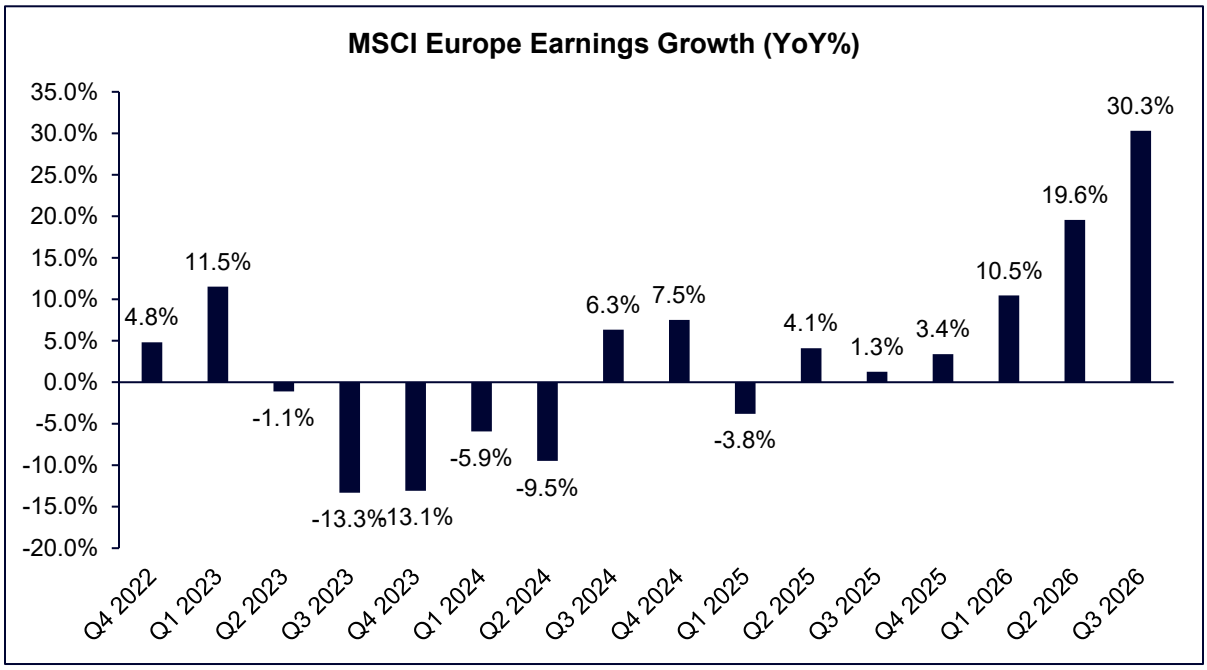
STATE STREET INVESTMENT MANAGEMENT

COMMENTARY
November 19, 2026

Mind on the Market

Chart of the Week



Source: FactSet, MSCI. Data as of November 16, 2026. As of Q3 2026, 87.0% of companies have reported. The Q3 growth figure is blended growth, combining actual results with estimates for the remaining companies. Earnings growth is based on security-level Market EPS, which may be GAAP or non-GAAP.

European earnings momentum has strengthened markedly. After contracting through much of 2023 and remaining uneven in 2024–25, earnings growth has accelerated through 2026, rising from around 10% in Q1 to 20% in Q2 and 30% in Q3. The progression suggests earnings momentum is building rather than fading, although the gains remain concentrated in a few sectors.

