

Predicting the Markets: Chapter 13 Charts: Predicting Corporate Earnings

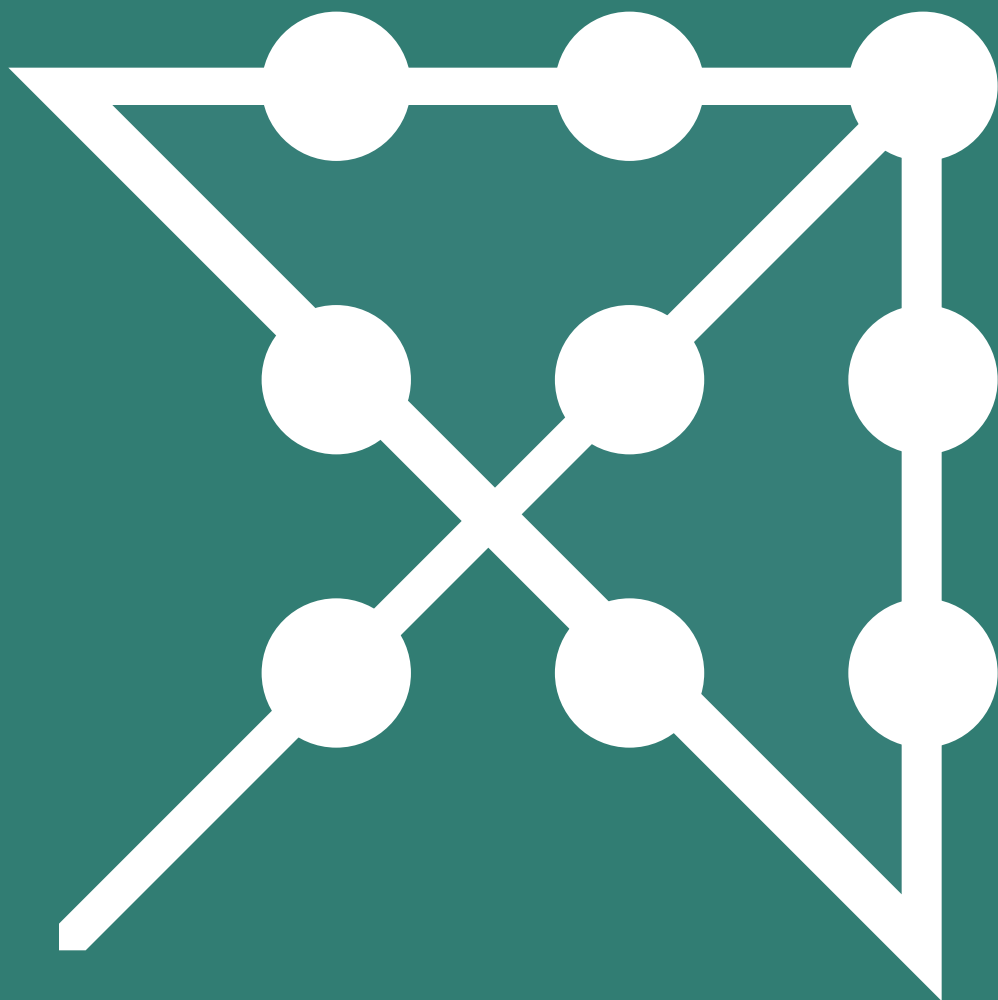
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thinking outside the box

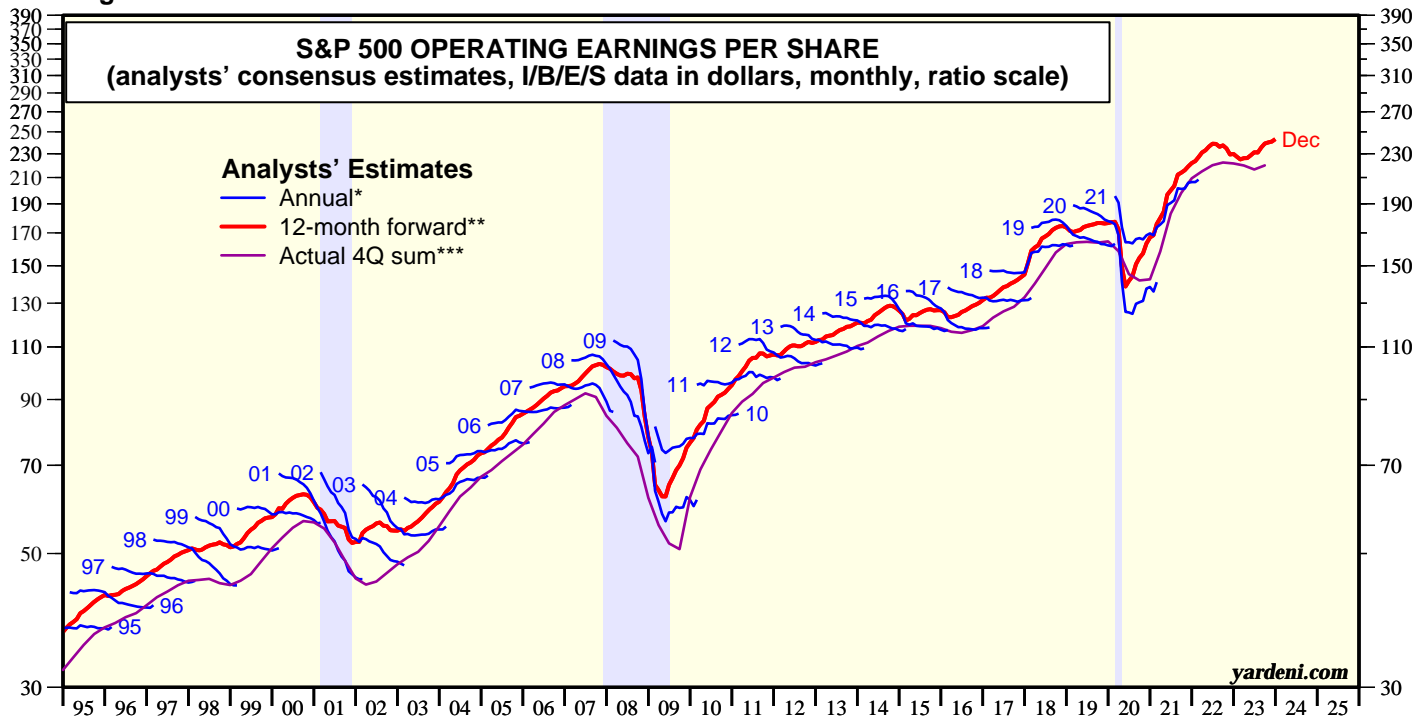
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Figure 1.



* "Squiggles" span 25 months from February to February.

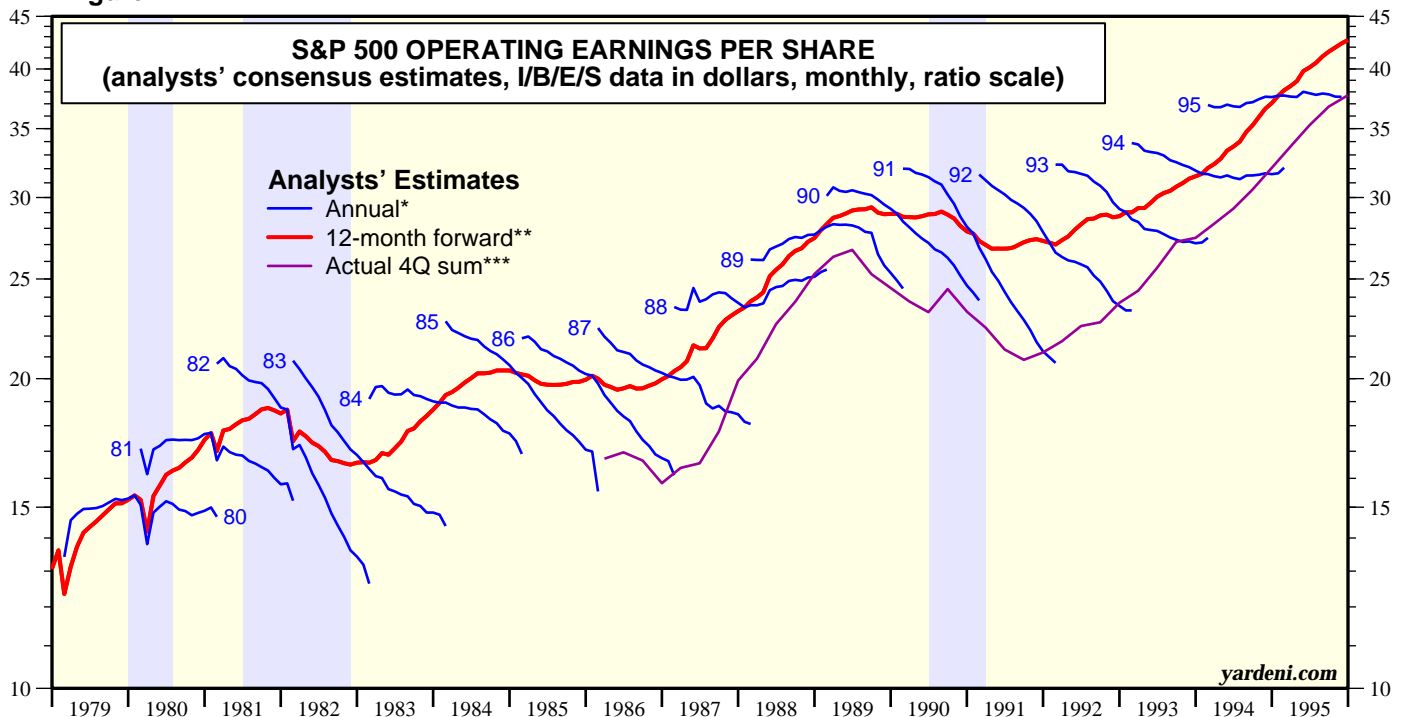
** Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

*** Actual 4Q sum from I/B/E/S.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: I/B/E/S data by Refinitiv.

Figure 2.



* "Squiggles" span 25 months from February to February.

** Time-weighted estimates of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

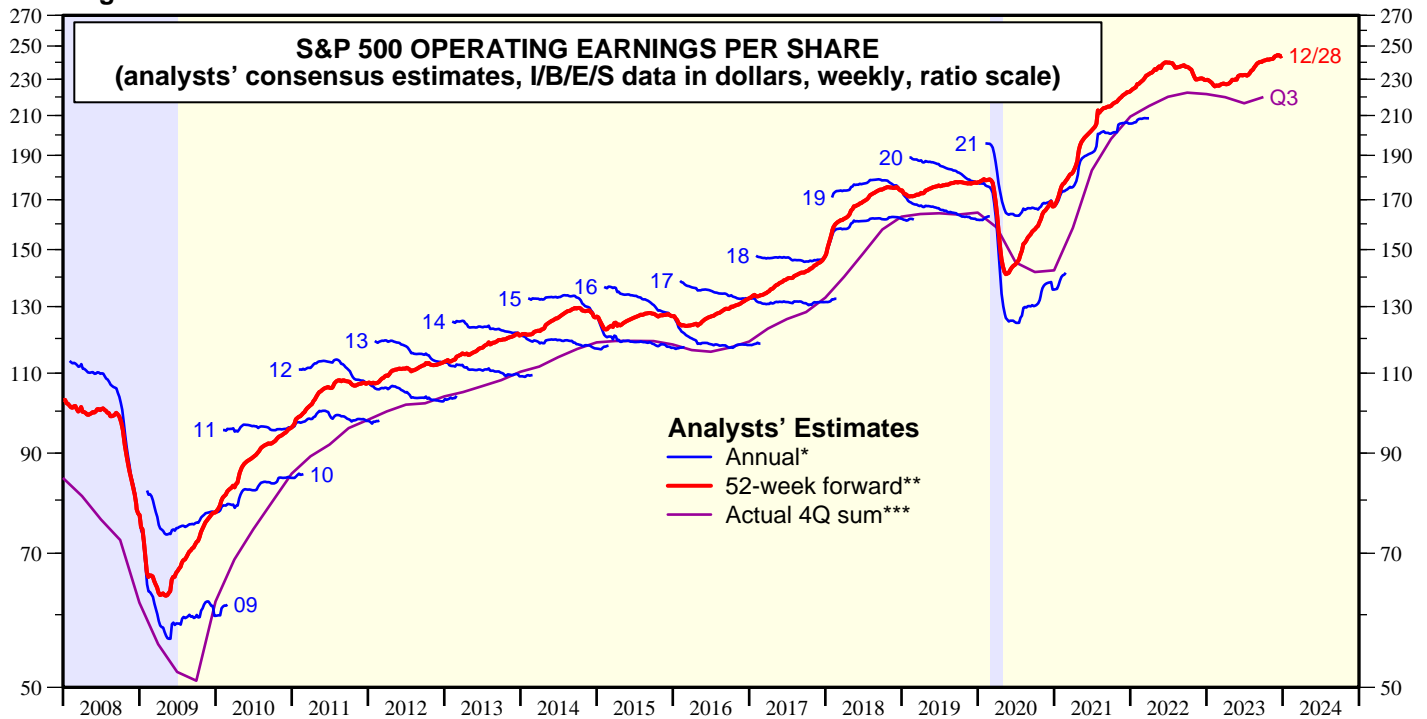
*** Actual 4Q sum from S&P until Q4-1993, then from I/B/E/S.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: I/B/E/S data by Refinitiv.

