Charts of the Week

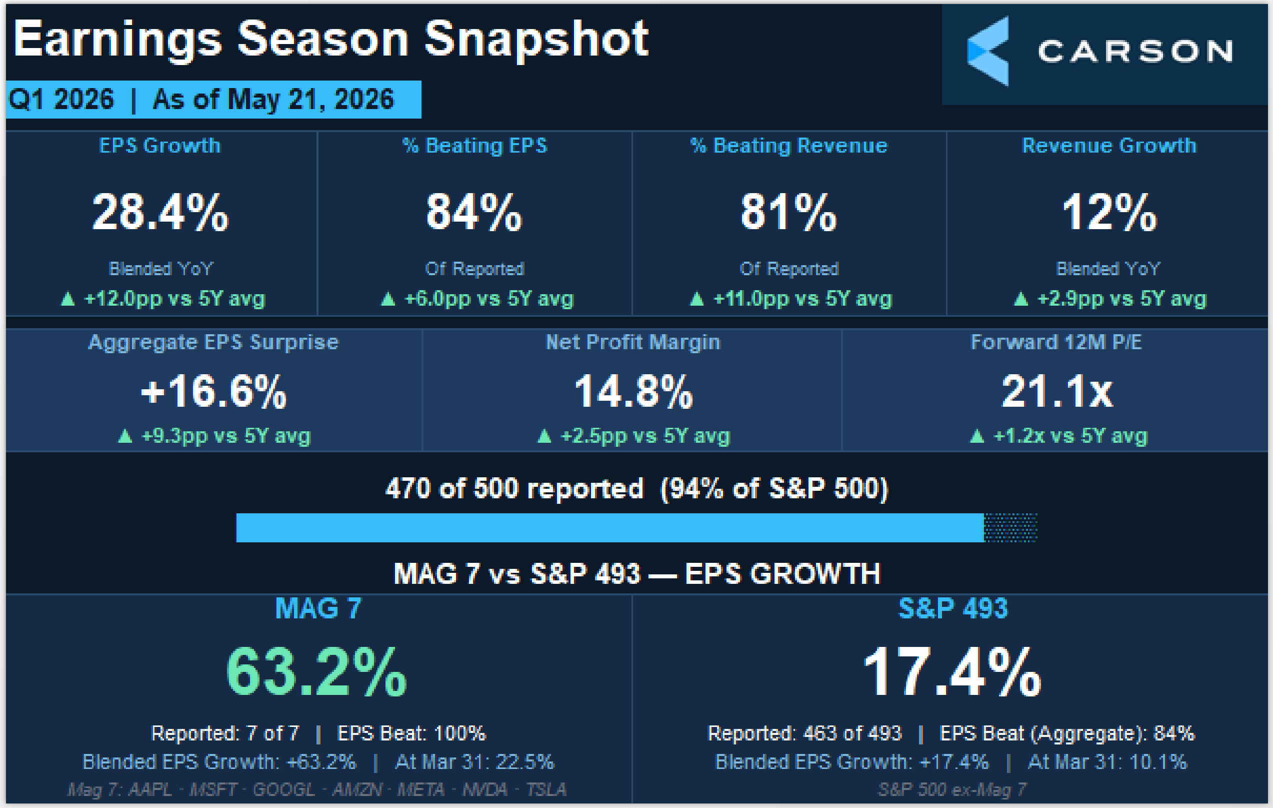
Carson Investment Research

May 18 - 22, 2026

Earnings Dashboard

Introducing Carson's Earnings Season Dashboard

- 470 of 500 names have reported. Blended EPS growth is 28.4%, with 84% beating EPS and 81% beating revenue, which are all comfortably above 5-year averages.
- The aggregate EPS surprise is +16.6%, meaning companies are crushing estimates, not just clearing a low bar. Net margins ticked up to 14.8%.
- Mag 7 EPS grew 63.2% versus 17.4% for the other 493.



Source: Carson Investment Research, John Butters Earnings Insight, FactSet 5/26/26

Earnings Dashboard

Where the Growth Comes From

- Info Tech led with 53% EPS growth on 30% revenue growth. Comm Services and Consumer Discretionary close behind.
- Health Care was the only sector with negative EPS growth (-3.2%).
- The forward path still looks solid: Q2 projected at 21%, Q3 at 24%, Q4 at 22%. Q1 estimates were revised up 15 percentage points since March.
- Bottom line is this earnings season has been great headed into the final stretch of companies reporting.

