

MARKET ETHOS

# Earnings Get the Gold!

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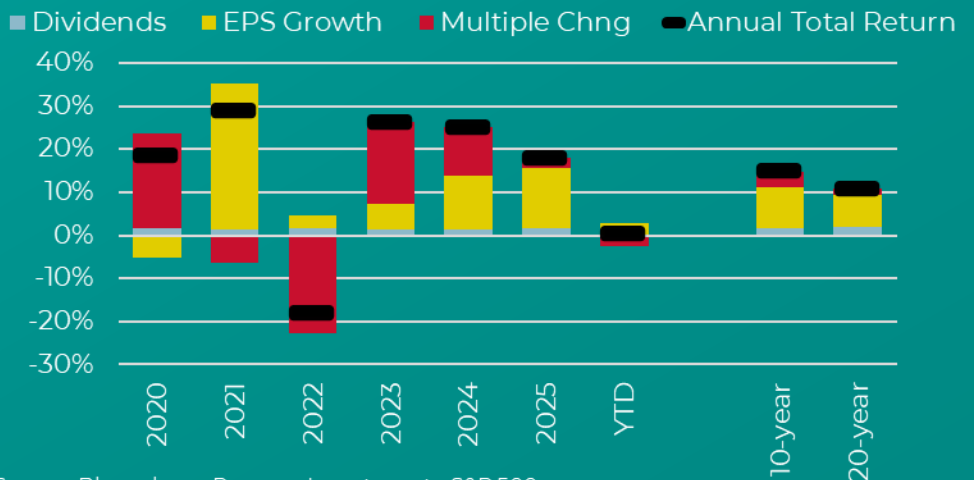
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Markets oscillate on many factors, from interest rates to risk appetite, headline news to the economy. But in the end, it all comes down to earnings.

The easiest way to visualize this is by breaking down market returns into the underlying components. In the short term, multiple expansion or contraction is often the biggest driver, including over the past year.

However, over the long term, it's earnings growth that dominates as a driver of market returns. The chart below shows the return decomposition for the S&P broken down into dividends, earnings growth, and multiple expansion for calendar years and then on the right over the past five and 10 years. Note how the yellow bars dominate long-term.

### Long term its earnings growth that matters

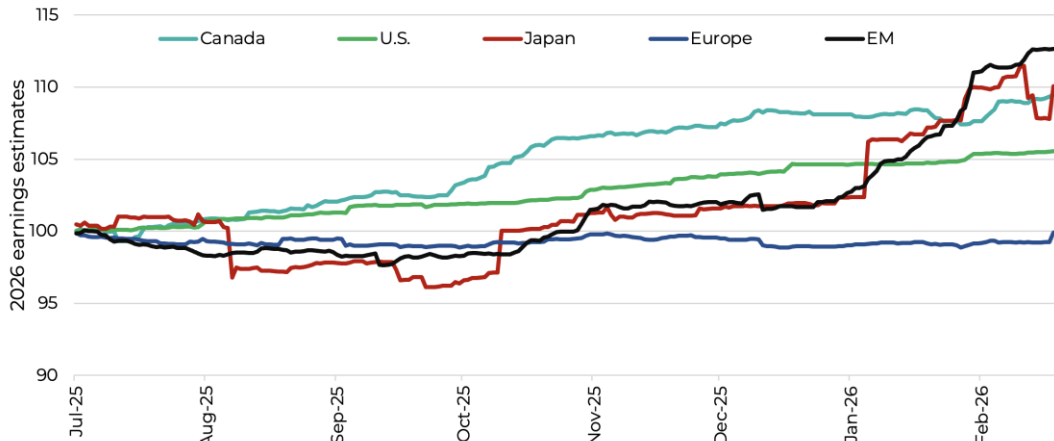


Source: Bloomberg, Purpose Investments, S&P 500

It's anyone's guess if risk appetites will rise or fall in the coming months. They're probably more likely to fall, given that they do appear decently high right now. However, on an encouraging note, earnings continue to improve. Estimates for 2026 calendar year earnings have risen by 12% for emerging markets (EM) since last summer.

