

# Capitalwise

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MARKET &  
ECONOMIC REVIEW

May

2026

# MESSAGE FROM OUR TEAM

**Our Mission:** Provide our clients with the highest level of service and advice to help build their family's security and prosperity.

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**We love what we do.** We are passionate about the industry and proactive in learning new strategies to deliver the best investments and solutions available in the market.

This monthly update reflects our passion and commitment to learn, share, and operate with authenticity and transparency. The commentary, data, and visuals provided are not intended to be investment advice. Please seek the advice of an independent financial advisor for your personal financial decisions.



"Bull markets are born on pessimism,  
grown on skepticism, mature on optimism  
and die on euphoria."

**Sir John Templeton**

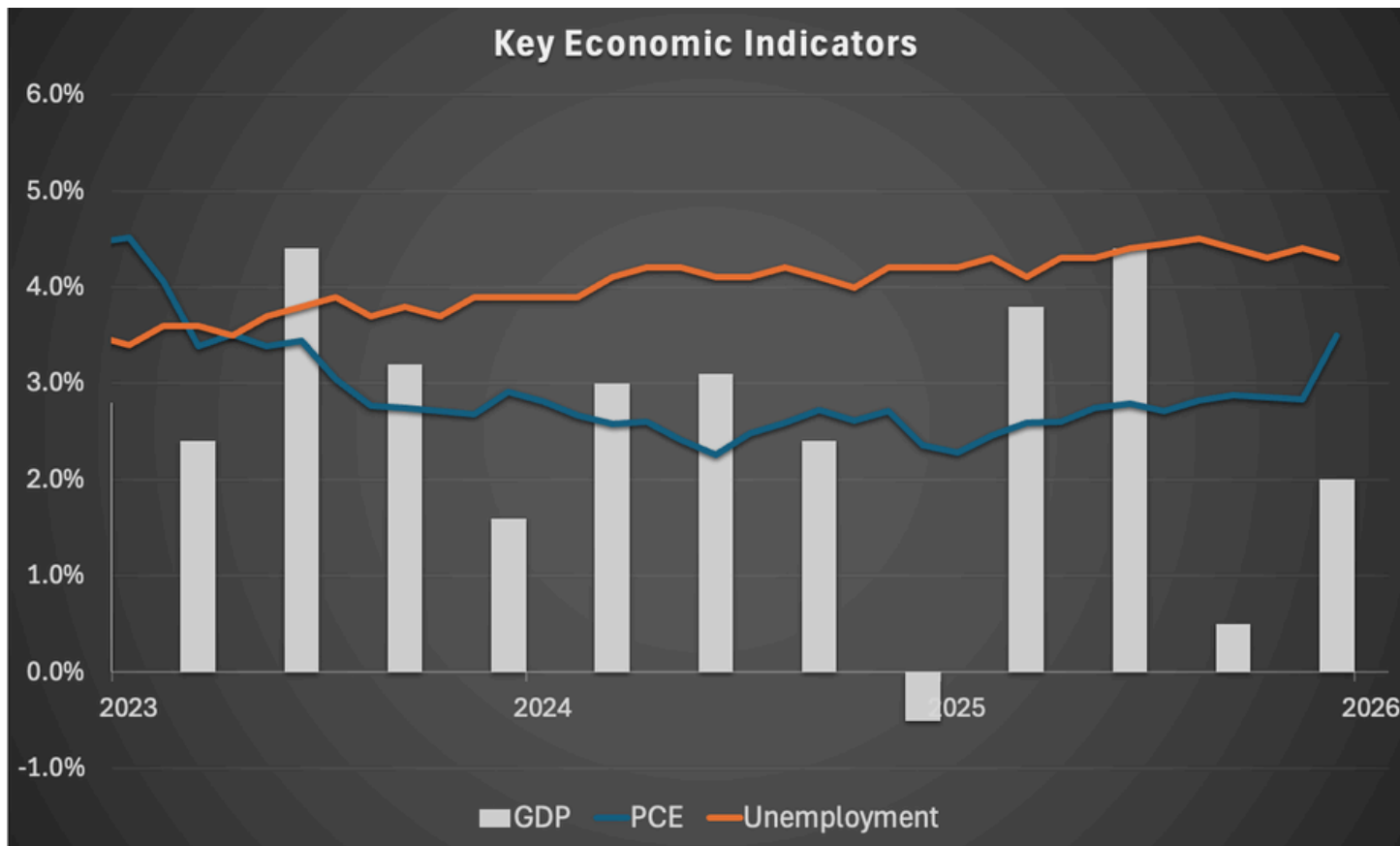
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ECONOMIC  
UPDATES

# ECONOMIC UPDATE

## Inflation



All graphs generated internally with data from YCharts, see footnotes for data disclosure.

