

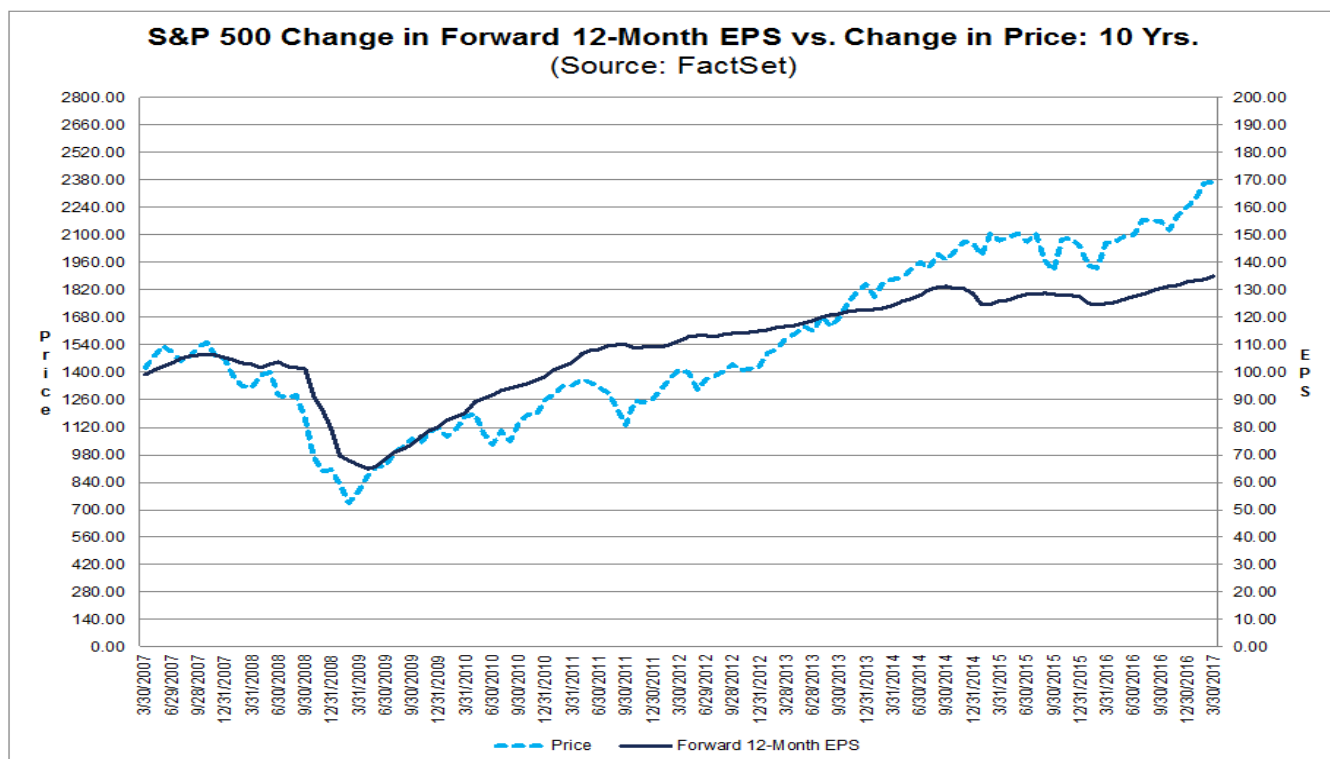
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March 31, 2017

Key Metrics

- Earnings Growth:** For Q1 2017, the estimated earnings growth rate for the S&P 500 is 9.1%. If 9.1% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth for the index since Q4 2011 (11.6%).
- Earnings Revisions:** On December 31, the estimated earnings growth rate for Q1 2017 was 12.5%. Nine of the eleven sectors have lower growth rates today (compared to December 31) due to downward revisions to earnings estimates, led by the Materials sector.
- Earnings Guidance:** For Q1 2017, 79 S&P 500 companies have issued negative EPS guidance and 32 S&P 500 companies have issued positive EPS guidance.
- Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.6. This P/E ratio is based on Thursday's closing price (2368.06) and forward 12-month EPS estimate (\$134.91).
- Earnings Scorecard:** As of today (with 17 companies in the S&P 500 reporting actual results for Q1 2017), 13 S&P 500 companies have beat the mean EPS estimate and 9 S&P 500 companies have beat the mean sales estimate.



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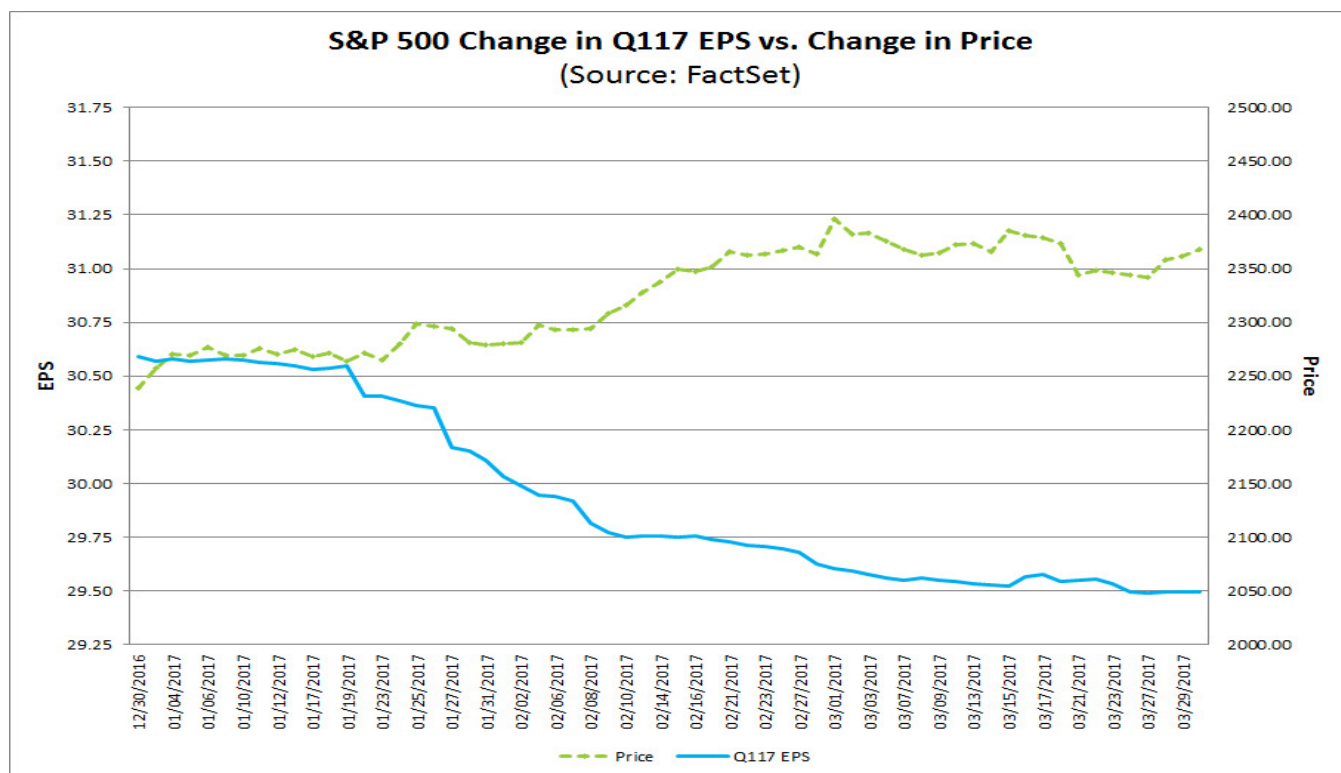
Topic of the Week:

Below Average Cuts to S&P 500 Earnings Estimates for Q1 2017

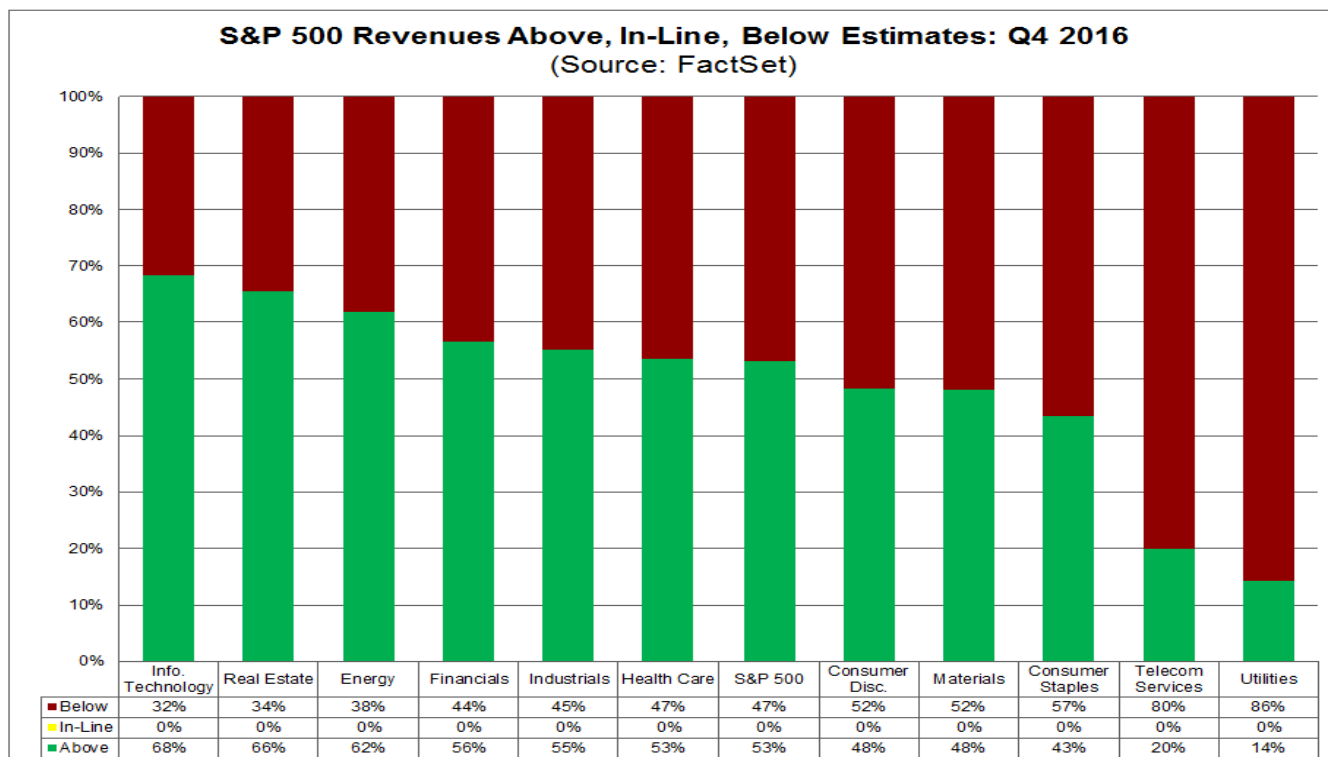
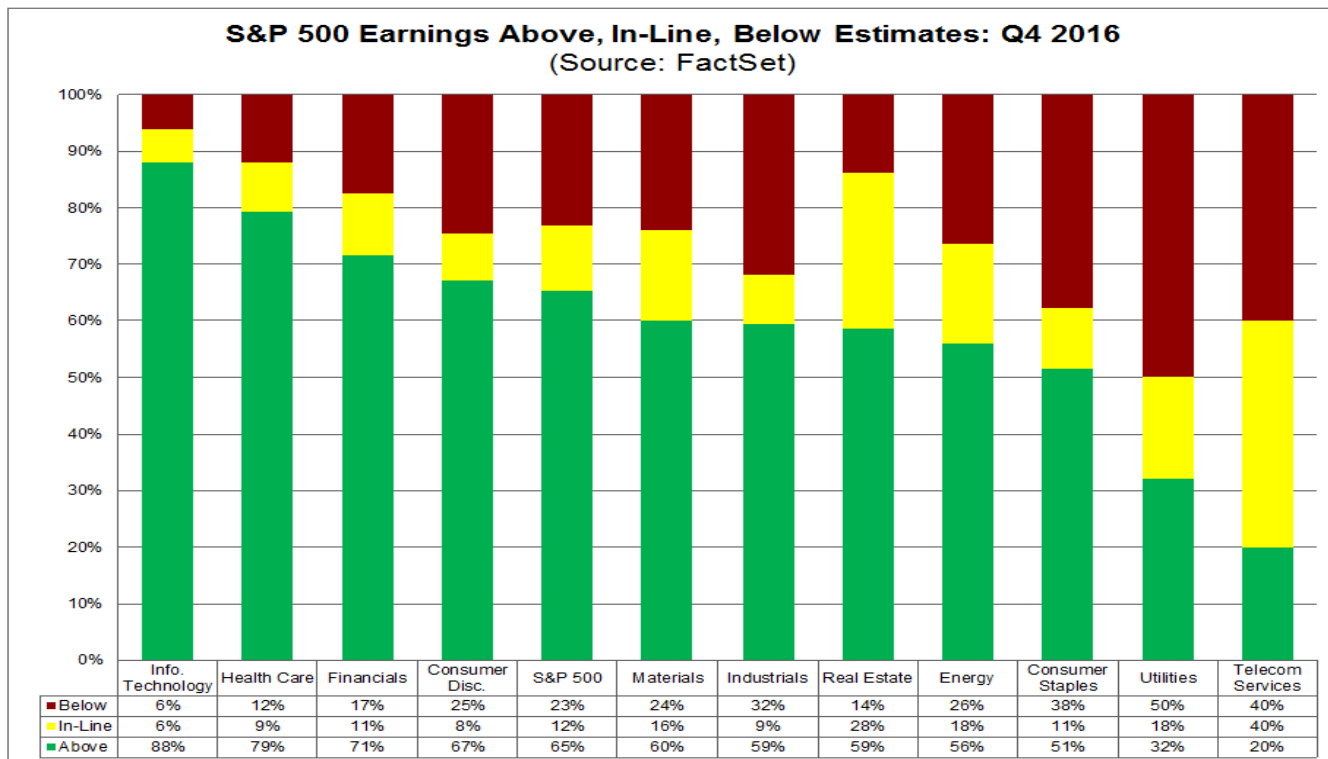
During the first quarter, analysts lowered earnings estimates for companies in the S&P 500 for the quarter. The Q1 bottom-up EPS estimate (which is an aggregation of the EPS estimates for all the companies in the index) dropped by 3.6% (to \$29.49 from \$30.59) during this period. How significant is a 3.6% decline in the bottom-up EPS estimate during a quarter? How does this decrease compare to recent quarters?

During the past year (4 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 4.5%. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 4.3%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 5.9%. Thus, the decline in the bottom-up EPS estimate recorded during the first quarter was smaller than the 1-year, 5-year, and 10-year averages.

