

SECTOR RESEARCH

Financials Sector Briefing

Period: Past 14 days ending May 16, 2026 | **ETF:** XLF | **Assessment:** Active

Executive Summary

Three themes dominate the financials tape: (1) a **capital-markets supercycle** — every IB, exchange, trust-bank and alt-asset franchise in XLF printed record or near-record Q1 results; (2) a **higher-for-longer rate regime** locked in by an April PPI shock (+1.4% MoM vs +0.5e) and an impending Warsh-led Fed; (3) **Iran-war cross-currents** that crimp cross-border payments and energy data while funneling volatility revenue to US trading franchises. XLF declined 2.29% over the trailing month (Apr 21 – May 15) to \$51.10, with the 10Y yield at 4.47% and the 2s10s curve at +47 bps — the price action belies the underlying earnings strength because the rate-regime headwind is dampening multiples even as P&L records keep printing.

Holdings Reference

Ticker	Weight	Company	Business Line
BRK-B	12.15%	Berkshire Hathaway	Diversified insurance/conglomerate
JPM	11.07%	JPMorgan Chase	Universal bank, IB, trading, AM
V	7.42%	Visa	Payments network
MA	5.46%	Mastercard	Payments network
BAC	4.53%	Bank of America	Universal bank
GS	3.98%	Goldman Sachs	Investment banking, trading
MS	3.20%	Morgan Stanley	Investment banking, wealth
WFC	3.12%	Wells Fargo	US deposit franchise
C	2.99%	Citigroup	Universal bank, services
AXP	2.29%	American Express	Affluent card franchise

Top 10 holdings shown. Full list: 80 holdings in XLF, 20 retained after the 0.5% minimum-weight filter.

Theme 1: Capital-Markets Supercycle — Records Across the Board

Composite Score: 4.8 | **Direction:** Positive | **Breadth:** Sector-wide

Materiality	Breadth	Evidence	Novelty	Consensus Dev.	Durability
5/5	5/5	5/5	4/5	3/5	4/5

What's Happening

Every capital-markets-heavy XLF holding posted record or near-record Q1 2026 results, with bulge-bracket IBs (JPM, GS, MS, C), trust banks (BK), exchanges (ICE, CME), alt-asset managers (BLK, BX) and data franchises (SPGI) all printing the same word — “record” — in the same quarter. The combined weight of the cohort is roughly 49% of XLF. JPMorgan booked \$16.5B in net income at a 23% ROTCE [JPM Q1 2026 Transcript]; Goldman’s advisory revenue grew **+89% YoY** to \$1.5B [GS Q1 2026 Transcript]; Morgan Stanley posted record revenue of \$20.6B [MS Q1 2026 Transcript]; ICE delivered adjusted EPS of \$2.35 (+37% YoY) with interest-rate-complex revenue +70% [ICE Q1 2026 Transcript]; CME printed simultaneous record ADV across six asset classes [CME Q1 2026 Transcript]; BlackRock pulled in **\$130B of net inflows** with margins expanding 130bps to 44.5% [BLK Q1 2026 Transcript]; Blackstone delivered distributable earnings of \$1.8B (+25%) and \$69B of Q1 inflows on \$1.3T of AUM [BX Q1 2026 Transcript].

The breadth is the point. This is not one franchise outrunning peers — it is the entire capital-markets stack running hot at once, anchored by US firms taking share from European rivals. Reuters reports US investment banks captured a record **54% of global IB fees** in Q1 2026 versus 51% in 2025 and 46% in 2015, while European share fell to 20%; SocGen FICC trading was -18% YoY against the US records [Reuters, May 5 2026].

The IPO window is reopening alongside: the Cerebras IPO created billionaires last week, the SpaceX prospectus is expected within days [CNBC, May 15 2026], Morgan Stanley and JPMorgan are co-lead book-runners on the upcoming ERock NYSE IPO (ticker EROC) [Reuters, May 15 2026], and NYSE is launching an invite-only private members’ club this summer to court founder/CFO listings [FT, May 9 2026].

Why Now

Three structural forces have aligned simultaneously. Iran-war volatility is funneling flow to deep, well-capitalized US franchises just as the European IBs retrench. The IPO backlog that froze through 2022–2024 is uncorking. And Wall Street is mounting a final lobbying push on the Basel III “Endgame” re-proposal — the March 2026 version contemplates a **~4.8% reduction in required capital** versus the +20% in the original 2023 proposal — with the public comment period closing June 18 [Reuters, May 7 2026]. Management at GS, MS, BX and BLK explicitly framed Q1 results as structural rather than cyclical, citing AI-driven operating leverage and whole-portfolio strategies.

