

Level Set: Earnings and Momentum

While it is always challenging to ingest the myriad of data points that come during earnings season, we have found this month's data points to be particularly confusing. There are some positives and some negatives, and hence, we wanted to take a step back and use this week's Level Set to evaluate the trends so far. Part of our confusion comes from the fact that in aggregate, the best performing sectors so far this year have had the worst earnings revisions! We show the ratio of up-to-down earnings revisions divided by the total revisions as a proxy for whether the majority of analysts are getting more or less optimistic about future earnings estimates. We count those for each stock in each sector and tally them up. So far during this earnings season, Energy and Materials have been the best two performing sectors, but have had the worst earnings revisions to the forward year estimates of any sectors in the market. On the other side of the ledger, Technology estimates have had the biggest increase in analyst optimism, but have performed poorly in aggregate (see below).

S&P500 Earnings Revisions Up-to-Down Divided by Total Revisions For 2027 Estimates By Sector, As of January 29th, 2026

Sector	1-month	2-week	1-week	MTD Performance
Energy	(38.7%)	(35.7%)	(19.7%)	14.4%
Materials	(13.0%)	(15.4%)	(16.8%)	8.6%
Consumer Staples	0.5%	(6.6%)	(2.9%)	7.5%
Industrials	(3.1%)	(1.7%)	(3.6%)	6.6%
Communication Service	(14.3%)	(10.2%)	(1.0%)	5.7%
Real Estate	(20.8%)	(9.9%)	19.4%	2.7%
Consumer Discretionary	1.2%	(5.4%)	(7.0%)	1.7%
S&P 500	1.6%	3.3%	6.0%	1.4%
Utilities	1.6%	3.3%	13.5%	1.3%
Health Care	4.0%	2.5%	2.4%	(0.2%)
Information Technology	25.6%	31.1%	41.5%	(1.7%)
Financials	10.0%	18.0%	13.2%	(2.6%)

Source: Trivariate Research, LP

To drive home this point, we show a scatter plot below of the 2027 (fiscal out year) up-to-down earnings revisions and year-to-date performance. There is a strong and negative relationship - something we DOUBT will continue for the rest of the year. Normally, an increase in out year estimates is associated with higher stock prices.

Adam Parker
Founder
646-734-7070
adam@trivariateresearch.com

Maxwell Arnold
Analyst
347-514-1234
maxwell@trivariateresearch.com

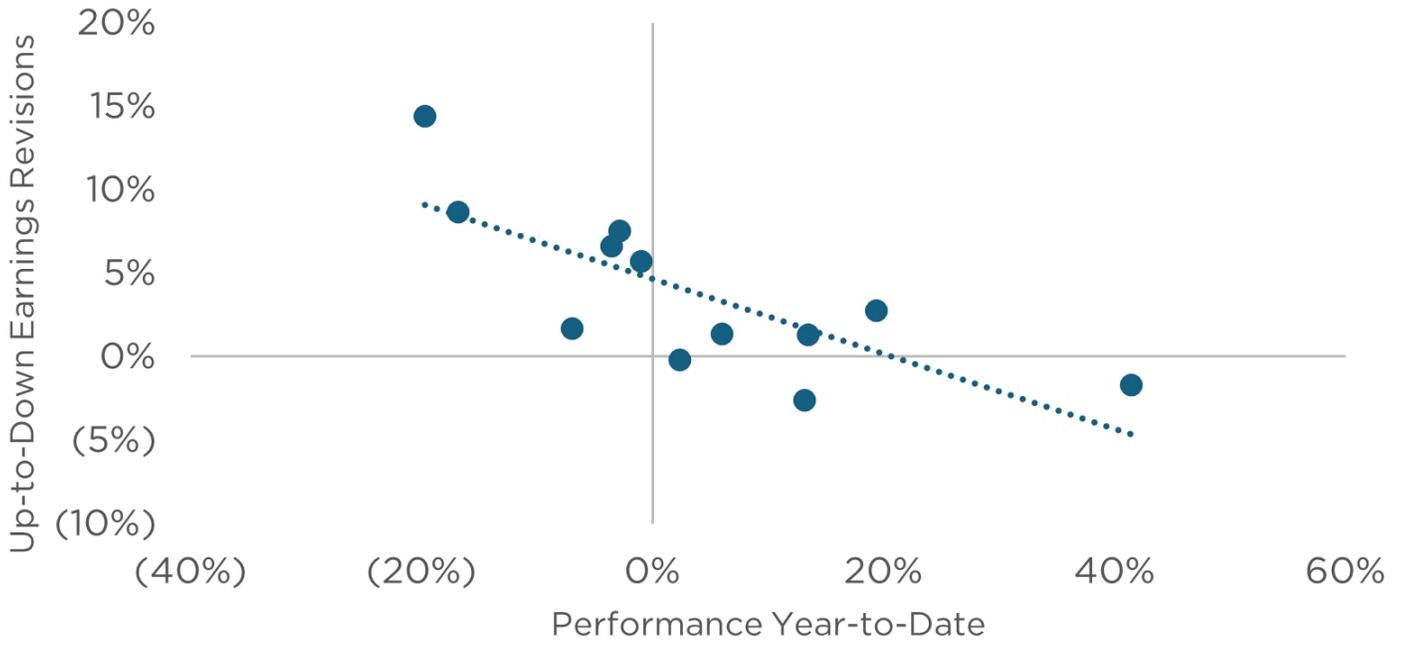
Chang Ge
Analyst
614-397-0038
chang@trivariateresearch.com

