

TOP MARKET TAKEAWAYS

Not a Red Flag: The
Market-Economy Disconnect

Stocks and consumer sentiment can diverge without immediate alarm. Since the post-pandemic recovery, inflation and affordability have weighed on confidence even as equities rose, reflecting markets' forward-looking nature rather than real-time consumer conditions.

The rally is increasingly tied to an AI-led earnings and margin cycle that can broaden beyond tech. With a large share of the S&P 500 exposed to AI, adoption is lifting earnings faster than revenues, with spillover potential into sectors like financials.

AI capex is boosting multiple sectors, but diffusion is uneven so far. Data center buildouts support industrials/utilities, while non-tech investment lags – setting up potential productivity gains as adoption spreads.