THREE ON THURSDAY

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S&P 500 Index Earnings: Another Quarter of Massive Growth

An expected massive second quarter of earnings is underway for the S&P 500 Index and this week's "Three on Thursday" takes a closer look at analysts' expectations for earnings per share (EPS) for the S&P 500 Index (the "Index"). For this Index, EPS isn't as simple as total earnings divided by a standard share count. Instead, it's calculated by adding up the total profits of all 500 companies and then converting that into a per-share figure using a standardized divisor maintained by S&P Dow Jones Indices. This divisor acts like an adjusted share base, accounting for stock splits, buybacks, new companies entering the Index, and others leaving, so the numbers stay consistent over time. Put simply, S&P 500 Index EPS is total earnings divided by this standardized divisor, not a traditional share count. So where do Q2 earnings sit today, and where might they be headed next? We break it down in the table and two charts below.

S&P 500 Index For Q2 2026 as of 7/22

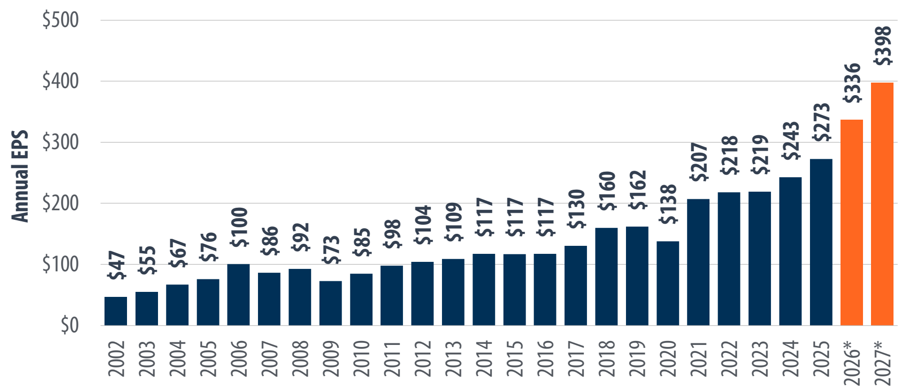
Earnings	
Total Companies Reported out of 500	81
Total Market Capitalization Reported	16.2%
Preseason forecast EPS Growth (YOY)	23.2%
Latest EPS Growth (YOY)	25.9%
Positive Surprises	88.9%
Negative Surprises	4.9%
In-Line	6.2%

Sales	
Total Companies Reported out of 500	81
Total Market Capitalization Reported	16.2%
Preseason forecast EPS Growth (YOY)	12.1%
Latest EPS Growth (YOY)	12.6%
Positive Surprises	75.3%
Negative Surprises	8.6%
In-Line	16.0%

Source: Bloomberg, First Trust Advisors. Data as of 7/22/2026.

Q2 2026 earnings season is off to a strong start. Although only 81 S&P 500 Index companies have reported, blended earnings (combining actual results with estimates for companies yet to report) are up 25.9% from a year ago, ahead of the 23.2% growth expected before the season began. If that pace holds, it would mark the seventh consecutive quarter of double-digit year-over-year (YOY) earnings growth and the second straight quarter with earnings growth exceeding 20%. Revenue growth has also surpassed expectations, rising 12.6% from a year ago. Information Technology is expected to be the largest contributor to earnings growth, with profits projected to increase 63.4% YOY. Energy ranks second, with earnings expected to surge 125%, driven by higher oil prices following the conflict with Iran and the temporary closure of the Strait of Hormuz.

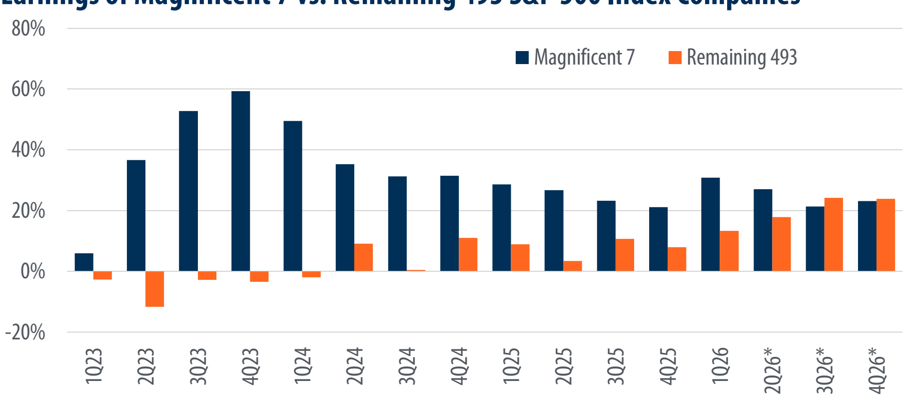
EPS of S&P 500 Index



Source: Capital IQ, First Trust Advisors. Data from 12/31/2001-6/30/2026. *Estimates are based on calendar year aggregate consensus.

Over time, stock prices tend to follow earnings – and the path of earnings for the S&P 500 Index tells a powerful story. In 2020, pandemic shutdowns caused a sharp drop in profits, with EPS falling from $162 in 2019 to $138, a decline of 15%. But that downturn proved short-lived. Earnings rebounded quickly, reaching a then-record $207 just two years later. Since then, the trend has been steadily higher, with EPS climbing to a new peak of $273 in 2025. Looking ahead, expectations remain strong, with analysts forecasting earnings growth of about 23% in 2026 and 18% in 2027, which would be some of the fastest back-to-back gains in recent years.

Earnings of Magnificent 7 vs. Remaining 493 S&P 500 Index Companies



Source: Capital IQ, First Trust Advisors. Data as of 6/30/26. *Forecast based on quarterly consensus earnings estimates.

The earnings story has changed considerably over the past two years. During 2023 and 2024, the Magnificent 7 ("Mag 7") (Apple, Microsoft, NVIDIA, Alphabet, Amazon, Meta, and Tesla) accounted for most of the S&P 500 Index's earnings growth, with profits surging nearly 60% year-over-year at their peak in the fourth quarter of 2023, while the remaining 493 companies struggled to generate any growth. Today, that picture looks much healthier. Although Mag 7 earnings growth has slowed, the remaining 493 companies have shown dramatic improvement after emerging from negative territory in the second quarter of 2024, generating consistent growth over the past two years. Analysts expect this broadening trend to continue, with earnings growth for companies outside the Mag 7 projected to surpass the group in the back half of this year. More robust earnings are generally a healthy signal for markets overall.

Past performance is no guarantee of future results. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Index data is for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and investors cannot invest directly in an index. References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

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