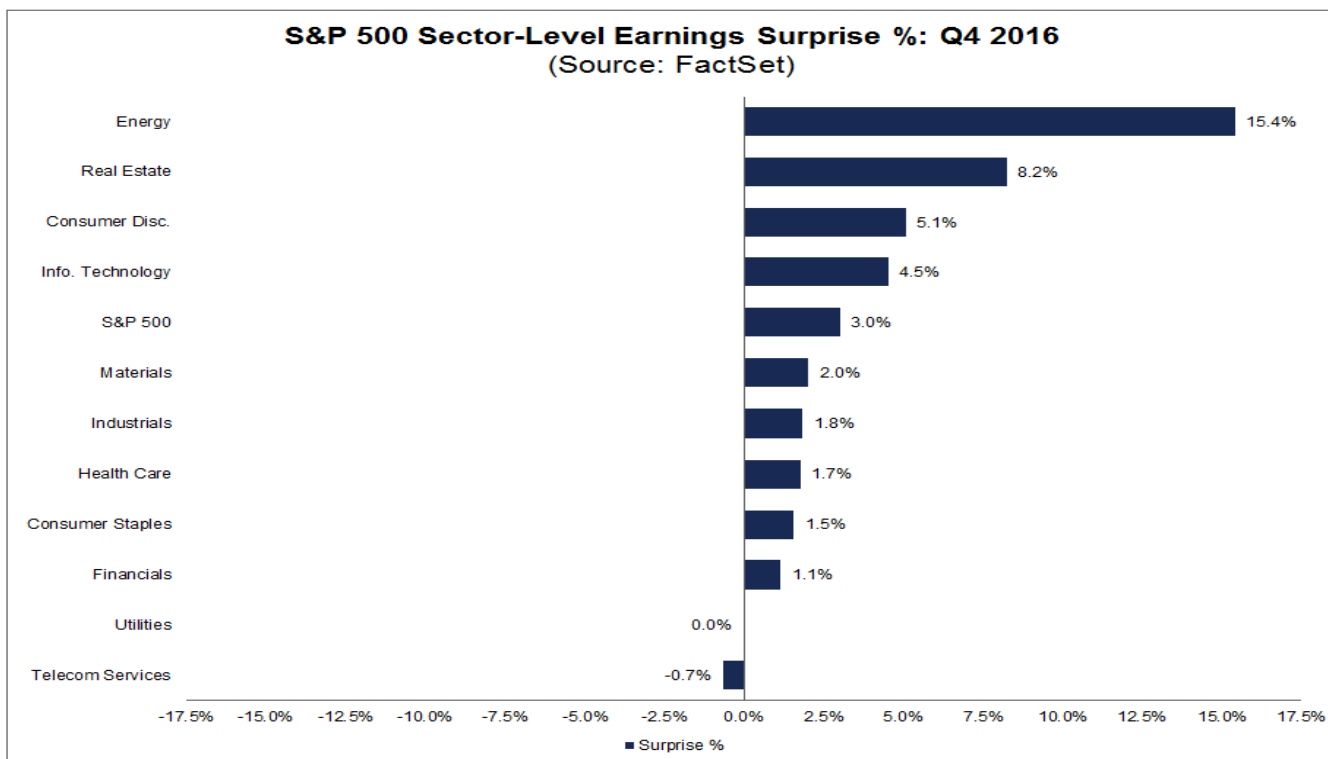
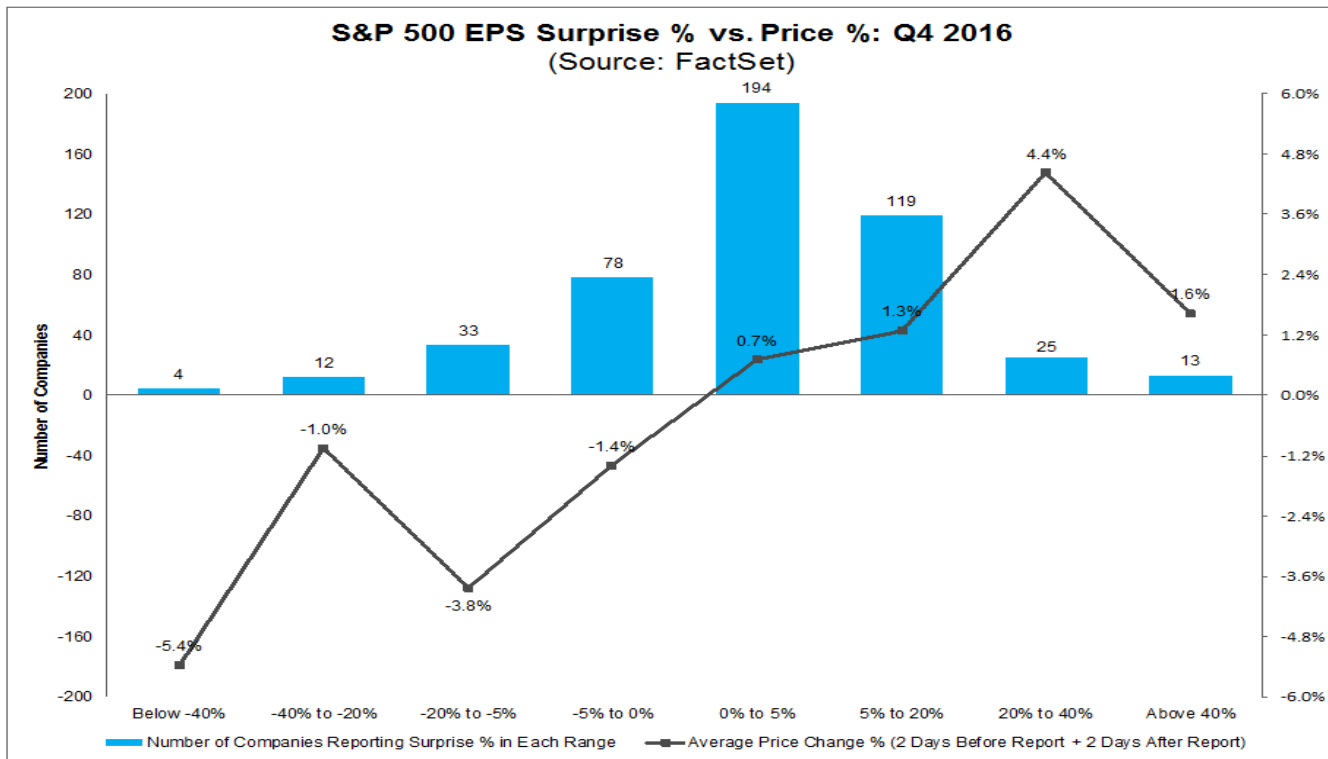
As the bottom-up EPS estimate declined during the quarter, the value of the S&P 500 increased during this same time frame. From December 31 through March 30, the value of the index increased by 5.8% (to 2368.06 from 2238.83). Assuming the closing value of the market for today is above 2238.83, the first quarter will mark the 16th quarter in the past 20 quarters in which the bottom-up EPS estimate decreased during the quarter while the value of the index increased over this same time frame.



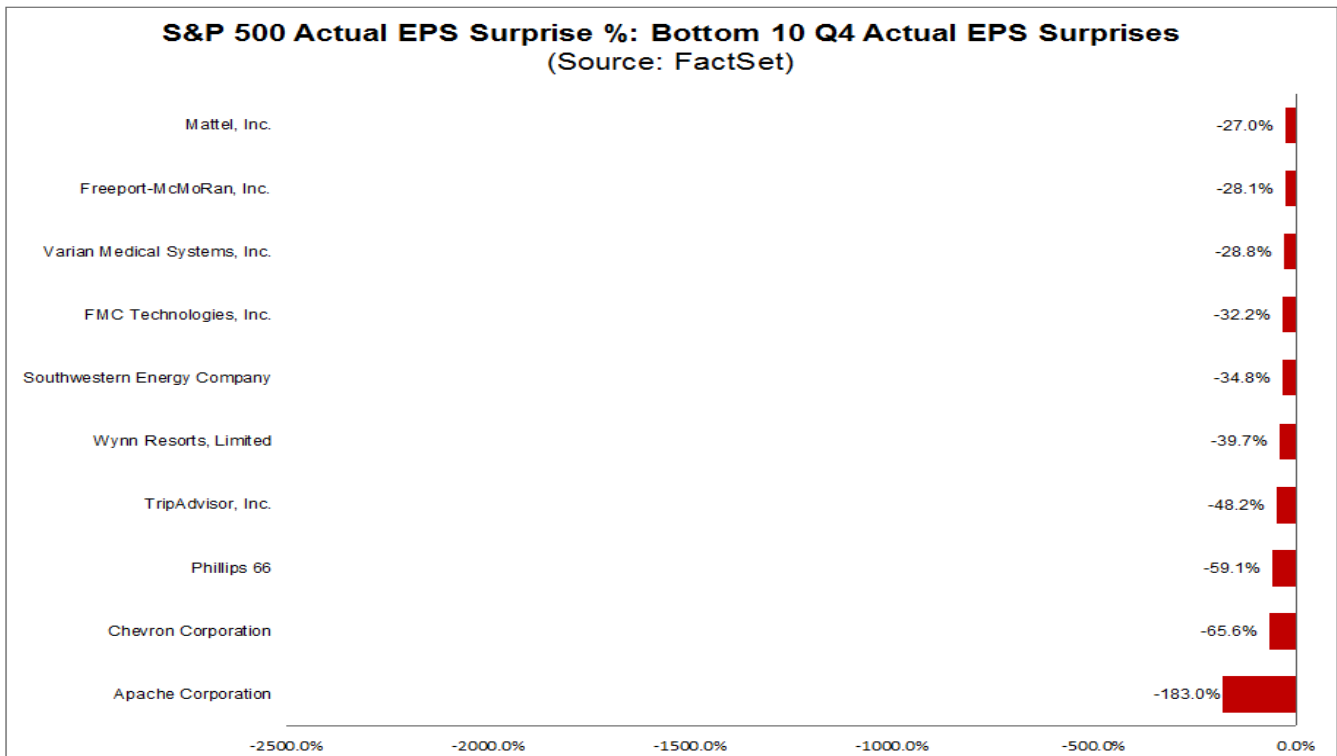
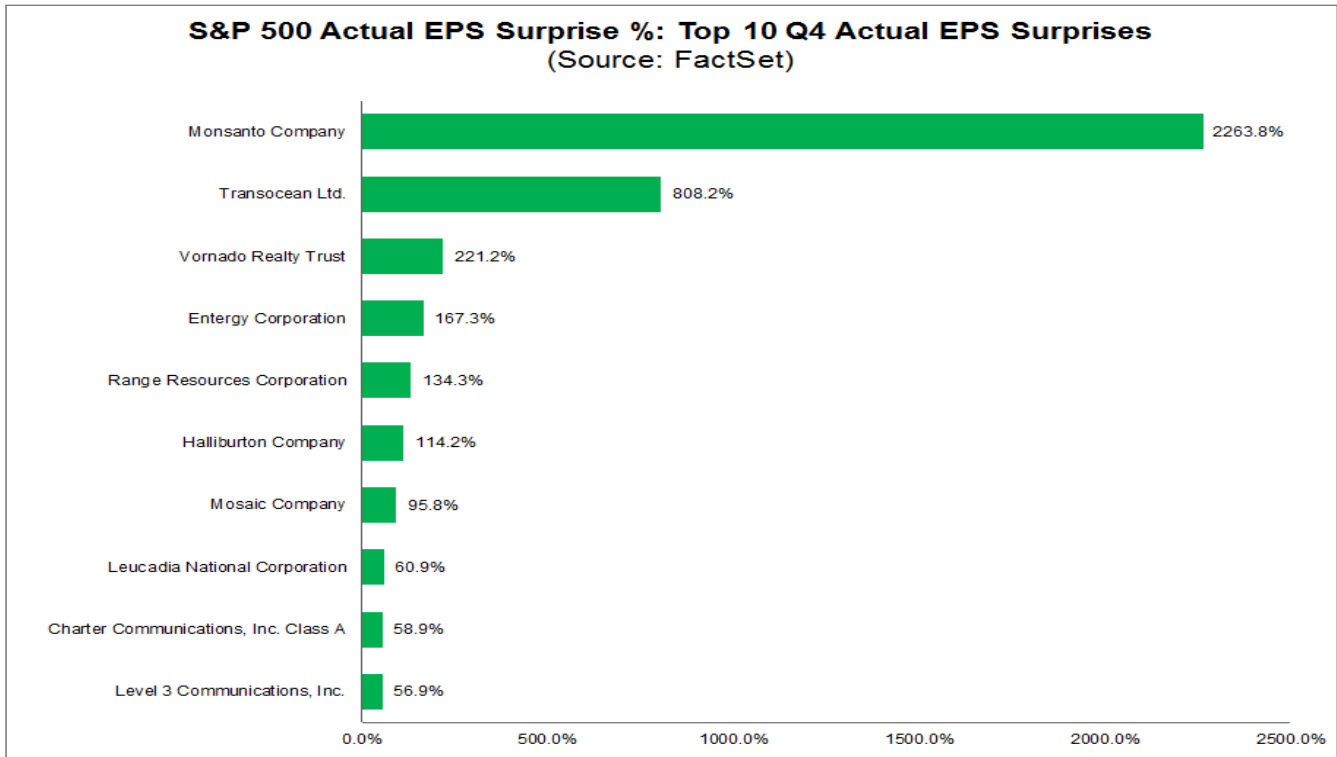
Q4 2016: Scorecard



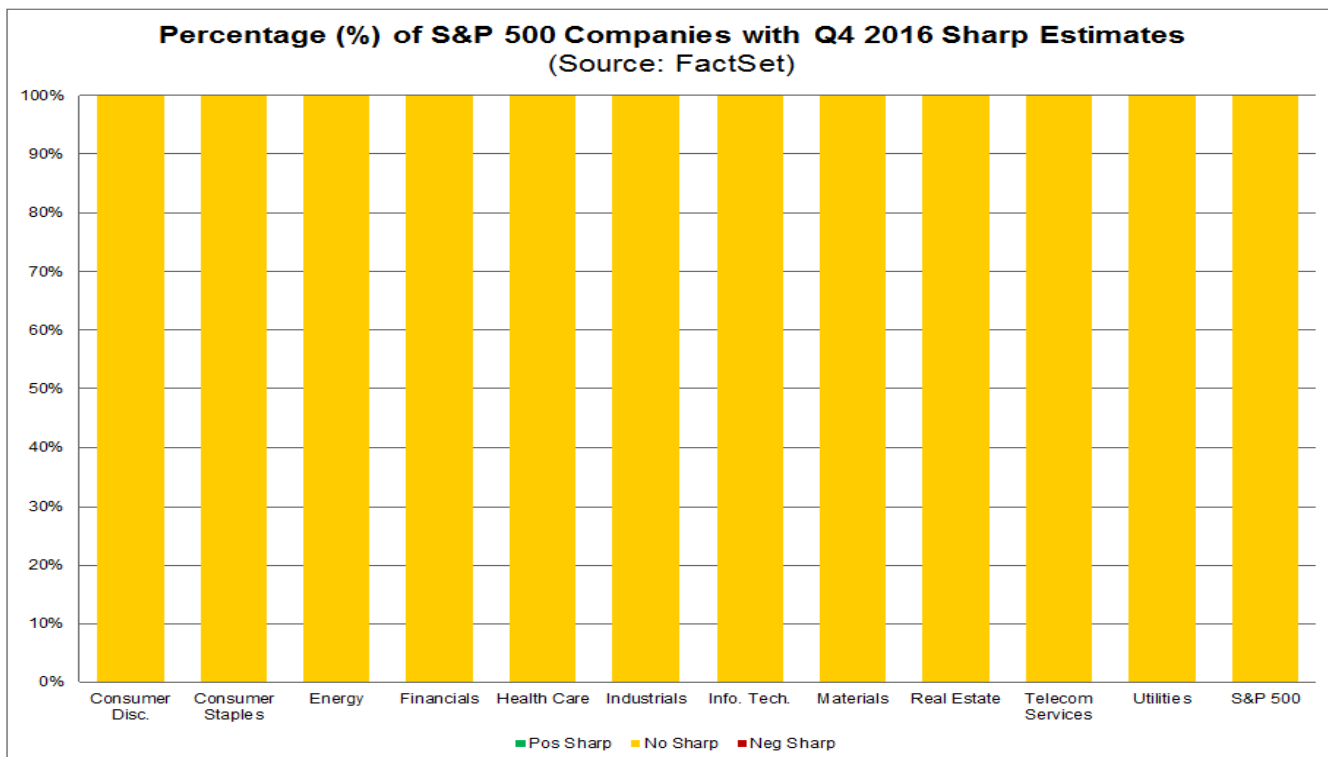
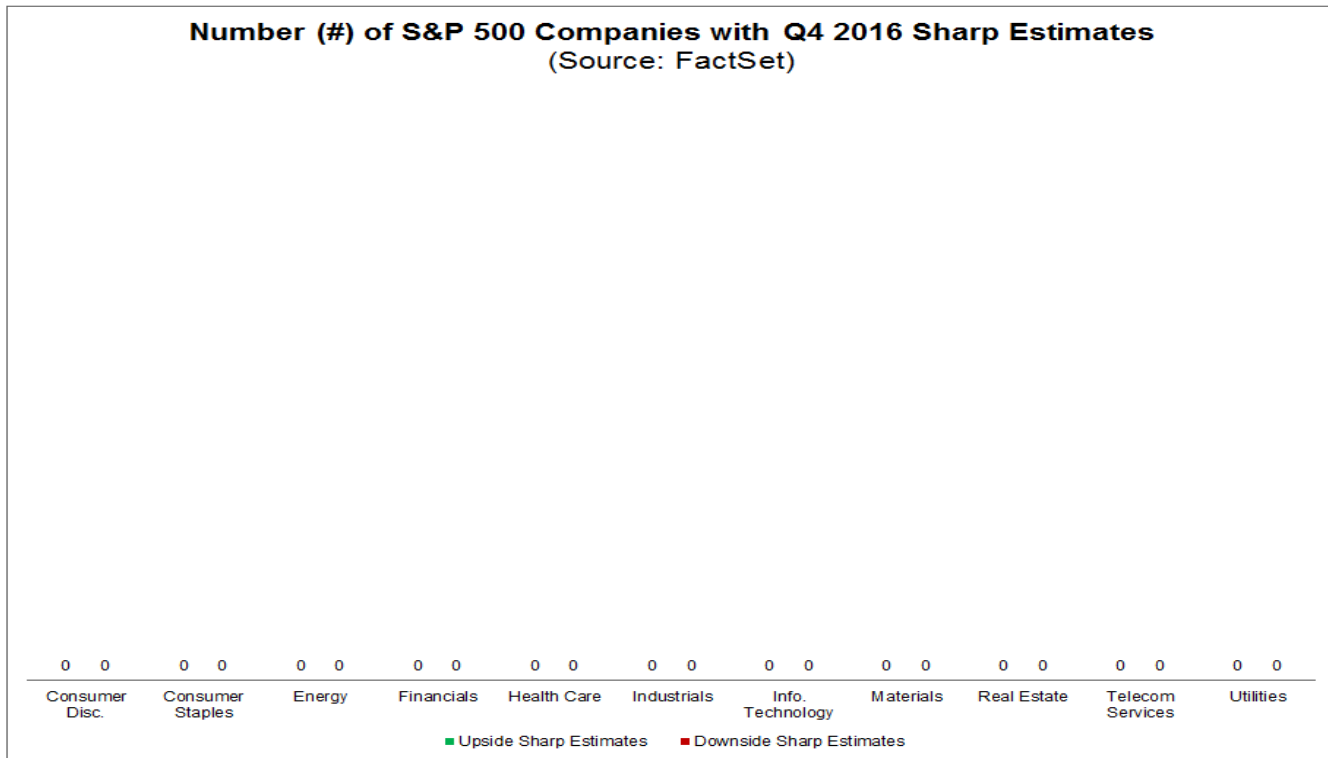
Q4 2016: Scorecard