What Breaks This

A geopolitical de-escalation that compresses volatility, an equity-market correction that reclaims the IPO window, or a hawkish FOMC reaction that re-prices growth equities lower. All three trading-revenue

records and the IB-fee-share gains are partly volatility tails — if Brent stops moving and rates stabilize, run-rates revert. A Basel III outcome that diverges materially from the 4.8% capital-relief draft (e.g., political pressure forcing rule-makers to revisit higher capital requirements) would dent the buyback math.

Key Data Points

- JPM Q1 2026: net income \$16.5B, EPS \$5.94, ROTCE 23%, revenue \$50.5B (+10% YoY) [JPM Q1 2026 Transcript]
- GS Q1 2026: net revenue \$17.2B, EPS \$17.55; advisory revenue \$1.5B (+89% YoY); equity underwriting +45% [GS Q1 2026 Transcript]
- MS Q1 2026: revenue \$20.6B (record), EPS \$3.43, ROTCE 27%, net new assets \$118B [MS Q1 2026 Transcript]
- BK Q1 2026: revenue \$5.4B (+13%), EPS \$2.24 (+42%), NII +18%; FY guidance raised to +10% NII, +6% revenue [BK Q1 2026 Transcript]
- BLK Q1 2026: net inflows \$130B, revenue \$6.7B (+27%), operating margin 44.5% (+130 bps) [BLK Q1 2026 Transcript]
- BX Q1 2026: distributable earnings \$1.8B (+25%), AUM \$1.3T (+12%), Q1 inflows \$69B [BX Q1 2026 Transcript]
- ICE Q1 2026: adjusted EPS \$2.35 (+37%), revenue \$3.0B (+18% CC), interest-rate-complex revenue +70% [ICE Q1 2026 Transcript]
- CME Q1 2026: ADV 36.2M contracts (+22%), revenue \$1.9B (+14%), adjusted operating margin 72.8% [CME Q1 2026 Transcript]
- SPGI Q1 2026: revenue +10%, EPS +14%, adjusted operating margin 51.8% (+100 bps) [SPGI Q1 2026 Transcript]
- US IB fee share record **54% in Q1 2026** vs 51% in 2025 and 46% in 2015; European share 20% [Reuters, May 5 2026]
- Basel III re-proposal contemplates ~4.8% capital reduction versus +20% in 2023; comment period closes June 2026 [Reuters, May 7 2026]
- Morgan Stanley and JPMorgan co-lead ERock IPO (ticker EROC) on NYSE [Reuters, May 15 2026]
- SpaceX IPO prospectus expected within a week; Cerebras IPO created two billionaires [CNBC, May 15 2026]
- NYSE plans summer 2026 launch of invite-only private members' club to attract listings [FT, May 9 2026]

Companies Affected

Ticker	ETF Weight	Impact
JPM	11.07%	Direct — record Q1 net income; FY NII ex-Markets guide \$95B
V	7.42%	Direct — record cross-border volume (theme also intersects theme_003)
MA	5.46%	Direct — record revenue although Q2 cross-border guided to low end
BAC	4.53%	Direct — NII +9%, FY26 NII guide raised to +6–8%
GS	3.98%	Direct — second-highest revenue ever, advisory +89%
MS	3.20%	Direct — record \$20.6B revenue, ROTCE 27%
C	2.99%	Direct — revenue +14%, Services +17%, new mandates +40%
BLK	2.18%	Direct — \$130B net inflows, margins +130 bps
SCHW	2.05%	Direct — revenue +16%, adjusted EPS +38%

Ticker	ETF Weight	Impact
SPGI	1.69%	Direct — 51.8% operating margin (+100 bps)
BK	1.28%	Direct — record revenue, NII +18%, guidance raised
BX	1.26%	Direct — distributable earnings +25%, AUM \$1.3T
ICE	1.21%	Direct — record EPS +37%, energy-complex volume surge
CME	1.47%	Direct — record ADV across six asset classes simultaneously

Catalyst Watch

- **2026-06-18 — Basel III Endgame Comment Period Closes:** defines bank-capital-relief timeline and buyback flexibility at JPM/BAC/C/WFC/GS/MS.
- **2026-06-26 — Fed DFAST Stress Test Results:** pivotal for capital return scale at the universal banks.
- **2026-07-14 — JPM, C, WFC, BAC, GS Q2 Earnings (same day):** defines whether the Q1 record was a one-off or trajectory.
- **2026-07-15 — MS, BK Q2 Earnings:** cascade-reads JPM frame from prior day.
- **2026-07-21 — BLK Q2 Earnings:** first signal on whether the \$130B Q1 inflow pace is sustainable.
- **2026-07-22 — CME Q2 Earnings:** first exchange print; sets the ADV frame for ICE eight days later.
- **2026-07-23 — BX Q2 Earnings:** read-across to whether the “deal dam breaking” framing holds.
- **2026-07-30 — ICE and SPGI Q2 Earnings:** closes the exchange/data triangle and tests the \$7B suspicious-trade overhang at ICE.
- **Decision Point: 2026-08-27 — Jackson Hole Symposium:** framing speech from incoming Chair Warsh on rate regime and Basel III.

