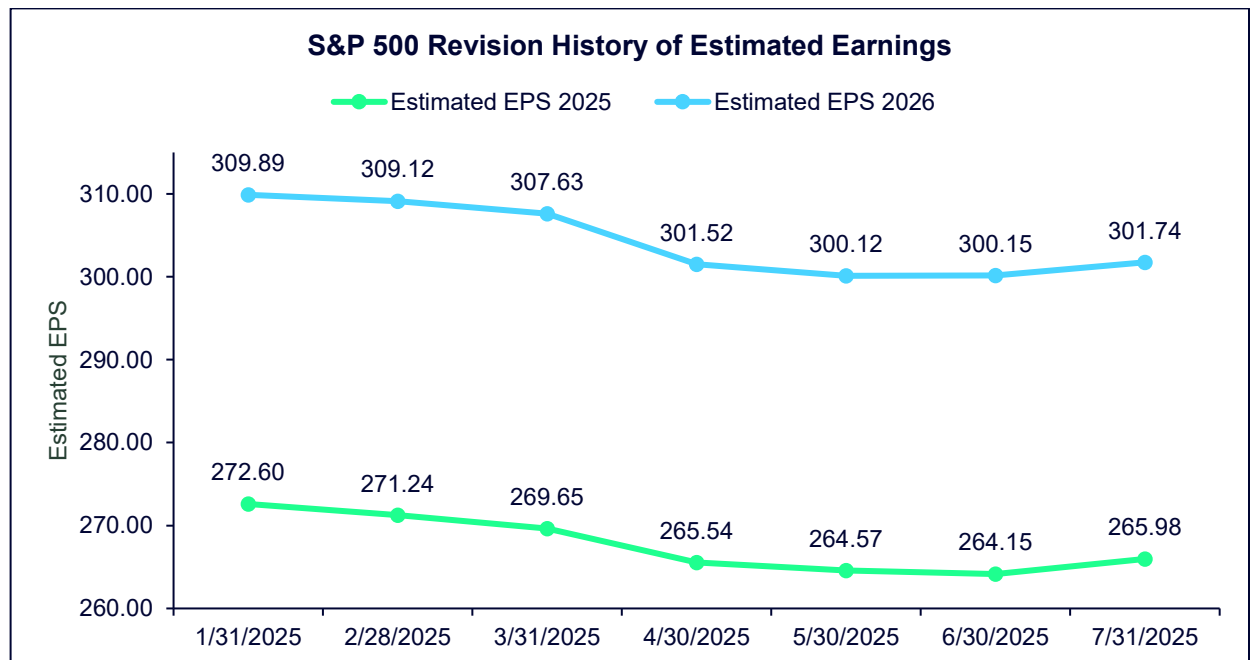


COMMENTARY

August 15, 2025

Mind on the Market

Chart of the Week



Source: FactSet. Data as of July 31, 2025.

Following a prolonged period of downward revisions, consensus S&P 500 EPS estimates for calendar years 2025 and 2026 have recently been revised upwards. This shift was driven by a combination of easing tariff concerns, robust Q2 earnings surprises and sector-specific strengths.

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Weekly Highlights

Magnitude of S&P 500 Q2
2025 EPS Surprises

8.50%

Data as of August 12, 2025

S&P 500 CY 2025 EPS
Growth Estimate

10.47%

Data as of August 12, 2025

S&P 500 CY 2026 EPS
Growth Estimate

13.22%

Data as of August 12, 2025

S&P 500 Q2 Earnings: Resilience Amid Uncertainty

The Q2 2025 earnings season for the S&P 500 has delivered a robust performance, underscoring the resilience of corporate America despite macroeconomic uncertainties. Close to 90% of the S&P 500 companies have disclosed their results, with 82% surpassing EPS estimates. This is above the 5-year average of 79% and well above the 10-year average of 75%. Revenue beats have also been strong, with 80% of companies exceeding expectations. However, the strength in Q2 earnings is not evenly distributed. Nine of the eleven sectors reported year-over-year earnings growth, led by IT, Communication Services, and Financials. These three sectors have not only delivered strong EPS surprises but also contributed significantly to the overall earnings growth of the index (11 percentage points of the 11.68% headline growth).