Jesse Goodman
Analyst
917-741-5744
jesse@trivariateresearch.com

Colin Cooney
Head of Sales
617-910-7934
colin@trivariateresearch.com

Ryan McGovern
Director of Research Sales
973-271-8017
ryan@trivariateresearch.com

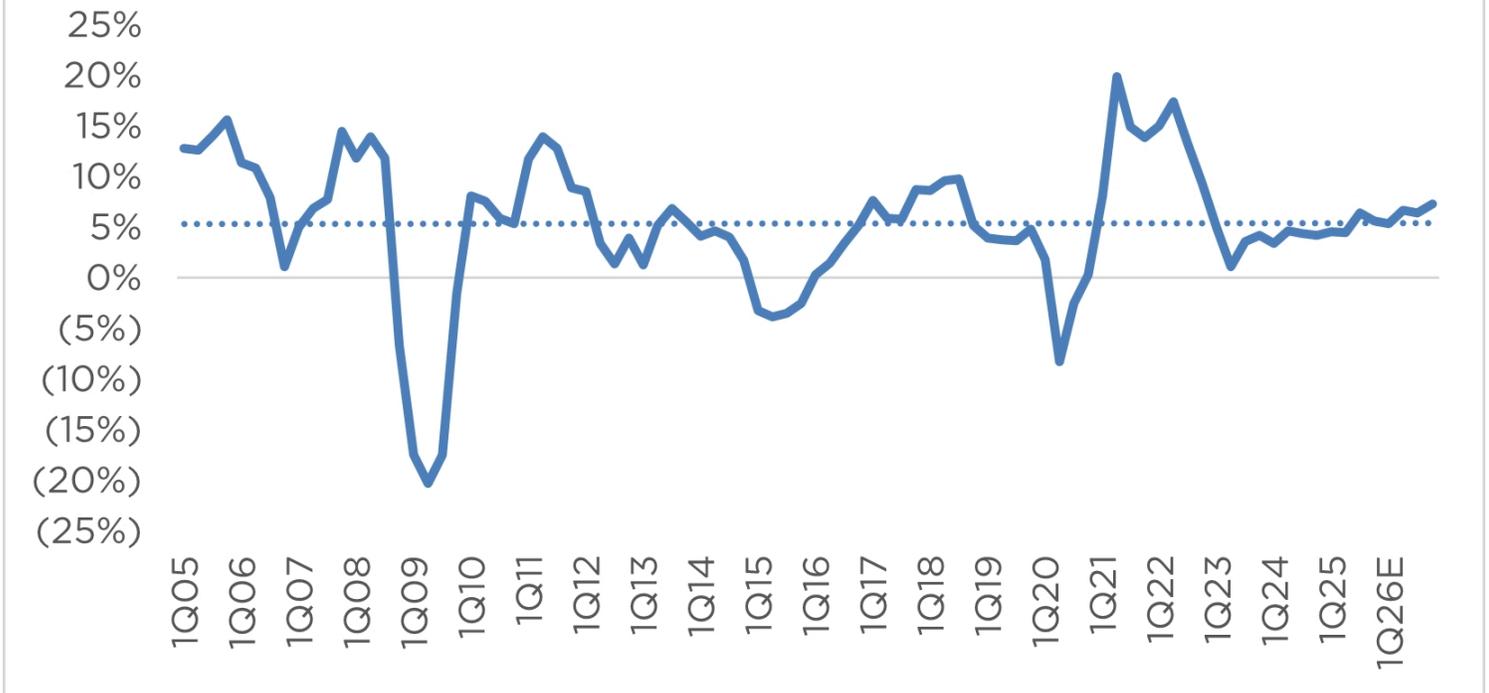
S&P500 Sectors Up-to-Down Earnings Revisions vs. MTD Performance Through End-January, 2026