Theme 2: Sticky Inflation + Fed Transition Lock In Higher-for-Longer

Composite Score: 4.8 | **Direction:** Mixed | **Breadth:** Sector-wide

Materiality	Breadth	Evidence	Novelty	Consensus Dev.	Durability
5/5	5/5	5/5	4/5	4/5	4/5

What's Happening

April inflation data delivered a clear upside surprise across the producer-price stack, and rates have repriced in response. US wholesale (PPI) inflation reaccelerated to **6.0% YoY in April**, the sharpest reading since 2022, attributed partly to a 30% reduction in OPEC oil flow [CNBC, May 14 2026]. The 10-year Treasury sits at **4.484%**, up roughly 45 bps since March, with markets pricing further upside toward 5.0%; the 2s/10s spread is 48.5 bps and the Fed policy target is 3.5–3.75% [Reuters, May 14 2026]. Sticky PCE at 3.5% and Core PCE at 3.2% argue against a near-term cut [CNBC, May 2 2026].

The leadership transition amplifies the regime. Incoming Fed Chair Kevin Warsh is “structurally constrained” in his stated wish to shrink a \$6.7T balance sheet (peaked at \$9T in 2022) by a federal deficit running at **5.8% of GDP versus a 50-year average of 3.8%** and a weakening Treasury convenience yield [Reuters, May 15 2026]. The setup is the worst of both for credit-cycle bears: the long end stays elevated even if the Fed wants to ease, because supply-side fiscal pressure is the binding constraint.

For financials, this regime is mixed with clear winners and losers. Asset-sensitive deposit franchises are benefiting: BAC raised FY26 NII guidance to **+6–8%** on Q1 NII of \$15.9B (+9% YoY) [BAC Q1

2026 Transcript]; BK lifted FY26 NII guidance to **+10%** [BK Q1 2026 Transcript]; SCHW raised its FY EPS guide above the prior \$5.70–\$5.80 range on NIR +16% [SCHW Q1 2026 Transcript]. Liability-sensitive or credit-stretched names face headwinds: Wells Fargo explicitly flagged additional Q2 2026 NIM compression on the call [WFC Q1 2026 Transcript]; Capital One's NIM compressed **39 bps QoQ to 7.87%** with provisions of \$4.1B and an allowance of \$23.6B [COF Q1 2026 Transcript]. Whirlpool's "recession-level" appliance demand commentary [FT, May 8 2026] is a warning that the same higher-for-longer regime is bleeding into consumer confidence.

Why Now

The April CPI/PPI prints landed against a Fed transition. Powell's tenure is winding down (the aggregate bond index has returned just 2% per year under his leadership versus the long-run norm [CNBC, May 2 2026]), and Warsh's confirmation is locking in a regime change. Fourteen Fed speeches in two weeks (May 8–14) signal that the FOMC is preparing the market for a hawkish June SEP. Empire State Manufacturing printed **19.6 versus 7.5 expected** and the Atlanta Fed's GDPNow Q2 estimate has jumped to 4.0% from 3.7% — strong real growth alongside reaccelerating inflation effectively precludes cuts.

What Breaks This

A sharp oil-supply normalization (Iran-conflict resolution or OPEC reversal of the 30% flow cut) that pulls the inflation tail back down; a fiscal-tightening event (election outcome, surprise budget agreement) that eases the supply-side pressure on the long end; or a payroll surprise that breaks the "strong growth + hot inflation" combination. A Warsh confirmation that signals operational continuity rather than the threatened balance-sheet shrinkage would also soften the regime.

Key Data Points

- US wholesale (PPI) inflation **6.0% YoY** in April, sharpest since 2022; OPEC oil flow -30% [CNBC, May 14 2026]
- 10-year Treasury yield **4.484%**, +45 bps since March; 2s10s spread 48.5 bps; Fed policy target 3.5–3.75% [Reuters, May 14 2026]
- Fed balance sheet **\$6.7T** vs \$9T 2022 peak; potential reduction of \$2T constrained by 5.8%/GDP deficit (50-yr avg 3.8%) [Reuters, May 15 2026]
- Sticky PCE 3.5%; Core PCE 3.2%; aggregate bond index 2% annual return under Powell [CNBC, May 2 2026]
- 2-year Treasury note flagged for technical breakout reversal (Carter Worth analysis) [CNBC, May 15 2026]
- Whirlpool described late-Feb/March demand as "**recession-level**" due to Iran-driven consumer-confidence shock [FT, May 8 2026]
- WFC Q1 2026: EPS +15%, revenue +6%, loans +11%, deposits +7%; management flagged Q2 NIM compression [WFC Q1 2026 Transcript]
- COF Q1 2026: NIM 7.87% (**-39 bps QoQ**); provisions \$4.1B; allowance for credit losses \$23.6B [COF Q1 2026 Transcript]
- BAC Q1 2026: NII \$15.9B (+9% FTE); FY26 NII guide raised to **+6–8%** [BAC Q1 2026 Transcript]
- BK Q1 2026: NII \$1.4B (+18% YoY); FY guide raised to +10% NII and +6% revenue [BK Q1 2026 Transcript]
- SCHW Q1 2026: net interest revenue +16%; FY EPS guide raised above \$5.70–\$5.80 [SCHW Q1 2026 Transcript]

