

Level Set - Short-Term and Long-Term

Driven by Energy, Technology, and Materials, 2026 earnings expectations are now 3.4% higher than they were on January 1st. We suspect strong fundamentals might calm some nerves in the next couple of weeks, as while full-year estimates are higher now than at the beginning of the year, the Q1 estimates, outside of Technology, are lower today than at the beginning of the year.

Bottom-Up Consensus EPS Estimates April 10th vs. January 1st, 2026

Sector	Change in EPS
Energy	21.3%
Info Tech	11.4%
Materials	3.4%
S&P 500	3.4%
Communication Services	0.5%
Utilities	(0.2%)
Financials	(0.6%)
Consumer Staples	(1.1%)
Industrials	(1.3%)
Real Estate	(1.3%)
Consumer Discretionary	(1.6%)
Health Care	(3.9%)

Source: Trivariate Research, LP

At some point, the level of growth for the overall market will be high enough that even some disappointment vs. expectations will eventually not be a problem. In fact, there is ample precedent that January optimism from the consensus on year-ahead earnings can disappoint, and the market can still appreciate. The challenge in the current environment has been that the penalty for missing earnings estimates has been quite harsh. The market has been penalizing companies that are missing earnings far more than it has been rewarding those that beat estimates. Last week, we highlighted that valuation mattered -in that CHEAP stocks that missed estimates were being punished MORE than expensive stocks that missed estimates. **A client asked us this week whether prior price action mattered, under a thesis that if a stock is down a lot into a print, and is cheap, and misses, that offers a higher margin of safety than cheap stocks that aren't down meaningfully prior to reporting their results. We studied this, and the answer is NO.** Below, we show stocks in the bottom quintile of price momentum (i.e., the 20% worst performing stocks) that miss estimates. While those that are expensive and cheap both underperform meaningfully today, the cheap stocks perform WORSE than the expensive ones, among those down a lot into their earnings reports, with only 2019 being worse for this cohort. We suspect that this relationship will moderate later this year, with the penalties being less harsh, but we don't have any evidence of this recently.

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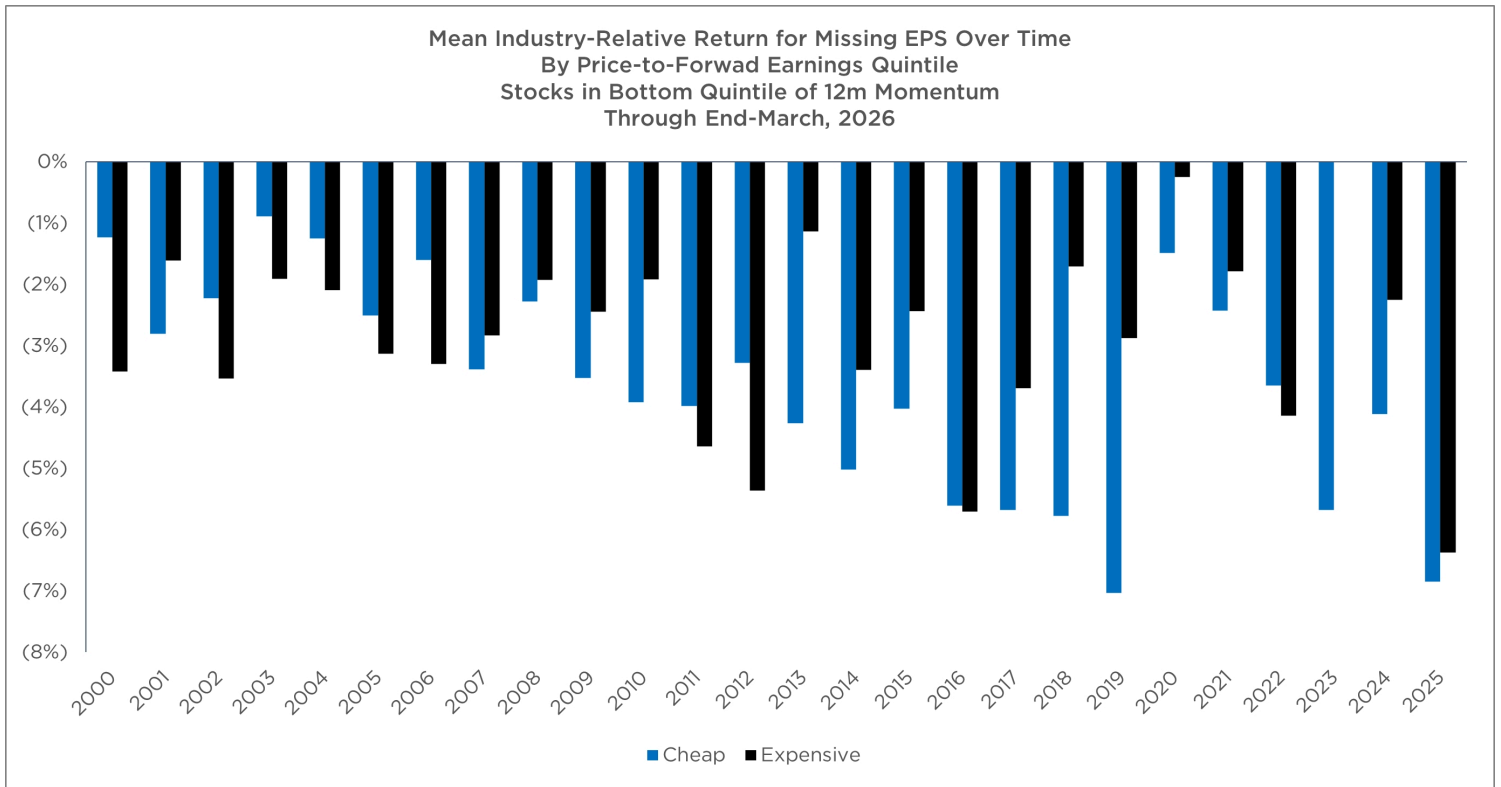
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Source: Trivariate Research, LP

