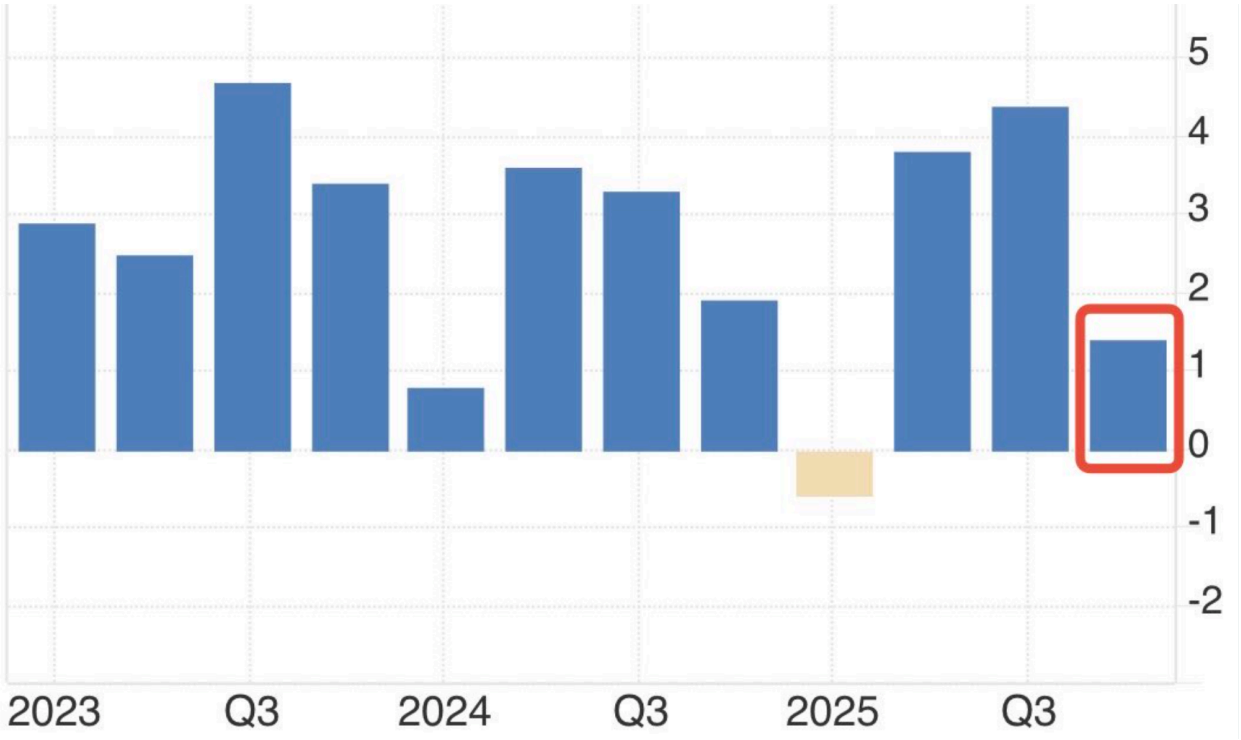
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ADVISORY SERVICES

2026 Q1 Review

Prepared By	Email	Date
Eric Filippo	ericfilippo25@gmail.com	Mar 31, 2026

Q1 2026 Sentiment

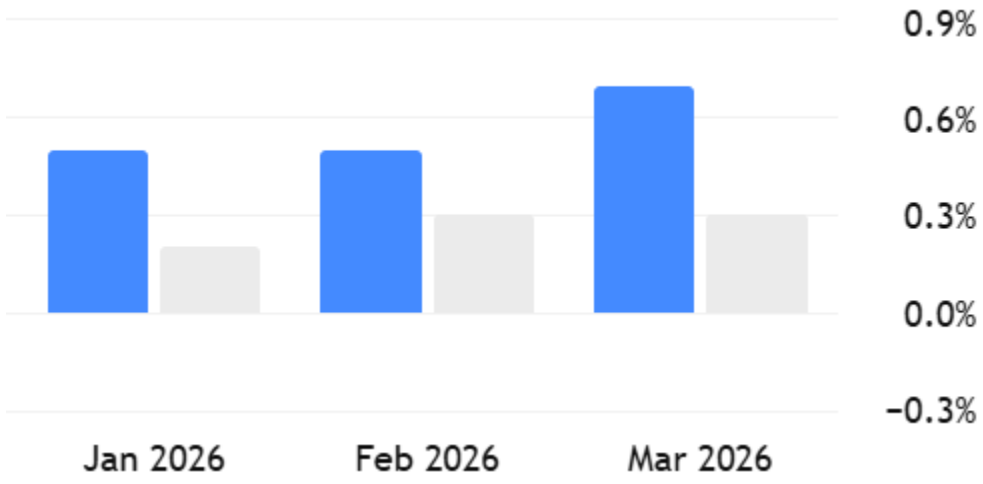
US Q4 GDP was reported at +1.4% versus a +2.8% estimate, a significant discrepancy. The market shaking this news off gives us tells, as in bearish environments this would send the market down. In conjunction, the supreme court finally decided on ruling for Trump's tariffs, and ruled them illegal. Capital intensive sectors such as Solar reacted positively to this news along with the rest of the market, once again showing positive reactions to macroeconomic news.