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Figure 3.



* "Squiggles" span 25 months from February to February.

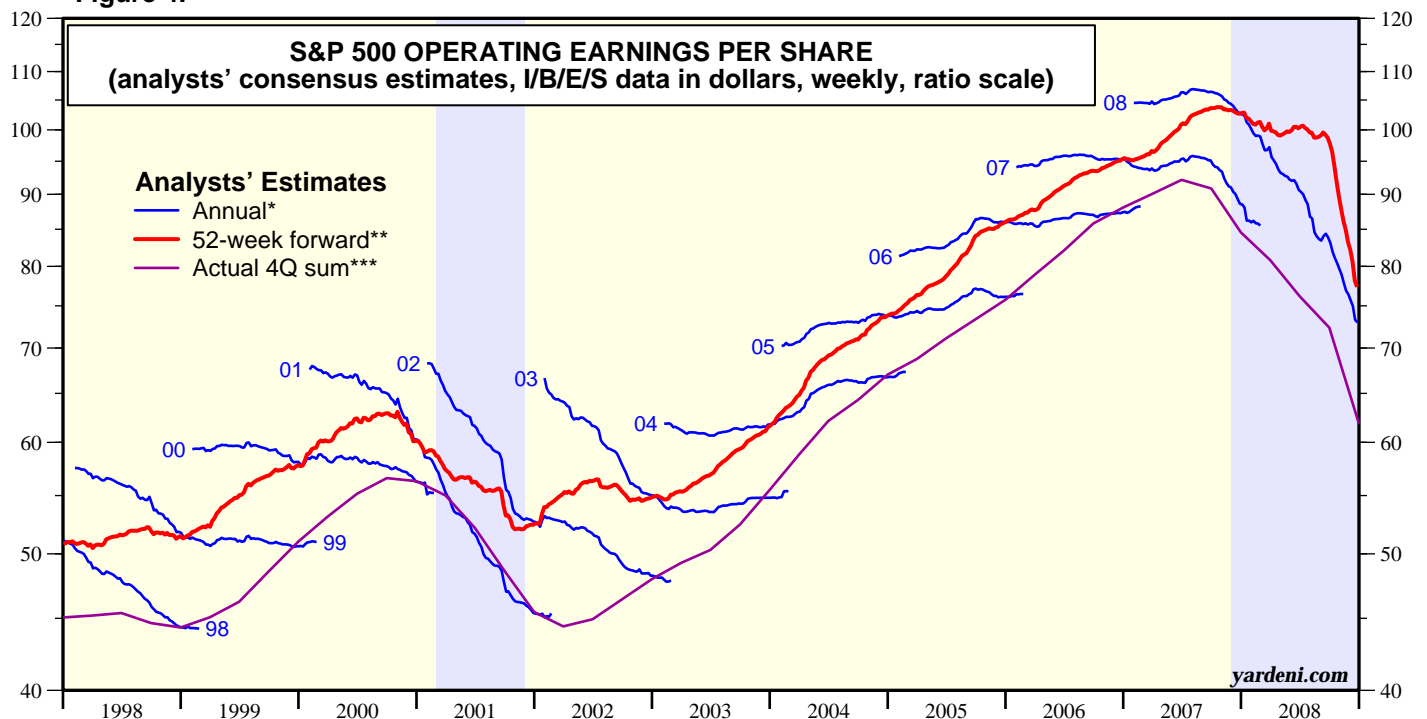
** Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

*** Actual 4Q sum from I/B/E/S.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: I/B/E/S data by Refinitiv.

Figure 4.



* "Squiggles" span 25 months from February to February.

** Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

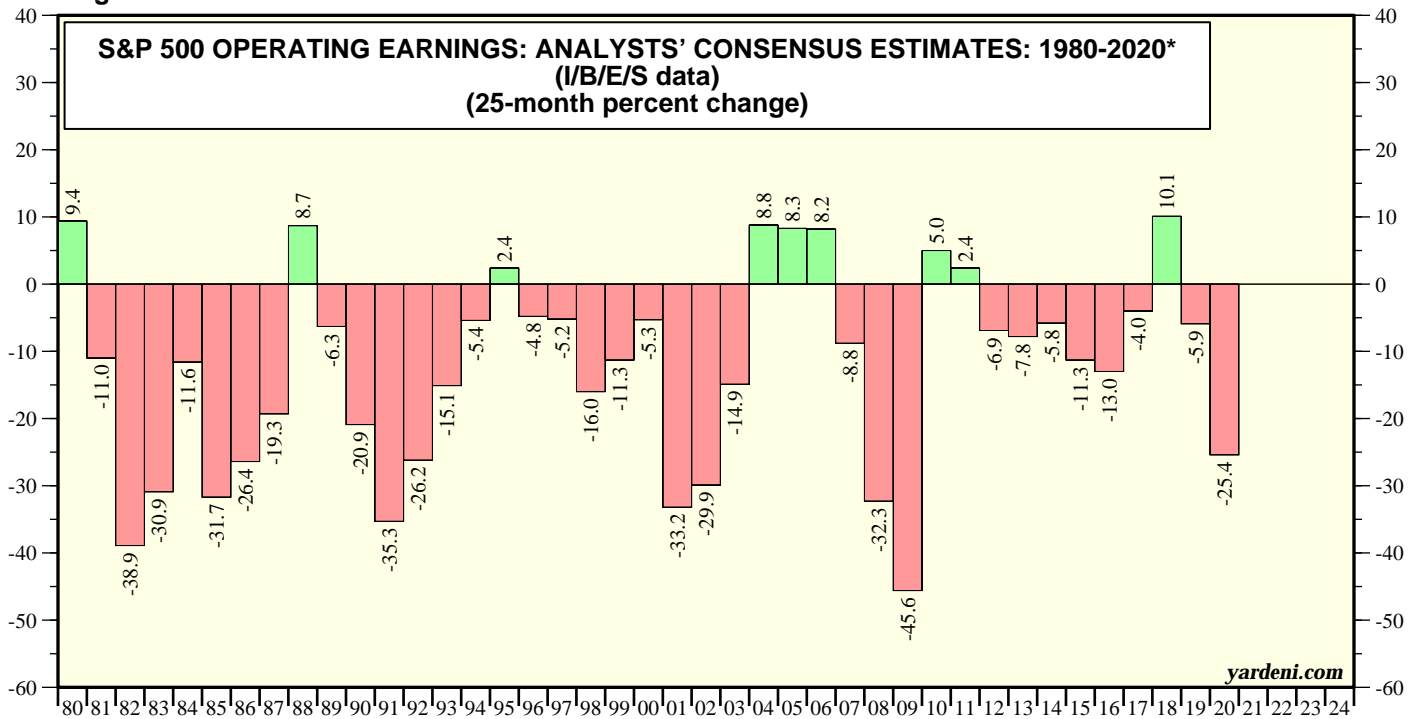
*** Actual 4Q sum from I/B/E/S.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: I/B/E/S data by Refinitiv.

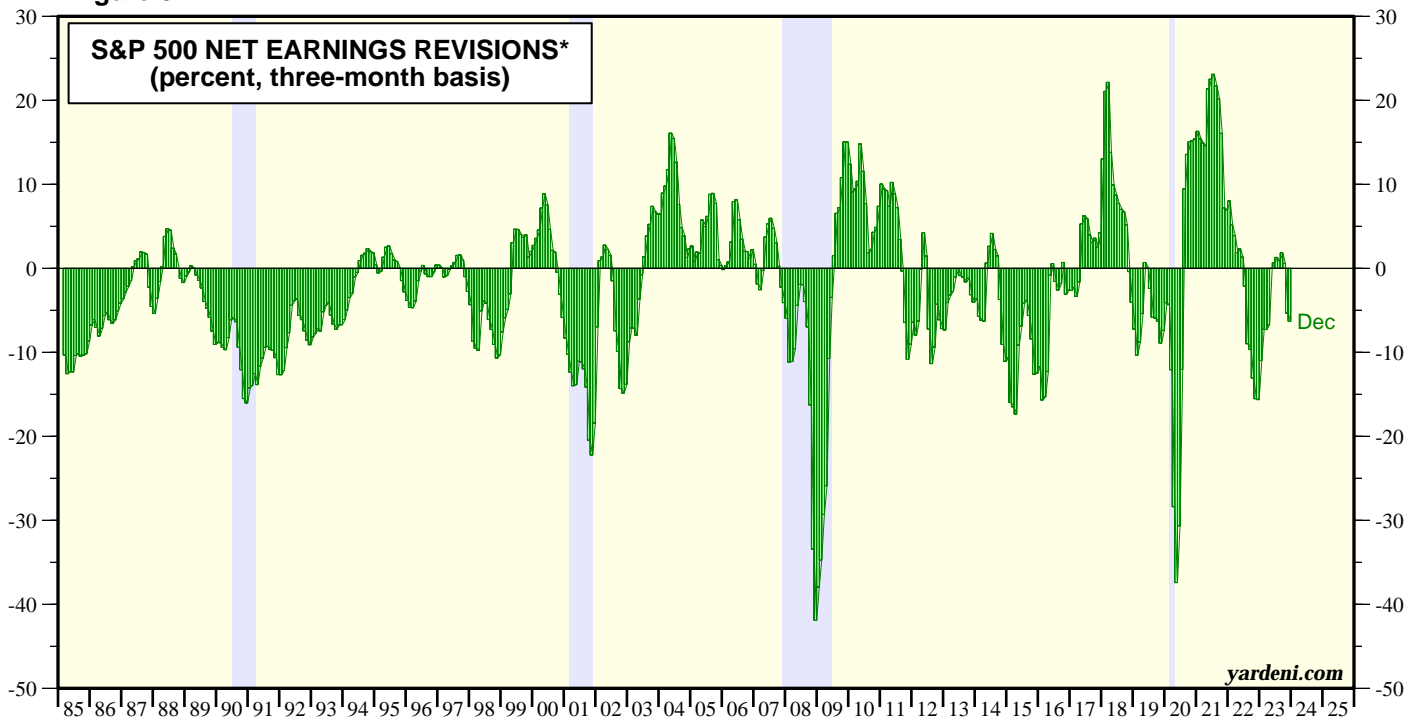
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Figure 5.



* Percent change in analysts' consensus estimates for S&P 500 operating earnings per share for each year shown from initial forecast to actual, e.g., from February 1979 to February 1981 for calendar year 1980.
Source: I/B/E/S data by Refinitiv.

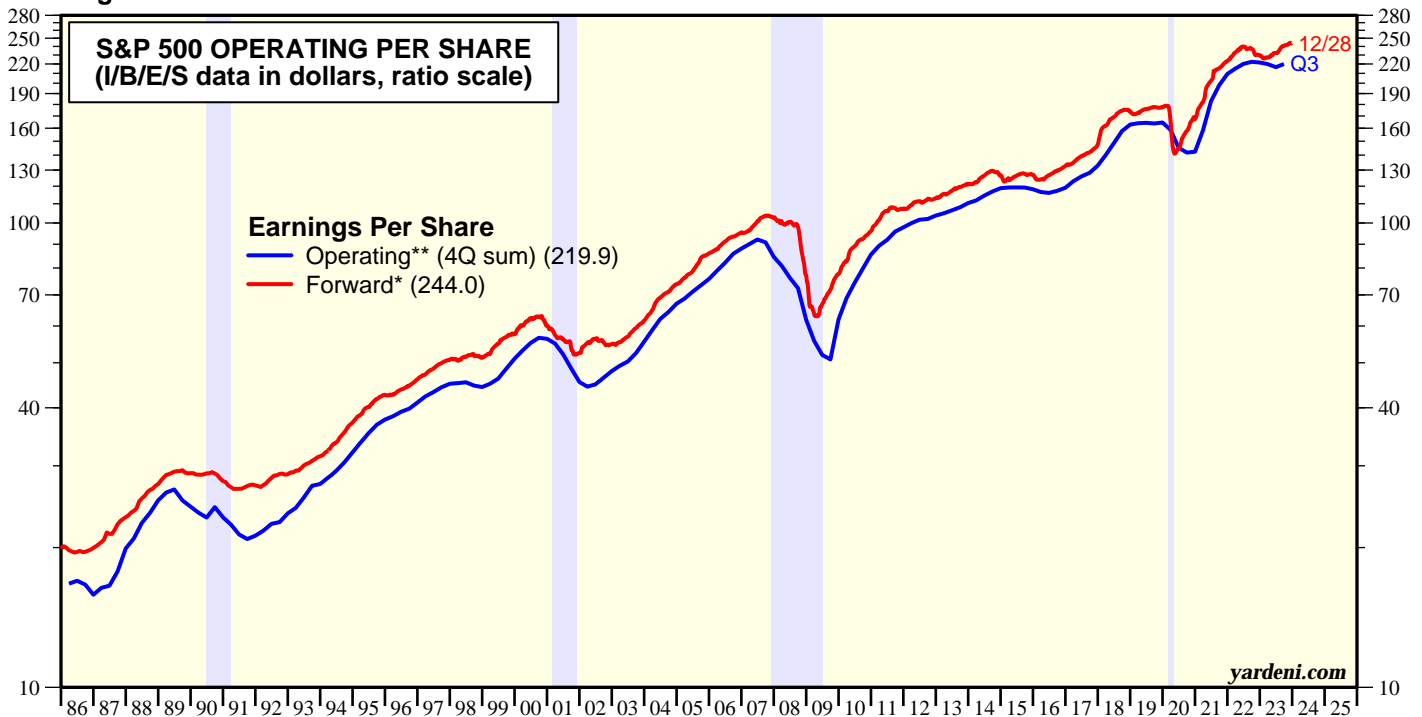
Figure 6.