Source: Trivariate Research, LP

Revenue expectations have remained solid, and the bottom-up consensus now sees above trend revenue per share growth for S&P500 companies excluding Financials.

S&P500 (Ex. Financials) Bottom-Up Consensus Revenue per Share Estimates As of End-January, 2026



Source: Trivariate Research, LP

At the sector level however, we are worried the expectations are becoming excessive in the second half of the year, particularly in Consumer Discretionary, Industrials, and Technology (see below).

2026 S&P500 Bottom-Up Consensus Revenue Per Share Estimates Through End-January, 2026											
Date	S&P ex-Financials	Consumer Discretionary	Consumer Staples	Energy	Health Care	Industrials	Info Tech	Materials	Comm. Services	Utilities	Real Estate
1Q26E	6.3%	5.6%	(1.4%)	(6.7%)	5.9%	7.0%	21.5%	4.2%	10.2%	7.4%	7.8%
2Q26E	6.8%	4.4%	5.3%	(3.5%)	4.5%	6.0%	20.2%	4.6%	9.4%	7.3%	7.4%
3Q26E	6.4%	5.3%	4.4%	(5.7%)	3.9%	6.2%	19.7%	(0.5%)	10.0%	9.7%	4.2%
4Q26E	7.3%	7.0%	3.7%	2.1%	4.7%	6.7%	16.5%	6.9%	9.6%	7.1%	6.5%

Source: Trivariate Research, LP

A big part of the Technology estimates (and the Comm. Services sector's estimates, given GOOGL and META are in that sector) depend on the Great 8 results. Given how big the Great 8 stocks are, we wanted to update our grid below that shows the T+1 performance of these massively important stocks. Half the Great 8 recently reported, with GOOGL reporting this Wed (February 4th), AMZN this Thursday (February 5th), NVDA reports February 25th, and AVGO on March 6th, but the other four stocks that have already reported have shown the same volatility that has surfaced over the last two years whenever these companies report. Only AAPL is relatively devoid of a massive one-day reaction to their prints. For instance, look at META. Up 9.7%, down 11.3%, and up 10.5% on their last three earnings prints. Check out AVGO. Down 12.8%, up 10.7%, and down 5.4% the last three points. Evidently, NVDA, down 0.4%, down 0.9%, and up 2.7% is the low volatility security. We continue to think that investors benchmarked against the S&P500 in a long only fund have to be close to benchmark these eight stocks, as their ability to trade in and out of these names and consistently be correct is dubious.

Great 8 Earnings Results - One Day Post-Results Performance Through January 30, 2025

Quarter	AMZN	MSFT	AAPL	GOOGL	NVDA	META	TSLA	AVGO
Q4 2025	N/A	(9.8%)	(0.9%)	N/A	N/A	9.7%	(3.3%)	(12.8%)
Q3 2025	6.0%	(3.0%)	0.2%	5.2%	(0.4%)	(11.3%)	1.4%	10.7%
Q2 2025	(6.7%)	4.1%	(3.2%)	0.4%	(0.9%)	10.5%	(8.1%)	(5.4%)
Q1 2025	3.0%	8.0%	(3.4%)	4.3%	2.7%	3.2%	10.2%	1.8%
Q4 2024	(3.0%)	(7.2%)	(1.4%)	(4.9%)	(5.1%)	1.9%	0.6%	22.7%
Q3 2024	2.7%	(5.9%)	(3.1%)	4.6%	(0.2%)	(4.3%)	19.5%	(11.1%)
Q2 2024	(10.2%)	(2.0%)	(1.0%)	(5.0%)	(8.3%)	7.5%	(10.6%)	14.9%
Q1 2024	(1.1%)	(0.7%)	8.3%	8.1%	8.8%	(11.0%)	14.1%	(3.1%)