Contact

Saketh Reddy, CFA
Research Analyst

Dane Smith
Head of Investment Strategy & Research – North America

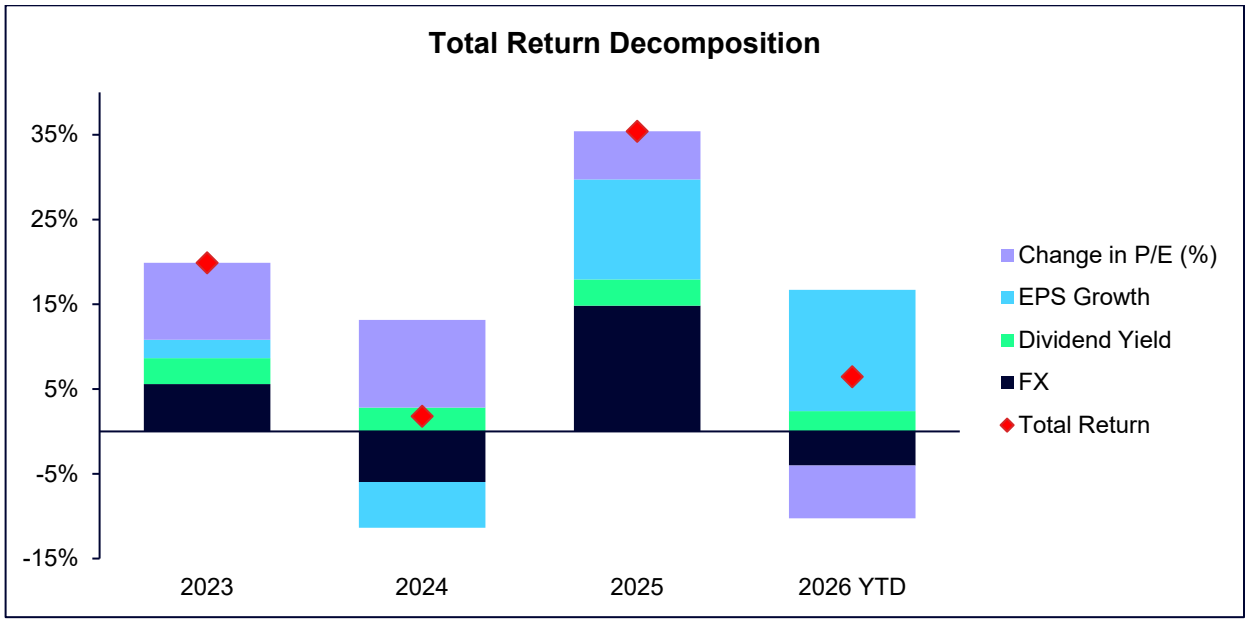
Weekly Highlights

MSCI Europe Forward P/E	MSCI Europe 2026 YTD EPS Growth	MSCI Europe CY2027 Expected EPS Growth
14.0x	+14.3%	+6.8%
Source: FactSet, MSCI. Data as of 10/30/2026.	Source: FactSet, MSCI. Data as of 10/30/2026.	Source: FactSet, MSCI. Data as of 11/16/2026.

European Equities: Can Earnings Take the Baton?

European equities have long attracted attention for their valuation discount to the US, but valuation can only take an investment case so far. The more interesting development this year has been in fundamentals: earnings have strengthened, expectations have moved higher, and corporate profitability has improved. The question now is whether that is enough to make earnings a more durable part of the European equity story.

One indication of this shift comes from the composition of returns. In 2023 and 2024, European equities delivered positive US-dollar total returns despite subdued or negative earnings growth, with multiple expansion providing meaningful support, partly reflecting a recovery from the sharp de-rating in 2022. The balance began to shift in 2025, as EPS growth rebounded to 11.8% while multiples continued to expand. In 2026 year to date, the shift became more pronounced: EPS growth has strengthened to 14.3%, even as the valuation contribution has turned negative at -6.2%. Earnings, rather than further rerating, are now doing more of the work.



Source: FactSet. 2026 YTD returns are calculated through October 31, 2026. EPS figures are calculated based on LTMA provided by FactSet.

The headline improvement in earnings is encouraging, but its durability depends partly on how broadly that growth is being shared. By that measure, the picture has improved considerably. Through much of 2025, only around half of European sectors delivered positive earnings growth. Participation broadened sharply in 2026, reaching ten of eleven sectors in Q2. Breadth is slightly lower so far in Q3, with reporting still in progress, but remains relatively broad: eight of the ten sectors with available data are posting growth.

Breadth of participation, however, is not the same as breadth of contribution. As of November 16, Q3 results indicate that Energy accounted for around 52% of positive sector contributions to earnings growth, despite representing only around 5.5% of the index, followed by Financials at 16% and Industrials at 12%. Together, those three sectors represented around 80% positive contributions, showing that broader participation has not yet translated into an equally distributed earnings recovery.

