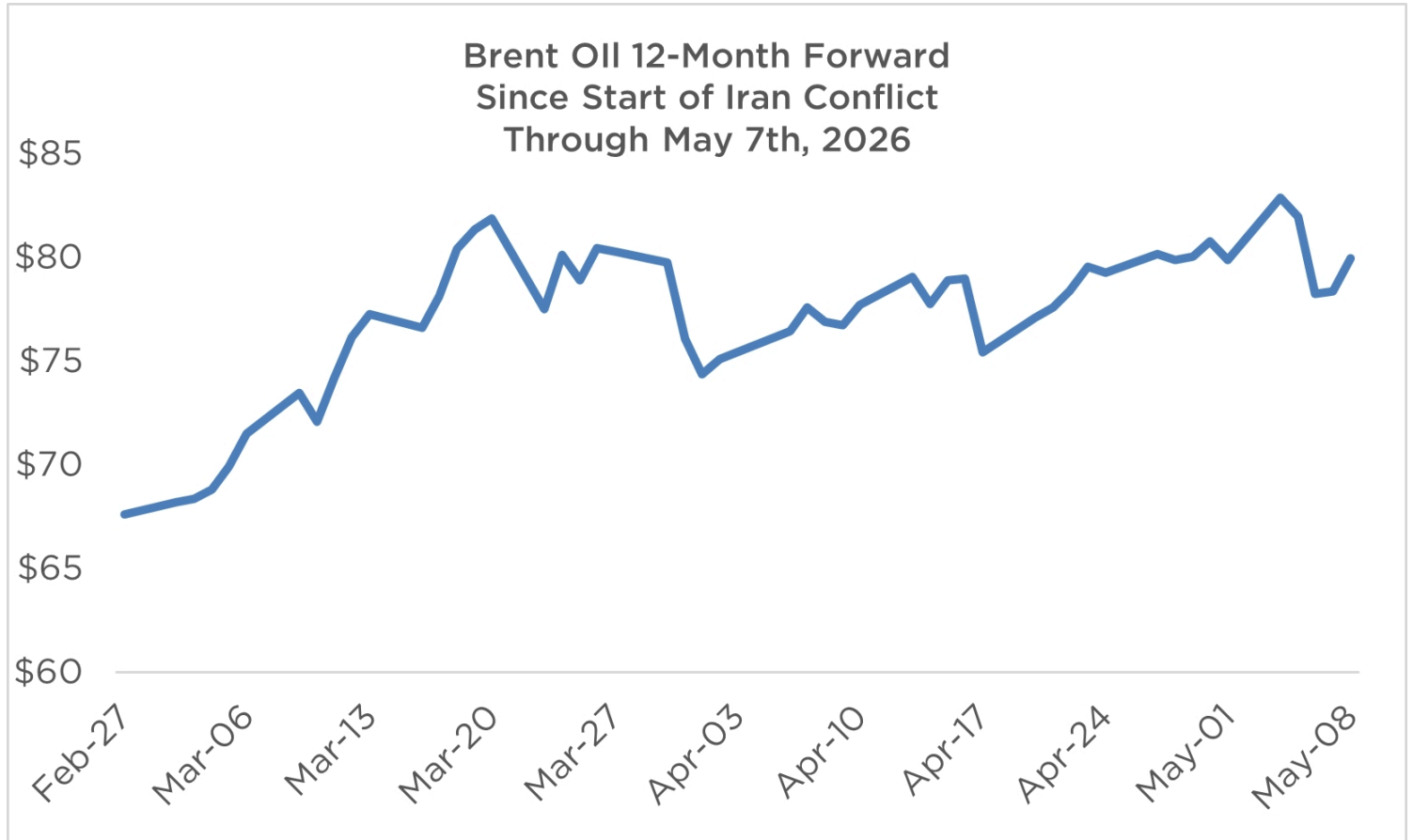


Level Set - What Are Over 500 Companies Saying About Iran and Oil?

The expert consensus is that even if the United States gets a near-term resolution with Iran, Oil is likely to remain elevated for some time. The 12-month forward Brent Oil Price has oscillated in a narrow band since mid-March however, and at near \$80 a barrel (see below) is well below the Brent 1-month forward contract of \$101. Hence, both Oil futures, and the equity market, are embedding that Oil retreats in the coming months.



Source: Trivariate Research, LP

We have taken the stance, that seems to align with the Oil experts' view, that some damage has likely already occurred.. The National Daily Average Unleaded Gasoline Price is up 50% since early March, indicating some relative pain for fuel-reliant US consumers (see below).

