

The search for solid earnings in a shaky world

Bottom line up top

Ceasefire relief meets macro risks. While last week's news of a ceasefire in the Iran conflict provided a welcome reprieve for risk assets, the outlook for equities is still colored by questions about the durability — or fragility — of the agreement, how long the energy shock may linger, accelerating AI disruption and a shifting interest rate outlook. The S&P 500 Index climbed through most of the week, favoring recent market laggards. Technology (notably semiconductors) and consumer-facing sectors (including airlines and autos) bounced off lows, while the energy sector trailed after soaring more than +38% in the first quarter.

Developments in the Middle East are likely to remain the primary driver of market volatility. Although oil prices are expected to normalize toward the \$70-\$80 per barrel range as conflict premiums fade, the math of the disruption is stark: every \$10 increase in oil adds roughly +0.4% to headline inflation and shaves -0.1% off economic growth. The defining variable is the duration of the energy price shock.

Mixed macro measures. From the market's perspective, the latest batch of economic releases proved secondary to geopolitical headlines, despite the relevance to U.S. Federal Reserve policy. On inflation, the good news is that the Consumer Price Index and Personal Consumption Expenditures (PCE) Price Index readings were generally in line with expectations. The bad news is those expectations were for significantly hotter inflation — especially in the case of headline CPI, which came in at 3.3% year over year, up from February's 2.4%. The culprit: gasoline prices, which surged +21.2% in March — the biggest one-month increase on record. Adding to consumer anxiety is that CPI is rising as wage growth is cooling (Figure 1).

Meanwhile, the final estimate of Q4 2025 GDP growth disappointed at +0.5%, revised down from an already weak +0.7% and below the +1.4% consensus. While backward-looking, it confirms the economy entered 2026 on tentative ground. Early signs suggest Q1 2026 GDP may be slightly stronger, with the Atlanta Fed's GDPNow running estimate model tracking at +1.3%.

Parsing the hawkish shift on rates. Fixed income markets have aggressively pushed rate cut expectations later into 2026 and potentially beyond. Minutes

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*On behalf of
Nuveen's Global
Investment Committee*

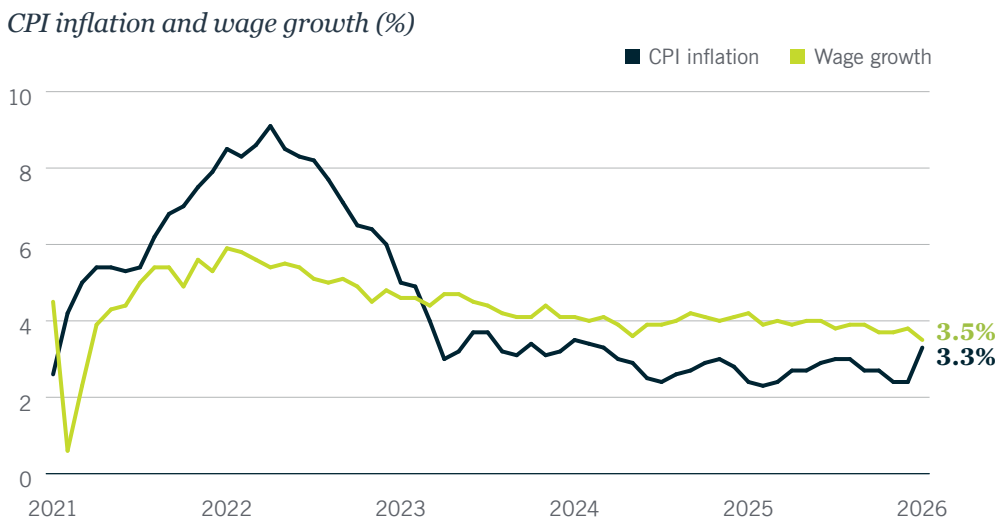
As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

from the Fed’s March meeting, released last week, reveal that some members are open to the possibility of hiking rather than cutting rates if the inflationary impact of energy prices warrants such a move. That said, the minutes also stressed that it is “too early to know how developments in the Middle East would affect the U.S. economy,” with officials emphasizing the need to remain “nimble” and “assess the implications for the appropriate stance of monetary policy.” We still anticipate one, perhaps two, rate cuts beginning in late 2026, while recognizing that reignited inflation could delay these moves until 2027.

In this fragmented environment, it’s become clear that investors can’t rely on a single macroeconomic or geopolitical catalyst to spark a sustained equity rally. Instead, a focus on company fundamentals and execution — starting with the kickoff of first-quarter earnings season — will be needed to drive gains from here.