The Bureau of Economic Analysis reported that headline PCE rose 3.5% year-over-year in March, with the monthly reading jumping 0.7%, which was the largest one-month move since 2022. That spike was driven primarily by an 11.6% surge in the energy goods and services sub-component, a direct consequence of the Iran conflict's disruption of global oil supply. Core PCE, which strips out food and energy, rose a more measured 0.3% for the month and 3.2% year-over-year. The underlying inflation impulse has not broadly accelerated beyond energy. Still, with core inflation running well above the Fed's 2% target and the Bureau of Labor Statistics' March CPI reading at 3.3%, the path to rate cuts remains narrow.

The labor market offered a partial reprieve in March. The BLS March Employment Situation showed nonfarm payrolls rising 178,000, with the unemployment rate steady at 4.3%. ADP reported 62,000 private-sector jobs added in March (above expectations), driven largely by small businesses. The headline numbers were tempered by revisions: February's payroll count was slashed to -133,000. Average hourly earnings grew 3.5% year-over-year, enough to stay ahead of core inflation, but well off the pace that would reignite a wage-price spiral.

On GDP, the BEA's third and final estimate for Q4 2025 confirmed real growth of just 0.5% annualized, revised down yet again, primarily on weaker private inventory investment. The Q1 2026 advance estimate offered a partial rebound at 2.0%, below the 2.3% consensus, with equipment investment tied to the ongoing AI buildout driving much of the lift. Liz Ann Sonders at Schwab noted that the employment cost index rose 0.9% in Q1, a touch above expectations, suggesting the labor market is not yet rolling over. Still, the GDP trajectory from Q4 into Q1 reflects a resilient, not robust, economy.

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MARKET  
UPDATES

# MARKET UPDATE: EQUITY

## EQUITY BREAKDOWN

2022	2023	2024	2025	YTD	MAR
XLE 64.4%	XLK 56.0%	XLC 34.7%	XLK 24.6%	XLE 37.9%	XLK 18.9%
XLU 1.4%	XLC 52.8%	XLF 30.5%	XLC 23.1%	XLB 13.6%	SPY 9.9%
XLP -0.8%	XLY 39.6%	XLY 26.5%	XLI 19.3%	XLI 12.5%	XLRE 8.6%
XLV -2.1%	SPY 26.2%	SPY 24.9%	SPY 17.7%	XLRE 10.8%	XLY 7.9%
XLI -5.6%	XLI 18.1%	XLU 23.3%	XLU 16.0%	XLU 10.0%	XLI 6.8%
XLF -10.6%	XLB 12.5%	XLK 21.6%	XLF 14.9%	XLK 9.7%	XLC 4.7%
XLB -12.3%	XLRE 12.4%	XLI 17.3%	XLV 14.5%	XLP 9.1%	XLF 4.7%
SPY -18.2%	XLF 12.0%	XLP 12.2%	XLB 9.9%	SPY 5.1%	XLP 3.2%
XLRE -26.3%	XLV 2.1%	XLE 5.5%	XLE 7.9%	XLC -1.1%	XLU 2.3%
XLK -27.8%	XLE -0.6%	XLRE 5.1%	XLY 7.4%	XLY -1.2%	XLB 2.2%
XLY -36.4%	XLP -0.8%	XLV 2.5%	XLRE 2.6%	XLF -4.4%	XLE -0.1%
XLC -37.7%	XLU -7.2%	XLB 0.1%	XLP 1.5%	XLV -5.4%	XLV -0.8%

### Cyclical

XLB	Materials	SPY	S&P 500
XLY	Consumer Cyclical	<b>Sensitive</b>	
XLF	Financials	XLC	Comm. Services
XLRE	Real Estate	XLE	Energy
<b>Defensive</b>			
XLP	Consumer Staples	XLI	Industrials
XLV	Health Care	XLK	Information Tech.
XLU	Utilities		

