

Key Takeaways:

- 1Q26 earnings season kicks off.
- Financials deliver strong earnings thus far.
- Semiconductors still driving earnings growth.
- “Mag 7” outweighs other 493 companies.
- Will we hear about a war impact?

What to Expect in 1Q26 Earnings Season?

Last week kicked off the unofficial start to 1Q26 earnings season with several financial firms issuing earnings results (e.g., Bank of America, JPMorgan, Citigroup, U.S. Bancorp). According to Factset¹, S&P 500 earnings are expected to have grown 13.2% (YoY) in 1Q26, the sixth straight quarter of double digit earnings growth. Over the past twenty years analysts have typically reduced quarterly earnings growth estimates by ~4% during the quarter. However, during 1Q26 analysts increased their estimate for 1Q26 earnings by 0.4% since the start of the year, marking the third straight quarter that earnings were revised higher. In this weekly insights, we provide a preview of what investors may see this earnings season and what we would like to hear from companies.

- **Financials kick off with strong earnings:** According to Bloomberg, we have received 22 of the 80 financial firms in the S&P 500 Index thus far. Of the 22 companies, 20 of them have beat earnings estimates. The biggest upside surprises came from Citigroup, Morgan Stanley, Bank of New York, JPMorgan and Truist Financial. Earnings are

expected to be driven by increased trading activity as market volatility has accelerated and higher investment banking fees with M&A rebounding.

- **Tech and semiconductors dominate earnings growth:** The Info Tech sector is expected to report the highest earnings growth rate of all 11 S&P 500 sectors (+45% YoY). The strength in tech is primarily driven by semiconductor earnings growth which is expected to rise 95% (YoY). If this earnings growth was excluded from the Info Tech sector, the sector would see earnings growth of 20% (compared to 45% estimate).
- **“Mag 7” still driver of earnings growth for the Index:** According to Factset¹, estimated earnings growth for the “Mag 7” stocks is 23% (YoY). That is compared to ~10% (YoY) earnings growth for the other 493 companies. However, it is primarily driven by one company (i.e. NVIDIA). If NVIDIA were excluded from the “Mag 7” stocks, their earnings growth would be 6% (compared to 23% YoY).

- **What to expect from energy earnings?** On average, crude oil was only ~1% higher in 1Q26 vs. 1Q25. As a result, the energy sector is not going to be boosted by higher prices. Instead, energy earnings are expected to be the weakest of all 11 sectors (-13% YoY). This is due to refinery headwinds, less volume due to the war and volatile markets which impacted hedging.

The Bottom Line:

According to FactSet¹, earnings are expected to grow 18% (YoY) in 2026, which would mark the fourth consecutive year of double digit earnings growth. We want to highlight that it is still highly dependent on the tech sector. This earnings season, we will be focusing outside of tech to see the impact companies are feeling due to the war (e.g., supply chain disruption, high oil costs). Especially how they are managing it (margin compression or passing on higher prices). This will tell us the probability of the Index posting the fourth consecutive year of double digit earnings growth.

Weekly Economic Recap –

Housing struggles; Small business sentiment weakens

Existing home sales fell more than expected in March (-3.6% vs. -0.7% MoM est) to a nine month low. All four major regions declined but it was led by the northeast which saw the biggest monthly decline since March 2022. The median price of an existing home rose to a four month high (\$408,800).

The NFIB Small Business Optimism Index dropped sharply in March to an 11 month low. The weakness was broad with small business owners less optimistic about earnings, inventories, credit conditions and hiring. In contrast, those expecting higher selling prices rose for the month.

Inflation as measured by the Producer Price Index came in weaker than expected (+0.5% MoM vs 1.1% est). Intermediate prices (the prices for goods/services used as inputs in production) rose by the most since 2022. Energy was a major driver for the increase but we also saw pressure in transportation/warehousing services.

The NAHB Housing Market Index dropped to a seven month low in April. All three components of the survey declined but it was led by sentiment on the future of the housing market. Homebuilders noted that the rise in oil prices is contributing to higher prices of materials and increased uncertainty.

