

BULL & BEAR *Bulletin*

May 2026



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All Time Highs, But Not Without Risks

Since the beginning of April, the Magnificent Seven stocks have rebounded sharply, helping push the S&P 500 Index to all-time highs. The rally has been supported by resilient corporate earnings, continued investor enthusiasm around AI, and some perceived easing in U.S. - Iran tensions. However, the macro backdrop remains complicated, with elevated oil prices, higher long-term interest rates, and renewed pressure across parts of the fixed income market.

Consumer spending has remained stable, though increasingly bifurcated. Retail sales rose month-over-month in each of the first three months of the year, both including and excluding gasoline. Card spending has remained resilient, as reflected in recent results from major payment networks and card issuers. Tax refunds are roughly 11% higher compared to last year, helping offset the increase in gas prices. S&P 500 Q1 blended earnings have surprised to the upside, with revenues growing 11.1% versus expectations of 9.9% and earnings growing 27.1% versus expectations of 13.1%. This is based on 63% of companies having reported, according to FactSet.

GEOPOLITICAL UNCERTAINTY REMAINS A KEY RISK, MOST VISIBLY THROUGH HIGHER OIL PRICES AND INTEREST RATES.

Geopolitical uncertainty remains a key risk, most visibly through higher oil prices and interest rates. Sustained oil prices above \$100 would put additional strain on consumers and businesses. Consumers are already feeling the impact at the pump, while companies are facing higher input and freight costs. Over time, they may look to pass more of these costs on to consumers. Jet fuel prices have also spiked, contributing to higher airfare prices and Spirit Airlines' wind-down. Additionally, interest rates have trended higher, making conditions increasingly difficult for an already challenged housing market.

The market has been resilient to date. Amid a rapidly changing environment, investors should maintain a long-term framework, avoid overreacting to headlines and narratives, and remain focused on fundamentals. Cautious optimism remains warranted, with productivity gains from AI investments still in the early stages, mixed labor market conditions, and uncertainty around the Fed's interest rate policy.