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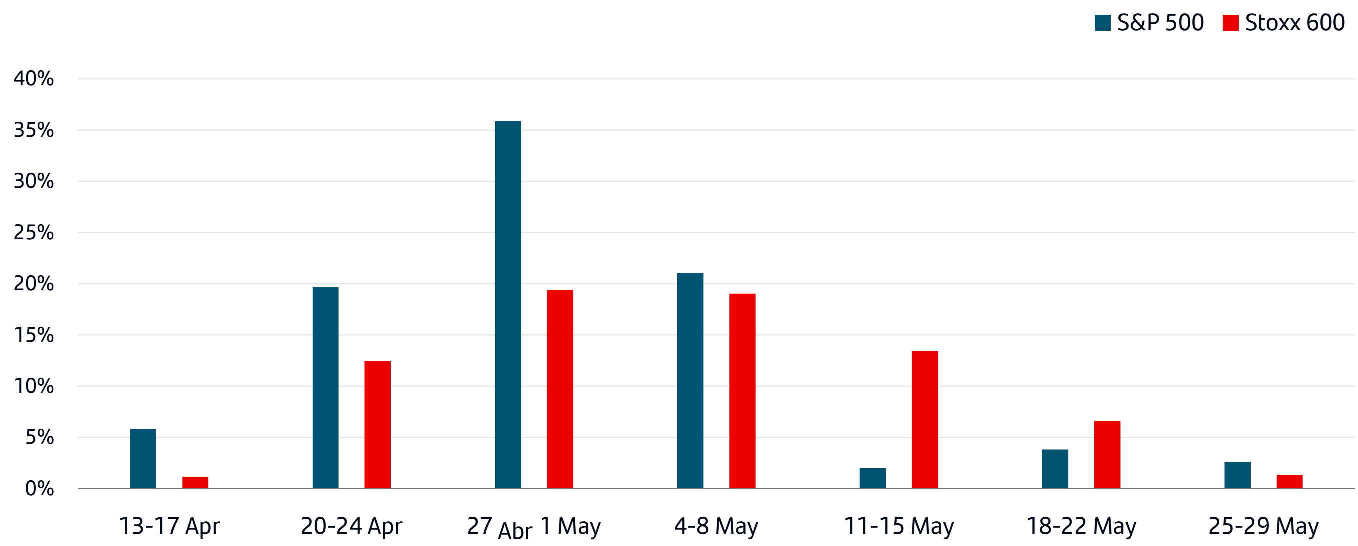
1Q26 Earnings Season: From Results to Guidance

The week of April 13 marked the unofficial start of the U.S. first-quarter earnings season, traditionally led by the major banks. From here, reporting activity will accelerate quickly on both sides of the Atlantic, peaking in the week of April 27 — the so-called "monster week" — when close to 40% of the S&P 500 and more than 20% of the Stoxx 600 are scheduled to report. That concentration should provide one of the clearest near-term readings on corporate health at a time when macro and policy uncertainty remain elevated. The year began with Brent at USD 60.50 per barrel and, as of this date, the average price for 2026 stands at USD 82 per barrel.

Graph 1: Earnings Season in S&P 500 and Stoxx 600: % of companies reporting each week.