Key Takeaways:

- Home sales slow as rates and prices rise.
- Small business optimism at 11-month low.
- Inflation comes in lighter than expected.
- Equities hit record highs on hopes around Iran peace.
- Inflation expectations drop and drive yields lower.
- Crude oil prices drop sharply on reopening of Strait.

Weekly Market Recap –

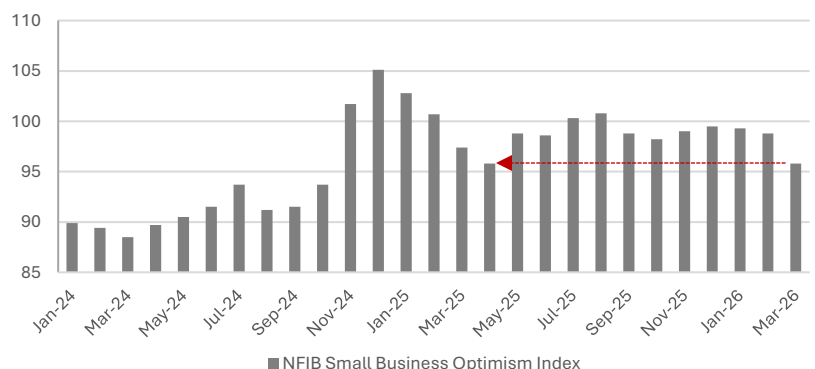
Optimism about Strait of Hormuz openings drives stocks higher

Equities: The MSCI AC World Index rallied for the third consecutive week and many major indices reached fresh new record highs (e.g., S&P 500, NASDAQ, Russell 1000 Value) on news that the Strait of Hormuz would be opening. U.S. equities outperformed both international and emerging market equities. Technology led the gains in the U.S. with the Nasdaq and Russell 1000 Growth Index outperforming.

Fixed Income: The Bloomberg Aggregate Index rallied for the third consecutive week as oil prices dropped sharply and inflation expectations moved lower. Within the fixed income market, the biggest gainers were emerging market bonds, high yield and investment grade credit.

Commodities/FX: The Bloomberg Commodity Index declined for the second consecutive week as tensions with Iran eased. Crude oil prices have posted the worst back to back weekly declines since the pandemic as hopes rose that oil could move through the Strait of Hormuz.

Small Business Optimism Falls on Iran War



Footnotes: Data is as of April 2026.

Data Source: Bloomberg Finance LP, Verdenance Capital Advisors.

