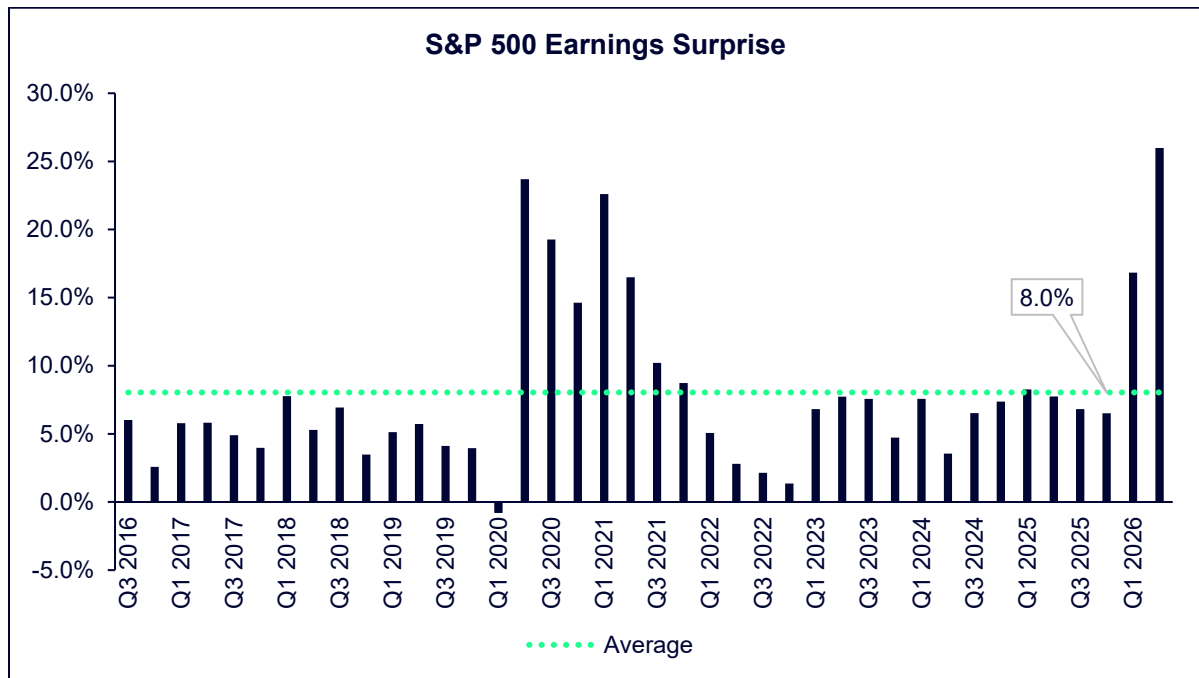


COMMENTARY

October 8, 2026

Mind on the Market

Chart of the Week



Source: FactSet. Data as of 10/05/2026.

S&P 500 companies delivered exceptionally strong results in the first half of 2026. Aggregate earnings exceeded consensus expectations by 16.8% in the first quarter and 26.0% in the second, marking the largest earnings surprise of the past decade. While earnings typically exceed expectations, the magnitude of recent beats stands out. More importantly, earnings continued to outpace forecasts even as expectations moved higher, suggesting the strength was genuine rather than simply the result of beating lowered expectations.

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Weekly Highlights

10-Year Average S&P
500 Earnings Surprise

8.0%

Source: FactSet. Data as October
2,2026.

Q2 2026 S&P 500
Aggregate EPS Surprise

26.0%

Source: FactSet. Data as October
2,2026.

Expected Q3 2026 S&P
500 Earnings Growth

29.5%

Source: FactSet. Data as October
2,2026.

A higher bar for earnings

Strong first-half results have raised the bar heading into the next reporting season. With expectations continuing to rise, investors are increasingly focused on the breadth and durability of earnings growth, not just companies' ability to beat forecasts.