* Three-month moving average of the number of forward earnings estimates up less number of estimates down, expressed as a percentage of the total number of forward earnings estimates.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.

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Figure 7.



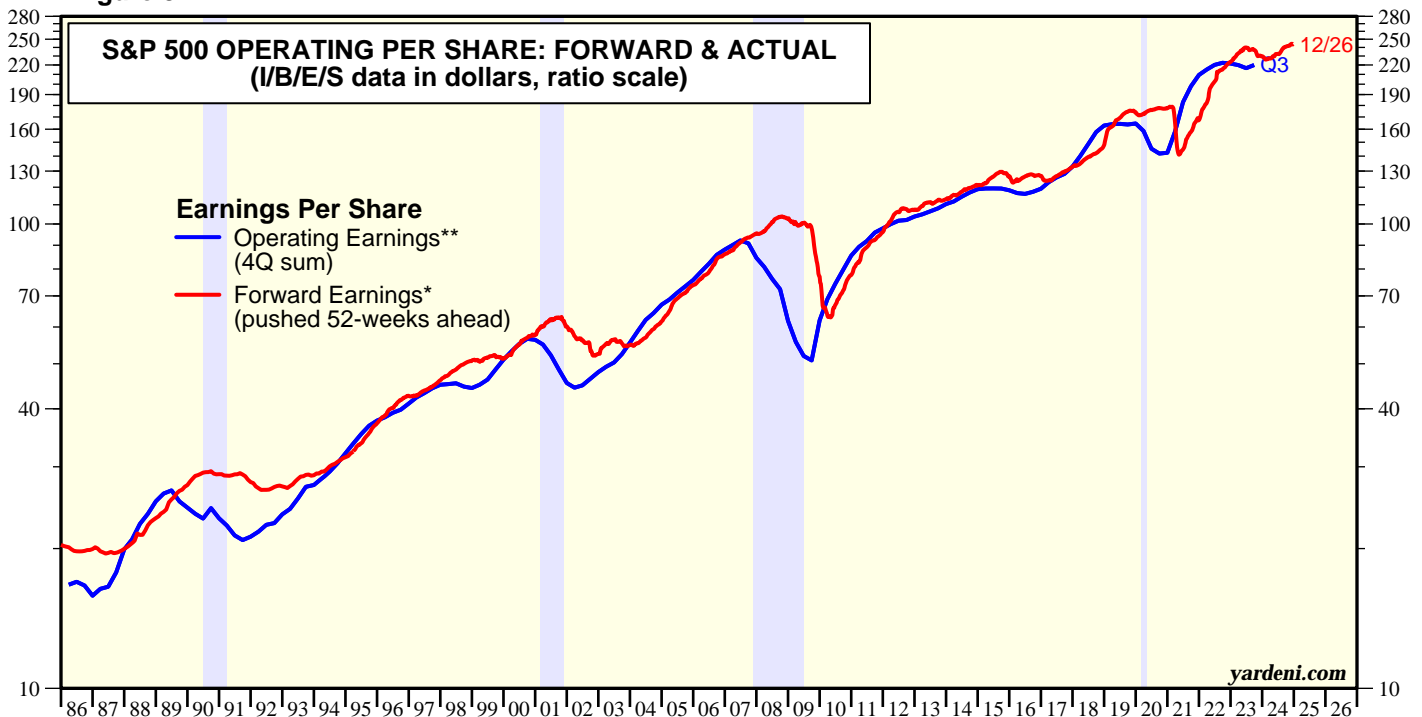
* Time-weighted average of consensus estimates for current year and next year. Monthly through March 1994, then weekly.

** Actual 4Q sum from S&P until Q4-1993, then from I/B/E/S.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: I/B/E/S data by Refinitiv.

Figure 8.



* Time-weighted average of consensus estimates for current year and next year. Monthly through March 1994, then weekly.

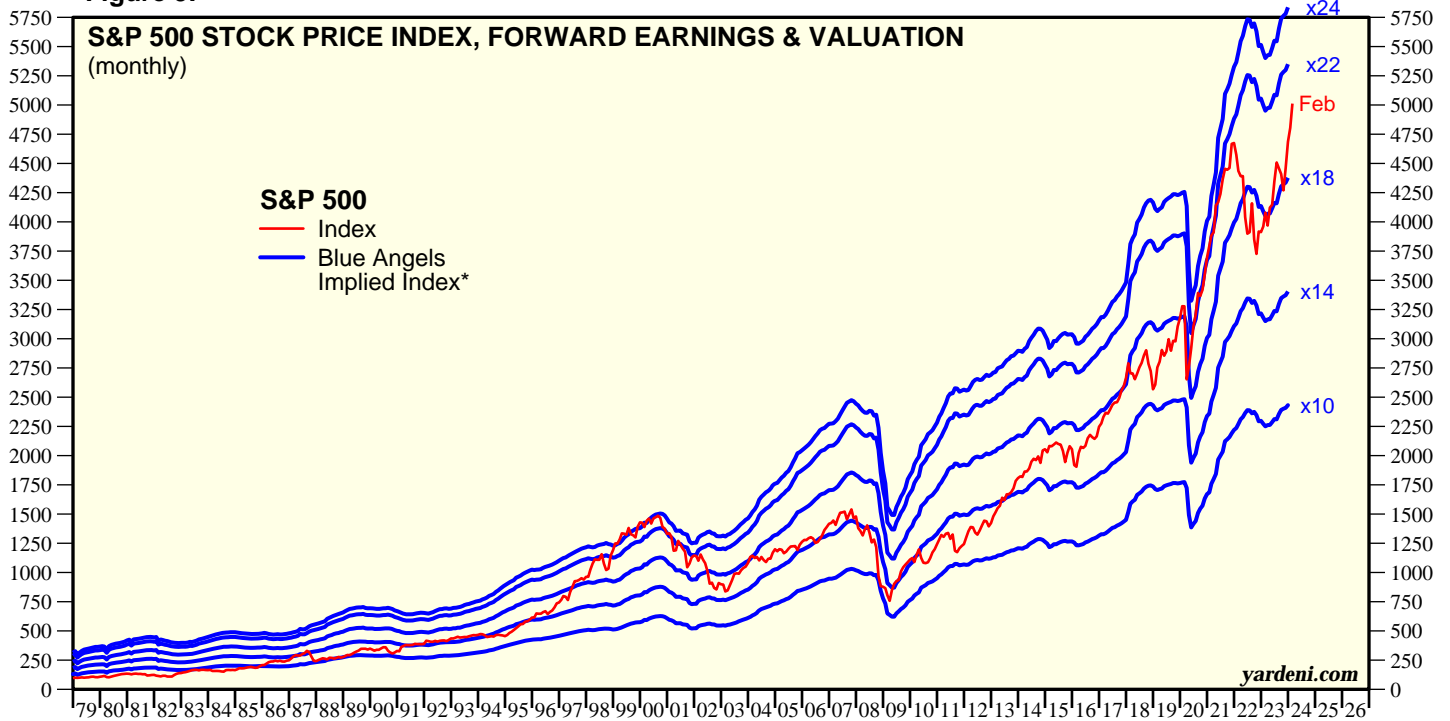
** Actual 4Q sum from S&P until Q4-1993, then from I/B/E/S.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: I/B/E/S data by Refinitiv.

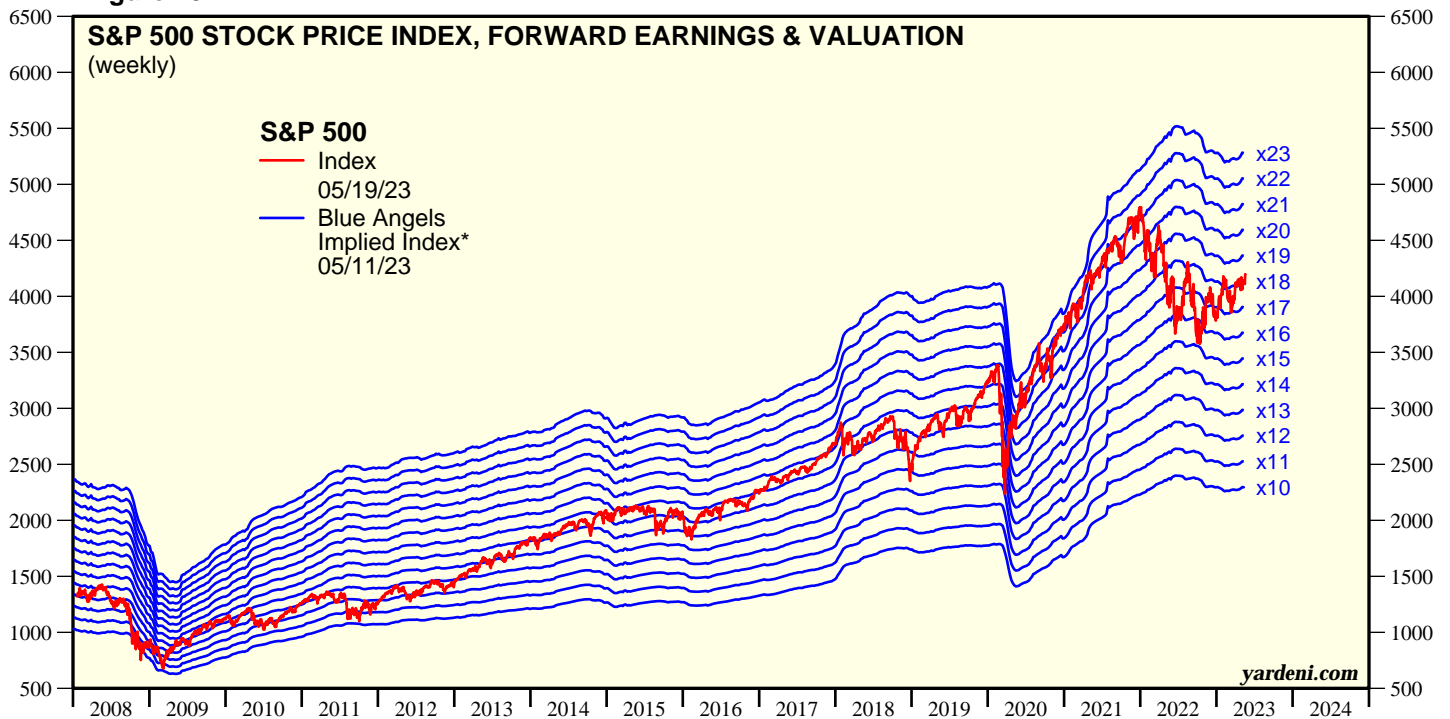
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Figure 9.



* Implied price index calculated using forward earnings times forward P/Es.
 Source: Standard & Poor's and I/B/E/S data by Refinitiv.