Sector-Level Q1 2026 - Earnings Growth, Revenue Growth, Beat Rate

Sector	EPS Growth	Revenue Growth	EPS Beat %	REV Beat %	Net Margin	FWD P/E
Comm. Services	+48.9%	+15.1%	73%	91%	20.7%	21.1x
Info. Technology	+53.4%	+29.8%	97%	92%	30.0%	25.1x
Cons. Discretionary	+40.4%	+9.8%	79%	74%	11.1%	26.9x
Materials	+42.5%	+9.2%	73%	88%	10.7%	17.3x
Financials	+21.8%	+10.9%	85%	65%	20.4%	14.6x
Industrials	+20.9%	+8.1%	86%	83%	11.4%	24.6x
Utilities	+16.2%	+14.3%	77%	74%	14.8%	17.9x
Real Estate	+6.4%	+11.5%	74%	81%	33.5%	18.6x
Consumer Staples	+6.7%	+7.0%	86%	89%	6.1%	22.8x
Energy	+0.6%	+4.1%	86%	68%	7.8%	14.4x
Health Care	-3.2%	+7.0%	89%	84%	7.9%	17.3x

FORWARD EARNINGS PATH & MAR 31 REVISIONS

Q1 26	Q2 26	Q3 26	Q4 26
28.4%	21.0%	24.2%	21.7%
Blended	Projected	Projected	Projected

Q1 EPS growth has revised UP 15.4 pp since March 31 | CY26 EPS estimate revised UP +4.5%

Source: Carson Investment Research, FactSet Earnings Insight May 21, 2026

Source: Carson Investment Research, John Butters Earnings Insight, FactSet 5/26/26

Chart of the Week

The Bond Market Stopped Believing the Fed

- 2-year and 10-year yields are both at cycle highs, up 70+ bps since the Middle East war kicked off in late February. The 30-year cracked 5.19%, a level not seen since 2007.
- The 2-year at 4.11% sits well above the 3.63% policy rate, which means the market has moved past pricing cuts and is now pricing hikes. A rate hike in 2026 is essentially a coin flip.
- Higher Japanese yields are weighing on demand while a 6% deficit means there's plenty of supply.

