

WEEK ENDED APRIL 24, 2026

Carol Schleif, CFA, SASB-FSA, Chief Market Strategist

Between the Lines: What to Watch for This Earnings Season

"Meaning isn't always found in the words themselves, but rather in the spaces in between."

– Michele Sandlin

The Through Line: Earnings season is here (finally), providing the potential for keen insights into important macro themes. While AI can easily spit out summaries of the action, it's the nuance of what's not said – only hinted at between the lines – that may deliver some of the most useful information. We discuss what we'll be looking for as reported results accumulate in coming days.

Same song, different verse

Investors, business leaders and consumers have had A LOT to absorb so far this year. It can be hard to recall we were saying virtually the same thing a year ago – but about an entirely *different* set of challenges (DOGE, Liberation Day, DeepSeek, the loss of American exceptionalism to name just a few examples). This year, it's Venezuela, Iran, private credit, AI-coming-for-your-industry-or-job and/or a dozen other things. Although capital markets seasawed during both periods, stocks ultimately moved higher and bonds remained orderly.

Month to date, April has featured an even greater risk-on tone despite fitful progress in the Middle East conflict. Markets are marching to a "nothing-to-see-here" drumbeat even though many strategists are warning that dire and long-lasting consequences related to energy are yet to come. The S&P 500 is up 9% while the Russell 2000 (one measure of the progress of companies that have smaller market capitalization) is up 12%. Even an index of software stocks has rebounded nearly 12% on the month (though it is still down 16% year to date thanks to AI displacement concerns).

Q1: here we come

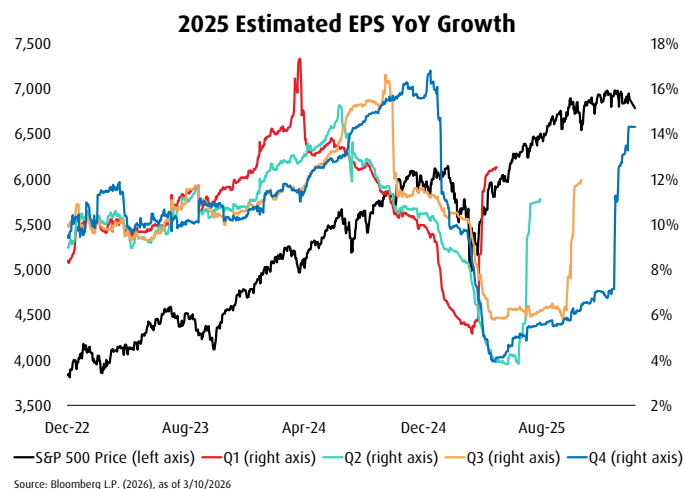
One possible reason for stocks' cheerier outlook: overwhelmingly sturdy fundamentals on both the macro and micro level. Against a backdrop of repeated exogenous shocks, consumer spending and GDP growth have surprised to the upside, unemployment has remained near historic lows, and inflation has leveled off from the high single-digits to the low single-digits (though it's still higher than the U.S. central bank in particular would prefer). Despite consumer and business sentiment surveys reflecting souring moods, and the U.S. Federal Reserve's most recent Beige Book (which summarizes

regional activity) mentioning "uncertainty" dozens of times, investor optimism is running strong, an indication that the downbeat vibe may well be temporary.

Market participants are leaning into the hope that the Q1 reporting season, which is just picking up steam, will yield more insights into how companies are managing the latest round of shocks and opportunities. Early indications reveal that such confidence is well founded. In the U.S., for example, big banks and other financial institutions are among the first to report results. According to Bloomberg statistics, the 46% (37 of 80) of financial firms that have already reported saw aggregate earnings growth of 25%. Trading and merger and acquisition (M&A)/deal revenues have broken fresh records – many of them set just last quarter. The industry is redirecting capital (which had been sidelined in anticipation of more stringent reserve requirements) into other investment and lending activities. In addition, key bank and credit card companies discussed the continued sturdiness of consumer activity and balance sheets.

