

Special Update

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First Quarter 2026 Earnings Outlook (March 19, 2026)

The Q1 2026 earnings outlook for the S&P 500 (covering the period ending March 31, 2026) remains constructive as of March 19, 2026, though estimates have moderated slightly from earlier in the year. The latest data from FactSet indicates a blended year-over-year EPS growth rate of 11.6%, down from initial projections around 12.7% at the end of Q4 2025 (December 31, 2025). This reflects downward revisions amid ongoing analyst adjustments, but still points to solid single-digit-to-low-double-digit expansion, supported by resilient corporate fundamentals, AI-driven productivity gains, and broad sector participation. Revenue growth is forecasted at around 8.4-8.7%, continuing the positive trend from prior quarters. The outlook positions Q1 as a potential bridge to stronger acceleration in subsequent quarters, with full-year 2026 earnings growth projected in the 14-15% range. This report focuses on forward estimates, sector expectations, and key drivers, drawing from the most recent FactSet insights and related market analyses.

Earnings Outlook

The estimated year-over-year EPS growth rate for Q1 2026 stands at 11.6%, below the 12.7% estimate at the start of the quarter but consistent with recent trends of modest downward pressure. If realized, this would mark continued positive growth following the strong Q4 2025 results (final blended growth of approximately 13-14%). Analysts note that estimates have declined from higher levels earlier in 2026 (e.g., 12.2% in mid-January), reflecting caution around economic variables, but the figure remains above long-term averages in many contexts.

For context:

- Q2 2026 EPS growth is projected at 14.9%, suggesting acceleration.
- Full-year CY 2026 earnings growth estimates range from 14.4% to 15.0%, marking the third consecutive year of double-digit expansion and potential record highs if achieved.

The forward 12-month P/E ratio hovers in the 21-22x range (e.g., around 21.5 in recent updates), above 5-year and 10-year averages, indicating optimism priced in but also valuation sensitivity to any misses

Revenue Outlook

Estimated year-over-year revenue growth for Q1 2026 is in the 8.4-8.7% range, with some sources noting 8.7% specifically. This continues the upward momentum from Q4 2025 (final blended ~9.0%, the highest in three years) but anticipates a gradual moderation through the year (e.g., declining to ~7.3-7.9% in later quarters). Broad-based top-line strength is expected, driven by demand in key areas like technology and services.

Sector-Level Expectations

Tech remains the primary growth engine, with significant contributions expected across most sectors. The table below summarizes key year-over-year projections for Q1 2026 based on aggregated analyst views:

Sector	EPS Growth (%)	Revenue Growth (%)	Key Notes
Information Technology	~23.7 (Leading)	~21.2 (Leading)	AI adoption and capex driving outsized gains; critical pillar since 2023.
Financials	Positive (~19)	Positive	Strong contribution expected.
Basic Materials	Positive (~14.6)	Positive	Cyclical recovery potential.
Consumer Discretionary (incl. Autos)	Positive (~12.9 for autos subset)	Positive	Variable consumer trends.
Industrials/Business Services	Positive (~7.3)	Positive	Resilient broad participation.
Health Care	Positive	Positive	Margin stabilization.
Communication Services	Positive	Double-digit potential	Digital/ad strength.
Other (e.g., Staples, Utilities)	Positive	Positive	Stable demand.
Energy	Mixed/Negative	Mixed	Volatility remains a drag.

Ten of eleven sectors are projected to show positive EPS growth, with Technology's ~23.7% contribution pivotal—excluding it drops aggregate Q1 EPS growth to around +5%. This highlights broadening participation beyond mega-caps, a positive for market breadth.

Key Drivers and Risks

- **Positive Factors:** Continued AI momentum (with high mentions in Q4 calls carrying forward), productivity boosts, healthy economic/revenue growth, and profit strength in large-cap leaders. International exposure and sector rotation could provide tailwinds.
- **Risks:** Downward estimate revisions (first seen in recent periods), potential deceleration in guidance, macroeconomic variables (e.g., Fed policy, inflation), and sector divergences (e.g., energy/commodities). The season, starting in mid-April 2026, will test whether Q4's momentum sustains.

Forward Outlook Beyond Q1

Acceleration is anticipated post-Q1, with Q2 at 14.9% EPS growth and full-year 2026 in the 14-15% range (potentially 15% in some previews). This supports expectations for sustained double-digit growth, record margins (~13.9% projected for CY 2026), and index upside, though valuations warrant caution. Broader earnings participation, AI tailwinds, and economic resilience could drive further gains, with investors monitoring early Q1 reports for confirmation.

Conclusion

As of March 19, 2026, the Q1 2026 earnings outlook for the S&P 500 is positive but tempered, with 11.6% EPS growth expected amid slight downward revisions from earlier estimates. Technology-led expansion, solid revenue projections, and broad sector positivity provide a supportive foundation heading into the reporting season in April. This aligns with the trajectory toward stronger full-year 2026 performance (14-15% growth), reinforcing corporate resilience and potential for continued market advances near record levels, though execution on guidance will be key.

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