Figure 1

Inflation spikes on energy prices while wage growth cools



Data source: Nuveen, Bloomberg, L.P., 10 Apr 2026. **Representative indexes:** CPI inflation: U.S. CPI Urban Consumers YoY NSA; Wage growth: U.S. Average Hourly Earnings All Employees Total Private Yearly Percent Change SA.

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In this fragmented environment, investors should focus on company fundamentals and execution.”

Portfolio considerations

Earnings outlook: broadening growth, key risks and what lies ahead

As Q1 2026 corporate earnings season for the S&P 500 gets underway, expectations are high. Analysts project year-over-year earnings per share (EPS) growth of +13.2%, according to FactSet. This would mark the sixth consecutive quarter of double-digit EPS growth for the index. Nine of 11 sectors are expected to report positive earnings (Figure 2), led by information technology (+45.1%), materials (+23.9%) and financials (+15.1%). Forecasted revenue growth of +9.7% would be the strongest result since Q3 2022, and the estimated net profit margin of +13.2% exceeds the five-year average of +12.2%.

Per Bloomberg, the consensus outlook for the mega cap Magnificent 7 calls for combined EPS growth of approximately +37%, compared to +14% for the rest of

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the S&P 500. Given upward EPS revisions in the energy sector due to the recent surge in oil and gas prices, the earnings growth outlook for the “S&P 493” should become more attractive toward year-end and into 2027. For calendar year 2026, analysts anticipate S&P 500 earnings growth of +17.4%.

The broadening of the favorable earnings narrative to encompass other parts of the market is a key theme. For example, consensus estimates suggest small cap earnings growth will stay healthy throughout 2026 and into 2027, although financial conditions, and particularly the risk of higher interest rates, remain the primary challenge facing these companies.

The tone of guidance from management may have an equal or even greater impact than the reported data. So far, 59 companies have already issued upbeat forward-looking views on EPS growth — the most at this point of the reporting cycle in nearly five years. And U.S. equity valuations now offer a more balanced starting point, as the price/earnings (P/E) ratio of the S&P 500 stands at 19.8x forward earnings, just below the five-year average of 19.9x.

Outside the U.S., earnings growth for emerging markets is expected to outpace developed markets, although energy supply concerns in Asia, a region highly dependent on shipments via the Strait of Hormuz, are a potential headwind.

More broadly, while investors in U.S. stocks may be eager to set their sights on company fundamentals instead of geopolitics, if the Iran conflict drags on, it would likely create challenges to the current U.S. earnings growth outlook.

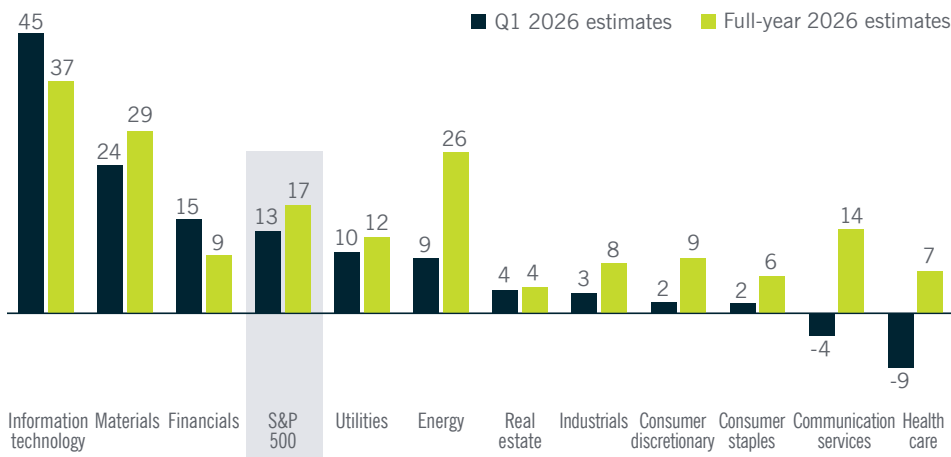
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Expectations going into earnings season are high, with forecasts of broadly positive results across market caps and sectors.

Figure 2

The earnings outlook suggests broadening growth

Q1 2026 and full-year 2026 earnings-per-share estimates (%)



Data source: Nuveen, Bloomberg, L.P., 02 Apr 2026. Performance data shown represents past performance and does not predict or guarantee future results.

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Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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