On the surface, first half results suggest broad-based strength. In the first quarter, 84.6% of S&P 500 companies exceeded earnings expectations, followed by 85.8% in the second quarter, both well above the ten-year average of 76.6% (FactSet, as of 10/2/26). However, the composition of those surprises reveals an important nuance. The median company beat expectations by 5.8% in the second quarter, well below the 26.0% aggregate surprise at the index level (FactSet, as of 10/2/26). This disparity suggests that, although a large majority of companies exceeded expectations, the largest index constituents accounted for a disproportionate share of the overall outperformance.

Sector leadership provides additional context. Communication Services and Consumer Discretionary delivered the largest earnings surprises in both the first and second quarters, driven in large part by exceptionally strong results from Amazon and Alphabet. Amazon exceeded earnings expectations by 68.5% in Q1 and 212.5% in Q2, while Alphabet surpassed consensus by 94.3% and 215.2%, respectively, reflecting continued strength in cloud and AI-related businesses (FactSet, as of 10/2/26). Information Technology and Communication Services accounted for the majority of earnings growth in both quarters, while Energy also made a meaningful contribution in Q2. Technology and Communication Services benefited from robust AI-related spending, cloud demand, and digital infrastructure investment, while higher commodity prices supported Energy profitability. The strength was broad in direction but concentrated in magnitude: 10 of 11 sectors contributed positively to earnings growth in both Q1 and Q2 2026, with Health Care the only sector to post negative growth. Yet Technology, Communication

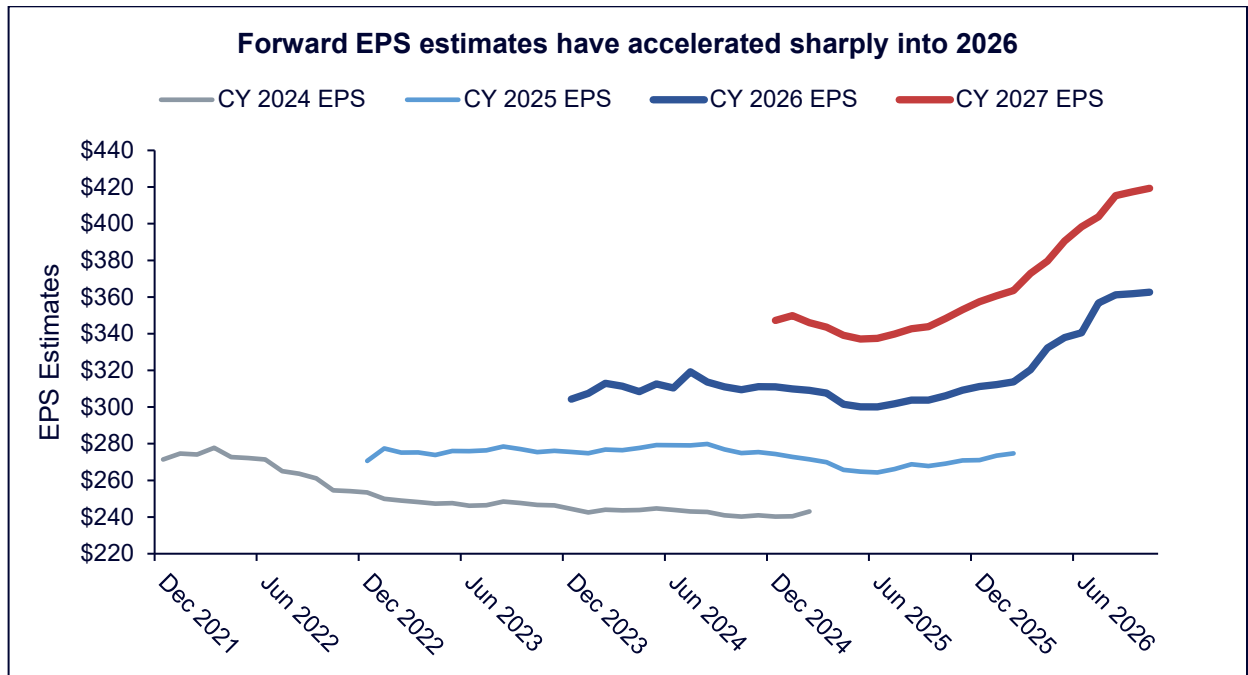
Services, and Consumer Discretionary together generated roughly 75% of total earnings growth in each quarter (FactSet, as of 10/2/26).