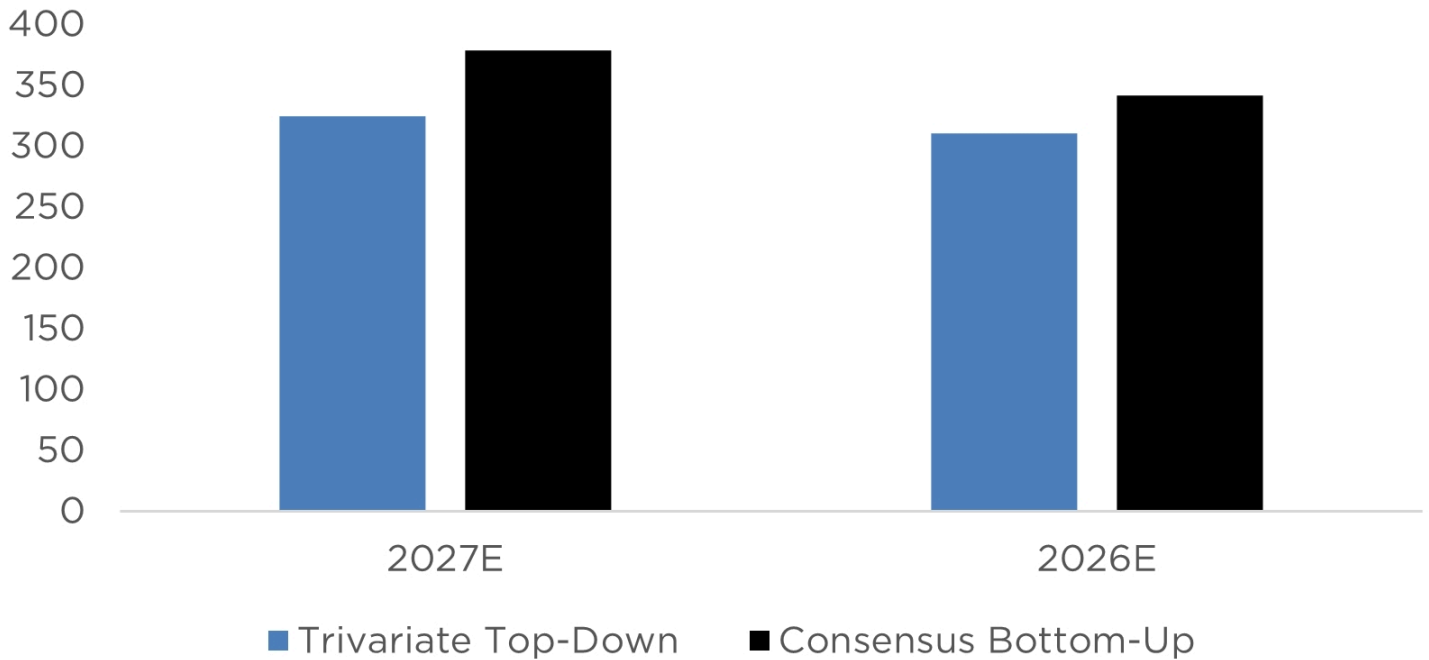
While full-year consensus estimates for 2026 are higher, the bar has been set relatively low for this coming April earnings season, and we made it through the first two weeks of trading in April with no noteworthy negative pre-releases. The bottom-up consensus EPS estimates today vs. January 1st are lower in every sector except Technology, where the strong results from MU and NVDA, among other companies drove higher than expected earnings. Financials estimates are unchanged. While there is clearly uncertainty about the sustainability of higher oil prices and the impact this has on the consumer, we think the near-term fundamentals might exceed the lowered bar for most companies starting with earnings results tomorrow. Importantly, while the penalty for missing has been harsh, more companies have been beating estimates than missing, so the old but silly sounding mantra - **don't own stuff that misses** - continues to matter.