Source: Trivariate Research, LP

We wrote last week ([Ten Ways To Look At The Software Sell-off](#)) that Software is the most battleground sector, and it wasn't just MSFT's down print this week. Of the 31 stocks in the S&P500 Level 2 Software & Services GIC, 26 are down so far this year, with only Akamai (AKAM) up double-digits. In fact, 19 Software & Services companies (out of the 31) were down more than 10% in January. APP, INTU, and NOW are down more than 20%.

As of End-January, 2026

Ticker	Name	Performance
AKAM	Akamai Technologies	11.4%
IBM	Intl. Business Machines	3.5%
FTNT	Fortinet Inc.	2.3%
EPAM	EPAM Systems	1.8%
VRSN	Verisign Inc.	0.5%
SNPS	Synopsys Inc.	(1.0%)
CTSH	Cognizant Tech. Solutions	(1.1%)
ACN	Accenture PLC	(1.2%)
PANW	Palo Alto Networks	(3.9%)
DDOG	Datadog Inc.	(4.9%)
CDNS	Cadence Design Systems	(5.2%)
CRWD	CrowdStrike Holdings	(5.8%)
PTC	PTC Inc.	(10.4%)
MSFT	Microsoft	(11.0%)
Index	S&P500 Sftw & Svcs Index	(11.9%)
GEN	Gen Digital Inc.	(11.8%)
FICO	Fair Isaac Corp.	(13.5%)
TRMB	Trimble Inc.	(13.7%)
ADSK	Autodesk Inc.	(14.6%)
ORCL	Oracle Corp.	(15.4%)
ADBE	Adobe Inc.	(16.2%)
ROP	Roper Technologies	(16.4%)
IT	Gartner Inc.	(16.9%)
PLTR	Palantir Technologies	(17.5%)
WDAY	Workday Inc.	(18.2%)
TYL	Tyler Technologies	(18.6%)
GDDY	GoDaddy Inc.	(19.0%)
CRM	Salesforce inc.	(19.9%)
NOW	ServiceNow Inc.	(23.6%)
INTU	Intuit Inc.	(24.5%)
APP	Applovin Corp.	(29.8%)

Source: Trivariate Research, LP

We are convinced that this much downside in Software likely means a year from now that many more companies in the sector will have lost money than analysts currently expect. In fact, in the prior 5 corrections of this size, the median company's Software net margins were negative - and that was not forecasted by the consensus (see below). We would remain cautious on Software.

T3000 Software Stocks
Median Forecasted Fundamental Metrics after Multiple Contraction and Realized Value 12 Months Later
As of January 27th, 2026

Trough Date	Distance From 6-Month Peak	Revenue Growth			Net Margin			Ev-to-Forecast Sales		
		Forecasted	Realized After 12m	Difference	Forecasted	Realized After 12m	Difference	Present	12-Month Later	Ratio
2001-05-31	(25.6%)	15.1%	3.6%	(11.4%)		(5.0%)		3.4x	2.3x	0.7x
2003-11-28	(15.6%)	11.5%	13.3%	1.8%		7.4%		2.9x	2.6x	0.9x
2004-12-31	(16.3%)	13.1%	14.5%	1.4%		8.8%		2.5x	2.4x	1.0x
2006-02-28	(15.3%)	12.8%	15.9%	3.1%	13.6%	7.9%	(5.7%)	2.4x	2.6x	1.1x
2014-07-31	(15.4%)	10.7%	11.8%	1.2%	11.6%	2.8%	(8.8%)	3.0x	3.7x	1.2x
2019-10-31	(15.4%)	21.0%	17.6%	(3.4%)	11.2%	(2.5%)	(13.7%)	5.4x	6.6x	1.2x
2021-05-28	(16.8%)	13.0%	23.2%	10.2%	9.9%	(11.4%)	(21.3%)	8.3x	5.6x	0.7x
2022-03-31	(18.0%)	18.8%	19.3%	0.5%	8.5%	(14.3%)	(22.8%)	6.2x	4.9x	0.8x
2026-01-27	(14.0%)	15.1%			18.8%			4.3x		