Macro

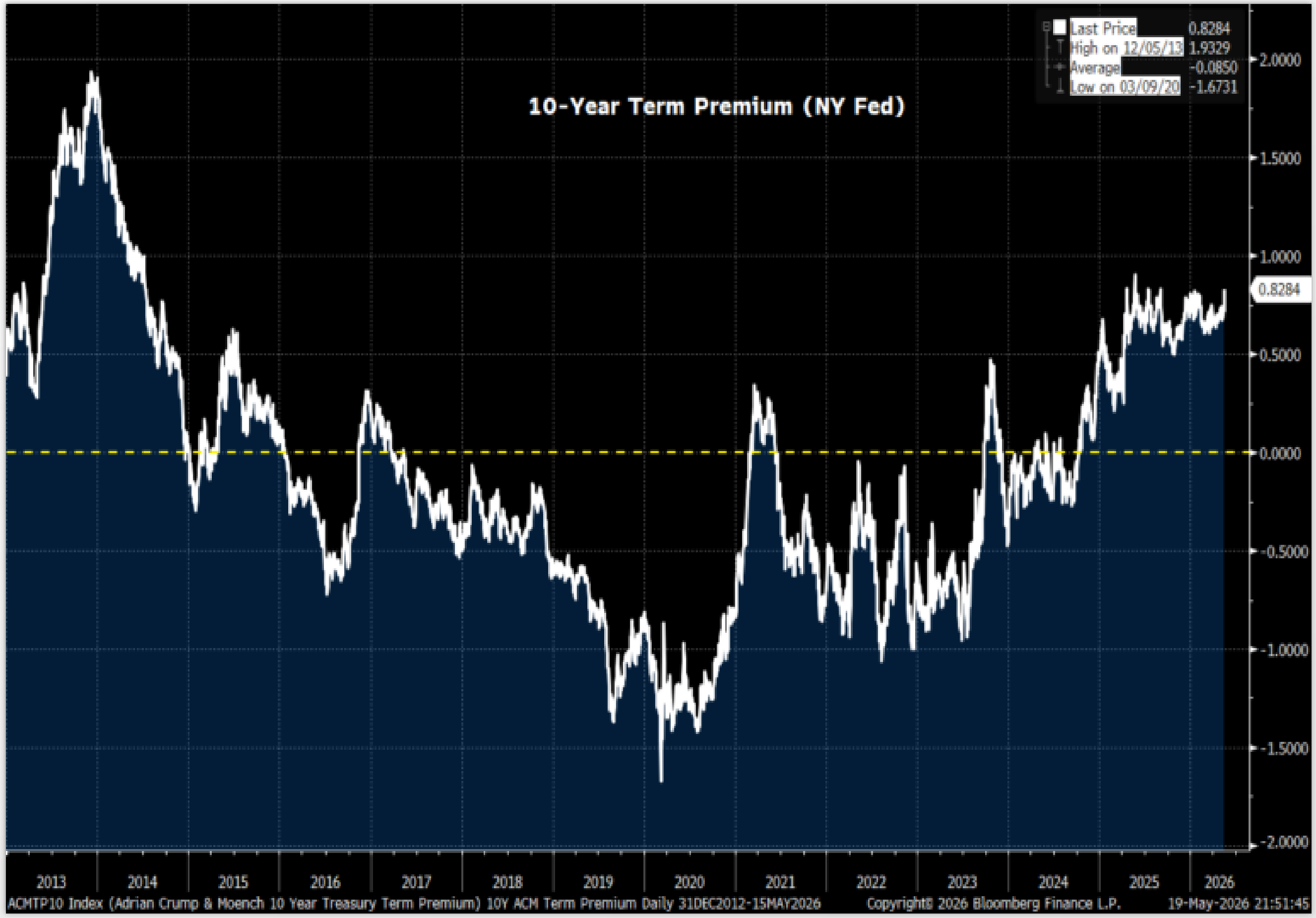
Japan Is Exporting Yields Again

- Japanese PPI surged 4.9% YoY in April, the hottest reading since 2023. 2-year JGB yields hit 1.43% with a policy rate of just 0.75%, so the market thinks the BoJ is well behind on inflation.
- For two decades Japan was a yield-starved buyer of US Treasuries. That dynamic is reversing in real time, and the US term premium is one of the places it shows up.

Macro

Term Premium Is Back

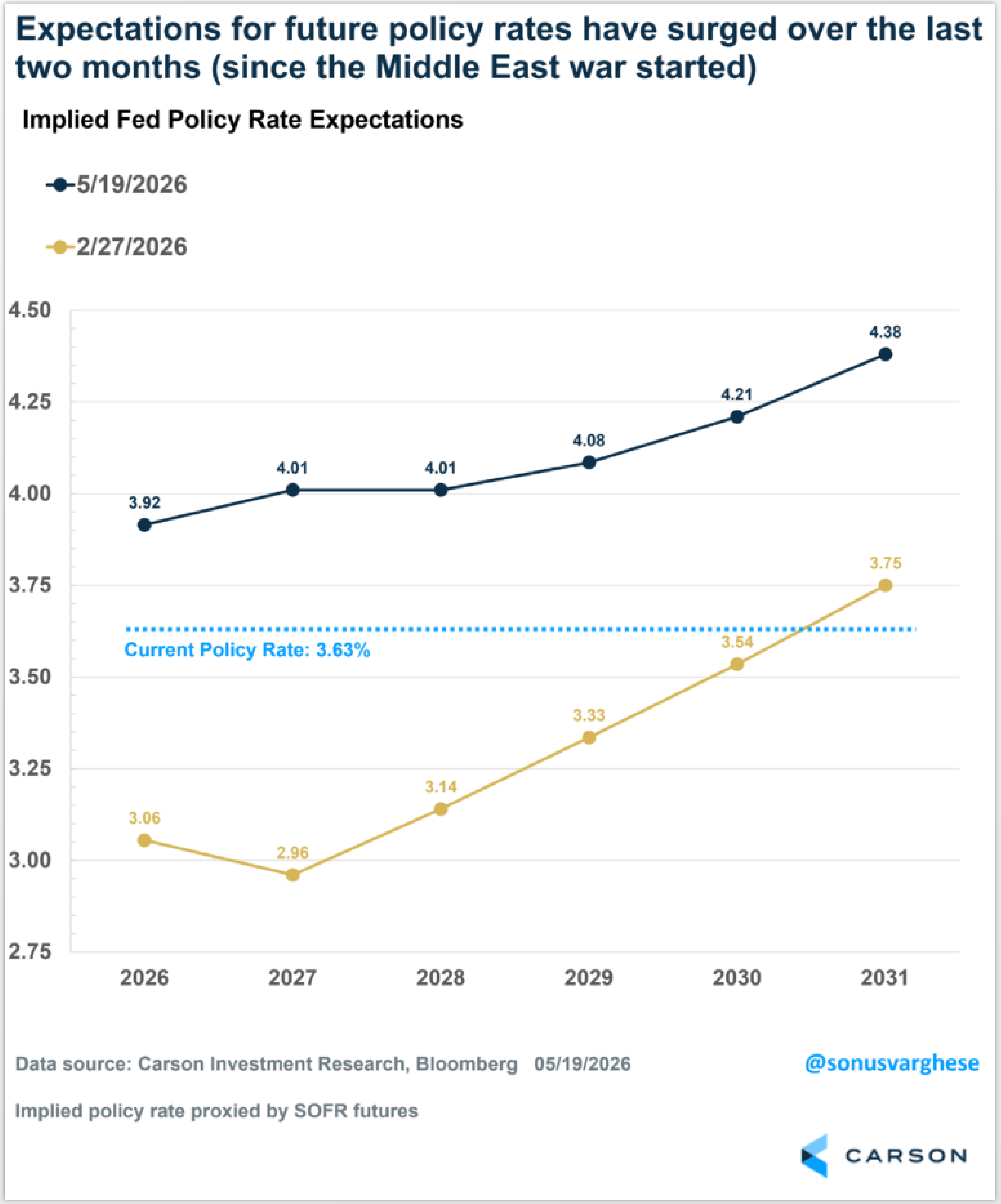
- The term premium is the extra yield investors demand for holding a long bond instead of rolling short ones. When it rises, it usually means more inflation uncertainty, too much Treasury supply, or weaker demand.
- The NY Fed's 10-year term model premium is above 0.80%, the highest in over a decade. From 2016 to 2020 it was negative.
- All three drivers are firing at once right now.