### April Winners: Tech is Back!

- Semi's pushed tech and the market higher with SOXX adding 37% in the month on the back of huge performances from Intel (+115%), Seagate (64%), AMD (+67%), and many more
- Other notable winners: Emerging Markets (+10.4%), Magnificent 7 (+14.9%), and Real Estate, making a significant move at +8.6%

### April Losers:

- Abbott Labs (-10.5%) and medical device companies as a whole (-5.7%) on the back of weak earnings guidance.
- Defense contractors like Lockheed (-15.7%) and Northrup Grumman (-17.2%) trailed in April due to weak earnings and the ceasefire in Iran.

### Summary:

April answered March's questions. The ceasefire on April 10th cleared the geopolitical overhang and rotated capital back into the sectors that had been punished all quarter, but the move wasn't simply sentiment-driven risk-takers re-entering the market. It was backed by an earnings season running well ahead of historical averages, giving investors something real to buy.

The underlying driver of the semiconductor and Mag 7 surge isn't just the ceasefire bounce; it's the AI capex story. The four major hyperscalers (Amazon, Microsoft, Google, and Meta) committed to over \$650 billion in combined 2026 capital spending during Q1 earnings calls. That's why Intel, AMD, and Seagate went parabolic; in some cases, revenues came in at double analysts' estimates.

2026 has been a choppy ride, but April is delivering a breakout similar to what we saw in 2025, with one key difference. The catalyst this time isn't multiple expansion or renewed risk appetite. It's earnings. The chart on the following page, courtesy of chartkidmatt.com, illustrates that the S&P 500's forward price-to-earnings ratio has actually contracted this year. Despite rising stock prices, investors are paying less per dollar of earnings than they did in January, pointing to a fundamentally sound yet top-heavy market. A story we've grown accustomed to.



All graphs generated internally with data from YCharts, see footnotes for data disclosure.

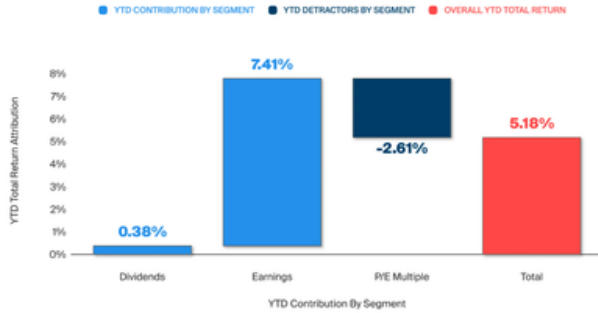
# MARKET UPDATE: EQUITY

## EQUITY BREAKDOWN

### Where Are Equity Returns Coming From In 2026?

S&P 500 YTD Total Return Broken Down By Contribution From Earnings, P/E Multiple, and Dividends

Year-to-date 2026



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-04-27

This slide is for informational and illustrative purposes only. The data provided is believed to be accurate, but there is no guarantee of its accuracy, completeness, or timeliness. This is not a recommendation or offer of any financial product. Past performance is not indicative of future results, and investors should consider their own objectives and risk tolerance. Indices, if presented, do not include fees, are unleveraged, and not available for direct investment. Definitions & Methodology: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is market cap weighted. Total return reflects price changes plus reinvested dividends. Year-to-date return attribution is broken into three components: earnings growth, which captures the impact of changes in trailing twelve-month earnings; P/E multiple expansion, which measures the effect of changes in the S&P 500's trailing 12-month price-to-earnings ratio; and dividends, which represent the return contribution from dividends paid.



The chart below puts the bull market in context. The S&P's run has been built on earnings, not air. Six consecutive quarters of double-digit growth, with Q1 2026 coming in at roughly 15% year-over-year. The market isn't cheap at 21x forward earnings, but calling this a bubble requires a conviction that these earnings will reverse and decline on a sustained basis.