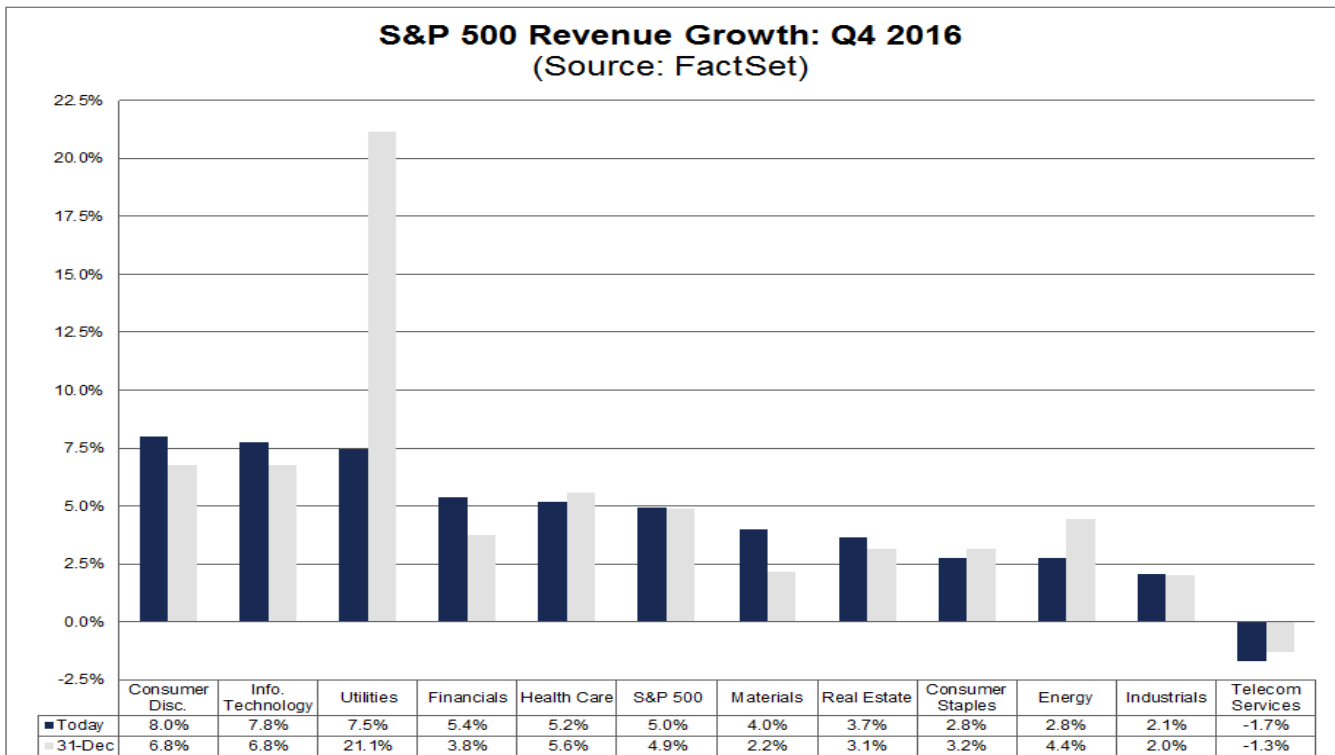
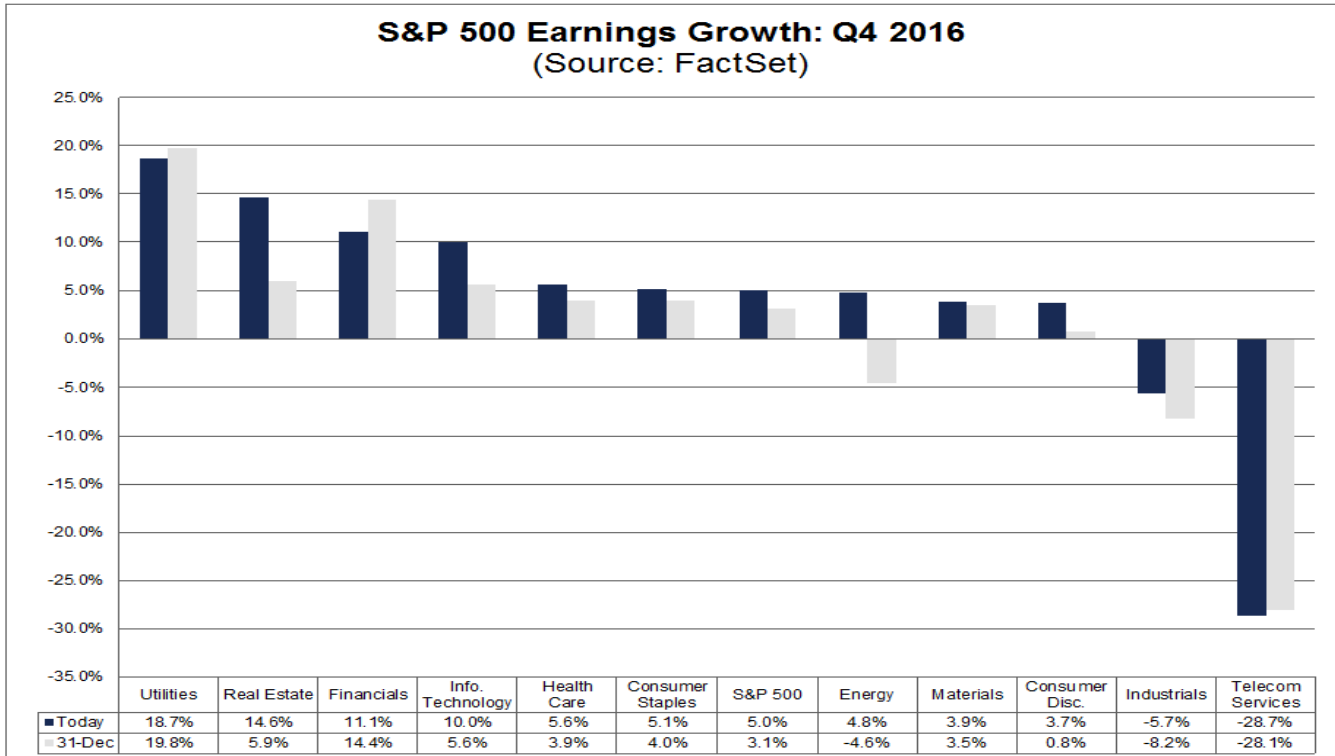
Q4 2016: Scorecard



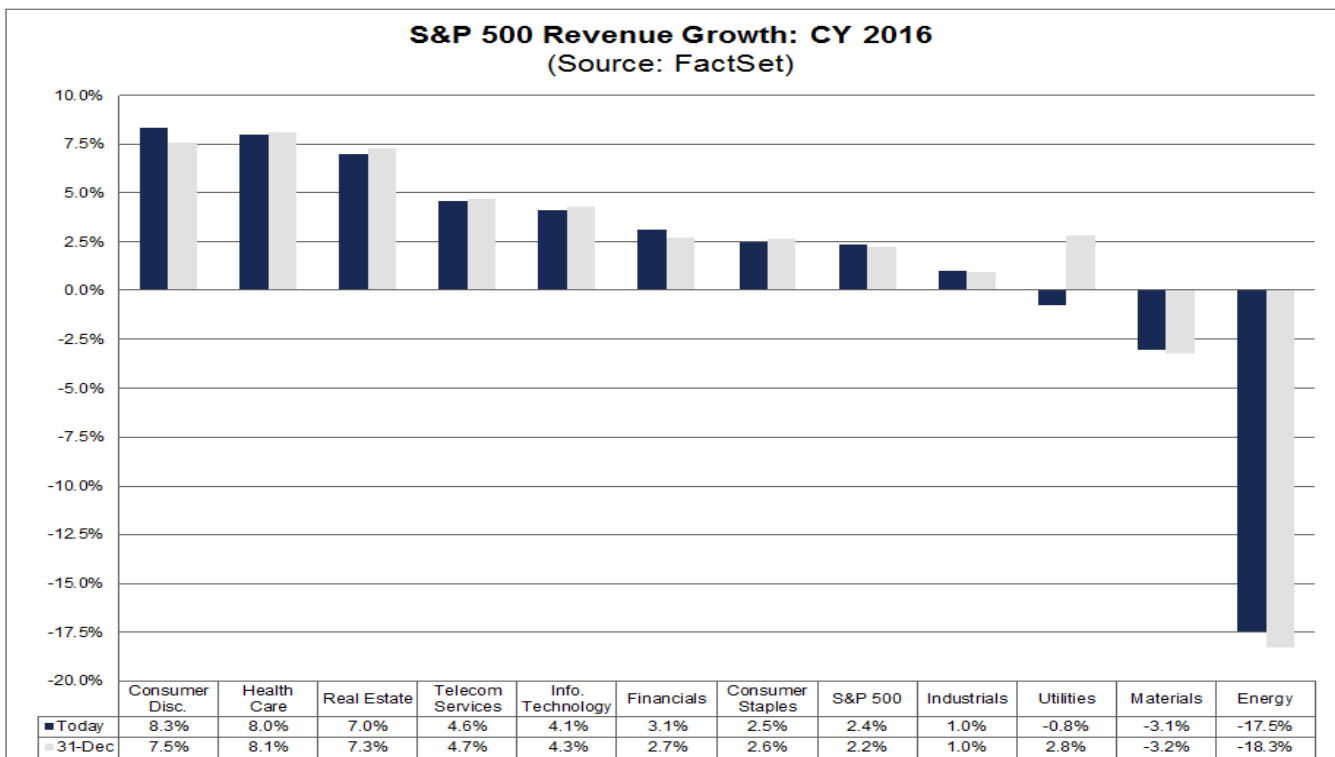
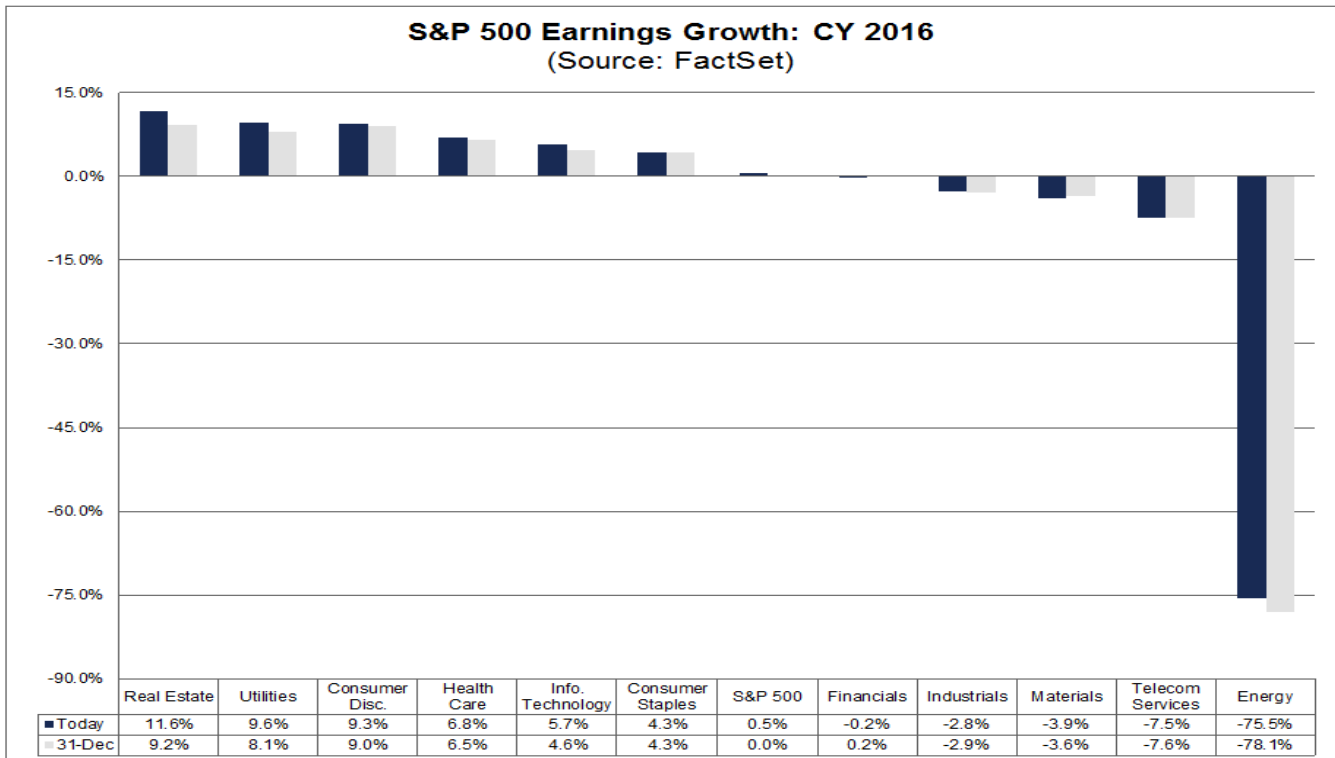
Q4 2016: Projected EPS Surprises (Sharp Estimates)



