

# Market Perspectives

## *Be Still My Beating Heart*

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# 2026 Outlook – Earnings Are Likely To Drive Returns

## Consensus & Valuation Reality

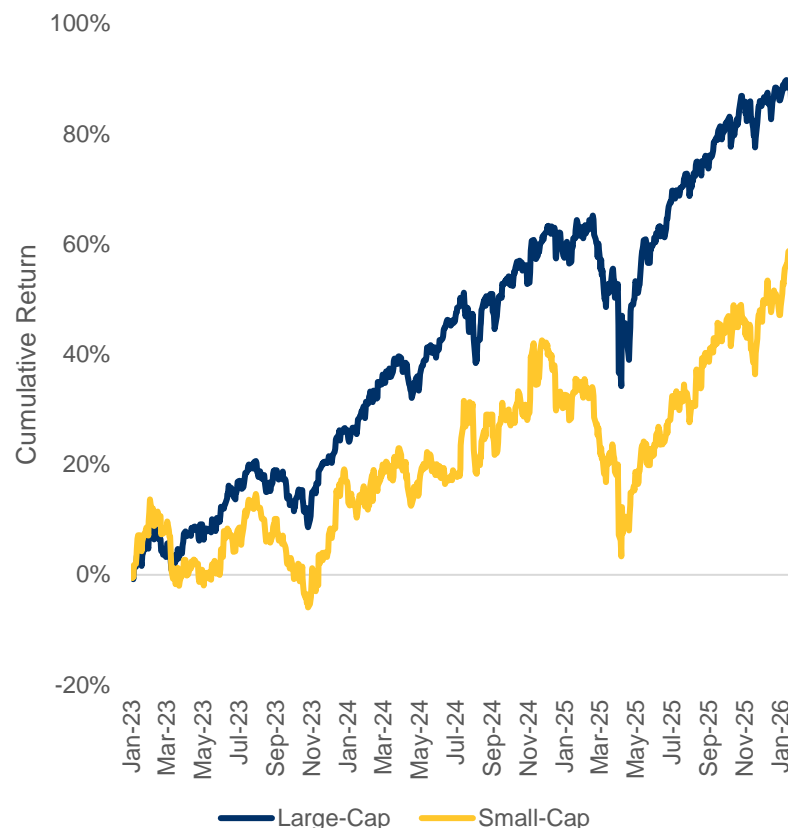
### The Good News:

- Wall Street Consensus S&P 500 target: 7,400-7,500 (+8.1% upside)
- RBC Rochdale target: 7,700-7,800 (+12.1% upside)
- Expected 13.5% EPS growth (\$269.28 → \$305.70)
- AI capex cycle continues (\$500-600B projected in 2026)

### The Challenge

- Forward P/E: 25.7x (avg since 2012 = 19.1x)
- Returns must come from earnings and not valuation expansion

Large & Small-Cap at All Time Highs



Source: Bloomberg, RBC Rochdale. As of 1/27/2026. Large Cap – S&P 500 Index. Small-Cap – Russell 2000 Index. Information is subject to change and is not a guarantee of future results.

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# Index Definitions

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent U.S. equity performance.

The index represents large-cap stocks, generally defined as companies with market capitalizations over \$10 billion. Small-cap stocks are generally defined as companies with a market capitalization between \$300 million and \$2 billion.