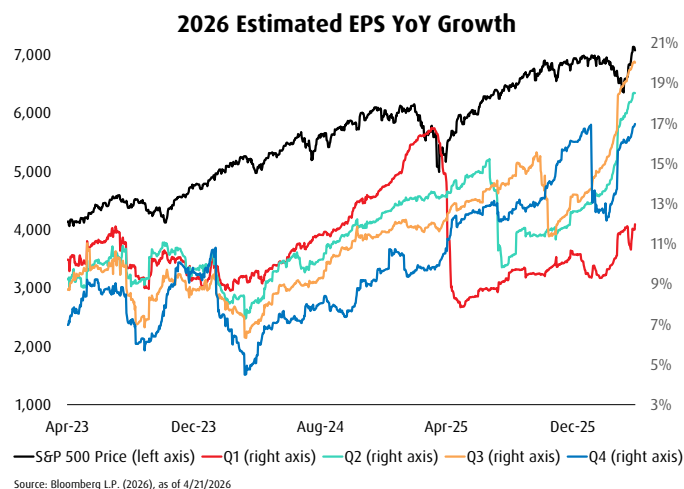
What a difference a year makes

Last year's Q1 reporting season kicked off just after U.S. President Donald Trump unveiled a sweeping set of unilateral country-wide tariffs under the International Emergency Economic Powers Act (IEEPA). The move produced a sharp conceptual shock to the global system, prompting many companies to dramatically reduce their earnings expectations – or withdraw them entirely. **But there was an upside to such a draconian reset: companies were ultimately able to step over the lowered bar in fine fashion.** This was thanks to a combination of subsequently revised tariffs and astute corporate margin management (chart).



Similar to last year’s first quarter, Q1 2026 featured some major moving parts that companies and consumers were forced to navigate. Unlike last year, however, **a sprinkling of factors on the potentially constructive side is helping to balance the ledger.** The Supreme Court’s overturning of the IEEPA tariffs, for example, is projected to put more than \$165 billion (plus interest) back into someone’s hands (though details of precisely *whose* hands are still being sorted). A number of factors are laying the groundwork for a favorable business environment: the absence of those tariff rates; more fleshed-out regulation in key growth industries; deregulation in other sectors; codified business tax incentives; and encouragement of ever larger M&A. Rapid advances in the deployment of labor/cost saving technology should help too.

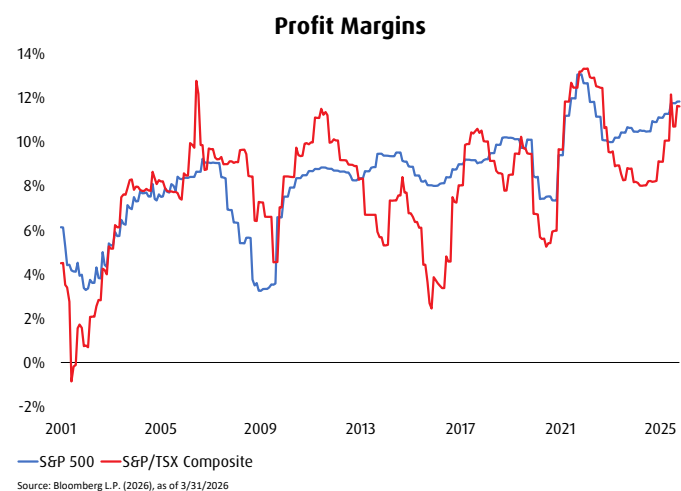
Disruption in energy markets has instigated a sharp pivot in global affairs, setting off a series of chain reactions we are only beginning to understand. North American markets are theoretically a bit more insulated, given the net exporter status of both Canada and the U.S. – though oil and gas markets are priced globally and prices of key energy goods have already risen by record amounts. Unlike tariff costs, which companies were strong-armed into absorbing or sharing, those entities most impacted by rising delivery and other fuel charges are already passing them along and experiencing fewer repercussions. Delivery charges, fuel/energy surcharges and higher ticket prices are already popping up. Though we do not expect this year to hold the same level of resets witnessed in last year’s first quarter, earnings are still expected to advance by double-digits according to Bloomberg consensus.