Source: Trivariate Research, LP

Despite the large rotation in some parts of the market, momentum seems to be working in other parts. An investor asked us this past week what is the “right” price momentum to look at, and with that in mind, we evaluated a range of prior price movements (from 1 to 12-month on the x-axis below) and subsequent performance (from 1 to 12-month on the y-axis below). The current “top of the mountain” is to use prior five-month price momentum to predict the next 12-month returns. This has changed some from when we last updated this analysis in 2023, and our judgment is that the post-COVID return profile is likely more relevant than using history much further back in time.

Annualized Mean Beta-Adjusted Return of Q1 vs. Q5 Spread by Momentum Lookback (Columns) and Forward Holding Period (Rows)
2020 to End-December, 2025

Forward Performance	Trailing Momentum											
	1m	2m	3m	4m	5m	6m	7m	8m	9m	10m	11m	12m
1m Fwd	0.3%	0.4%	0.5%	0.7%	1.0%	0.7%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%
2m Fwd	0.6%	1.0%	1.3%	1.7%	1.8%	1.4%	1.3%	1.3%	1.4%	1.2%	1.0%	1.1%
3m Fwd	1.1%	1.7%	2.2%	2.4%	2.5%	2.0%	2.1%	2.1%	1.8%	1.7%	1.6%	1.6%
4m Fwd	1.4%	2.3%	2.5%	2.8%	2.9%	2.5%	2.6%	2.3%	2.1%	2.1%	2.0%	1.8%
5m Fwd	1.9%	2.4%	2.9%	3.0%	3.2%	2.8%	2.9%	2.5%	2.5%	2.5%	2.2%	2.2%
6m Fwd	1.8%	2.6%	3.0%	3.4%	3.7%	3.1%	3.3%	3.2%	3.1%	2.8%	2.6%	2.7%
7m Fwd	2.4%	2.9%	3.7%	4.1%	4.2%	3.7%	4.0%	3.9%	3.7%	3.4%	3.4%	3.3%
8m Fwd	2.0%	2.9%	3.8%	4.0%	4.7%	4.3%	4.7%	3.8%	3.6%	3.5%	3.4%	3.8%
9m Fwd	2.4%	3.4%	4.1%	4.8%	5.6%	5.3%	5.0%	4.6%	4.7%	4.3%	4.5%	4.9%
10m Fwd	2.9%	3.6%	4.7%	5.5%	6.5%	5.6%	5.8%	5.5%	5.5%	5.0%	5.2%	5.4%
11m Fwd	2.8%	3.5%	5.1%	6.0%	6.5%	6.1%	6.3%	5.8%	6.0%	5.6%	5.8%	5.9%
12m Fwd	3.0%	4.0%	5.6%	6.2%	7.2%	6.7%	6.8%	6.6%	6.7%	6.2%	6.2%	6.3%

Source: Trivariate Research, LP

With that in mind, the stocks that have the strongest 5-month price momentum in the mid-cap or larger universe (Top 900) stocks and have positive 1-month revisions, which our prior work has shown is correlated to subsequent short-term return are shown below.

Long Ideas, Top 900 US Equities				
Top 5% on 5-Month Momentum and Top 5% on 1-Month % Change in 1-Year Fwd EPS				
As of End-January, 2026				
Ticker	Company	Sector	Market Cap. (US \$Bn.)	5-Month Total Return
LRCX	Lam Research Corporation	Information Technology	309.91	139%
KLAC	KLA Corporation	Information Technology	221.36	89%
SCCO	Southern Copper Corporation	Materials	170.32	118%
STX	Seagate Technology Holdings plc	Information Technology	97.30	161%
WDC	Western Digital Corporation	Information Technology	95.19	240%
AU	AngloGold Ashanti plc	Materials	54.03	96%
LITE	Lumentum Holdings Inc.	Information Technology	27.05	181%
ALB	Albemarle Corporation	Materials	21.27	115%
HL	Hecla Mining Company	Materials	17.64	226%
AA	Alcoa Corporation	Materials	15.84	91%
CDE	Coeur Mining, Inc.	Materials	15.78	96%

Source: Trivariate Research, LP

Stocks with the weakest momentum and earnings revisions in the mid-cap or larger universe are potential short ideas, and they are shown below.