Companies Affected

Ticker	ETF Weight	Impact
BRK-B	12.15%	Direct — large Treasury/equity portfolio marks (indirect to operating P&L)
JPM	11.07%	Direct — NII a major P&L line; benefits from asset-sensitive book
BAC	4.53%	Direct — raised FY26 NII guide; clearly asset-sensitive
WFC	3.12%	Direct — flagged Q2 2026 NIM compression
C	2.99%	Direct — mixed; Services strong but credit-cards softer
SCHW	2.05%	Direct — NIR +16%, EPS guide raised
COF	1.59%	Direct — NIM -39 bps QoQ; provisions \$4.1B
BK	1.28%	Direct — NII +18%, FY guide raised

Catalyst Watch

- **Decision Point: 2026-06-10 — May CPI:** hot print confirms regime; soft print cracks it. Watch Core CPI vs 2.7 consensus.
- **2026-06-11 — May PPI:** read alongside CPI from prior day.
- **Decision Point: 2026-06-17 — FOMC June Meeting (with SEP):** dot plot revisions are the canonical signal.
- **2026-07-08 — FOMC June Minutes:** language on inflation and balance sheet.
- **Decision Point: 2026-07-14 — June CPI + bank earnings cluster:** simultaneous test of NIM trajectory.
- **2026-07-29 — FOMC July Meeting:** post-June confirmation or revision.
- **2026-08-12 — July CPI:** confirms or breaks the higher-for-longer trajectory through the summer.
- **Decision Point: 2026-08-27 — Jackson Hole:** Warsh's first major framing as Chair.

Theme 3: Iran-War Cross-Currents — Cross-Border & Consumer Hit; US Trading Wins

Composite Score: 4.0 | **Direction:** Mixed | **Breadth:** Subsector (payments, exchanges, insurance, data)

Materiality	Breadth	Evidence	Novelty	Consensus Dev.	Durability
4/5	4/5	5/5	3/5	3/5	3/5

What's Happening

The Iran war is an asymmetric shock to XLF: it hurts cross-border payment, energy-data, consumer-credit and insurance revenue while simultaneously boosting US trading and IB franchises that capture the volatility tail.

On the negative side, Mastercard guided Q2 net revenue to the **low end of low-double-digit growth** explicitly on Middle East cross-border travel weakness, with the Iran impact appearing in March [MA Q1 2026 Transcript]. S&P Global **cut Energy organic-growth guidance by ~1 percentage point to 4.5–6.0%**, citing the Iran conflict disrupting energy markets and customer operations [SPGI Q1 2026 Transcript]. Chubb is “walking away from inadequately priced property business” with shared/layered pricing down 25–30% [CB Q1 2026 Transcript]. The Hormuz insurance market tells the story: Trump's **\$40B Hormuz Strait insurance program remains unused** two months after launch, even as pre-war

premiums of 0.1% of hull value have repriced to 5.5% (range 3–8%); 38 ships attacked and 11 seafarers killed [FT, May 16 2026]. Whirlpool’s “recession-level” demand commentary [FT, May 8 2026] foreshadows the consumer-credit-quality risk that cycles back into COF and Discover.

On the positive side, ICE is the central beneficiary — Reuters reports the regulator is reviewing **\$7.0B of suspicious well-timed oil-derivative trades** around Iran policy announcements (vs \$2.6B previously disclosed), executed across four trade dates (2026-03-23, 2026-04-07, 2026-04-17, 2026-04-21) following announcements that drove Brent down 15% [Reuters, May 7 2026]. Dollar volumes flowing through ICE’s energy complex are sharply elevated. The same volatility funneled to US IB and trading franchises: US share of global IB fees printed a record **54% in Q1 2026** versus 20% European share, with SocGen FICC -18% YoY [Reuters, May 5 2026]. Exxon Mobil’s dividend yield has compressed to **2.7%, the lowest since 2014**, reflecting the strong energy-equity tape under the Iran-supply tail [CNBC, May 15 2026].