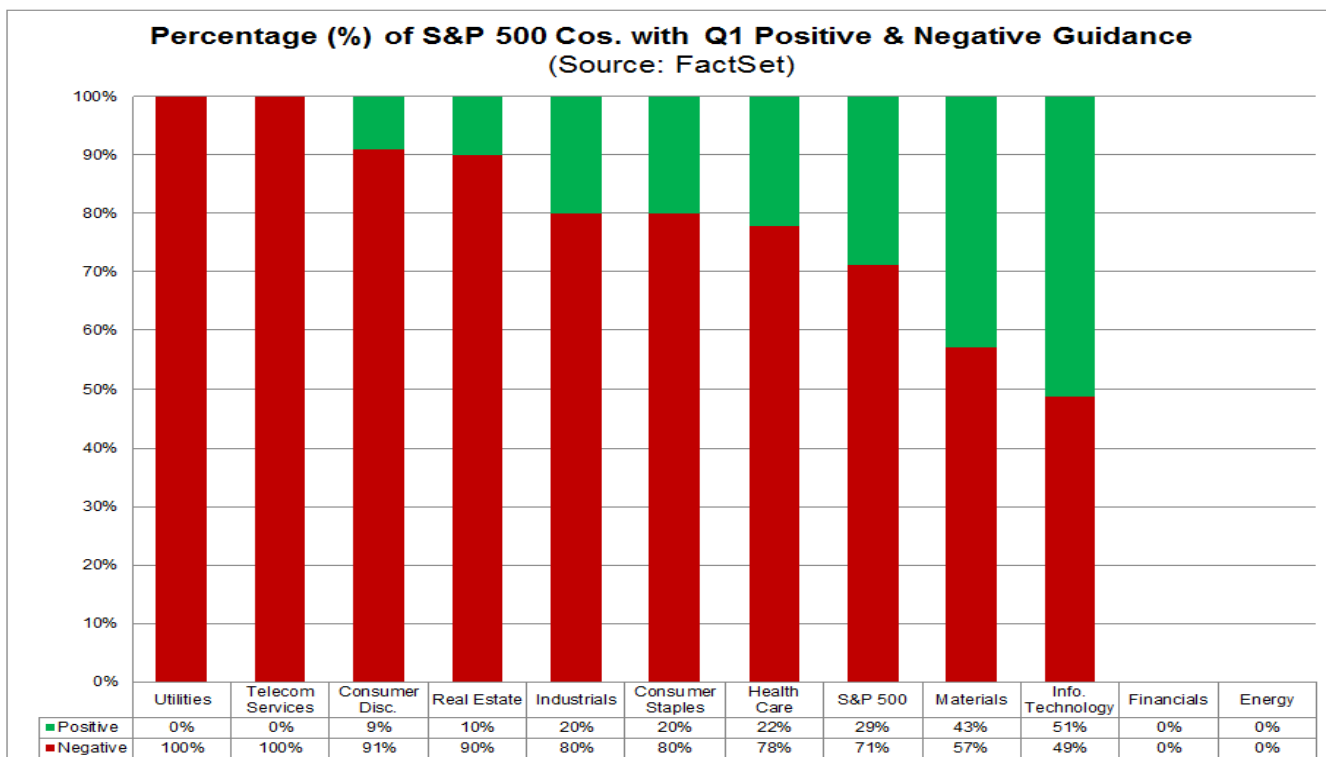
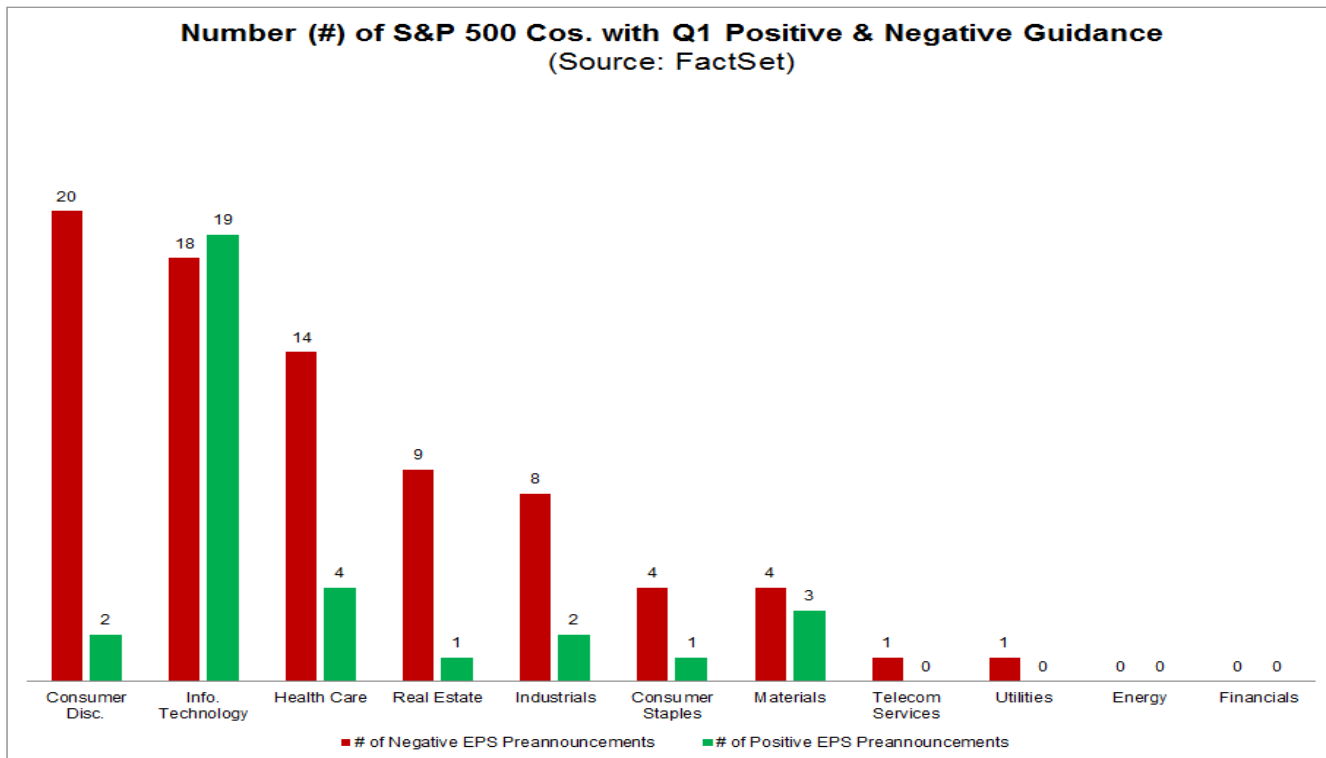
Q4 2016: Growth



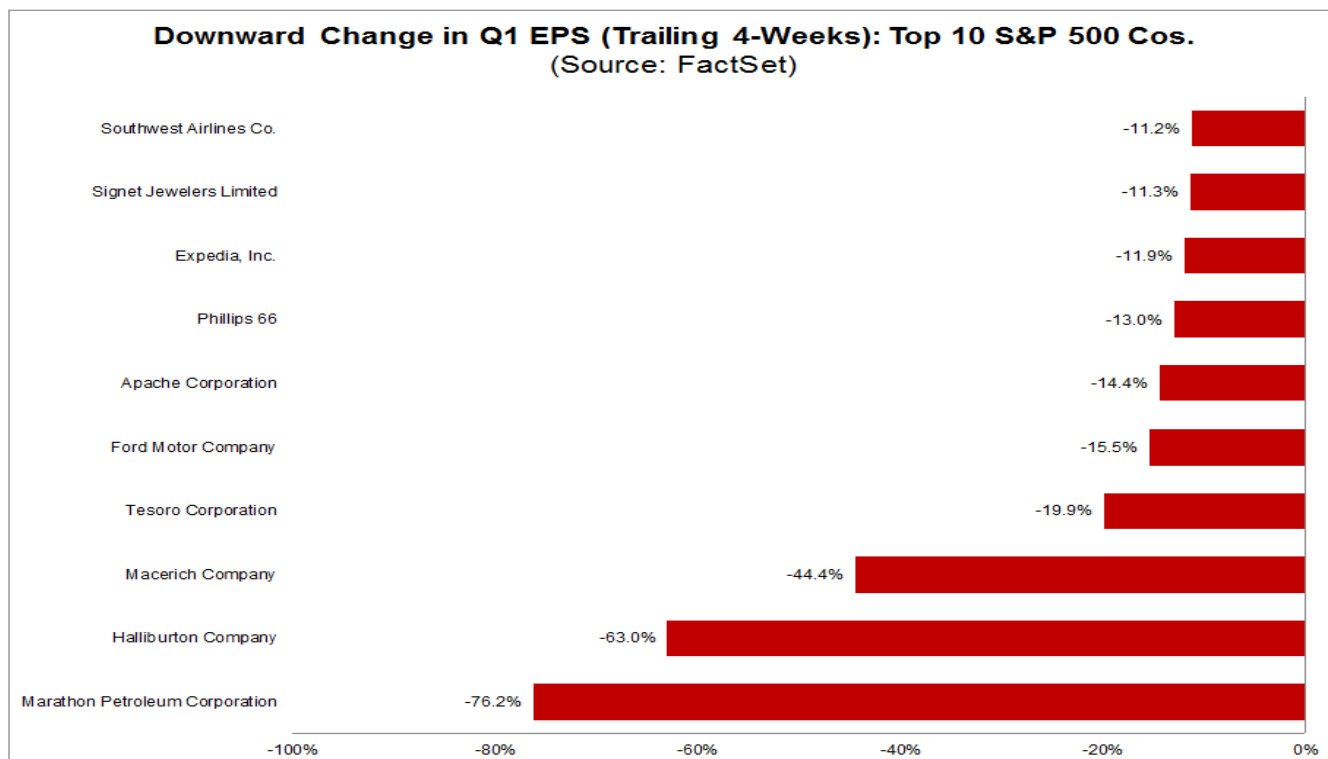
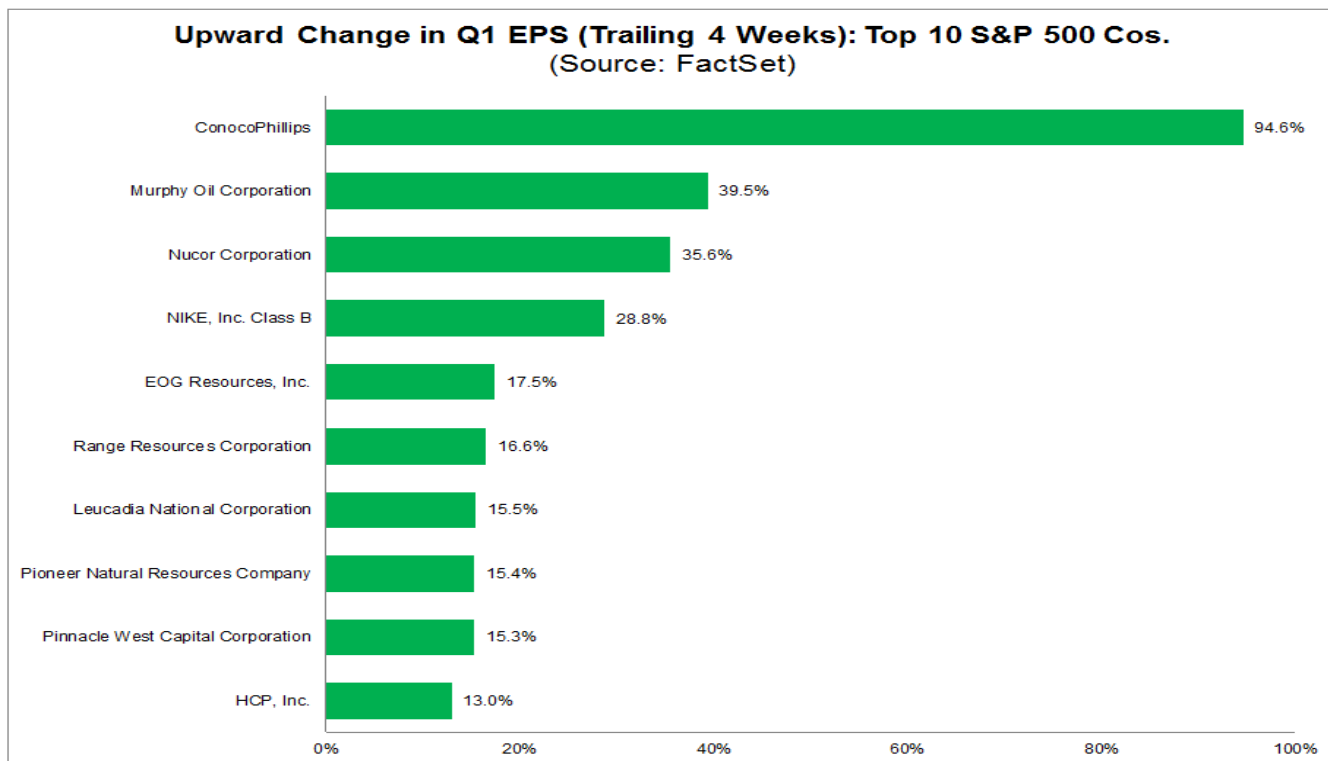
CY 2016: Growth



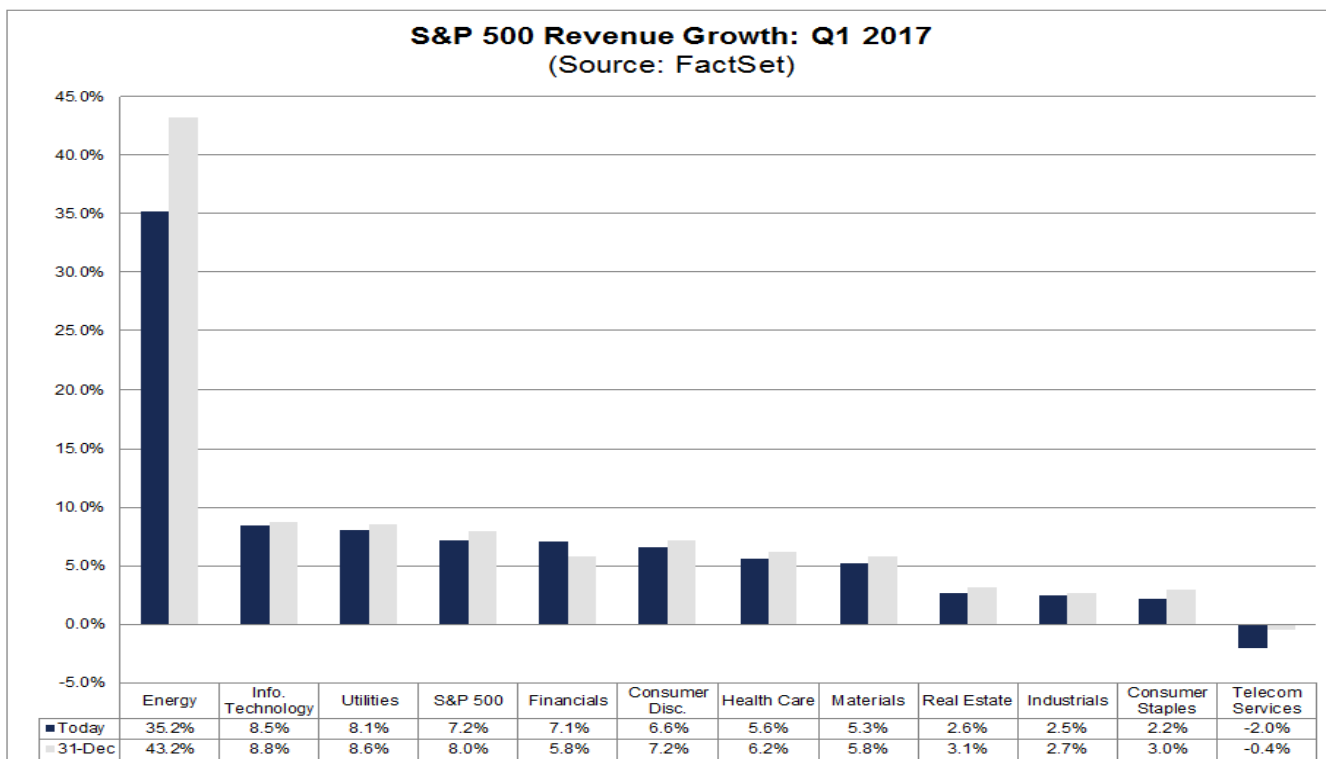
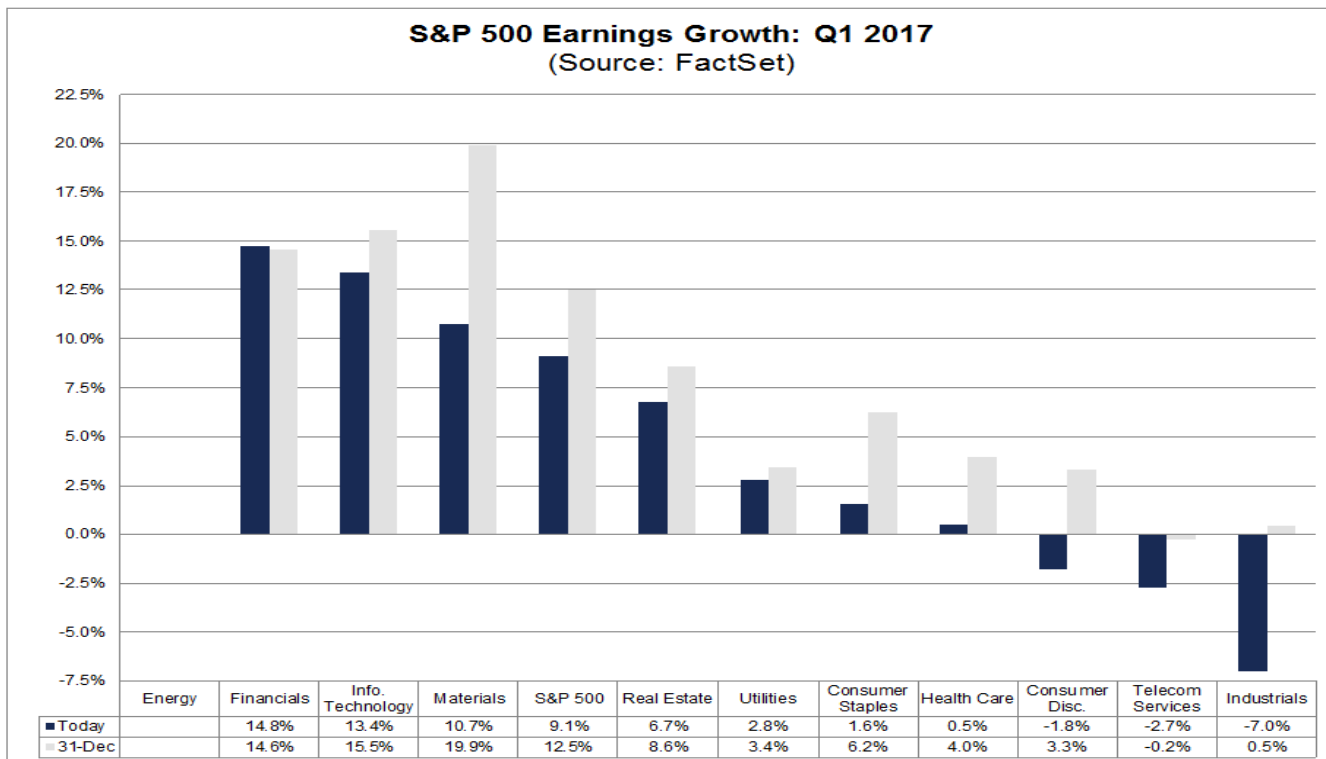
Q1 2017: Guidance