Short Ideas, Top 900 US Equities				
Bottom 10% on 5-Month Momentum and Bottom 10% on 1-Month % Change in 1-Year Fwd EPS				
As of End-January, 2026				
Ticker	Company	Sector	Market Cap. (US \$Bn.)	5-Month Total Return
NFLX	Netflix, Inc.	Communication Services	351.12	(32%)
ALNY	Alnylam Pharmaceuticals, Inc.	Health Care	45.82	(23%)
CPNG	Coupang, Inc.	Consumer Discretionary	36.51	(30%)
CSGP	CoStar Group, Inc.	Real Estate	26.25	(31%)
CHTR	Charter Communications, Inc.	Communication Services	24.78	(27%)
BRO	Brown & Brown, Inc.	Financials	24.23	(25%)
VG	Venture Global, Inc.	Energy	23.67	(24%)
IP	International Paper Company	Materials	20.59	(19%)
DKNG	DraftKings Inc.	Consumer Discretionary	14.90	(38%)
BAX	Baxter International Inc.	Health Care	10.14	(19%)
OC	Owens Corning	Industrials	9.85	(20%)
MBLY	Mobileye Global Inc.	Consumer Discretionary	7.54	(34%)

Source: Trivariate Research, LP

CONCLUSION

We continue to believe this year will be a good, not great, year for equities, meaning mid-single digit returns with some volatility. We don't think the multiple is likely to expand for the overall market, despite the well-telegraphed dovish Fed Chair announcement this past week. High earnings expectations, some challenges to gross margin expansion for the median stock, and a harsh penalty for missing are part of our rationale. Our highest conviction sector ideas are to long Healthcare and Underweight Industrials. Our non-Technology compounders are lagging the market, though the basket is upon the year and has relatively lower correlation to the Great 8 (performance below).