The inflation pass-through from the same disruption (PPI 6% YoY, OPEC flow -30%) feeds directly back into theme_002 — Iran is the macro link.

Why Now

The Strait of Hormuz disruption is the binding constraint on the global oil supply curve, and management teams are now quantifying it for the first time in Q1 earnings calls. The 2026-03-23 to 2026-04-21 trading-pattern dates correlate with announcement clusters around the conflict’s most volatile stretch, and Q1 prints captured the early operational impact (cross-border travel, energy-data customer disruption) that prior-quarter results had only foreshadowed.

What Breaks This

A ceasefire or de-escalation that normalizes Hormuz shipping and oil flow. Cross-border travel demand would recover at MA/V, the SPGI Energy division would normalize, and the trading-volume tail at ICE/CME would compress. A regulatory-enforcement escalation against the \$7B suspicious-trades pattern — naming counterparties or finding insider channels — would create reputational risk for ICE and could spill to CME.

Key Data Points

- Mastercard guided Q2 net revenue to **low end of low double digits** on Middle East cross-border weakness [MA Q1 2026 Transcript]
- S&P Global Energy organic-growth guide **cut by ~1 pp to 4.5–6.0%** on Iran conflict [SPGI Q1 2026 Transcript]
- Visa Q2 2026 net revenue \$11.2B (+17% YoY), EPS +20%; guidance raised; cross-border resilient but management cited volatility [V Q2 2026 Transcript]
- Chubb Q1 2026: core operating EPS \$6.82; P&C combined ratio 84%; walking away from property at 25–30% rate cuts [CB Q1 2026 Transcript]
- ICE under scrutiny for **\$7.0B suspicious oil-derivative trades** (vs \$2.6B prior); Brent dropped 15% post-announcements; trade dates 2026-03-23, 2026-04-07, 2026-04-17, 2026-04-21 [Reuters, May 7 2026]
- Hormuz Strait **\$40B insurance program unused**; pre-war premiums 0.1% vs current 5.5% (range 3–8%); 38 ships attacked, 11 seafarers killed [FT, May 16 2026]
- US IB fee share record **54% in Q1 2026** vs 20% European; SocGen FICC -18% YoY [Reuters, May 5 2026]
- Exxon Mobil dividend yield 2.7%, lowest since 2014, reflecting strong energy-equity tape [CNBC,

May 15 2026]

- US wholesale inflation **6.0% YoY in April**, sharpest since 2022; OPEC oil flow -30% [CNBC, May 14 2026]
- GS advisory revenue \$1.5B (+89% YoY); Q1 net revenue \$17.2B (second-highest ever) [GS Q1 2026 Transcript]
- MS institutional securities revenue \$10.7B; equities \$5.0B (record) [MS Q1 2026 Transcript]

Companies Affected

Ticker	ETF Weight	Impact
V	7.42%	Direct (negative) — cross-border volatility; full impact unclear
MA	5.46%	Direct (negative) — Q2 net revenue guided to low end
GS	3.98%	Direct (positive) — advisory +89%; trading benefits
MS	3.20%	Direct (positive) — record equities \$5.0B
JPM	11.07%	Direct (positive) — IB-fee share gain
C	2.99%	Direct (positive) — markets revenue trajectory
SPGI	1.69%	Direct (negative) — Energy organic-growth guide cut
CB	1.59%	Direct (mixed) — soft property pricing offsets maritime
ICE	1.21%	Direct (positive) — energy-complex volume surge; \$7B trade overhang

Catalyst Watch

- **Decision Point: 2026-07-28 — Visa Q3 Earnings:** cross-border read sets the frame for MA two days later.
- **2026-07-28 — Chubb Q2 Earnings:** property-pricing trajectory.
- **Decision Point: 2026-07-30 — Mastercard Q2 Earnings:** tests whether Q2 low-end pre-warning was conservative or structural.
- **Decision Point: 2026-07-30 — ICE Q2 Earnings:** energy-complex ADV; any commentary on the \$7B suspicious-trades investigation.
- **2026-07-30 — S&P Global Q2 Earnings:** Energy-division trajectory.
- Continuous: regulatory updates on the ICE oil-derivative investigation; Hormuz transit data.