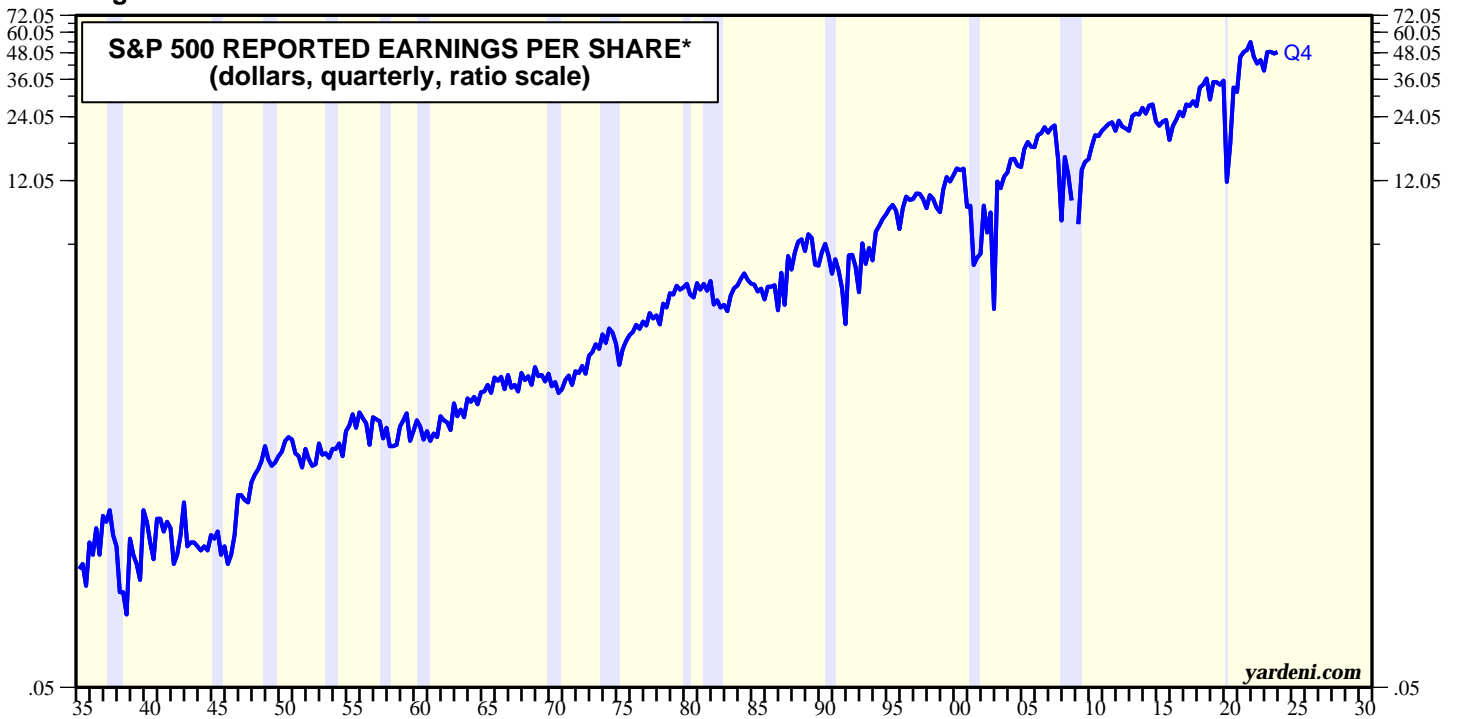
Figure 10.



* Implied price index calculated using forward earnings times forward P/Es.
 Source: Standard & Poor's and I/B/E/S data by Refinitiv.

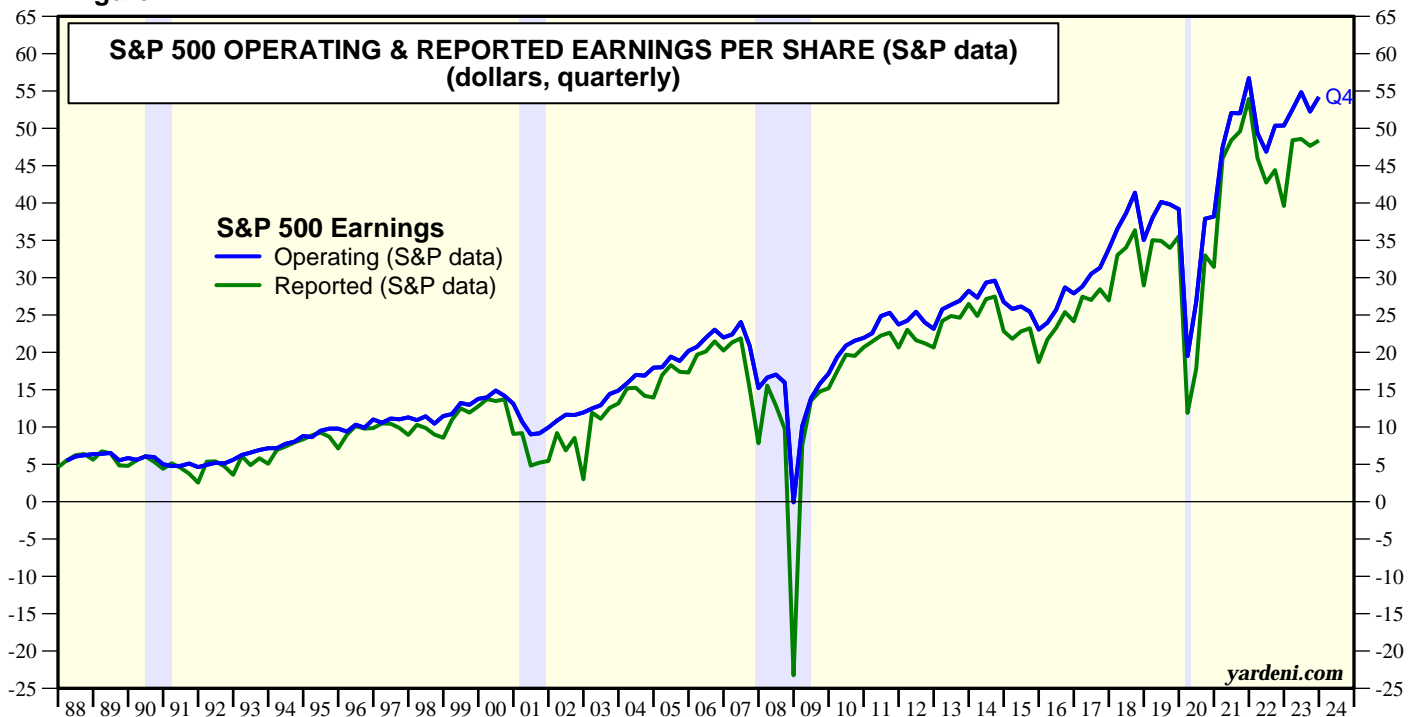
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Figure 11.



* Q4-2008 not shown because of large negative value.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Standard & Poor's.

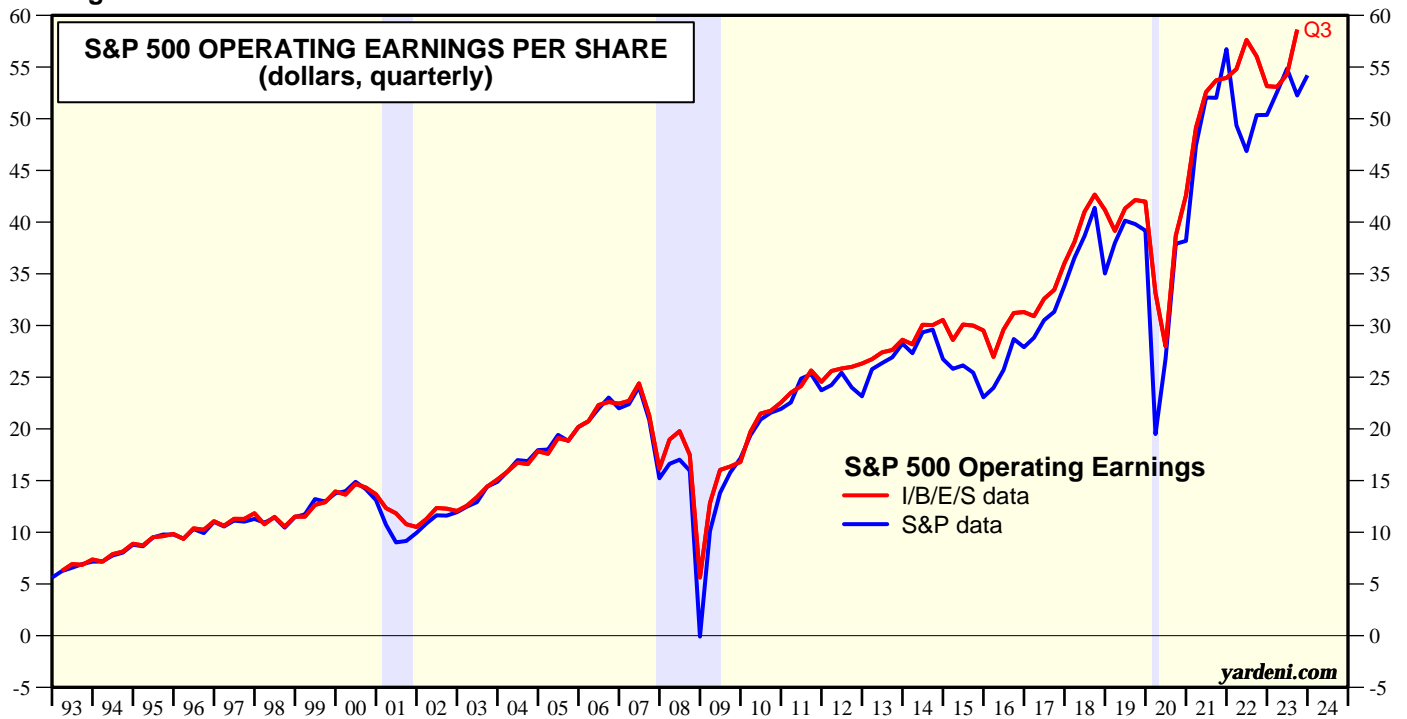
Figure 12.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Standard & Poor's.

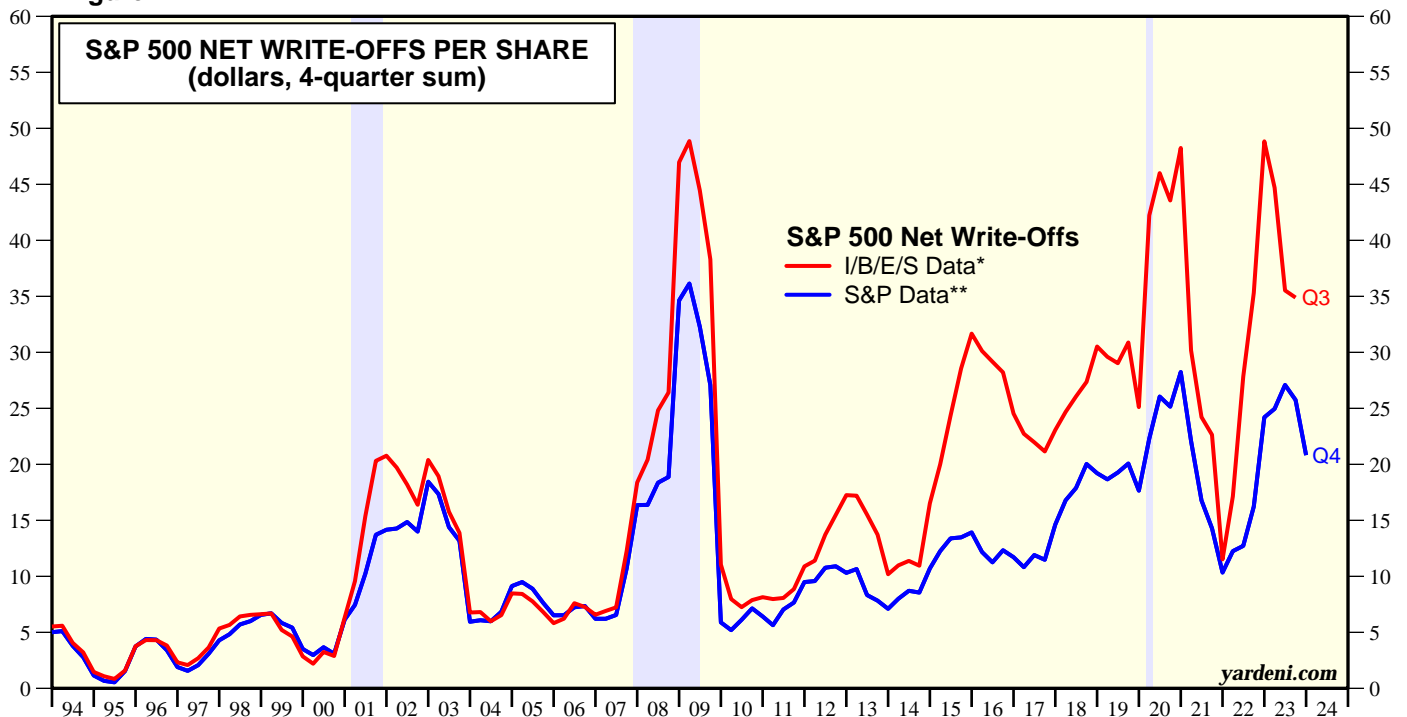
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Figure 13.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Standard & Poor's and I/B/E/S data by Refinitiv.

Figure 14.



* I/B/E/S operating less S&P reported earnings per share.