Name	Q2 '25					Q3 '25 Growth 12 Aug '25E	CY 2025 Growth 12 Aug '25E	CY 2026 Growth 12 Aug '25E
	% Cos Reported	Growth Blended (%)	Contribution	Surprise (%)	% Pos Surprise			
S&P 500	90.48	11.68	11.68	8.50	82.12	7.32	10.47	13.22
Communication Services	100.00	45.61	4.14	12.18	82.61	4.07	20.14	7.67
Consumer Discretionary	82.35	5.28	0.49	14.30	71.43	-2.54	3.28	13.57
Consumer Staples	73.68	0.41	0.03	4.93	85.71	-2.71	0.04	7.58
Energy	95.65	-17.78	-1.01	8.12	76.19	-4.25	-10.52	18.47
Financials	98.63	13.02	2.44	10.42	85.92	9.65	10.40	12.24
Health Care	93.33	7.84	1.02	8.90	89.29	-0.08	11.87	10.07
Industrials	96.20	1.04	0.09	2.45	84.21	10.69	7.40	16.96
Information Technology	72.46	21.09	4.42	7.76	94.00	18.98	18.81	18.21
Materials	96.15	-3.82	-0.10	-0.78	48.00	15.22	6.99	18.93
Real Estate	100.00	4.28	0.12	2.80	83.87	2.26	2.10	6.56
Utilities	100.00	1.65	0.04	5.53	76.67	16.58	7.41	8.58

Source: FactSet. Data as of August 12, 2025.

As seen during recent years, growth remains unusually concentrated, with mega cap tech companies doing the bulk of the heavy lifting. Six mega cap tech companies contributing to almost half of the earnings growth for the quarter (5.3 percentage points¹ of the 11.68% headline growth).

Information Technology posted strong growth of 21% (up from 16.4% in Q1), with 94% of companies beating EPS estimates and maintaining healthy margins of 22.2%. Communication Services also outperformed, with earnings growth rising to 45.6% from 28.8% in Q1, and margins expanding to 19.1%, well above the 5-year average of 15.3%.

Financials posted solid double-digit growth too, rising from 7.5% in Q1 to 13%, supported by broad-based strength across subgroups like capital markets, consumer finance, financial services and insurance. Key drivers included a decline in loan loss provisions, a sharp rebound in insurance earnings (from -13.38% to 27.7%), and the strongest Q2 in recent years for capital markets firms which posted earnings growth of 22%. This was fueled by surging M&A advisory activity, a rebound in equity issuance, and robust trading gains amid elevated volatility.

On the downside, Healthcare earnings growth slowed sharply to 7.8% from 43% in Q1, primarily due to weakness in earnings among healthcare providers. Consumer Discretionary growth also decelerated slightly (5.3% vs. 8.4%), with autos, retail, apparel, and household goods under pressure, partly due to tariff impacts, though hospitality showed some resilience.

Industrials posted modest growth of 1% (down from 8.2%), with strength in aerospace & defense, electrical equipment, and construction offset by weakness in machinery and airlines. Consumer Staples saw marginal improvement (from -6% to 0.4%), while Real Estate (4.3%) and Utilities (1.6%) posted subdued gains.

Energy and Materials continued to lag. Energy earnings declined further to -18% (from -13% in Q1) amid falling oil prices. Materials remained in negative territory (-3.8%), dragged down by weak chemical earnings despite strength in metals and mining.

Looking ahead, analysts expect S&P 500 earnings to grow 7.3% in Q3 and 7.2% in Q4. For full-year 2025, earnings are projected to rise 10.5%, with an even stronger 13.2% growth forecast for FY 2026. Overall, the U.S. market delivered a robust quarter and promising outlook. After investors spent the early part of the year dealing with poor sentiment, we believe the focus will increasingly shift toward

¹ Source: FactSet. Mega cap tech companies include Microsoft, Apple, NVIDIA, Alphabet, Amazon, Meta Platforms. Latest available quarterly results of NVIDIA are considered due to difference in fiscal calendar.

fundamentals and specifically on companies that deliver attractive earnings growth. Today, that earnings leadership continues to reside in the U.S.

Source: FactSet, State Street Investment Management. Past performance is not a reliable indicator of future performance.

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*This figure is presented as of March 31, 2025 and includes ETF AUM of \$1,553.58 billion USD of which approximately \$106.42 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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