So far, there is no evidence of that. What the recent rotation may be telling us is something more constructive: the Q1 shift toward energy, materials, and defensives followed by April's earnings-driven tech breakout has the hallmarks of a mid-cycle correction. A necessary reset, not a rollover. That said, not every signal is clean. A 45-month bull market, sticky inflation keeping the Fed sidelined, and Q1's defensive sector leadership are patterns that can also read as late-cycle. The two interpretations aren't mutually exclusive, and that tension is worth watching.

### S&P 500 — Forward Earnings Estimates vs. Total Return Index

Quarterly snapshots · Jan 2023 — Apr 2026 | Forward EPS derived from FactSet Earnings Insight (P/E × Index Price)

Forward 12-Month EPS

**+41.6%**

\$236 → \$334 (Jan '23 → Apr '26)

S&P 500 Total Return

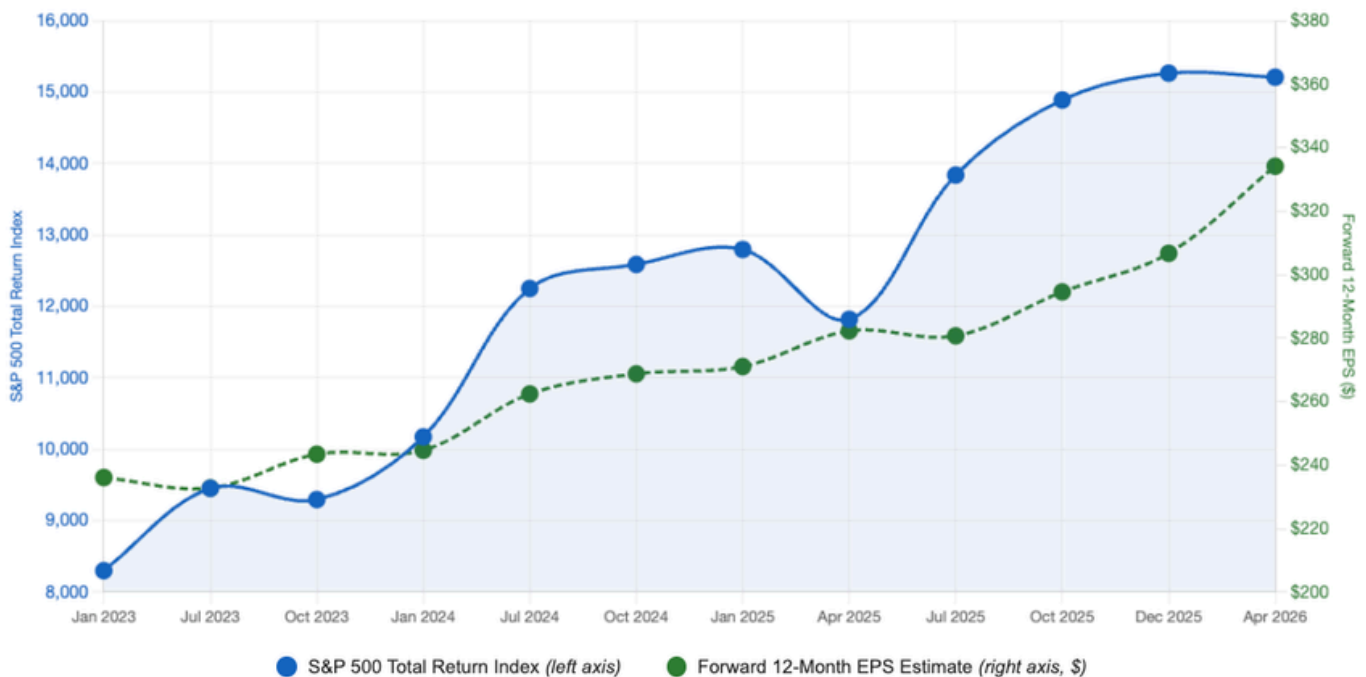
**+83.3%**

8,299 → 15,209 (Jan '23 → Apr '26)

Multiple Expansion

**16.5x → 20.4x**

Fwd P/E (Jan '23 → Apr '26)

