

# Cash Flow and Carey



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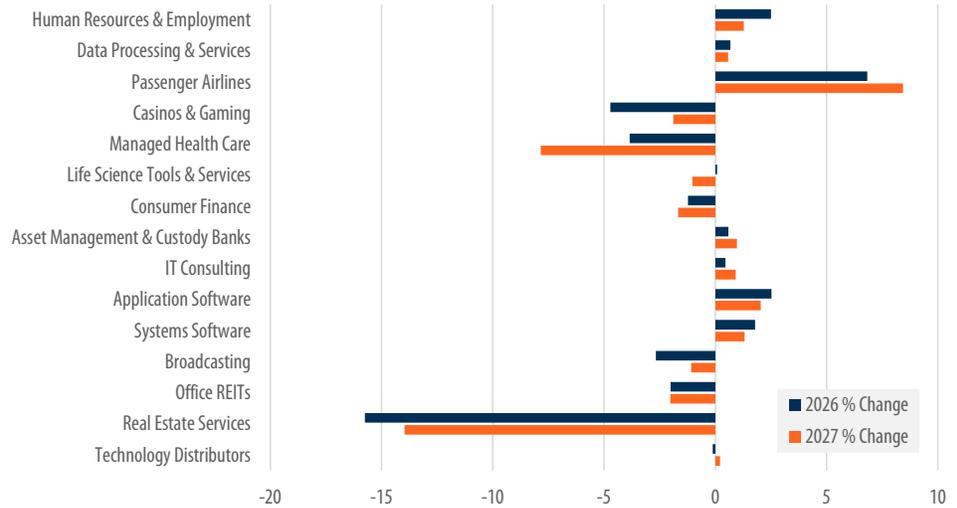
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## This Year's Lagging Subsectors...Are Earnings Expectations to Blame?

Subsector % Change in Analysts' EPS Estimates (12/31/25 – 3/13/26)



Source: FactSet and Bloomberg.

### View from the Observation Deck

In a series of posts last week, we focused on the year-to-date (YTD) total return of the S&P 500 Index's ("Index") best-and-worst-performing subsectors. While investment return data can be incredibly useful, we suspect most of our readers are keenly aware that: "past performance is no guarantee of future results." With that in mind, we thought a discussion focused on what we believe is one fundamental driver of market performance (over time) was warranted. Today's charts reveal the YTD change in analysts' calendar year 2026 and 2027 estimated earnings per share ("EPS") for the fifteen subsectors we highlighted as the worst performers last week ([click here](#) to view the parent post).

- As indicated in the charts above, calendar year 2026 and 2027 EPS estimates for the Real Estate Services subsector declined by 15.8% and 14.0%, respectively, between 12/31/25 and 3/13/26. Real Estate Services was the worst performing subsector YTD in 2026 as of our last post (3/10).
- For comparison, Passenger Airlines, which was the fifteenth worst-performing subsector as of our last post, saw calendar year 2026 and 2027 EPS estimates increase by 6.8% and 8.4%, respectively, over the same period.
- The software industry provides an additional data point worth mentioning. Calendar year 2026 EPS estimates for Application Software and Systems Software, which were among our fifteen worst-performers last week, increased by 2.5% and 1.8% over the period covered in today's chart. Estimates for 2027 reveal a similar pattern, increasing by 2.0% and 1.3%, respectively, so far this year.

### Takeaway

Continued disruption from artificial intelligence (AI), weakening economic data, and war are just a few headwinds investors must parse as they allocate capital. From our perspective, investors appear to be taking a more conservative stance compared to recent years, which may explain several of the worst-performers highlighted in our discussion last week. Even so, near-term performance may not tell the whole story, in our opinion. As revealed in today's charts, calendar year 2026 and 2027 EPS estimates for most of this year's worst-performing subsectors increased over the observed period. As always, these are estimates and are subject to change. We will continue to report back as developments warrant.