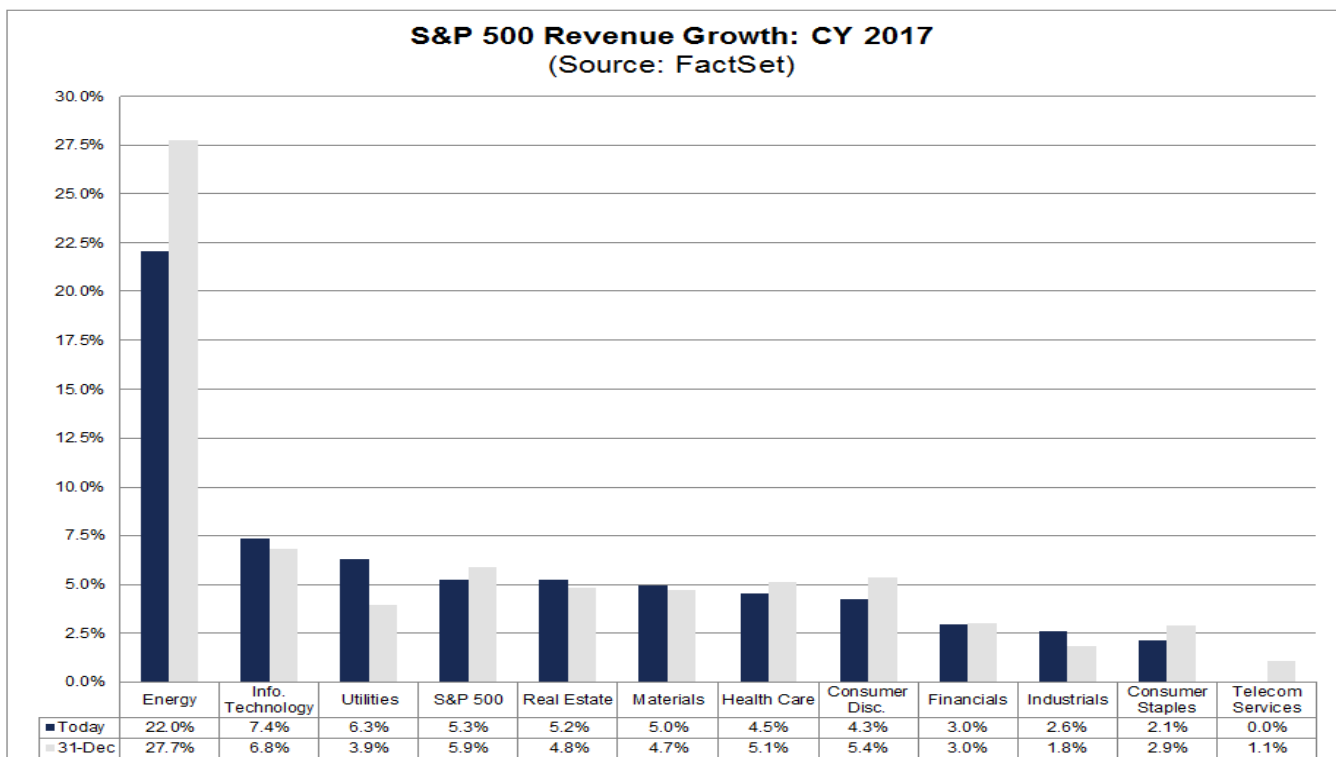
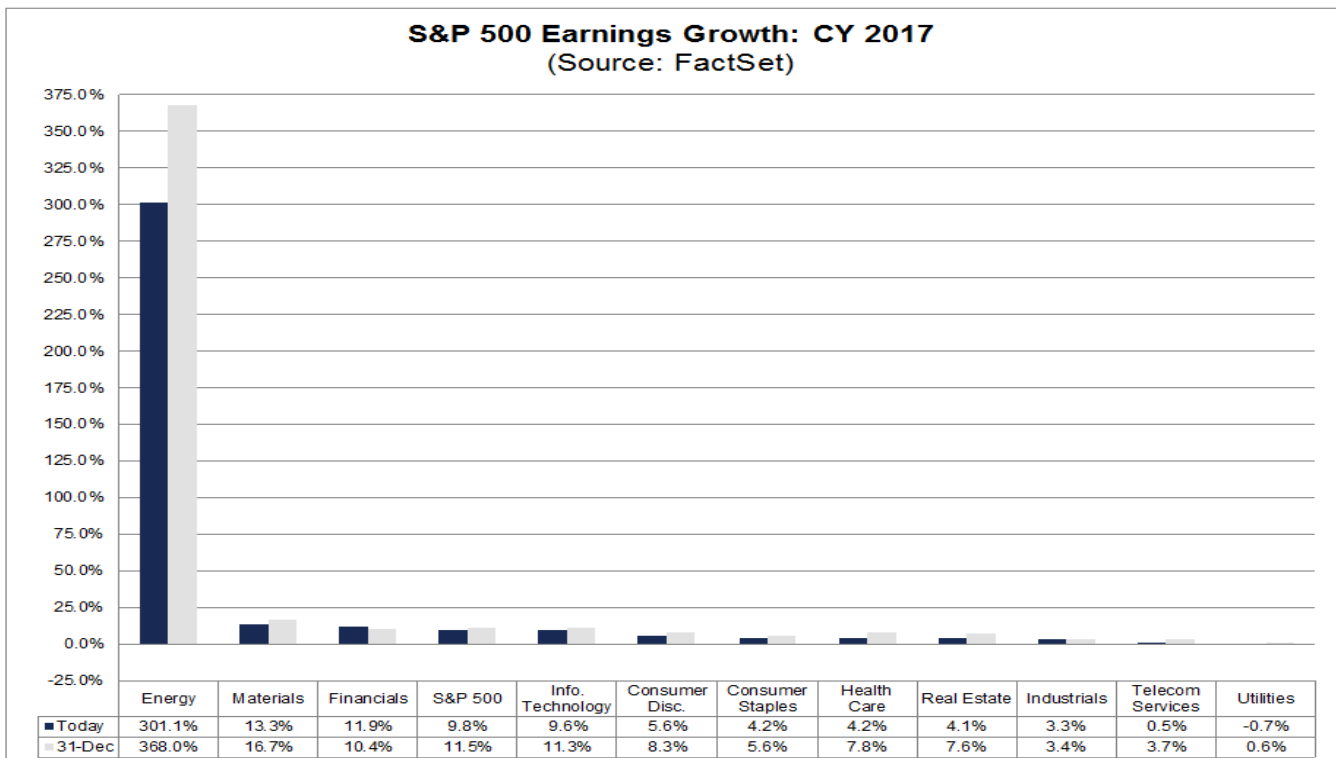
Q1 2017: EPS Revisions



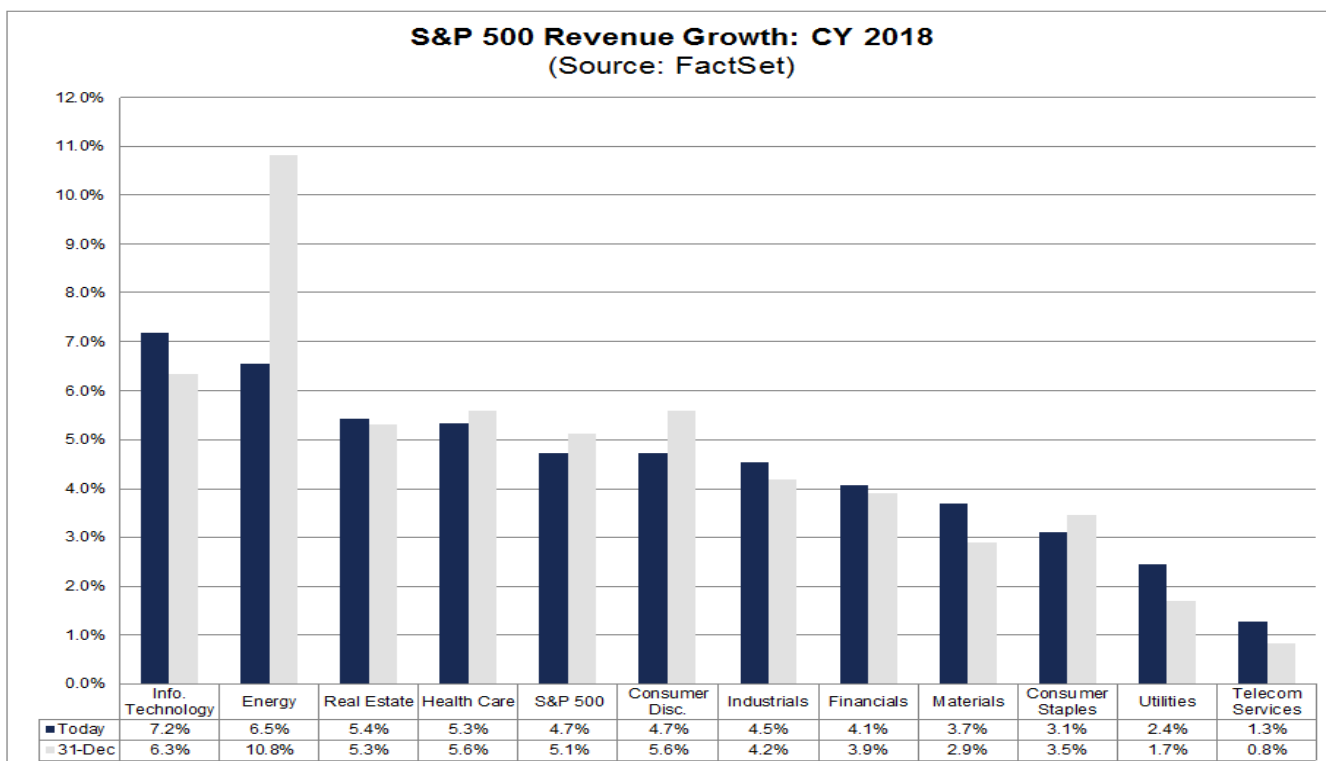
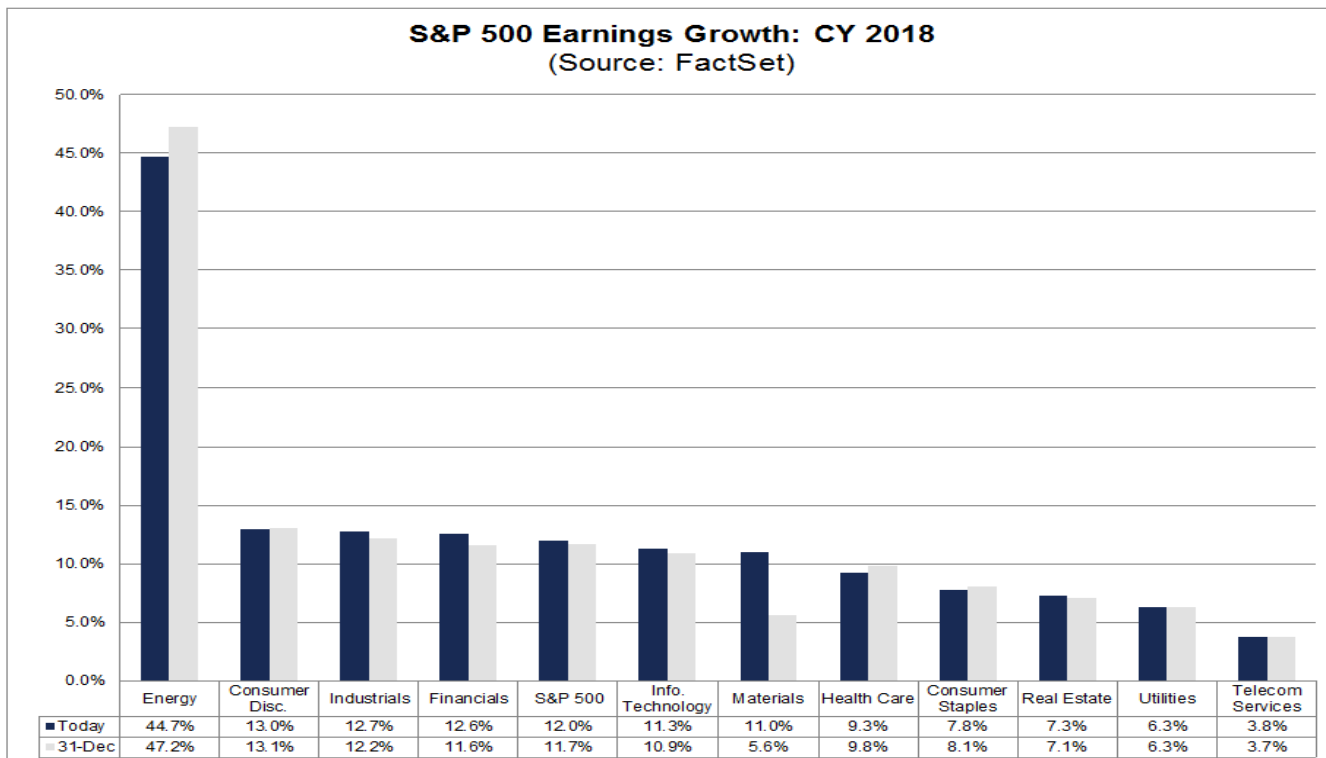
Q1 2017: Growth