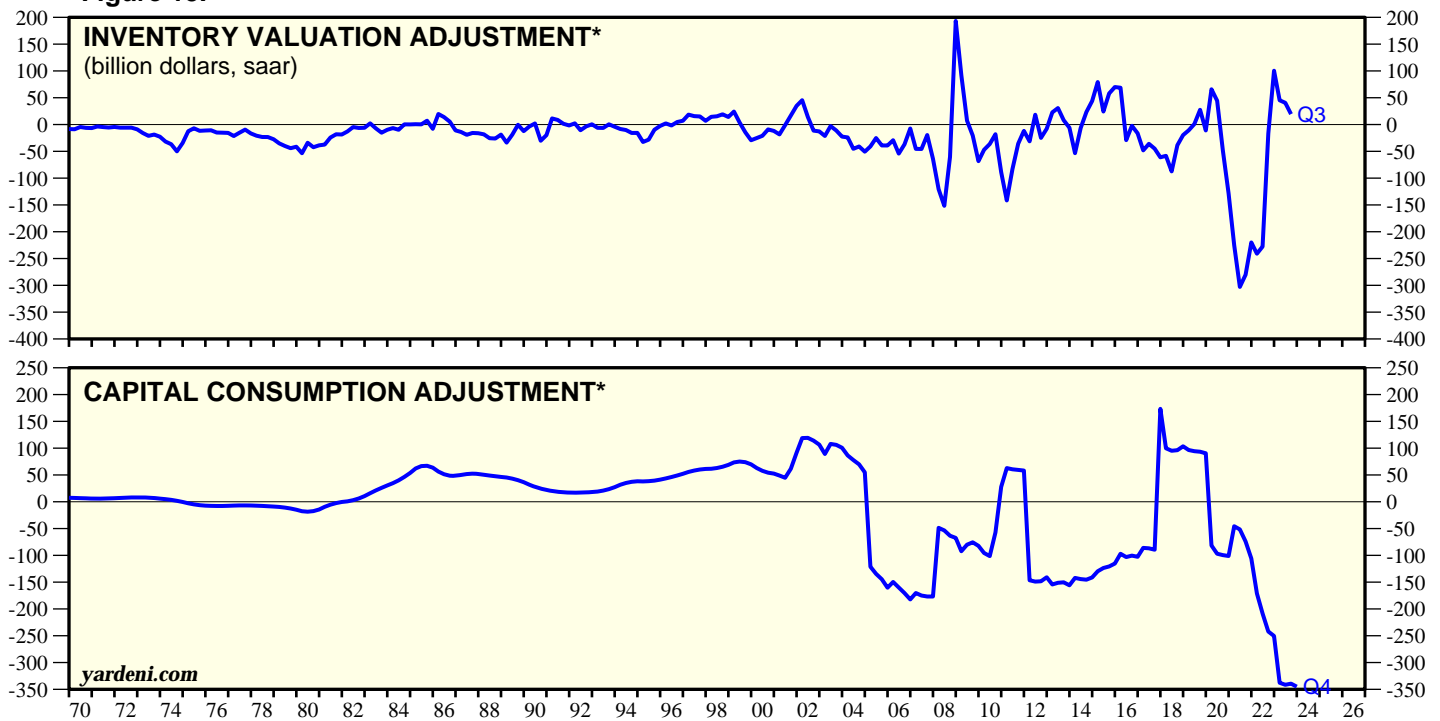
** S&P operating less S&P reported earnings per share.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: Standard & Poor's (reported earnings) and I/B/E/S data by Refinitiv (operating earnings).

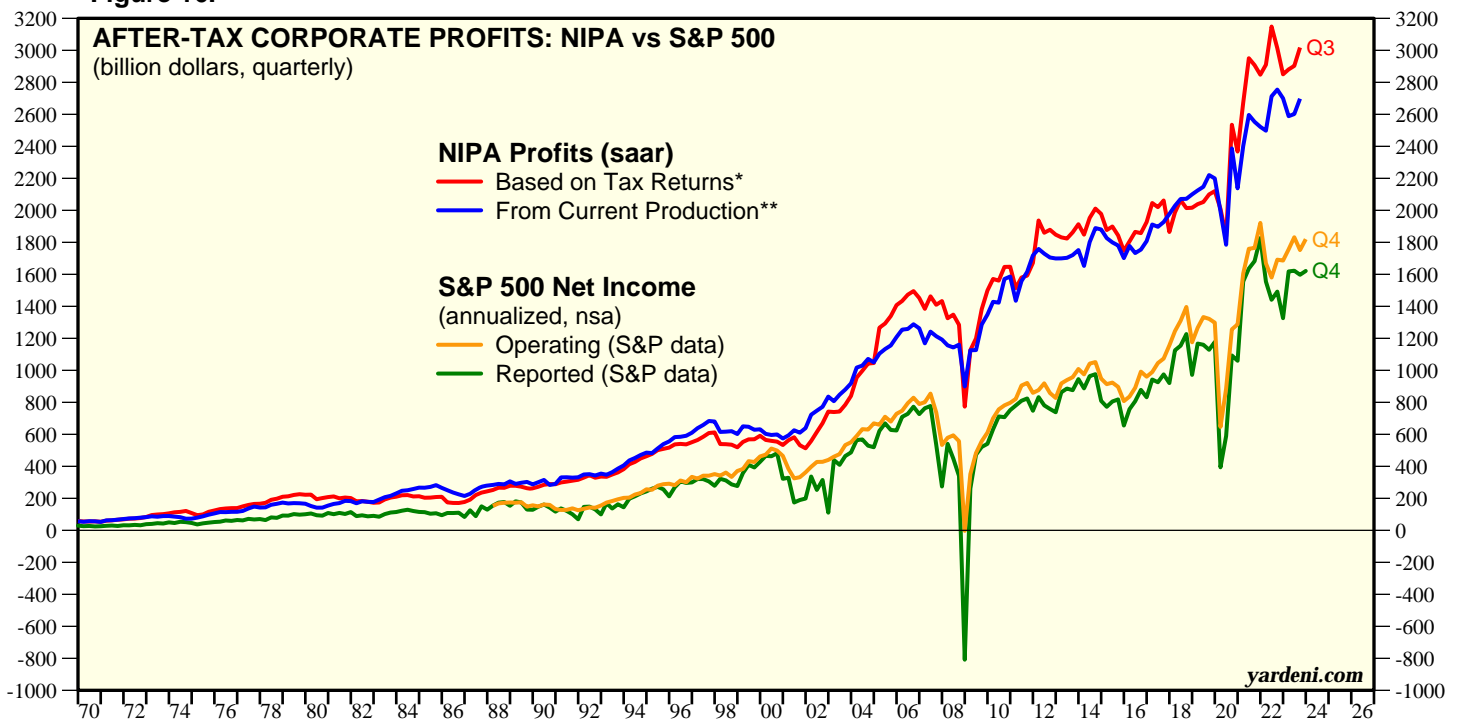
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Figure 15.



* These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.

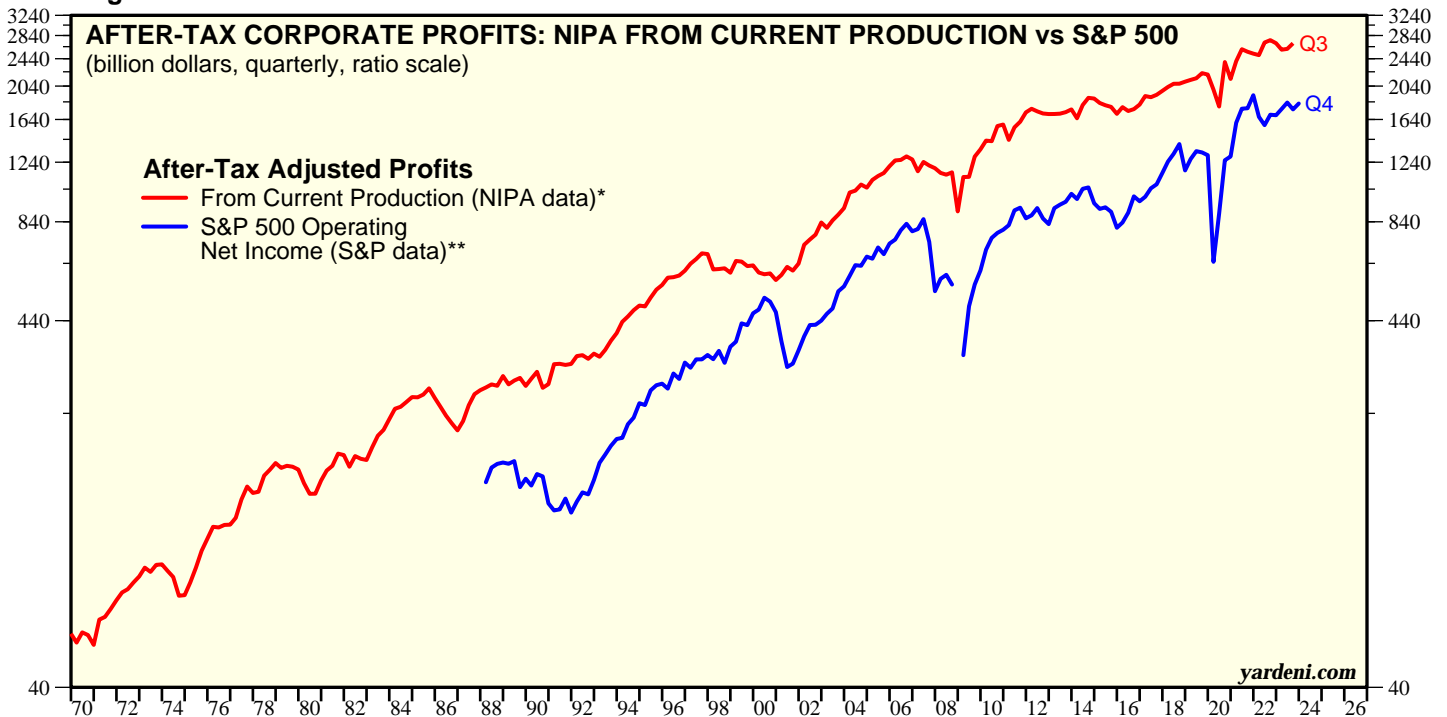
Figure 16.



* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCadj).
 ** Including IVA & CCadj. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
 Source: Bureau of Economic Analysis and Standard & Poor's.

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Figure 17.

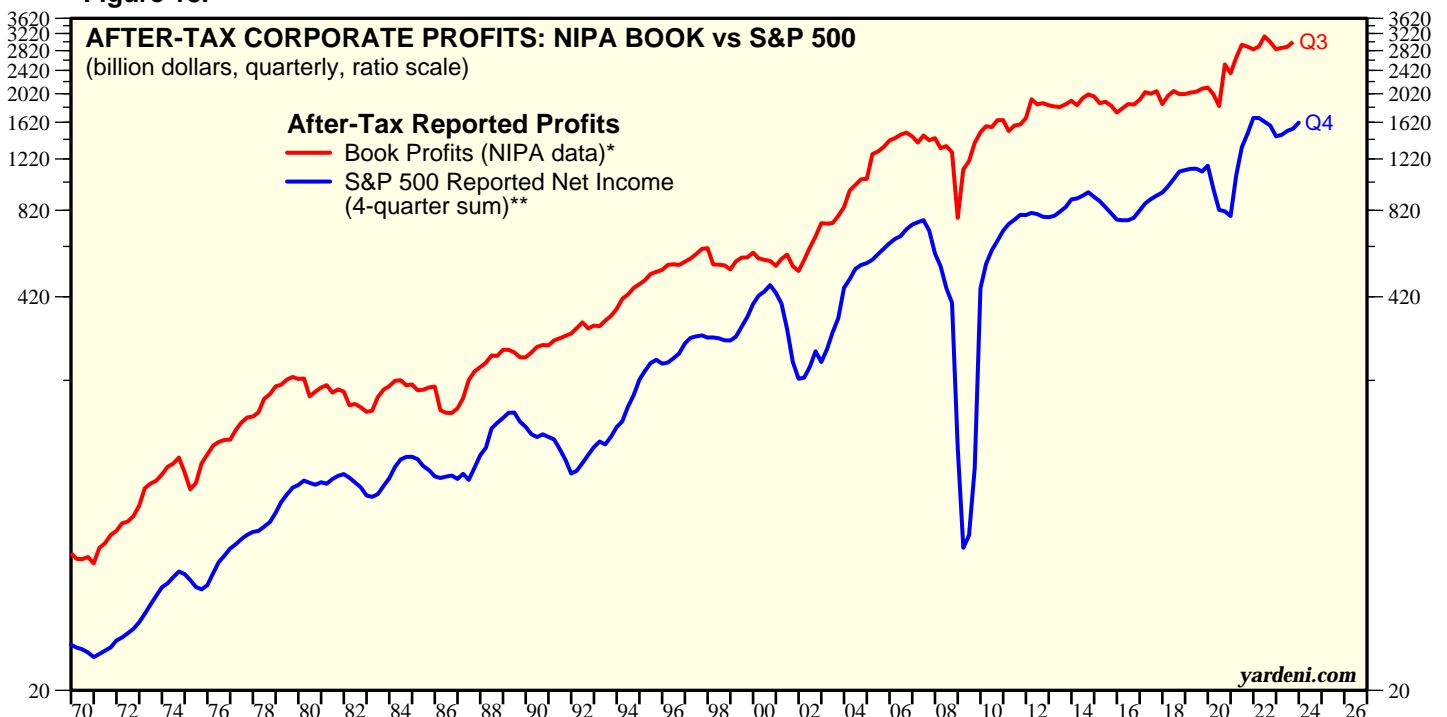


* Annualized and seasonally adjusted. Including Inventory Valuation Adjustment and Capital Consumption Adjustment. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

** Annualized and not seasonally adjusted. Q4-2008 not shown because of large negative value.

Source: Bureau of Economic Analysis and Standard & Poor's.