Theme A →			
Theme B	Mechanism	Direction	Key Variable

Cross-Theme Interactions

Themes 1, 2 and 3 are tightly coupled — almost every observable in one bleeds into the others. The key channels:

Theme A →			
Theme B	Mechanism	Direction	Key Variable
Theme 3 → Theme 2	Iran-driven supply shock (OPEC -30%) lifts PPI 6% YoY, which feeds the higher-for-longer rate regime	Reinforcing	Brent / OPEC export volume
Theme 3 → Theme 1	Iran volatility funnels FICC and trading flow to US franchises, lifting GS/MS/JPM/ICE/CME revenue lines	Reinforcing	VIX, MOVE, Brent realized vol
Theme 2 → Theme 1	Higher long-end yields keep NII strong at asset-sensitive deposit franchises (BAC, BK, SCHW), reinforcing the universal-bank P&L	Reinforcing	10Y yield
Theme 2 → Theme 1	Same higher-for-longer regime crimps equity multiples and could re-rate growth/IPO pipeline lower	Offsetting	10Y yield, equity-vol
Theme 2 → Theme 3	Sticky inflation + recession-level consumer signal at WHR/MA bleeds into cross-border travel and consumer-credit (COF, Discover)	Reinforcing (negative)	Consumer Sentiment, COF NCO rate
Theme 1 → Theme 2	Basel III capital relief (4.8% reduction) eases bank-credit-supply pressure regardless of Fed stance	Offsetting	Basel III rule outcome

The most consequential single variable is the **10-year Treasury yield**. It is the spine of all three themes: directly through theme_002, indirectly through theme_001 (multiples and IB-deal financing) and indirectly through theme_003 (FX volatility and dollar strength). A break above 5.0% — the level Reuters flagged investors are pricing toward [Reuters, May 14 2026] — would simultaneously confirm theme_002, stress theme_001's IPO/buyback math, and amplify theme_003's dollar-strength cross-border drag.

Forward Calendar

Next 30 Days

Date	Event	Themes Affected	Importance
2026-06-10	May 2026 CPI Release	Theme 2	Critical
2026-06-11	May 2026 PPI Release	Theme 2	High
2026-06-17	FOMC June Meeting (with SEP)	Theme 1, 2	Critical
2026-06-18	Basel III Endgame Comment Period Closes	Theme 1	High

30–60 Days

Date	Event	Themes Affected	Importance
2026-06-26	Federal Reserve DFAST Stress Test Results	Theme 1	High
2026-07-08	FOMC June Meeting Minutes	Theme 2	Medium
2026-07-14	June 2026 CPI Release	Theme 2	Critical
2026-07-14	JPMorgan, Citigroup, Wells Fargo, BAC, Goldman Q2 Earnings	Theme 1, 2	Critical
2026-07-15	Morgan Stanley, BK Mellon, Progressive Q2 Earnings	Theme 1, 2, watch	High
2026-07-15	June 2026 PPI Release	Theme 2	High

60–90 Days

Date	Event	Themes Affected	Importance
2026-07-17	Schwab Q2 Earnings	Theme 2	Medium
2026-07-21	BlackRock Q2 Earnings	Theme 1	High
2026-07-22	CME Group Q2 Earnings	Theme 1	High
2026-07-23	Blackstone Q2 Earnings	Theme 1	High
2026-07-24	American Express Q2 Earnings	Theme 2, 3 (watch)	Medium
2026-07-28	Visa Q3 Earnings	Theme 3	Critical
2026-07-28	Chubb, Capital One Q2 Earnings	Theme 2, 3	High
2026-07-29	FOMC July Meeting	Theme 1, 2	Critical
2026-07-30	ICE, Mastercard, S&P Global Q2 Earnings	Theme 1, 3	Critical
2026-08-01	Berkshire Hathaway Q2 Earnings	Theme 2 (BRK-B watch)	High
2026-08-05	Q3 Treasury Quarterly Refunding	Theme 2	Medium
2026-08-12	July 2026 CPI Release	Theme 2	High
2026-08-14	Berkshire Q2 13F-HR Filing	BRK-B watch	Medium
2026-08-27	Jackson Hole Symposium	Theme 1, 2	Critical

Critical Decision Windows

2026-07-14 – 2026-07-17 (4 trading days, 11 catalysts): the single most important window in the 90-day horizon. June CPI + six big-bank Q2 prints + PPI in four trading days cross-cut all three themes simultaneously. Key events: JPM/C/WFC/BAC/GS Q2 (all July 14), MS/BK/PGR (July 15), SCHW

(July 17). The same-day mega-cluster (July 14) is unique in the financials calendar; theme trajectories for theme_001 and theme_002 are effectively determined here.

2026-06-10 – 2026-06-18 (7 trading days, 4 catalysts): the Fed/inflation decision bundle. May CPI/PPI define what the FOMC SEP must respond to; FOMC reaction shapes Basel III comment letters; Basel III closure locks in the bank-capital-relief timeline. The sequence is information-dense and order-dependent.

2026-07-28 – 2026-07-30 (3 trading days, 7 catalysts): Iran cross-currents window. V/MA bracket the July 29 FOMC; ICE and SPGI follow on July 30 with the energy-complex read. COF on the same day as V tests theme_002 consumer-credit normalization.

