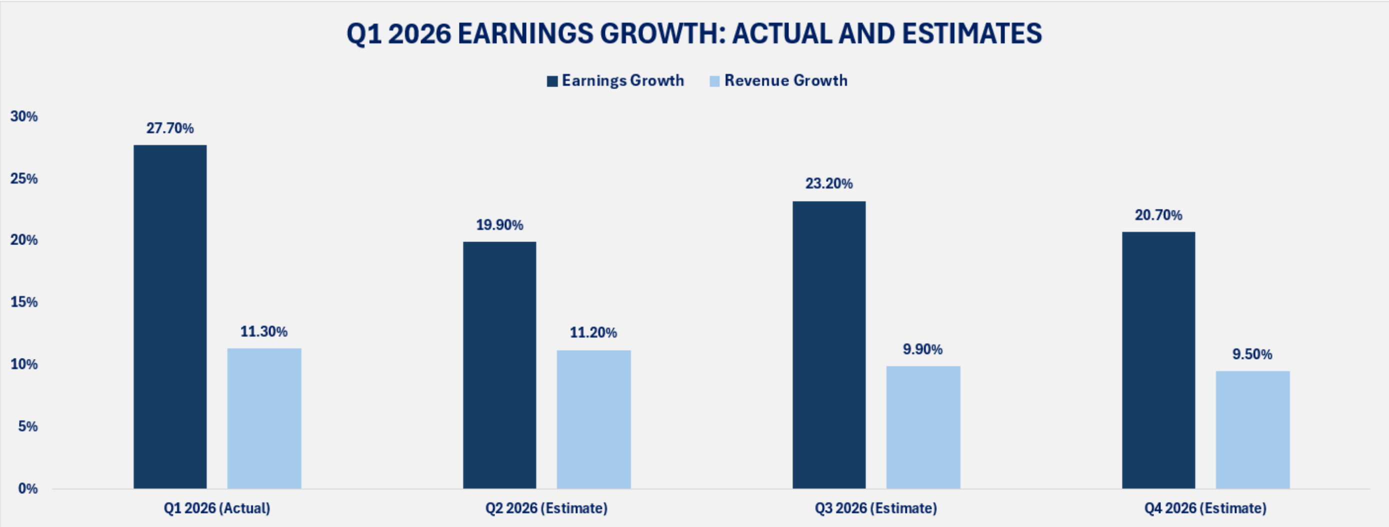
12TH MAY 2026

# US EQUITIES: THE OPPORTUNITY IN FOCUS

The S&P 500 closed at a fresh all-time high of 7,412 on 11th May 2026. The bull market is now in its fourth consecutive year. What makes this moment distinct from prior rallies is that it is being driven not by multiple expansion or sentiment alone, but by the strongest corporate earnings season in over four years.

