

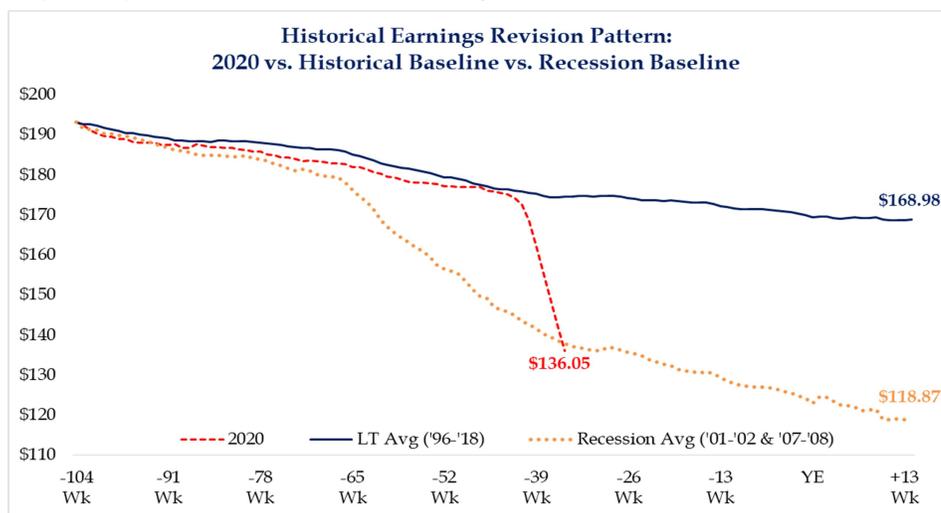
Strategas Daily Macro Brief

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Prepared by Strategas Securities, a Baird Company

CONSENSUS EARNINGS ESTIMATES PLUMMETING

Attempting to factor in the increasingly dismal economic outlook, analysts have been heavily revising lower 2020 earnings estimates for the S&P 500. As of April 23rd, the consensus estimate of \$136.05 is tracking below the recession average baseline. Time will tell where this ultimately stabilizes, but it is clear that even with historical comps as a forecasting aid, corporate profits are in uncharted territory.



HISTORY SUGGESTS ESTIMATES COULD FALL EVEN FURTHER

During the financial crisis, the peak to trough decline for the next twelve month estimates fell almost -40%. During the current pandemic, next twelve month estimates have only fallen by about -16%. Should the economy remain shut and activity remain sluggish, it's likely estimates will decline further. At the current levels, equities may still be overvalued.

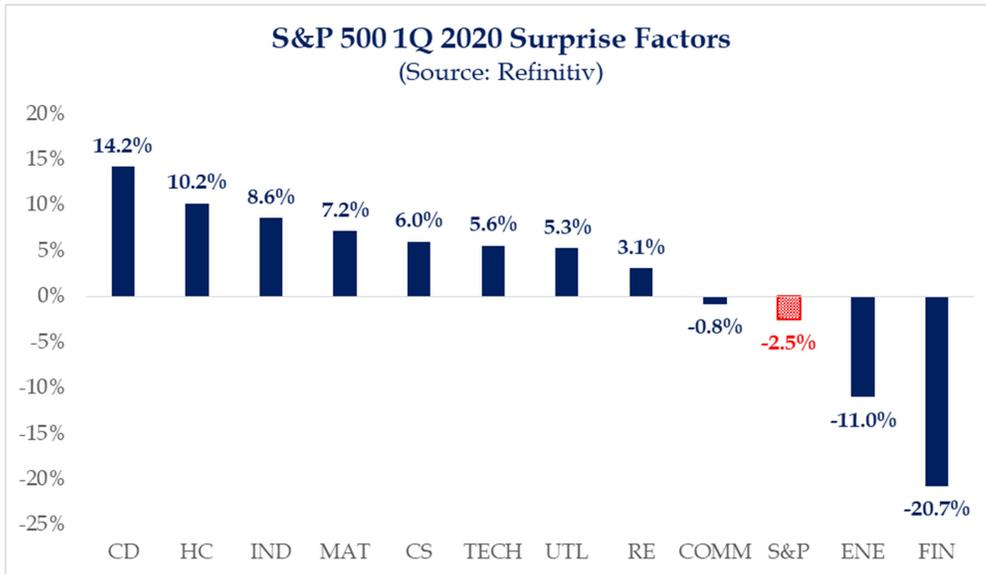
**S&P 500 Sector NTM Peak To Trough EPS Decline
Global Financial Crisis vs. Covid-19 Pandemic**

