

Relying On “E”

While most valuation multiples for the S&P 500 remain near all-time highs, their expansion has been significantly dampened by extraordinary EPS growth, which accelerated with Q1 reporting. Less than halfway through 2026, our Normalized EPS estimate for the index (54 months back, six months forward) has grown by almost 6%, nearly matching both its average long-term annual advance and the index’s price return. Even more impressive is the Non-Normalized Operating EPS estimate (six months back, six months forward). On the strength of rising forward estimates, that figure has increased more than 15%, already beating the *annual* gain seen in a very strong 2025. On a YTD basis, the P/E multiple for that series has shrunk from 25.3x to 24.5x.

Earnings growth for 2025 distinguished itself from the previous two “multiple expansion” years as “P” matched “E.” 2026 seems to be taking that relationship one step further.

