



Equities in Focus

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Derated, Not Derailed: Market Broadening Remains Intact

The case for a broadening equity market started off strong through February, with large-cap value, small-cap and mid-cap stocks—not to mention international equities—outperforming the mega-cap tech-centric S&P 500. That trend paused in March as concern relating to the Iran conflict escalated, but that speedbump looks more like a valuation reset than a fundamental break or pothole.

Key Takeaways

1. A Valuation Compression, Not a Fundamental Deterioration

The market's recent drawdown mirrors prior growth scares, not Fed tightening or recessionary regimes.

2. Watch What They Do, Not What They Say

Low consumer sentiment readings have historically rewarded patient investors.

3. Key Economic Indicators Lack a Fear Factor

Leading indicators and rising earnings estimates lend support for an array of asset classes.

Multiple Compression Was Fear Driven

Historically, comparable pullbacks have occurred during periods of uncertainty—such as manufacturing slowdowns, tariff disputes, or policy ambiguity (*Display 1*). This retracement was driven by elevated geopolitical risk and AI disruption fears that weighed on sentiment. And the latest University of Michigan Consumer Sentiment Index reading near 50 confirms households remain uneasy. Yet *Display 2* highlights an important pattern: similar troughs in consumer confidence have often marked attractive entry points for investors with intermediate horizons. One- and three-year forward returns following past sentiment lows have often been favorable, even in the face of negative headlines.

Fundamentals Still Look Solid

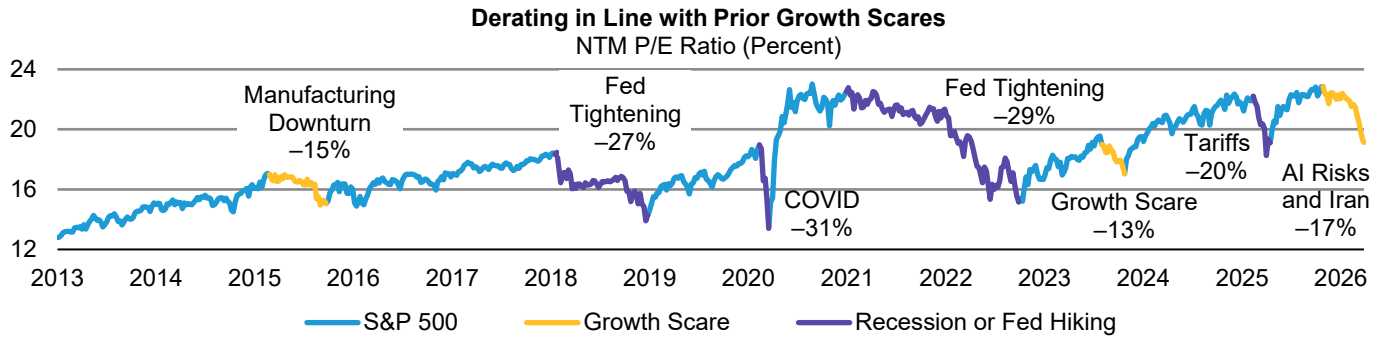
Crucially, the real economy is not flashing troubling signals. *Display 3* shows both manufacturing new-order activity and positive surprises on the business cycle are rising and now sit near four-year highs, reinforcing the view that current and expected future economic growth momentum is on firm ground. In fact, *Display 4* reveals that earnings estimates for US large, mid- and small-cap equities have continued to move higher thus far. (That said, future earnings revisions may be negatively impacted by higher oil prices in certain industries, a variable that warrants close monitoring).

Our View

The market's comeback from recent lows is a welcomed sight, and as of this writing, the current earnings season is off to a good start. With economic indicators firm and profit expectations improving across the board, the conditions for a continued—but perhaps uneven—broadening remain in place. Happy hunting!

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Display 1: Recent Derating Matches Prior Growth Scores ex. Recession or Fed Hiking

