



# Equities in Focus

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## Between an Oil and AI Shock

Recent market movements defined by geopolitical conflicts, commodity prices and fears of artificial intelligence (AI) disrupting or even disintermediating certain business models has added to a confusing investment landscape. The year-to-date return for the S&P 500 masks the more meaningful turbulence below its headline performance and we believe leaning into stocks possessing key attributes may better equip investors in these fast-evolving times.

## Key Takeaways

### 1. Energy Prices Are the Market's Primary Mover

But thankfully, energy is a much smaller drag on US consumers versus the past.

### 2. AI Disruption Concerns Heighten a Subsurface Correction

Roving AI threats have led to a "Whac-a-Mole" vibe impacting certain industry groups.

### 3. Durable Factors for a Time of Turbulence

Capital discipline and adaptability are essential as AI's impact determines winners and losers.

## Oil and AI's Double Whammy

The current war in the Middle East is understandably unsettling, but some context matters. As *Display 1* shows, energy goods and services account for a much smaller share of US consumer spending today than in prior decades. (However, should high oil prices linger for too long, its effect on the economy and the equity markets would be a headwind. Time will tell.) And before the war, many firms' stocks were upended on fears of how AI may affect their future fortunes and viability (*Display 2*). Combined, these forces have led to a significant contrast between index-level return figures versus the amount of movement some stocks have experienced (*Display 3*).

## Rudders for the Journey

Key factors that have performed well this year are those we believe can augment the odds of investor success, beyond some classics ([related content](#)). *Display 4* reveals that companies with balance-sheet strength, those allocating capital toward high-barrier-to-entry assets, such as plant and equipment (harder for AI to displace), while earning an attractive return on those investments as indicated by favorable returns on invested capital, have outperformed high beta stocks and companies that have unfavorable levels of debt to equity. Further, companies that successfully manage their businesses while incorporating AI to increase productivity are likely to attain positive earnings revisions.

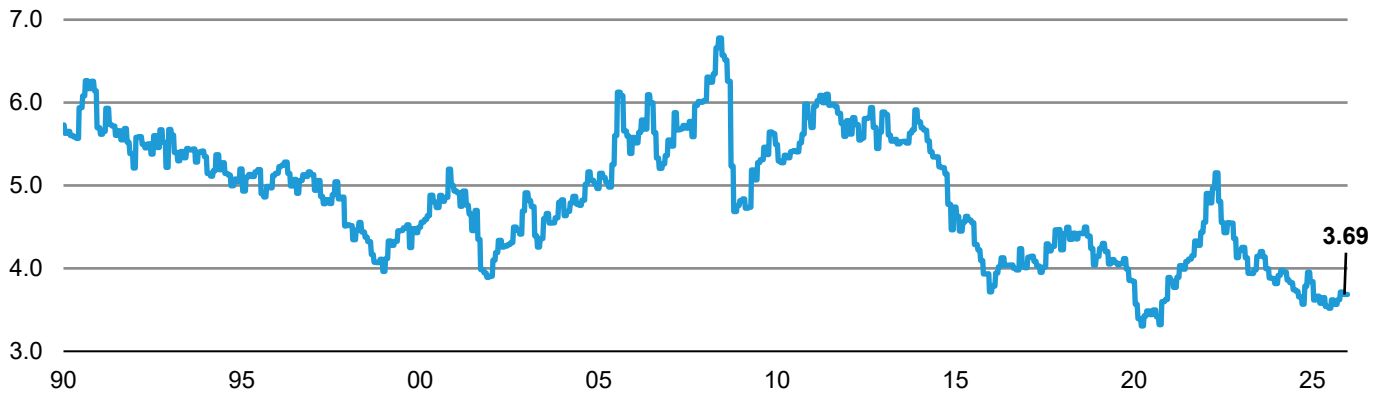
## Our View

In periods of rapid change, anchoring investment decisions to what has historically worked can become more of a liability than an asset. What defined "safe" or "quality" leadership in the past risks becoming backward-looking when the pace of change accelerates. Maintaining a discerning eye and actively embracing the traits we highlighted are vital elements for charting today's course.