Source: Bloomberg

In the United States, the Producer Price Inflation for final demand measures month-over-month changes in the price for commodities sold for personal consumption, capital investment, government, and export. It is composed of six main price indexes: final demand goods (33 percent of the total weight), which includes food and energy; final demand trade services (20 percent); final demand transportation and warehousing services (4 percent); final demand services less trade, transportation, and warehousing (41 percent); final demand construction (2 percent); and overall final demand. PPI figures have been reported hotter than expected to begin the new year, with March PPI reported at +0.7% compared to an estimate of +0.3%.

For the economy, a hot PPI print usually signals pressure for businesses, through higher input prices or selling-prices. Some of this pressure may pass through into later consumer inflation, which means the Fed has less room to cut rates quickly. Reuters reported that after the hot February PPI print, markets pushed back expectations for rate cuts, while the Fed kept rates unchanged at 3.75% and maintained a cautious stance amid elevated inflation risks.



Source: TradingView, Bureau of Labour Statistics

This can also increase interest rates to combat the higher inflation, which is generally a headwind for equity investing. Both businesses, and large institutions now have a greater cost of capital when investing, meaning less growth for businesses and less liquidity in the market. The rising cost of crude oil has also supported this inflation we have seen over the past quarter;

The Oil Surge

Believe me, I am also very tired of paying an arm and a leg for a tank of gas, especially here in Canada where we need the heat on full blast! However, these oil prices affect more than just our gas tank prices, as all businesses and the broader economy are also affected.

Oil is surging because the market is pricing in a bigger risk that physical supply gets interrupted, not just the scary headlines. When fighting spreads in a major energy-producing region, traders bid oil up because future supply looks less certain. This is coupled with the Strait of Hormuz traffic, which handles about 20% of global oil and LNG flows. If traffic there is blocked or even partially disrupted, the market fears millions of barrels per day could be delayed or stranded. The geopolitical tensions have also caused strikes on oil reserves and energy plants, which can take supply offline or threaten future output. Reuters reported strikes on Iranian gas facilities at South Pars/Asaluyeh, threats against Gulf energy sites, and broader disruption to regional energy operations.

Higher oil prices raise the cost of energy products people and businesses buy right away, like gasoline, diesel, jet fuel, and heating. That pushes inflation higher directly because energy is part of headline inflation. In addition, oil is an input into a huge number of other costs. When oil rises, it usually becomes more expensive to transport goods by truck, ship, or air. It can also raise production costs for industries that use petroleum-based materials, such as plastics, chemicals, packaging, and fertilizers. Businesses then try to pass some of those higher costs on to consumers through higher prices, which affects us at the end of the cycle. Rate-sensitive sectors are the most affected by this, such as biotechnology, pharmaceuticals, homebuilders, and technology, as they want their cost of capital to be as low as possible to reinvest into their businesses.

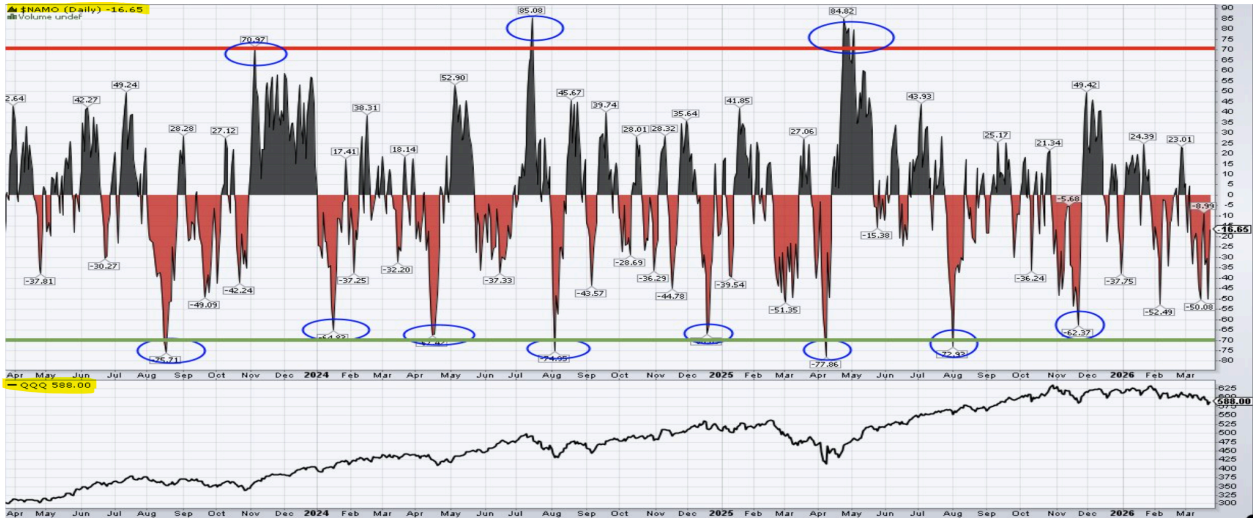
US 10-Year Treasury Yield



Source: StockCharts.com

Every meaningful bottom over the past 2 years came when NAMO flushed below the green line.

