LIFETIME
RETIREMENT PARTNERS

MARKET FUNDAMENTALS

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LifetimeRetirementPartners LRPartners LifetimeRetirementPartners.com

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MARKET FUNDAMENTALS OVERVIEW

Market fundamentals focus on the underlying drivers of stock prices at the company level. While macroeconomic policy and financial conditions shape the broader economic backdrop, long-term equity returns are ultimately anchored to **corporate earnings**. Over time, stock prices tend to follow the growth in profits that businesses generate for their shareholders, making earnings a central reference point for evaluating market value and sustainability.

A key mechanism through which earnings information is incorporated into prices is **earnings season**. Each quarter, publicly traded companies report financial results and provide updated guidance, allowing analysts and investors to reassess expectations. These announcements often drive short-term market movements, as prices adjust to new information about revenues, margins, and future growth prospects. The cumulative outcome of earnings season offers important insight into the overall health and momentum of corporate America.

Beyond earnings themselves, **capital allocation decisions** play a meaningful role in market fundamentals. Dividends and share repurchases represent direct ways companies return cash to shareholders and can meaningfully influence long-term returns. In addition, corporate activity such as mergers and acquisitions can act as catalysts by reshaping competitive dynamics, signaling management confidence, or unlocking value.

Together, these elements—earnings performance, shareholder returns, and corporate actions—help ground market prices in business fundamentals and provide a practical lens for assessing the durability of market trends beyond short-term volatility.

Stock Valuations (Price-to-Earnings)

DEFINITIONS

In itself, the current price of a stock tells little about its value. The most common method of valuing stocks is to create a ratio which can be compared between stocks.

The **price-to-earnings ratio** divides the current stock price into the corporation's earnings. This can be used to compare a current stock price to either recent historical earnings or, as is often more relevant, projections for future company earnings.

The values quoted here sum the aggregate stock value, divided into the aggregate earnings, of entire stock indices.

CONTEXT

Despite the persistent narrative of *overvalued* stocks forming a bubble, equities in most major indices are only moderately expensive than they were twelve months ago (a comparison which is fraught because stocks were selling off this time last year). All of the major indicies are cheaper on a forward-looking basis.

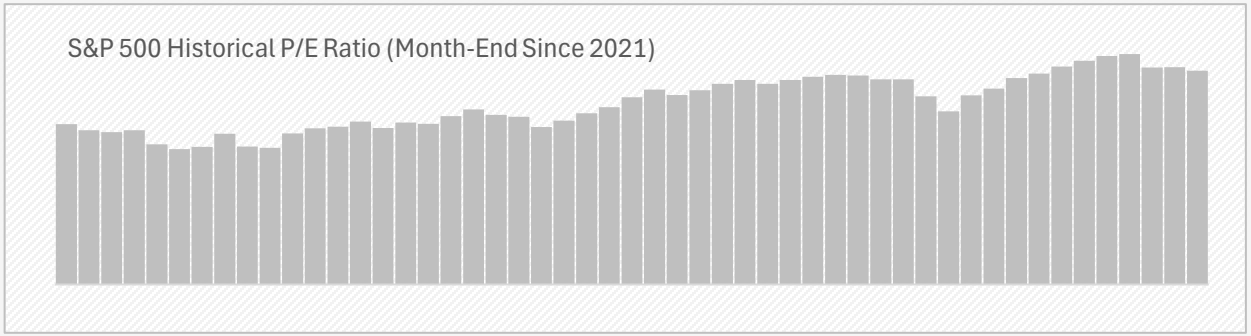
While the market has continued to climb, stocks have generally been rising in price at the same rate that their profits have increased-- not inflating (as a bubble might).

