Equity Strategy

AI Shivers: The Market Holds, but for How Long?

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We retain a tactical NEUTRAL stance on global equities, with regional views unchanged from last month: NEUTRAL across all major regions. We remain agnostic between Cyclicals and Defensives, while retaining a tilt towards Quality. *The latest earnings season has proved more challenging than expected, while credit conditions have tightened. Market reactions to earnings announcements have also become more selective: results or guidance that disappoint or raise questions about the returns on AI-related investment, have triggered sharp market moves.*

The recent pattern - broad US equities holding up as TMT leadership weakens - echoes the market environment of 2000, but the similarities should not obscure important differences*. Current evidence points to less speculative excess and stronger cash-flow support than at the turn of the millennium. The comparison should therefore serve as a reminder of the risks of concentrated market leadership, rather than as evidence that markets have reached dot-com levels of exuberance.*

IPO activity, credit spreads and free-cash-flow yields all appear less extreme than in 1999–2000*. Average first-day returns for US IPOs were 71% in 1999 and 56% in 2000, compared with 17% in the first half of 2026, despite headline issuance being boosted by a small number of very large deals. US IG spreads stand at 89bp, versus 146bp in March 2000, while broad HY spreads are 326bp, versus 580bp. TMT's free-cash-flow yield is 2.9%, compared with 0.9% in March 2000. These indicators do not rule out a correction, but they suggest that the historical parallel should not be interpreted as a signal to abandon equities.*

We maintain our strategic OVERWEIGHT, while placing it under review. Resilient macro conditions contained broad-market credit risk and positive TMT free-cash-flow yields continue to support a constructive stance*. However, the outlook depends increasingly on earnings delivery and sustained investment: IT accounts for around 80% of projected S&P 500 EPS growth in 2027, while AI-related capital spending is becoming an increasingly important driver of the real economy. A sharp investment slowdown could therefore weaken earnings beyond the technology sector and remove an important source of US growth.*

We do not yet see sufficient evidence to downgrade our strategic view to NEUTRAL*. We will, however, monitor whether AI capacity generates revenues and cash flows in line with expectations, and whether investment can continue without a material slowdown in broader economic growth.*

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Completed: 19 November 2026

Staying tactically NEUTRAL

We maintain our tactical NEUTRAL stance pending greater clarity on AI investment, its funding and expected returns (**Figure 1**). Meta, Alphabet and Amazon increased their capital expenditure guidance during the latest reporting season, expanding the scale of their investment commitments. The key test is whether new capacity is commissioned and monetised quickly enough to support revenue and operating cash flow, while companies retain discipline over the pace and returns on spending.

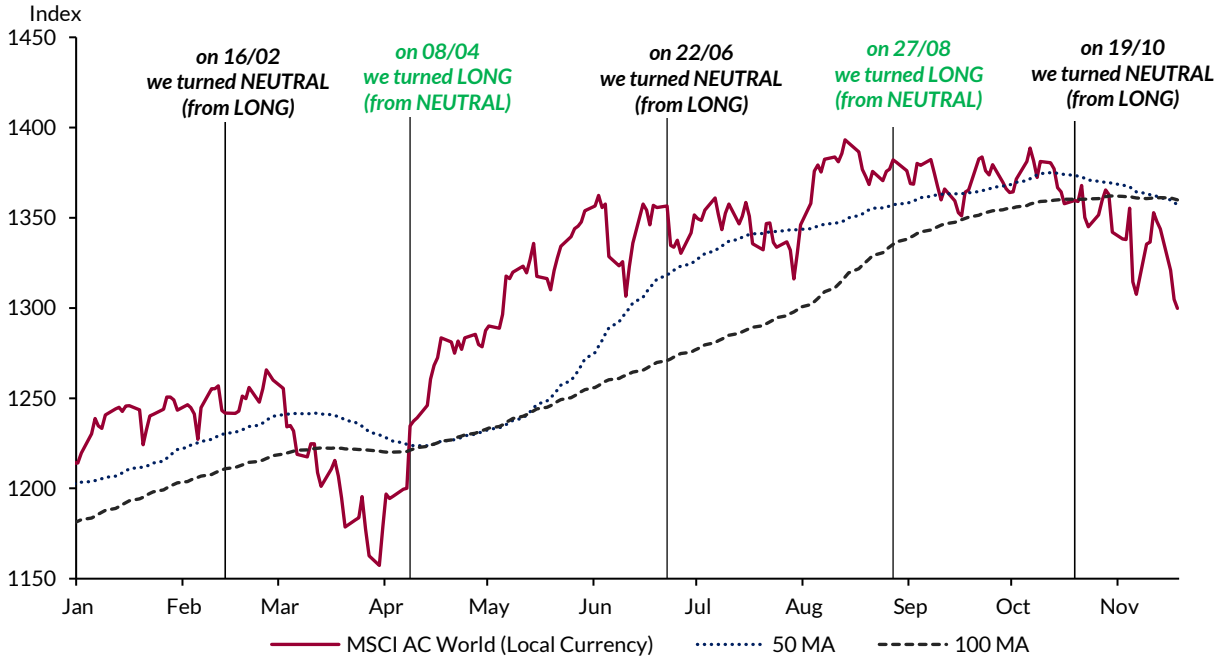
The recent price action shows both the fragility of AI leadership and the market's capacity to rebound. On 5 November, the S&P 500 fell 4.4% and the Nasdaq 5.5%, leaving the latter 11.9% below its October high. On 9 November, the S&P 500 and Nasdaq rebounded 2.3% and 2.7%, respectively, even as Nvidia fell around 4%. The rebound suggests sustained investor appetite for equities, but does not yet signal a clear, broad-based return to AI stocks. **Funding conditions remain relevant to both AI projects and equity valuations**. In our five-year valuation model, high-yield spreads provide the strongest independent signal for changes in the S&P 500 forward P/E: a 100bp widening is associated with approximately 6.8% lower multiple, all else equal (**Figures 2** and **3**). Wider borrowing costs can therefore affect project economics directly and weigh on the multiple investors assign to index earnings.

We retain our tactical NEUTRAL stance pending renewed investor appetite for AI equities and tangible progress towards geopolitical de-escalation. Over the medium term, the sustainability of the AI investment cycle will depend on the extent to which investment translates into revenues and operating cash flow, alongside capital discipline and financing terms that preserve expected returns. These fundamentals remain important but will take longer to assess.

In the meantime, we would not chase the powerful daily rebounds. Over the past 40 years, 17 of the S&P 500's 30 largest daily gains and 25 of the Nasdaq Composite's 30 largest daily gains occurred during bear-market episodes. Such rallies are common amid market weakness and, on their own, do not confirm that a durable market bottom is in place **(Figures 1A** and **2A** in the APPENDIX).

Figure 1

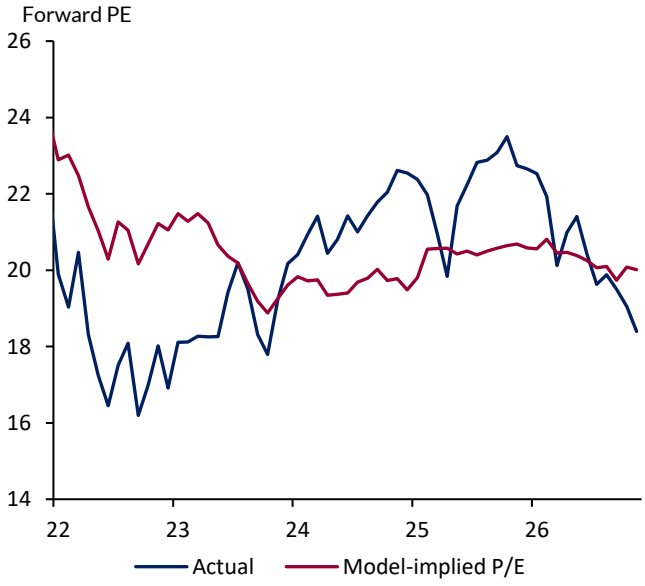
MSCI AC World and Equity Strategy Positioning in 2026



Source: MSCI, ANIMA Research. Prices are as of 18 November 2026.

Figure 2

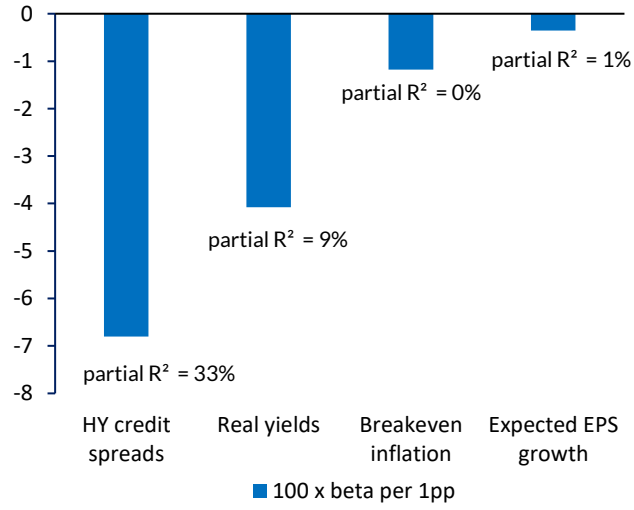
Forward P/E: Actual and Model-implied



Source: Bloomberg, ANIMA Research. Prices are as of 18 November 2026.