Sector	Global Financial Crisis	Covid-19 Pandemic	Difference (sorted)
ENE	-60.9%	-85.8%	24.9%
HC	-4.6%	-3.5%	-1.1%
UTL	-9.6%	-2.4%	-7.2%
CS	-10.0%	-2.3%	-7.7%
IND	-41.1%	-32.2%	-8.8%
TECH	-27.5%	-5.5%	-22.1%
S&P 500	-38.9%	-15.7%	-23.2%
COMM	-33.7%	-9.4%	-24.2%
MAT	-63.2%	-24.3%	-39.0%
CD	-63.5%	-23.6%	-39.9%
FIN	-77.4%	-27.2%	-50.1%

Please see the Appendix on page 3 for important disclosures.

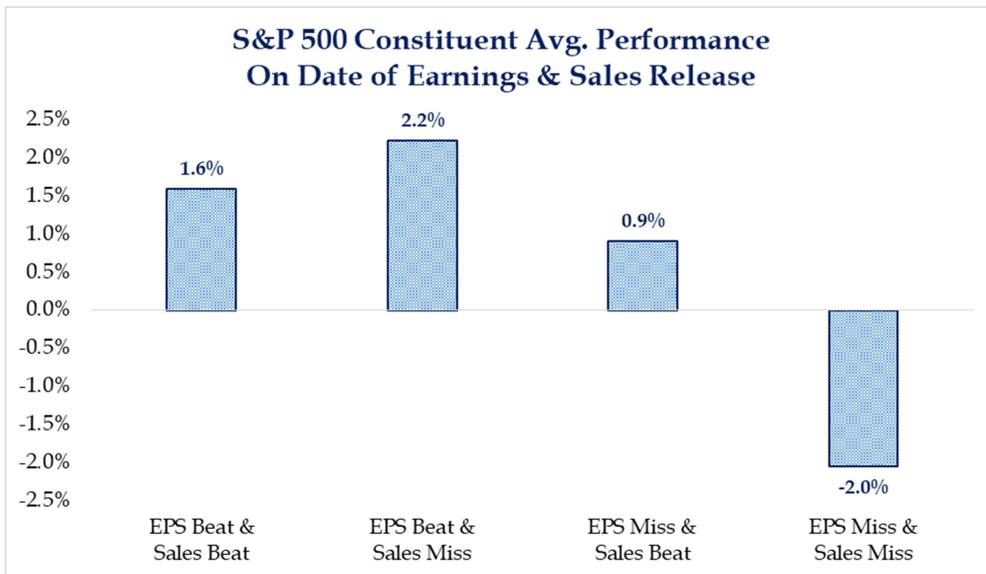
DISCRETIONARY EARNINGS SURPRISING TO THE UPSIDE

With consumer stocks being hit hardest by the closing of the economy, it is interesting to see these companies exceeding analyst estimates by the most. Of course, part of this is a function of depressed estimates coming for 1Q, but it may also mean the worst is yet to come for discretionary stocks from an earnings standpoint.



INVESTORS REWARDING ANY GOOD NEWS

As investors brace for an onslaught of historically bad economic data, weak earnings reports, and uncertain guidance, companies that surprise on the top or bottom line are being rewarded on the day following their reported results. Conversely, if a company misses both earnings and sales estimates, their shares have fallen on average -2%. With a majority of the S&P 500 still set to report, these numbers are subject to change, but one thing is sure: investors are desperate for good news.



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