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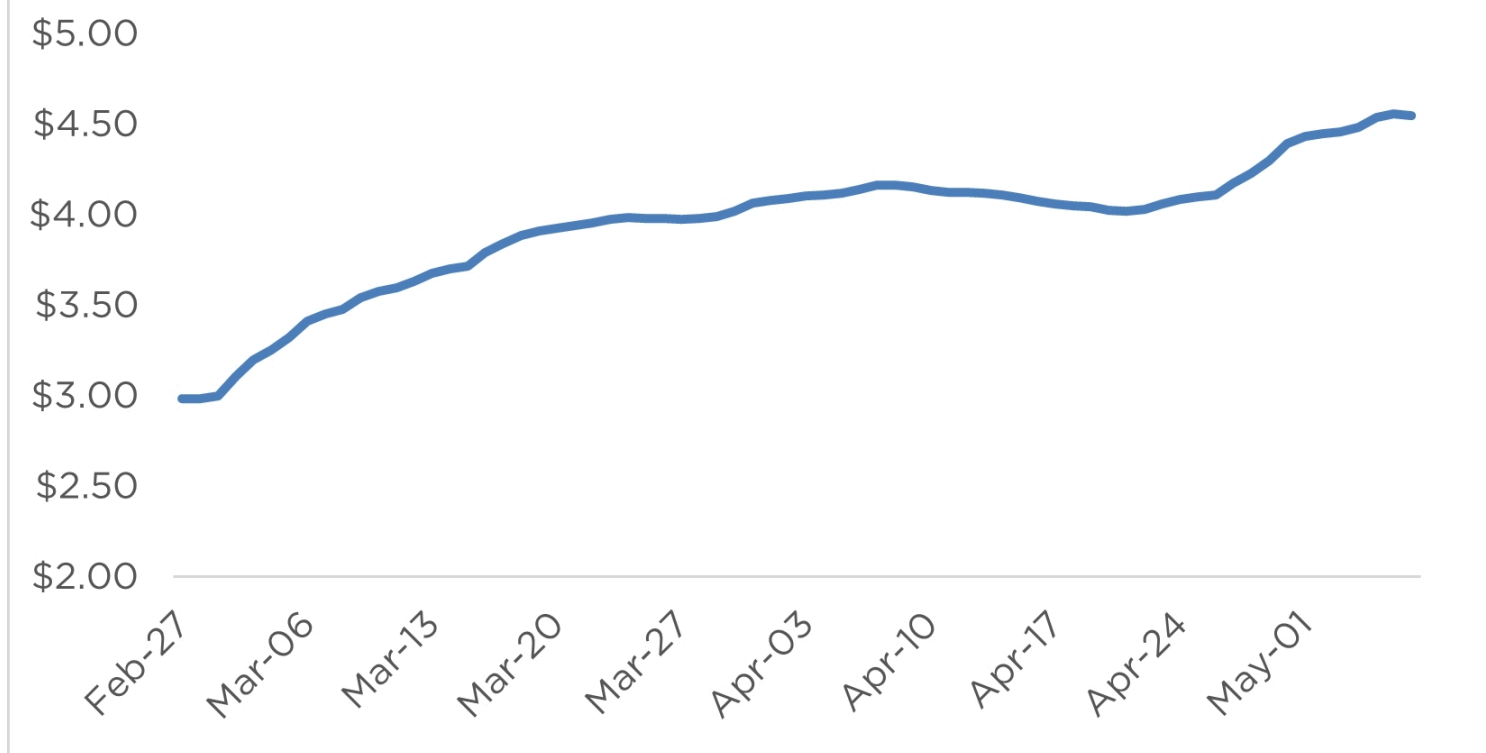
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National Daily Gasoline Average Unleaded From Start of Iran War Through May 7th, 2026



Source: Trivariate Research, LP

Obviously, Oil also goes into several other product areas that are input costs for many businesses. Oil demand is driven largely by transportation fuels, especially Gasoline and Diesel, which together account for more than half of global oil consumption. Petrochemical feedstocks are the next-largest category and are used to make Plastics, Chemicals, Textiles, and Packaging Materials. Jet fuel is another major product due to commercial aviation demand. After that, LPG (Liquefied Petroleum Gas), mainly Propane and Butane, is widely used for cooking, heating, and petrochemical production. Marine bunker fuel powers global shipping, while heating oil is still important in colder regions. Smaller but still economically significant oil derivatives include Asphalt for roads, Lubricants for Machinery and Vehicles, Petroleum Coke for industrial processes, and Specialty Chemicals used in Cosmetics, Packaging, Solvents, and Industrial applications (see below).