Nasdaq McClellan Oscillator (Ratio Adjusted) (EoD)

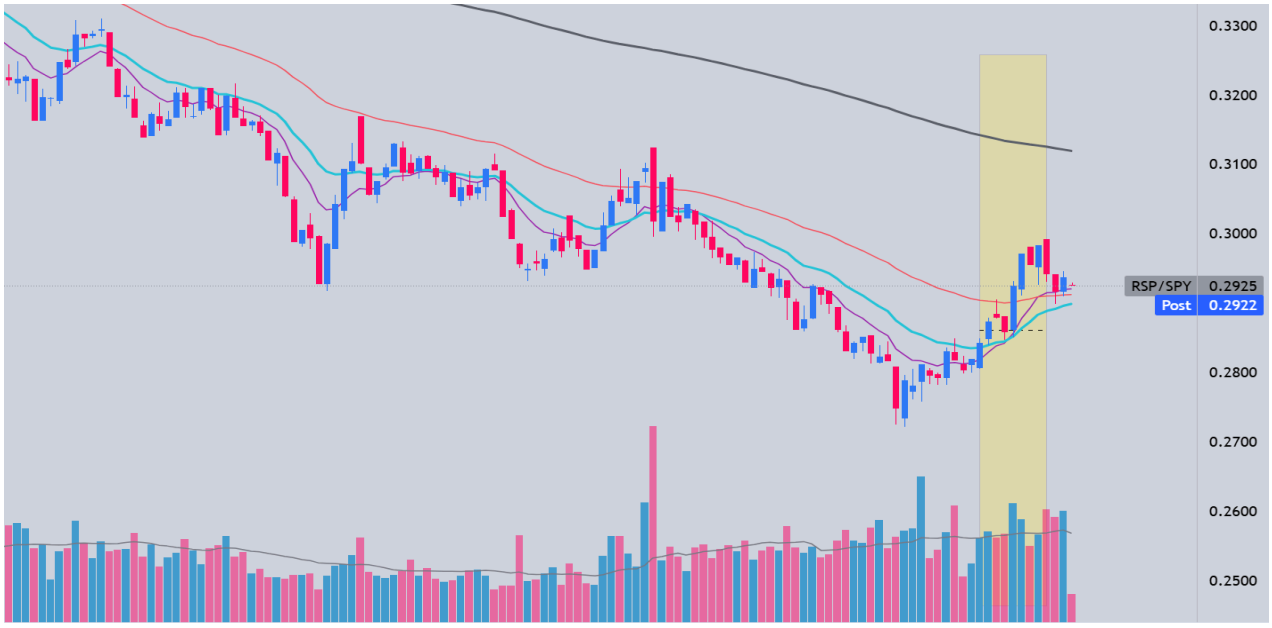


Source: StockCharts.com

Shift in AI and Market Sentiment

The spots of relative strength at the beginning of the quarter have been quickly washed away and rotated upon quickly, with broader market selling and uncertainty taking these down with them. This is because in times of uncertainty, and "chop", pockets of strength are used as liquidity for institutions to sell into and realize gains, which causes the unsustained strength we have seen broadly.