Macro

The Market Is Done Waiting for Cuts

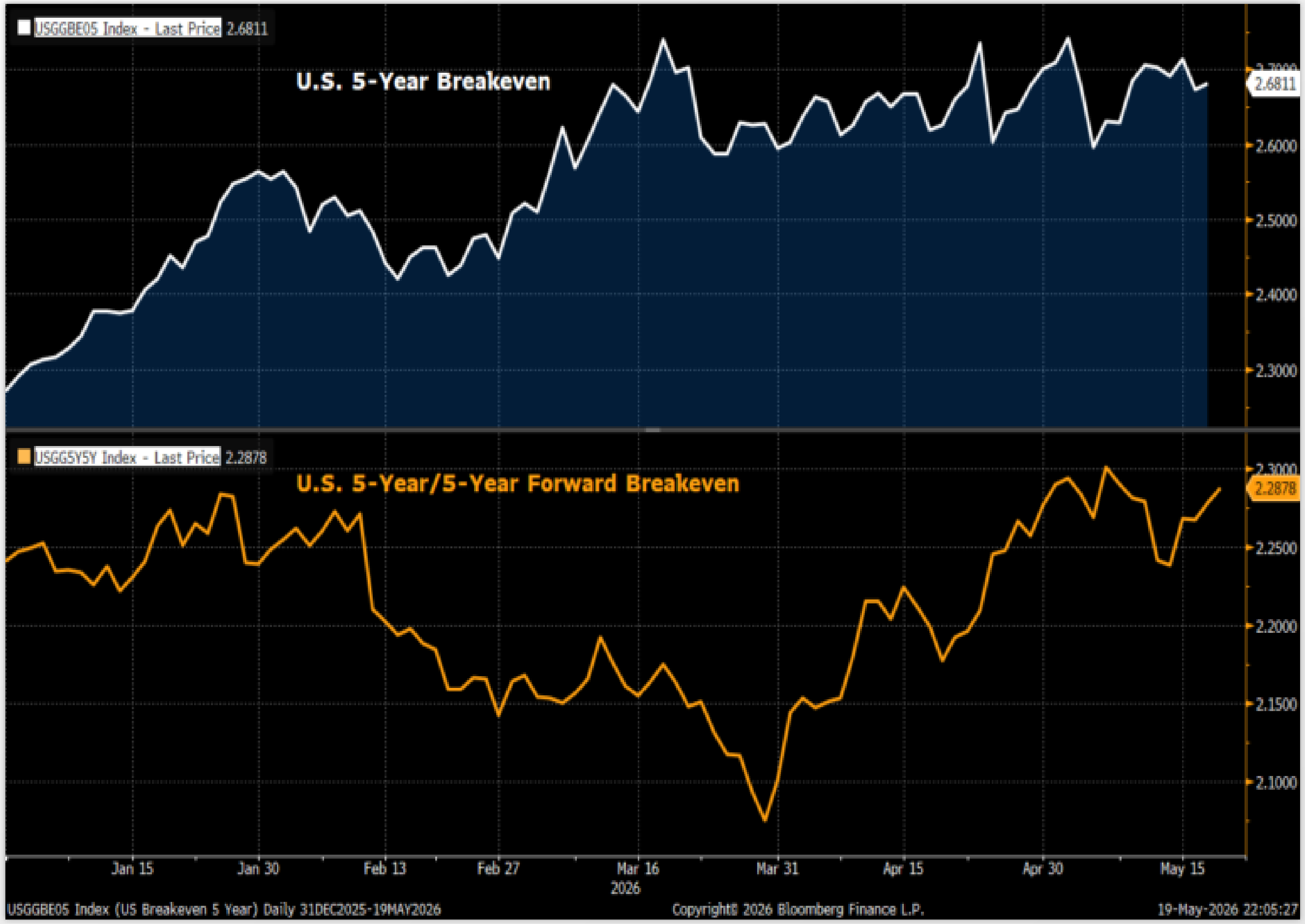
- Two months ago, the curve had the policy rate drifting to ~3% and only crossing today's level by 2031. Now the entire path sits above the current 3.63%.
- The implied 2031 rate jumped from 3.75% to 4.33%.
- The Fed's own dot-plot pegs the long-run neutral rate at 3.1%. Markets are saying the Fed's wrong, or at least too optimistic about getting back there.