Elements we’ll be watching

As companies continue the parade of earnings announcements over the next few weeks, we will be watching:

- **Employment trends** – does the “low hire, low fire” mantra turn into “no hire, large layoff” mode? Will the reductions be focused on low-skilled, entry-level jobs – or on roles that are more highly compensated and previously inviolable like coding and software engineering? In processing information on layoffs, it will be critical to look at the indicated numbers relative to employment growth over the last five to 10 years (many companies expanded almost exponentially during and immediately after the pandemic). Are the reductions coming from actual cuts – or attrition/sale of business units?
- **Deployment of advanced technology** – AI, robotics- autonomous vehicles and the like (how much, how fast, order numbers, backlogs)? More importantly, what are the impacts on/implications for margins (both long term and near term when they may be negatively impacted by increased spend, particularly if financed by debt)? Is there evidence to support our thesis that these technologies can in the long run boost productivity and accelerate growth in a non-inflationary way?
- **Margins** – corporate margins have been above average for years (chart). What is the interplay between increased cost pressures (energy, infrastructure/supply chain redundancy spend) and deflationary factors (tax benefits, government contracts, technology deployment)?



- **Consumer health** – we noted above that some of the biggest banks and financial services companies have already reported, highlighting the resiliency of consumer spending and balance sheets. We will be on the lookout for additional color from retailers, shipping companies, luxury goods manufacturers, discount stores and leisure and entertainment services providers (hotels, restaurants, cruise line operators). Our goal will be extracting insights into demand sturdiness, substitution trends and foreign demand.
- **Capital expenditure plans** – nearly one-third of industrials companies have already reported, with aggregated earnings growth of nearly 18%. Managements are noting growing backlogs and increased inquiries for defense, transportation and reshoring/nearshoring activities. Green shoots are emerging as companies look to regionalize and reinforce

supply chains shocked by repeated incidents (bad weather, port strikes, wars, container shortages) in recent years. We will be watching to see if the trend to replace aging infrastructure gain momentum – or stall in response to NIMBY (not-in-my-backyard) pushback, permitting delays, etc.

- **M&A** – the Trump administration has proven much more amenable to larger tie ups – in addition to initiating some industrial policy initiatives of its own. We expect a number of deals will be announced/unearthed during this reporting season. *Deals have a tendency to beget more deals in a given industry once the trend is started.* Those industries most impacted by higher energy costs, supply chain disruptions and/or technological deployment duress would seem to be ripe for accelerated deal-making.
- **Who is benefitting from higher energy costs** – much of the commentary has focused on who will be harmed by higher energy costs, but a broader swath of companies than just drilling or energy supply companies may benefit. Increased prices for polyester, for example, are making home-grown cotton a more affordable and viable substitute. Sectoral tariffs (those applied to specific goods like steel, aluminum, lumber) can make domestically manufactured items more competitive.
- **Balance sheets** – corporate debt levels have been migrating downward for decades (arguably since the over-leveraged late 1980s), leaving aggregate balance sheets in solid shape. The need to reshore, quickly ramp scientific (the space race is on!), military and manufacturing infrastructure could lead to increased leverage – particularly if private equity capital becomes harder to come by. With potentially higher-for-longer rate levels, does financing (or refinancing maturing debt) put pressure on margins or credit ratings?

Implications for Investors

Many global stock indexes remain near all-time highs, illustrating yet again **investors' propensity to skate to where the puck is going rather than getting bogged down for too long worrying about where it's been.** Earnings season is prime time for gathering specific insights to help prove (or disprove) justifications for investors' optimism. Similar to what happened after last year's tariff issues, we are optimistic that companies have the necessary resilience and proven muscle memory to deftly confront the most recent energy-related challenges while executing on the opportunities presented by pivots and policy changes.