Monitoring Recommendations

Quantitative Triggers

- **ETF price:** XLF breaks below \$47.67 (52-week low) or above \$56.52 (52-week high); current \$51.10.
- **Yield curve:** 10Y yield breaks above 5.0% (Reuters-flagged target) or below 4.0% (current 4.47%). A move above 5.0% simultaneously confirms theme_002 and stresses theme_001 valuation math.
- **Curve shape:** 10Y–2Y spread breaks below 30 bps (current 47 bps) — signals recession risk re-entering pricing.
- **Single-day move:** any XLF decline exceeding 1.5% (worst day in lookback: 2026-05-13 at -1.14%) signals a regime shift.

Theme-Specific Signals

- **Theme 1 (capital-markets supercycle):** US IB-fee share holds above 50% of global; CME/ICE monthly ADV continues sequential growth; SpaceX IPO pricing.
- **Theme 2 (higher-for-longer):** May Core CPI MoM above 0.3% confirms; below 0.2% cracks. WFC Q2 NIM change versus management's flagged compression. Fed June dot-plot revisions to the median.
- **Theme 3 (Iran cross-currents):** Hormuz transit volume and rate; daily Brent realized vol; quarterly cross-border data in V/MA prints; any ICE regulatory escalation on the \$7B trades.

Data Sources

- BLS CPI/PPI releases (calendar fixed: June 10/11, July 14/15, August 12)
 - FRED 10Y/2Y Treasury yields (daily)
 - Company IR sites for confirmed earnings dates and transcripts
 - Federal Reserve press releases (FOMC June 17, July 29; Jackson Hole August 27)
 - Reuters/FT/WSJ for Hormuz transit, OPEC export, and Iran-policy updates
 - ICE/CME monthly volume reports
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Company-Specific Watch Items

Not every material catalyst fits neatly into a sector theme. Three orphan catalysts warrant attention either because the company has high ETF weight or because the catalyst could create a new theme.

Progressive (PGR, 1.58% of XLF) — Q2 2026 Earnings

- **Date:** 2026-07-15
- **What to watch:** PGR sits outside all three current themes because none touch personal-lines insurance pricing dynamics. If Q2 shows auto frequency/severity acceleration (weather, used-car-value spike, medical inflation) and PGR signals rate increases reaccelerating, this could establish a P&C personal-lines pricing-cycle theme with read-across to Chubb, Allstate/State Farm, and BRK-B (GE-ICO). Combined insurance weight in XLF is roughly 5%.
- **Monitoring triggers:** auto combined ratio vs Q1; frequency vs severity decomposition; pricing-change disclosure; media commentary on cat losses or auto-claims trends.
- **Current theme connection:** none — pure orphan.

American Express (AXP, 2.29% of XLF) — Q2 2026 Earnings

- **Date:** 2026-07-24
- **What to watch:** AXP straddles theme_002 (affluent consumer credit normalization) and theme_003 (cross-border travel on the affluent side). The print likely confirms existing themes rather than spawning a new one, but an affluent-vs-mass-market divergence (in contrast to WHR's recession-level commentary) is a possible mini-narrative.
- **Monitoring triggers:** goods-and-services billed business growth (affluent spending pulse); travel & entertainment billed business YoY (cross-border read); cardmember loan growth and net write-off rate; FY EPS guidance.
- **Current theme connection:** partial — could either reinforce theme_002 (credit) or theme_003 (cross-border) depending on direction; Stage 4 did not name AXP in either theme.

Berkshire Hathaway (BRK-B, 12.15% of XLF) — Q2 2026 Earnings and 13F Filing

- **Dates:** 2026-08-01 (Q2 earnings), 2026-08-14 (13F-HR)
- **What to watch:** the 13F is the first major disclosure cycle of the Abel-era CEO transition. If Berkshire materially changes its financial-sector positioning — new XLF-component position, large exit, surprising bank purchase — it could create an Abel-era-capital-allocation theme. The earnings release captures operating and cash-deployment information; the 13F adds equity-portfolio composition.
- **Monitoring triggers:** any new XLF-component position; material change in BAC, AXP, or other top financials holdings; cash position disclosed at Q2 earnings vs deployment in 13F; industry-wide read across the XLF if Berkshire moves into a new financial.
- **Current theme connection:** low — already covered in detail under “Major Holdings Without Theme Coverage” below.

Major Holdings Without Theme Coverage

BRK-B (12.15% of XLF)

Company: Berkshire Hathaway Class B — the largest holding in XLF and a diversified conglomerate spanning insurance (GEICO, BHRG, BHE), railroads (BNSF), utilities (BHE), industrials (Precision Castparts), and a publicly-disclosed equity portfolio in excess of \$300B. Greg Abel began his first full year as CEO on January 1, 2026.