Data Source:
Birinyi Associates (via Wall Street Journal)

Price-to-Earnings Ratios on Major Indexes

	P/E Ratio			Dividend Yield	
	Current	Trailing 12 Mo.	Forward 12 Mo.	Current	Trailing 12 Mo.
Dow Jones Industrial Average	21.65	24.98	20.36	1.47%	1.60%
Russell 2000 Index	38.34	32.75	57.02	1.34%	1.42%
NASDAQ 100 Index	24.37	32.97	24.17	0.54%	0.68%
S&P 500 Index	24.5	25.15	21.12	1.07%	1.21%

Updated: 8/28/2026



Earnings Season

DEFINITIONS

Most businesses announce current earnings results (and, in some cases, future projections) on a quarterly basis. The period of announcments is known as **earnings season**. Analysts monitor both the growth of top line gross revenue and in earnings per share (essentially net revenue).

In an expanding economy, cautious stock analysts struggle to keep up with corporate growth, and investors reward the companies which overperform expectations. Company profits beginning to catch up with analyst estimates and failing to overperform is a sure sign of a market peak.

CONTEXT

After several quarters in 2025 that came in well ahead of historical earnings and revenue growth averages (helping to propel the market to new highs), the fourth quarter of 2025 concluded with numbers that were stable and steady, but not dynamic. While a strong number of companies overperformed, the average margin of those beats has been less impressive.

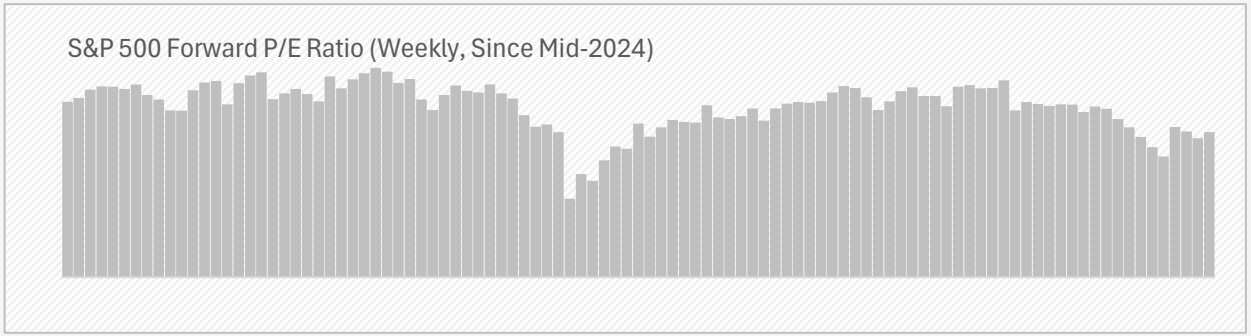
Analysts currently expect earnings growth of 10-12% in 2026. This would be the sixth consecutive year of expansion.

Data Source:
FactSet (insight.factset.com)

Results of Most Recent "Earnings Season"

		Historical Average		Results, Last Four Quarters			
		Last 5 Years	Last 10 Year	2025, Q3	2025, Q4	2026, Q1	2026, Q2
Gross Revenue	Companies that Overperform	70%	67%	77%	73%	80%	77%
	Avg. Size of Overperformance	2.0%	1.5%	2.1%	1.6%	1.8%	3.2%
Earnigns Per Share	Companies that Overperform	78%	76%	82%	74%	84%	86%
	Avg. Size of Overperformance	7.3%	7.1%	7.0%	7.1%	18.2%	26.5%*

* Through 08/28/2026, 97% of companies have reported. Average EPS surprise is inflated by unusually large investment gains at Alphabet and Amazon; excluding both companies, the aggregate EPS surprise is 10.8%.