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

Energy experts warn that markets are underestimating the energy shock's long-term impacts – Speaking at the Financial Times Commodities Global Summit, leaders from three of the world's largest private trading houses – Vitol, Gunvor and Trafigura – warned that global economic growth is under threat from the extended closure of the Strait of Hormuz. Trafigura Chief Economist Saad Rahim warned that people are underestimating just how much supply has been lost. Numbers shared in the discussion included 12 to 13 million barrels per day of crude oil, while close to six million barrels per day of global refining capacity is currently offline. Vitol CEO Russell Hardy said 600 to 700 million barrels of oil production have been lost since the start of the war on February 28. Both oil and product inventories are being drawn down at a rapid pace, eroding the global supply buffer. Vitol believes global petroleum demand has contracted by four million barrels per day as supply shortages and higher prices take their toll. It is important to note that sailing time from the Arabian Gulf to Asia is four to six weeks, so all the cargos that left pre-war have now reached their destination and a physical supply gap is set to worsen. **If the Gulf were to open today, it would still take more than a month to get the 115 million barrels currently stranded on tankers to market.**

Canadian inflation accelerating – Consumer prices popped 0.9% in March, lifting the headline inflation rate to 2.4% from 1.8% the prior month. The jump was no surprise after gasoline prices surged by a record 21.2% in the month (records dating back to 1949). The Bank of Canada's two main measures of core inflation stayed calm; median held steady at 2.3% year over year, and trim eased a tick to 2.2%, a five-year low. The older, more traditional, measures of core – excluding food and energy – are still hovering right around the 2% target. *In the view of BMO Economics, if it were not for the conflict with Iran, the current discussion would be revolving around the strong possibility of BoC rate cuts, not hikes. This report reinforces that opinion.*

U.S. headline consumer sales accelerate – Retail and food service sales rose 1.7% in March, representing the largest month-over-month increase since January 2023 and topping the Bloomberg consensus forecast of +1.4%. The outsized result was attributed in part to higher fuel prices, but it nonetheless points to continued consumer resilience. Higher tax refunds in 2026 likely helped boost purchasing power; the IRS reported last week that average tax refunds are up 11.2% (\$342) from 2025 levels. Improved weather was another supportive factor. Nine of the eleven major categories posted gains in March; one was flat. Miscellaneous store retailers was the only category to decline. Gas station sales rose 15.5% month over month after the Middle East conflict drove up prices at the pump. On a year-over-year basis, Q1 sales rose 3.7%. The March control group number (which excludes motor vehicles, fuel sales, building materials and garden supplies, bars and restaurants) was up 0.7%, besting

the Bloomberg consensus estimate of +0.2%. The control group number is a key input into monthly GDP, capturing consumer spending on goods.

Canadian businesses more optimistic – The BoC's Business Outlook Survey (conducted in February) jumped 1.4 points to -0.36 in Q1. Although that extends a streak stretching over thirteen quarters in negative territory, this also marks its highest level over that period. Along the theme of dissipating trade uncertainty, fewer firms reported trade tensions affecting their sales and input prices. While the labour market continues to soften, it appears there may also be a light at the end of the tunnel: *hiring intentions jumped to their highest level in three years*. Separately, the BoC Survey of Consumer Expectations also showed some improvement; the overall indicator ticked up but continued in negative terrain. Demand remained muted, but future spending plans improved thanks to workers in trade-sensitive sectors. This highlights the fact that consumers are feeling the effects of dissipating trade uncertainty. A pair of decent surveys underscores the resilience of Canadian consumers and businesses in the face of significant trade ambiguity. While the Iran war presents a stagflationary risk, pre-war momentum could emerge if/when the conflict is resolved.