Figure 3

Valuation sensitivities and partial R² - latest five-year window



Source: ANIMA Research. Prices are as of 31 October 2026. Bars represent 100 × unstandardised coefficients; labels indicate partial R² values. Bar heights reflect valuation sensitivity, rather than relative explanatory importance.

Strategic OVERWEIGHT under review

The key question is whether broad US equities can remain resilient as AI leadership weakens. The 2000 episode shows that this divergence can persist before weakness spreads to the broader market. The critical question today is whether the correction remains confined to valuations or begins to weigh on investment and economic growth.

A pullback in AI-related shares alone need not trigger a broad bear market. The macroeconomic risk would rise if weaker sentiment led companies to scale back AI capital spending materially.

1. Market divergence and the investment cycle.

The current divergence echoes the early stages of 2000, when the broader US market initially held up as TMT[1]stocks weakened. From the 24 March 2000 market peak to 1 September, the S&P 500 was down 0.4%. TMT fell 13%, while US ex-TMT gained 8% - a gap of about 20 percentage points (**Figure 4**).

A similar pattern has emerged in the latest data, although over a shorter period. From 22 June 2026 to the latest available observation, the US index rose 1%, while the US AI Winners basket underperformed the AI at Risk basket by 55 percentage points. This is consistent with a rotation away from former market leaders **(Figure 5**).

In 2000, the deterioration in technology and telecom stocks preceded the broader economic downturn. The divergence reflected a much larger investment cycle: between 1995 and the second quarter of 2000, real investment in equipment and software grew by more than 12% annually. Growth was particularly strong in information-processing equipment, at more than 20% annually, and in computers, at around 45%. As telecommunications and technology companies invested heavily in networks, computers and communications equipment, expectations of future demand and profits rose alongside capital expenditure. **The investment boom began to reverse in the second half of 2000**. Real investment on equipment and software edged down in both Q4 2000 and Q1 2001. In Q1 2001, spending on high-tech equipment and software fell by about 12% at an annualised rate in real terms. The Federal Reserve linked the weakness to slowing demand, lower corporate profits and cash flow, earlier overinvestment in some sectors, and tighter financing conditions. Excess capacity and a reassessment of expected returns weighed particularly on investment in communications equipment.

The reversal affected the broader economy. An analysis by the New York Fed found that equipment investment accounted for more than half of the slowdown in GDP growth between Q3 2000 and Q2 2001. The weakness extended beyond the high-tech sector, with more traditional equipment categories also contributing materially. Inventory adjustments further exacerbated to the slowdown as businesses responded to excess stocks.

The NBER later dated the peak in US economic activity to March 2001, almost a year after the stock-market peak. This sequence does not establish that falling technology stock prices alone caused the recession. Rather, it shows how a weakening

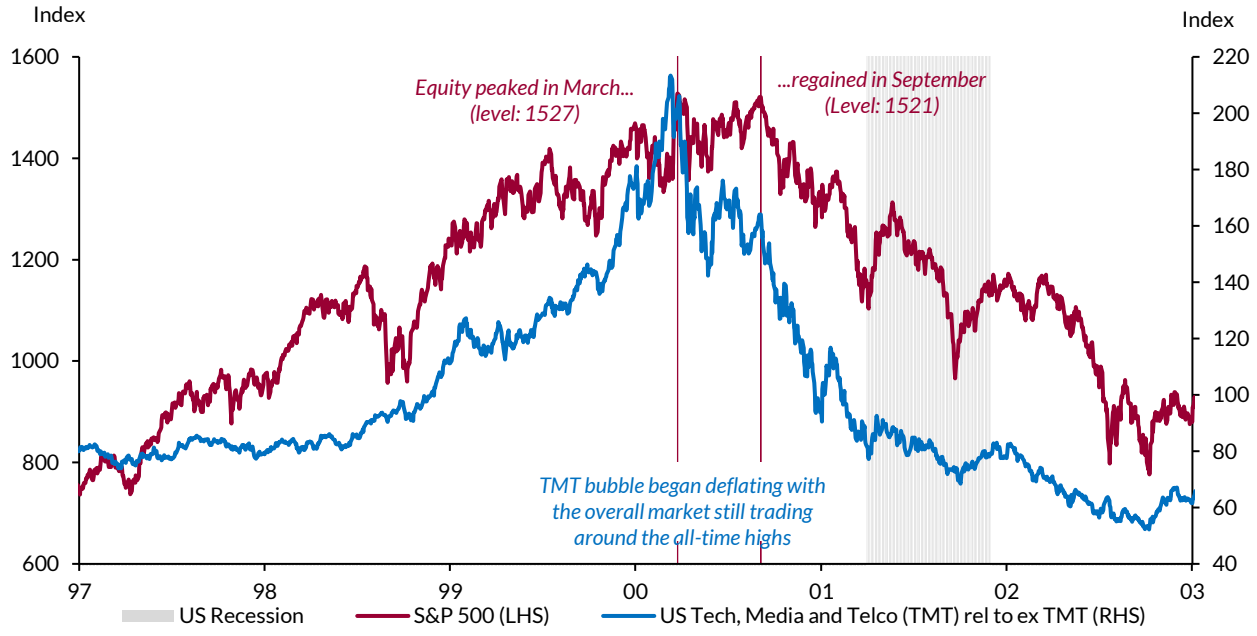
[1] *In this report, TMT refers collectively to five sector groups: Semiconductors, Software, Tech Hardware, Media & Entertainment, and Telecommunications.*

investment cycle, following several years of unusually rapid growth, became a key transmission channel through which the slowdown reached the wider economy.

For today, the historical lesson is a sequence to monitor, not a one-for-one forecast: TMT leadership weakens first; the broader market initially holds up; and the key macroeconomic test is whether investment plans and spending then contract.

Figure 4

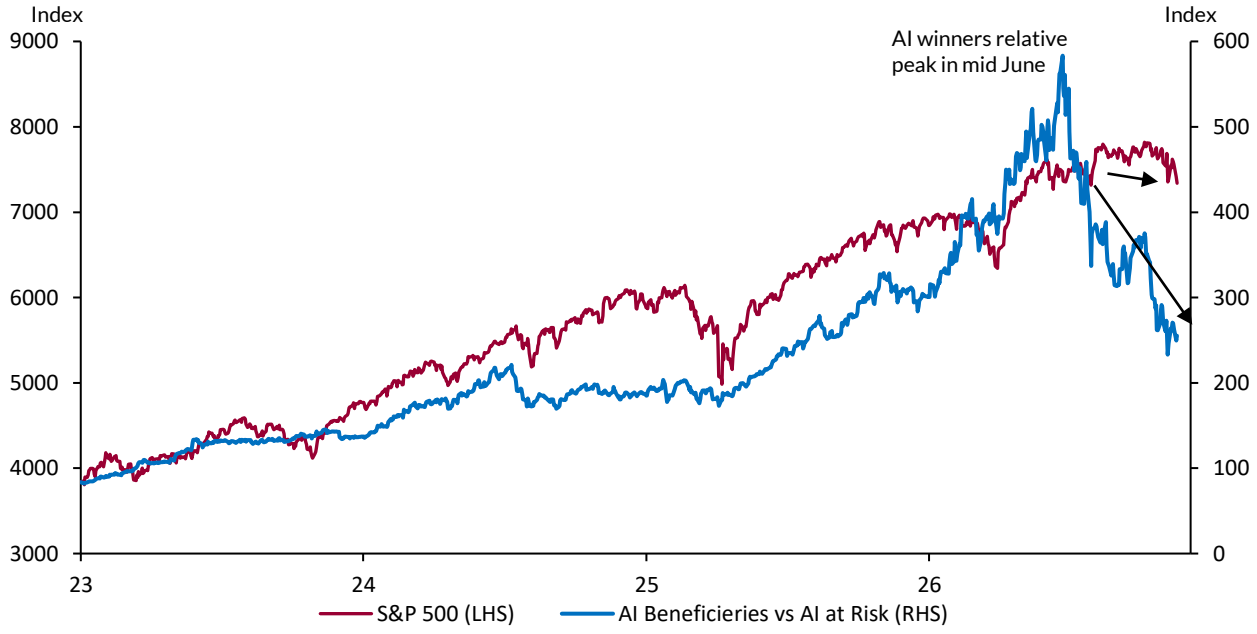
S&P 500 around the bubble and burst in 2000s'



Source: S&P, Bloomberg, ANIMA Research.