Q1 2026 Bottom-Up Consensus EPS Estimates, April 10th 2026 vs. January 1st, 2026												
Q1 Estimate	Health Care	Cons. Staples	Materials	Cons. Disc.	Industrials	Utilities	Energy	S&P 500	Real Estate	Comm. Svs.	Financials	Tech.
April 10th	7.61	3.33	1.28	4.75	4.84	2.25	2.86	70.94	1.74	7.35	13.54	21.38
January 1st	9.02	3.52	1.35	4.98	5.00	2.29	2.89	71.64	1.76	7.38	13.54	19.90
Difference	(15.7%)	(5.4%)	(4.9%)	(4.7%)	(3.3%)	(1.6%)	(1.0%)	(1.0%)	(0.9%)	(0.5%)	0.0%	7.4%

Source: Trivariate Research, LP

The current bottom-up EPS expectations for 2026 are for 17.9% growth to \$324 in earnings, and the initial bottom-up EPS expectations, now fully available, are for 16.7% more growth on top of that, to \$378 in earnings in 2027. We have our doubts that this type of growth can be achieved. We think 13% growth in 2026 (higher than our earlier projections of 10-12% growth) and 10% growth for 2027 are reasonable starting points. That leaves us with \$311 and \$342 in 2026 and 2027 top-down expectations (see below).

2026 and 2027 Estimated EPS
Trivariate Top-Down vs. Consensus Bottom-Up
As of April 12th, 2026



Source: Trivariate Research, LP

We varied the earnings assumptions for 2026 and 2027 in the grid below, to show a range of outcomes for 2027 earnings.

Range of 2027 Earnings Outcomes Varying Assumptions							
2027 Growth	YoY Growth	2026 Growth					
		7%	10%	13%	16%	18%	20%
	5%	308.83	317.49	326.15	334.8	340.58	346.35
	8%	317.65	326.56	335.46	344.37	350.31	356.24
	10%	323.53	332.6	341.68	350.75	356.79	362.84
	13%	332.36	341.68	350.99	360.31	366.52	372.74
	17%	344.12	353.77	363.42	373.07	379.5	385.93
	20%	352.95	362.84	372.74	382.63	389.23	395.83

Note: Blue is Trivariate Top-Down Assumptions and Black is Consensus Bottom-Up

Source: Trivariate Research, LP

Taking a range of 2027 earnings, we then multiplied by a range of price-to-forward earnings multiples to get a range for the S&P500 for 2027. In blue is the Trivariate 2027 earnings assumption multiplied by a range of price-to-forward earnings assumptions. 20x our 2027 top-down EPS assumption yields a market at \$6840, or essentially “at” the current price of \$6820. 21x the bottom-up consensus expectations, the column in black, yields \$7938. In our year-ahead outlook, we wrote that the probability of multiple contraction was higher than the probability of multiple expansion. Our conclusion was that the market was more likely to have modest appreciation this year, than the double-digit years we have seen from 2023 through 2025. Looking at the range of outcomes on earnings and multiples that is still our view, though we can’t help but notice the huge buying power that surfaces around positive Hormuz news. For now, looking at the below assumptions, we think upside is likely by year-end, even if the second half of the year estimates prove to be too high.

