

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

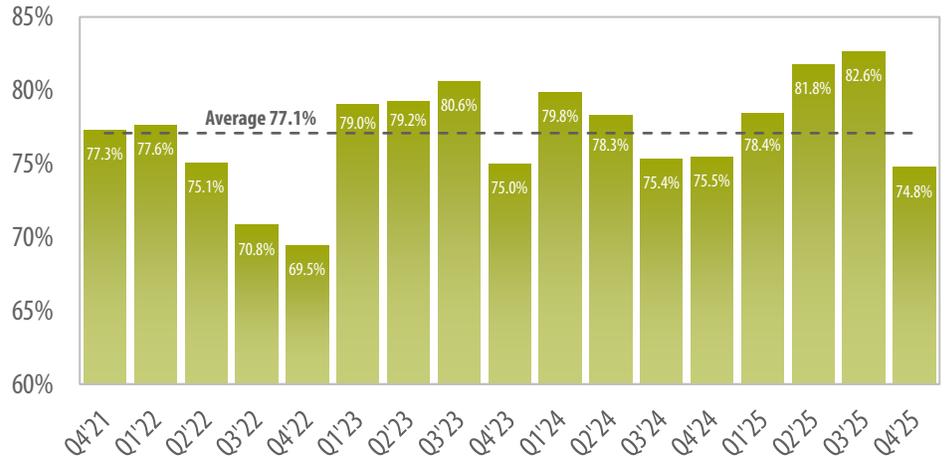
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance, while the S&P sector and subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.

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A Snapshot of the S&P 500 Index Earnings Beat Rate

% of S&P 500 Companies That Beat Their Quarterly Earnings Estimates



FactSet Research Systems. Average spans Q4'21 – Q4'25. Q4'25 beat rate based on 492 company results.

View from the Observation Deck

We update this post on an ongoing basis to provide investors with insight regarding the earnings climate of the S&P 500 Index (“Index”). While quarterly earnings estimates are a useful indicator of a company’s financial performance, they are not guarantees. Equity analysts continually adjust their estimates as new information is obtained. As of 3/4/26, 492 of the 503 stocks that comprise the Index had reported Q4'25 earnings, according to data from FactSet. We previously relied on data from S&P Dow Jones Indices to create the chart above but will be using observations from FactSet moving forward. On a personal note, we congratulate Howard Silverblatt on his retirement from S&P where he worked diligently for nearly 49 years, lending context to an ever-changing investment landscape. Thank you, Howard!

FactSet reported that the Index’s Q4'25 blended, year-over-year (y-o-y) earnings growth rate stood at 14.2% on 2/27/26.

This marks the fifth consecutive quarter of double-digit earnings growth for the Index.

The percentage of Index companies that beat earnings expectations in Q4'25 (74.8% as of 3/3/26) is below the 5-year average of 78.0%.

At 74.8%, Q4'25's earnings beat rate is the third lowest in today's dataset and appears to be at odds with the double-digit earnings growth noted above. We do not see this as a point of alarm, nor do we believe it signals a weakening earnings outlook. Tellingly, each of the eleven sectors that comprise the Index reported y-o-y earnings growth in Q4'25. Meanwhile, calendar year estimates reflect strengthening earnings expectations among analysts. FactSet noted that analysts increased their calendar year 2026 Index earnings estimates from 311.25 to 313.62 between December 31, 2025 and February 26, 2026.

The three sectors with the highest Q4'25 y-o-y earnings growth rates and their percentages were as follows (as of 2/27/26): Information Technology (33.4%); Industrials (26.7%); and Communication Services (13.1%) For comparison, Energy, Health Care, and Consumer Discretionary experienced y-o-y earnings growth rates of 1.2%, 0.4%, and 0.4%, respectively.

Takeaway

At 74.8%, a below-average number of Index constituents reported earnings that exceeded estimates in Q4'25. That said, calendar year earnings estimates hint at record observations in the years to come. FactSet reported that the Index's bottom-up calendar-year earnings estimates total a record 313.62 and 363.14 in 2026 and 2027, representing y-o-y increases of 14.7% and 13.3%, respectively. For comparison, the Index's y-o-y earnings growth rate averaged 9.9% over the past 10 years. Revenue estimates lend support to analysts' earnings optimism. The Index's blended revenue growth rate was 9.4% in Q4'25, marking the 21st consecutive quarter of revenue growth as well as the highest revenue growth rate since Q3'22, according to FactSet. Are equity markets overpriced, or are current values justified by persistent earnings and revenue growth? Stay tuned!