Figure 5

S&P 500 during recent AI rotation



Source: S&P, GS, Bloomberg, ANIMA Research. Prices are as of 18 November 2026.

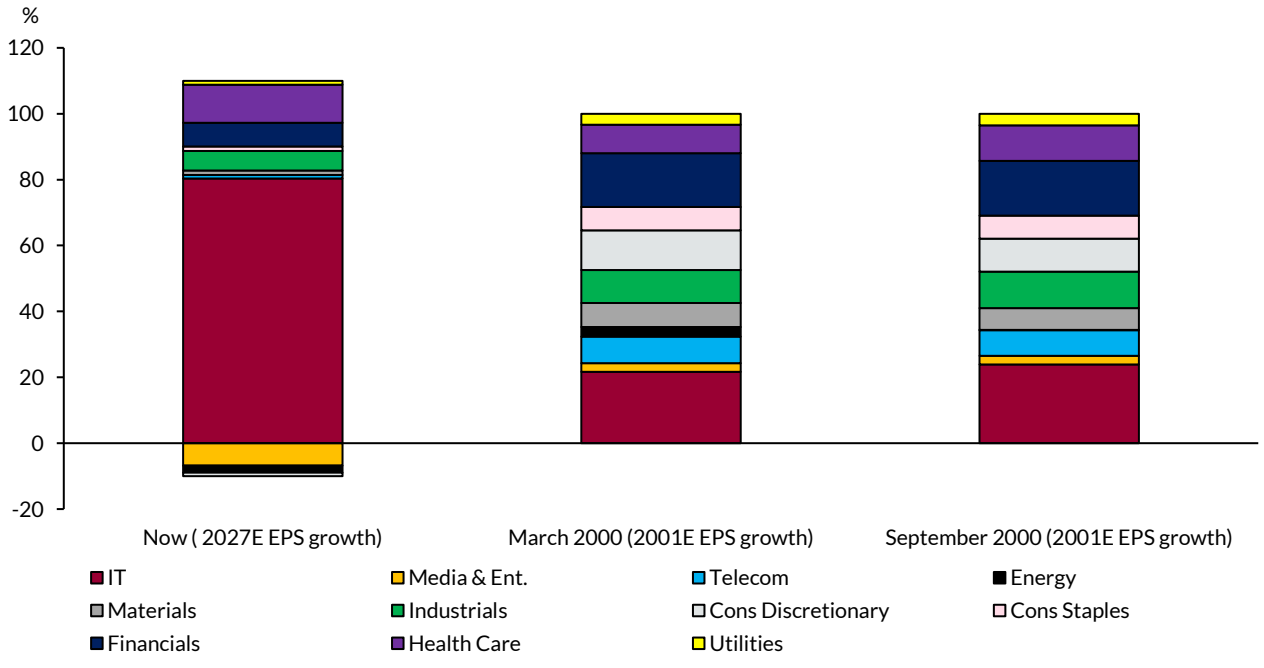
2. Echoes of 2000: Testing the Parallels

Several features of today's market invite comparisons with the late 1990s, though the strength and significance of each parallel differ. We examine five areas: the contribution of IT to expected EPS growth; IPO issuance and M&A activity, including market reactions to announced transactions; credit spreads and funding conditions; free-cash-flow yields and valuations; and the balance between capital spending and shareholder distributions. Together, these indicators help assess how today's AI investment cycle compares with the late-1990s boom in terms of market concentration and funding needs, and how exposed markets and the wider economy may be if expected returns disappoint.

EPS growth and earnings concentration. Consensus estimates made in 2000 projected US EPS growth of 15% for 2001, compared with an 18% forecast for 2027 at the time of writing. **Headline growth expectations are broadly comparable, but their composition is not**. IT accounts for 80% of projected S&P 500 EPS growth in 2027, leaving less than 20% to all other sectors combined. By contrast, IT accounted for 22% of estimated 2001 EPS growth in March 2000 and 24% in September, with growth more evenly distributed across Financials, Consumer Discretionary, Industrials, Healthcare and other sectors. **This points to a different source of vulnerability: the 2000 episode was primarily a valuation bubble, whereas today's risk, if any, lies more in the concentration and sustainability of earnings expectations**. The high IT contribution leaves aggregate earnings more exposed to a slowdown or downward revision in the sector. If weaker returns on AI investment prompt companies to cut capex, the effects could spread from earnings and equities to suppliers and business investment, increasing the risk of a broader economic slowdown. As in 2000–01, however, an IT earnings correction alone would not make a recession inevitable; several factors would need to interact (**Figure 6**).

Figure 6

US sectors - share of total earnings growth



Source: MSCI, IBES, ANIMA Research.

IPOs and speculative issuance. **Internet companies drove the 1999 IPO boom:** 289 internet-related issuers raised $24.7bn in the US, compared with42 offerings raising $2.0bn in 1998. IPO proceeds on this scale were not seen again until 2020 and 2021, when US issuance reached $61bn and a then-record $119bn, respectively (**Figure 7**).

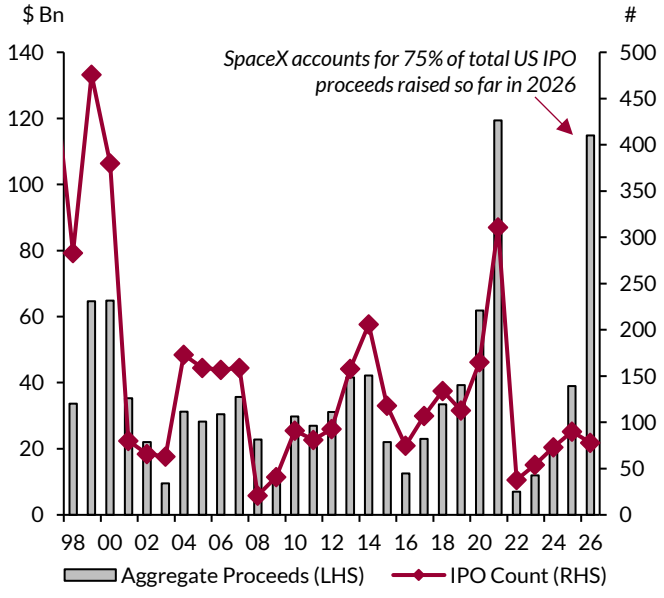
2026 is on course for another record year, but headline proceeds are dominated by SpaceX's mega-deal. US IPOs raised $115bn in the first half alone, with SpaceX accounting for $86.2bn, or 75% of the total. Aggregate proceeds therefore overstate the breadth of IPO activity.

First-day performance offers a sharper contrast with 1999–2000. Average first-day returns were 71% in 1999 and 56% in 2000, compared with 17% for traditional US IPOs in the first half of 2026, broadly in line with the long-run average since 1980 (**Figure 8**).

Overall, today's IPO market echoes the late 1990s in dollar terms, but not in speculative intensity: proceeds are heavily concentrated in SpaceX, while first-day returns remain close to historical norms and well below the levels recorded in 1999–2000.

Figure 7

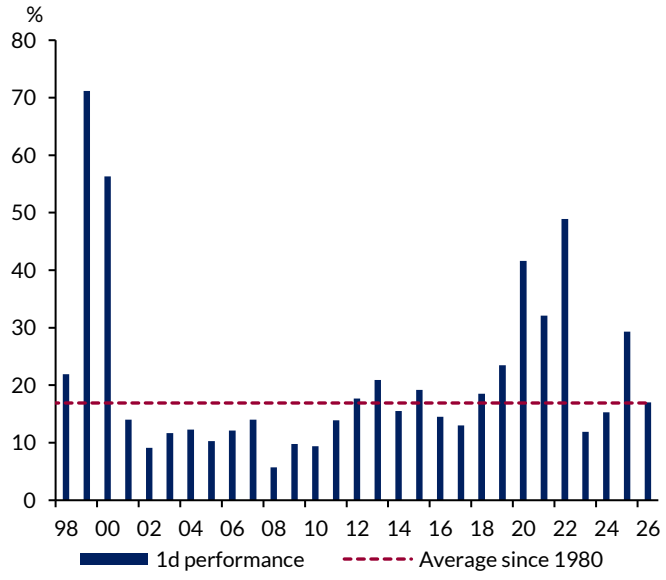
US IPOs: Volume and Deal Count



Source: University of Florida, SEC, ANIMA Research. Note: 2026 data cover the first half of the year. SPACs, ADRs, REITs and closed-end funds are excluded.

Figure 8

Average First-Day IPO Return in the US



Source: University of Florida, SEC, ANIMA Research. Note: 2026 data cover the first half of the year.

