



January 15, 2026

Morning Briefing

On Consumer Staples, Banks & Robots

Check out the accompanying [chart collection](#).

Executive Summary: The defensive S&P 500 Consumer Staples sector has outperformed the broader market so far in this young year, and Jackie finds several reasons it has returned to investor favor. ... Also, the S&P 500 Diversified Banks sector appears to be out of investor favor despite its strong recent and projected earnings growth. The industry is fighting two regulatory issues with the potential to hurt future results: Interest by any other name is still interest, the banks argue, and credit-card interest-rate caps amount to price controls, they say. ... Also: Humanoids race to market with accelerating speed and grace (they just can't do laundry, yet).

Consumer Staples: Showing Signs of Life. The S&P 500 Consumer Staples sector has been showing signs of life in the early days of 2026 after a forgettable 2025.

Last year, investors generally passed over the defensive sector, known for stability and dividends, in favor of fast growing technology stocks. This year, they may be seeking safer havens after the S&P 500's three-year run of double-digit gains. The Consumer Staples sector has gained 4.5% ytd through Tuesday's close, outpacing the S&P 500's 1.7% gain and ranking among the top performers: Materials (up 7.5% ytd), Industrials (5.8), Energy (5.2), Consumer Staples (4.5), Consumer Discretionary (4.1), Communication Services (2.1), S&P 500 (1.7), Real Estate (1.5), Health Care (1.2), Utilities (0.4), Information Technology (0.3), and Financials (-1.1) ([Fig. 1](#)).

Investors may be hopeful that some of the sector's recent headwinds will die down this year: Inflation shows signs of cooling. Many stocks in the sector pay dividends, which become more attractive as interest rates fall. And while the surge in GLP-1 drug adoption continues, its impact on snack consumption may already be factored into stock prices.

Michael Brush of [Brush Up on Stocks](#) notes that company insiders gobbled up more than \$5 million worth of Consumer Staples sector stocks in the last two months of 2025. Since

insiders rarely buy for short-term moves, Brush expects the purchase activity to continue.

Here's a look at some of the fundamentals that may be helping the Consumer Staples sector start the year on a positive note:

(1) *Earnings on the upswing.* Consumer Staples' earnings aren't expected to grow at the fastest rate among S&P 500 sectors this year, but they are expected to be among the most improved versus 2025: Information Technology (31.8% projected in 2026, 24.8% in 2025), Materials (21.2, 0.0), Industrials (15.7, 12.3), S&P 500 (15.6, 13.1), Consumer Discretionary (11.5, 6.8), Communication Services (10.3, 21.3), Utilities (9.4, 4.9), Financials (9.2, 12.4), Real Estate (8.7, -0.4), Health Care (8.6, 13.1), Consumer Staples (7.1, 0.7), and Energy (6.0, -10.5) ([Table 1](#)).

Returning to earnings growth in 2026 after earnings declines in 2025 are the following industries within the Consumer Staples sector: Personal Care Products (12.7% in 2026, -16.8% in 2025), Distillers & Vintners (7.4%, -15.6%), Packaged Foods & Meats (4.1%, -13.2%), and Brewers (2.9%, -9.5%).

Meanwhile, the Consumer Staples Merchandise Retail industry's earnings are forecast to grow 11.5%, a far sight better than the 3.3% expected in 2025. Even the Soft Drinks & Nonalcoholic Beverages industry shows improvement, with earnings forecast to grow 6.9% this year, more than twice last year's 3.0% growth.

Only two of the sector's industries should post decelerating growth this year versus last: Tobacco (7.2% in 2026, 10.7% in 2025) and Household Products (1.8%, 3.8%).

(2) *Tariff rollback should help.* In November, President Donald Trump entered into [agreements](#) with certain Latin American countries that eliminated tariffs on various goods, including imported coffee, bananas, agricultural products, and beef. Consumer products companies that use these foods as ingredients in their products stand to benefit.

This should buoy packaged food companies' profit margins—hurt last year by rising prices—and their share prices. Conagra Brands, Lamb Weston Holdings, and Campbell's stocks each shed nearly a third of their value over the past year. All three reside in the S&P 500 Packaged Foods stock price index, down 7.2% y/y ([Fig. 2](#)).

The industry's forward profit margin has fallen from north of 10% in 2021 to a recent 7.5%, which weighed on earnings ([Fig. 3](#) and [Fig. 4](#)). Analysts do see improvement this year, with

revenues expected to rise 2.0% and earnings forecast to climb 4.1% after falling 13.2% last year ([Fig. 5](#) and [Fig. 6](#)). The slightest improvement could help the industry's stocks because their forward P/E has crumbled to 14.9, close to its nadir of the past 30 years ([Fig. 7](#)).