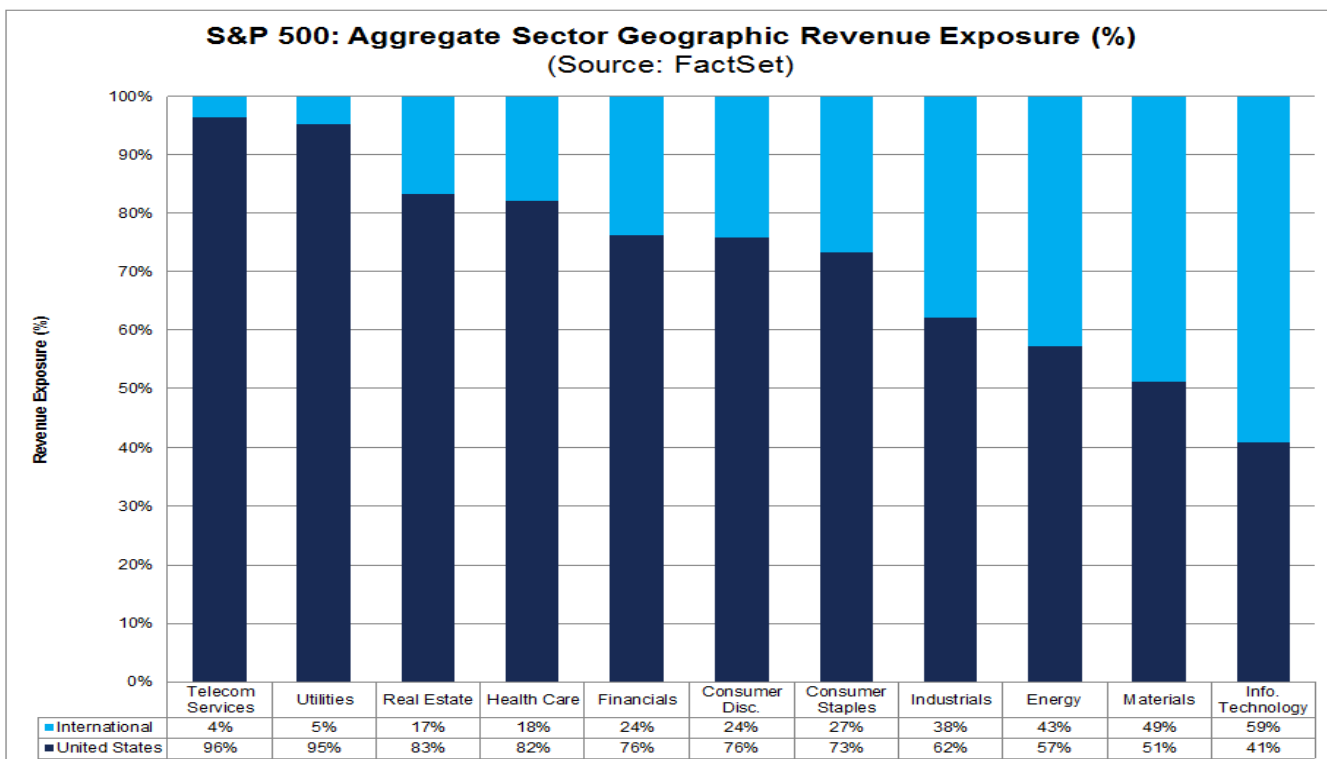
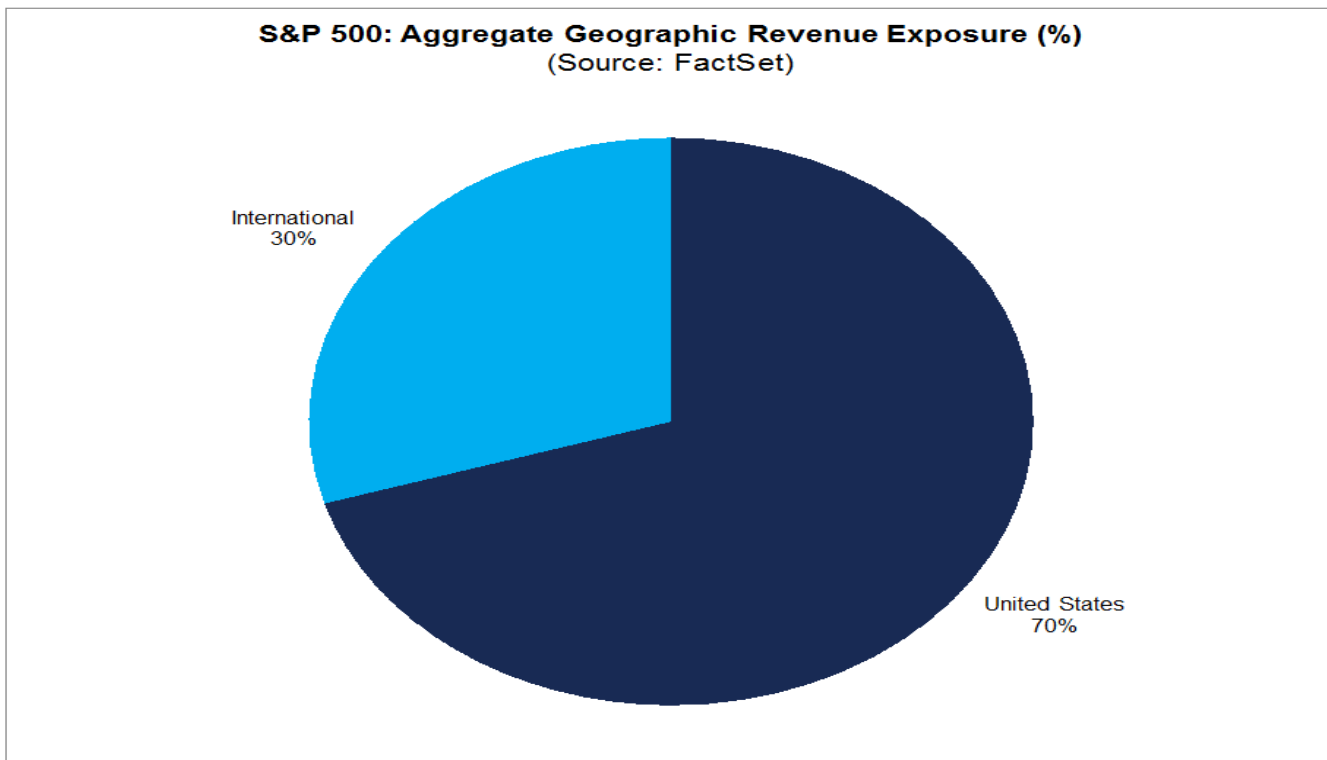
CY 2017: Growth



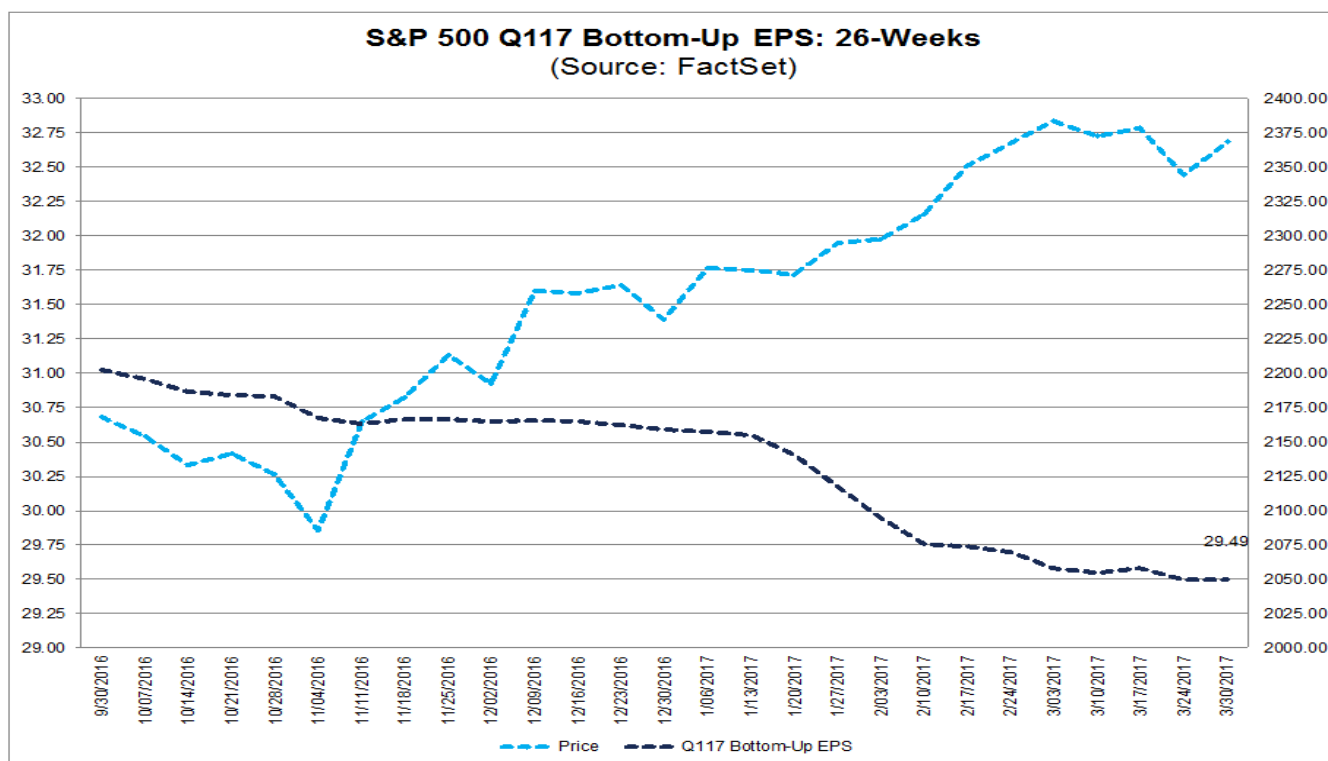
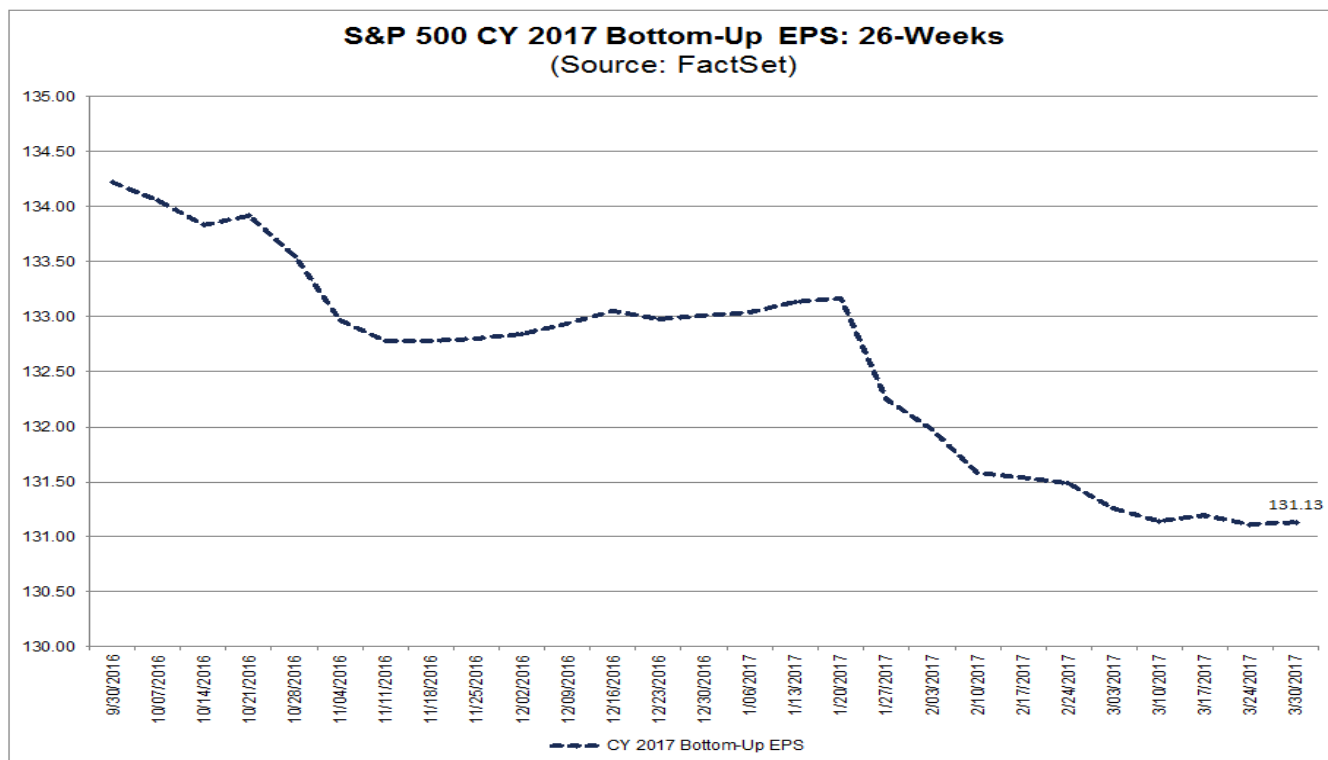
CY 2018: Growth



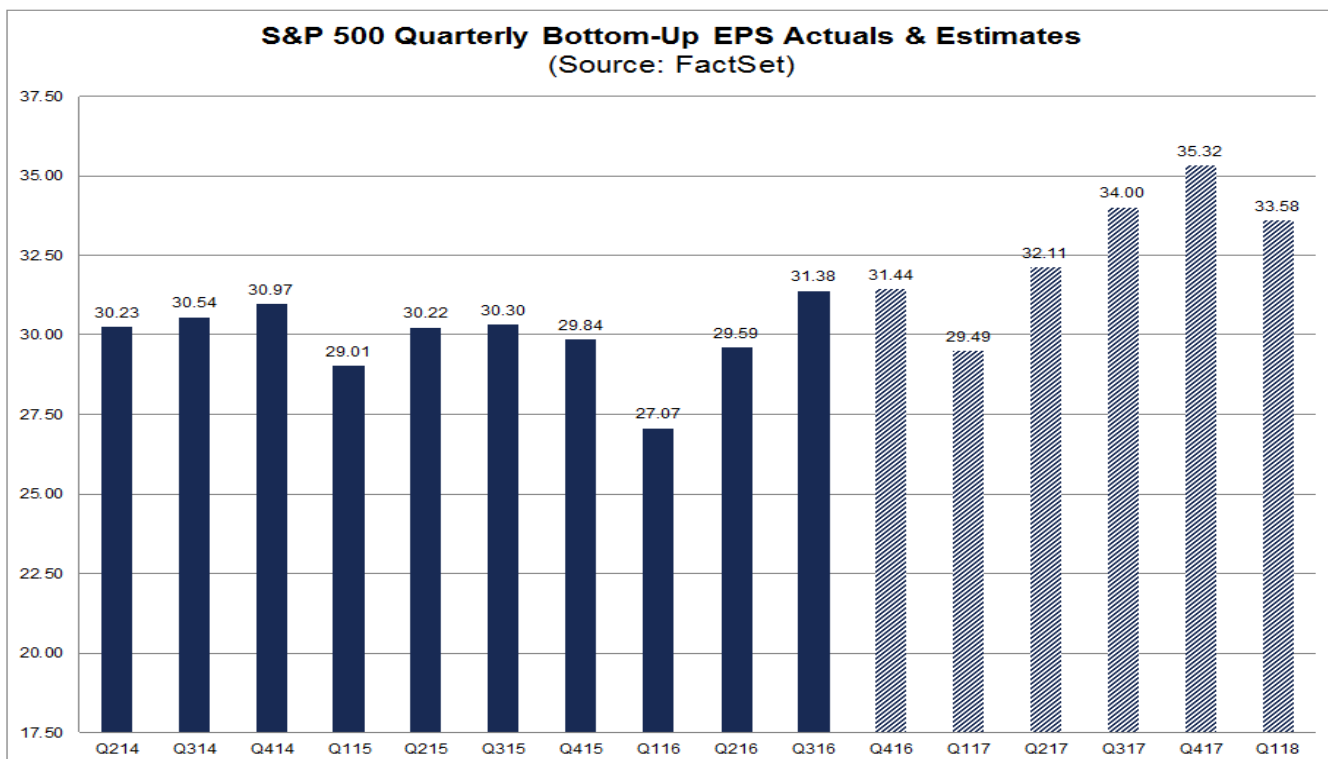
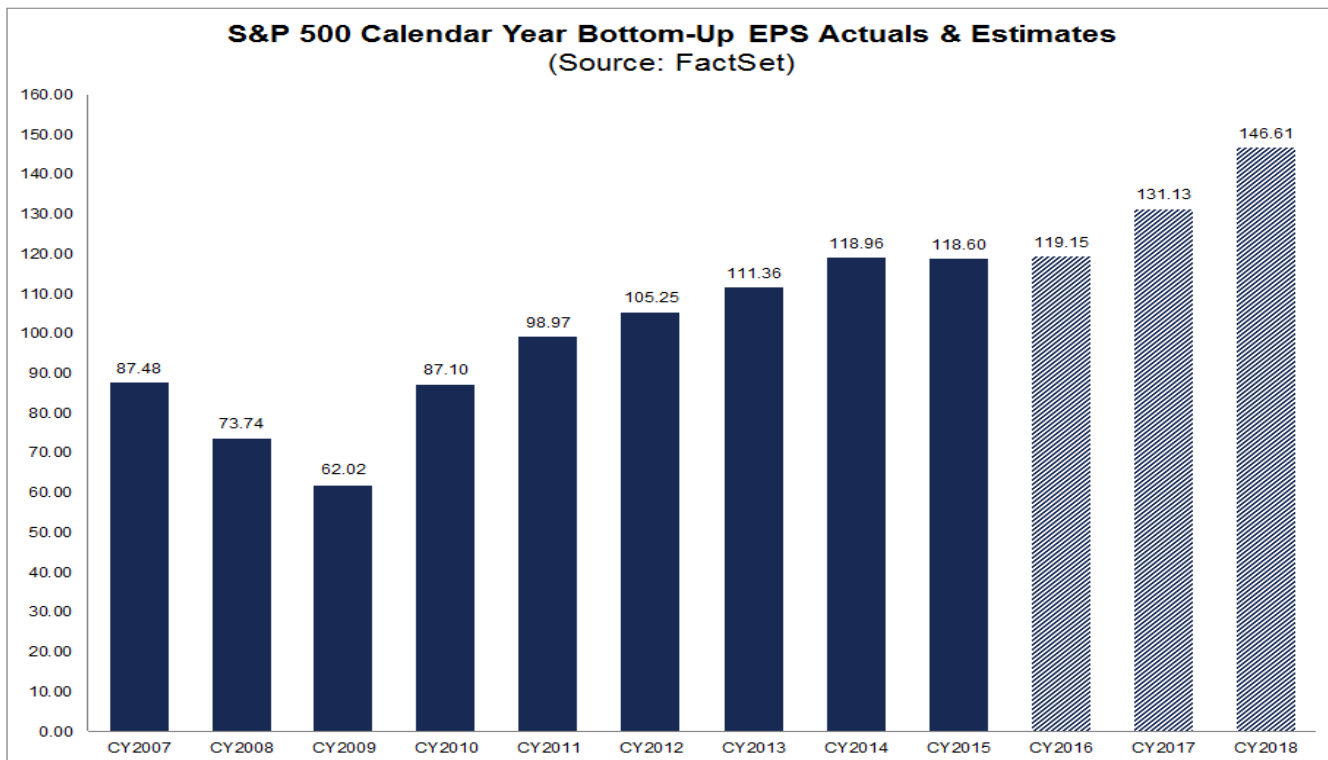
Geographic Revenue Exposure