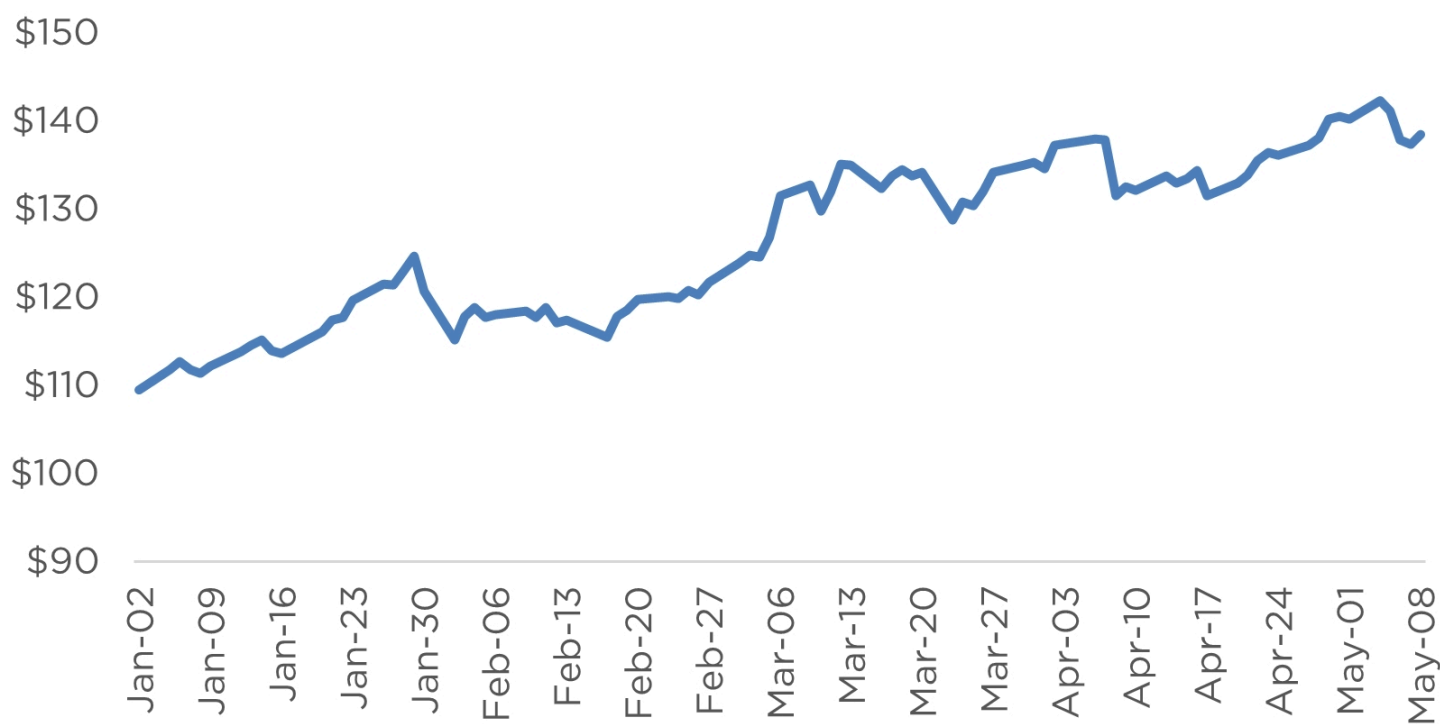
Major Petrochemical Chains - Derivatives that come from Oil and Natural Gas As of Early May, 2026

Base Petrochemical	Main End Uses	Estimated Global Sales Value 2026 (USD Billions)
Ethylene	Polyethylene Plastics, Packaging, Pipes	\$220
Propylene	Polypropylene, Carpets, Auto Parts	\$140
Ammonia	Fertilizers and Industrial Chemicals	\$90
Benzene	Styrene, Nylon, Detergents	\$85
Xylene	Polyester, Pet Bottles, Clothing	\$75
Methanol	Chemicals, Fuel Blending	\$55
Toluene	Paints, Solvents, Chemicals	\$35

Source: Trivariate Research, LP

In the end, it isn't just the price of Gasoline at the pump, or the Oil price that matters, it translates into several other commodities. The Bloomberg Commodity Index, as a broad-based proxy, is up 26% year-to-date, and assuredly will become a headwind for margins for several companies by the end of the year.

