


May 15th, 2026



First Quarter 2026 Earnings Recap: Acing the Test

Get guidance on investments, and the major structural factors behind your clients' portfolios.

Weekly
Market Musings

English Version

insigneo
wealth



Mauricio Viaud
Senior Investment
Strategist and PM

First Quarter 2026 Earnings Recap: Acing the Test

The S&P 500 delivered one of the strongest earnings seasons in years, with 27–28% earnings growth versus an expected 13%, broad EPS and revenue beats, and results strong enough to support rising markets.

Mega-cap, AI-exposed companies—especially the “Magnificent 7”—drove the majority of gains, with the market shifting from rewarding AI hype to demanding monetization and returns on investment.

While the AI-led rally appears fundamentally supported and not yet in a bubble, elevated expectations, tighter margins, and multiple macro risks increase the likelihood of volatility and make future performance more dependent on continued execution.

Some memories, insignificant as they might seem, stay with us forever. When I was in middle school, I vividly remember walking into a geometry exam in a class taught by a notoriously tough math teacher, feeling nervous and unprepared, convinced of my impending failure. Shock could not describe my surprise when I received my test back and saw I had received a perfect score; not 95%, not 99%, but 100%. I can honestly tell you that I am not making up this story (or the fact that it was probably my only perfect score in middle school math). I was clearly still very impressionable at the time, but the feeling of walking into something with low expectations and coming out with great results is one that stays with you. Wall Street appears to have experienced this same feeling this past earnings season.

At the onset of earnings season for the first quarter of 2026, earnings growth expectations were muted. Investors went into the reporting period with a degree of nervousness, expecting companies in the S&P 500 to report year-over-year earnings growth in the 13% range. However, with results meaningfully better than anticipated, this earnings season proved to be one of the strongest in years. Through the first quarter of the year, S&P 500 earnings growth tracked roughly 27–28% year over year, more than doubling initial expectations and marking the largest move in earnings growth since 2021. At the same time, 84% of the companies in the index beat EPS estimates, higher than the historical average of 77%, while the average earnings upside surprise was close to 20%. Importantly, revenue beats have also been broad, confirming that this strength is not simply a function of cost-cutting but reflects genuine business momentum. This is not a “low bar” environment; companies are delivering meaningful upside against already elevated expectations, helping push equity indices to record levels and reinforcing confidence that earnings, not just multiple expansion, are driving the market higher. In a nutshell, this was an exceptionally strong earnings season.

A defining feature of both results and guidance this season was their extreme concentration in mega-cap, AI-exposed companies. Alphabet, Amazon, and Meta alone contributed more than 70% of the incremental earnings growth in the S&P 500. Two of these companies also showed clear evidence of scaling AI monetization—Alphabet’s cloud revenues grew approximately 63% year over year, while Amazon’s AWS expanded by 28%, its fastest growth in several years. Across the broader “Magnificent 7,” earnings growth reached roughly 45% year over year, far outpacing the rest of the index. At the same time, although AI remains a central driver of growth, the market has shifted toward demanding measurable returns. Companies demonstrating tangible AI monetization, such as Alphabet and Amazon, were rewarded, while those increasing capital expenditures without a clear near-term payoff, such as Meta, faced more scrutiny. **The transition from “AI hype” to “AI accountability” is now firmly underway.**

Digging deeper within the technology sector, performance was strong but highly stratified across sub-industries, with AI exposure as the key differentiator. The latest earnings season reinforced a powerful structural dynamic across the semiconductor ecosystem, anchored by an unprecedented AI-driven capex cycle and a bifurcation between traditional semiconductors and memory. Hyperscaler capital expenditure is now expected to reach approximately \$600–700 billion in 2026, with roughly 75% directly allocated to AI infrastructure, providing a clear and durable demand backbone for the entire supply chain. Against this backdrop, semiconductor companies are guiding to sustained growth in the 30–50%+ range, with unusually strong visibility extending into 2027–2028, reflecting both backlog strength and multi-year deployment cycles. The semiconductor complex today is best understood as two distinct regimes: core semis, excluding memory chips, represent a “growth cycle”, characterized by strong demand tied to AI workloads and hyperscaler investment but with supply that can ultimately

expand over time. In contrast, memory has entered its own “supercycle,” driven by the combination of explosive AI demand, rigid supply constraints, and acute bottlenecks. This has resulted in an interesting dynamic in the memory industry, where growth is driven not just by volume but by a powerful mix of price, product mix, and constrained supply.