Why no theme coverage: Berkshire does not hold quarterly earnings calls, so transcript-based theme construction has no signal from the company. The only article-event reference in this lookback window was evt_0015 (a \$2.6B Delta Air Lines stake), which is idiosyncratic portfolio activity rather than a sector theme. The company's float-driven operating model and large equity/Treasury portfolio link it indirectly to theme_002 (rate regime affects portfolio marks) but not as a primary driver of any theme.

Relevant catalysts:

Date	Event	Significance	Theme Creation Scenario
2026-08-01	BRK-B Q2 2026 Earnings Release	Operating earnings across insurance/BNSF/utilities; investment-portfolio marks; cash deployment from \$300B+ pile; second earnings report under Abel	A material change in capital deployment or financials positioning could itself become a theme
2026-08-14	BRK-B Q2 2026 13F-HR Filing	First major disclosure period to signal whether Abel shifts the playbook	An Abel-era-capital-allocation theme if Berkshire makes a meaningful XLF-component move

What the absence of news means: the silence is itself notable — Berkshire's conglomerate structure means sector-specific news flow rarely captures its activity, even when the company is a 12% ETF position. Investors tracking XLF should monitor BRK-B through its own reporting cycle (Q2 earnings, 13F) rather than expecting sector news flow to surface developments. The portfolio's exposure to rates (Treasury portfolio) and equity markets (large public-equity book) means BRK-B effectively imports the rate-regime risk of theme_002 even though it is not actively cited in the theme.

Data Quality & Coverage Notes

Coverage Statistics

- **Events extracted (news + transcripts):** 116
- **Events incorporated into passing themes:** 41 (35% of total)
- **Orphan catalysts (forward-looking, not in passing themes):** 3 (PGR, AXP, BRK-B 13F)
- **Coverage rate (themes/total events):** 35% — within the normal range for a 14-day window with one large gap (BRK-B has no transcripts and limited news)
- **Estimated ETF weight coverage in themes:** roughly 70–75% (theme_001 ~49%, theme_002 ~35%, theme_003 ~22%; significant overlap because most universal banks appear in both themes 1 and 2)

Quality Markers

- All three passing themes scored 4.0+, indicating high-evidence/high-materiality content rather than threshold-marginal calls.
 - BLS macro data (CPI, PPI, GDPNow, Empire State) is cross-referenced across multiple Reuters/CNBC articles and matches the FRED/BLS public releases for the lookback period.
 - ICE \$7B suspicious-trades figure is updated from prior \$2.6B reporting — both Reuters articles cited in source data.
 - Berkshire's coverage gap is structural (no transcript, limited news) and is treated explicitly rather than papered over.
 - Schema validation on extracted_events.json passed (typed-json).
 - Decoy diagnostic: scoring_summary.json reports inflation_signal: true on diagnostic dimensions (consensus_deviation mean 3.2, durability mean 4.0). Diagnostic dimensions are not in the composite, so this does not affect theme acceptance — but is noted for transparency.
 - No catalyst dates in the past relative to assessment date (2026-05-16); all forward calendar entries are future-dated.
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Appendix: How to Read This Report

Key Terms

- **Composite Score:** Themes are scored 1–5 across four dimensions feeding the composite: (Materiality × 2 + Breadth + Evidence + Novelty) / 5. Threshold for theme acceptance: 3.5; scores of 4.0+ indicate strong, well-evidenced themes. Two additional diagnostic dimensions (Consensus Deviation, Durability) are scored but do not enter the composite.
- **ETF Weight:** Percentage of XLF's holdings represented by a company, per the ETF holdings file. Higher weight = greater impact on ETF performance.
- **Direction:** Whether the theme is positive (bullish for affected companies), negative (bearish), or mixed (winners and losers).
- **Breadth:** *Sector-wide* (most holdings), *subsector* (industry group), or *company-specific* (1–2 companies).

Catalyst Types

- **Decision Point:** A binary event that will resolve uncertainty and force a market reaction (e.g., FOMC, CPI, major earnings).
- **Accelerating:** An event that could amplify or validate an existing theme trend (e.g., PPI, minutes).
- **Monitoring:** Ongoing data releases providing incremental signals.

Importance Levels

- **Critical:** High probability of significant sector-wide price movement; requires immediate attention.
- **High:** Material impact expected on multiple theme-relevant holdings.
- **Medium:** Incremental data point that refines theme outlook.

Outcome Distributions

Decision-point catalysts in the JSON output use a P10/P25/P50/P75/P90 scenario fan showing the range of plausible outcomes from most bearish to most bullish. P50 is the base case. These are subjective assessments based on current evidence, not quantitative model outputs.

Generated: 2026-05-16 | Sources: 116 events extracted (articles + transcripts) across Reuters, FT, CNBC, WSJ, Bloomberg and 12 company earnings transcripts.

This report is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results. Data sources and methodology are described in the Data Quality & Coverage Notes section.