Equal Weight S&P vs Market Cap S&P, large divergence to begin the year

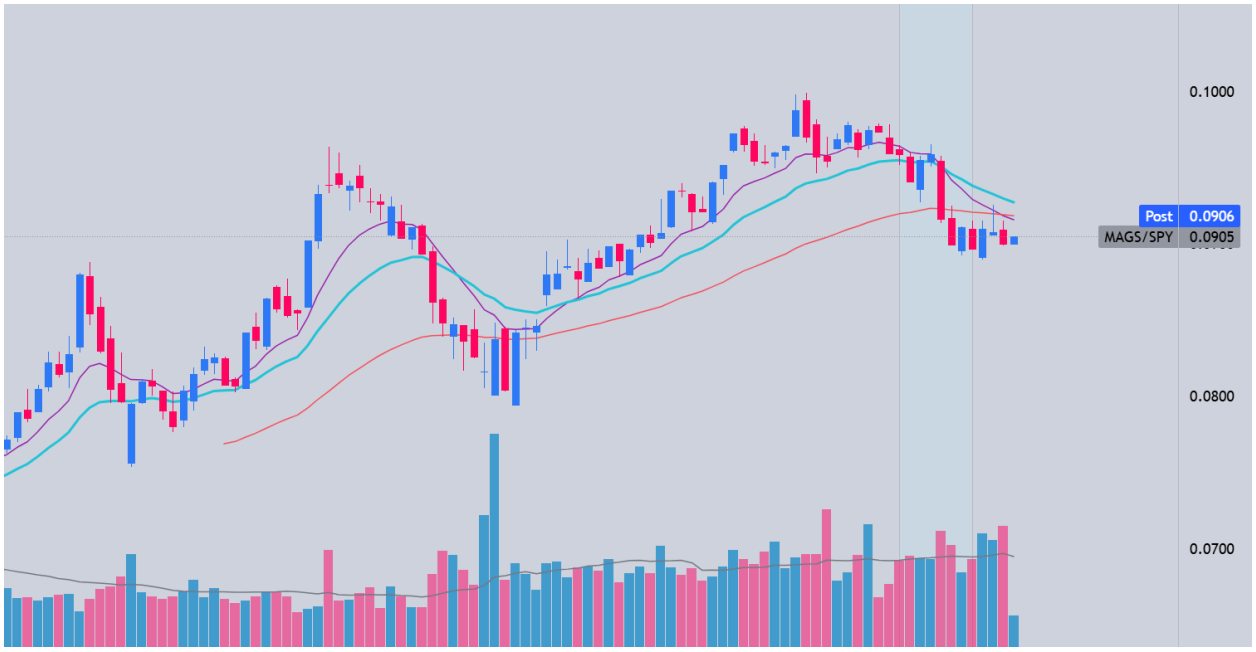


Source: TradingView

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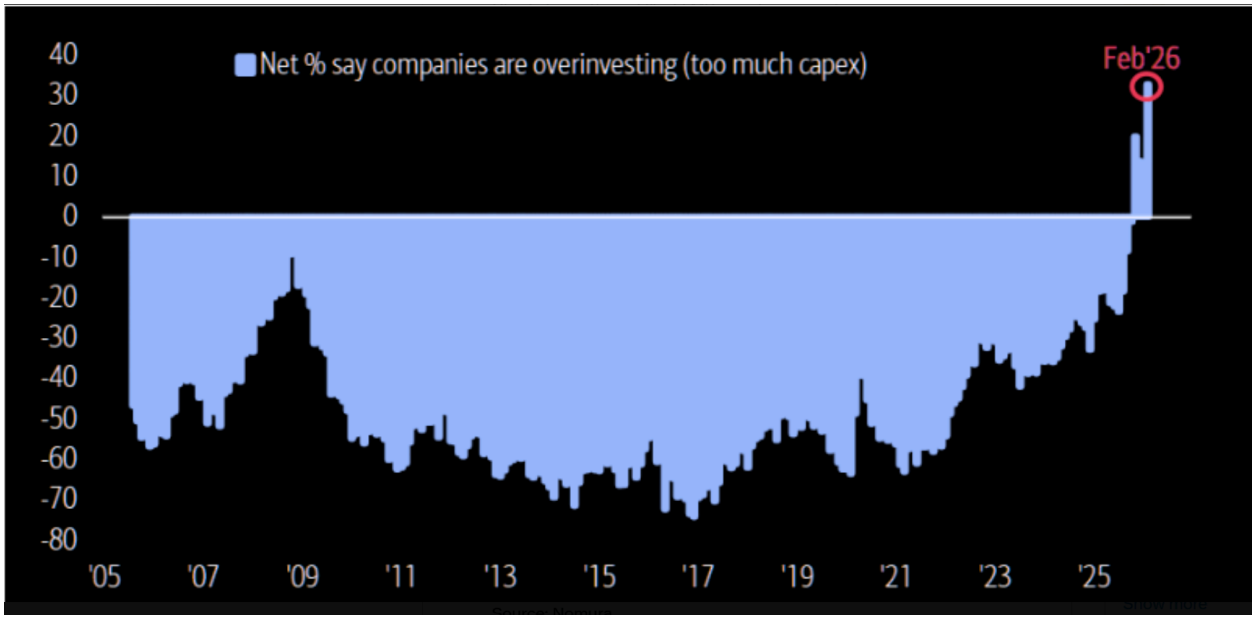
There has been significant underperformance in the Magnificent 7 (Apple, Microsoft, Meta, Google, Nvidia, Amazon, Tesla) compared to the S&P 500 thus far, compared to the mega-capped leadership we saw in 2025. This shows that capital was rotating away from these tech giants and into more diversified sectors, such as staples, oil, and industrials (during the time period highlighted in blue).

Magnificent 7 vs S&P 500



Source: TradingView

This underperformance can tie into sentiment on CapEx, as half of the Magnificent 7 are large hyperscalers. Their CapEx is expected to reach 92% of their cash flows in 2026. Below is the net % of FMS investors who believe companies are overinvesting capital, which leads to a negative bias on these companies and their spending habits.



Source: BoFA FMS

We are seeing new AI advancements with agentic AI turning into fruition, *destroying the broader software landscape*. As a result, we have seen an extreme deviation between Semiconductors and Software in this first quarter, the most that we have seen in history. At these levels of extension, many are expecting some kind of a reversion, but it is important to follow strength and not bias investment decisions strictly on a correlation with another sector.