Although the technology and communications sectors were the clear winners this earnings season, other sectors of the market also saw upward revisions, including cyclically sensitive areas like industrials and consumer discretionary. Across the cyclically sensitive and defensive sectors, this season showed broadly resilient but uneven momentum. Consumer discretionary surprised to the upside with roughly 40% earnings growth, signaling that demand remains stronger than the macro data suggests, while financials delivered broad-based double-digit growth led by insurance and capital markets, albeit with expectations for a near-term slowdown before reacceleration. Industrials and materials posted solid, above-expectation results, supported by the build-out of AI related infrastructure, cost discipline, and pricing power, reinforcing their role as steady “quality cyclicals.” Energy earnings were more volatile due to oil price swings, but longer-term expectations remain intact, while health care was one of the few laggards, facing earnings pressure from pricing scrutiny and rising costs. On the defensive side, consumer staples and utilities provided stable but modest growth, serving more as portfolio ballast than drivers, and real estate continued to stabilize without a full recovery, with strength concentrated in data centers and logistics.

Overall, the S&P 500-ex technology and communications sectors’ picture reflects a healthy but maturing cycle, where growth is broad but increasingly differentiated across industries. This broadening reduces market fragility and suggests underlying economic resilience. Forward guidance reinforced this strength, with companies issuing

outlooks above long-term norms, pointing to a sixth consecutive quarter of double-digit earnings growth. However, management teams across various sectors emphasized that margins are near cycle highs and that any demand softening or cost reacceleration could pressure results, underscoring tighter margins for error despite the strong base. In fact, guidance underscores a key shift in market dynamics – namely, expectations are now extremely high. While more companies are issuing positive outlooks than negative ones, equity reactions have become increasingly asymmetric, with strong beats driving outsized gains and merely “good” results leading to selloffs.

All in all, we believe that the current AI-driven rally in U.S equities appears healthy and has the underpinnings to continue higher. Some investors are starting to believe that after their recent and violent moves higher, markets may be in a dot.com-like bubble. We disagree with this notion. Unlike the dot.com bubble, the companies underpinning the current rally are established companies with high levels of profitability and strong financial positions. Coupled with high current and potential earnings growth,

— “Energy earnings were more volatile due to oil price swings, but longer-term expectations remain intact, while health care was one of the few laggards, facing earnings pressure from pricing scrutiny and rising costs.”

the market presently appears to have the backbone needed to support its current valuation. In fact, underpinned by strong earnings growth, the S&P 500’s current valuation of 21-22x forward earnings does not seem egregious, compared to valuations at the peak of the dot.com bubble nearing 30x. However, even though we do not think that we are in a bubble yet, this does not mean that the markets cannot get there in time. At some point in the future, we will likely get to bubble territory and enter a bear market, it is the natural tendency of markets attempting to price in meaningful technological change. Put a different way, if the AI-driven rally were a baseball game with 9 innings, we believe that it might be in the 5th or 6th inning of that game; not at the end, but past the mid-point. That said, the market’s continued move higher is unlikely to be a smooth one. A fragile geopolitical environment, rising inflation, weakening consumer confidence, a new head of the Fed, cloudy monetary policy and parabolic moves in stock prices, among others, create a confluence of risk factors, any of which could add volatility to markets and lead to pullbacks. Another key risk ahead is the possibility that expectations have risen faster than what even strong companies can consistently deliver. **Given the nature of this rally, periodic pullbacks will happen.**

In many ways, this earnings season felt a lot like that long-ago geometry test: Wall Street walked in bracing for a mediocre grade, only to find a perfect, or at least near-perfect, score waiting on the other side. But just like that moment in middle school, where a single 100% did not suddenly make me a math prodigy, one exceptional outcome does not eliminate the need for preparation for the next time around. The market may have aced this exam, but the curriculum is getting harder: expectations are higher, grading is stricter, and the margin for error is shrinking. The challenge now is making sure that we are ready when the next test arrives, maintaining vigilance, flexibility, and a balanced approach. ■



Click or scan

this code to access
more insights at
insigneo.com/insights

Important Disclosures

Insigneo Financial Group, LLC comprises a number of operating businesses engaged in the offering of brokerage and advisory products and services in various jurisdictions. Brokerage products and services are offered through Insigneo Securities, LLC, a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and member of FINRA and SIPC. Investment advisory products and services are offered through Insigneo Advisory Services, LLC, an investment adviser registered with the SEC. Insigneo has affiliated companies in different locations, so it is important to understand which entity you are conducting business with. Please visit <https://insigneo.com/legalentities/> for more information about the differences between these companies, their locations, and what that means for you.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security. It is for general information purposes only. To the extent that this material discusses general market activity, industry or sector trends or other broad-based economic or political conditions, it should not be construed as research or investment advice. To the extent that it includes references to securities, those references do not constitute a recommendation to buy, sell or hold such security. It does not constitute a recommendation or a statement of opinion, or a report of either of those things and does not, and is not intended, to consider the particular investment objectives, financial conditions, or needs of individual investors. Any target prices provided reflect our current expectations, are subject to change and may not be achieved due to a variety of risks, including changes in economic conditions, interest rates, geopolitical developments, and issuer-specific factors. The target price does not guarantee future results and should not be relied upon as a sole basis for investment decisions.