To learn more about AB's equity investment solutions and to access other market insights, visit [Equity Investments | AB](#).

**Display 1: Higher Energy Costs a Lesser Threat to Aggregate Consumer Spending**

Energy Goods and Services Spending as a Percent of the Personal Consumption Expenditures Price Index

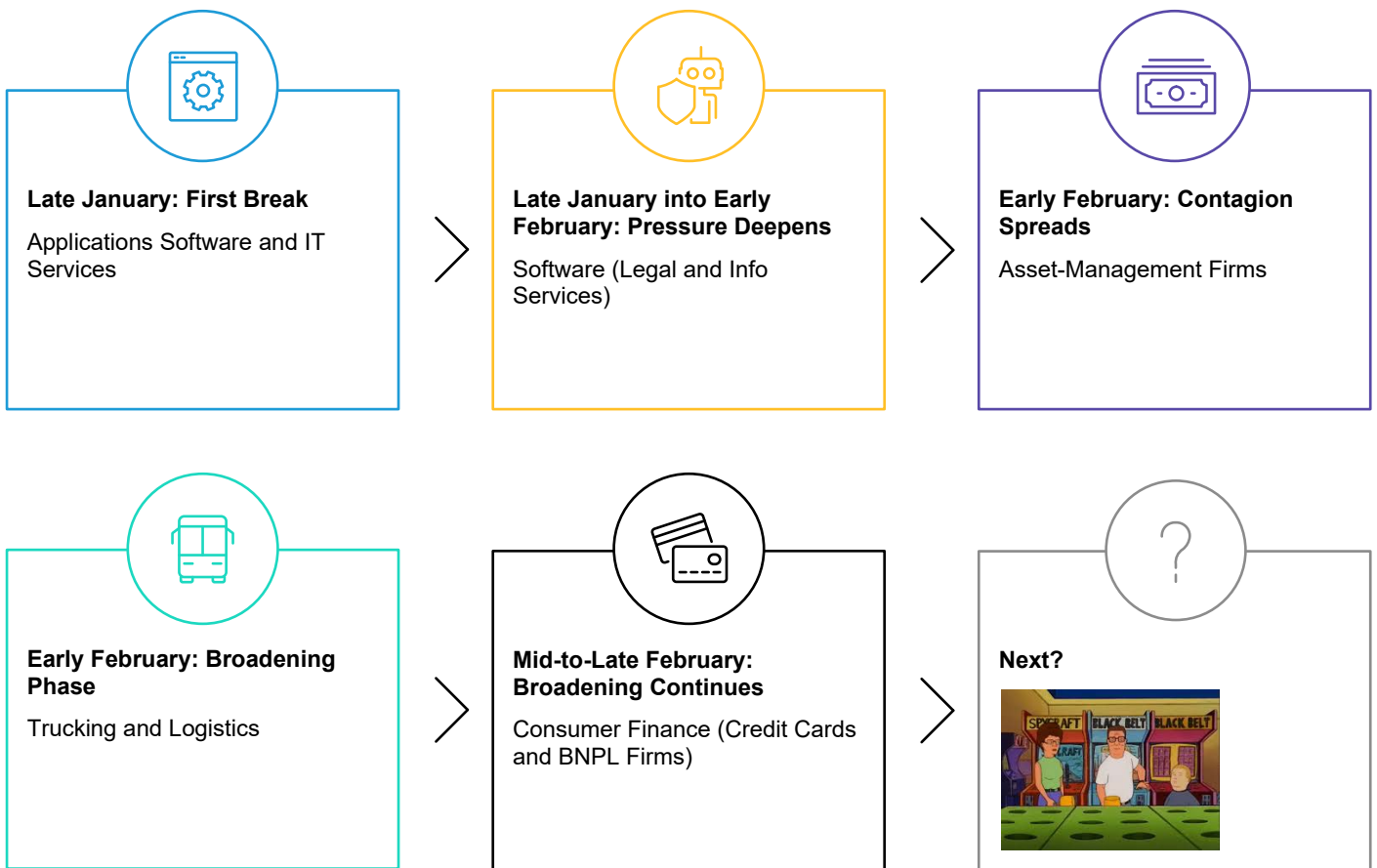


Past performance does not guarantee future results.

