

# MarketDesk S&P 500 Earnings Indicator

Forecasting Next 12-Month Earnings & Estimate Revisions

**Current Takeaway** Revisions breadth remains weak, but the indicator suggests NTM consensus estimates continue to have material downside risk

### Overview of Indicator

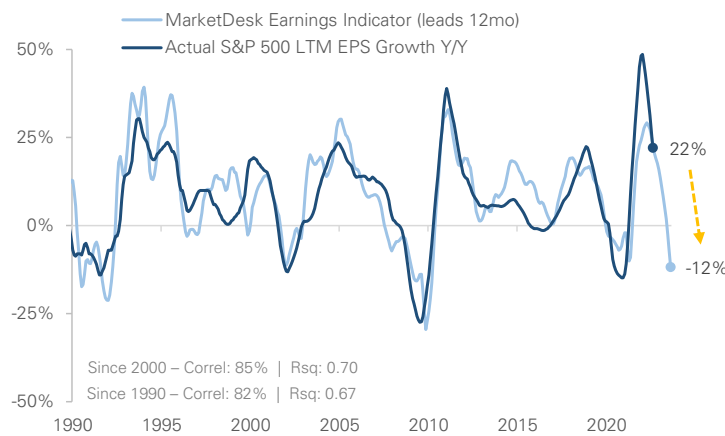
Earnings growth is an important input into equity market valuations. The S&P 500 Earnings Indicator is a combination of 15 macro inputs that historically exhibit a high statistical correlation with future S&P 500 earnings growth. Note: The indicator is not built to forecast the exact per share dollar amount of S&P 500 earnings, but rather the directional path of S&P 500 earnings growth over the next 12 months.

### How to Use

The S&P 500 Earnings Indicator is built to forecast and spot key 'turning points' in S&P 500 earnings throughout economic cycles. There are two model outputs to focus on: (1) the direction of earnings growth over the next 12 months, and (2) the gap between the indicator estimate and current NTM consensus estimates. One historical trend to note – markets are forward-looking and equity prices historically bottom 6-12 months before actual EPS bottoms. This bottoming process is important to consider when tilting portfolios risk off / on ahead of earnings peaks and troughs.

**Figure 17 – Actual Earnings Growth vs MarketDesk Indicator**

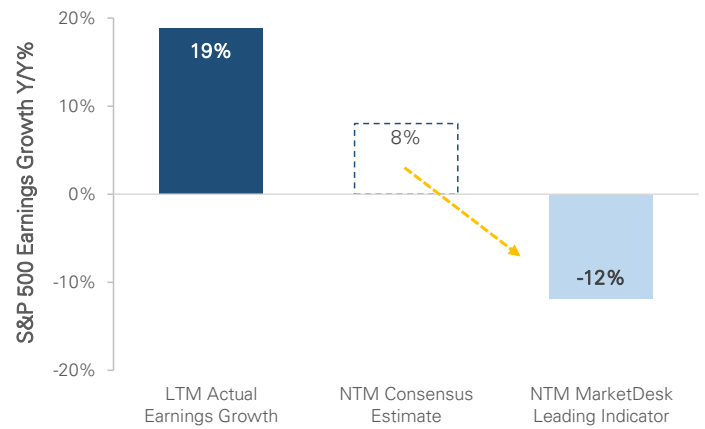
Relationship Between MarketDesk Earnings Model and Actual Earnings Growth



Source: www.QuantPack.com. Both lines smoothed with a rolling 3-month average.

**Figure 18 – NTM Consensus Estimate vs MarketDesk Indicator**

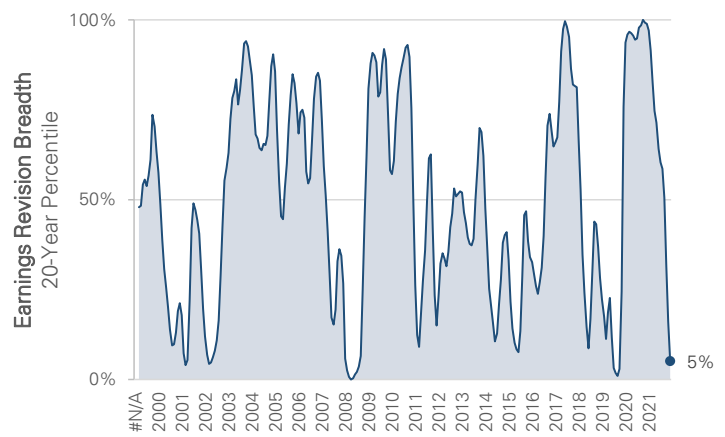
Wall Street NTM Earnings Estimate vs the MarketDesk S&P 500 Earnings Model



Source: www.QuantPack.com. Consensus estimate as of most recent month end.

**Figure 19 – S&P 500 Net Upward Earnings Revision Breadth**

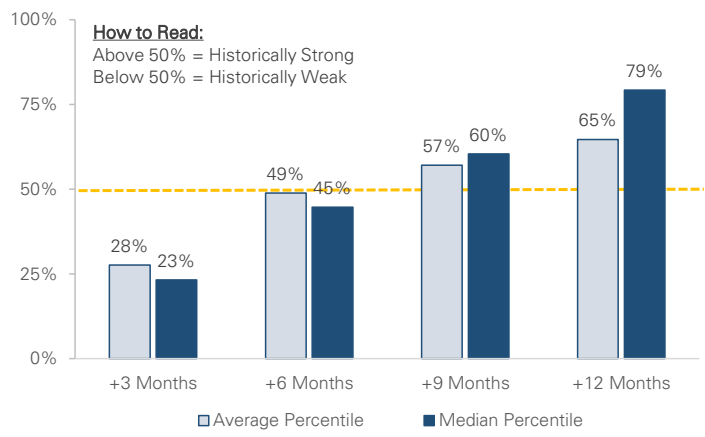
Highlights the Current Trend in Wall Street Estimates vs the Last 20 Years



Source: www.QuantPack.com. Breadth = (# Up minus # Down) / Total Revisions.

**Figure 20 – Implied Future Breadth Percentile Based on Current Levels**

Future EPS Revision Trends Based on Current Percentile (See Chart on Left)



Source: www.QuantPack.com. Based on monthly data points since 2000.

# Weekly Quant Pack

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