Macro

Real Yields Aren't Rising Fast Enough

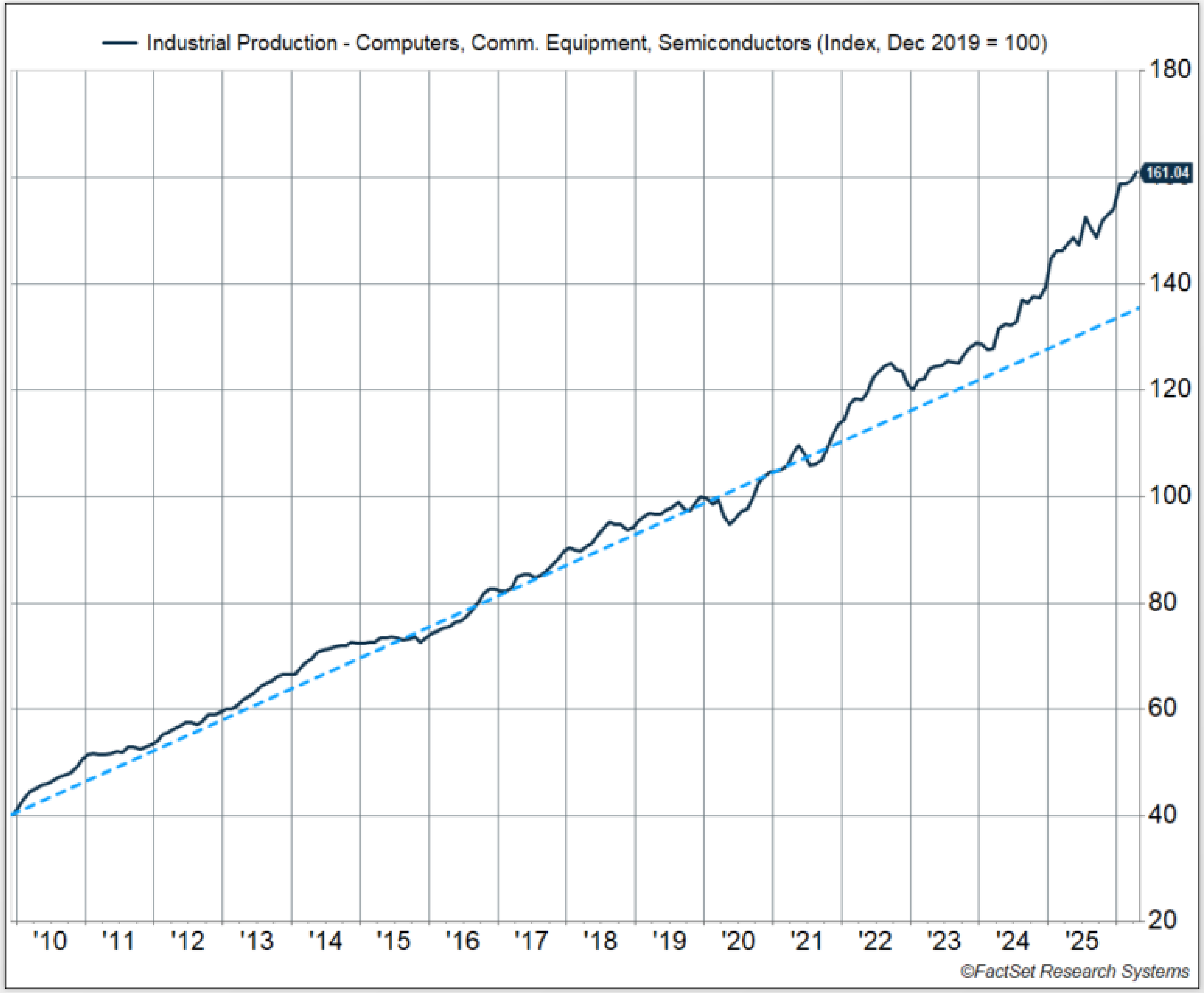
- Nominal yields are up sharply, but real yields haven't kept pace. The gap (breakevens) has widened, meaning the market expects inflation to run hot for years.
- 5-year breakevens at 2.68% and 5y5y forwards at 2.29% imply PCE above the Fed's 2% target. If the Fed got truly hawkish, real yields would rise and breakevens would fall. Neither is happening.
- Investors don't think the Fed is going to actually fight this inflation cycle (yet).