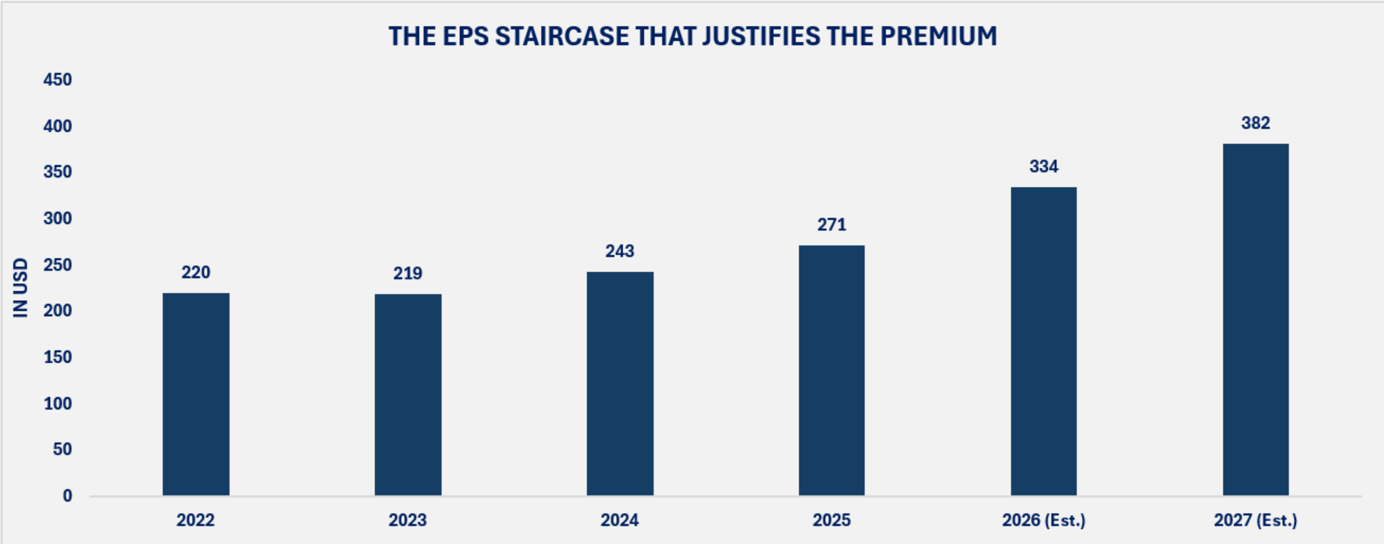
With 89% of S&P 500 companies having reported earnings, the Q1 2026 earnings season has delivered results that are exceptional by any historical standard. 84% of companies have beaten EPS estimates above the 5-year average of 78% and the highest beat rate since Q2 2021. The magnitude of those beats is equally striking as companies are reporting earnings 18.2% above expectations on average, compared to a 5-year average of just 7.3%, marking the highest surprise percentage since Q1 2021. On the revenue side, 80% of companies have beaten estimates, well above the 5-year average of 70%. The blended earnings growth rate for Q1 2026 stands at 27.7% which is the highest since Q4 2021 and the sixth consecutive quarter of double-digit earnings growth. Revenue growth of 11.3% is the highest since Q2 2022.




*Source: FactSet Earnings Insights*

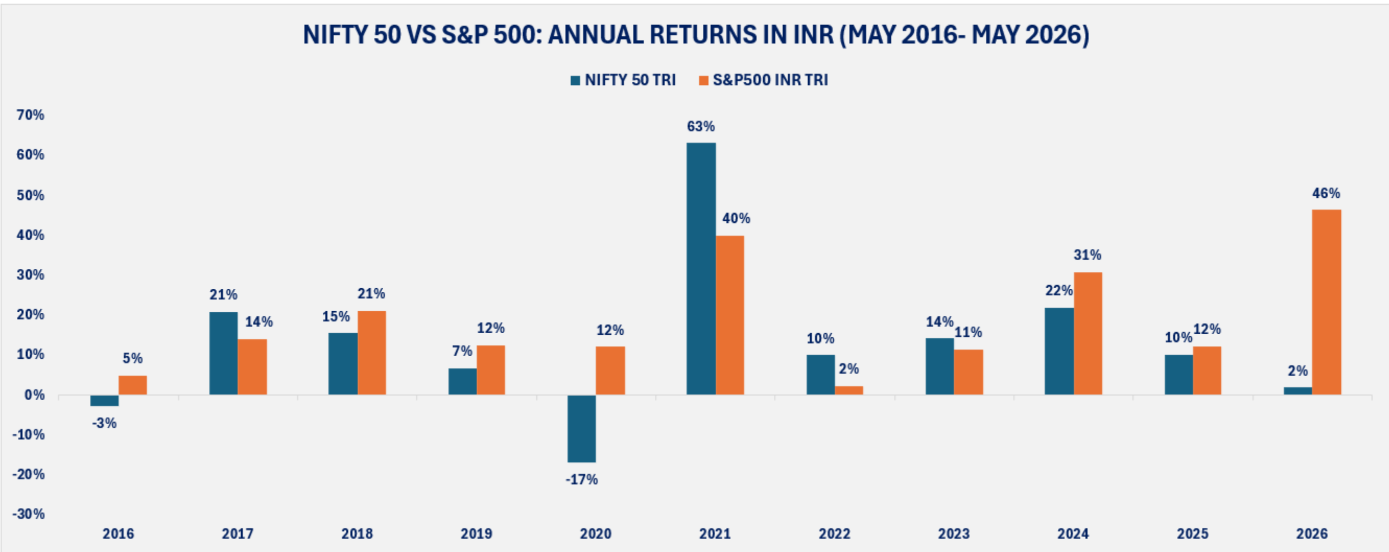
The chart above shows that earnings momentum built in Q1 is not expected to fade. Analysts have revised Q2 estimates upward by 3.2% since March 31; an unusual move in a quarter where estimates are typically cut, not raised. Only 49% of companies issuing Q2 guidance have issued negative guidance, well below the 5-year average of 58%. The earnings cycle, by every forward looking signal available, remains intact.

