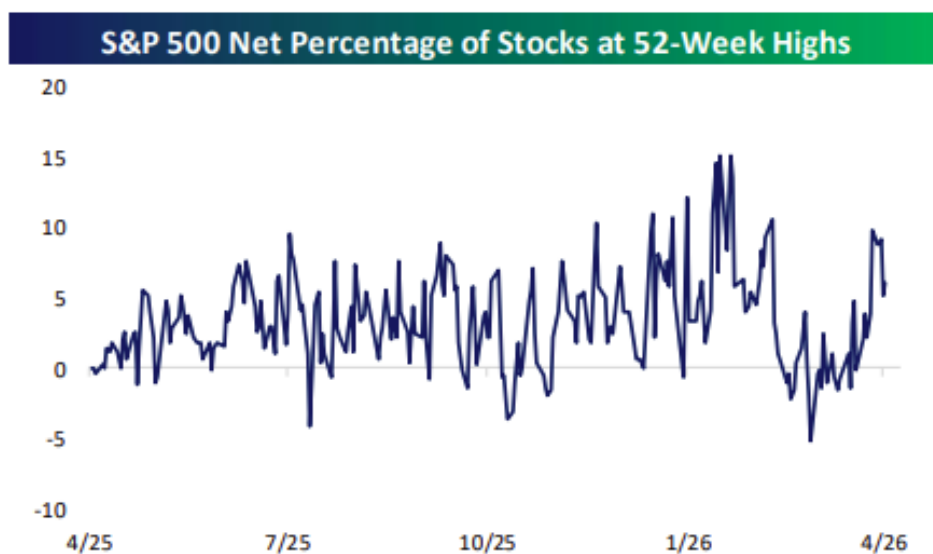


As Larry Kudlow famously says, 'Profits are the mother's milk of stocks.' I couldn't agree more. At the end of the day, stocks are valued on future earnings and operating cash flow, so anything that moves the profit outlook tends to move share prices.

Right now, robust earnings growth is the main force driving this secular bull market. Consensus estimates for 2026 and 2027 have continued climbing and now point to mid-teens profit growth — roughly double the long-term average. Much of this strength stems from the massive capital spending tied to AI infrastructure, which helps explain why the market keeps making new highs despite geopolitical tensions, higher energy prices, and patchy economic data.



Source: Bespoke Investment Group

This resilience stands in sharp contrast to 2022. Back then, earnings estimates were repeatedly revised lower, an earnings recession took hold, and stocks fell roughly 25% amid rising rates, surging energy prices from the Russia-Ukraine war, and weakening economic signals. Today, even with similar headwinds — higher energy costs and geopolitical risks from the Iran conflict — a corporate profits boom is powering fresh all-time highs.

First-quarter earnings season is now underway, and the early tone has been encouraging. Most companies are beating forecasts, maintaining or raising guidance, and the largest technology firms continue expanding their capital spending plans. I expect this positive momentum to hold, especially from the Mag 7 names reporting soon. As long as AI-related investment keeps driving revenue growth, margin expansion, and broader productivity gains, I believe this bull market has plenty of room to run for years ahead.

Importantly, the benefits are starting to broaden. Industrials, energy, and select utilities should also participate as productivity improvements spread beyond Big Tech — setting the stage for a wider group of stocks to reach new highs in the months ahead.

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