Beyond Energy, Industrials stand out for the combination of rising earnings momentum and a supportive policy backdrop. Q3 earnings growth is running at around 27%, while the 2026 growth forecast has been revised from 14% in June to 24% in November, and the 2027 forecast from 6% to 11%. Within the sector, Electrical Equipment and Machinery have been particularly strong. Germany's increased spending on infrastructure and defense could provide further support to these areas over the coming years.

	Q3 '26						Q4 '26		CY 2026		CY 2027	
Name	% Cos Reported	Growth Blended (%)	Contribution	Growth 30 Jun '26E	Surprise (%)	% Pos Surprise	Growth 30 Jun '26E	Growth 16 Nov '26E	Growth 30 Jun '26E	Growth 16 Nov '26E	Growth 30 Jun '26E	Growth 16 Nov '26E
MSCI Europe	**87.05**	**30.30**	**30.30**	**19.08**	**2.30**	**53.60**	**19.78**	**29.65**	**15.13**	**23.03**	**2.27**	**6.77**
Communication Services	100.00	8.11	0.40	0.81	-4.04	20.00	24.02	22.18	12.49	17.55	5.63	7.40
Consumer Discretionary	82.35	21.14	0.78	62.77	-23.99	73.33	28.44	14.95	18.79	8.38	37.53	18.61
Consumer Staples	86.49	14.45	0.39	28.43	-8.68	53.85	-16.35	-31.15	11.93	12.07	9.97	10.28
Energy	100.00	152.66	16.24	54.08	7.31	83.33	72.19	172.79	70.79	124.62	-34.14	-18.22
Financials	80.95	13.43	5.07	10.45	4.49	58.82	10.41	9.82	7.01	8.62	9.48	11.00
Health Care	89.47	14.24	1.99	5.80	11.27	65.22	4.16	2.61	1.98	5.88	5.57	7.99
Industrials	88.24	26.84	3.69	18.12	-3.32	36.00	19.63	33.96	13.82	24.20	5.53	10.75
Information Technology	88.24	54.06	2.68	20.78	15.61	78.57	27.51	52.40	18.77	35.81	13.14	30.29
Materials	100.00	-1.52	-0.04	36.61	8.71	46.67	108.23	57.71	26.47	12.66	26.53	22.72
Real Estate	75.00	-	0.00	-	-	-	-	-	-	-	-	-
Utilities	80.00	-17.25	-0.89	19.80	-38.81	50.00	15.63	12.58	7.29	11.81	1.78	6.12

Source: FactSet. Data as of November 16, 2026. As of Q3 2026, 87.0% of companies have reported; blended growth combines actual results with estimates for the rest. Earnings growth is based on security-level Market EPS, which may be GAAP or non-GAAP. Q3 Real Estate data is currently not available.

Beneath the sector picture, there has also been an important change in how companies are generating earnings growth. Strong sales growth helped drive the initial rebound in 2025. In 2026, top-line growth has moderated, while expanding margins have allowed EPS growth to remain strong. That has helped to sustain the earnings cycle even as revenue momentum has cooled.

But this margin-led pattern also raises the bar for what comes next. With profitability already higher, there may be less room for further margin expansion to carry earnings at the same pace. Sustaining the next phase of the cycle will therefore increasingly depend on renewed top-line growth, continued operating leverage or a combination of the two.

For investors, stronger earnings improve the picture, but they do not resolve Europe's broader challenges. The region remains less exposed to the AI investment cycle and technology leadership that continue to shape global equity returns. Slower economic growth, energy constraints and geopolitical uncertainty also remain headwinds. Europe's limited AI exposure may offer diversification, but that

benefit could fade if AI continues to lead markets. Investors have long expected that a valuation discount combined with earnings growth would translate into stronger returns for the region, but that has often failed to materialize. For now, we continue to favor a selective approach where the strongest opportunities are at the company and sector level amidst improving earnings, infrastructure/defense spending, and industrial investment.

Source: FactSet, MSCI, State Street Investment Management. Data as of 11/16/2026 unless otherwise stated.

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