Non-Technology Compounders

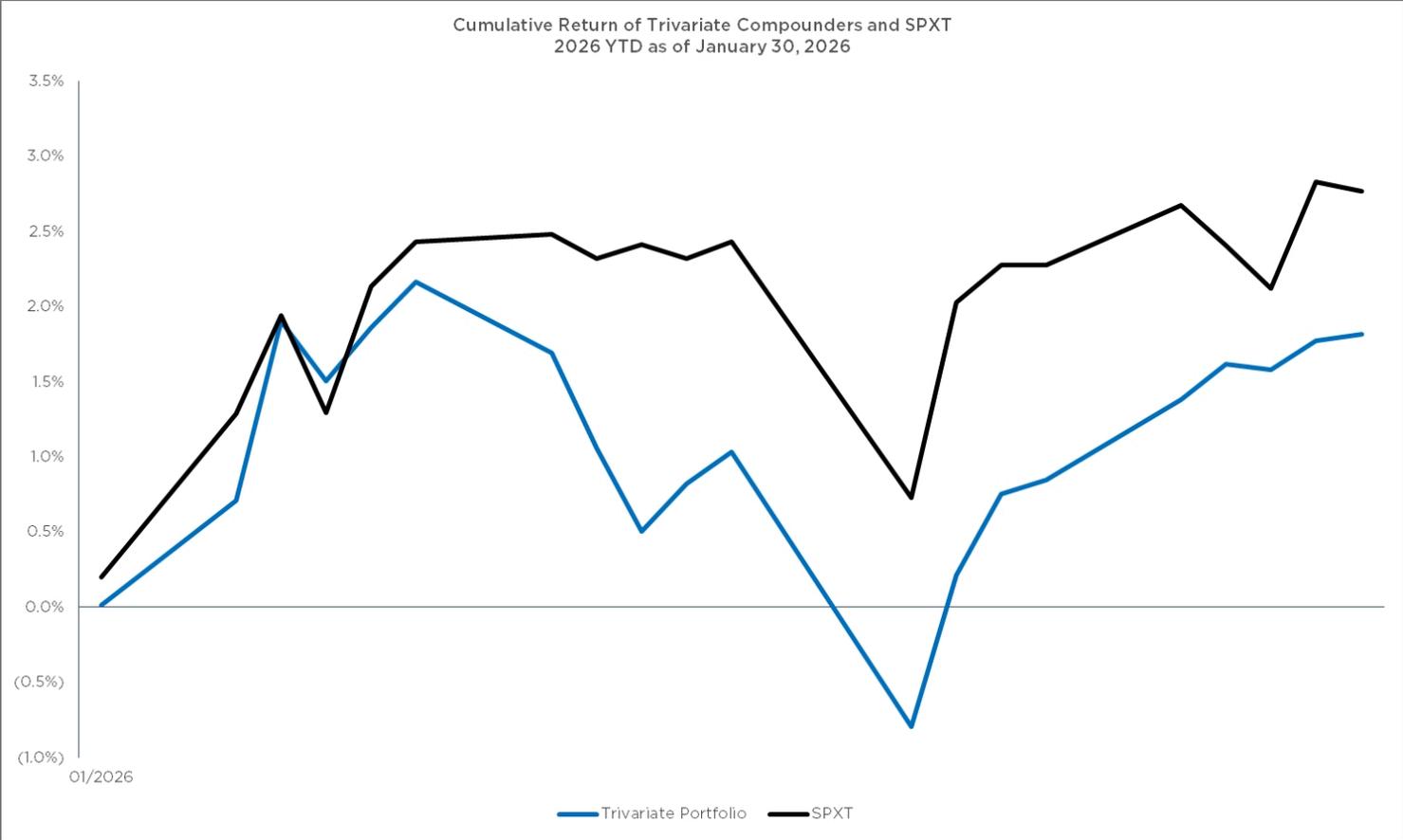
We launched a new ideas basket this year, which is 20 Non-Technology Compounders. Ideas below.

Trivector Compounders Portfolio
As of End-December, 2025

Ticker	Company Name	Industry	Market Cap.	Beta	CSR
AMZN	Amazon.com, Inc.	Broadline Retail	2,467.52	1.53	53%
BRK.B	Berkshire Hathaway	Financial Services	1,084.82	0.28	65%
V	Visa Inc.	Financial Services	670.64	0.68	66%
PM	Philip Morris	Tobacco	249.68	(0.17)	73%
TMUS	T-Mobile US, Inc.	Wireless Telecom. Serv.	227.10	0.02	84%
TMO	Thermo Fisher Sci.	Life Sciences Tools & Serv.	217.70	0.79	54%
LIN	Linde plc	Chemicals	199.10	0.42	63%
SCHW	Charles Schwab	Capital Markets	177.53	0.77	65%
BKNG	Booking Holdings	Hotels, Rest. & Leisure	172.62	0.92	74%
UBER	Uber Technologies	Ground Transportation	169.78	1.15	75%
NEE	NextEra Energy	Electric Utilities	167.19	0.34	90%
GILD	Gilead Sciences	Biotechnology	152.28	0.33	82%
SYK	Stryker Corporation	Health Care Equip. & Supp.	134.41	0.57	61%
WELL	Welltower Inc.	Health Care REITs	127.39	0.25	75%
WMB	The Williams Comp.	Oil, Gas & Consumable Fuels	73.41	0.50	81%
CTVA	Corteva, Inc.	Chemicals	45.29	0.52	76%
CPNG	Coupang, Inc.	Broadline Retail	43.09	1.03	78%
VMC	Vulcan Materials	Construction Materials	37.69	0.70	59%
XYL	Xylem Inc.	Machinery	33.16	0.80	55%
LZ	LegalZoom.com, Inc.	Professional Services	1.76	1.09	77%

Source: Trivariate Research, LP

The portfolio is up 1.82% YTD, vs. its comparable index of 2.77%.



Source: Trivariate Research, LP

Important Disclosures

Analyst Certification

The analysts, Adam Parker, Maxwell Arnold, Chang Ge, Jesse Goodman, Colin Cooney 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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