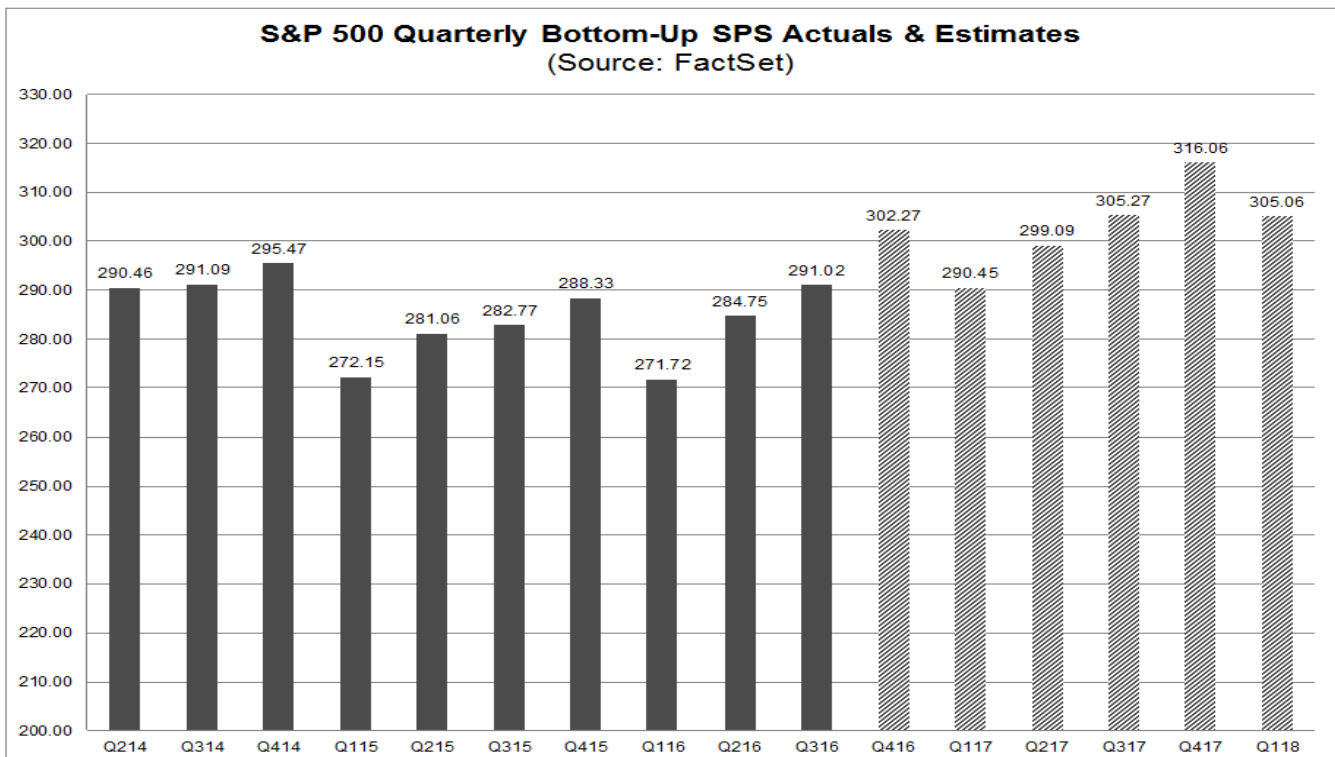
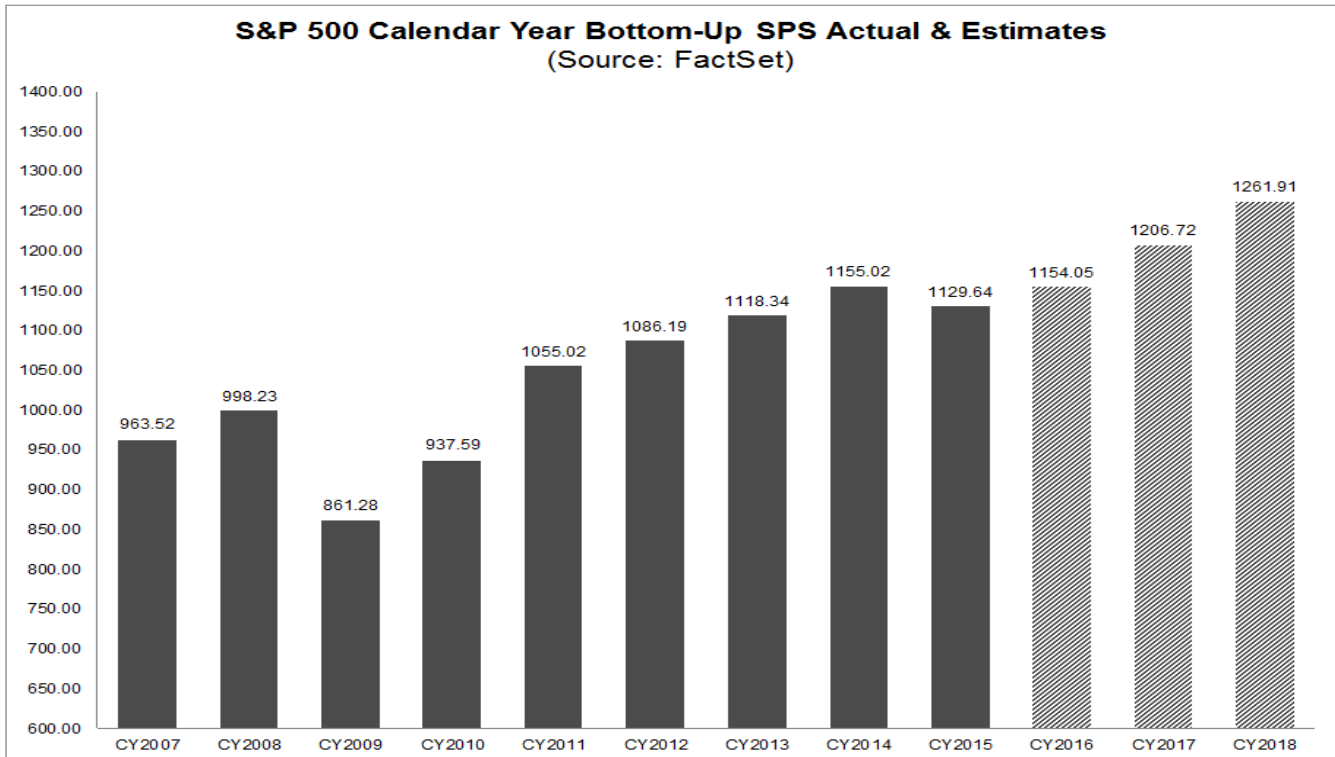
Bottom-up EPS Estimates: Revisions



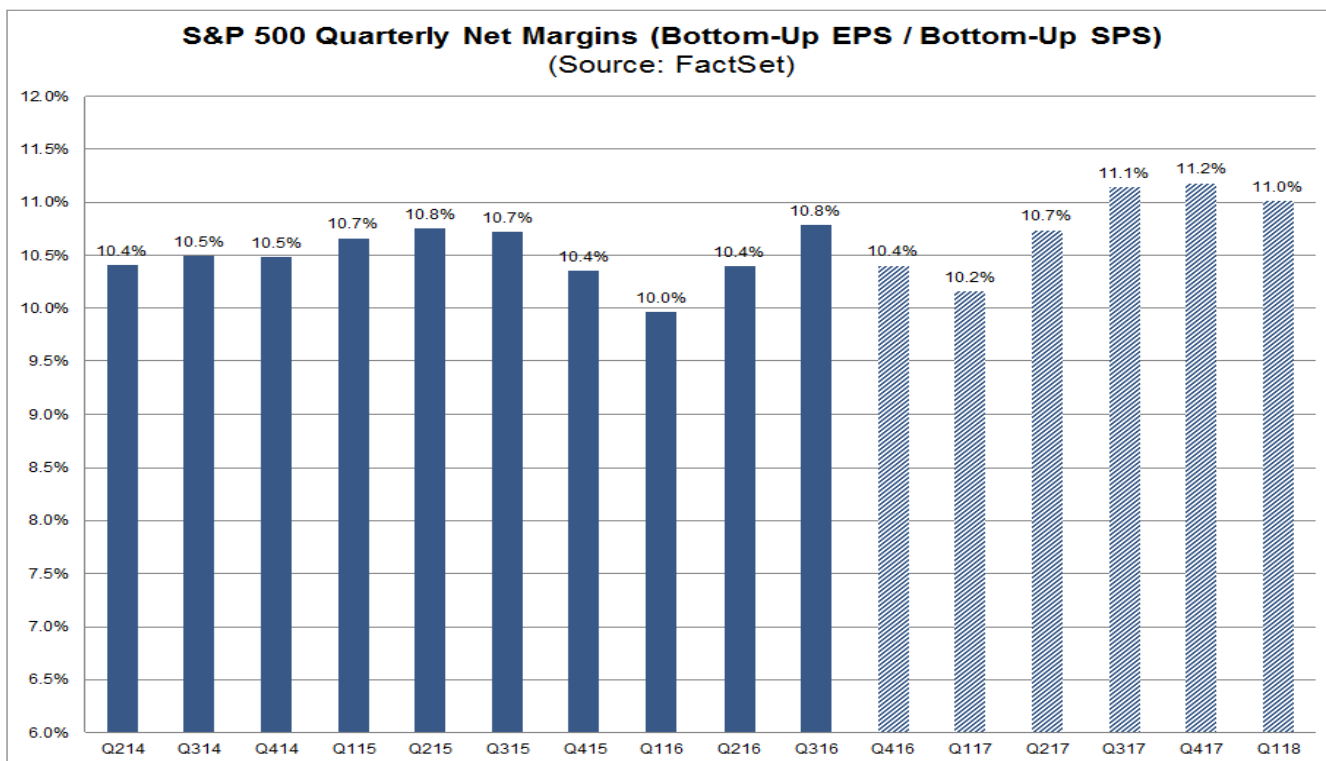
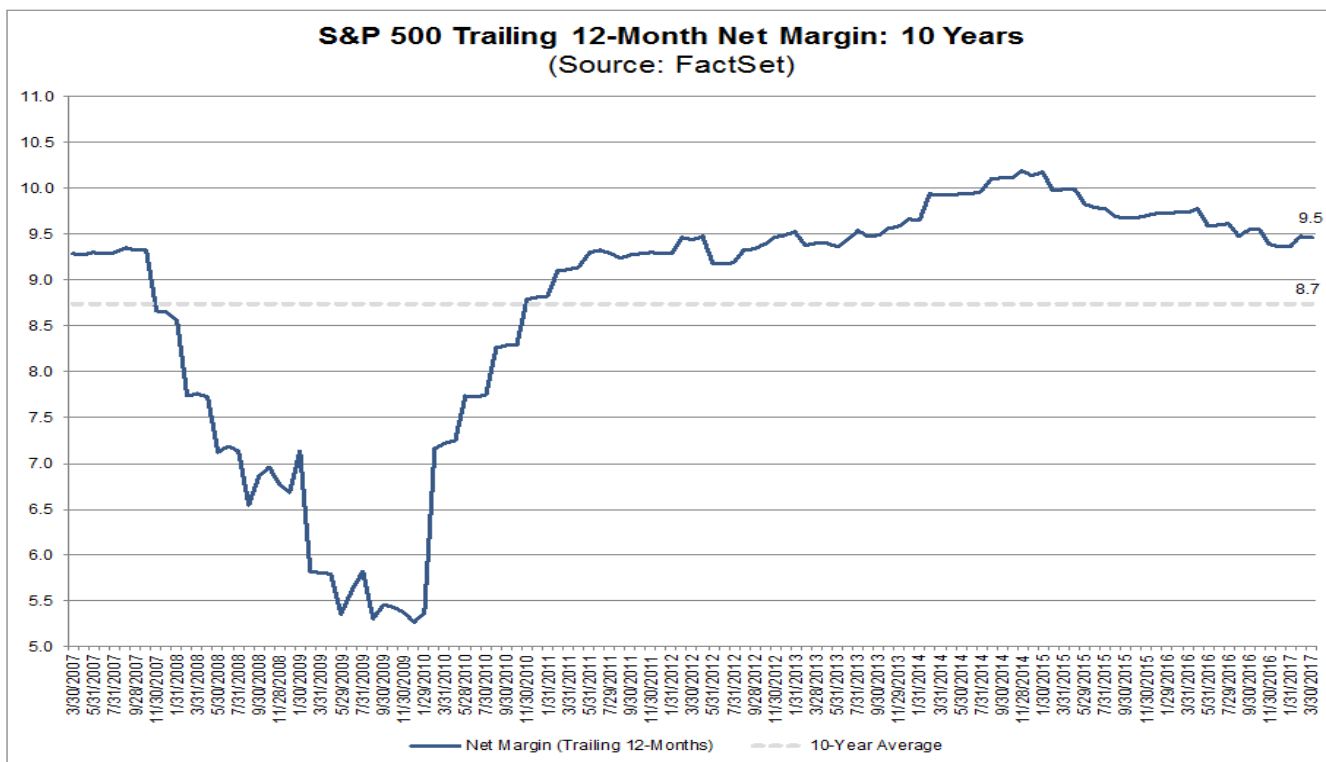
Bottom-up EPS Estimates: Current & Historical



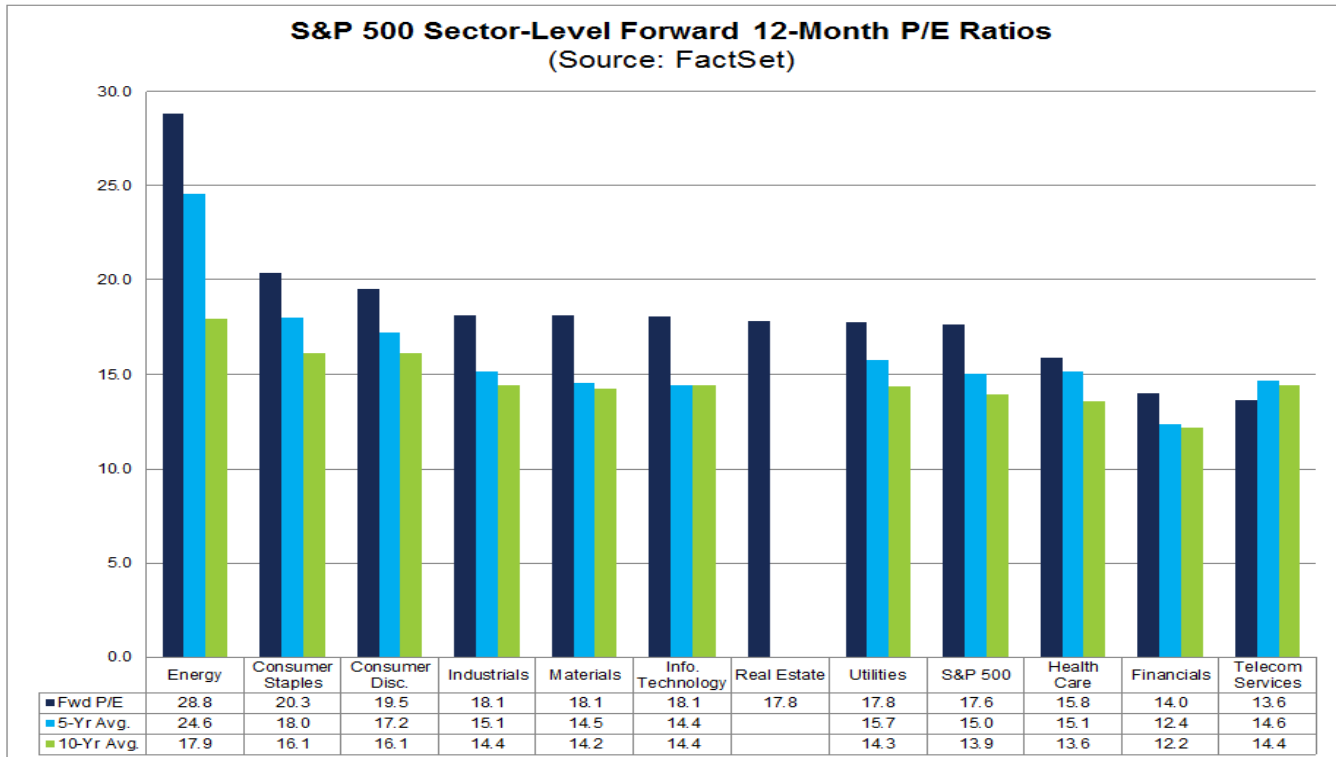
Bottom-up SPS Estimates: Current & Historical



