

Cash Flow and Carey



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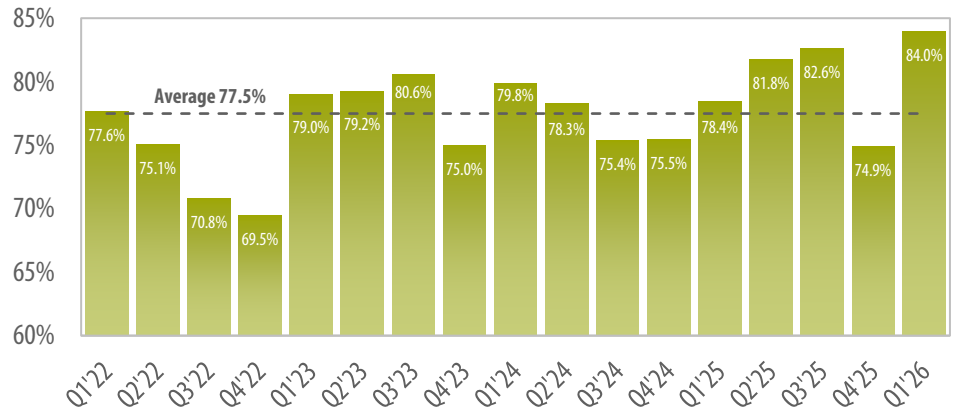
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. 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 Q1'22 – Q1'26. Q1'26 beat rate based on 453 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 projections as new information is obtained. That said, a comparison of analyst estimates with actual company results may offer investors insight into broader equity market health, in our opinion. As of 5/11/26, 453 of the 503 stocks (90.1%) that comprise the Index had reported Q1'26 earnings, according to data from FactSet.

The percentage of Index companies that beat earnings expectations in Q1'26 (84.0% as of May 8, 2026) is above the 5-year average of 78.0%.

At 84.0%, Q1'26's earnings beat rate is the highest in today's dataset. Seven of the eleven sectors that comprise the Index reported year-over-year (y-o-y) earnings growth rates of at least 10% in Q1'26.

FactSet reported that the Index's Q1'26 blended, y-o-y earnings growth rate registered a staggering 27.7% as of 5/8/26.

Should these levels hold, they will mark the highest y-o-y earnings growth rate reported by the Index since Q4'21 (when companies had considerably weaker comparisons due to COVID-era shutdowns). It will also mark the sixth consecutive quarter of double-digit earnings growth for the Index.

Earnings surprises are exceeding historical averages.

The first quarter's results have been stunning compared to analyst estimates. As of 5/8/26, reported earnings were 18.2% above estimates on average. For comparison, the 5-year average earnings beat rate is 7.3%.

Calendar year earnings estimates continue to climb.

FactSet data shows that analysts increased their calendar year 2026 Index earnings estimates from 311.15 to 333.21 between December 31, 2025 and May 8, 2026. The current figure represents a y-o-y increase of 21.4% in 2026.

The three sectors with the highest Q1'26 y-o-y earnings growth rates and their percentages were as follows (as of 5/8/26): Information Technology (50.7%); Communication Services (48.8%); and Materials (43.2%). For comparison, the lowest y-o-y earnings growth rates were experienced by Consumer Staples (6.1%); Energy (0.7%); and Health Care (-3.1%).

Takeaway

This quarter's S&P 500 Index earnings results have been remarkable, with an above-average number of Index constituents (84.0%) reporting earnings above estimates in Q1'26. Calendar year earnings growth rates reflect the quarter's trend. FactSet reported that the Index's 2026 bottom-up calendar-year earnings estimates totaled a record 333.21 on May 8, 2026, representing a y-o-y increase of 21.4%. For comparison, calendar year 2026 earnings were estimated to total 311.15 at the start of the year. Revenue estimates lend support to analysts' earnings optimism. The Index's blended revenue growth rate totaled 11.3% in Q1'26, marking its 22nd consecutive quarter of revenue growth, according to FactSet. Are equity markets overpriced, or are current values justified by persistent earnings and revenue growth? Stay tuned!