BLOG POST
Earnings Soar
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There are times when it is hard to tell whether good news is really good or bad news is really bad. Take earnings as we approach the midway point of 4th quarter reporting. The news has been strikingly positive, with the average company reporting earnings 22.4% above estimates, according to FactSet data. The 5-year average on upside earnings surprises is just 6.3%. If reporting season finished with gains intact, it would represent the 2nd best average earnings beats since they began tracking the data in 2008, with only the 2nd quarter of 2020 exceeding that at 23.1%. However, Q4 will also represent the 4th consecutive quarter, and 7 of the last 8 quarters, where earnings have fallen on a year-over-year basis and this quarter's -4.7% decline is the largest since 3Q 2009.

- Big banks dominate the early earnings season and they have not disappointed. In aggregate, banks that have reported beat estimates by 30%, while the rest of the market has beaten by an average of just 15%.

- According to S&P data, EPS for the S&P 500 in the 4th quarter of 2020 will be equal to the EPS back in March 2018, nearly three full years earlier, while stocks are 44% higher over that period.

- Revenues on a year-over-year basis are forecasted to be slightly higher, even as earnings are lower. Profit margins are tracking at 10.3%, which is in line with the average margins over the last 5 years.