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High five for growth

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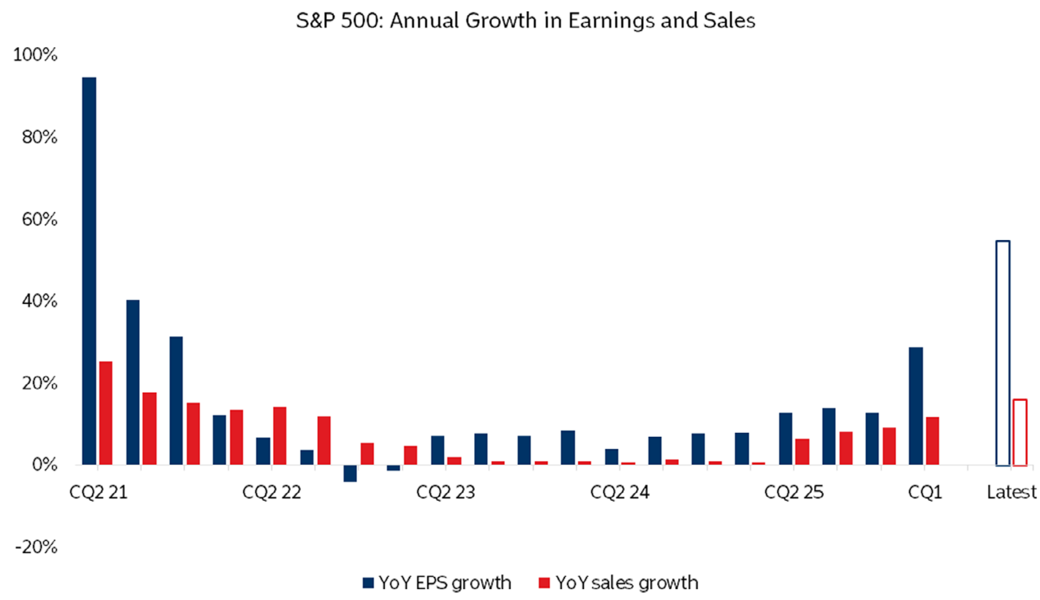

Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 16 July 2026.

What does the chart show?

The chart shows the annual growth in earnings per share (EPS) and sales, for companies in the S&P 500. Each quarter, companies report aggregate EPS and sales alongside other data, thus providing an update on their performance.

Both measures – EPS and sales – are important: sales is a straightforward, fairly objective metric. Meanwhile, delivering positive and growing EPS is the ultimate aim of companies.

As the chart shows, US companies are currently experiencing the strongest period of growth since the covid reopening in 2021, marking a five year high.

Why this is important

Growth announced by S&P 500 companies in Q1 was excellent: not only was it high in absolute terms – good news for investors and society as a whole – but it was also significantly ahead of expectations – even better news for investors. It is early days in terms of Q2 reporting (data in the chart to Wednesday's close), but so far things are looking good: public companies appear to be in rude health.

A note of caution, however. As always, when looking at short term performance, investors need to make a judgement about how long current trends are likely to persist. Traditional valuation metrics like price-to-trailing 12 month earnings, oversimplify this key decision: if EPS today is high, valuation multiples are lower as a result and optically more attractive. However, if current EPS and growth dynamics are only a cyclical uptick as opposed to a structural shift, then those same valuation multiples may not look so attractive as we go through the year and growth normalises. In short, PEs are a useful shorthand; not a golden rule.

But overall, the above is a great picture in terms of the current health of US public companies from a growth perspective. Long may it last.

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Important notes