Bloomberg Commodity Index Through May 8th, 2026



Source: Trivariate Research, LP

The S&P500 is up 8% year-to-date, and the NASDAQ is up nearly 13%, with huge rallies in both indices over the last six weeks. While many investors are saying in our meetings that the market appears to be complacent about the sustained impact of higher oil on corporate earnings, the market is saying the aggregate impact is low.

We decided to see what the companies have been saying about the topic, by analyzing the earnings call transcripts of 1465 companies that reported earnings since the beginning of March. Note, this represents 350 of the top 500 companies by market cap., and about \$56 Trillion of market cap. The largest companies missing from the analysis include NVDA, WMT, BRK/B, CSCO, HD, AMAT, GEV, MCD, ADI, DIS, and SNDK. In total, about \$20 Trillion market cap. is not included in our analysis. Eyeballing the companies that reported before March 1st, and have not yet reported, we think the analysis is largely representative, or perhaps, slightly over-estimates the Hormuz impact given NVDA is missing from the cohort.

We filtered the transcripts to include only the prepared remarks and answers by executives on the earnings calls, using keywords that included Hormuz, War, Middle East, Iran, Oil, Gas, Energy, Sanctions, and Shipping among others. We then clustered companies based on whether executives were **substantively** discussing the impact these issues had on the company.

529 of the 1465 companies had some substantive (according to ChatGPT 5.4) Hormuz discussion, accounting for 36.2% of the companies, and 32% of the market capitalization of the transcripts we evaluated. Of that group, only \$3.39 Trillion of market capitalization, represented by 142 companies, had commentary that was outright negative. 192 companies representing an additional \$7.18 Trillion of market capitalization said Hormuz-related issues are mixed. This is at least partially offset by the \$4.88 Trillion of market cap. across 92 companies that said higher Oil is positive for their businesses (see below). Taking it all into account, the “net” effect of the mixed and negative impact minus the positive impact is about 10% of the market cap. of the US equity market. Again, we think this might slightly over-estimate the impact given the group of companies mentioned above haven’t reported. On the contrary, if issues get worse, the mix could change some over time.

Transcript Analysis for Hormuz-Related Discussion				
From March 1st through May 6th, 2026				
Impact	Companies	% of Companies	Market Cap. (US \$ Tril.)	% of Market Cap.
Mixed	192	36%	7.18	40%
Negative	142	27%	3.39	19%
Neutral	103	20%	2.68	15%
Positive	92	17%	4.88	27%
Total	529	100%	18.13	100%

Source: Trivariate Research, LP

It is possible that there is a lagged impact of sustainably higher Oil on companies, and the recent commentary doesn't fully take that into account. Are analysts being proactive? So far this year, Energy estimates are 57% higher than they were on January 1st. Given Brent Oil is up 66% year-to-date, and the correlation between the change in the Oil price and the change in the net income of the Energy sector is quite high, that seems sensible. Google's strong results have driven Communication Services estimate up 13.4% since January 1st. Upward revisions from MU and the Memory complex as well as NVDA have driven Technology estimates for 2026 9.77% higher today than at the beginning of the year. Oddly, estimates have only been slightly downwardly revised in four of the eleven sectors (see below). While AMZN's upside isn't consumer-related and has driven a chunk of the Consumer Discretionary revisions, it is still surprising in our view not to see more proactive revisions for this sector.

2026 Bottom-Up Consensus EPS Estimates	
By Sector	
From January 1st through May 7th, 2026	
Sector	Estimate Change

Energy	57.11%
Communication Services	13.42%
Materials	10.82%
Info Tech	9.77%
S&P 500	6.85%
Consumer Discretionary	3.72%
Utilities	1.51%
Consumer Staples	0.11%
Financials	(0.06%)
Health Care	(0.10%)
Industrials	(0.29%)
Real Estate	(0.52%)

Source: Trivariate Research, LP

Looking at the commentary from executives on the transcripts at the sector level, our sense is that the analysts are being complacent in certain sectors. Only 2 Consumer Discretionary companies mentioned that Hormuz was positive. TSLA mentioned higher Oil helps EV demand, and LVS implied more expensive travel helps Singapore and Macau revenue on a relative basis. But several Consumer companies mentioned this was a negative, including BKNG, NKE, F, CMG, and CCL, among many. This was by far the most negative vs. positive sector in the market. We continue to recommend an UNDERWEIGHT in Consumer Discretionary, as we suspect estimate achievability will be BELOW average for the sector.