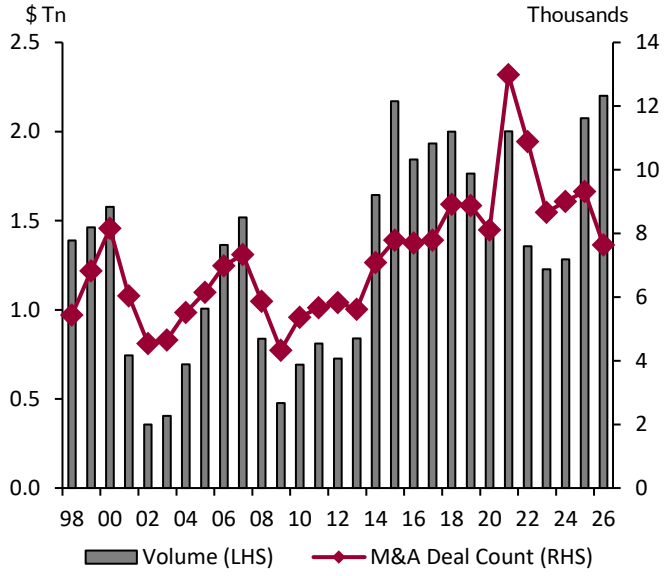
M&A and market reception. Announced US M&A deal value totalled approximately $1.5tn in 1999 and $1.6tn in 2000. The $183bn AOL–Time Warner transaction became emblematic of the period: AOL shares fell more than 11% the day after the announcement and were trading about 14% below their pre-announcement level.

In 2026, announced US M&A has reached $2.2tn, with more than half involving the IT sector. Marvell's proposed all-stock acquisition of Lumentum, valued at $115bn including debt, provides a test of investor appetite for large AI-related transactions. Shares in Marvell and Lumentum shares fell 13% and 19%, respectively, on the day of the announcement, as investors assessed the scale of the transaction and its associated execution risks.

The market reaction suggests that an AI-related strategic rationale alone does not guarantee a positive reception. Although announced M&A deal value has reached a nominal record in 2026, transaction values relative to market capitalisation points to less extreme activity than at the turn of the millennium. Investors appear to be scrutinising deal size and execution risks rather than unconditionally rewarding AI-related transactions (**Figures 9 - 12**).

Figure 9

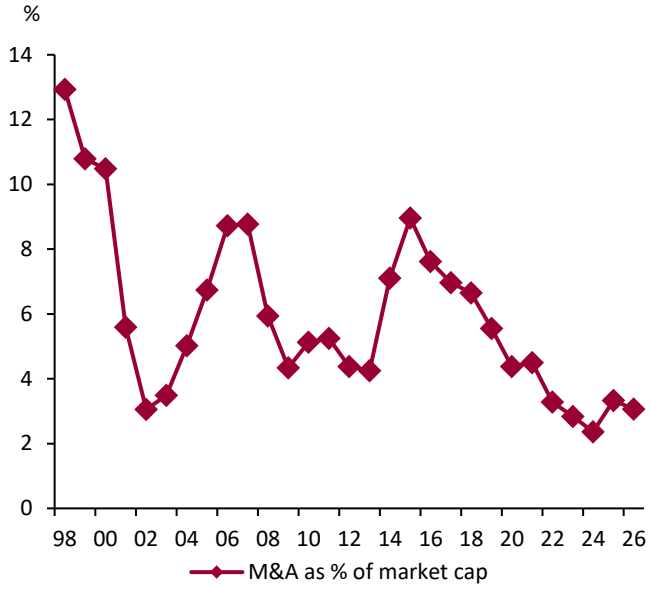
US M&A: Volume and Deal Count



Source: Bloomberg, ANIMA Research.

Figure 10

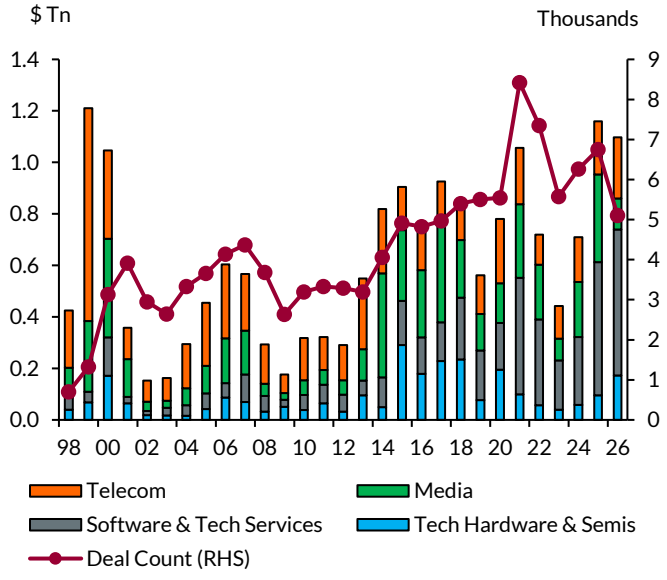
US M&A as a Percentage of Market Cap



Source: Bloomberg, ANIMA Research.

Figure 11

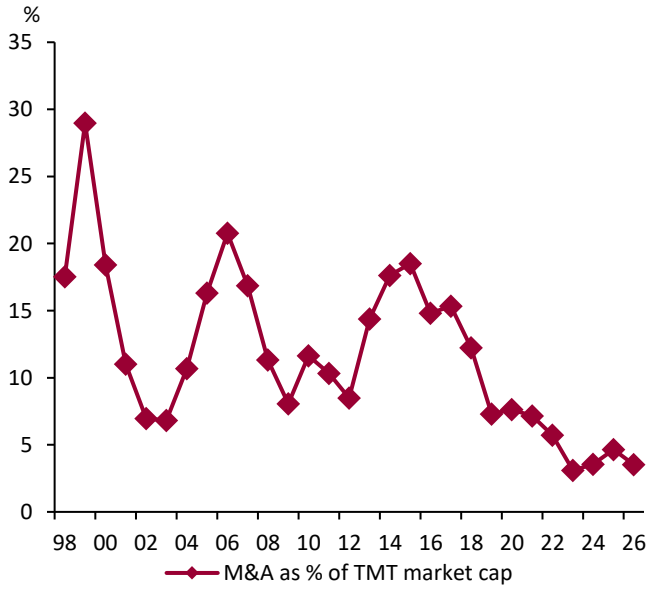
US TMT M&A: Volume and Deal Count



Source: Bloomberg, ANIMA Research.

Figure 12

US TMT M&A as a Percentage of Market Cap



Source: Bloomberg, ANIMA Research.

Credit spreads and funding. In 2000, investors began demanding wider spreads from technology borrowers as perceived risks increased. A similar, though still

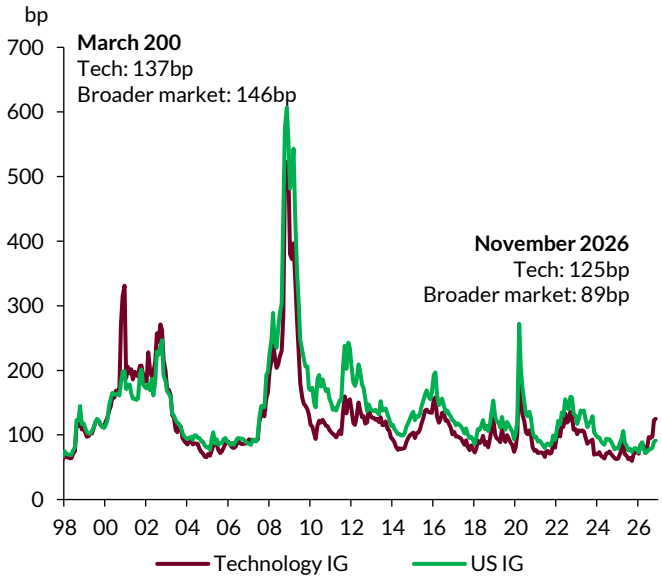
contained, differentiation is emerging today. Year to date, IG Tech spreads have widened by around 50bp, compared with 10bp for the broader US investment-grade market. The pattern is also visible in high yield: technology spreads have widened by 115bp, compared with a 60bp increase in the broader market.

US investment-grade technology spreads have returned to levels last seen before the March 2000 market peak. High-yield technology spreads, at around 460bp, remain approximately 130bp below their level at that time. Broader US spreads are also well below their 2000 levels: investment-grade spreads are 89bp versus 146bp in March 2000, while high-yield spreads are 326bp versus 580bp (**Figures 13** and **14**).

The widening in technology spreads warrants monitoring as a potential early sign of credit strain. For now, however, the widening remains concentrated in technology and has not translated into broad-market stress. The risk of spillovers to the wider market appears relatively limited, supported by companies' debt-servicing capacity and the reduction in leverage since the 2023 peak.

