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Press Release
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Carlsquare/Vontobel weekly trading note: A battle between earnings growth and higher interest rates

The expected earnings growth of S&P 500 companies in Q2 2026 increased from 23% on 30 June to 50% by 7 August. Anticipated growth for the 2026 financial year is 30%, and the S&P 500 company universe is currently trading at a price-to-earnings growth (PEG) ratio of 0.7. By this date, 88% of companies had reported their Q2 2026 results. Investors are concerned about inflation and rising interest rates. However, weak US non-farm payroll figures released on Friday 7 August eased the pressure on the Fed to raise its policy rates.

Eighty-six per cent of S&P company earnings and 76 per cent of revenues exceeded analysts' expectations. S&P 500 companies have so far achieved 50% earnings growth in Q2 2026. This compares with analysts' expectations of 23% earnings growth by 30 June 2026. According to Earnings Insight, the forward 12-month price-to-earnings (P/E) ratio of the S&P 500 was 20.0 as of 7 August. Analysts on Wall Street now expect companies in the S&P 500 to achieve 30% earnings growth for the full year of 2026.

Rising interest rates in the US are likely a key reason why the S&P 500's price performance has slowed, despite sharp earnings growth among S&P 500 companies. However, the weaker-than-expected US nonfarm payrolls figure on Friday, 7 August, eased the pressure on the Fed to raise its policy rate in the near term.

Global stock markets have been more affected by concerns over long-term AI growth and Chinese competitors in this field than by the Houthi movement in Yemen expanding the war from the Strait of Hormuz to the Red Sea.

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