Macro

AI Is the One Place Manufacturing Is Booming

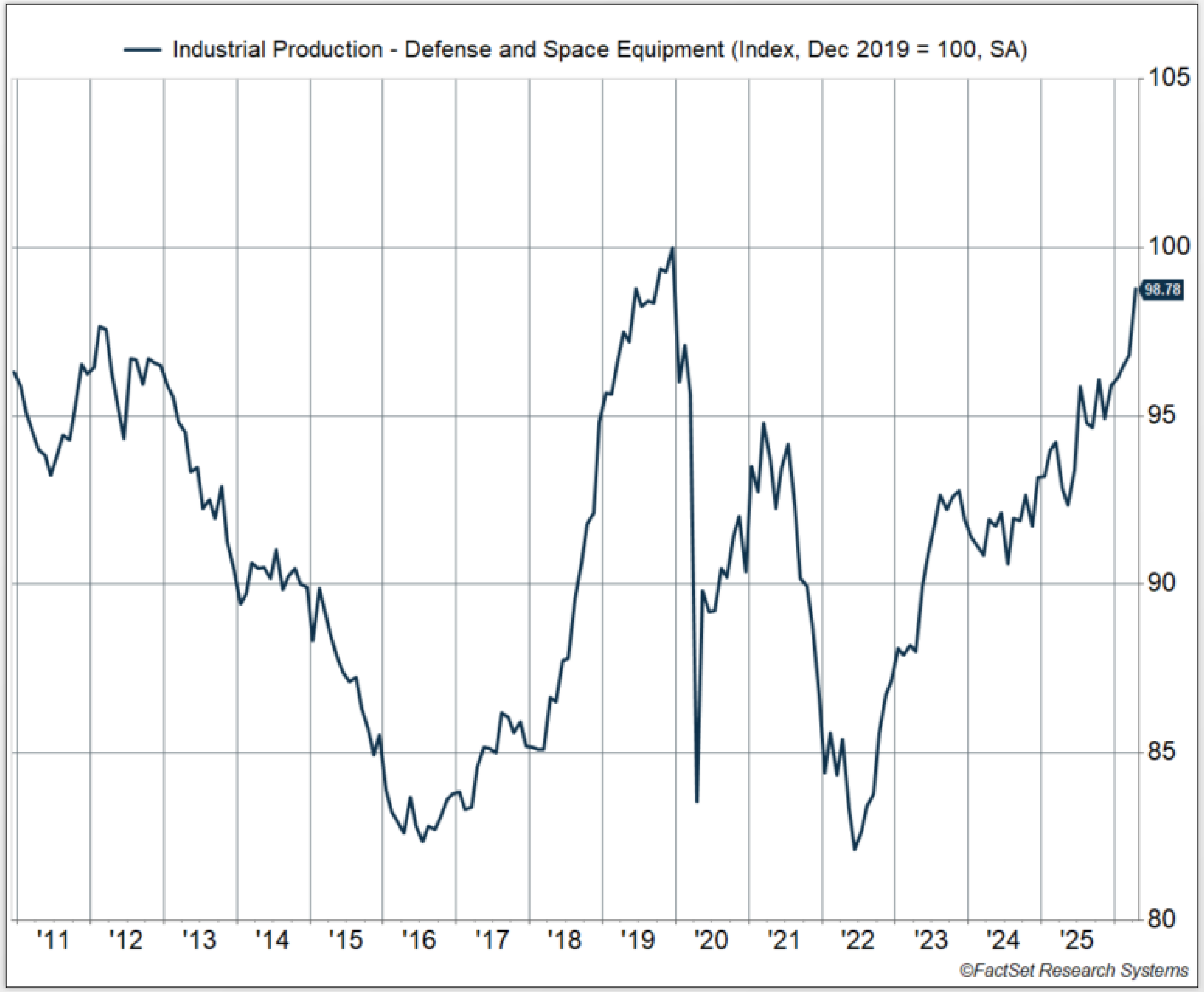
- High-tech equipment production is 61% above 2019 levels and still accelerating. Everything else in industrial production is grinding to recover.
- This is real, inflation-adjusted output. The AI capex isn't just being shown in stock prices, but in actual factory volumes.
- Production is now well above the 2010-2019 trend line, with the breakout starting in early 2023.