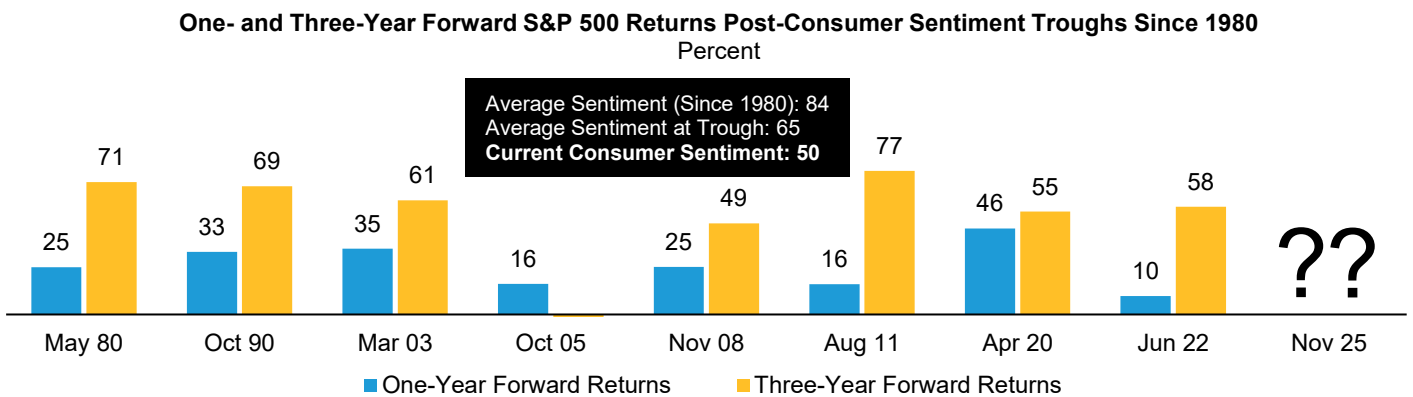


Current analysis and forecasts do not guarantee future results.

As of March 31, 2026

Source: FactSet, S&P and AllianceBernstein (AB)

Display 2: Prior Times of High Fear Have Proven Rewarding for Contrarians



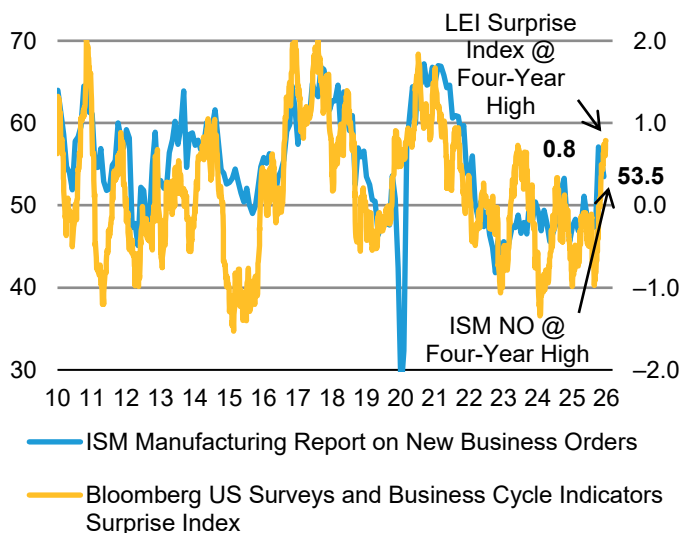
Historical analysis does not guarantee future results.

As of April 24, 2026

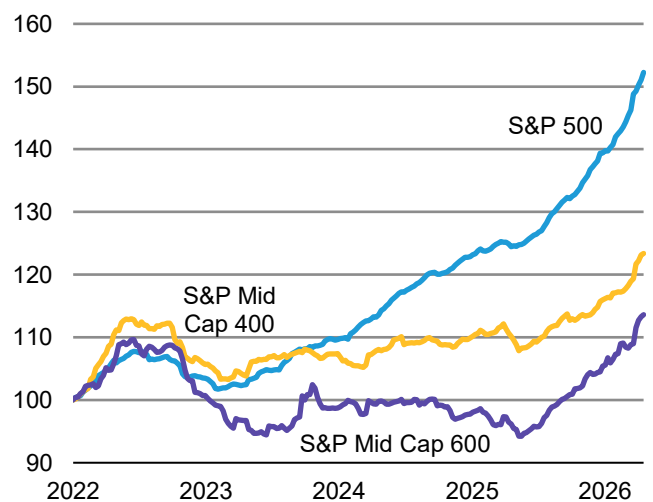
Source: Bloomberg, S&P, University of Michigan Consumer Sentiment Index and AB

Key Economic Data and Earnings Outlooks Are Offsetting Consumer Fear

Display 3: New-Order Activity and Economic Survey Data Points at Four-Year Highs



Display 4: Forward Earnings Estimates Across the Cap Spectrum Remain Healthy



Left display as of April 22, 2026; right display as of April 17, 2026

Source: Bloomberg

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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UMF-928696-2026-04-29