

Bank Earnings Offer Relief, but Macro Risks Remain

Amid the fog of war and an uncertain path for inflation and interest rates, markets will likely appreciate the lack of major cracks visible in the rearview mirror of recent bank earnings. A closer review of reports reveals that credit quality remains fairly stable, anchored by strong labor and wage growth data. While some face near-term compression, many banks reported net interest margin expansion, and management commentary remained broadly constructive across both GSIBs and regional banks.

These strong fundamentals build on a recovery that began in mid-2023. Key industry tailwinds include robust consumer spending, the continued repricing of maturing low- and fixed-rate assets at higher yields, and a more favorable regulatory backdrop proposing reduced capital requirements. Larger diversified banks received an added boost from strong trading and M&A activity. Furthermore, emerging private credit risks in certain pockets have not permeated publicly traded banks so far, sustaining positive sentiment.

However, the outlook remains clouded. Earnings calls featured cautionary notes that the burden of inflation disproportionately impacts lower-income consumers. Moreover, markets are forward-looking, and that view is currently muddled by the ongoing Iran war and its potential to reignite inflation via higher energy prices. Despite strong underlying fundamentals, further upside for bank stocks may be subject to markets gaining clearer direction on these geopolitical and macroeconomic risks.

Strong Sales & Earnings Growth Banks in the S&P Select Banks Index April 2026 Earnings Season

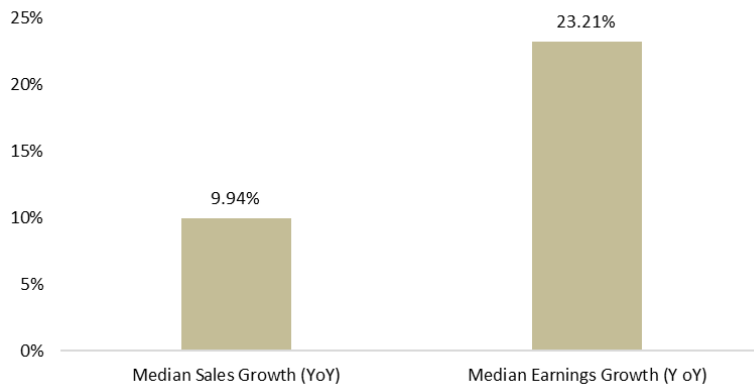


Chart Source: Bloomberg

Economy

Last Week		This Week	
- Existing Home Sales (Mar): 4/13	3.98M vs. 4.09M prior	- Retail Sales (Mar): 4/21	
- PPI (Mar): 4/14	0.5% vs. 0.7% prior	- Services PMI (Apr): 4/23	
- NFIB Small Business Optimism (Mar): 4/14	95.8 vs. 98.8 prior	- Manufacturing PMI (Apr): 4/23	
- Industrial Production (Mar): 4/16	-0.5% vs. 0.2% prior	- U. of Michigan Sentiment (Apr): 4/24	

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7109	3.25	8.95	4.21	36.22	21.17	12.70
Russell 1000 Growth	4778	4.93	11.34	0.45	39.64	25.34	13.50
Russell 1000 Value	2236	1.58	6.30	8.50	31.28	15.92	9.88
FTSE High Dividend Yield*	569	1.21	4.71	8.71	31.64	16.49	11.71
S&P Small and Mid Cap	20483	3.07	8.98	12.08	38.06	15.16	7.34
MSCI EAFE	3088	1.92	9.06	7.87	33.01	16.61	9.87
MSCI EM	1600	4.22	14.67	14.53	53.65	21.09	6.67

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD												
				Energy	Materials	Industrials	Staples	Utilities	Real Estate	Health Care	Comm. Serv.	IT	Cons. Discr.	Financials		
S&P 500	18.9	15.7	1.2	30												
Russell 1000 Growth	23.0	18.2	0.6	25												
Russell 1000 Value	15.7	13.6	1.9	20												
FTSE High Dividend Yield*	13.3	13.1	3.8	15												
S&P Small and Mid Cap	14.7	15.4	1.7	10												
MSCI EAFE	15.0	13.5	3.0	5												
MSCI EM	10.6	11.1	2.4	-5												

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.46	0.31	0.84	0.79	6.06	4.00	0.29
U.S. Int. Gov/Credit	4.10	0.28	0.67	0.64	5.11	4.48	1.35
U.S. Corporates	4.99	0.39	1.29	0.75	7.53	5.18	0.77
High Yield	6.82	0.54	1.93	1.42	10.37	9.10	4.47
Municipals (1-10)	3.02	0.18	0.93	0.69	6.22	3.20	1.28

Key Rates	Levels (%)						
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.72	3.75	3.48	3.48	3.82	4.14	0.15
10-yr Treasury	4.25	4.25	4.17	4.17	4.40	3.54	1.56
30-yr Treasury	4.88	4.86	4.85	4.85	4.88	3.74	2.25
SOFR	3.63	3.66	3.87	3.87	4.30	4.80	
6-mo. CD rate	3.79	3.80	3.62	3.62	4.27	5.35	0.20
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.00	3.25
30-yr fixed mortgage	6.39	6.46	6.25	6.25	6.95	6.88	3.08

Data as of 4:45 PM ET, April 21, 2026. Returns through April 20, 2026.

