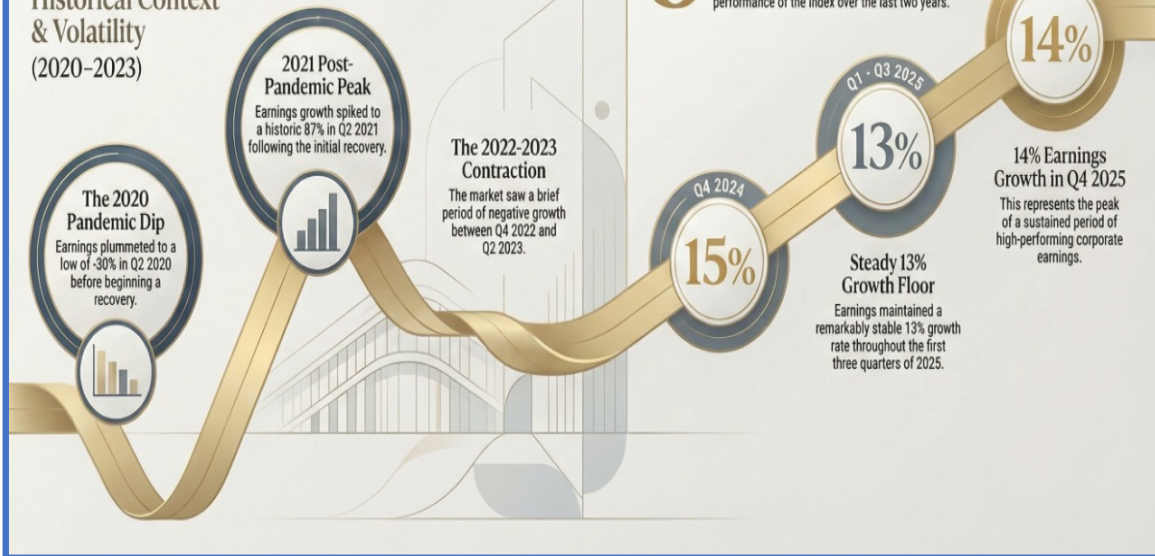




Momentum in the Markets: The S&P 500's Sustained Earnings Growth

Historical Context & Volatility (2020–2023)



The Five-Quarter Surge (2024–2025)

5 Consecutive Quarters
of Double-Digit Growth
This consistent expansion explains the strong performance of the index over the last two years.

With the results of the Q4 2025 earnings season now largely accounted for, the S&P 500 index has officially recorded five consecutive quarters of double-digit earnings growth. Prior to this current streak (which began in Q4 2024), the last time the S&P 500 achieved five straight quarters of 10%+ earnings growth was between Q4 2017 and Q4 2018.

Q4 2025 ended with a blended growth rate of approximately 14.2%. This exceeded early analyst estimates of 8.3%, largely due to the Magnificent 7 Companies like NVIDIA, Microsoft, and Alphabet continued to post growth well above 20%, though the "S&P 493" (the rest of the index) also saw broad improvement, growing 9.8%.

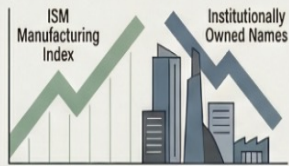
As of now, analysts are projecting that this streak could extend even further. Forecasts for the remaining quarters of 2026 suggest year-over-year growth rates between 11.7% and 15.4%, which would potentially set a new modern record for consistency if realized. Obviously, all of this could change if the situation in the Middle East last longer than most anticipate.

Source: FactSet, Edward Jones

The Macro Rotation: Why “Most Owned” Names Lag at Inflection Points

Historical data shows a strong correlation between recovering Manufacturing PMIs and the underperformance of the market's most widely held stocks. As the macro environment broadens, capital typically rotates from crowded AI and mega-cap “momentum” names into neglected cyclical sectors.

The Mechanics of Market Rotation



PMIs Recover, Giants Lag
Historically, the most institutionally owned names underperform when the ISM Manufacturing Index begins to recover.

Broadening the Earnings Backdrop

A turn in the macro cycle propels earnings in lagging sectors like housing and transportation.



A 3-Year K-Shaped Divergence

AI earnings boomed for three years while cyclical sectors remained underweight and lagging.



Current Structural Pressures



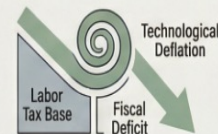
Capex and ROI Anxiety

Growing fears regarding the return on investment for massive AI capital expenditures are exacerbating the current rotation.



The Weight of Concentration

Heightened index concentration means mega-cap underperformance disproportionately impacts the total cap-weighted S&P 500.



AI & Tech Deflation

Technological deflation may be eroding the labor tax base, contributing to widening fiscal deficits.