Figure 18.



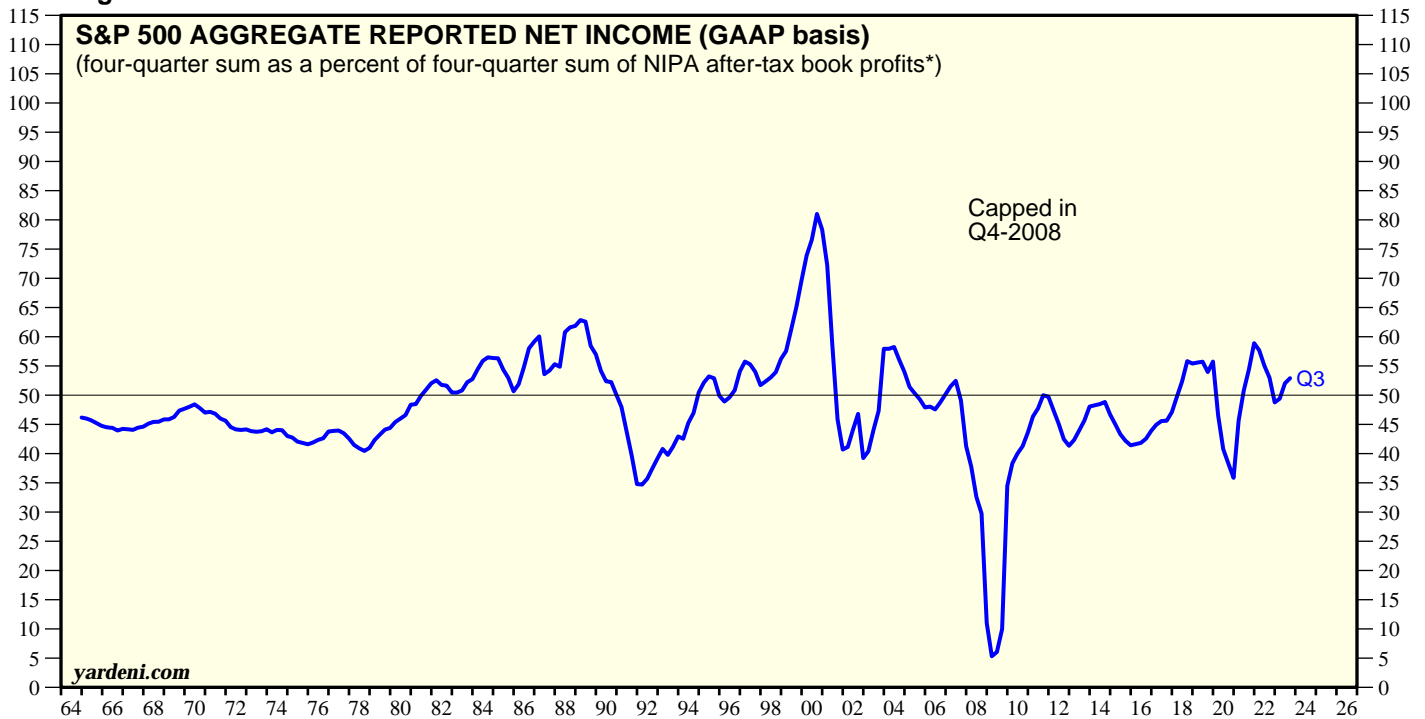
* Annualized and seasonally adjusted. Excluding Inventory Valuation Adjustment and Capital Consumption Adjustment.

** S&P GAAP data.

Source: Bureau of Economic Analysis and Standard & Poor's.

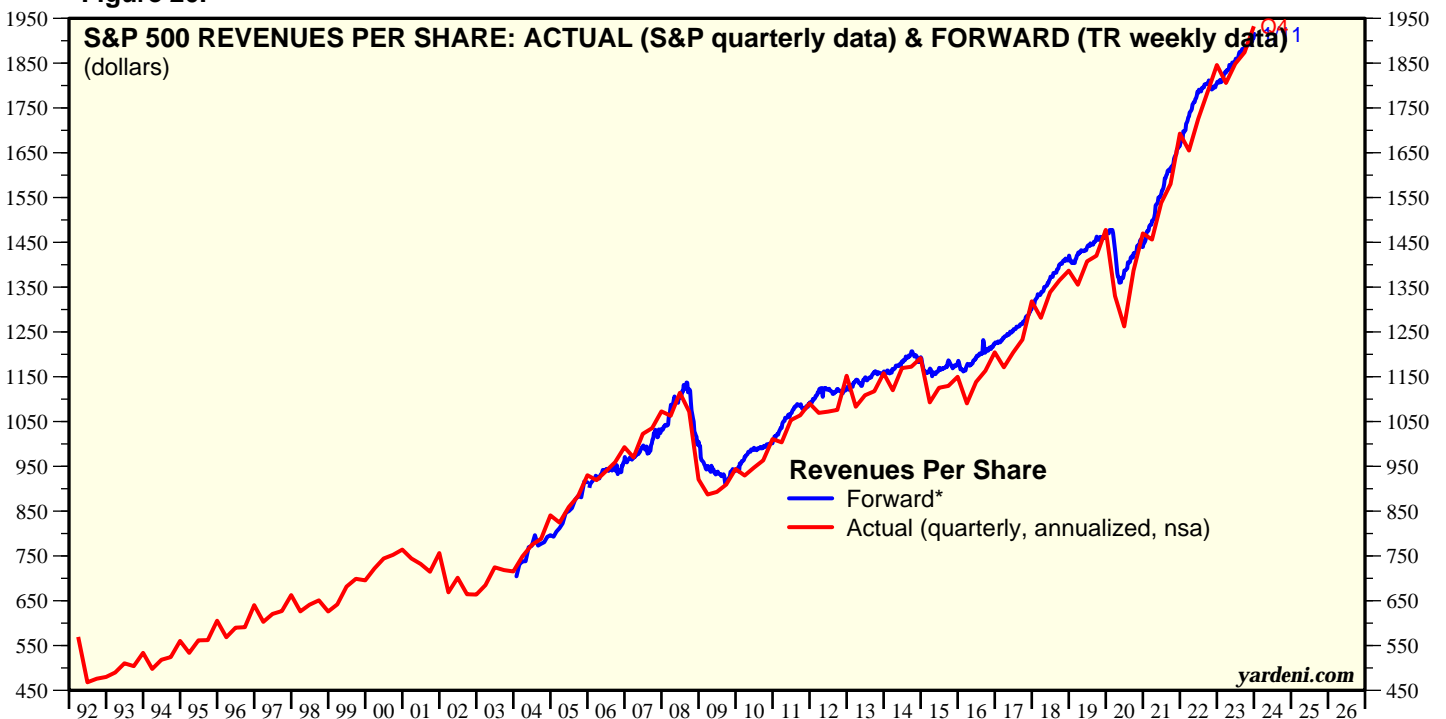
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Figure 19.



* Profits reported on tax returns.
Source: Bureau of Economic Analysis and Standard & Poor's.

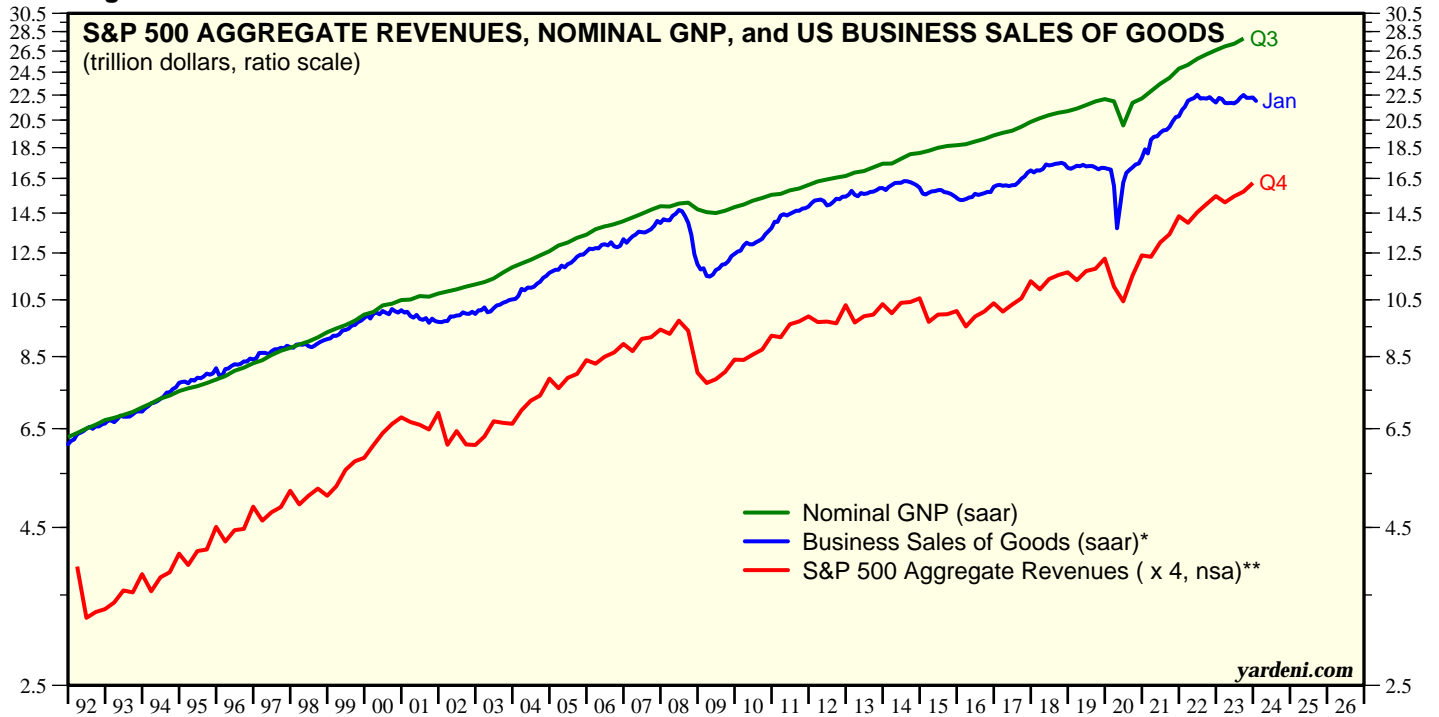
Figure 20.



* Time-weighted average of consensus estimates for current and next year. Monthly through December 2005, then weekly.
Source: Standard & Poor's (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).

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Figure 21.

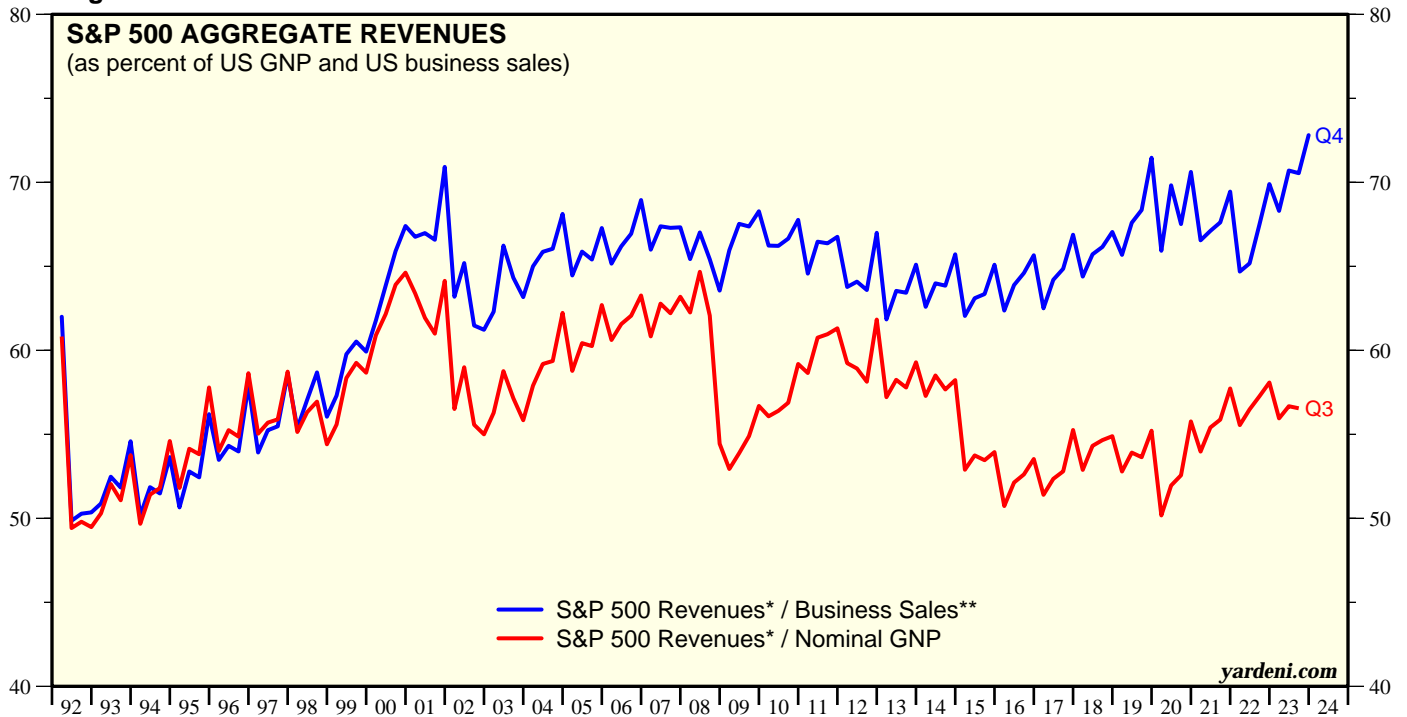


* Manufacturing and trade sales.

** Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.

Source: Bureau of the Census, Bureau of Economic Analysis, and Standard & Poor's.

Figure 22.



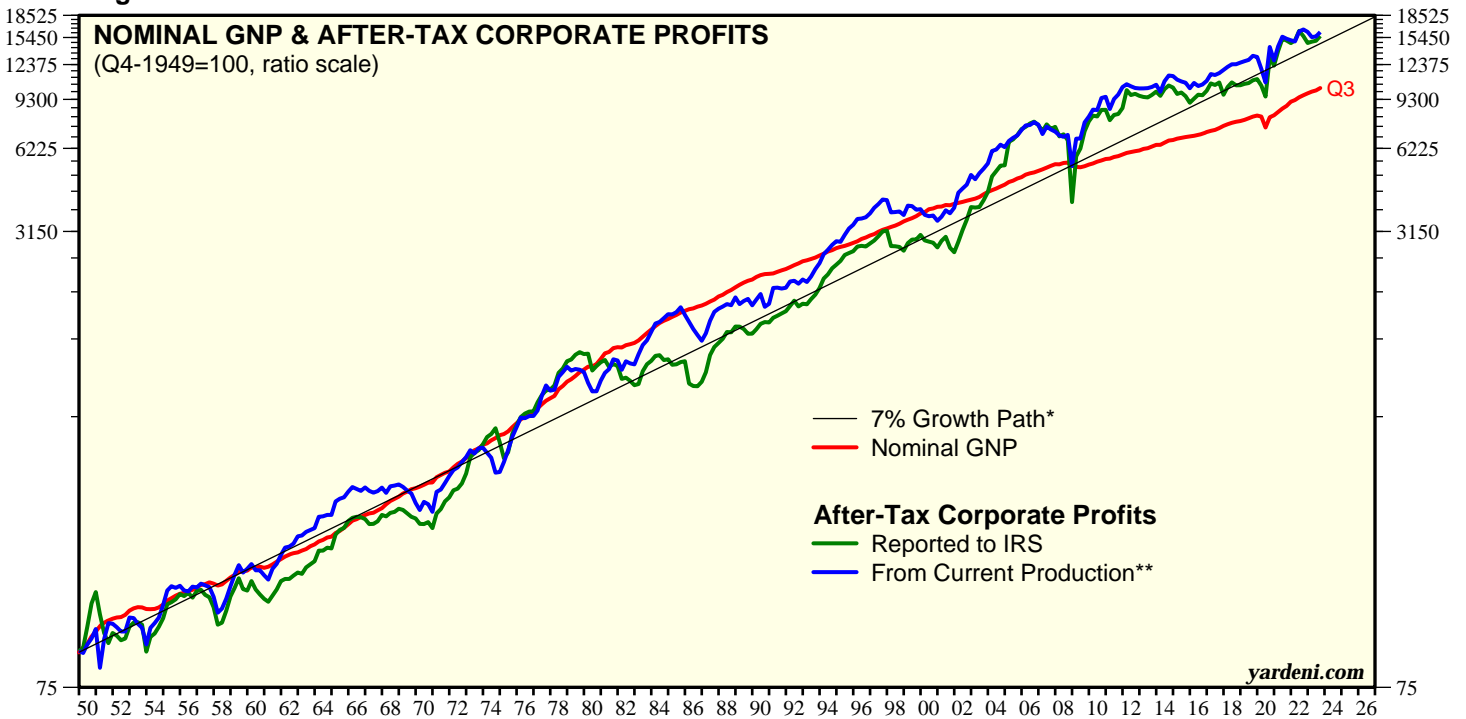
* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.

** Manufacturing and trade sales.

Source: Bureau of the Census, Bureau of Economic Analysis, and Standard & Poor's.

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Figure 23.

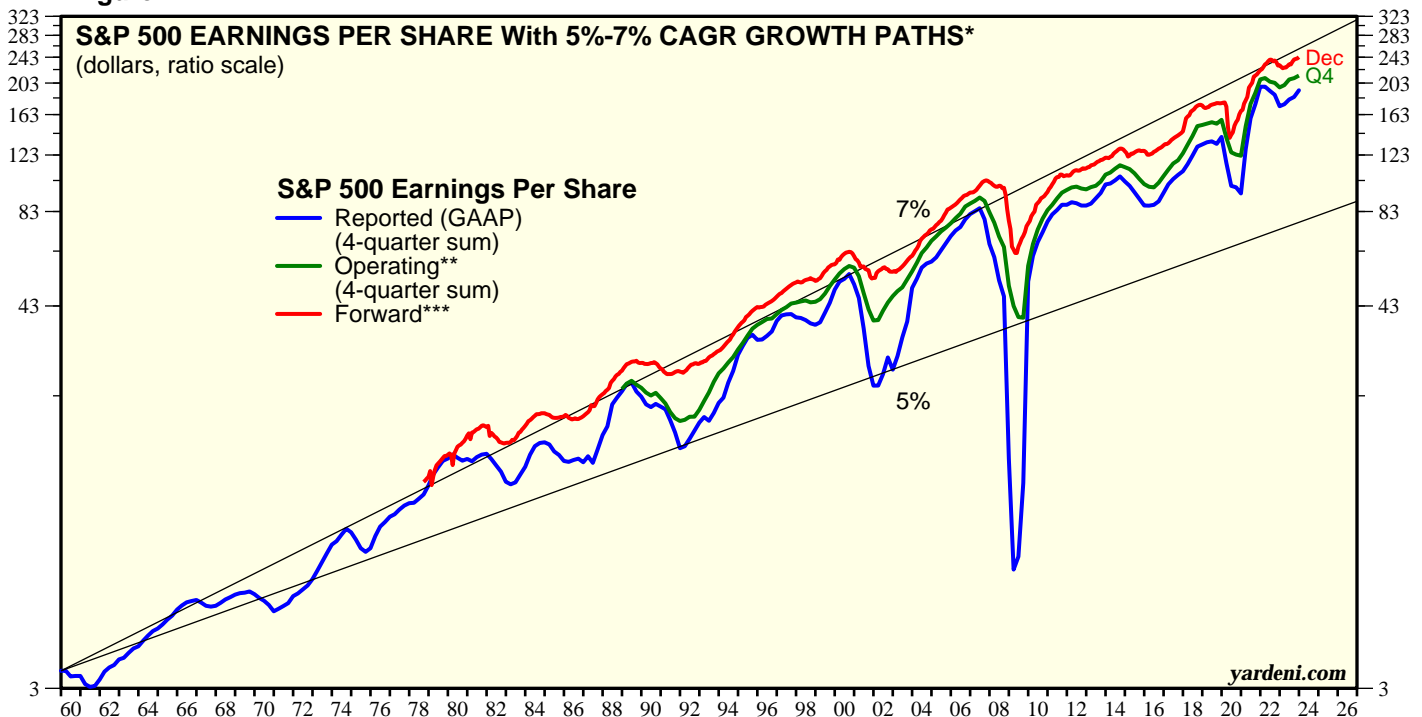


* Compounded monthly to yield 7% annually.

** Including Inventory Valuation Adjustment and Capital Consumption Adjustment, which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

Figure 24.



* Compounded monthly to yield 5% and 7% annually.

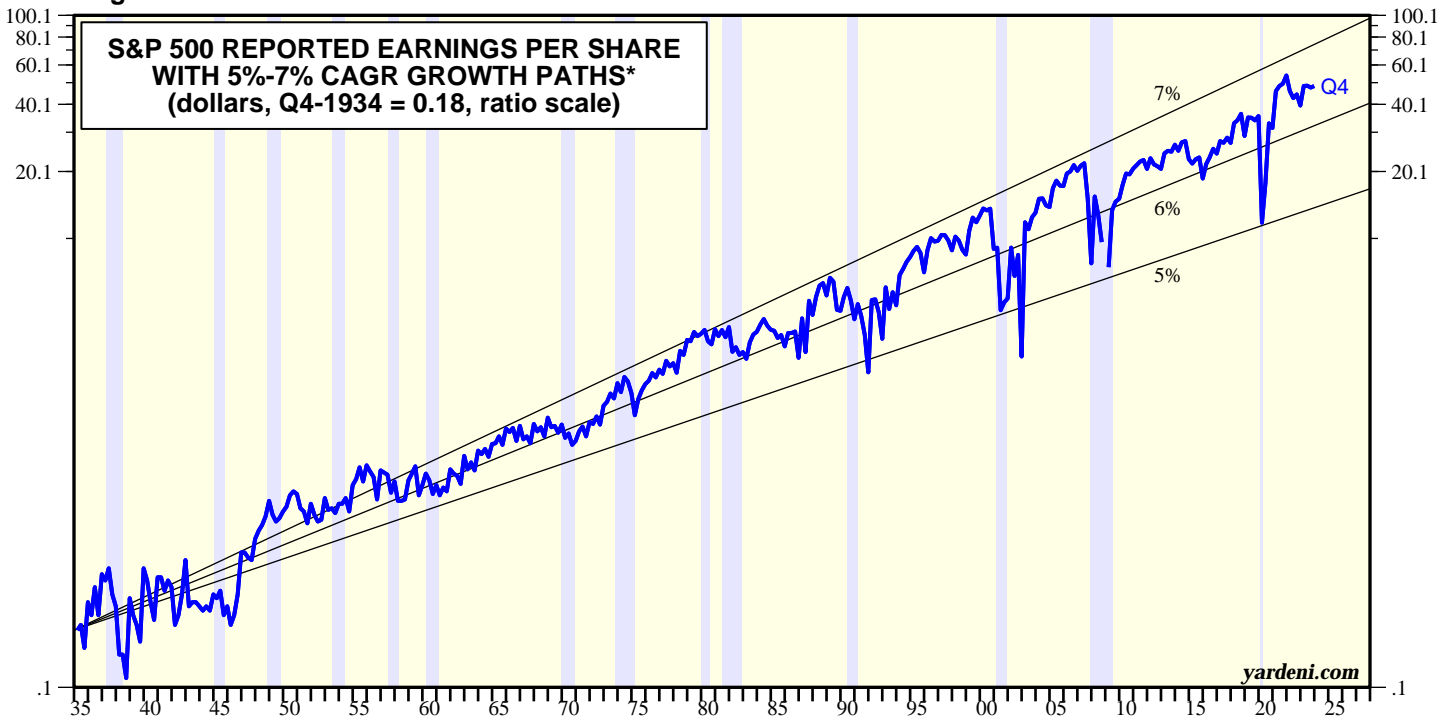
** Excluding write-offs. Thomson Reuters data.

*** S&P 500 12-month forward consensus expected operating earnings per share. Time-weighted average of consensus estimates for current year and next year.

Source: Standard & Poor's and Thomson Reuters I/B/E/S.