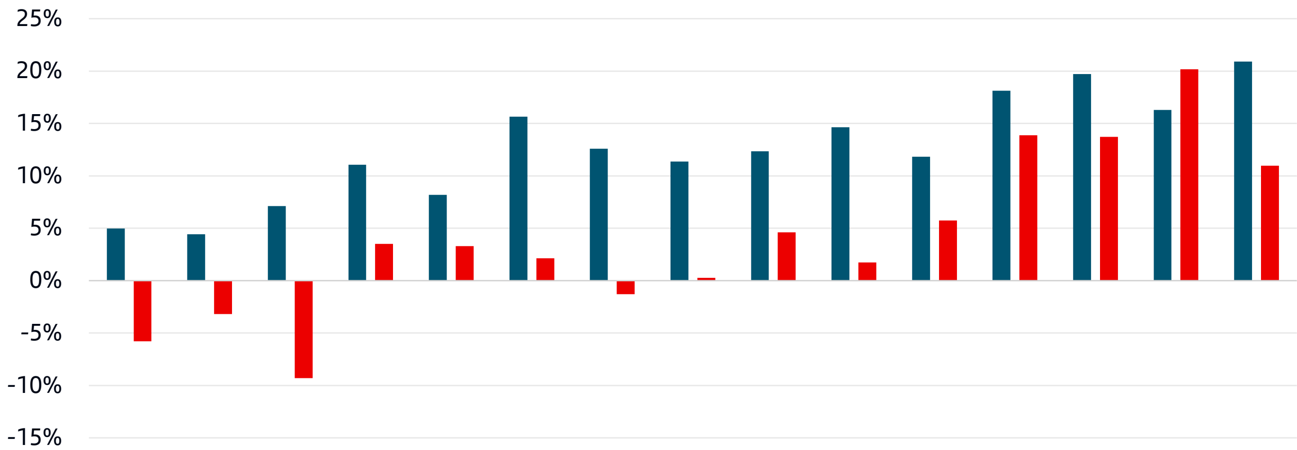
Source: Bloomberg and Santander AM



Expectations heading into the season are constructive, particularly in the United States. Consensus estimates point to year-on-year EPS growth in the low-to-mid teens for the S&P 500, while Europe is expected to deliver more moderate growth, broadly in the mid-single digits. More important than the absolute level of forecasts is how resilient they have been. In the U.S., estimates have not followed the usual pattern of meaningful downward revisions in the three months preceding results, marking a third consecutive quarter of relative stability. In Europe, revisions have also been contained, with no material deterioration at the aggregate level.

Graph 2: S&P 500 and STOXX 600: Consensus EPS.

Source: Bloomberg and Santander AM



	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	26Q1E	26Q2E	26Q3E	26Q4E	27Q1E
S&P 500	5.0%	4.4%	7.1%	11.0%	8.2%	15.7%	12.6%	11.4%	12.3%	14.6%	11.8%	18.1%	19.7%	16.3%	20.9%
Stoxx 600	-5.8%	-3.2%	-9.3%	-3.5%	-3.3%	-2.1%	-1.3%	0.3%	4.6%	1.8%	5.7%	13.9%	13.7%	20.2%	11.1%

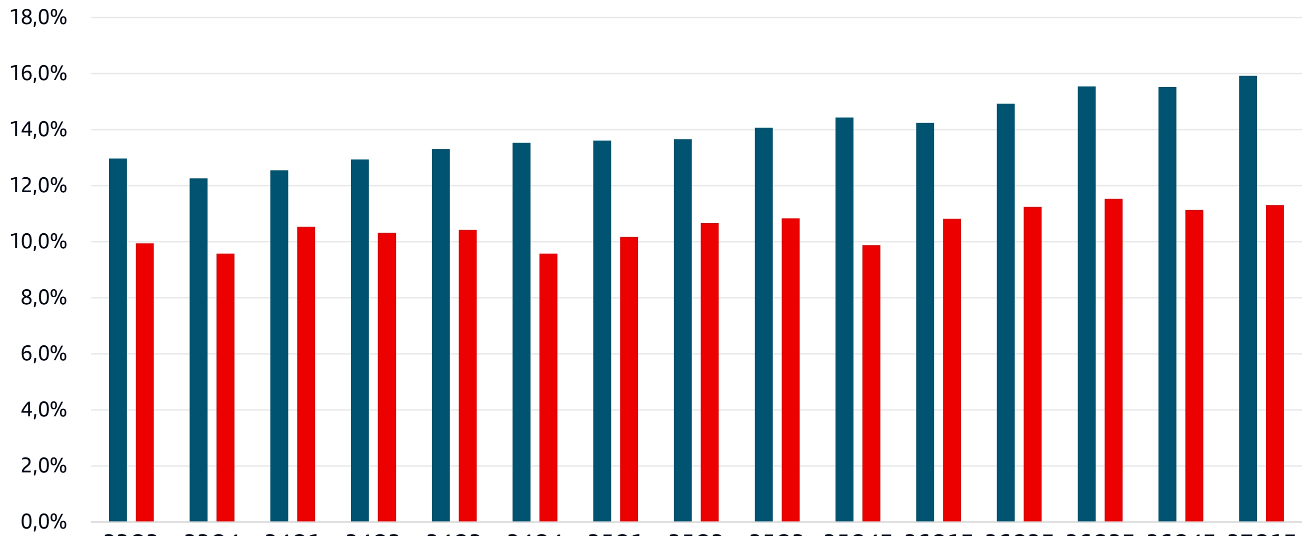
That said, the market's attention is likely to move quickly from reported numbers to management guidance. In other words, the key issue this season may not be whether companies beat first-quarter expectations, but whether they can sustain confidence in margins, demand and capital allocation for the rest of the year. In a market still adjusting to shifting geopolitics, trade frictions and uneven growth, forward-looking commentary is likely to matter more than backward-looking results.