Sector Impacts of Hormuz-Related Commentary March 1st through May 6th, 2026						
Sector	Positive	Neutral	Mixed	Negative	Total	Positive Minus Negative
Consumer Discretionary	2	18	22	34	76	-32
Health Care	0	14	6	14	34	-14
Industrials	18	18	61	29	126	-11
Financials	16	17	31	26	90	-10
Consumer Staples	4	4	14	12	34	-8
Materials	8	4	28	12	52	-4
Real Estate	0	10	6	3	19	-3
Information Technology	6	13	5	8	32	-2
Communication Services	0	5	1	2	8	-2
Utilities	1	0	1	0	2	1
Energy	37	0	17	2	56	35

Source: Trivariate Research, LP

We are modestly surprised at the number of Healthcare companies who called out logistics expenses as an issue, including TMO, ISRG, and SYK, among others. However, we maintain that aggregate estimate achievability is above average for Healthcare, and continue to recommend an Overweight.

In the end, we do think investors are too complacent about the impact higher Oil will have on pockets of the market, but we don't necessarily think this is bad for the overall S&P500. Our view is that while the median stock might have margin contraction and therefore multiple contraction, most of the largest companies won't be impacted. In fact, as of the end of April, the most market cap. ever in the US equity market is above 60% gross margins. Higher margins mean higher aggregate multiples. However, given analysts are not proactive, and seem to be generally ignoring the commentary of the executives at some of the companies, perhaps a sensible way of thinking about the current landscape is to be cautious on companies where there have been multiple contraction year-to-date, as those companies are MORE likely to MISS estimates according to our recent work. The ten biggest reductions in price-to-forward earnings year-to-date include several Software companies - consistent with our negative view (see below).

Most Year-to-Date Price-to-Forward Earnings Contraction Through May 7th, 2026						
Ticker	Company	Market Cap. (US \$ Bil.)	Price-to-Forward Earnings			
			Jan. 1, 2026	May 7th, 2026	Change	
TEAM	Atlassian Corporation	23.6	33.0x	14.7x	(55%)	
OXY	Occidental Petroleum Corporation	59.8	26.4x	13.8x	(48%)	
EL	The Estée Lauder Companies Inc.	29.4	48.3x	25.9x	(46%)	
ZS	Zscaler, Inc.	22.9	59.0x	32.0x	(46%)	
FICO	Fair Isaac Corporation	24.6	41.9x	22.9x	(45%)	
INTU	Intuit Inc.	112.6	28.6x	15.9x	(45%)	
PLTR	Palantir Technologies Inc.	350.1	177.8x	102.7x	(42%)	
SOFI	SoFi Technologies, Inc.	20.8	46.8x	27.5x	(41%)	
NOW	ServiceNow, Inc.	94.8	37.5x	22.2x	(41%)	
SNOW	Snowflake Inc.	49.8	135.4x	80.1x	(41%)	

Source: Trivariate Research, LP

On the contrary, typically multiple expansion has meant a higher probability of beating estimates. Stocks here include select Semiconductors and Energy. For now, and based on price action, we would continue to prefer Semiconductors to Software.

**Most Year-to-Date Price-to-Forward Earnings Expansion
Through May 7th, 2026**

Ticker	Company	Market Cap. (US \$ Bil.)	Price-to-Forward Earnings		Change
			Jan. 1, 2026	May 7th, 2026	
GFS	GLOBALFOUNDRIES Inc.	37.7	18.4x	36.7x	100%
MRK	Merck & Co., Inc.	279.4	11.6x	22.0x	89%
ON	ON Semiconductor Corporation	40.0	18.7x	34.0x	82%
MRVL	Marvell Technology, Inc.	143.1	23.7x	42.8x	81%
BKR	Baker Hughes Company	68.5	17.6x	30.2x	72%
SLB	SLB N.V.	83.2	13.1x	21.2x	62%
KEYS	Keysight Technologies, Inc.	60.3	25.4x	39.4x	55%
DELL	Dell Technologies Inc.	137.6	10.9x	16.3x	49%
EME	EMCOR Group, Inc.	40.5	21.9x	31.3x	43%
HAL	Halliburton Company	35.1	12.8x	18.0x	41%

Note: Among stocks with current multiple less than 50x

Source: Trivariate Research, LP

Important Disclosures

Analyst Certification

The analysts, Adam Parker, Maxwell Arnold, Colin Cooney, Chang Ge, Jesse Goodman and Ryan McGovern, responsible for the preparation of this research report certifies that: all the views expressed in this research report accurately reflect the research analyst's personal views.

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