Global Equities Rally on Optimism Around Strait of Hormuz Reopening

		U.S. Equities							International Equities						
		Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD	
U.S. Equities	Dow Jones Industrial Average	49,447	3.2%	5.3%	0.6%	28.5%	3.4%	International Equities	MSCI AC World (USD)	1,075	3.9%	6.3%	3.9%	37.4%	6.3%
	S&P 500	7,126	4.5%	6.2%	3.0%	36.5%	4.5%		MSCI EAFE (USD)	3,111	2.2%	6.2%	4.8%	33.5%	8.4%
	Russell 1000 Growth	4,795	6.7%	7.4%	1.4%	40.1%	0.8%		MSCI Europe ex UK (USD)	3,447	3.1%	7.5%	3.9%	30.2%	6.4%
	Russell 1000 Value	2,235	2.4%	4.8%	4.2%	31.2%	8.5%		MSCI Japan (USD)	5,263	1.7%	5.5%	3.6%	37.5%	10.5%
	Russell 2500	4,855	4.9%	9.6%	5.4%	45.8%	12.9%		MSCI UK (USD)	1,721	1.3%	4.3%	7.0%	36.6%	9.8%
	Russell 2000	2,777	5.6%	10.3%	4.0%	49.6%	12.3%		MSCI EM (USD)	1,597	3.2%	7.0%	8.0%	52.7%	14.2%
	Nasdaq	24,468	6.8%	8.9%	4.2%	51.2%	5.5%		MSCI Asia ex Japan (USD)	1,031	3.1%	6.0%	7.0%	52.5%	13.2%
		Fixed Income							Commodities						
		Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD	
Fixed Income	U.S. Aggregate	4.4%	0.5%	0.4%	0.8%	6.1%	0.8%	Commodities	Bloomberg Commodity Index	335	-0.4%	-1.4%	16.8%	32.9%	21.2%
	U.S. Govt/Credit	4.4%	0.6%	0.4%	0.7%	5.6%	0.7%		Crude Oil (USD/bbl)	\$90.0	-9.2%	-8.4%	29.6%	25.3%	32.5%
	U.S. 10 Year Treasury	4.2%	0.7%	0.0%	0.9%	5.3%	0.5%		Gold (\$/oz)	\$4,830.3	0.6%	6.2%	0.1%	39.3%	10.4%
	U.S. TIPS (1-10YR)	4.0%	0.4%	0.1%	1.5%	5.5%	1.5%		Copper	\$611.5	0.7%	12.9%	3.8%	27.3%	6.2%
	U.S. High Yield	6.8%	0.7%	1.5%	0.9%	10.4%	1.5%		Wheat	\$599.3	3.2%	-0.2%	10.9%	-4.7%	12.8%
	EM Bonds (USD)	5.9%	1.0%	1.5%	1.2%	11.5%	1.3%		U.S. Dollar	98	-0.1%	-1.4%	-0.4%	-1.1%	0.0%
	Municipal Bonds	3.6%	0.3%	0.3%	0.4%	7.4%	1.3%		VIX Index	17.5	-9.1%	-21.9%	10.2%	-41.0%	16.9%

Footnotes: Data is as of April 17, 2026.

Source: Bloomberg Finance LP, Verdense Capital Advisors.

Disclaimer:

© 2026 Authored by Megan Horneman, Chief Investment Officer, Verdenca Capital Advisors, LLC. Reproduction without permission is not permitted. The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index.

This material was prepared by Verdenca Capital Advisors, LLC ("VCA" or "we", "our", "us"). VCA believes the information and data in this document were obtained from sources considered reliable and correct and cannot guarantee either their accuracy or completeness. VCA has not independently verified third-party sourced information and data. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. These projections, market outlooks or estimates are subject to change without notice. This material is being provided for informational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice. Past performance is not a guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product or any non-investment related content, made reference to directly or indirectly in these materials will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from VCA. Alternative investments are designed only for sophisticated investors who are able to bear the risk of the loss of their entire investment. Investing in alternative investments should be viewed as illiquid and generally not readily marketable or transferable. Investors should be prepared to bear the financial risks of investing in an alternative investment for an indefinite period of time. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. All indexes are unmanaged, and you cannot invest directly in an index. Index returns do not include fees or expenses. Sector Watch Use of this website is intended for U.S. residents only. Any recommendation, opinion or advice regarding securities or markets contained in such material does not reflect the views of Verdenca Capital, and Verdenca Capital does not verify any information included in such material. Verdenca Capital assumes no responsibility for any fact, recommendation, opinion, or advice contained in any such research material and expressly disclaims any responsibility for any decisions or for the suitability of any security or transaction based on it. Any decisions you may make to buy, sell, or hold a security based on this research will be entirely your own and not in any way deemed to be endorsed or influenced by or attributed to Verdenca Capital. It is understood that, without exception, any order based on such research that is placed for execution is and will be treated as an UNRECOMMENDED AND UNSOLICITED ORDER. Further, Verdenca Capital assumes no responsibility for the accuracy, completeness, or timeliness of any such research or for updating such research, which is subject to change without notice at any time. Verdenca Capital does not provide tax, or legal advice. Under no circumstance is the information contained within this research to be used or considered as an offer to sell or a solicitation of an offer to buy any particular investment/security. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions, regardless of the length of time shares are held. Data is provided for information purposes only and is not intended for trading purposes. Verdenca Capital shall not be liable for any errors or delay in the content, or for any action taken in reliance on any content.