S&P 500 Sector Earnings Scorecard — First Half of 2026

Sector	Q1 2026			Q2 2026		
	Surprise %	Earnings growth %	Growth contribution	Surprise %	Earnings growth %	Growth contribution
S&P 500	16.8%	29.0%	29.0 pts	26.0%	52.4%	52.4 pts
Communication Services	54.7%	48.9%	6.1 pts	102.2%	116.9%	13.7 pts
Consumer Discretionary	38.6%	40.8%	3.1 pts	81.5%	92.6%	8.1 pts
Consumer Staples	5.2%	6.8%	0.4 pts	8.5%	13.6%	0.8 pts
Energy	21.6%	0.5%	0.0 pts	8.8%	146.3%	5.9 pts
Financials	6.9%	21.8%	4.0 pts	14.6%	22.0%	4.2 pts
Health Care	9.7%	-3.1%	-0.4 pts	18.2%	-6.4%	-0.8 pts
Industrials	19.3%	21.0%	1.5 pts	6.6%	16.6%	1.3 pts
Information Technology	9.8%	54.8%	12.7 pts	10.9%	76.2%	17.8 pts
Materials	16.0%	43.4%	0.7 pts	5.9%	45.9%	0.9 pts
Real Estate	3.6%	8.1%	0.2 pts	2.3%	7.9%	0.2 pts
Utilities	7.9%	18.5%	0.6 pts	5.1%	13.7%	0.3 pts

Source: FactSet. Data as of October 2, 2026.

Although earnings growth was concentrated in a handful of sectors, the impact extended beyond the companies driving the strongest results. Consensus CY 2026 EPS estimates increased from \$313.72 at the end of February 2026 to \$362.65 on October 2, 2026, a gain of 15.6%, while CY 2027 estimates rose from \$363.54 to \$419.32, or 15.3%, over the same period (FactSet, as of 10/2/26). The revision pattern was also unusual: forecasts for both years continued to rise, including notable upward resets during July and August, although the pace moderated after midyear. The persistence of these revisions suggests that analysts treated at least part of the recent earnings strength as a durable improvement rather than a temporary boost.



Source: FactSet. Data as of October 2, 2026.

The steady rise in earnings expectations has important implications for the valuation debate. Higher forecasts provide a supportive backdrop for US equities by allowing earnings growth, rather than further multiple expansion, to carry a greater share of future returns. At the same time, stronger expectations raise the hurdle for companies heading into the next reporting season.

The focus now shifts to third-quarter earnings, which kicks off this week with major Banks, and offers an important signal about the durability of recent profit growth, especially later in the month when many of the Mag 7 report during Oct 28-29th. According to FactSet estimates as of October 2, 2026, expected Q3 earnings growth increased to 29.5% from 26.7% at the end of June, while expected revenue growth rose to 12.3% from 10.9%. If realized, Q3 2026 would be the first quarter in the available FactSet market EPS data¹ since Q3 2008 to simultaneously complete three consecutive quarters of earnings growth above 25% and eight consecutive quarters of double-digit growth. All 11 sectors are projected to report positive earnings growth, led by Energy, Information Technology, Communication Services, and Materials. Against this backdrop, investors may focus less on whether companies exceed consensus forecasts and

¹ Source: FactSet. Earnings growth is calculated using security-level Market EPS, which may include GAAP or non-GAAP EPS.

more on the magnitude, breadth, and sustainability of the results. If earnings continue to exceed expectations and revisions broaden beyond the sectors that led the recent recovery, it would support the view that the improvement in profitability is becoming more deeply embedded. Conversely, narrower earnings leadership or a stabilization in forward estimates could suggest that expectations have moved ahead of underlying fundamentals. Taken together, the reporting season may reveal whether the first-half results marked a durable shift in the earnings trajectory or a concentrated period of exceptional delivery.

Source: FactSet, State Street Investment Management. Data as cited; October 2, 2026 unless otherwise stated.

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* This figure is presented as of June 30, 2026 and includes ETF AUM of \$2,203.98 billion USD of which approximately \$156.81 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 Investment Management are affiliated. Please note all AUM is unaudited.

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