Figure 13

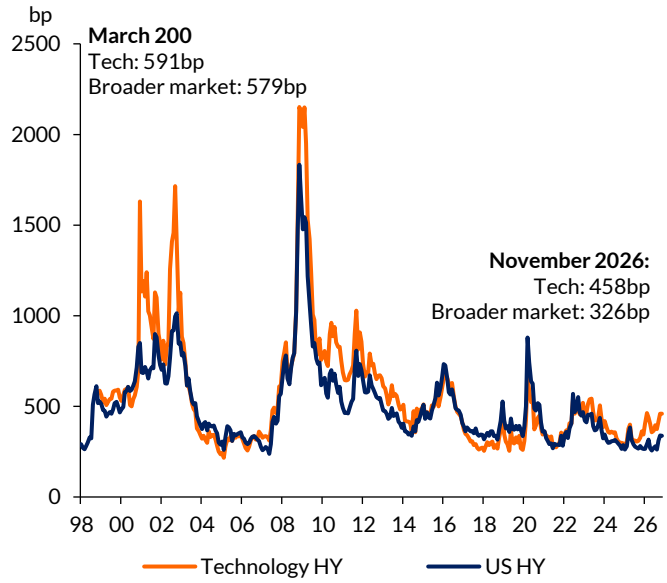
US Investment Grade Spreads



Source: Bofa, Bloomberg, ANIMA Research. Data as of 18 November 2026.

Figure 14

US High-Yield Spreads



Source: BofA, Bloomberg, ANIMA Research. Data as of 18 November 2026.

Balance-sheet resilience. Despite signs of credit pressure, TMT balance sheets remain relatively solid. Net Debt/EBITDA has declined from its 2023 peak, while aggregate interest coverage has improved substantially in recent years and now stands at historically high levels (**Figures 15** and **16**). This should help the sector withstand tighter financing conditions. However, a similar configuration was also visible around the late-1990s dot-com peak, showing that strong aggregate balance-sheet metrics alone cannot rule out a sharp market correction.

At the sub-sector level, the decline in aggregate leverage masks divergent trends (**Figures 17** and **18**). **Net Debt/EBITDA has fallen in Semiconductors, which have moved into a net cash position, as well as in Media and Telecom**. By contrast, Tech Hardware has shifted from net cash in January 2024 to moderate net debt, while Software has recorded a modest increase in leverage. **Interest coverage has improved in four of the five sub-sectors, most notably in Semiconductors**, with

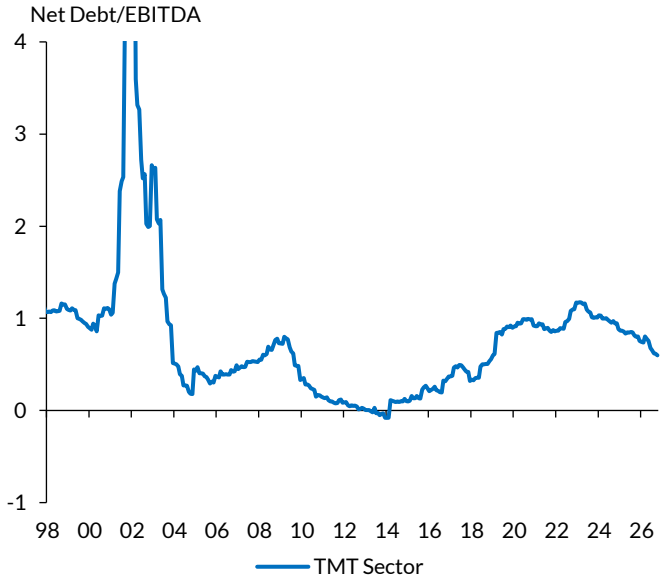
more modest gains in Software, Media and Telecom. Tech Hardware is the exception: coverage has declined, although it remains elevated.

In Media, lower leverage likely reflects both deleveraging among traditional companies and strong EBITDA growth at major digital platforms. Alphabet and Meta entered the current investment cycle with substantial cash reserves and strong cash generation, initially funding investment largely from internal resources before relying increasingly on debt as their commitments expanded.

Overall, lower leverage and stronger interest coverage provide a buffer against rising financing needs. How long that buffer lasts will depend increasingly on the returns generated by the ongoing investment cycle.

Figure 15

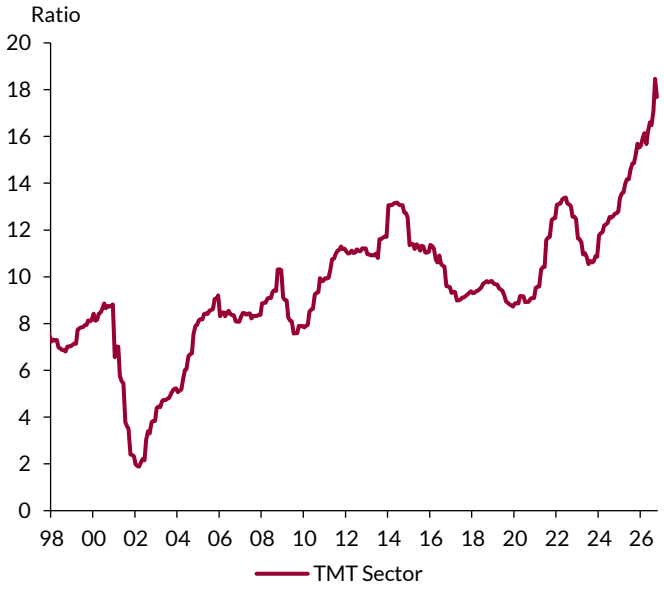
US TMT Sectors – Leverage



Source: BofA, ANIMA Research. Data as of 31 October 2026.

Figure 16

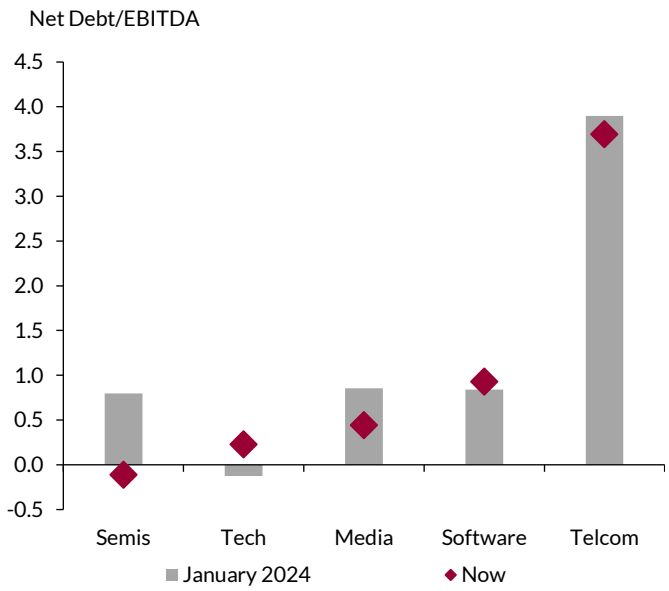
US TMT Sectors – Interest Coverage Ratio



Source: BofA, ANIMA Research. Data as of 31 October 2026.

Figure 17

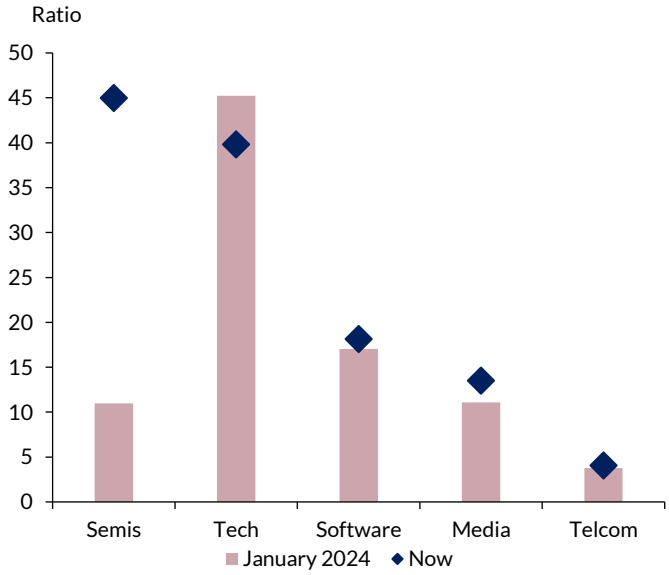
US TMT Sub-sectors – Leverage



Source: BofA, ANIMA Research. Data as of 31 October 2026.

Figure 18

US TMT Sub-sectors – Interest Coverage Ratio



Source: BofA, ANIMA Research. Data as of 31 October 2026.

Capital spending and payouts to shareholders. Between 1995 and 2000, real US investment in IT equipment grew at a 22.7% compound annual rate, compared with 5.1% for non-IT capital spending. According to our economists, from Q2 2025 through Q3 2026 the Net AI Proxy made an aggregate contribution of 2.65 percentage points to quarterly real GDP growth, measured at annualised rates. Real GDP grew by approximately 4.1% over the same period.

