

A MARKET DRIVEN BY FUNDAMENTALS, NOT OPTIMISM

- STRONG EARNINGS**
- RESILIENT LABOR MARKET**
- INVESTMENT IN LONG-TERM GROWTH**
- MANAGING RISKS**

Despite elevated oil prices, geopolitical tensions, and a cautious Federal Reserve, the market continues to climb and reach new highs. Consistent strength in the face of uncertainty is a sign of underlying resilience.



A Market Driven by Fundamentals, Not Optimism

This remains a fundamentally driven market. We've now seen multiple consecutive weeks of gains, major indices pushing to new highs, and importantly, those moves are being supported by real data. *This is not a market drifting higher on sentiment alone. It is driven by strong earnings, a resilient labor*

market, and continued investment in long-term growth — particularly AI. There are still risks. Oil prices remain elevated, geopolitical tensions persist, and the Federal Reserve is clearly in no rush to ease policy. But what stands out is how consistently the market is absorbing those risks and continuing higher. **That is typically a sign of underlying strength.**

April: A Reset in Confidence

April was a critical turning point. The month began with meaningful uncertainty. Geopolitical tensions escalated, energy prices moved higher, and there were real concerns that those pressures could spill into the broader economy. *Historically, that type of environment tends to disrupt markets.* Instead, what we saw was a short-lived pullback followed by a strong recovery. But more importantly, this was not just a rebound — **it was a recalibration.** Markets didn't simply return to prior levels; they moved higher with improving fundamentals behind them. **Earnings expectations actually increased during the period,** which is highly unusual following geopolitical stress. Investor sentiment shifted quickly, moving from caution back to risk-taking. That shift does not happen without confidence in the underlying data. *April reinforced a key pattern: markets react quickly to uncertainty, but they recover just as quickly when the data does not confirm those fears.*

APRIL: A RESET IN CONFIDENCE

- April began with geopolitical tension and rising energy prices.**
- Markets saw a brief pullback — as expected.**
- But the recovery was strong — and backed by improving fundamentals.**
- Earnings expectations rose — unusual during times of geopolitical stress.**
- Sentiment shifted from caution to conviction.**

Markets react quickly to uncertainty, but recover just as quickly when the data doesn't confirm the fears.

PARAMOUNT ASSOCIATES WEALTH MANAGEMENT

PARAMOUNT ASSOCIATES WEALTH MANAGEMENT

EARNINGS DRIVE THIS MARKET

STRONG. BROAD. SUSTAINABLE.

- EARNINGS ARE ACCELERATING**
- AI DRIVES POWERFUL CASH FLOW**
- INFRASTRUCTURE BUILDS THE FUTURE**
- GROWTH IS BROADENING**
- PROFITS VALIDATE THE RALLY**

Earnings: The Foundation of This Rally

Earnings continue to be the core driver of this market. Growth rates are not just strong — **they are approaching the highest levels we've seen since 2021.** Recent results show a meaningful acceleration in earnings growth, driven by significant upside surprises from some of the largest companies. *That matters because it confirms that this rally is being validated by profits, not just expectations.* On the surface, large-cap technology remains a major contributor. Companies tied directly to AI continue to generate strong cash flow, reinvest aggressively, and drive a meaningful share of overall earnings growth. But the more important development is happening underneath. *Some of the strongest earnings are coming from the infrastructure layer of AI—the companies building, powering, and enabling the entire ecosystem.* This includes the physical buildout: data centers, electrical systems, networking, cooling, and the broader supply chain required to support AI growth. That segment of the market is showing real demand, strong revenue growth, and in many cases expanding margins. **This is a critical shift.** The AI story is no longer concentrated in a handful of mega-cap companies. It is spreading across the broader economy, creating a more durable and sustainable earnings base. At the same time, earnings strength is broadening across sectors. Multiple areas of the market are now showing double-digit growth, reinforcing the idea that this is not a narrow rally. Markets can move higher on optimism for a period of time. *But they only sustain those moves when earnings validate them.* **Right now, earnings are doing exactly that.**

Global Opportunity: Emerging Markets and the AI Supply Chain

The global picture is becoming more constructive, particularly in emerging markets. While energy and geopolitics remain key risks, there is a growing opportunity tied to the global AI supply chain. *A significant portion of the infrastructure behind AI sits outside the United States.* Semiconductor production, hardware manufacturing, and key components are heavily concentrated in emerging market economies. As AI investment increases, the benefits extend beyond U.S. technology companies. They flow through to the countries and industries supplying the physical infrastructure behind that growth. **This represents a shift.** *Emerging markets are no longer simply a cyclical or commodity-driven story. They are increasingly tied to structural growth in technology and infrastructure.* From a portfolio perspective, this broadens the opportunity set and provides a more diversified way to participate in the AI cycle.

The Bigger Picture: Why This Can Continue

When you step back, the key takeaway is that **this rally has real support.** Earnings are strong, margins are holding, the labor market remains stable, and AI continues to drive investment and growth. At the same time, global opportunities are expanding, particularly in areas tied to infrastructure and supply chains. **Yes, there are risks.** Energy prices, geopolitical developments, and policy uncertainty all matter. But the market is not ignoring those risks—it is weighing them against stronger fundamentals. **Right now, fundamentals are winning.**

-Scott Tremlett CEO/Chief Investment Officer

PARAMOUNT ASSOCIATES WEALTH MANAGEMENT

Fundamentals are winning.

- EARNINGS ARE STRONG**
Growth is real and accelerating.
- MARGINS ARE HOLDING**
Companies are managing costs and driving efficiency.
- THE LABOR MARKET REMAINS STABLE**
A strong foundation for the economy.
- AI CONTINUES TO DRIVE INVESTMENT & GROWTH**
Innovation is powering the next expansion.
- GLOBAL OPPORTUNITIES ARE EXPANDING**
Infrastructure and supply chains are creating new potential.

Risks remain. Energy prices, geopolitical developments, and policy uncertainty all matter.

But the market is weighing them against stronger fundamentals. **Right now, fundamentals are winning.**

PARAMOUNT ASSOCIATES WEALTH MANAGEMENT