(3) *Can teetotaling last?* The past two years have seen a large reduction in US alcohol consumption, potentially driven by increased pot use, the focus on body weight with the adoption of GLP-1 drugs, fewer happy hours with many folks working from home, and growing awareness of alcohol's health impacts.

The percentage of US adults who consume alcohol fell to 54% last year, the lowest over the past 90 years, Gallup [reports](#). It was as high as 71% in the late 1970s and bounced between 60% and 67% from 1991 through 2023 before sinking to last year's low. The good news for brewers is that historically alcohol use has recovered after previous droughts.

The S&P 500 Brewers stock price index is down 8.6% y/y, but has bounced early in 2026, rising 5.4% ([Fig. 8](#)). Analysts hold low expectations for the industry's sole member, Molson Coor's, with almost no revenue growth forecast over the next two years (-0.3% in 2026 and 0.2% in 2027) and minimal earnings growth (2.9%, 3.8%) ([Fig. 9](#) and [Fig. 10](#)). But its valuation looks primed for a surprise; the forward P/E of 8.8 is near its lowest in 30 years ([Fig. 11](#)).

(4) *Shoppers keep shopping.* Retailing giant Walmart has had the largest impact on the Consumer Staples sector. The retailer's stock gained 31.5% over the past year as investors grew excited about Walmart's increasing online and delivery capabilities and foray into artificial intelligence.

Gaining even more than Walmart in the S&P 500 Consumer Staples Merchandise Retail industry are the shares of dollar-store operators Dollar General and Dollar Tree, up 111.3% and 93.1% y/y, respectively. They've benefitted from higher-income consumers' increased use of the channel and the lifting of prices beyond the \$1 threshold.

Offsetting Walmart's gains have been Target's losses. The retailer's stock has dropped 21.7% y/y, but some investors are optimistic that new management will improve operations. Costco shares have flatlined over the past year. Altogether, the S&P Consumer Staples Merchandise Retail stock price index has risen 16.6% y/y, recently breaking out to a new high ([Fig. 12](#)).

The industry's forward revenue, earnings, and profit margin each are at or near 15-year

record highs ([Fig. 13](#), [Fig. 14](#), and [Fig. 15](#)). Analysts call for strong revenue and earnings growth for this year, of 5.5% and 11.5%, respectively. But the industry sports a record-high forward P/E to match, 36.7, pushed northward by the forward P/E's of Costco (44.8) and Walmart (40.9) ([Fig. 16](#)).

Financials: Investors Sell the Banks' Good News. The S&P 500 Diversified Banks' Q4 earnings were generally boosted by solid consumer and corporate borrowing, stable credit quality, and rising stock markets, which increased assets under management, trading volumes, and investment banking.

But bank stocks rallied sharply in 2025 on expectations of a stellar Q4, and now may be suffering from buy-the-rumor-sell-the-news syndrome. After climbing 32.1% last year to record levels, the S&P 500 Diversified Banks stock price index has fallen 1.5% so far in this new year compared to the S&P 500's 1.7% gain ([Fig. 17](#)).

We expect bank stocks will be off to the races after consolidating last year's gains, boosted by continued strong earnings growth. Analysts expect the Diversified Banks to produce 10.9% earnings growth this year following 10.5% growth in 2025 ([Fig. 18](#)). Our optimism also requires the resolution of two regulatory issues in the banks' favor. Here's what JPMorgan executives had to say about them in this week's [earnings conference call](#):

(1) *Issue #1: Stablecoin accounts paying interest.* Under the Genius Act, interest can't be paid on stablecoins; but that hasn't prevented stablecoin exchanges and affiliates from paying "rewards" on stablecoin accounts that essentially are interest by another name. The banking industry is urging Congress to close this apparent loophole.

The American Bankers Association (ABA) sent a [letter](#) to senators last week warning that if companies are allowed to pay interest/rewards on stablecoin accounts, banks stand to lose \$6.6 trillion of deposits as customers move their money into stablecoins. Only bank deposits, not stablecoins, offer FDIC insurance and are used by banks to fund loans to consumers and businesses in their communities.

"It is time to stand up for community banks and small businesses by making clear in market structure legislation that the prohibition on interest applies to affiliates and partners of stablecoin issuers," the ABA letter states. "Anything less will put economic growth and local communities at risk."

JPMorgan CEO Jaime Dimon noted on the earnings conference call that the banks are

willing to “embrace” new competition. The banks object to “the creation of a parallel ecosystem that has all the same economic properties and risks [of the banking system] without appropriate regulation.”

