

PREVIEWING
the US second quarter

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PREVIEWING *the US second quarter* EARNINGS SEASON

US companies are beginning to report their second-quarter results, offering fresh insight into corporate earnings, valuations and the factors shaping market expectations

The second quarter US earnings season has begun, and investors around the world will be watching closely. The US is home to the world's largest stock market and forms a significant part of investors' portfolios, so the results reported by American companies often set the tone for global markets for months ahead.

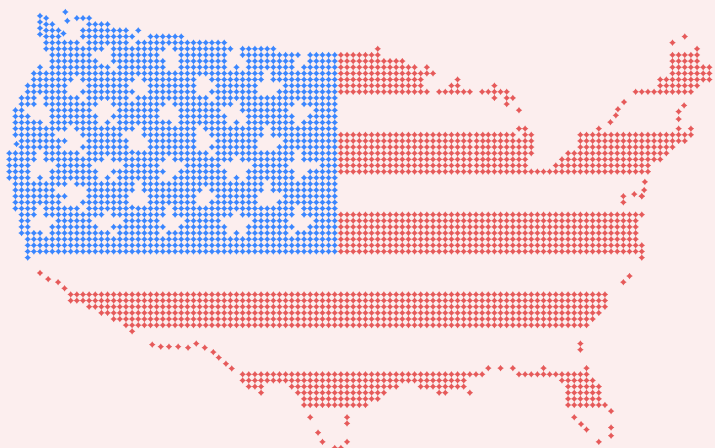
This time, expectations are high. Analysts are forecasting that companies in the S&P 500 index will deliver earnings growth of around 22% in the second quarter of 2026, the strongest growth rate since 2021.¹ Looking further ahead, forecasts remain remarkably upbeat, with earnings per share (EPS) expected to grow by around 25% in 2026, 19% in 2027 and almost 15% in 2028.²

The obvious question is whether companies can live up to these lofty expectations.

Grounds for optimism over company earnings

One of the most striking features of recent years has been the tendency for corporate earnings to exceed analysts' forecasts. Since 2023, actual earnings have consistently come in stronger than expected.

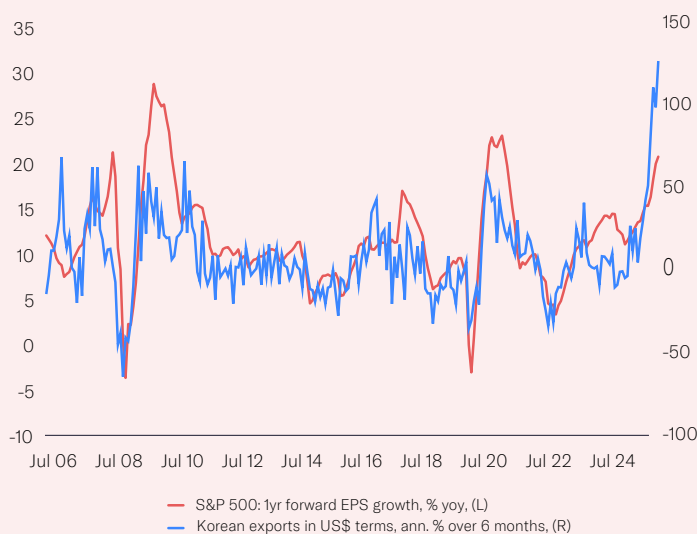
Investors will start receiving answers soon. Large banks traditionally kick off the reporting season, with around 9% of the market reporting the week beginning 13 July 2026.³ The pace then accelerates quickly, and by the end of July roughly half of S&P 500 companies by market capitalisation will have released results, including many of the major technology companies that often have an outsized influence on overall earnings growth.



The strong earnings outlook is being supported by both cyclical and structural forces.

On the cyclical side, several economic indicators point to healthy business conditions. One closely watched measure is South Korean exports, particularly semiconductor shipments. South Korea plays a key role in global technology supply chains, and rising exports often signal strong demand for the computer chips that power artificial intelligence (AI), cloud computing and data centres. Recent export data has continued to strengthen, suggesting that technology-related demand remains robust.

S&P 500: 1-year forward EPS growth and Korean exports



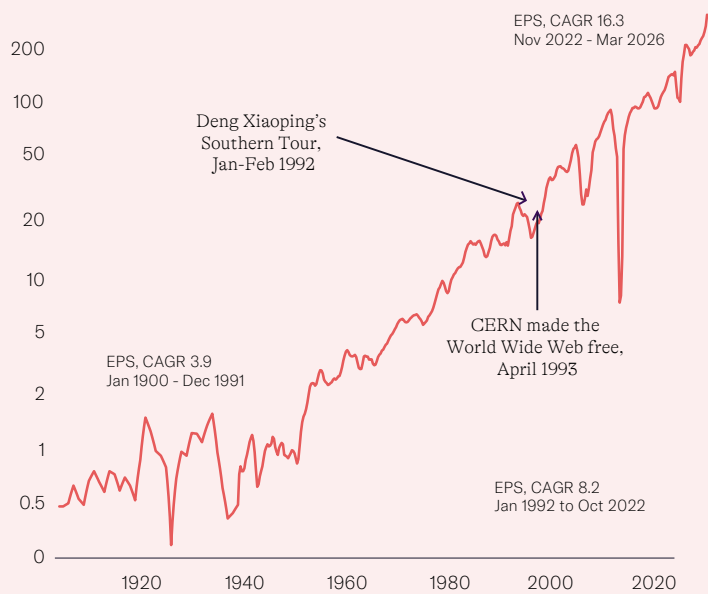
Source: LSEG Datastream / Evelyn Partners. Data as at 8 July 2026

Beyond the economic cycle, longer-term structural changes may also be boosting profitability.

For decades, corporate profit margins have benefited from globalisation and advances in technology. In addition, a larger share of economic output has flowed to company profits rather than employee compensation.

The long-term earnings record is striking. From 1900 until the early 1990s, when China made inroads in becoming integrated into the global economy, S&P 500 earnings grew at roughly 4% per year.⁴ Between the early 1990s and the launch of ChatGPT in late 2022, the pace increased to around 8% annually. Since then, reported earnings growth has accelerated further to approximately 16%.⁵ While such rapid growth is unlikely to continue indefinitely, the trend highlights the powerful impact of technological change on corporate profitability.

S&P 500: 12-month reported Earnings per Share, USD, log scale



Source: LSEG Datastream / Evelyn Partners. Data as at 8 July 2026

Managing risks

However, risks remain. A key concern is that expectations have become too optimistic. When investors expect strong results, even good earnings reports can disappoint if they fall short of market forecasts. With analysts expecting more than 20% growth, the hurdle is considerably higher than in recent years.⁶

Valuations are another area that attracts attention. The S&P 500 currently trades at around 20 times forward earnings, slightly below its recent rolling three-year average, but at the high end of its historical range.⁷

S&P 500: 12-month forward P/E ratio



Source: LSEG Datastream / Evelyn Partners. Data as at 8 July 2026

Conclusion

Ultimately, the key message for investors is simple: follow the earnings. Share prices can fluctuate for many reasons in the short term, but sustained earnings growth remains one of the most reliable drivers of long-term market performance. Provided corporate profits continue to rise, the outlook for equities is likely to remain positive.

The coming weeks will reveal whether corporate America can once again clear a very high bar. For now, the fundamentals continue to look encouraging, but this earnings season may prove a crucial test of whether expectations have run ahead of reality.

Sources:

^{1,3,6} Goldman Sachs, S&P 500 Q2 2026 earnings season preview, 26 June 2026

^{2,4,5,7} Evelyn Partners, LSEG

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