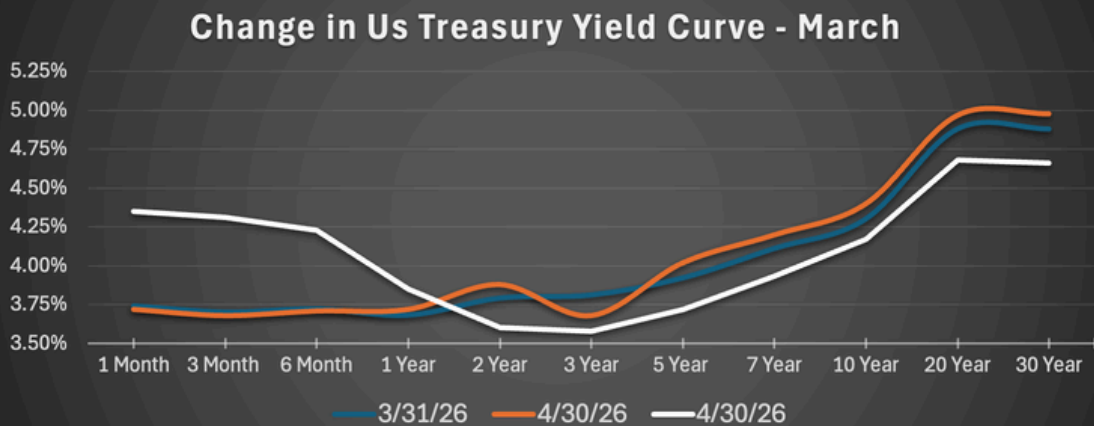


Sources: FactSet Earnings Insight (quarterly issues 2023–2026) · Yahoo Finance (^SP500TR)

# MARKET UPDATE: BONDS

## FIXED INCOME BREAKDOWN

US Treasury Yield			
	30-Apr Yield	Change in Yield	
		MoM	YoY
SWVXX	3.49%	1 bps	-68 bps
1 Month	3.72%	-2 bps	-63 bps
3 Month	3.68%	-2 bps	-63 bps
6 Month	3.71%	-1 bps	-52 bps
1 year	3.72%	4 bps	-13 bps
2 Year	3.88%	9 bps	28 bps
3 Year	3.68%	-13 bps	10 bps
5 Year	4.02%	10 bps	30 bps
7 Year	4.20%	9 bps	27 bps
10 Year	4.40%	10 bps	23 bps
30 Year	4.98%	10 bps	32 bps



All graphs generated by FRED or generated internally with data from YCharts, see footnotes for data disclosure.

### Fixed Income Total Return

April 2026				1 Year			
Credit Quality	Duration			Credit Quality	Duration		
	Short	Interm.	Long		Short	Interm.	Long
High	0.07%	0.72%	-0.71%	High	3.36%	3.76%	0.23%
Med	0.25%	0.03%	0.26%	Med	4.54%	3.85%	4.85%
Low	1.17%	1.52%	1.33%	Low	7.33%	7.90%	8.08%

### Fixed Income Sector Total Returns

Sector	March	1 Year
Treasury Bond	-1.7%	3.3%
TIPS	-1.4%	2.8%
Corporate Bond	-2.0%	4.8%
Corporate High Yield	-1.2%	7.0%
Floating Rate	0.2%	4.6%
MBS	-1.7%	5.6%
CMBS	-2.0%	5.2%
CLO AAA	0.4%	5.5%
Municipal Bond	-2.3%	4.3%
Emerging Market Bond	-2.9%	7.1%

### State of the Bond Market

April offered the bond market its first real reprieve of 2026. The U.S.-Iran ceasefire sent the 10-year Treasury yield tumbling more than 10 basis points to roughly 4.24% on April 8th as oil's 16% single-day collapse drained the inflation risk premium that had been baked into rates since late February. The relief was short-lived, yields crept back toward 4.4% by month-end as the Fed held its hawkish tone and markets absorbed the political turbulence surrounding the confirmation of incoming Fed Chair Kevin Warsh. Beneath the surface, credit fundamentals remain remarkably firm. Investment-grade spreads are near 25-year tight spreads, and the high-yield option-adjusted spread of roughly 2.7% is less than half its 20-year historical average of 4.9%. Corporate bond issuance through Q1 ran \$775 billion, up more than 15% year-over-year, with demand absorbing supply without strain and default rates drifting lower. For now, the credit market is telling a story of resilience, but a market priced this tightly leaves little margin for error.