Kevin Warsh begins confirmation process to be the next Federal Reserve Chair – In his opening statement, Mr. Warsh expressed a view that the Federal Reserve suffers from mission creep, seeking to take on a broader role in the economy and society at large. To Mr. Warsh, this policy shift is the real threat to Fed independence, while the individual opinions of elected officials would be just one factor among a broader basket of considerations when setting policy. Institutional reform would represent a key objective for a Warsh-led Fed. Inflation was labeled "a choice" for which Federal Reserve officials must take responsibility; Mr. Warsh attributed recent bouts of inflation to policy error. He would advocate for forward-looking decision-making on rate policy while dialing back the practice of providing forward guidance for markets. **In past comments, Mr. Warsh has sought to pitch the upside economic potential associated with future AI-driven productivity gains, but in Tuesday's hearing he said more study was needed to fully understand this dynamic.** Other than noting that the employment side of the Fed's dual mandate is largely satisfied, he did not focus on the labor market. Wall Street views Mr. Warsh as a highly qualified candidate: he has previous experience as a Federal Reserve governor and in the private sector at Morgan Stanley. He is also a partner at legendary investor Stan Druckenmiller's Duquesne Family Office. Senator Elizabeth Warren leveled the case against Mr. Warsh. She argued that when he was a Fed governor heading into the Great Recession, Mr. Warsh ignored subprime warnings. She added that he then helped lead the bailout of financial institutions and now has flipped from a long-held hawkish view on rates to pacify President Trump. Until he is confirmed, Mr. Warsh will face the difficult task of balancing market expectations of continued Fed independence with the preferences of President Trump (who has called for significantly lower rates).

Next week

Key central bank meetings in both Canada and the U.S. followed by press conferences/rate announcements on Wednesday. The current Fed's preferred inflation metric, the PCE index, is not out until after the meeting. A smattering of additional data on housing, inventories and consumer confidence round out the eco data. Earnings season accelerates: 20% of the S&P 500 and the largest share of the TSX will report.

Monday 4/27 – None Scheduled

Tuesday 4/28 – U.S. Consumer confidence | Canada none scheduled

Wednesday 4/29 – U.S. FOMC rates decision and presser, Durable goods orders, Housing starts, Trade balance goods, retail and wholesale inventories | Canada Bank of Canada rates decision, monetary policy report and press conference

Thursday 4/30 – U.S. Initial jobless claims, Employment cost index, GDP, Personal income, PCE | Canada GDP

Friday 5/1 – U.S. none scheduled | Canada S&P Global Manufacturing PMI

Data scorecard as of April 22, 2026

Equity Market Total Returns						
	4/22/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	7,138	0.2%	4.6%	17.9%	25.0%	14.4%
NASDAQ	24,658	0.8%	6.3%	21.2%	29.6%	13.4%
DOW	49,490	0.1%	3.5%	14.9%	15.0%	11.6%
Russell 2500	4,857	0.0%	12.9%	11.9%	12.0%	7.3%
S&P/TSX	33,955	-1.1%	7.8%	31.7%	21.7%	16.1%
MSCI EAFE	11,251	-2.1%	6.1%	31.2%	3.8%	8.9%
MSCI EM	881	0.7%	15.0%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		-0.3%	0.6%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		-0.3%	0.3%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		-0.2%	0.6%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		-0.1%	1.3%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		0.0%	0.7%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		-0.2%	0.6%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		-0.2%	0.5%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		-0.1%	0.8%	4.4%	6.9%	1.5%
Government Bond Yields						
	4/22/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.30%	4.32%	4.32%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.49%	3.47%	3.47%	3.43%	3.23%	2.81%
U.K. 10-Year Gilt	4.91%	4.91%	4.91%	4.48%	4.56%	3.16%
German 10-Year Bund	3.01%	3.00%	3.00%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.39%	2.35%	2.35%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	4/22/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	98.59	0.5%	0.3%	-9.4%	7.1%	1.8%
CAD:USD	\$0.73	0.1%	0.4%	4.8%	-7.9%	-1.5%
Bitcoin	\$78,453.49	1.4%	-10.5%	-6.5%	120.5%	24.8%
Gold	\$4,739.90	-1.9%	9.7%	64.6%	27.2%	17.9%
Oil (WTI)	\$92.96	10.9%	61.9%	-19.9%	0.1%	3.4%

*Annualized

5-Year data as of December 31, 2025. Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.

Index Definitions

Equity indices

S&P 500® Index is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

Dow Jones Industrial Average (“DOW”) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

S&P/TSX Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada’s primary stock exchange, the Toronto Stock Exchange (TSX).

MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

Fixed income indices

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+ or below.

Bloomberg 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Canada Aggregate Bond Index measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

Bloomberg Canada Aggregate Bond Index - Treasury is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

Bloomberg Canada Aggregate Bond Index - Corporate is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.



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