Record US earnings season

Key takeaways

Last week brought another record US earnings season to a close while government bond markets nervously awaited Kevin Warsh's Jackson Hole address on Friday.

US earnings growth passes 50% in second quarter

Nvidia helped bring the strongest US earnings for five years to a close last week, with 86% of the S&P 500 Index of US companies reporting positive earnings per share (EPS) surprises. This brought 'blended' year-on-year EPS growth to 52%, the highest since 2021, according to FactSet data. Alphabet, Amazon, Nvidia and Microsoft also booked $160bn of gains on their stakes in OpenAI, Anthropic and SpaceX. Meanwhile, US banks flourished, thanks to record IPO and AI-related trading receipts, even as energy and defence stocks advanced on the back of the Iran war.

The bumper earnings season helped US corporate profits to hit $4.8tn in the second quarter – a record 18% of national income. With US inflation now outpacing wage growth, the finding underscores deepening US wealth inequality as America approaches the November mid-term elections.

Kevin Warsh offers little comfort at Jackson Hole

The eyes of the world were on Federal Reserve (Fed) chair Kevin Warsh when he spoke at the Jackson Hole symposium on Friday amid ongoing Treasury intervention in the US bond market (which suggests a growing schism between the Treasury and the Fed). Earlier in the week, US PCE (personal consumption expenditure) inflation – the Fed's preferred inflation gauge – jumped to 3.7% in July, while core PCE, which strips out food and energy prices, rose to 3.3%.

Mr Warsh conceded that US inflation had spent 65 months running ahead of the central bank's 2% target. His 'hawkish' tone (suggesting rate rises might be needed) was sufficient for market traders to almost double the odds of a rate hike at this month's Fed meeting, while the yields on two-year US government bonds, which closely reflect interest-rate expectations, jumped (meaning their prices fell) and the dollar strengthened.

Nvidia results reverberate through tech sector

Nvidia, the world's biggest listed company, reported another set of blockbuster earnings last Wednesday which, along with equally impressive results from Salesforce and CrowdStrike (a leading cyber security business), helped to re-ignite the AI investment narrative and lift technology stocks in numerous sectors.

Despite its size, Nvidia beat expectations with second-quarter revenues that had more than doubled from a year ago to $96.2bn, thanks to ravenous demand from the data-centre buildout. Earnings per share (EPS) of $2.22 was comfortably ahead of expectations ($2.09) while the company's management forecast third-quarter revenues of $108bn along with circa 70% revenue growth for 2028, compared to the 44% previously expected by Wall Street analysts.

For more in-depth commentary from our investment team, please see our latest Investment Views article and Quarterly Outlook video.

Market moves

Global stock market indices advanced thanks to gains from US, Japanese and emerging market shares.

Shares in Europe were only marginally up, while UK shares retreated very slightly.

UK and US government bonds were modestly positive, but remain in negative territory for 2026. Gold paused its recent rally but was still up over 12% in August.

What to look out for this week

Today brings a slew of global manufacturing PMI (Purchasing Managers' Index) data from major economies. Composite and services PMI data is due Thursday with global construction PMI numbers on Friday.

Today also promises European inflation and unemployment numbers, US ISM (Institute of Supply Management) manufacturing data, and US job openings numbers.

Friday will see the latest US non-farm payroll data along with jobless claims, unemployment and balance of trade numbers.

If you have questions about financial markets, or our investment services, please contact the Marketing team:

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