The central question is whether companies begin to signal renewed pressure on margins in coming quarters. Investors are likely to reward businesses that show pricing power, cost discipline and operational resilience, while penalising those with greater exposure to volatile input costs, weaker demand visibility or more fragile supply chains. This is especially relevant in sectors where earnings expectations already leave limited room for disappointment.

This backdrop could lead to wider earnings dispersion across sectors and regions. Energy producers, which have already seen some upward revisions to estimates, may remain relatively well supported if pricing holds. Companies positioned as enablers or beneficiaries of artificial intelligence should also continue to command attention, particularly where spending momentum is translating into revenues rather than remaining only a capital-expenditure story. By contrast, energy-intensive businesses and more traditional industrial names with high operating leverage may face a more difficult backdrop if cost pressures re-emerge. The ability to protect margins is therefore becoming a key differentiator.

Graph 3: S&P 500 and STOXX 600: Consensus Profit Margin.

Source: Bloomberg and Santander AM



	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4E	26Q1E	26Q2E	26Q3E	26Q4E	27Q1E
S&P 500	13.0%	12.3%	12.5%	12.9%	13.3%	13.5%	13.6%	13.7%	14.1%	14.4%	14.2%	14.9%	15.5%	15.5%	15.9%
Stoxx 600	9.9%	9.6%	10.5%	10.3%	10.4%	9.6%	10.2%	10.7%	10.8%	9.9%	10.8%	11.2%	11.5%	11.1%	11.3%

Another important feature of this earnings cycle is the gradual broadening of growth beyond mega-cap technology. Large technology companies still account for a significant share of aggregate earnings momentum, but leadership is becoming somewhat less concentrated than in previous quarters. That does not remove the market's dependence on structural growth themes, but it does suggest a healthier underlying earnings backdrop if participation continues to widen.

In the United States, investors will pay particular attention to how AI is affecting business models at the company level. For some sectors, the rollout of new technologies remains a clear tailwind for revenues, productivity and investment. For others, it may be increasing competitive pressure and raising questions around execution. Companies seen as lagging in this transition could face greater scrutiny, especially if cautious guidance is accompanied by unclear spending priorities.

Trade exposure will also be under close scrutiny. Any sign of supply-chain disruption, softer external demand, or tariff-related cost pressure could weigh on both revenues and margins. As a result, commentary on order trends, inventories, pricing power and the ability to pass through higher costs will be important in assessing which businesses are best placed to absorb a less benign external environment.

In Europe, a different set of drivers will matter. Investors will look for early evidence that fiscal support linked to national security, defence and strategic autonomy is beginning to feed through to earnings expectations. The timing may still be uncertain, but management commentary on order books, capacity expansion and revenue visibility should provide useful signals on whether this policy impulse is becoming tangible at the sector level.

At the same time, weak Chinese demand remains an important constraint for European corporates, particularly in luxury goods and parts of the industrial complex. Any indication of softer order backlogs or reduced demand from China is likely to be closely examined. Foreign-exchange effects also deserve attention: euro strength may still weigh on reported earnings in the near term, although that headwind could ease if currency trends stabilise or reverse later in the year.

Overall, this season is likely to be defined less by the magnitude of first-quarter beats and more by the credibility of the forward narrative. **Guidance, margin durability and management confidence should be the main drivers of market reaction**. For investors, the reporting season will matter not only as a scorecard on the first quarter, but as **a test of which companies can defend profitability and sustain earnings momentum in a more complex macro environment**.

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