Current Market Rotation Comparison

Recent Performance Trend	Primary Drivers
Down	Capex fears, high concentration, macro broadening
Up	PMI recovery, housing/transportation rebound
Down	Disproportionate weighting of mega-cap laggards

Over the past several months, Manufacturing PMI has shown meaningful improvement. We have now recorded two consecutive readings above 50 — signaling expansion — following an extended period of contraction.

An analysis from Piper Sandler highlights an important historical pattern: recoveries in Manufacturing PMI have often coincided with the underperformance of the market's most crowded institutional positions. As economic momentum broadens, capital typically rotates out of heavily owned names, mega-cap and AI-driven stocks in this case, into underappreciated cyclical sectors.

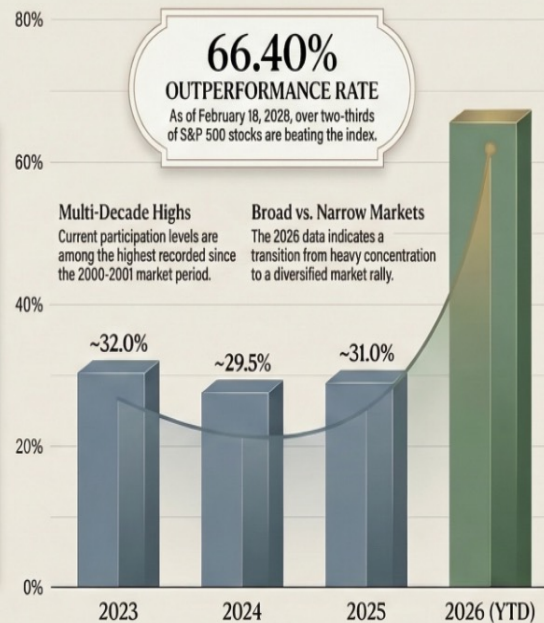
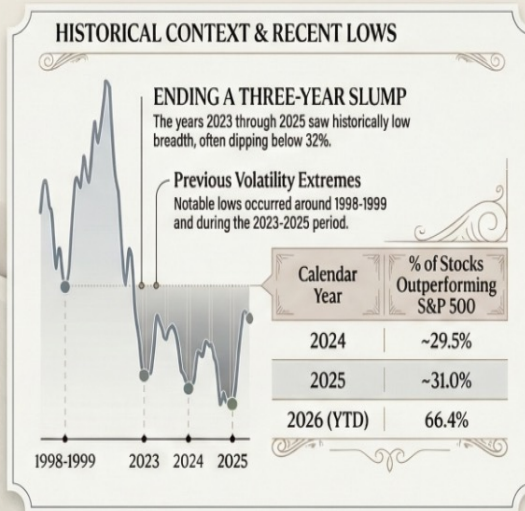
Over the last three years, AI-related earnings growth has surged while cyclical industries remained underweight and lagged. That divergence may now be approaching an inflection point. As manufacturing activity stabilizes and expands, leadership tends to shift.

If this PMI recovery proves durable, then the rotation we have seen over the past few months— away from concentration in mega-cap growth and toward a more balanced, cyclical market leadership, is likely to continue.

Source: Piper Sandler, @michaelKantro

Market Breadth Rebounds: S&P 500 Performance Trends (1973–2026)

A dramatic shift from narrow market participation to a broad-based rally in early 2026, marked by a surge in individual stock outperformance.



Source: Ned Davis Research

As of February 18, 66.4% of stocks in the S&P 500 were outperforming the broader index itself. That level of participation is more than double the share of outperformers seen in each of the past three years and marks the highest reading in roughly five decades.

This kind of breadth expansion is significant. For the last several years, market performance was heavily concentrated in a narrow group of mega-cap leaders. Today's data suggests leadership is broadening materially, with gains extending well beyond the most crowded names.

If this trend persists, it reinforces the idea that capital is rotating — not just between sectors, but across the entire market — signaling a healthier and more durable phase of expansion.

How Do Stocks Do After Major Events? S&P 500 Index Performance After Geopolitical And Major Historical Events

