



Strong Earnings with AI Boom Offset Oil Fears

4/27/2026

Markets continue to ebb and flow with every headline out of Iran and the Strait of Hormuz, but the most important message from the markets is resilience. Earnings season is off to a very strong start, with roughly a 75% beat rate, and the AI investment cycle continues to provide a powerful tailwind for equities.

Intel's blowout results were especially important because they reinforced the extraordinary demand for chips and showed that the AI trade is broadening beyond the most obvious winners. Even with oil prices likely to remain elevated for some time, the underlying economy is not showing signs of breaking.

I am not optimistic that we will get a clean resolution in the Middle East. My base case remains a messy stalemate, with oil in the \$90 to \$100 range. But that looks workable for the U.S. economy. The United States is still a net energy exporter, higher energy prices create income that flows through the economy, the stronger dollar helps restrain some import prices, and defense spending offsets part of the energy drag on consumers. This is very different from the oil shocks of the 1970s, when the U.S. was far more dependent on imported energy and the inflation psychology was far less anchored.

Gasoline prices near \$4 a gallon are not enough to crimp the economy at this stage. There are second-round issues to watch carefully—diesel, fertilizer, jet fuel, refining margins, and airline fares—but so far, the high-frequency indicators are not signaling a sharp consumer pullback. Jobless claims and the weekly ADP data continue to show no slowdown, and the real economy is still chugging along. Goldman Sachs raised its first-quarter GDP estimate to 3.3%, well above the St. Louis Fed estimate, and while we need April data to fully judge the impact of higher gasoline prices, the early evidence points to only minimal damage.

This week's FOMC meeting will bring no rate change, but I'm watching a few things. Chair Powell will likely acknowledge that some officials see inflationary pressure from oil and related costs, while others view the shock as temporary and not a reason to tighten further. There are no dot plots at this meeting, so the real drama shifts to June, which could become one of the most consequential Fed meetings in years. The Fed is not overly tight based on the data we see, and unless the economy weakens materially, the case for a near-term rate cut is not compelling.

The politics around Powell and Warsh add a very unusual layer to the Fed outlook. Tillis seems satisfied with the DOJ dropping its case about Powell, but it's not clear if Powell is fully satisfied. If he believes complete exoneration is necessary, he may threaten to stay on for the two more years of his term. Perhaps a deal will be made: Powell resigns, Trump gets another Fed pick in return for complete exoneration.

Money supply remains a central indicator, which we get later this week. We saw a small dip in deposits last week, which was encouraging after the recent bulge, but I am watching M2 very closely. This data will matter because persistent money growth alongside higher oil, food, and transportation costs would raise the inflation risk. Core inflation excludes food and energy, so the immediate statistical impact may be muted, but the pass-through into fares, shipping, and broader goods prices cannot be ignored.

Bonds remain constrained by this backdrop. I have a hard time seeing yields move meaningfully below the 4.30% area unless inflation pressures fade more decisively or growth weakens. If we see evidence of higher inflation or additional government spending, yields could move higher, and that would pressure equities. But at this point, the earnings surge is powerful enough to offset much of that pressure.

AI advances out of China, like the DeepSeek model that initially pressured Nvidia, remain the key overhang on the Magnificent Seven and broader AI complex. If the China risk were not present, I believe the Mag 7 would likely be substantially higher. AI

demand is still extraordinary, chip demand remains astronomical, and corporate capital spending continues to support the equity market.

My bottom line: equities remain at an uptrend as long as oil stays roughly within \$5 to \$8 of current levels. A more severe oil shock or a sustained move higher in long-term yields would challenge that view, but neither has occurred yet. The economy is resilient, earnings are strong, AI remains a dominant secular force, and the Fed will wait until June before making any meaningful policy signal. Markets have absorbed a great deal of uncertainty already, and the evidence still points to strength rather than fragility.

Please see the [WisdomTree Glossary](#) for definitions of terms and indexes.

Past performance is not indicative of future results. You cannot invest in an index.

Professor Jeremy Siegel is Senior Economist to WisdomTree. This material contains the current research and opinions of Professor Siegel, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.