(2) *Issue #2: 10% cap on interest rates credit cards charge.* President Trump proposed capping credit-card interest fees at 10% in a post on Truth Social last Friday. He’d like the banks to comply by January 20, but normally such a proposal would need to go through regulators or Congress before going into effect.

JPMorgan’s Barnum noted on the bank’s conference call that the proposal would be bad for consumers and for the bank. JPMorgan had \$247.8 billion of credit-card loans outstanding at year-end and has agreed to purchase Apple’s \$20 billion credit-card portfolio from Goldman Sachs.

The credit-card industry is very competitive, and profit margins are already at “competitively optimal levels.” So if President Trump’s interest-rate caps—which Barnum called “price controls”—were instituted, banks wouldn’t be able to reduce their profits and provide the service at a lower cost. Instead, price controls would result in certain clients’ losing access to credit, “especially people who need it the most. ... [T]hat’s a pretty severely negative consequence for consumers and frankly probably also a negative consequence for the economy as a whole right now.”

Dimon noted on the conference call that the Trump plan would have a “dramatic” effect on subprime borrowers. Executives at Citigroup, Bank of America, and Wells Fargo [agreed](#) that affordability is a problem but that limiting credit-card interest rates isn’t the answer.

Banks’ wagons are officially circled.

Disruptive Technologies: Humanoids Star at CES. This year’s Consumer Electronics Show (CES) highlighted the many advancements in humanoid robots. They’re steadier, walking more fluidly, and ready to punch in at factories, if not to fold laundry at home. Boston Dynamics’ Atlas was the CES star and will be in production by 2028. But Chinese competitors have beat Boston Dynamics to the punch: They’ve already started shipping humanoids.

Here’s a closer look at the humanoid race to market:

(1) *Atlas lives up to its name.* Boston Dynamics generated perhaps the most excitement at

CES with its [presentation](#) of Atlas, a humanoid robot that moves very fluidly (rotating its limbs 360 degrees) and is designed to work alongside humans in industrial settings. Boston Dynamics' parent company Hyundai [plans](#) to manufacture 30,000 Atlas robots a year by 2028 and use Atlas in its electric vehicle manufacturing facility.

(2) *LG brings The Jetsons' Rosey to life.* LG Electronics [introduced](#) its CLOiD humanoid robot at CES; it's designed to handle household chores like cooking and laundry and to communicate with LG appliances and humans. In a [video](#), CLOiD is shown loading a washing machine and painstakingly folding laundry (but not very well). CLOiD fits into LG's vision of a Zero Labor Home, where "housework is a thing of the past." CLOiD is not yet available for sale, but if it can make cooking a thing of the past, we're willing to wait.

(3) *Tesla's Optimus is MIA.* Optimus was a no-show at CES, but it still made the recent headlines. xAI executives told investors that their goal is to "build AI that is self-sufficient and that will eventually power humanoid robots like [Tesla's] Optimus," Bloomberg [reported](#). That raised questions about whether Optimus's "brain" is being developed at privately held xAI or publicly held Tesla.

Late last year, Tesla showed Optimus running like a human, sporting a new set of hands with more freedom of movement and motor control and recharging itself without human assistance, by standing on a wireless pad. Optimus Gen 3 featuring these improvements is [expected](#) to launch early this year, with low-volume production of the robots for use in Tesla's factories expected later in the year.

(4) *Chinese operators advance quickly.* Not to be outdone, Chinese manufacturers have been producing alternatives to the humanoid offerings of Boston Dynamics and Tesla. AgiBot had 39% market share of global robotics shipments in 2025, followed by Unitree's 32% and UBTECH's 7%, according to Omdia [data](#). AgiBot has shipped a [world leading](#) 5,000 humanoid robots, ahead of Unitree's 2,000 units and UBTECH's 500 units.

Strategy Indicators

S&P 500 Earnings, Revenues, Valuation & Margins ([link](#)): During the January 8 week, the S&P 500's forward revenues ticked up less than 0.1% to a new record high, and forward earnings eased less than 0.1% from its record high a week earlier. The forward profit margin was steady w/w at its record high of 14.5%. The forward profit margin is now 4.2ppts above its seven-year low of 10.3% during April 2020. The consensus expectations for

