

INVESTORS  
*are switching focus*  
*to* EARNINGS

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*growth over*  
*energy* RISKS.

# INVESTORS *are switching* *focus to* EARNINGS *growth over* ENERGY *risks*

Despite ongoing tensions in the Middle East and uncertainty around oil supplies, global equity markets have remained resilient. The S&P 500 is trading at record highs, suggesting investors may be looking beyond geopolitics and focusing on a more powerful driver of returns: company earnings.

Concerns about major oil supply disruptions filtering into the global economy have not yet materialised. While Iranian actions and US naval involvement in the Strait of Hormuz have led to shipping re-routings (including tankers being redirected to the Gulf of Mexico), energy markets have been volatile, but they continue to function.

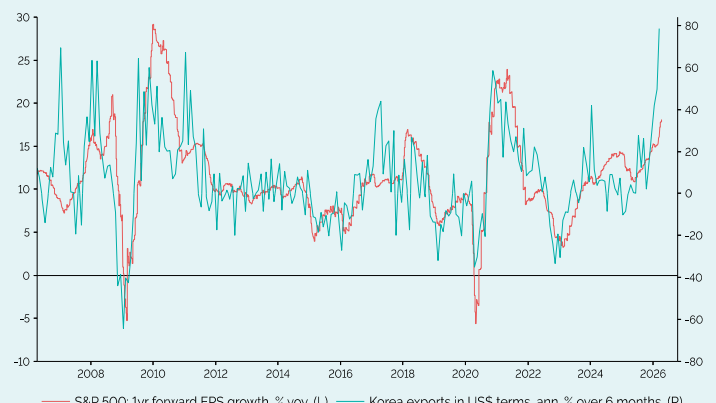
As a result, attention has shifted back to the US earnings season. The reporting period is still at an early stage, with only around 10% of S&P 500 companies having announced results.<sup>1</sup> Expectations are high. Analysts are forecasting earnings per share (EPS) growth of roughly 18% for both 2026 and 2027. If achieved, this would support further market gains.<sup>2</sup>

## *Cyclical and structural forces are aligning*

What makes the earnings outlook particularly compelling is that short-term cyclical momentum and long-term structural trends are reinforcing each other, a combination that can materially lift corporate profitability.

On the cyclical side, South Korea offers an important signal. As a global hub for advanced semiconductor manufacturing, its exports often provide an early read on global technology demand and US EPS growth. Over the last six months up to March, Korean exports have risen by nearly 80% at annualised rate, their fastest pace in at least two decades.<sup>3</sup>

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



Source: LSEG Datastream/Evelyn Partners, Data as at 17 Apr 2026

This strength is echoed by Taiwan Semiconductor Manufacturing Company, which reported around 35% year-on-year revenue growth in the second quarter, driven by demand for advanced chips related to artificial intelligence (AI).<sup>4</sup>

This surge is largely being driven by accelerating investment in AI. As companies integrate AI tools into their operations, demand for computing power continues to rise, supporting revenues and profits across the technology sector.

Investors are switching focus to earnings growth over energy risks

Structural forces are reinforcing this cyclical upswing. AI, automation and data-driven systems are increasingly being used across production, logistics and administration. By streamlining processes and helping to contain wage costs, these technologies are lifting productivity and profit margins.

This shift is visible in macroeconomic data. Labour compensation now accounts for just 51% of US GDP, the lowest share on record.<sup>5</sup> In simple terms, less of overall output is going to wages, and more is flowing through to profits.

Longer-term trends have also played a role. China's entry into the global economy after joining the World Trade Organisation in 2001 expanded the global labour pool, weakening workers' bargaining power and allowing companies to retain a larger share of productivity gains.

Taken together, solid demand and better cost control provide a supportive backdrop for earnings growth. If these forces persist, this reporting season could prove stronger than expected, benefitting not just US equities but global markets more broadly.

### *Risks to Watch*

Despite the constructive earnings outlook, risks remain. The key question is whether the US economy can avoid recession. According to Goldman Sachs, higher energy prices could reduce potential growth by around 0.5% under a baseline scenario that assumes a temporary disruption to oil flows through the Strait of Hormuz.<sup>6</sup> This would likely mean a slowdown rather than a deep economic shock.

Interest rates are another key variable. Prior to the recent geopolitical escalation, markets were positioned for US rate cuts. Those expectations have since eased, with policy rates now expected to remain broadly unchanged. If inflation proves more persistent, or energy prices rise again, renewed upward pressure on interest rates could weigh on equity valuations.

That said, some of this risk is already reflected in market prices. Equity valuations have moderated, with the S&P 500 trading at around 20 times earnings, below its three-year rolling average.<sup>7</sup> This provides a modest valuation buffer, provided growth remains intact.

If companies deliver on earnings expectations and geopolitical tensions ease even slightly, there is a clear pathway for equities to move higher. For investors, earnings rather than energy may be the dominant market driver for the rest of the year.



# *Speak to us*

## *Sources*

<sup>1,4</sup> Bloomberg/Evelyn Partners

<sup>2,3,5,7</sup> LSEG/Evelyn Partners

<sup>6</sup> Goldman Sachs, US Economics analyst: A Q&A on our economic forecasts amid the evolving war with Iran, 12 April 2026

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