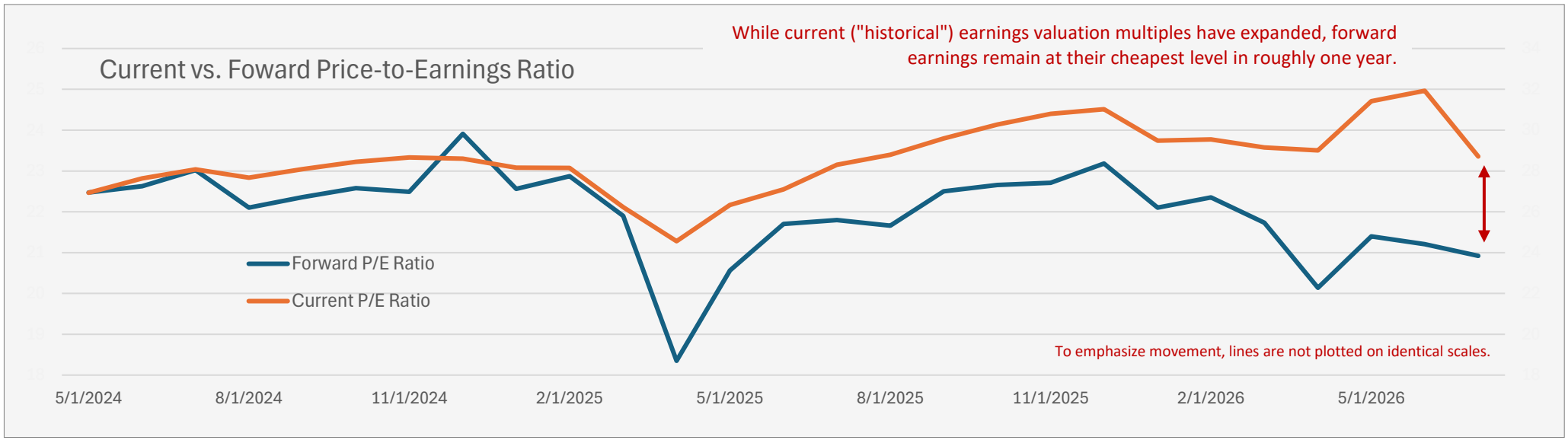


Earnings Season: Other Takeaways

OTHER TAKEAWAYS FROM QUARTERLY CORPORATE EARNINGS & CONFERENCE CALLS

- S&P 500 earnings are on pace for a **fifth consecutive quarter of year-over-year growth**, with analysts expecting another quarter of double-digit earnings growth.
- Earnings growth remains strongest among the largest technology companies, though profit growth continues to broaden across additional sectors.
- So far in 2026 Q2, companies continue to exceed analyst expectations, with **86%** beating EPS estimates and **80%** exceeding revenue estimates through the current reporting season.
- Companies continue to return record levels of capital through dividends and share repurchases, although elevated AI infrastructure investment has moderated buyback growth at some firms.
- Corporate conference calls remain focused on AI investment, capital expenditures and trade policy as management teams discuss future growth opportunities and risks.

Data Source:
FactSet (insight.factset.com)



Share Buybacks

DEFINITIONS

Share buybacks occur when a company uses cash to repurchase its own outstanding shares on the open market or through tender offers.

By reducing the number of shares outstanding, buybacks increase each remaining shareholder's ownership stake and can boost earnings per share, all else equal. Buybacks are often used as a method of returning excess capital to shareholders and may signal management's confidence in the company's long-term prospects.