As of March 17, 2026

Source: Bloomberg and AB

**Display 2: The AI Disruption Whac-a-Mole Game...So Far**

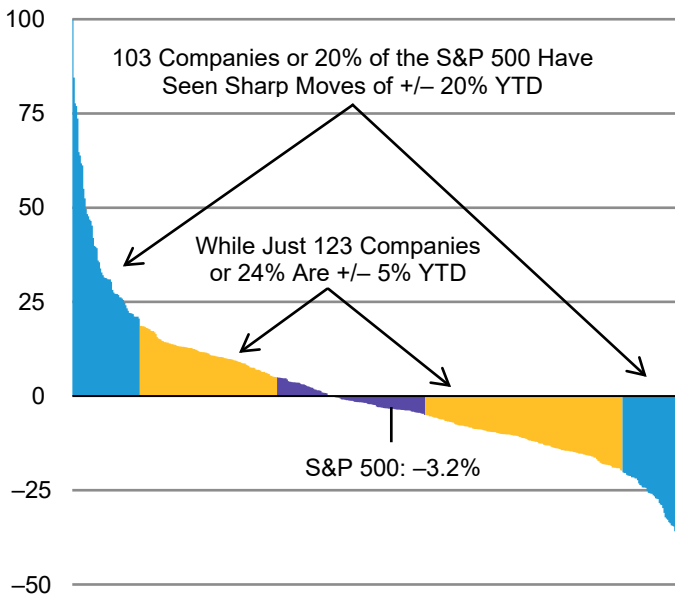


BNPL: buy now, pay later

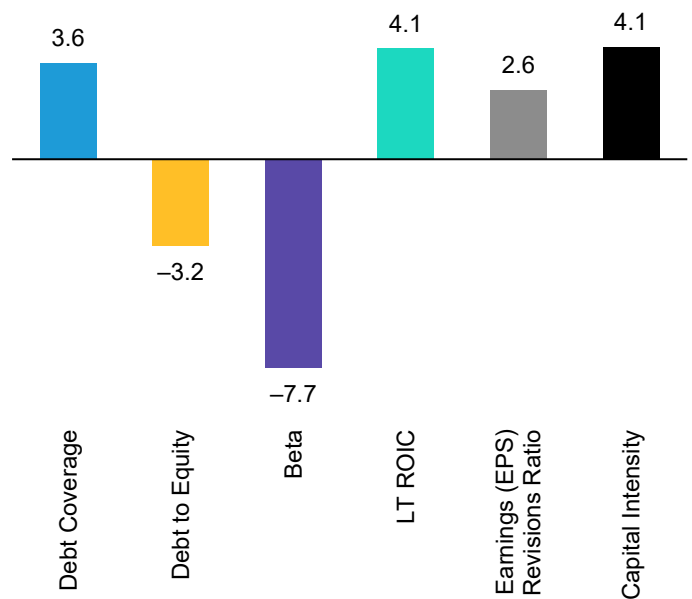
Source: AB

**A Subsurface Correction Where Capital Discipline and Adaptability Have Been Rewarded**

**Display 3: Index-Level Returns Do Not Tell the Full Story**  
S&P 500 Constituent YTD Returns (Percent)



**Display 4: Low Appetite for High Beta and Levered Balance Sheets**  
YTD Cumulative Return by Factor (Percent\*)



**Performance does not guarantee future results.**

EPS: earnings-per-share; LT: long-term; ROIC: return on invested capital; YTD: year to date

\*Factor returns are calculated by the relative performance of the top-quintile cohort vs. the bottom-quintile cohort within the S&P 500.

Left display as of March 18, 2026; right display as of March 13, 2026

Source: FactSet, S&P, Piper Sandler and AB

**The value of an investment can go down as well as up, and investors may not get back the full amount they invested. Capital is at risk. Past performance does not guarantee future results.**

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