

WEEKLY MARKET UPDATE

November 13, 2017



Q3 Earnings Season Wrap-Up

Third quarter earnings season for 2017 is mostly in the books, so this morning we thought we would briefly summarize how things actually turned out. **With 91% of the companies in the S&P 500 reporting, the favorable sales and earnings trends we have highlighted over the past few weeks have continued.** A very healthy 74% of S&P 500 companies have reported positive earnings per share (EPS) surprises and 66% have reported positive sales surprises.

For the quarter, the blended earnings growth rate for the S&P 500 is a solid if not spectacular 6.1%, with seven out of ten sectors reporting earnings growth, led by Energy. **Considering that the estimated earnings growth rate on September 30th was for 3.1% growth, the final result of 6.1% looks positively robust by comparison.** Eight of the ten S&P sectors have higher growth rates today (compared to September 30 estimates) due to upward revisions to earnings estimates and upside earnings surprises.

To put the current quarter in context, the chart below contrasts the Q3 earnings growth rate with what was actually achieved in the last 5 quarters and what is expected in the next four periods to come.



As we have been highlighting recently, **the dollar amount of total 3Q earnings is on track to reach a new all-time quarterly record, as the chart below shows. Importantly, each of the next three quarterly totals is expected to surpass this quarter's record.**



For full-year 2017, total earnings for the S&P 500 index are expected to be up +7.2% on +4.7% higher revenues, which would follow +0.7%

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earnings growth on +2.2% higher revenues in 2016. **S&P 500 earnings are expected to be up +11.5% in 2018 and +9.8% in 2019. With market valuations hardly cheap at this juncture, all eyes will be on those estimates in the coming months to see if actual results justify current expectations.**

Note: Data from FactSet and Zacks Investment Research was used in this report.

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