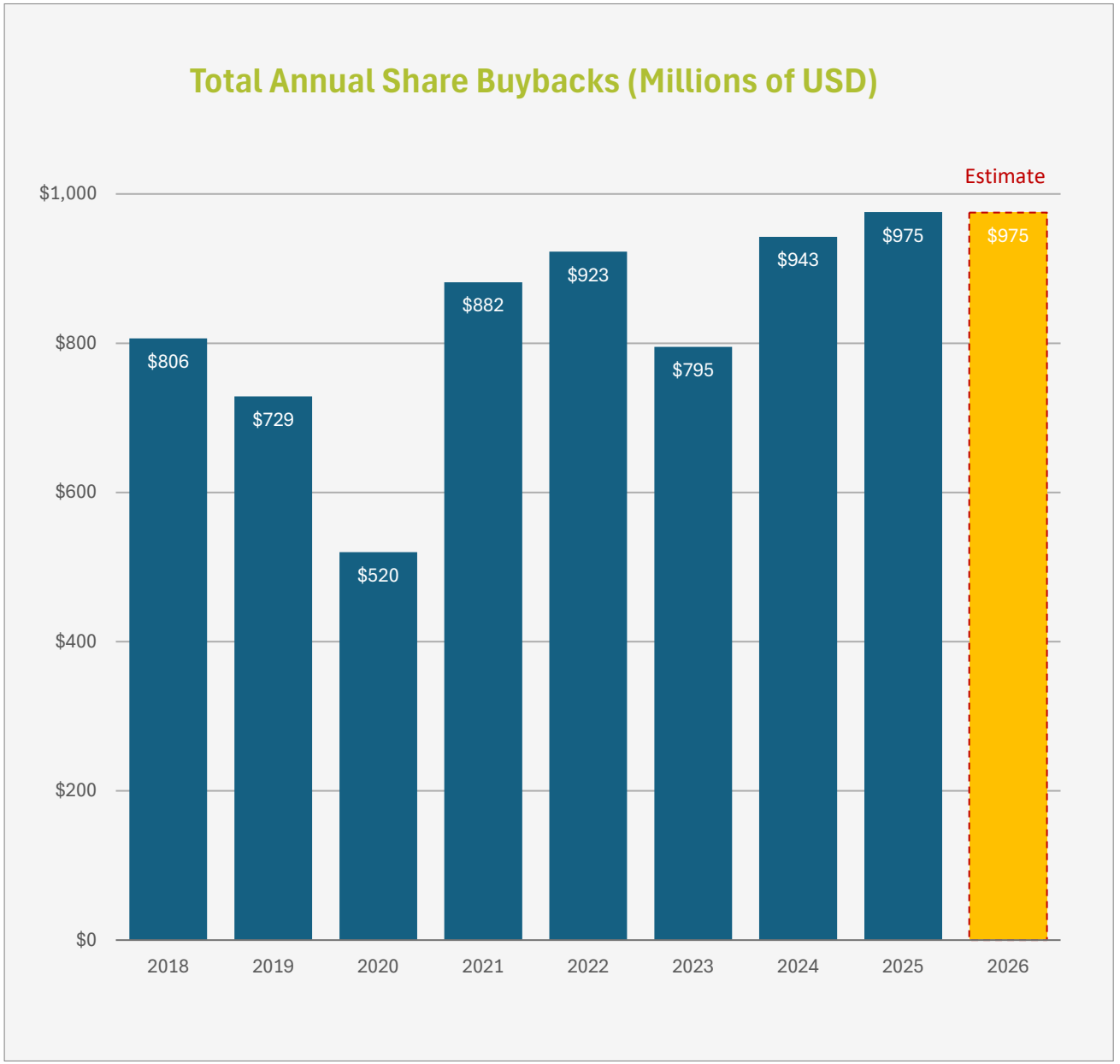
Over time, consistent repurchase activity can support stock prices by reducing share float and improving per-share financial metrics, complementing dividends as a tool for shareholder returns.

CONTEXT

Many share buyback announcements were put on hold during 2020 and the Covid pandemic.