Market Shock Events	Event Date	S&P 500 Index Returns			
		1 Month	3 Months	6 Months	12 Months
Germany Invades France	5/10/1940	(19.9%)	(12.7%)	(4.5%)	(18.7%)
Pearl Harbor Attack	12/7/1941	(1.0%)	(11.0%)	(6.5%)	4.3%
N. Korean Invades S. Korea	6/25/1950	(10.0%)	1.6%	4.1%	11.7%
Hungarian Uprising	10/23/1956	(2.1%)	(2.8%)	(1.3%)	(11.7%)
Suez Crisis	10/29/1956	(4.4%)	(3.6%)	(0.0%)	(11.6%)
Cuban Missile Crisis	10/16/1962	5.1%	14.1%	20.7%	27.8%
Kennedy Assassination	11/22/1963	6.8%	11.9%	15.5%	23.2%
Gulf of Tonkin Incident	8/2/1964	(1.6%)	1.9%	5.3%	2.7%
Six-Day War	6/5/1967	3.3%	5.9%	7.5%	13.5%
Tet Offensive	1/30/1968	(3.8%)	5.1%	5.2%	10.2%
Penn Central Bankruptcy	6/21/1970	(0.1%)	7.2%	16.8%	28.6%
Munich Olympics	9/5/1972	(1.0%)	5.7%	2.3%	(5.8%)
Yom Kippur War	10/6/1973	(3.9%)	(10.7%)	(15.3%)	(43.2%)
Oil Embargo	10/16/1973	(7.0%)	(13.2%)	(14.4%)	(35.2%)
Nixon Resigns	8/9/1974	(14.4%)	(7.0%)	(2.8%)	6.4%
Reagan Shooting	3/30/1981	(0.9%)	(1.8%)	(14.0%)	(16.4%)
Continental Illinois Bailout	5/9/1984	(3.1%)	1.0%	6.4%	12.8%
1987 Stock Market Crash	10/19/1987	8.1%	10.9%	14.7%	22.9%
Iraq's Invasion of Kuwait	8/2/1990	(8.2%)	(13.5%)	(2.1%)	10.1%
Soros Breaks Bank of England	9/16/1992	(2.5%)	3.0%	6.8%	9.9%
First World Trade Center Bombing	2/26/1993	1.7%	2.0%	4.0%	4.7%
Asian Financial Crisis	10/8/1997	(3.7%)	(1.8%)	14.1%	(1.5%)
U.S. Cole Yemen Bombing	10/12/2000	2.7%	(0.9%)	(11.3%)	(19.6%)
U.S. Terrorist Attacks	9/11/2001	(0.2%)	2.5%	6.7%	(18.4%)
Iraq war started	3/20/2003	1.9%	13.6%	18.7%	26.7%
Madrid Bombing	3/11/2004	3.5%	2.7%	1.5%	8.4%
London Subway Bombing	7/5/2005	3.3%	1.8%	5.3%	5.5%
Bear Stearns Collapses	3/14/2008	3.6%	5.6%	(2.8%)	(41.5%)
Lehman Brothers Collapses	9/15/2008	(16.3%)	(26.2%)	(34.8%)	(11.7%)
Boston Marathon Bombing	4/15/2013	6.3%	8.4%	9.7%	17.9%
Russia annexed Crimea	2/20/2014	1.5%	2.6%	8.0%	14.7%
BREXIT	6/24/2016	6.5%	6.2%	11.0%	19.7%
Bombing of Syria	4/7/2017	1.8%	3.1%	7.6%	12.8%
North Korea Missile Crisis	7/28/2017	(1.1%)	3.6%	14.8%	13.4%
Saudi Aramco Drone Strike	9/14/2019	(1.4%)	5.4%	(8.8%)	12.5%
Iranian General Killed in Airstrike	1/3/2020	1.9%	(23.1%)	(4.2%)	14.4%
U.S. Pulls Out of Afghanistan	8/30/2021	(3.7%)	2.8%	(4.9%)	(12.0%)
Russia Invades Ukraine	2/24/2022	5.9%	(7.2%)	(2.1%)	(7.1%)
Hamas attacks Israel	10/7/2023	1.3%	10.6%	20.9%	33.5%
Iran attacks Israel	4/13/2024	1.9%	9.9%	13.5%	5.3%
Liberation Day	4/2/2025	(0.5%)	10.6%	19.1%	?
US Bombs Nuclear Facilities in Iran	6/22/2025	5.7%	11.7%	13.5%	?
US Removes Maduro in Venezuela	1/3/2026	0.9%	?	?	?
Average		(0.9%)	0.8%	3.4%	3.0%
Median		(0.2%)	2.7%	5.3%	7.4%
% Higher		46.5%	66.7%	61.9%	65.0%

Source: Carson Investment Research, S&P Dow Jones Indices, CFRA, Strategic 02/20/2026
@ryanedrick



Source:@CarsonGroup

Recent U.S. and Israeli strikes, along with retaliatory actions in the region, have led to a predictable uptick in market volatility. Energy prices have moved higher, and global equities have experienced modest selling pressure as investors assess the potential scope and duration of the conflict. While these developments are serious and the headlines can feel unsettling, it is important to separate emotional reactions from disciplined investment decision-making.

Historically, geopolitical shocks have triggered sharp but temporary market reactions. As clarity improves, markets tend to stabilize and refocus on underlying economic fundamentals such as earnings, monetary policy, and growth. While no two events are identical, history consistently reminds us that maintaining discipline during moments of stress is critical to long-term success.

As shown in the chart, the S&P 500 Index has historically recovered within 3, 6, and 12 months following major geopolitical or historical events.

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