These estimates are not directly comparable: the current measure includes software, R&D and data-centre investment, not all of which is AI-related, while imported hardware does not add to US GDP in the same way as domestic production.

At the sector level, investment is increasingly visible in capital allocation (**Figure 19**). Capex and R&D have risen sharply as a share of revenue in Software and Media, reaching close to 40%. In Semiconductors, investment intensity is around 20%—elevated, but still below its 2000 peak.

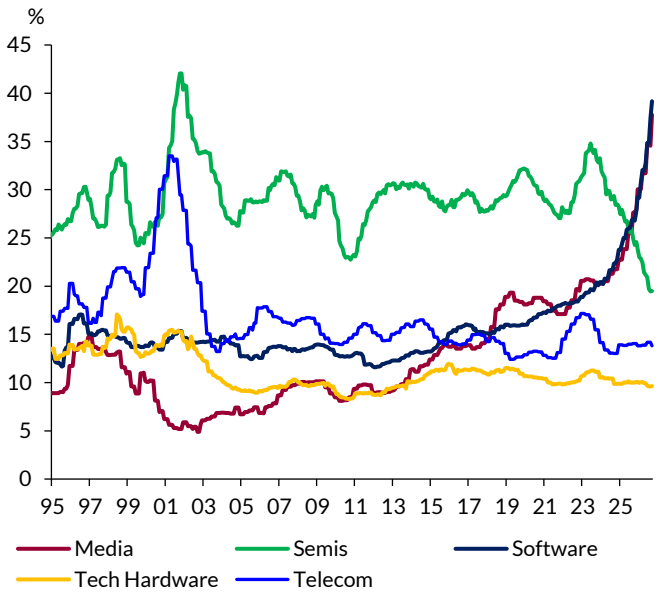
The investment-to-shareholder-distributions ratio has also risen over the longer term. TMT is moving back towards levels last seen around 1999–2000, while the broader S&P 500 remains below those levels. The ratio stands at 2.2x for TMT and 1.5x for the S&P 500, including 2.4x for Software and 1.5x for Semiconductors (**Figures 20** and **21**). Media is a notable outlier at 9.4x; given its low level of shareholder distributions, this figure should be assessed in conjunction with the absolute levels of capital expenditure and shareholder distributions.

Payout yields offer a further perspective: shareholder distributions remain modest among AI-related pure plays. They are about 2% in Software and Technology and 0.9% in Semiconductors (**Figure 22**). This points to a shift in capital allocation towards investment, but the ratio alone does not establish whether that spending will generate attractive returns. The fibre-optic boom is a useful reminder that capacity can be built ahead of profitable demand. The key test is whether utilisation, revenues and cash flows justify the investment before the equipment becomes obsolete.

The TMT investment cycle is beginning to echo 1999–2000, but the parallel remains sector-specific: the broader S&P 500 has yet to show a comparable shift from shareholder distributions towards investment.

Figure 19

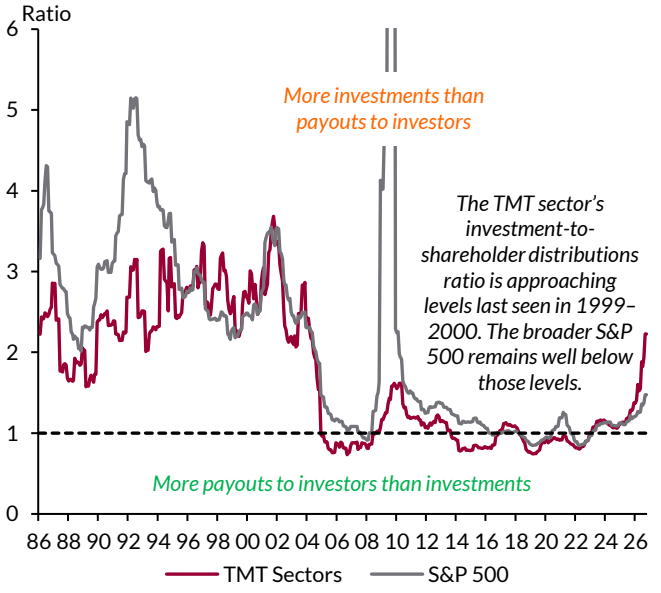
Capex and R&D relative to Revenue



Source: BofA, ANIMA Research.

Figure 20

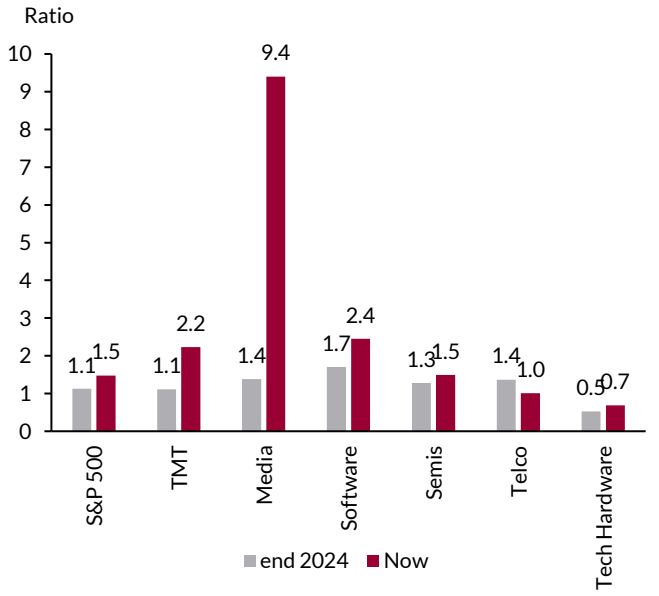
Investment-to-shareholder distributions ratio (I)



Source: BofA, ANIMA Research.

Figure 21

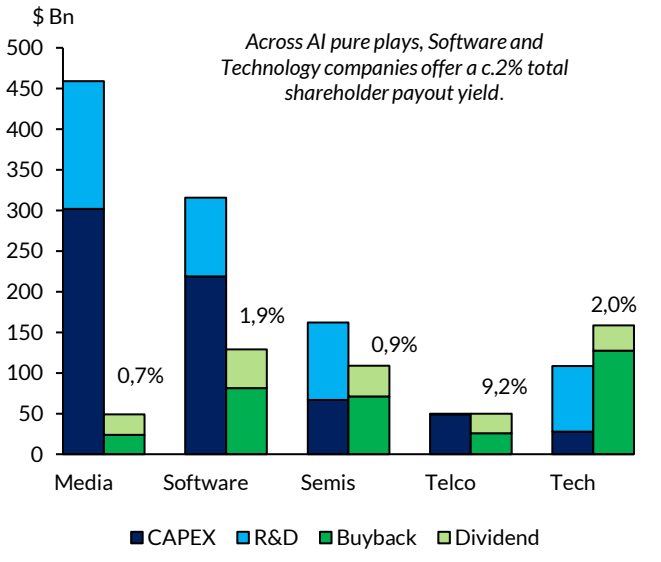
Investment-to-shareholder distributions ratio (II)



Source: BofA, ANIMA Research.

Figure 22

Capital Allocation and Total Payout Yield



Source: BofA, ANIMA Research.

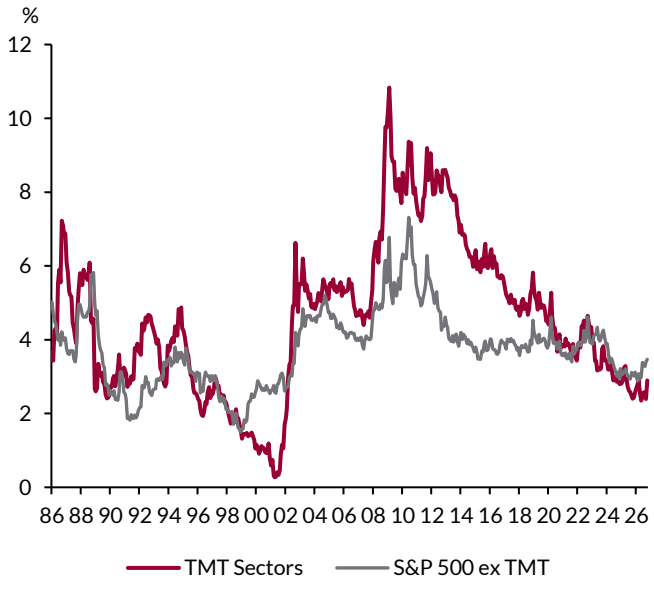
Free cash flow and valuation. The impact of AI investment on cash flows is becoming increasingly evident at the individual hyperscaler level. Amazon reported trailing-12-month free cash flow of −$42.4bn in Q3 2026, down from +$14.8bn a year earlier. The company cited a $94.8bn increase in purchases of property and equipment, primarily driven by AI investment. Alphabet spent $51.4bn

on capex in the quarter and reported quarterly free cash flow of −$9.1bn, while its trailing-12-month free cash flow remained positive. These company figures illustrate how rapid investment can weigh on cash generation, but do not establish that aggregate S&P 500 free-cash-flow yield is declining.