Semiconductors ($SMH) vs Software ($IGV)



Source: TradingView

Agentic AI refers to artificial intelligence systems that can autonomously plan, make decisions, and execute tasks toward a goal, rather than simply responding to individual prompts (like in ChatGPT). Unlike traditional chatbots that provide reactive answers, agentic systems can break down objectives, determine next actions, use tools, and adapt based on feedback or changing conditions, all on their own.

OpenClaw is the current leader in agentic AI designed to support complex reasoning, structured analysis, and task execution. In business contexts, agentic AI can assist with workflow automation while still remaining under human oversight, which in turn, can cut jobs.

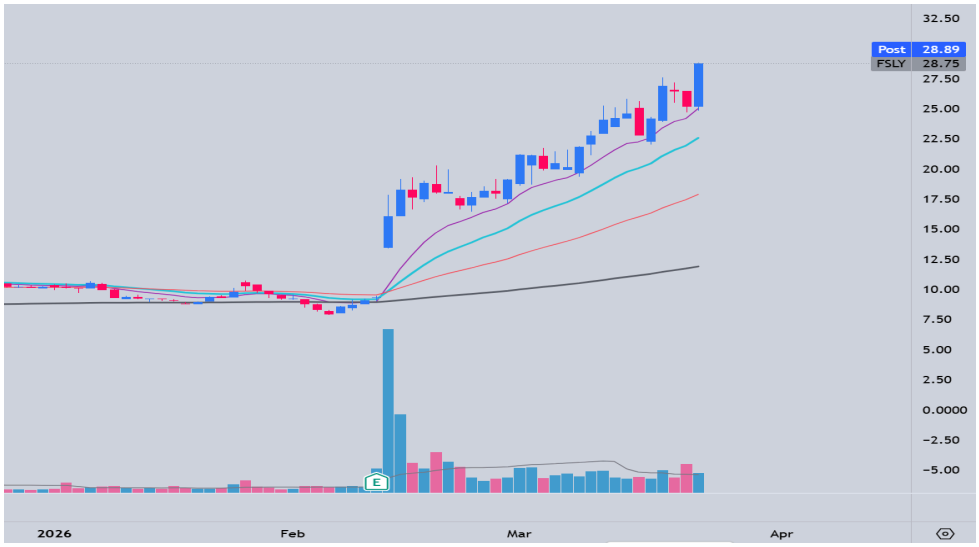
On February 26th 2026, Jack Dorsey, CEO of FinTech company Block released a statement that he is cutting his staff by 40% due to this new innovation. His shareholder letter is very notable:

"Intelligence tools have changed what it means to build and run a company".

The stock $XYZ surged +25% immediately following this announcement in after-hours trading, showing that the *market perceives AI-based job cuts as bullish rather than bearish.* We're already seeing it internally. A significantly smaller team, using the tools we're building, can do more and do it better. And intelligence tool capabilities are compounding faster every week. This may be the turning page to a job consolidation era of corporations, where other companies with neglected stock prices may see the reaction and take note.

There have been some bright spots however, with Agentic AI focused companies exhibiting very notable relative strength:

