this bull market remain well intact — accelerating capital investment across the AI infrastructure buildout, robust top line growth, and a strong forward outlook. While there

are some pockets of weakness, this was largely expected and focused across certain energy-sensitive sectors and a subset of retailers. The sectors and companies within the AI ecosystem and adjacent to it, which dominate the market's capitalization, are the key beneficiaries and very well positioned. I expect the trends which have materialized over the past couple of years to continue to an even greater degree over the near-to-medium term, which bodes well for equity investors as 2026 continues to quickly progress.

Andrew P, Kerai, CFA®

Chairman & Managing Partner

Capital Ideas, Inc.

Disclaimer

The information presented is for educational purposes only and is believed to be factual and up-to-date. All expressions of opinion reflect the judgment of the author(s) as of the date of publication and are subject to change. Nothing in this commentary should be construed as investment advice and does not take into consideration your specific situation. All investments involve risk. Past performance does not guarantee future results. Advisory services offered through Capital Ideas, an investment adviser registered with the U.S. Securities and Exchange Commission.