**Municipal Bonds** were a bright spot in the credit world last month, and the reasons were just as much structural as cyclical. Tax season tends to bring heavy fund flows into the muni market, and Q1 was no exception. Beyond the demand, muni yields fell alongside the broader bond market as oil prices retreated, contributing to price appreciation across the curve. The steep muni yield curve remains a compelling opportunity; extending from 10 to 20–30 years currently adds 130-170 basis points of pickup versus just 60–65 in the Treasury market. The thing to watch is supply: issuance is projected to approach \$600 billion in 2026, potentially surpassing last year's record. If demand softens, particularly if the rate outlook shifts, that supply wall could become an anchor, suppressing returns in the muni market.

**In summary**, the bond market doesn't predict the future. It prices it. And right now, it is pricing something close to a soft landing, but with a few signals worth watching carefully. Even a modest growth disappointment or confidence shock could cause stress to surface quickly in less liquid pockets of the credit market. The gap between BB and CCC spreads, currently 545 basis points, is the one to watch. When that gap starts widening, it is usually the first sign that the credit cycle is beginning to turn. It hasn't yet. But the bond market, as always, will tell you before anyone else does.

# SUMMARY

## Key Takeaways from our Centralized Investment Committee

01

### Tech is Back

The AI capex story isn't a narrative, it's \$650 billion in committed hyperscaler spending. Semiconductors moved because the revenues backed it up.

02

### Resilient, Not Robust

GDP rebounded to 2.0% in Q1 from just 0.5% in Q4, but the trajectory reflects an economy holding its own rather than accelerating.

03

### The Rate Reset

Credit spreads sit near 25-year tights, leaving little margin for error. The BB/CCC spread gap will be the first to tell us if/when the narrative will change

# DISCLOSURES

Commentary in this update reflects the opinions of Victory Financial Group based on our observations of economic data. Charts listed are provided for informational purposes only. The information provided is subject to change and is not intended to be solicitation to buy or sell any securities. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Victory Financial Group holds five core convictions to investment management that help guide how portfolios are constructed. The performance results shown are a subset of investments extracted from Victory Financial Group portfolios. All returns are calculated net of fees. All investments carry some level of risk, and it's important to understand that past performance is not indicative of future results. While we believe the information presented here to be accurate, it is the responsibility of the account owner to verify its accuracy. Accurate information for listed investments may rely entirely on the timely receipt of accurate information from your custodian. The information provided is subject to change and is not intended to be solicitation to buy or sell any securities. If you have any questions or require further clarification, please do not hesitate to contact us  
Investment advisory services offered through Victory Financial Group LLC.

## Footnotes:

- (1) Credit to the Bureau of Economic Analysis at [bea.gov](http://bea.gov) for all data provided in this row
- (2) Credit to the Bureau of Labor Statistics at [bls.gov](http://bls.gov) for all data provided in this row
- (3) Credit to the St Louis Federal Reserve at [fred.stlouisfed.org](http://fred.stlouisfed.org) for all data in this row
- (4) All data used in charts and graphs on a publicly traded security was collected from public sources such as Google Finance – [google.com/finance](http://google.com/finance), Yahoo Finance – [finance.yahoo.com](http://finance.yahoo.com), Morningstar.com, Bureau of Economic Analysis (1), Bureau of Labor Statistics (2).
- (5) The securities listed in this chart are securities used to create Victory Financial Group portfolio strategies. Securities in blue are equities. Securities in yellow and orange are fixed income.
- (6) Ycharts owns all of its data for the purpose of investment research not investment advice, please see further disclosure at [ycharts.com/disclosure](http://ycharts.com/disclosure)
- (7) Chart and Data credit to Trading Economics and their data compilation from National Statistics and the World Bank

**Benchmarks:** All portfolio performance returns are collected via composite analytics of actual client accounts provided by yCharts. Associated benchmarks are built on a combination of the Russell 3000, MCSI ACWI ex US, Bloomberg Aggregate Bond, and Bloomberg Muni Bond. The international to equity weight is tiered off an 80% domestic weight and a 20% international weight. Asset allocation starts with 100% equity and reduces by 20% with each subsequent risk model.

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*Investment advisory services offered through Victory Financial Group, LLC (“VFG”), an SEC Registered Investment Adviser.*

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