Fastly Inc, +182% YTD



Source: TradingView

Cloudflare Inc, +13% YTD



Source: TradingView

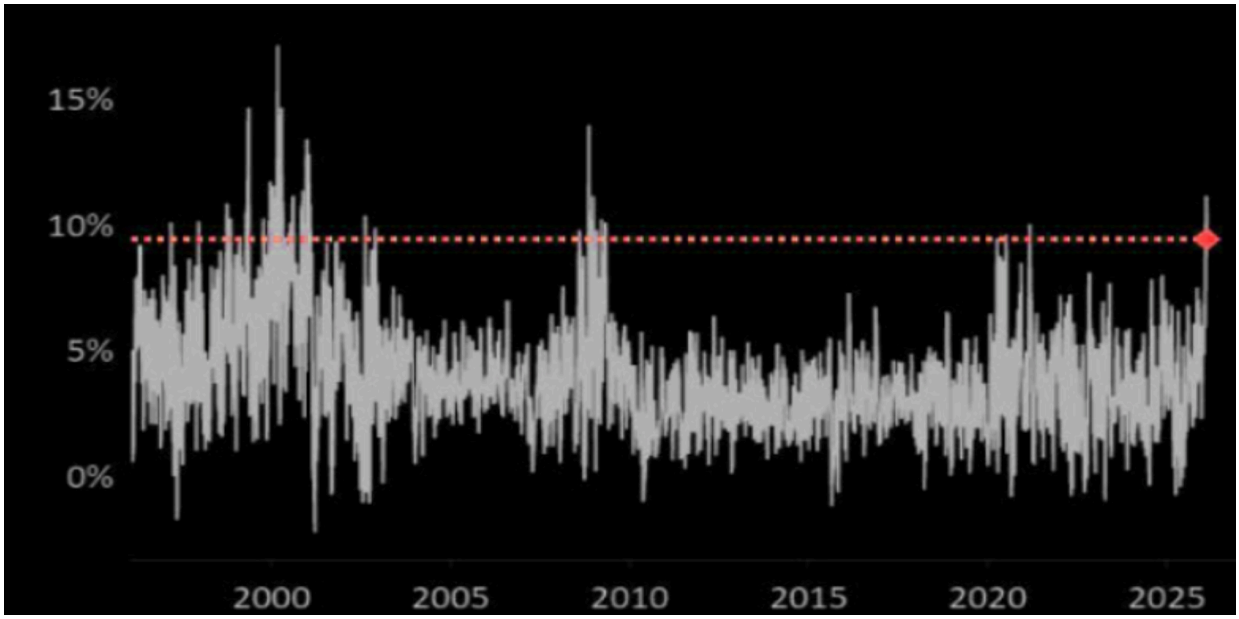
Digital Ocean Holdings, +76.6% YTD



Source: TradingView

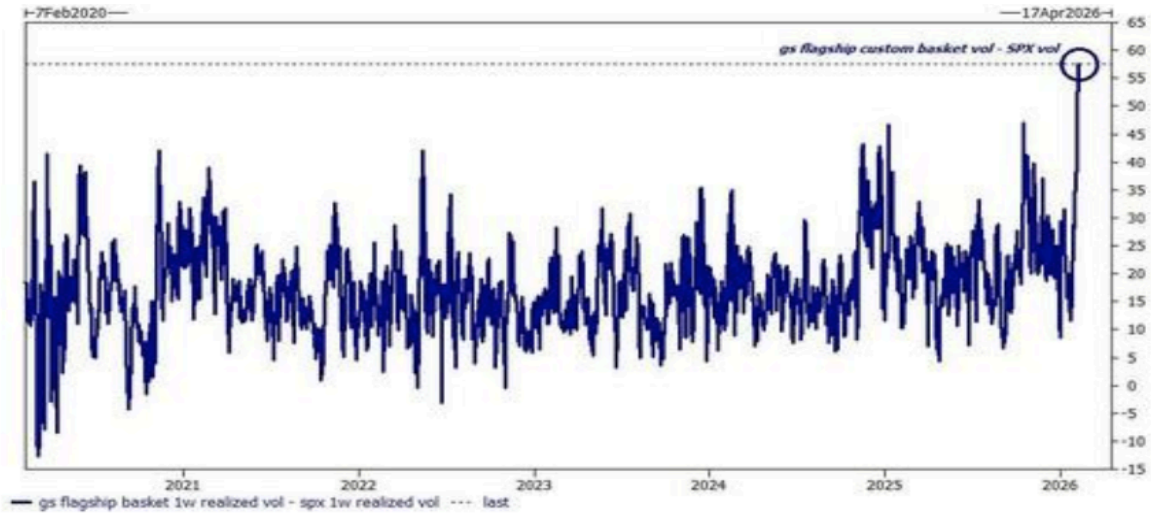
A Tricky Trading Environment

Over the past month, the S&P 500 moved 1.8%, and stocks on average moved 11.2%.This is in the 98th percentile of dispersions over the past 3 decades, and a reason why the indexes were not reflecting the difficult trading environment and blood underneath the hood during the chop.

