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Asset Allocation
Chart of the Month

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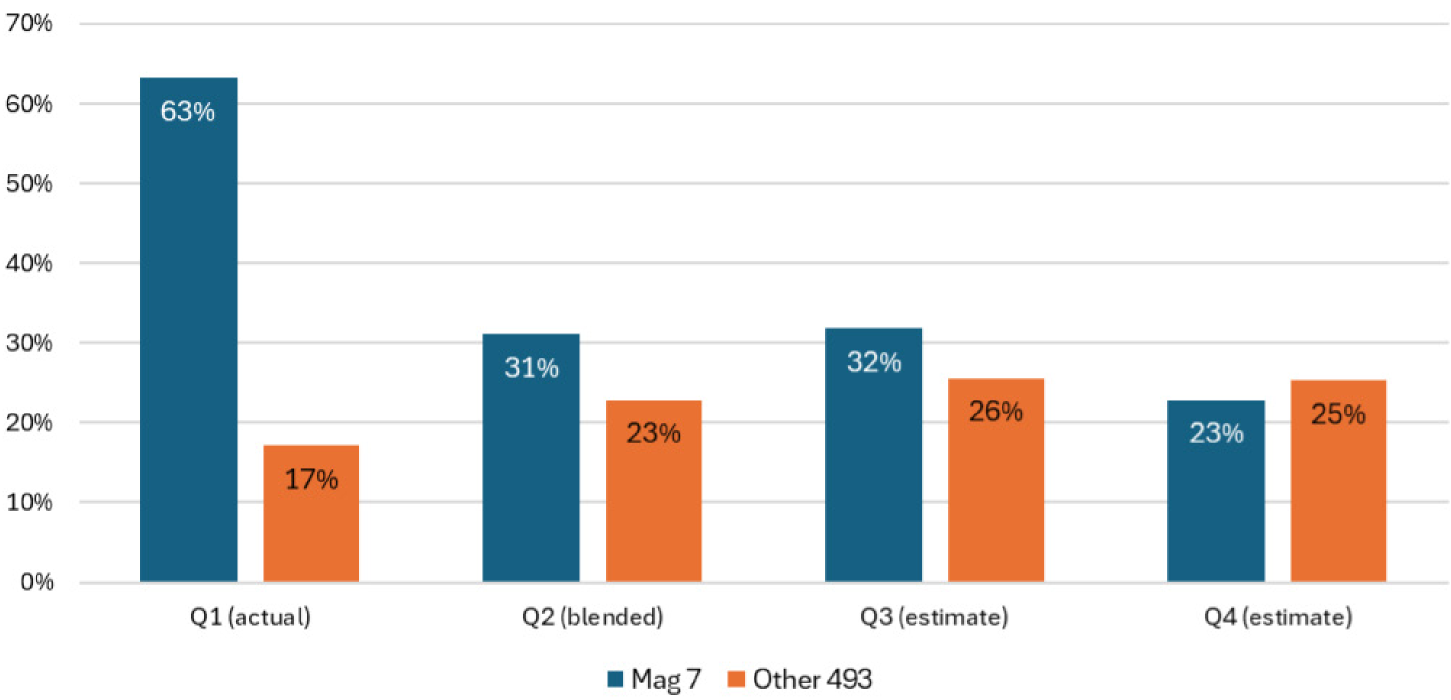
Earnings Growth Remains Strong and is Broadening

- Second quarter earnings season has gotten off to a very strong start. More than one quarter of S&P 500 companies have reported results, with **86% exceeding earnings expectations**. This is well above the historical average in the high 70% range.
- The magnitude of earnings surprises has been even more impressive. Reported earnings have come in 39% above expectations, although Alphabet accounted for a disproportionate share of that upside. Even excluding Alphabet, earnings have exceeded estimates by nearly 13%, which is almost double the historical average of about 7%.
- While AI-related companies continue to lead earnings growth, the story is becoming increasingly broad-based. Excluding the Magnificent 7, the remaining 493 companies are on pace to deliver their strongest quarterly earnings growth since late 2021.
- Perhaps more importantly, analysts expect this broadening to continue. By the fourth quarter, earnings growth for the S&P 493 is projected to modestly exceed that of the Mag 7, suggesting improving profit momentum across a wider range of sectors and industries.
- **The key takeaway:** Corporate earnings remain exceptionally strong, but the drivers of that growth are becoming more diversified. While AI leaders continue to generate outstanding profits, earnings momentum is spreading across a broader set of companies and sectors, creating a healthier foundation for the equity market. For investors, that is an encouraging development. A broader earnings recovery creates more opportunities beyond the AI leaders and reinforces the value of active management in identifying companies positioned to benefit from expanding profit growth.

Expected EPS Growth: S&P 500



Source: FactSet. As of July 27 2026.

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For Index Definitions see: TouchstoneInvestments.com/insights/investment-terms-and-index-definitions

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