At the sector level, TMT currently offers an FCF yield of 2.9%, compared with 0.9% in March 2000. Although yields have compressed from their post-global financial crisis (GFC) highs, they remain well above the levels recorded during the dot-com bubble, providing investors with a greater cash-flow cushion than at the previous market peak **(Figures 23** and **24).**

Figure 23

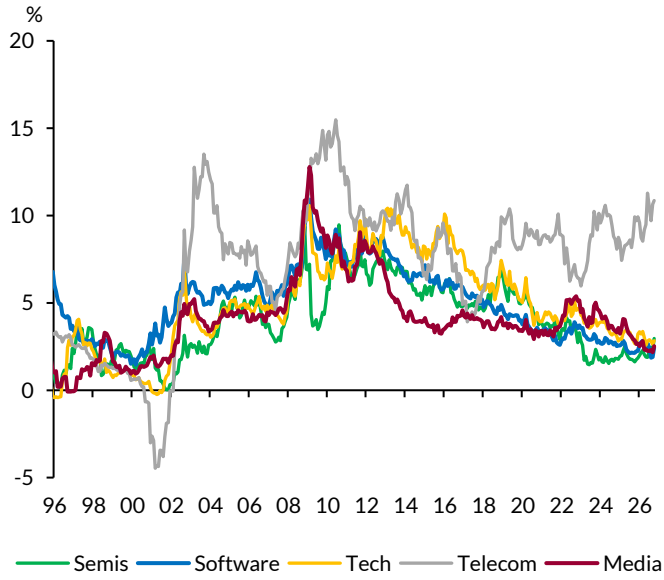
Trailing FCF Yield – TMT vs. Rest of the Market*



*Source: BofA, ANIMA Research. *Note: ex Financials and Real Estate.*

Figure 24

Trailing FCF Yield - Sectors



Source: BofA, ANIMA Research.

Circular financing and the quality of AI demand. The late-1990s telecom boom offers a relevant precedent. Equipment suppliers provided financing to service providers, enabling them to buy network infrastructure and supporting reported demand for suppliers' products. By the end of 2000, nine suppliers—Alcatel, Cisco, Ericsson, Lucent, Motorola, Nokia, Nortel, Qualcomm and Siemens—had extended an estimated $25.6bn to service providers. As customers' creditworthiness, suppliers faced potential loan losses and the risk that vendor financing had artificially sustained demand.

Similar interdependencies can arise in today's AI ecosystem, where suppliers, customers and investors may overlap through strategic investments, purchase commitments and infrastructure agreements. The comparison is not one-for-one: the largest hyperscalers have stronger balance sheets and substantial cash flows. The key test is whether capital expenditure and reported revenues are ultimately underpinned by demand from independent end-users or increasingly reliant on capital circulating within the AI ecosystem.

3. Strategic equity stance

Against this backdrop, we are placing our strategic OVERWEIGHT stance on global equities under review but retain it for now. Recent macro data continue to point to a resilient US economy, and we believe it is premature to downgrade our

stance to NEUTRAL. However, confidence in the outlook increasingly hinges on two tests: whether earnings expectations prove sustainable, and whether companies deliver on their AI capital expenditure plans and generate adequate returns. With IT accounting for around 80% of projected S&P 500 EPS growth in 2027, any disappointment would have an outsized effect on aggregate earnings.

The risk extends beyond equity markets to the real economy. From Q2 2025 through Q3 2026, the Net AI Proxy made a cumulative contribution of 2.65 percentage points to annualised quarterly real GDP growth, measured at annualised rates, while real GDP increased by approximately 4.1% over the same period. A sharp reversal in AI-related investment could remove an important source of growth, contribute to an economic slowdown and materially weaken corporate earnings. If the adjustment became self-reinforcing and policymakers failed to respond promptly, declining earnings expectations and a compression of valuation multiples could sustain a prolonged, broad-based equity bear market.

Recommendations

A. Regional Allocation

We maintain NEUTRAL stances across all major regions, unchanged from last month (**Figure 25**). Earnings visibility remains important, while geopolitical tensions, uncertainty around AI investment and currency movements continue to shape the regional outlook.

We remain NEUTRAL on the US. The market's significant exposure to AI leaves it sensitive to any reassessment of investment plans or expected returns. Political uncertainty adds to the risks, while resilient earnings and energy independence provide support. We would look for clearer evidence of earnings durability and of the broader economic impact of AI investment before turning more constructive.

We remain NEUTRAL on Japan. Monetary policy normalisation and exchange-rate fluctuations remain relevant risks, but we see insufficient grounds for adopting a directional stance.

We remain NEUTRAL on Continental Europe and the UK. Geopolitical tensions in the Gulf weigh against adopting a more positive stance on Continental Europe. However, lower oil prices could support traditional cyclical sectors such as Autos, Luxury and Consumer Services by easing cost pressures and supporting household purchasing power. In the UK, selective investment opportunities do not yet justify a directional regional call.

We remain NEUTRAL on Emerging Markets. Direct exposure to AI-related demand is supportive, but uncertainty surrounding the sustainability of this demand argues against a broader regional upgrade. A weaker US dollar could partly offset the headwinds facing markets beyond the tech-heavy economies.

Figure 25

Tactical Regional Recommendations - December 2026

LONG	NEUTRAL	SHORT
	EM	
	Continental Europe	
	UK	
	Japan	
	US	

Source: ANIMA Research. Markets in green have been upgraded, while those in red have been downgraded since the last Strategy Focus.

B. Sector Allocation

We remain agnostic between Cyclicals and Defensives, while retaining a tilt towards Quality (**Figure 26**)**.** High volatility and wide dispersion in company fundamentals make stock selection more important than broad sector allocations. We favour companies with resilient earnings, strong balance sheets consistent free-cash-flow generation. Within TMT, the momentum factor has experienced its sharpest correction on record, exceeding even the declines of the early 2000s. RSI readings have consequently fallen to levels that could present selective buying opportunities, although they do not in themselves confirm that the correction has run its course **(Figure 27 and 28).**

We retain a constructive view on Technology overall and maintain our NEUTRAL stance on Semiconductors. Apple's relative resilience compared with the other Magnificent Seven stocks during the recent volatility is consistent with our broader constructive view on Technology. Within Semiconductors, fundamentals remain uneven across AI computing, foundries, networking, analog and memory segments. The sector's RSI is the lowest in the market, which could present a more attractive entry opportunity if conditions stabilise, but does not yet justify moving beyond NEUTRAL or remove the risk of further volatility.

We downgrade Energy to NEUTRAL (from LONG). We expect geopolitical tensions to continue easing, reducing the need to maintain an overweight position as a hedge against supply disruption. We do not yet see enough evidence to move to SHORT.

Within commodities, we upgrade Materials to NEUTRAL (from SHORT), with a preference for gold producers and Construction Materials. Lower real yields would reduce the opportunity cost of holding gold, supporting gold prices and, in turn, gold producers. We also see supportive demand drivers for Construction Materials, including infrastructure investment and data-centre construction. Returns will remain sensitive to cost inflation, production growth and company-specific execution risks, so our view remains selective rather than representing a broad-based positive call on the sector.

We upgrade Consumer Durables & Apparel and Consumer Services to NEUTRAL (from SHORT). Lower oil prices should support household purchasing power and discretionary spending. These sectors could also benefit from a broader market rotation away from AI-related equities.