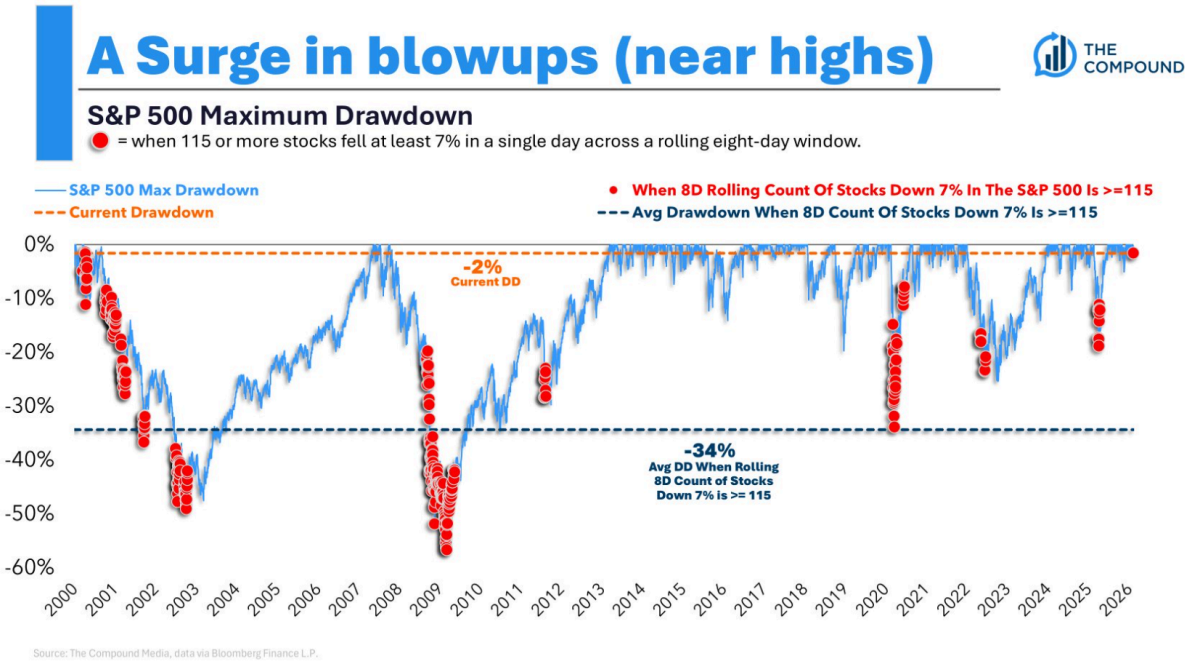


Source: Nomura

Major banks are noticing this volatility beneath the surface, with Brian Garrett of Goldman Sachs stating; *"The stability at index level is truly masking the ferocity of the action under the surface – in fact, the volatility of our flagship custom baskets realised at 80 last week, 60 vol points over the index, far eclipsing anything we've seen before"*



Source: Goldman Sachs



U.S.–Iran War Sentiment

On February 28th 2026, the conflict between the U.S., Israel, and Iran sharply escalated when Israel and the United States began a major wave of strikes on Iran, targeting Iran's nuclear and ballistic-missile capabilities. Reporting described widespread strikes including in and around Tehran and other military-linked targets, and Iran's Supreme Leader Ayatollah Ali Khamenei was killed during the opening phase of the attacks, according to Reuters and other reporting. Iran retaliated within hours, launching missile and drone attacks against Israeli targets and U.S. bases/positions in the region, with impacts and alerts reported across several Gulf states.

As a result, the S&P 500 gapped down over 1%, but closed the day flat as this gap down was fiercely bought up. Gold, Silver, Copper, and Oil all gapped up pre market and faded the rest of

the day. However over the following week the S&P 500 declined 2%, with the NASDAQ down 1.5% and crude oil surging 60% before reverting. Strength has been widely dispersed and short lived, characterized by weak opens and strong closes. As a result, buys are made tactically on undercut and rallies, and shorts can be deployed into supply.

It is also important to not try and guess the bottom and buy into small pockets of strength as a result. There has been a proliferation of potential bottoms, making it impossible for anyone to know the real one. If this is a real uptrend, there will be plenty of time to get involved, as it will be hard to miss the dozens of setups coming across your watchlist.

Sector Performance (Q1 and YTD)

Market Indices and Gauges

SPY	-7.32%
RSP	-1.82%
QQQ	-9.12%
QQQE	-6.11%
DIA	-5.93%
MAGS	-16.02%
MDY	-0.70%
IWM	-2.66%
SVXY	-21.16%
ARKK	-15.80%
VT	-4.87%
VIG	-4.13%
NUGT	-10.20%
SHY	-0.39%
IEF	-0.93%
TLT	-0.44%
GOVT	-2.28%

Sector Performance

Oilers	IEO	42.16%
Energy	XLE	38.58%
Coal	COAL	23.10%
Agriculture	VEGI	16.20%
Telecom	IYZ	13.83%
Latin America	ILF	11.72%
Space	UFO	9.96%
Materials	XLB	8.25%

AI Power	AIPO	7.78%
Solar	TAN	7.68%
Utilities	XLU	7.57%
Uranium	URA	5.99%
A&D Defence bias	SHLD	5.42%
Consumer Staples	XLP	5.41%
Steel	SLX	4.31%
Industrials	XLI	0.96%
Semiconductors	SMH	0.67%
Emerging Markets	EEM	0.07%
Gold Miners	GDX	0.02%
Metals/mining	XME	-0.14%
Real Estate	VNQ	-1.31%
Silver Trust	SLV	-1.40%
Clean Energy	PBW	-1.51%
Aerospace	ITA	-1.82%
Self-driving	IDRV	-2.14%
Argentina	ARGT	-2.54%
Biotechnology	XBI	-2.58%
Transports	IYT	-3.13%
Banking	KBE	-4.28%
Quantum Computing	QTUM	-6.84%
Medical	XLV	-7.09%
HealthCare	VHT	-7.47%
Retail	XRT	-8.11%
Communications	XLC	-8.29%
Home Construction	ITB	-8.54%
Travel	PEJ	-8.80%
Insurance	KIE	-9.54%
Cybersecurity	HACK	-9.87%
Technology	XLK	-11.44%
Consumer Discretionary	XLY	-11.51%

Robotics	BOTZ	-11.70%
Financials	XLF	-11.70%
Genomics	ARKG	-12.89%
Growth Stocks	VUG	-13.91%
AI & Robotics	ROBT	-14.56%
Medical Devices	IHI	-15.37%
Airlines	JETS	-15.78%
Blockchain	BLOK	-16.75%
Casinos	BJK	-17.81%
China Internet	KWEB	-18.41%
Bitcoin	IBIT	-24.11%
Social Media	SOCL	-24.76%
Software	IGV	-26.56%
Etherium	ETHA	-31.92%

2026 Stocks to Watch: Update

The Space Economy

The Aerospace and Defence sector had an extremely strong start to the year, driven by the tailwinds that were noted in our 2025 review. The sector's first real digestion came in the beginning of February, offering us our ideal scenario to get our clients involved in the sector before it resumed higher. Regardless of the broad group participation across infrastructure, exploration, and security names, the group was still brought down by the broader market within the last month, forcing us to exit our positions when structure was broken.