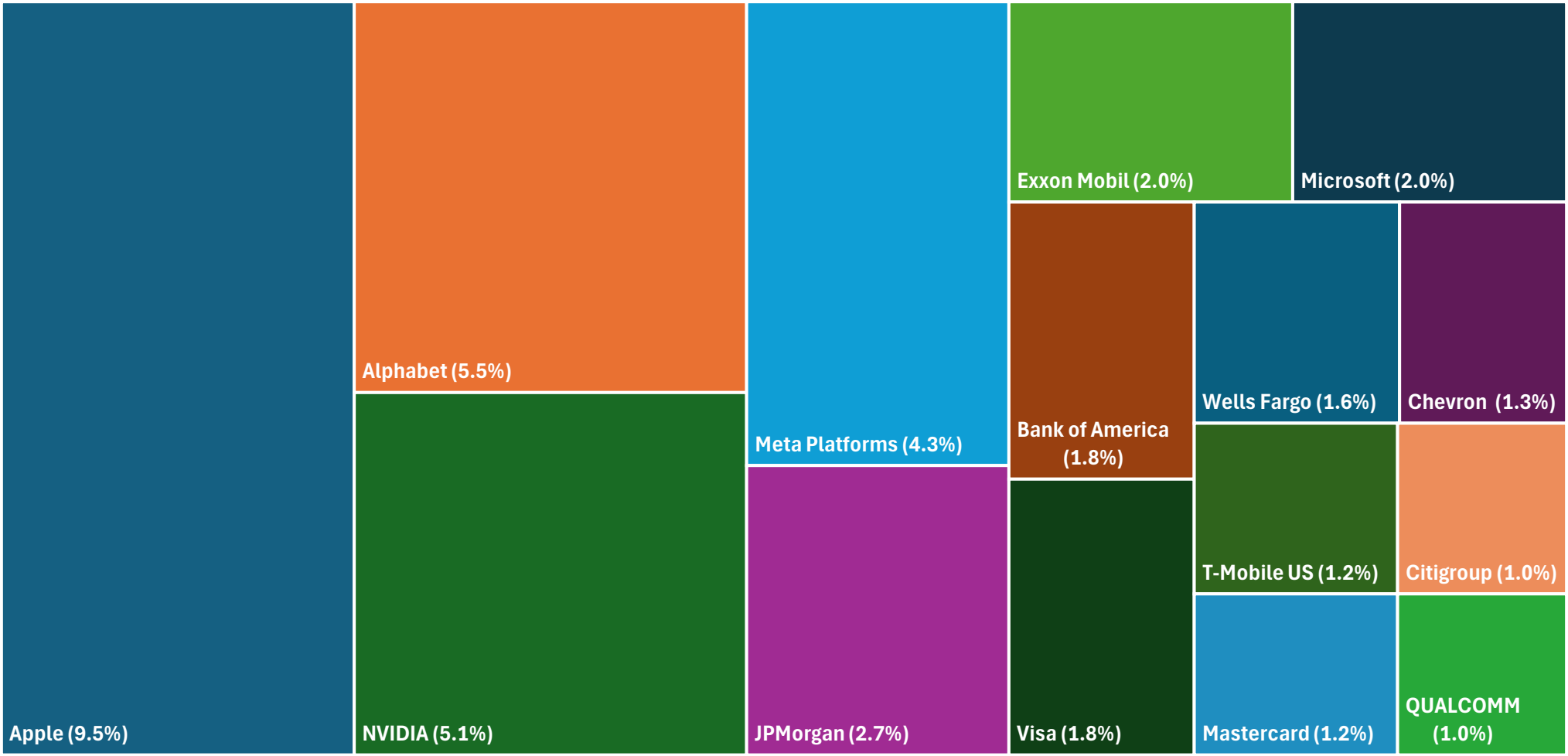
Share repurchase have since rebounded and, in 2025 nearly passed $1 trillion in total, aggregate buyback volume for the first time. A similar amount is projected for 2026.

Data Source:
S&P 500 Dow Jones Stock Buyback Dataset



Share Buybacks

15 LARGEST BUYBACKS. LAST 12 MONTHS (THROUGH SEPT. 2025)



Data Source:
S&P 500 Dow Jones Stock Buyback Dataset

Indicated percent in graph represents company's total value of **all** stock repurchases over the last twelve months. The top fifteen buybacks equal 42% of all buybacks. Large cap companies dominate stock buybacks, and the magnitude has increased over time.

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