Not All Risks Are Disclosed – Past performance is not indicative of futures results. Investments involve significant risks, and it is possible to lose some or all of your principal investments and therefore may not be suitable for everyone. Always consider whether any investment is suitable for your particular circumstances and, if necessary, seek professional advice from your Investment Professional. This material may contain opinions, expressions, and estimates that represent the analysis and perspective of Insigneo Securities, LLC's Investment Strategy department or its providers at the time of publication. These are subject to change at any time, without notice.

FOR AFFILIATES LOCATED IN CHILE

Insigneo Asesorías Financieras SPA se encuentra inscrito en Chile, en el Registro de Prestadores de Servicios Financieros de la Comisión para el Mercado Financiero. Este informe fue efectuado por área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, en base a la información disponible a la fecha de emisión de este. Para evitar cualquier conflicto de interés, Insigneo Securities LLC dispone que ningún integrante del equipo de Research & Strategy tenga su remuneración asociada directa o indirectamente con una recomendación o reporte específico o con el resultado de una cartera.

Aunque los antecedentes sobre los cuales ha sido elaborado este informe fueron obtenidos de fuentes consideradas confiables, no podemos garantizar la completa exactitud e integridad de estos, no asumiendo responsabilidad alguna al respecto Insigneo Securities LLC, Insigneo Asesorías Financieras SPA ni ninguna de sus empresas relacionadas.

Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted. Este documento no constituye una oferta o solicitud de compra o venta de ningún valor en ninguna jurisdicción en la que dicha oferta o solicitud no esté autorizada o a ninguna persona a la que sea ilegal hacer dicha oferta o solicitud. Las inversiones en cuentas de corretaje y de asesoramiento de inversiones están sujetas al riesgo de mercado, incluida la pérdida de capital.

La información base del presente informe puede sufrir cambios, no teniendo Insigneo Securities LLC ni Insigneo Asesorías Financieras SPA la obligación de actualizar el presente informe ni de comunicar a sus destinatarios sobre la

ocurrencia de tales cambios. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso.

FOR AFFILIATES LOCATED IN URUGUAY

Insigneo Asesor Uruguay S.A. está inscripto en el Registro de Mercado de Valores del Banco Central del Uruguay como Asesor de Inversiones. En Uruguay, los valores están siendo ofrecidos en forma privada de acuerdo al artículo 2 de la ley 18.627 y sus modificaciones. Los valores no han sido ni serán registrados ante el Banco Central del Uruguay para oferta pública. Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted según su perfil y estrategia de inversión. Este documento no constituye un asesoramiento ni una recomendación u oferta o solicitud de compra o. Las inversiones en valores negociables están sujetas al riesgo de mercado, incluida la pérdida parcial o total del capital invertido. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso. Rentabilidades históricas de los productos anunciados no aseguran rentabilidades futuras..

FOR AFFILIATES LOCATED IN ARGENTINA

Insigneo Argentina S.A.U. Agente Asesor Global de Inversión se encuentra registrado bajo el N° 1053 de la Comisión Nacional de Valores (CNV) e inscripto ante la Inspección General de Justicia (IGJ) bajo el N° 12.278 del Libro 90, Tomo -, de Sociedades por Acciones. Este informe fue efectuado por área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, en base a la información disponible a la fecha de su emisión. Para evitar cualquier conflicto de interés, Insigneo Securities LLC dispone que ningún integrante del equipo de Research & Strategy tenga su remuneración asociada directa o indirectamente con una recomendación o reporte específico o con el resultado de una cartera. Aunque los antecedentes sobre los cuales ha sido elaborado este informe fueron obtenidos de fuentes consideradas confiables, no podemos garantizar la completa exactitud e integridad de estos, no asumiendo responsabilidad alguna al respecto Insigneo Securities LLC, Insigneo Argentina S.A.U. ni ninguna de sus empresas relacionadas. La información base del presente informe puede sufrir cambios, no teniendo Insigneo Argentina S.A.U. la obligación de actualizar el presente informe ni de comunicar a sus destinatarios sobre la ocurrencia de tales cambios.

Este material está destinado únicamente a facilitar el debate general y no pretende ser fuente de ninguna recomendación específica para una persona concreta. Por favor, consulte con su ejecutivo de cuentas o con su asesor financiero si alguna de las recomendaciones específicas que se hacen en este documento es adecuada para usted. Este documento no constituye una oferta, recomendación o solicitud de compra o venta de ningún valor negociable en ninguna jurisdicción en la que dicha oferta o solicitud no esté autorizada o a ninguna persona a la que sea ilegal hacer dicha oferta o solicitud. Las inversiones en valores negociables están sujetas al riesgo de mercado, incluida la pérdida parcial o total del capital invertido. Cualquier opinión, expresión, estimación y/o recomendación contenida en este informe constituyen el juicio o visión de área de Research & Strategy de Insigneo Securities LLC, o sus proveedores, a la fecha de su publicación y pueden ser modificadas sin previo aviso.