S&P 500 Price Target Based on EPS and Multiple Assumptions

P r i c e - t a r g e t	Multiples	2027 Expected Earnings					
		\$320	\$330	\$342	\$360	\$378	\$390
17x	5440	5610	5814	6120	6426	6630	
18x	5760	5940	6156	6480	6804	7020	
19x	6080	6270	6498	6840	7182	7410	
20x	6400	6600	6840	7200	7560	7800	
21x	6720	6930	7182	7560	7938	8190	
22x	7040	7260	7524	7920	8316	8580	
23x	7360	7590	7866	8280	8694	8970	
24x	7680	7920	8208	8640	9072	9360	

Source: Trivariate Research, LP

CONCLUSION

Many investors said to us this past week that the market doesn't seem like it is trading on fundamentals. Instead, it appears to be trading largely on Hormuz-related news in the short-term, and otherwise hard-to-prove speculation about AI's impact. Our view is that perhaps the market **IS** trading on fundamentals, i.e. a distribution of earnings outcomes in 2030, not 2026. We don't think that logic is flawed, even if hard to prove. Perhaps Software is down because its 2030 sales outcomes are skewed to the downside. Perhaps Industrials are expensive because many over-indexed toward end-markets that will likely grow above global GDP for the rest of the decade. Perhaps Healthcare is down because government spending will eventually be arrested. **Our judgment on these three issues is: Underweight Software, Market-Weight Industrials, Overweight Healthcare.** We think the market is right that many Software companies will miss earnings and sales assumptions by 2030. We think Industrials are incredibly diversified, but several will grow above trend, and into their valuation. We think Healthcare is unlikely to be as impaired as what is in the price, with both political parties unwilling or incapable of solving the issue. Hence, Healthcare Services, Drug Distribution, Healthcare Technology, and Managed Care, among others, will outperform meaningfully by the end of the decade.