The TSX and Japan have also enjoyed strongly positive earnings revisions. And guess what are the best performing markets so far in 2026? Yep, Japan is at the top, followed by emerging markets and then the TSX. Europe and the U.S. are the laggards, still up but not nearly as much.

The good news is 2026 earnings continue to be revised higher

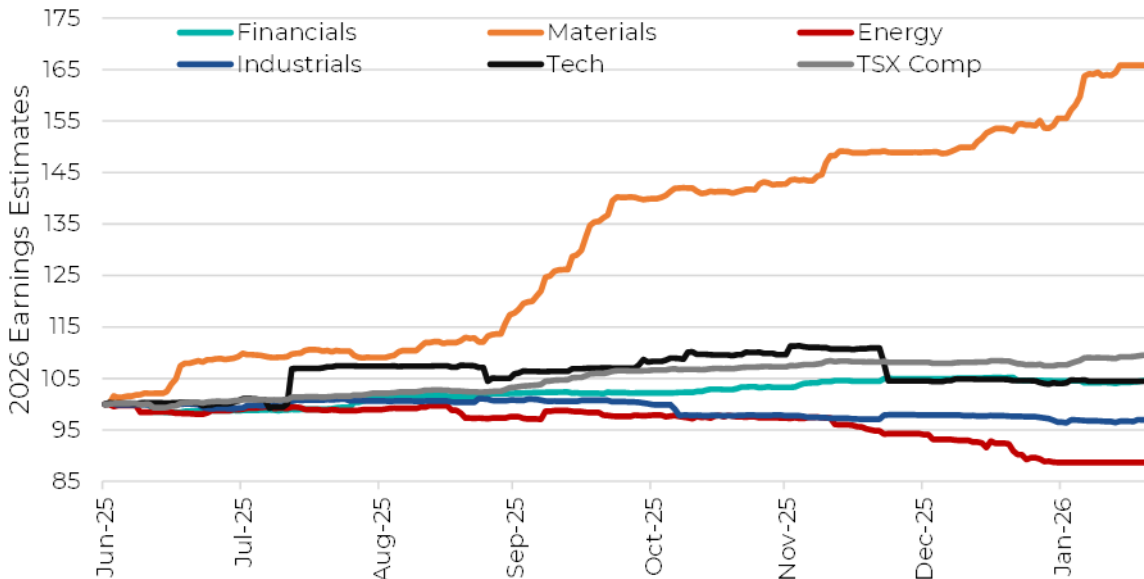


Source: Bloomberg, Purpose Investments, Canada=SPTSX, U.S.=S&P500, Japan=Nikkei, Europe=Bloomberg Europe 600, EM=Bloomberg Emerging Markets

So is the place to be in 2026 Japan, emerging markets and the TSX? We would agree with the first two, but we're a little less enthusiastic about the TSX, the reason being where that earnings growth is coming from. The chart below includes

the overall TSX's 2026 earnings revisions, and as you can see, it's all coming from Materials, led by gold. No question, gold companies are printing a lot of cash flow. But the market may not pay up much for such volatile earnings.

Don't get too excited about the TSX's earnings growth



Source: Bloomberg, Purpose Investments

Interestingly, the U.S. market has one big star as well from an earnings revision perspective: it's Technology. And lately, more sectors are seeing improving revisions. That's certainly worth noting, considering the tech space has been a bit soft of late.

## Final Thoughts

Good earnings growth that's more global now compared to years past is very good news. And recent trends in revisions have been positive, helping this market, which has been struggling with headlines of late, show some resilience.

— Craig Basinger is the Chief Market Strategist at Purpose Investments

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Sources: Charts are sourced to Bloomberg L. P.

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