

Earnings Run

The S&P 500 Index closed at a record high last week as positive earnings reports have taken investor focus off events in the Middle East. For the week, the S&P 500 Index was +0.6%, the Dow Jones Industrials -0.4%, and the NASDAQ +2.4%. The Energy, Technology, and Consumer Staples sectors led the S&P 500 Index for the week, while the Health Care, Financials, and Real Estate sectors lagged. The 10-year U.S. Treasury note yield was 4.303% at Friday's close versus 4.244% the previous week.

The Federal Reserve meets this week for its April policy meeting. While the Fed is widely expected to leave interest rates unchanged, the future of the Fed will be in focus. The Department of Justice dropped its criminal investigation into Jerome Powell over the cost overruns tied to Federal Reserve building renovations. This removes a major obstacle to getting Kevin Warsh confirmed as the next Fed Chairman. Warsh's nomination can now move through the Senate Banking Committee and toward a full Senate vote. There is a chance the confirmation can be completed by the time Powell's term ends in mid-May, making this his last policy meeting as the Fed Chairman.

Another key item on the economic calendar this week is the advanced report on first quarter Gross Domestic Product (GDP) growth. We can get visibility into the impact of energy prices, tariffs, and AI-driven capital spending on economic growth.

The quarterly earnings reporting period continues this week with 181 companies in the S&P 500 Index scheduled to report earnings results. First quarter earnings are expected to grow by 15.1% and quarterly revenue growth is expected at 10.3%. Full-year 2026 earnings are expected to grow by 18.6% with revenue growth of 9.5%.

In our Dissecting Headlines section, we look at the year-to-date revisions in earnings growth for the S&P 500 Index.

Financial Market Update

<u>MARKET DATA</u>	<u>Weekly Return</u>	<u>YTD Return</u>		<u>Weekly Return</u>	<u>YTD Return</u>
S&P 500 Index	0.6%	5.1%	Aggregate Bond Index	-0.2%	0.7%
Dow Jones Industrial Average	-0.4%	2.9%	U.S. Dollar Index	0.4%	0.2%
NASDAQ 100	2.4%	8.3%	WTI Crude Oil	12.6%	64.4%
Russell 2000 (Small Cap Index)	0.4%	12.7%	Gold	-2.6%	9.1%
International Stocks (MSCI ex-US)	-1.5%	8.8%	Real Estate (US REIT Index)	-1.3%	12.8%

Sources: S&P Global, FactSet

Dissecting Headlines: Earnings Revisions

One supporting reason for the quick stock market recovery from the March lows is the focus on earnings and earnings growth. Expectations for earnings growth, both in the first quarter and for full year 2026, began rising in late February when we were seeing 2025 year-end reports and 2026 outlooks. That focus took a back seat once the earnings season ended and the conflict with Iran began. Despite the impact of the conflict on energy prices and global trade, earnings projections for the S&P 500 Index have continued to rise.

Current estimates for the first quarter are 15.1% earnings growth and 10.3% revenue growth versus 13.0% earnings growth and 9.7% revenue growth a month ago. Expectations for full-year 2026 are currently 18.6% earnings growth and 9.5% revenue growth versus 17.1% earnings growth and 8.6% revenue growth a month ago.

Only 28% of companies have reported first quarter earnings, so there can still be a mix of upward and downward revisions contributing to the overall outlook. In particular, five of the Magnificent Seven stocks are scheduled to report earnings this week, so we are at a high impact time in the earnings reporting cycle.

While the ceasefire in Iran has not yet led to a peace deal, investors are choosing to focus on earnings results currently while they were instead focused on conflict a month ago. This can be seen in the American Association of Individual Investors (AAII) Sentiment Survey which has risen to a 46.0% Bullish outlook versus a recent low of 30.4% on March 18th when the conflict in Iran was highly active and earnings reports were in a lull. The long-term average for Bullish sentiment is 37.5%, so we have seen a sharp rebound in sentiment along with stock prices over the past month.

The NovaPoint Team



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Joe has over 20 years of experience in the investment management industry. Prior to founding NovaPoint, he was a portfolio manager at Spectrum Advisory Services and GMT Capital in Atlanta, and Epoch Investment Partners in New York. He has also worked as an equity research analyst at Merrill Lynch and ABN Amro. Before beginning his investment career, Joe was an Infantry officer in the U.S. Army. Joe holds a BS from the U.S. Military Academy at West Point and an MBA from the University of Chicago. He is both a Chartered Financial Analyst (CFA) and a Chartered Market Technician (CMT).



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