



(UBS)

Solid US earnings growth points to a wider group of opportunities

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US equities hit a fresh record high at the start of May as corporate earnings continue to show strong profit growth. Brent crude oil prices have also retreated from their four-year highs, and US President Donald Trump said the US will begin guiding some stranded commercial ships out of the Strait of Hormuz.

But it remains to be seen how vessels can sail through the narrow waterway smoothly. Media reports suggest that the initiative is a process through which countries, insurance companies, and shipping organizations can coordinate moving traffic through the Strait, and that US Navy warships are not necessarily involved. Iran, meanwhile, warned US forces to stay out of the Strait, adding that its forces would "respond harshly" to any threat. With no significant progress reported on the negotiations between Washington and Tehran, Brent crude oil was trading near USD 110/bbl at the time of writing, over 50% above its pre-conflict level.

We think there is room for US equities to move higher by the end of the year, and big tech results last week confirmed sustained AI demand. But with the situation in the Middle East still fluid, and amid intensifying competition among AI participants and applications, we believe the next phase of market gains is likely to be characterized by a broadening of leadership beyond the megacaps. Investors should also consider opportunities beyond the US for diversification.

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- **Solid US earnings growth points to a wider group of opportunities.** Companies representing some 70% of the S&P 500 market capitalization have reported their first-quarter earnings, and around 80% of them are beating sales and earnings per share (EPS) estimates. The median EPS beat (at 5%) is better than the longer-term average since 2015, suggesting a broadening of profit growth. Additionally, the US manufacturing sector continued to expand in April, and consumer spending remains resilient. With overall guidance also pointing to solid earnings for the second quarter, we maintain our positive outlook for US equities and see appealing opportunities across financials, health care, industrials, utilities, and consumer discretionary.

So, while we maintain an Attractive view on US equities, we think investors should consider a diversified exposure both within and beyond the US market. Those willing and able to bear the risks associated with derivatives can also consider structured strategies to navigate potential volatility.

Original report – [Diversify stock exposure to capture opportunities, 4 May 2026.](#)

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