The blended net profit margin for the S&P 500 in Q1 2026 is 14.7%; above the prior quarter's 13.2%, above the year ago and above the 5-year average of 12.3%. This is the highest net profit margin recorded since 2009. Corporate America is not just growing but is also becoming structurally more profitable. Valuation remains above historical norms. The forward 12-month P/E for the S&P 500 stands at 21.0x, above the 5-year average of 19.9x and the 10-year average of 18.9x. Since March 31, the index price has risen 13.4% while forward EPS estimates have risen only 5.4%, meaning a meaningful portion of recent price appreciation has been multiple expansion, not earnings growth alone. Crucially, forward guidance from companies is more positive than usual. Only 49% of companies issuing Q2 guidance have issued negative guidance, well below the 5-year average of 58% and 10 year average of 60%. The Q2 bottom up EPS estimate has been revised upward by 3.2% since March 31, in a typical quarter, estimates are cut during the quarter, not raised. This is a meaningful positive signal for the earnings outlook ahead. Analyst consensus across 12,925 ratings on S&P 500 stocks currently shows 58.8% Buy, 36.1% Hold and only 5.2% Sell. The bottom-up target price for the S&P 500 stands at 8,521 implying 16.1% upside from current levels.




*Source: FactSet Earnings Insights*

The EPS trajectory tells the cleaner story. After two flat years in 2022 and 2023, earnings have accelerated sharply and consensus estimates project that acceleration continuing into 2027. At $334.61 for CY 2026 and $382.29 for CY 2027, the earnings base underpinning current index levels is not speculative. It is analyst consensus, revised upward, in the strongest earnings season in over four years.




*Source: Investing.com & NSE Indices*

The chart above captures a decade of annual returns across both indices from May 2015 to May 2026 and the compounding effect tells a story that annual bars alone cannot fully convey. Over this ten-year period, the Nifty 50 has delivered a CAGR of **12.9%** while the S&P 500, measured in INR terms, has compounded at **20.1%** annually translating into a difference of **7.2 percentage points per year** that, over a decade, translates into a dramatically larger ending corpus for the Indian investor who chose to diversify globally. The INR return of the S&P 500 already accounts for currency movement, meaning the rupee's gradual depreciation against the dollar has been a return enhancer, not a risk. For Indian investors who remained exclusively domestic over this period, the opportunity cost has been substantial and measurable.

The Fed held rates at 3.5%-3.75% for a third consecutive meeting in April 2026, in an unusually divided 8-4 vote; the most dissents since October 1992. Markets are now pricing in no rate changes for the rest of 2026 and into 2027. Kevin Warsh takes over as Fed Chair on May 15, with the first FOMC meeting under new leadership on June 16–17. On domestic India portfolios, Fed easing has historically been the trigger that rotates FII capital back into Indian equities. With no cuts priced for the foreseeable future, FII inflows into India are likely to remain subdued. Investors should factor a muted FII environment into near-term expectations for Indian equity performance.

We recommend that investors already holding US equity positions stay the course. The earnings backdrop and forward outlook are well anchored by fundamentals and there is no material reason to reduce exposure at this stage. For investors yet to establish a US equity allocation, we recommend beginning with tactical and calibrated allocations rather than deploying capital aggressively at a single point in time. This allows investors to navigate any near-term volatility in valuations while still participating in the structural opportunity.

Website: www.privus.in | Email: research@privus.in | Landline: +91 22 4896 5600