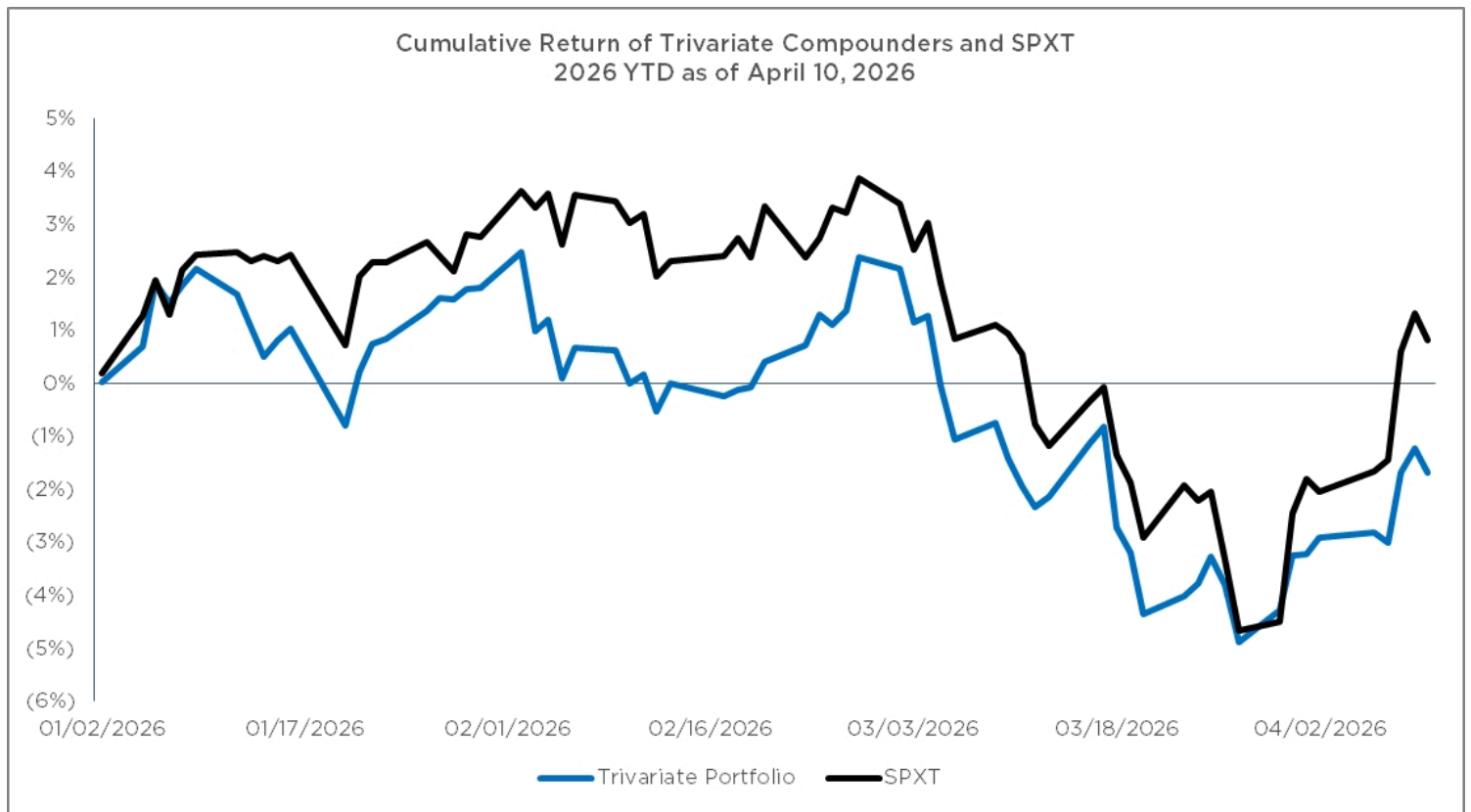
Non-Technology Compounders

We launched a new ideas basket this year, which is 20 Non-Technology Compounders. Ideas below.

Trivariate Compounders Portfolio
As of April 10th, 2026

Ticker	Company Name	Industry	Market Cap.	Beta	CSR
AMZN	Amazon.com, Inc.	Broadline Retail	2563.6	1.41	47%
BRK.B	Berkshire Hathaway Inc.	Financial Services	1035.2	0.30	67%
V	Visa Inc.	Financial Services	580.1	0.68	68%
PM	Philip Morris International Inc.	Tobacco	250.1	0.08	82%
LIN	Linde plc	Chemicals	233.2	0.33	77%
TMUS	T-Mobile US, Inc.	Wireless Telecommunication Services	215.6	-0.16	75%
NEE	NextEra Energy, Inc.	Electric Utilities	196.2	0.32	76%
TMO	Thermo Fisher Scientific Inc.	Life Sciences Tools & Services	184.4	0.89	69%
GILD	Gilead Sciences, Inc.	Biotechnology	172.5	0.49	84%
SCHW	The Charles Schwab Corporation	Capital Markets	164.8	0.79	65%
WELL	Welltower Inc.	Health Care REITs	144.8	0.32	74%
UBER	Uber Technologies, Inc.	Ground Transportation	143.6	1.04	73%
BKNG	Booking Holdings Inc.	Hotels, Restaurants & Leisure	137.4	1.09	61%
SYK	Stryker Corporation	Health Care Equipment & Supplies	129.8	0.57	65%
MCK	McKesson Corporation	Health Care Providers & Services	106.0	0.17	79%
WM	Waste Management, Inc.	Commercial Services & Supplies	92.4	0.04	76%
WMB	The Williams Companies, Inc.	Oil, Gas & Consumable Fuels	89.0	0.26	80%
CTVA	Corteva, Inc.	Chemicals	56.3	0.41	64%
VMC	Vulcan Materials Company	Construction Materials	38.5	0.81	63%
CPNG	Coupang, Inc.	Broadline Retail	36.1	1.33	69%
KMB	Kimberly-Clark Corporation	Household Products	32.3	0.08	67%
XYL	Xylem Inc.	Machinery	31.3	0.91	56%
DGX	Quest Diagnostics Incorporated	Health Care Providers & Services	21.2	0.11	76%
LZ	LegalZoom.com, Inc.	Professional Services	1.0	1.01	65%

The portfolio has returned -1.69% YTD, vs. its comparable index of 0.83%.



Important Disclosures

Analyst Certification

The analysts, Adam Parker, Maxwell Arnold, Colin Cooney, Chang Ge, Jesse Goodman and Ryan McGovern, responsible for the preparation of this research report certifies that: all the views expressed in this research report accurately reflect the research analyst's personal views.

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