CLAYTON
WEALTH PARTNERS

AUGUST 2026

# MONTHLY MARKET PERSPECTIVE

## It's the Earnings, Stupid

*By James M. Walden, CFA*

Conflict with Iran. The largest global oil supply shock and volatile energy prices. Inflation still above the Fed's target. Long-term interest rates rising steadily throughout the year.

Yet the S&P 500 is at an all-time high. How?

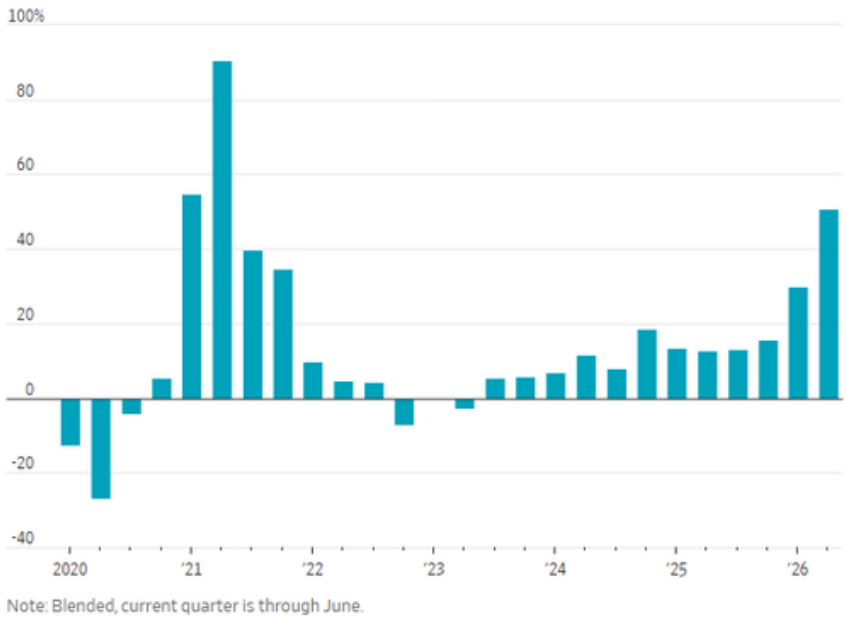
As James Carville might respond, "It's the earnings, stupid."

By now, most S&P 500 companies have reported second-quarter results. Recent data from FactSet show a blended (which combines results for companies that have already reported and estimates for companies that haven't yet) annual earnings growth rate of about 50%. Alphabet and Amazon.com drove a significant share of that increase from substantial gains on investments that weren't part of their core operations. Excluding those two companies, the S&P 500's year-over-year profit growth was still about 30%. Either way, second-quarter numbers have contributed to the strongest multi-quarter stretch since the Covid recovery. See Exhibit.

### DASHBOARD

- Business Cycle
- Valuation
- Trend

### Exhibit: S&P 500 Quarterly Earnings Growth




*Source: FactSet, Wall Street Journal, Clayton Wealth Partners.*

What stands out most to us is how broad-based earnings growth was. Of the S&P 500's eleven major industry groups, 10 churned out higher profit. Only health care was down, largely because of one company—Gilead--and its $11.2 billion in charges related to a series of acquisitions.

We also think it's noteworthy that the S&P 500's blended revenue growth rate was about 15% in the quarter, which is high-quality driver of profit growth that signals healthy underlying trends. Here, too, contribution was broad-based—all 11 sectors enjoyed annual top line growth.

Of course, things won't stay this strong forever. Earnings growth will decline over time, and the S&P 500's exceptional 10% gain in the first half of 2026 likely anticipated much of the strength in fundamentals. Still, for now, this provides further evidence of the healthy participation beyond just the Magnificent 7 large tech stocks that we discussed last month.

## Bullish

- Consumer spending remains resilient
- Corporate profits are increasing
- Yields for fixed income and cash remain attractive
- Credit spreads remain contained
- Consumer and corporate balance sheets generally remain healthy

## Bearish

- Even when hostilities in the Middle East stop for good, it's likely that oil prices will remain higher than their pre-war baseline for the foreseeable future.
- Housing affordability remains at decades-low
- China is experiencing a growth recession and deflation fears
- Federal debt and deficits have ballooned

**JAMES WALDEN, CFA**
***Partner and Chief Investment Officer***

As Partner and Chief Investment Officer, James Walden strives to maximize our clients' long-term, risk-adjusted portfolio returns. This includes determining strategic and tactical asset allocations, as well as specific investment analysis and prudent rebalancing. Jim is also a partner and management team member. His expertise includes advanced investment research and valuation, and he is passionate about his role in helping clients reach and exceed their financial goals.

CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

© 2026 Clayton Wealth Partners. All Rights Reserved.

CLAYTON
WEALTH PARTNERS

716 S. Kansas Ave.
Topeka, KS 66603

832 Pennsylvania St., Suite 1005
Lawrence, KS 66044

**785-232-3266 | claytonwealthpartners.com**