Figure 26

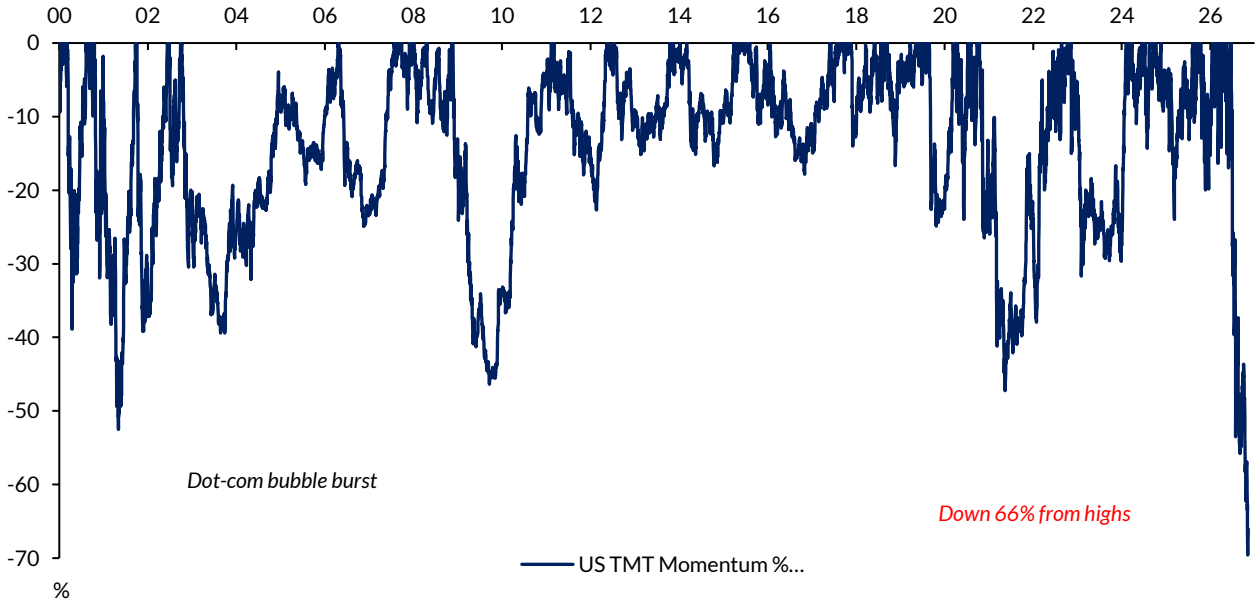
Tactical Sector Recommendations - December 2026

LONG	NEUTRAL	SHORT
Tech Hardware & Equip.	Semis & Semi Equip.	Transportation
Capital Goods	Software & Services	Telecoms
Pharma, Biotech & Life Sciences	Retailing	Household & Personal Products
Food & Staples Retailing	Diversified Financials	Commercial & Professional Svcs
Media & Entertainment	Banks	Automobiles & Components
Food, Beverage & Tobacco	Health Care Equip. & Svcs	Insurance
	Consumer Durables & Apparel	Real Estate
	Consumer Services	Utilities
	Materials	
	Energy	

Source: ANIMA Research. Markets in green have been upgraded, while those in red have been downgraded since the last Strategy Focus.

Figure 27

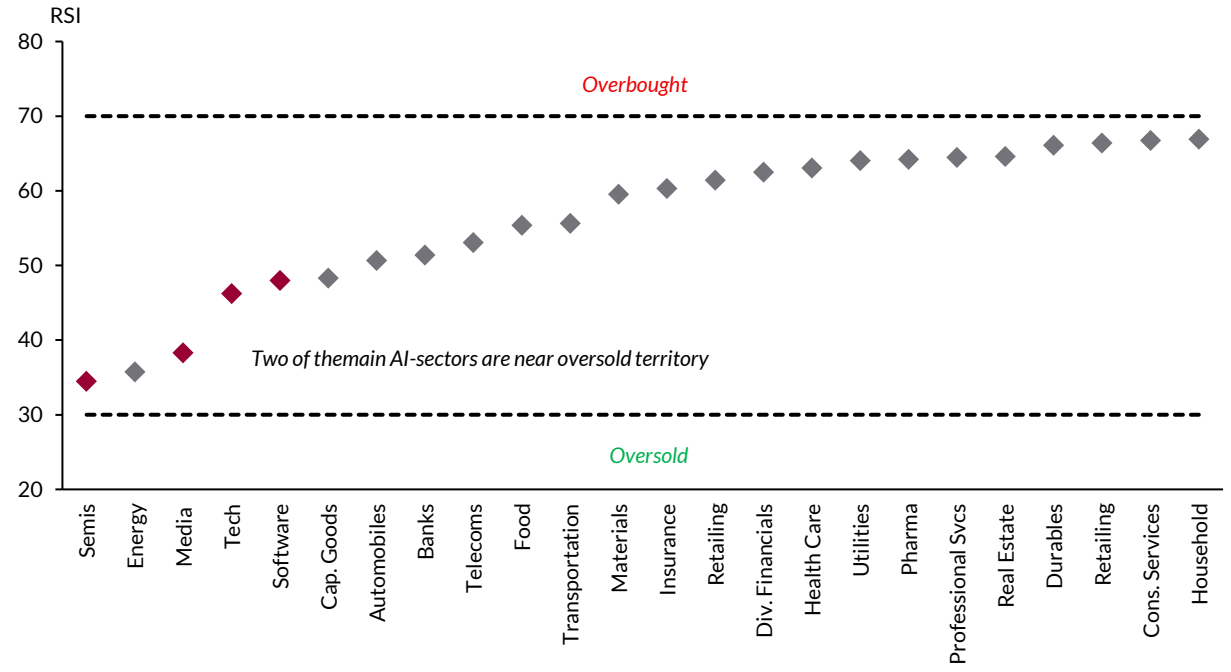
US TMT Momentum factor



Source: Morgan Stanley, Bloomberg, ANIMA Research.

Figure 28

Global sectors – Relative Strength Indicator



Source: Bloomberg, ANIMA Research.

APPENDIX

Sharp rallies are common during periods of market stress

Powerful daily rebounds do not, in themselves, indicate that the market has bottomed out. Over the past 40 years, 17 of the S&P 500's 30 largest daily gains (57%) and 25 of the Nasdaq Composite's (83%) occurred during bear-markets. Sixteen of the S&P 500's top 30 gains and 14 of the Nasdaq's fell in recession months, with 11 and 10, respectively, coinciding with both bear markets and recessions. . The largest one-day gain was 12% for the S&P 500, on 13 October 2008, and 14% for the Nasdaq, on 3 January 2001. The S&P 500's 9% gain on 24 March 2020 occurred the day after that bear market's trough, underscoring that the classification depends on the dating convention (**Figures 1A** and **2A**).

Figure 1A

S&P 500 — 30 strongest daily gains

Rank	Date	Daily return	Bear market	NBER recession
1	13 October 2008	11,58%	Yes	Yes
2	28 October 2008	10,79%	Yes	Yes
3	09 April 2025	9,5%	No	No
4	24 March 2020	9,4%	No	Yes
5	13 March 2020	9,3%	Yes	Yes
6	21 October 1987	9,1%	Yes	No
7	23 March 2009	7,1%	No	Yes
8	06 April 2020	7,0%	No	Yes
9	13 November 2008	6,9%	Yes	Yes
10	24 November 2008	6,5%	Yes	Yes
11	10 March 2009	6,4%	No	Yes
12	21 November 2008	6,3%	Yes	Yes
13	26 March 2020	6,2%	No	Yes
14	17 March 2020	6,0%	Yes	Yes
15	24 July 2002	5,7%	Yes	No
16	10 November 2022	5,5%	No	No
17	30 September 2008	5,4%	Yes	Yes
18	29 July 2002	5,4%	Yes	No
19	20 October 1987	5,3%	Yes	No
20	16 December 2008	5,1%	Yes	Yes
21	28 October 1997	5,1%	No	No
22	08 September 1998	5,1%	No	No
23	03 January 2001	5,0%	Yes	No
24	26 December 2018	5,0%	No	No
25	10 March 2020	4,9%	Yes	Yes
26	29 October 1987	4,9%	Yes	No
27	20 October 2008	4,8%	Yes	Yes
28	16 March 2000	4,8%	No	No
29	09 August 2011	4,7%	No	No
30	15 October 2002	4,7%	No	No

Source: S&P, ANIMA Research.

Figure 2A

Nasdaq Composite — 30 strongest daily gains

Rank	Date	Daily return	Bear market	NBER recession
1	03 January 2001	14,2%	Yes	No
2	09 April 2025	12,2%	No	No
3	13 October 2008	11,8%	Yes	Yes
4	05 December 2000	10,5%	Yes	No
5	28 October 2008	9,5%	Yes	Yes
6	13 March 2020	9,3%	Yes	Yes
7	05 April 2001	8,9%	Yes	Yes
8	18 April 2001	8,1%	Yes	Yes
9	24 March 2020	8,1%	No	Yes
10	30 May 2000	7,9%	Yes	No
11	13 October 2000	7,9%	Yes	No
12	19 October 2000	7,8%	Yes	No
13	08 May 2002	7,8%	Yes	No
14	22 December 2000	7,6%	Yes	No
15	10 November 2022	7,4%	Yes	No
16	21 October 1987	7,3%	Yes	No
17	06 April 2020	7,3%	No	Yes
18	18 April 2000	7,2%	Yes	No
19	10 March 2009	7,1%	No	Yes
20	23 March 2009	6,8%	No	Yes
21	25 April 2000	6,6%	Yes	No
22	17 April 2000	6,6%	Yes	No
23	13 November 2008	6,5%	Yes	Yes
24	02 June 2000	6,4%	Yes	No
25	24 November 2008	6,3%	Yes	Yes
26	17 March 2020	6,2%	Yes	Yes
27	10 April 2001	6,1%	Yes	Yes
28	08 September 1998	6,0%	Yes	No
29	08 December 2000	6,0%	Yes	No
30	03 October 2001	5,9%	Yes	Yes

Source: Nasdaq, ANIMA Research.

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