$GE *- GE Aerospace Inc.*

2026 peak performance YTD: +13.10% *Price as of Mar 31, 2026: $280.89*

2026 performance YTD: -12.62%

$CRS *- Carpenter Technology Corporation*

2026 peak performance YTD: +31.19% *Price as of Mar 31, 2026: $387.6*

2026 performance YTD: +14.65%

$PL *- Planet Labs PBC* ***Speculative*

2026 peak performance YTD: +87.83% *Price as of Mar 31, 2026: $26.83*

2026 performance YTD: +36.8%

Semiconductors/AI Value Chain

The AI value chain has been a very high growth sector to start the new year, with infrastructure and electronic components leading the way. However once again, institutions have been very picky about which stocks are being bought, which has contributed to the chop we saw in the indices. Mega cap stocks, such as Apple, Google, and Meta who play into the AI value

chain have been clear laggards this year, where new leaders are emerging and holding massive amounts of relative strength. Notably, key players across the physics walls and optics ($LITE, $CIEN, $GLW, $COHR, $SOLS) and the toll booths ($ASML, $AMAT, $LRCX) have seen the most gains, and have held up the best when the broader markets were under pressure. Stocks that maintain structure when the market breaks it are usually the first to resume their trends when the index turns, which is why we are keeping these sectors on high focus. Our thesis listed in our 2025 report remains the same, with the selected names performing very well into the war announcements, aside from software

$ASML *- ASML Holdings Inc.*

2026 peak performance YTD: +44.90% *Price as of Mar 31, 2026: $1119.86*

2026 performance YTD: +13.51%

$COHR *- Coherent Corp.*

2026 peak performance YTD: +61.62% *Price as of Mar 31, 2026: $224.53*

2026 performance YTD: +15.54%

$GOOG *- Alphabet Inc.*

2026 peak performance YTD: +12.01% *Price as of Mar 31, 2026: $281.43*

2026 performance YTD: -10.75%

<u>AI-Applied Software</u>

Both of these names have suffered drawdowns simply because of the macroeconomic environment and sentiment towards software. With the large divergence between semiconductors and software beginning on the first trading day of the new year, it gave a clear hint towards where price was going in the coming weeks. This software drawdown is a perfect example of

why a risk management strategy is key. Even if our reasoning is right in the future, both physical and mental capital can be saved by cutting losses early and reengaging later. Both of these names remain promising, but they are on a “no-touch” list for now. Once price stabilizes in these names and the overall sector, we can then look to reengage. Our thesis still remains that Agnetic AI will be a highly growing and profitable sector, but now is just not the time. For every one winner in the software sector there seems to be 20 losers, which makes it a sector that we want to avoid entirely until further notice. Due to our sell rules, clients who these companies were purchased for were cut at a small loss, ultimately avoiding a large drawdown.

$RDDT *- Reddit Inc.*

2026 peak performance YTD: +15.64% *Price as of Mar 31, 2026: $131.87*

2026 performance YTD: -45.62%

$PATH *- UiPath Inc.* ***Speculative*

2026 peak performance YTD: +9.07% *Price as of Mar 31, 2025: $11.01*

2026 performance YTD: -30.76%

Conclusion

At Filippo Advisory, we view quarters like this as a reminder that successful investing is not about reacting to every headline, but about staying disciplined when the surface-level calm of the indexes hides meaningful stress underneath. This quarter was shaped by hotter-than-expected inflation data, rising oil prices, elevated yields, and geopolitical escalation, all of which created a far more difficult backdrop than the major averages alone suggested. Beneath that surface, leadership shifted away from the mega-cap names that defined 2025 and toward narrower pockets of strength such as energy, selected aerospace and defence names, and parts of the semiconductor and AI infrastructure value chain.

For our clients, the takeaway is straightforward: conviction must be matched by patience, selectivity, and risk management. Long-term themes like agentic AI, semiconductors, and the space economy remain compelling, but in an environment like this, preserving capital and waiting for durable setups is just as important as identifying the right structural trends. That approach aligns with Filippo Advisory's emphasis on discipline, risk management, and long-term partnership. We are not interested in forcing exposure for the sake of activity; we are focused on helping clients navigate uncertainty with clarity, protect capital during unstable periods, and stay positioned for the opportunities that emerge when market conditions improve.

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