Macro

Defense Production Is Going Vertical

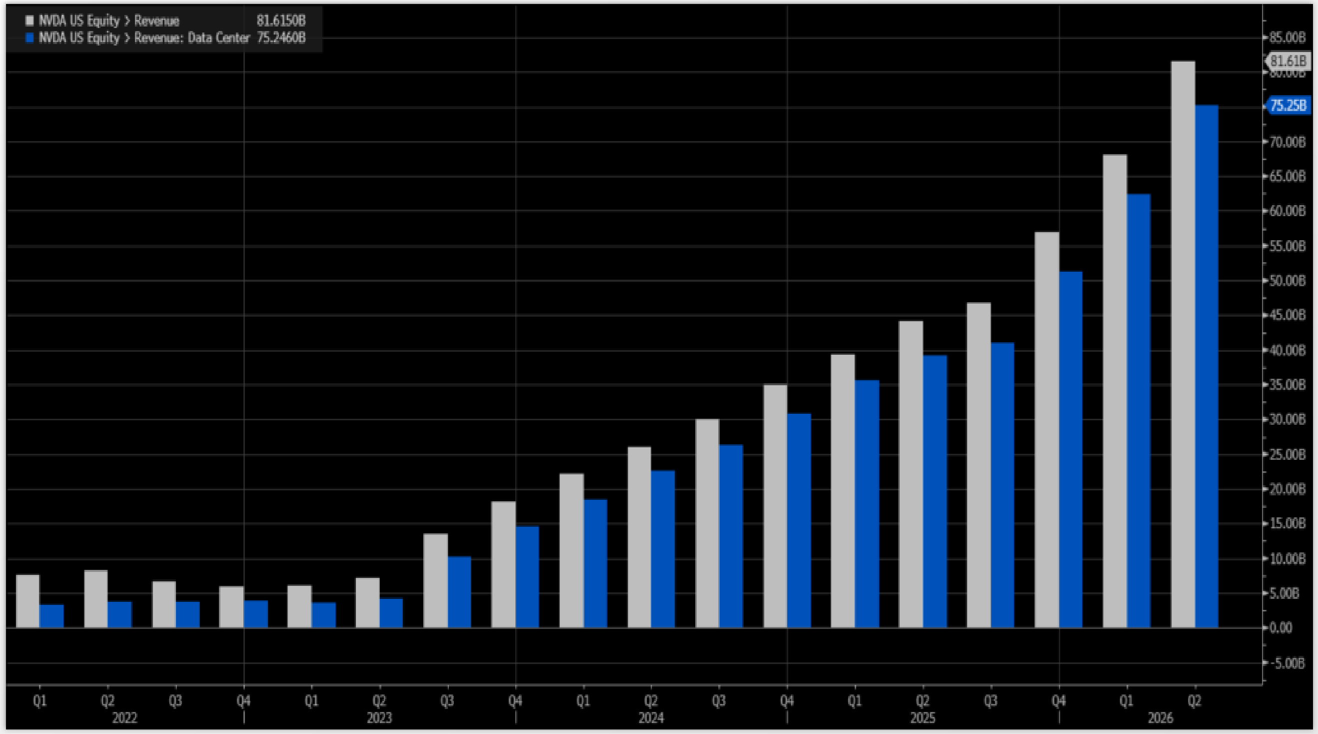
- Defense and space equipment production is running at an 11% annualized 3-month pace. The trajectory since mid-2024 is the steepest we've seen outside crisis periods.
- The Iran war is part of it, but the broader rearmament cycle has legs regardless of how the Strait situation resolves.
- Big contrast with the 2010s, when defense production fell off a cliff. Geopolitics has flipped that script for the foreseeable future.



Markets

Nvidia Prints, the Market?

- Q1 revenue hit $81.6B, up 85% YoY, with $58.3B in net income and a 75% gross margin. By every measure, the print was a blowout.
- The stock barely moved. At this scale, investors may want new growth vectors, not just bigger numbers from the same playbook.
- Nvidia's forward P/E is actually below where it started the year, sitting near the low end of the past decade.