forward revenues growth was steady w/w at a 42-month high of 7.0%. From a longer-term perspective, that's well above its 20-year average of 5.2% and its 33-month low of 2.3% during the February 23, 2023 week. That compares to a pandemic-recovery-boosted record-high 9.6% forward revenues growth at the end of May 2021 and 0.2% during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast dropped 0.1ppt w/w to 15.2% from a 54-month high of 15.3%. That's still up 4.4ppts from its 15-month low of 10.9% during the May 29 week and well above its 20-year average of 11.4%. That compares to its 23.9% reading at the end of April 2021, which was boosted by the recovery from the pandemic to its highest reading since June 2010 and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 6.5% in 2025 (up 0.1ppt w/w to a new high), 7.1% in 2026 (steady at a new high), and by a faster 7.2% in 2027 (steady at a new high), compared to a 5.0% rise in 2024. They expect an earnings gain of 13.1% in 2025 (steady at a nine-month high), a 15.5% rise in 2026 (down 0.1ppt w/w from a 15.6 high), and a 15.3% rise in 2027 (steady at a new high), compared to 2024's earnings gain of 11.7%. Analysts expect the profit margin to rise 0.8ppt y/y to 13.3% in 2025 (unchanged at an eight-month high), 1.0ppt y/y in 2026 to 14.3% (unchanged at an eight-month high), and 1.1ppts y/y in 2027 to 15.4% (steady at a new high), compared to 2024's 12.5%. Looking at valuation data as of January 8, the S&P 500's weekly forward P/E rose 0.3pt w/w to 22.2. That's just 0.4pt above the 26-week low of 21.8 during the December 18 week and 1.1pts below the 25-year high of 23.3 during the October 30 week. That's now up 3.0pts from its 16-month low of 19.2 during the April 17 week. It also compares to 23.1 in early September 2020, which was then its highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio rose 0.03pt w/w to 3.21. That's up 0.08pt from a 10-week low of 3.13 during the November 20 week, and is now 0.07pt from its record high of 3.28 during the October 30 week. That's up from a six-month low of 2.22 during the October 26, 2023 week and compares to a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Revenues, Earnings, & Margins ([link](#)): During the January 8 week, seven of the 11 S&P 500 sectors posted gains in their forward revenues and five had forward earnings rise. These four sectors had post pandemic- or record-high forward revenues this week: Communication Services, Financials, Health Care, and Information Technology. A fifth sector, Consumer Staples, would be at a record high too, but is instead 3.8% below due to Drug Retail's exit in September. These four sectors are less than 0.1% from their recent record highs: Consumer Discretionary, Industrials, Real Estate, and Utilities. Energy's remains depressed at 28.8% below its September 2008 record and 16.1% below its cyclical high in October 2022. Materials' is improving faster now and is at a 35-month high of 2.8% below its June 2022 record high. These three sectors had record-high

forward earnings this week: Communication Services, Financials, and Information Technology. Forward earnings is less than 0.9% below very recent record highs for these six sectors: Consumer Discretionary, Consumer Staples, Health Care, Industrials, Real Estate, and Utilities. Forward earnings remains depressed for Energy and Materials, but is improving now for the latter. From their respective highs during 2022, Energy's remains mired near a four-year low at 39.6% below while Materials' has improved to a 36-month high of 18.5% below. Looking at the forward profit margin, all 11 sectors were steady w/w. These two were at record highs: Industrials and Information Technology. These four sectors remain close: Communication Services, Consumer Discretionary, Financials, and Utilities. Among the five lagging sectors: Consumer Staples, Materials, and Real Estate are improving somewhat from their recent multi-year lows; Energy's is struggling to move higher; and Health Care's is still at a record low. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts along with their record highs: Information Technology (30.0%, steady w/w at a record high and up 2.3ppts since August when it made its first record high since September 2024 after low-margin Dell's addition to the index lowered the margin 1.3ppts from a record high 27.6% then to 26.3%), Financials (21.1, steady w/w at 0.1ppt below its 21.2 record high on December 18), Communication Services (19.7, down from its 19.8 record high during the August 7 week), Real Estate (16.6, steady w/w and down from its 16.8 eight-month high in early October and from its 19.2 record high in 2016), Utilities (14.9, steady w/w at a 59-month high and just 0.2ppt below its 15.1 record high in April 2021), S&P 500 (14.5, steady w/w at a record high), Materials (11.3, steady w/w at a 16-month high and up 0.8ppt from 51-month low 10.5 in late February and down from a 20-month high of 11.6 in July 2023 and a 13.6 record high in June 2022), Consumer Discretionary (9.5, steady w/w and down from a 9.6 record high on December 4), Energy (8.7, steady w/w and up from a 55-month low of 8.5 during the May 15 week and down from its 12.8 record high in November 2022), Industrials (11.3, steady w/w at a record high), Health Care (8.1, steady w/w at a record low and down from its 11.5 record high in February 2022), and Consumer Staples (7.1, steady w/w and up 0.4ppt from a 21-month low of 6.7 during the 9/4 week just before Drug Retail's exit from the sector, and down from its 7.7 record high in June 2020).

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