Net Margins: Current & Historical

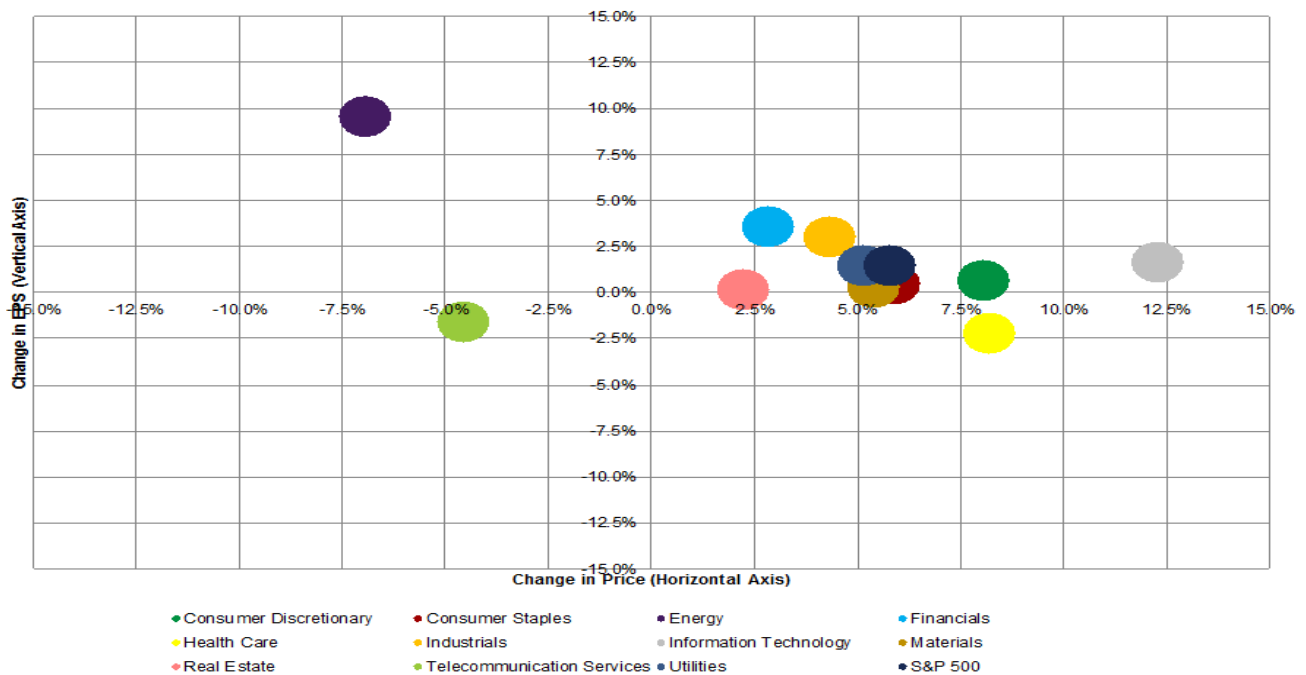


Forward 12M P/E Ratio: Sector Level

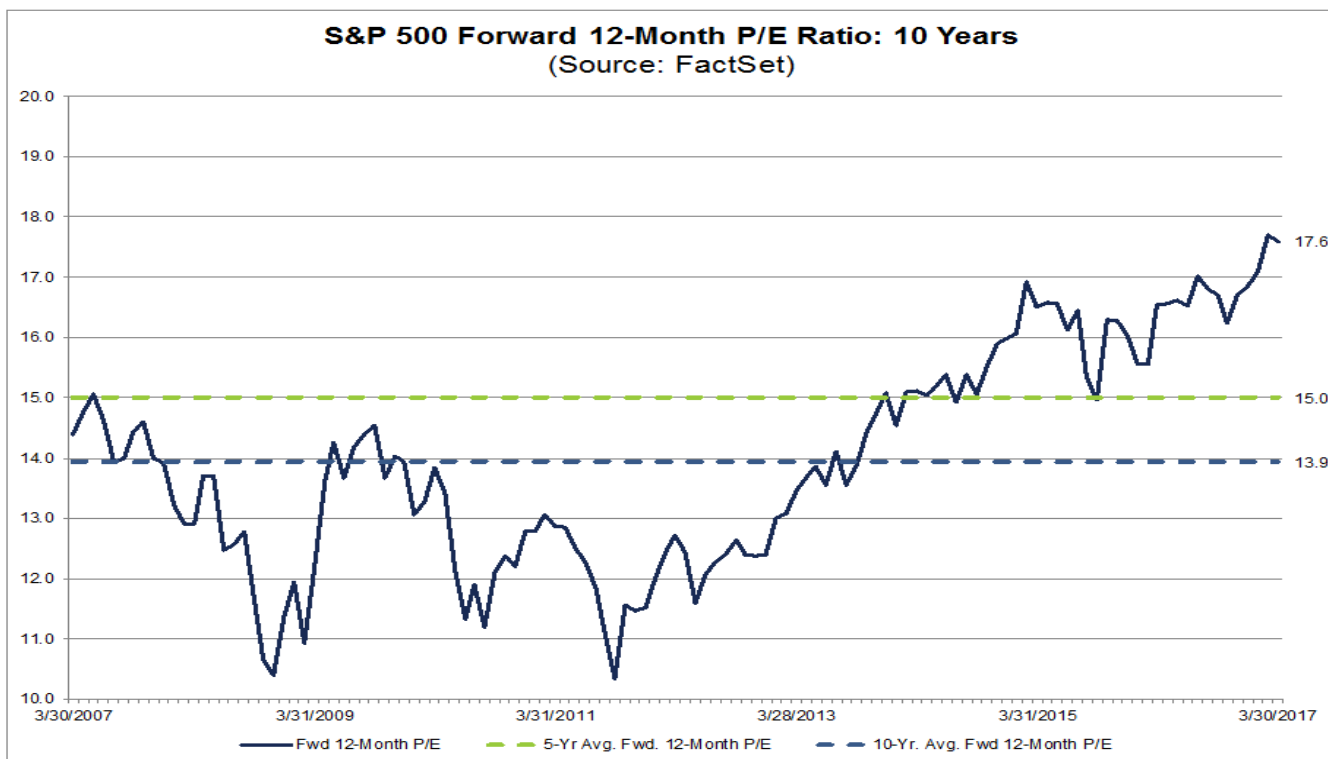
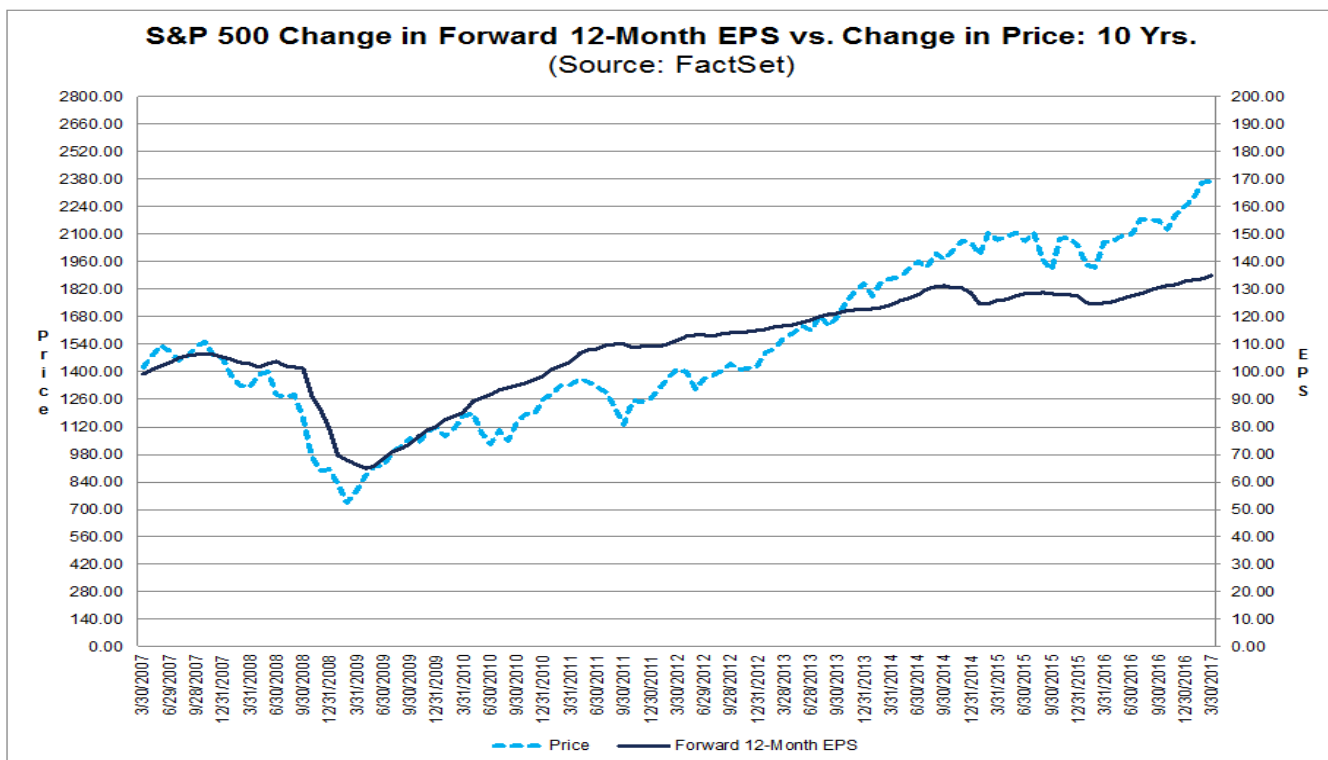


Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31

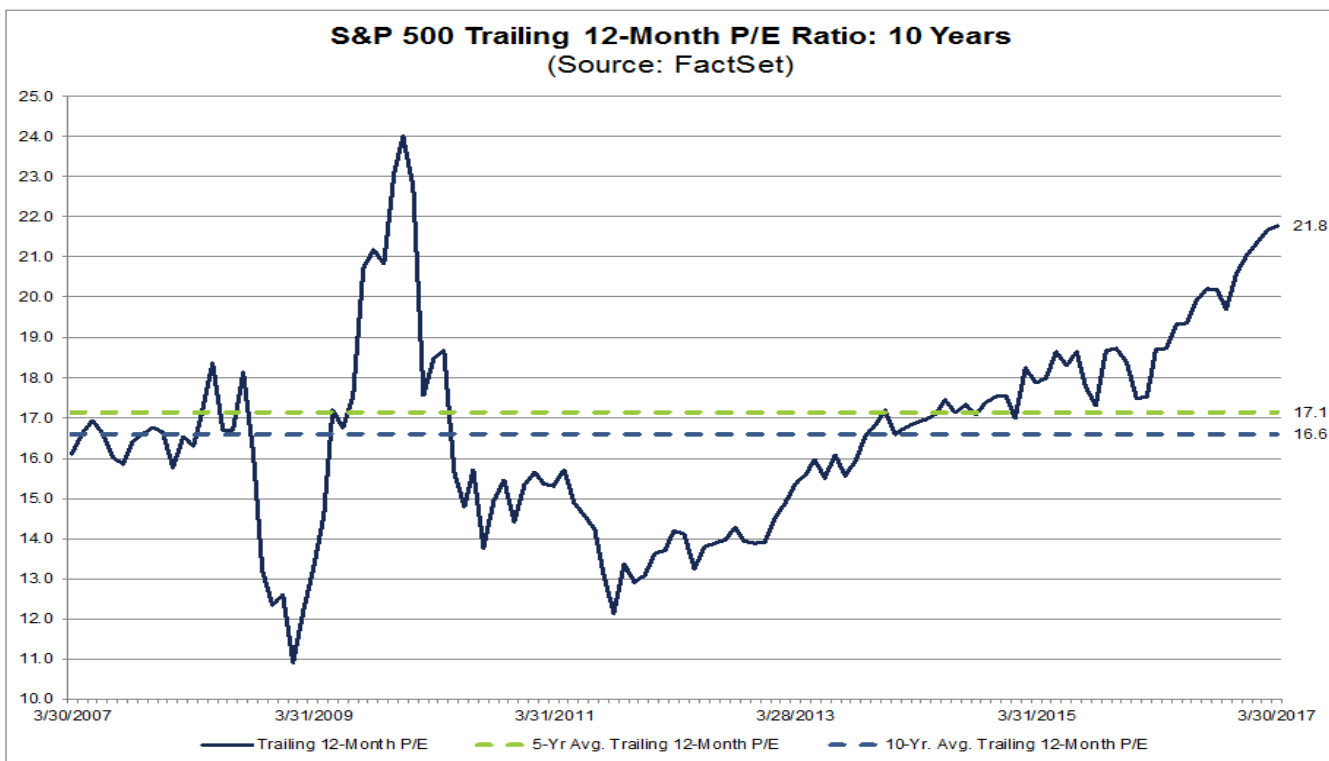
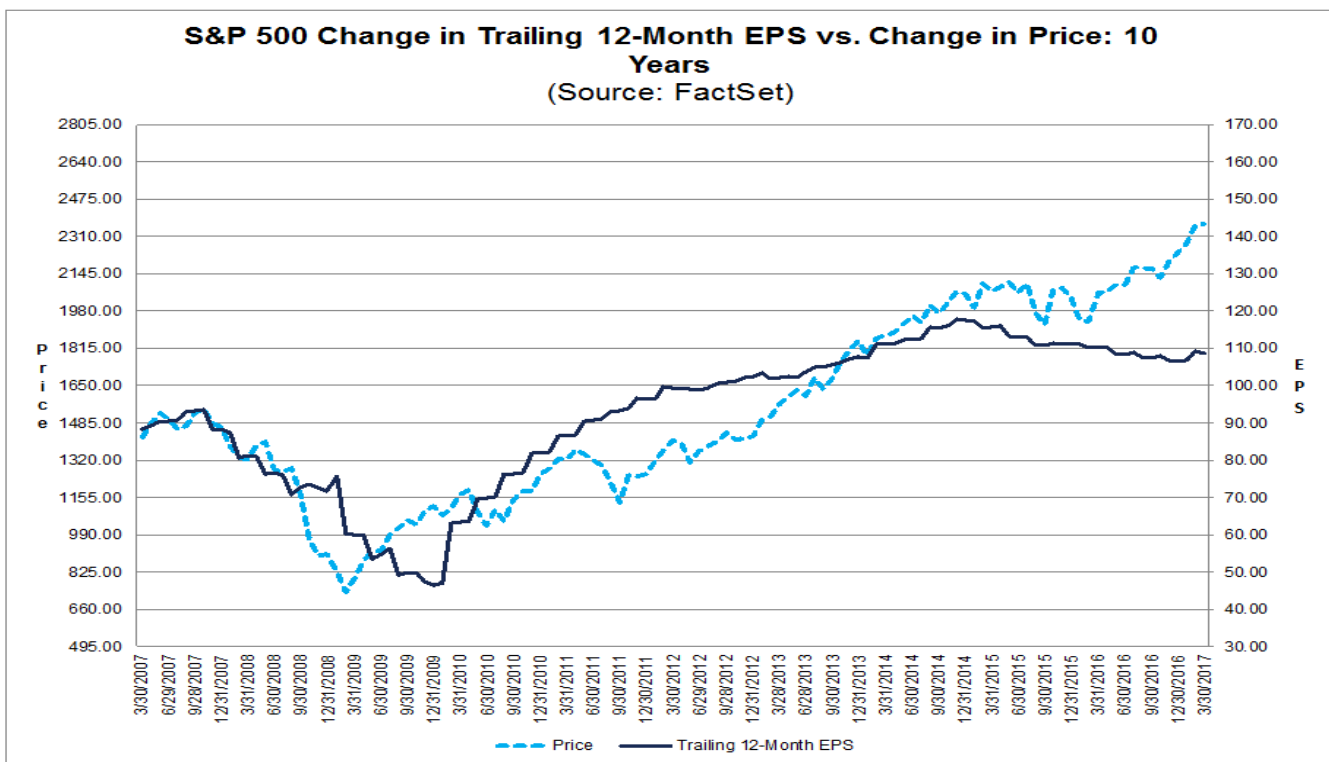
(Source: FactSet)



Forward 12M P/E Ratio: Long-Term Averages



Trailing 12M P/E Ratio: Long-Term Averages



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