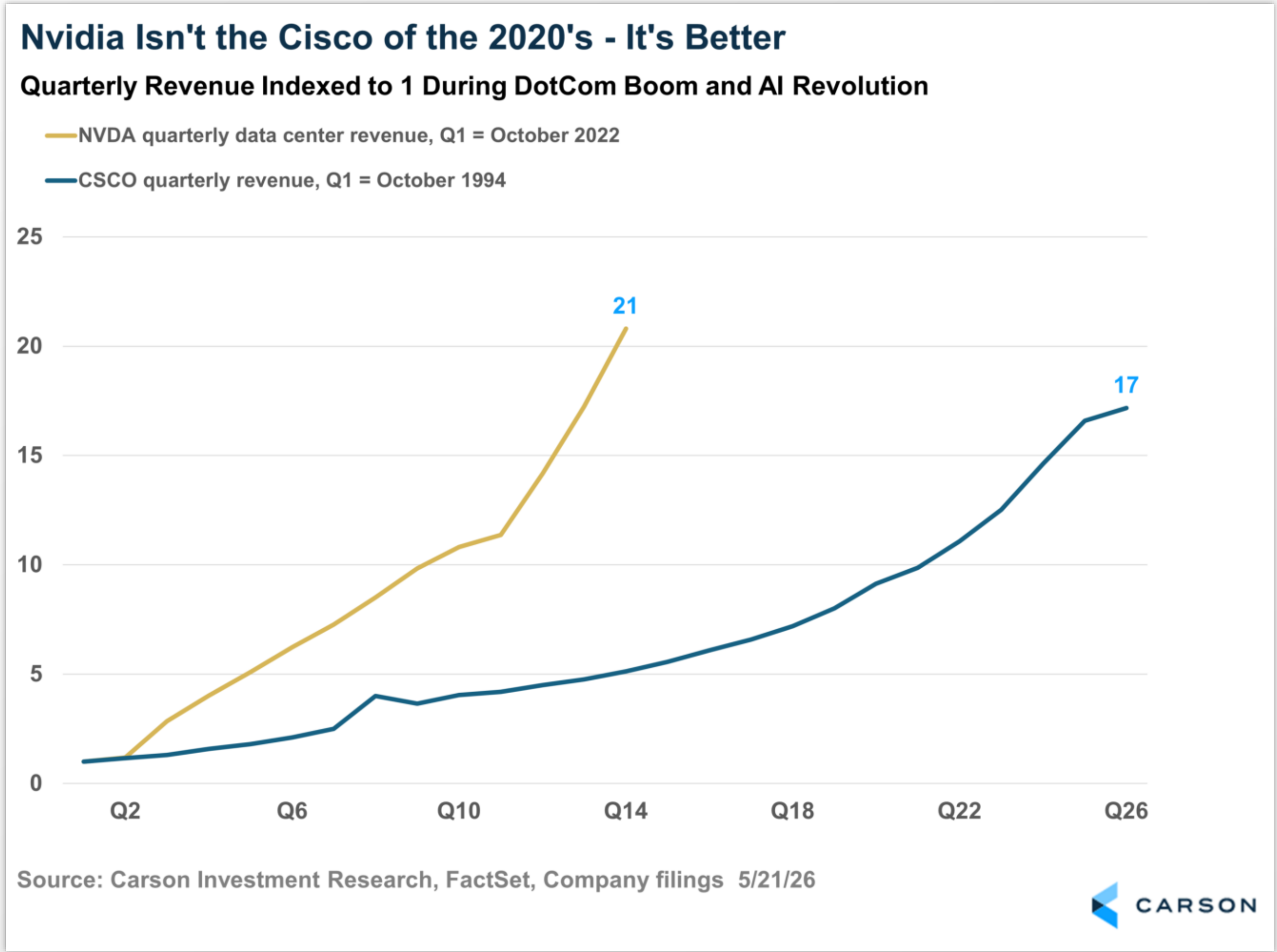


Source: Carson Investment Research, Bloomberg 5/26/26

Markets

Nvidia Isn't Cisco, It's Already Past It

- Indexed to launch quarter, Nvidia's data center revenue hit 21x in 14 quarters. Cisco took 26 quarters to reach 17x during the dot-com buildout.
- Nvidia is monetizing the AI buildout roughly twice as fast as Cisco monetized the internet, and from a much larger starting base.



China

China's Consumer Has Stopped Spending

- Retail sales grew just 0.2% YoY in April, the weakest non-Covid reading on record. Sales are running 27% below the pre-pandemic trend.
- Industrial production is holding up at 4.1%, but exports and high-tech are doing the work.
- Pre-pandemic, China's retail sales were growing at nearly 9% annualized.