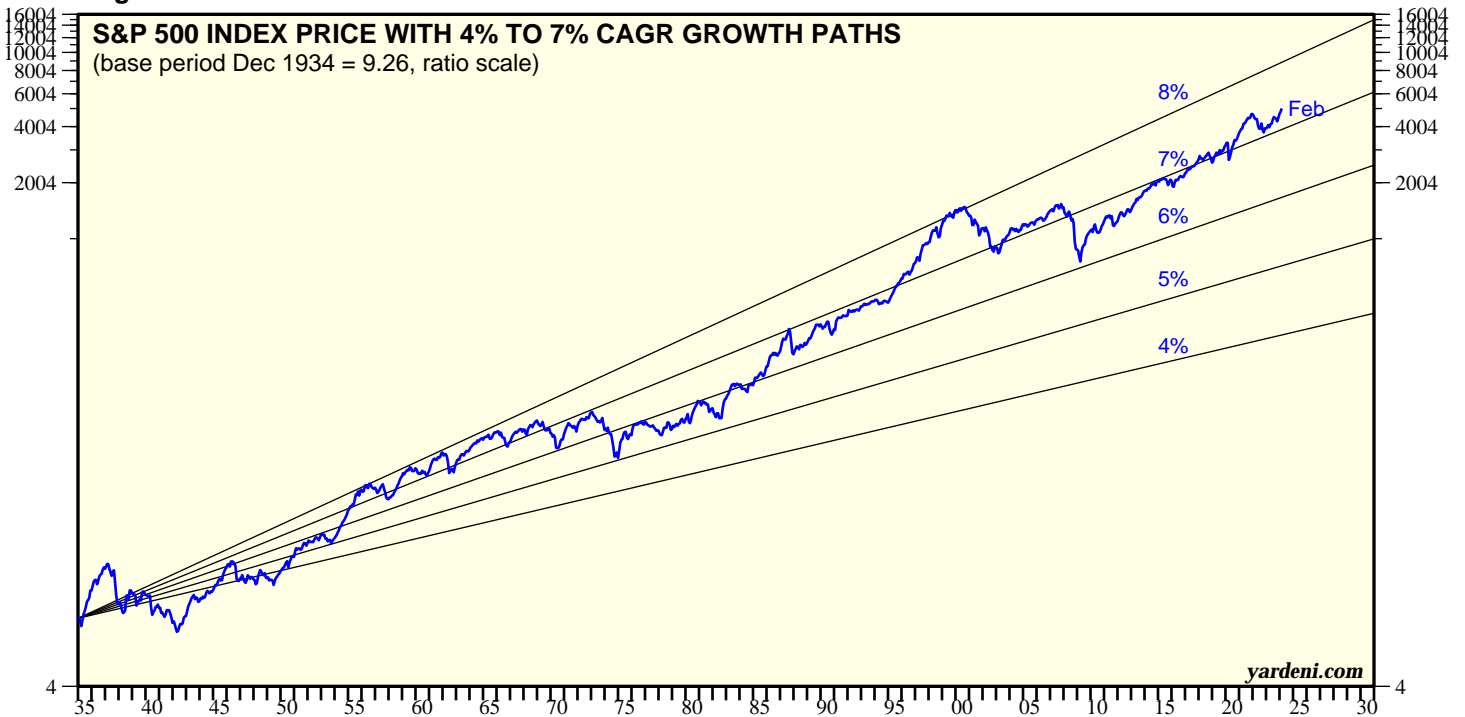
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Figure 25.



* Q4-2008 not shown because of large negative value.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Standard & Poor's.

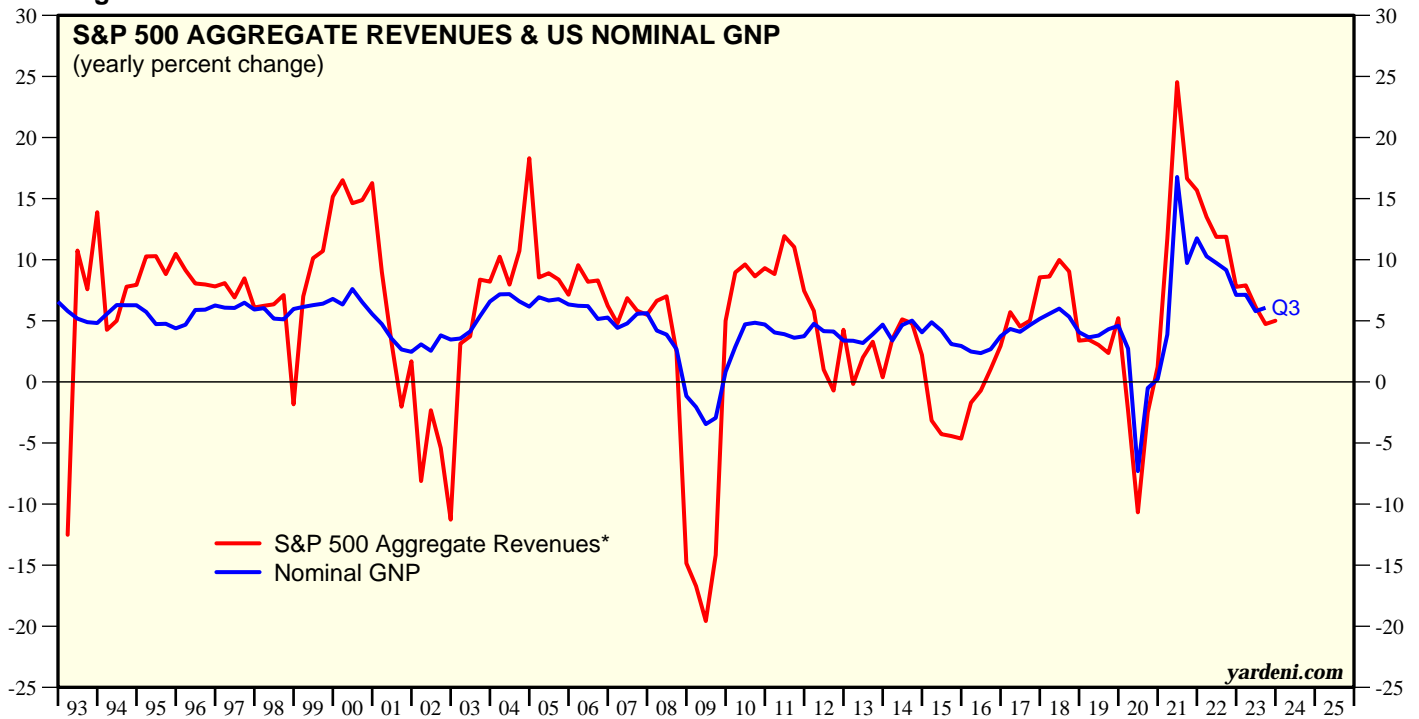
Figure 26.



Source: Standard & Poor's.

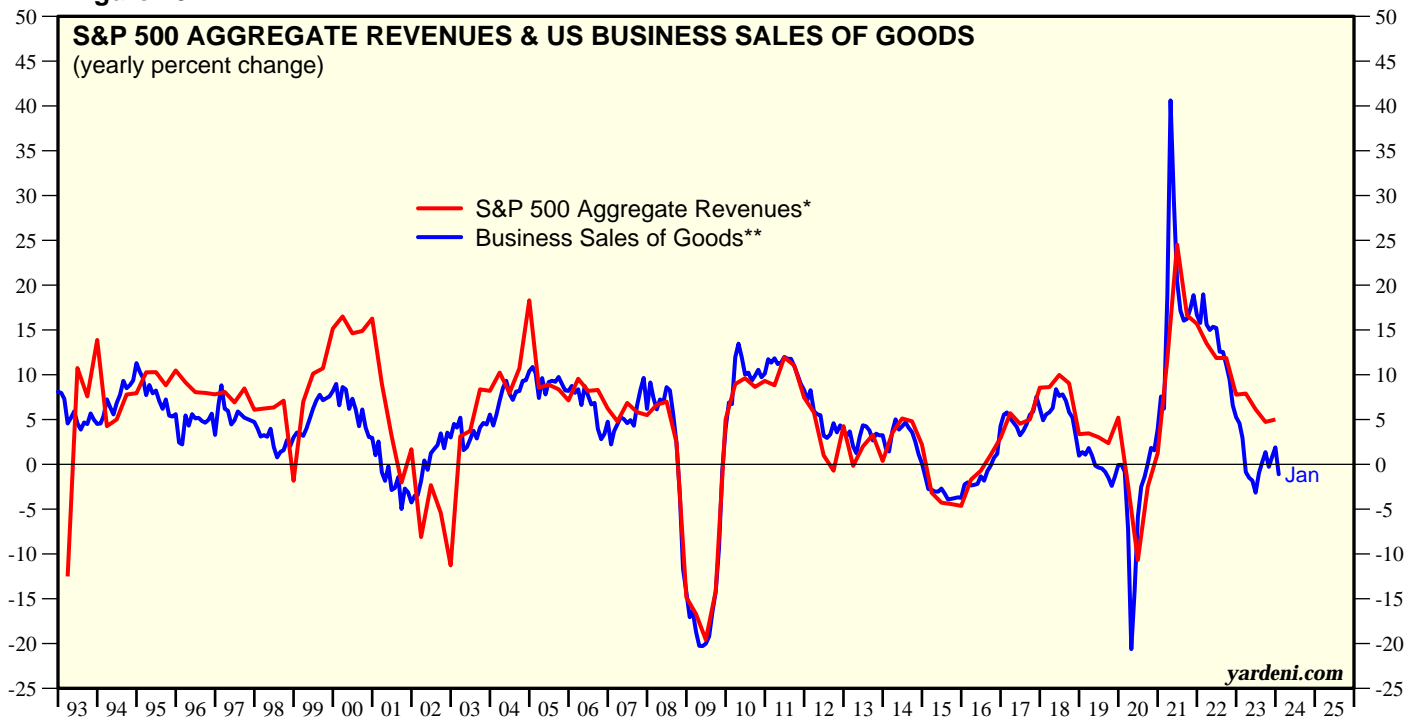
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Figure 27.



* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.
Source: Bureau of Economic Analysis and Standard & Poor's.

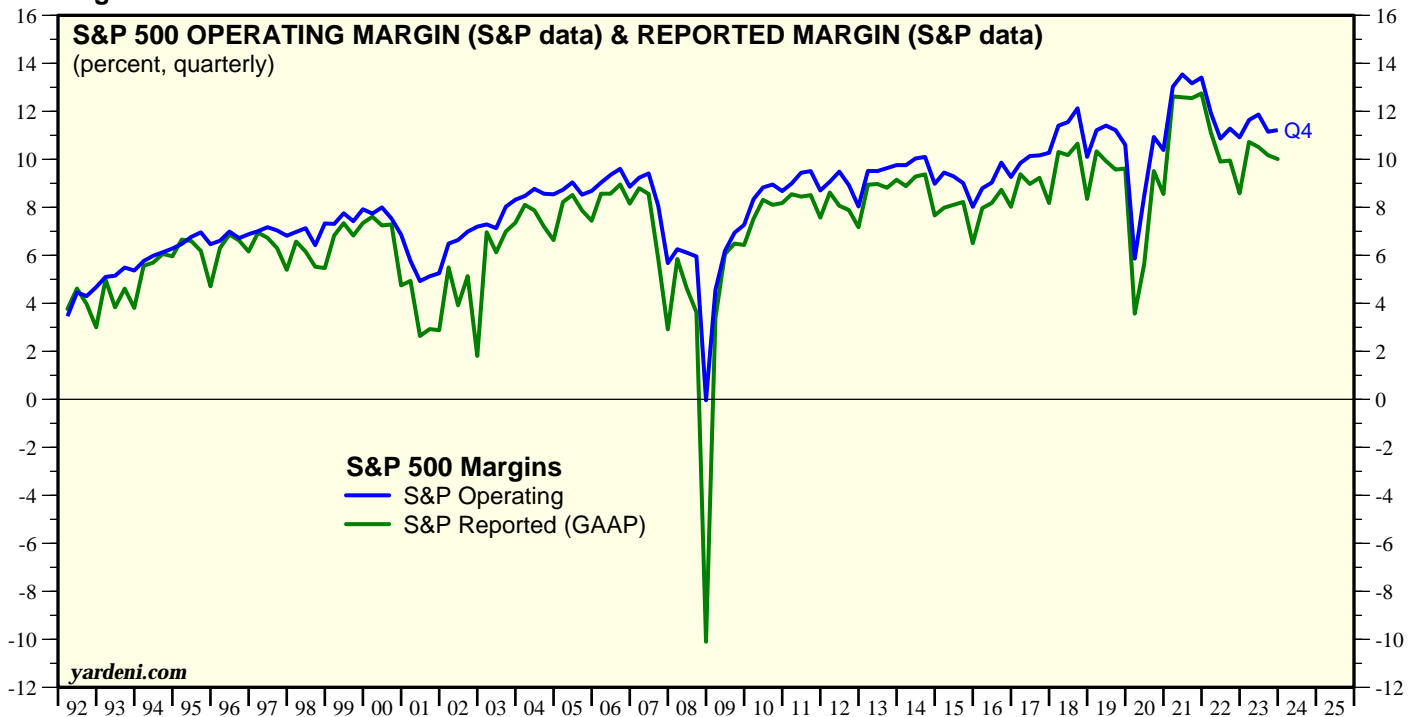
Figure 28.



* Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.
** Manufacturing and trade sales.
Source: Bureau of the Census and Standard & Poor's.

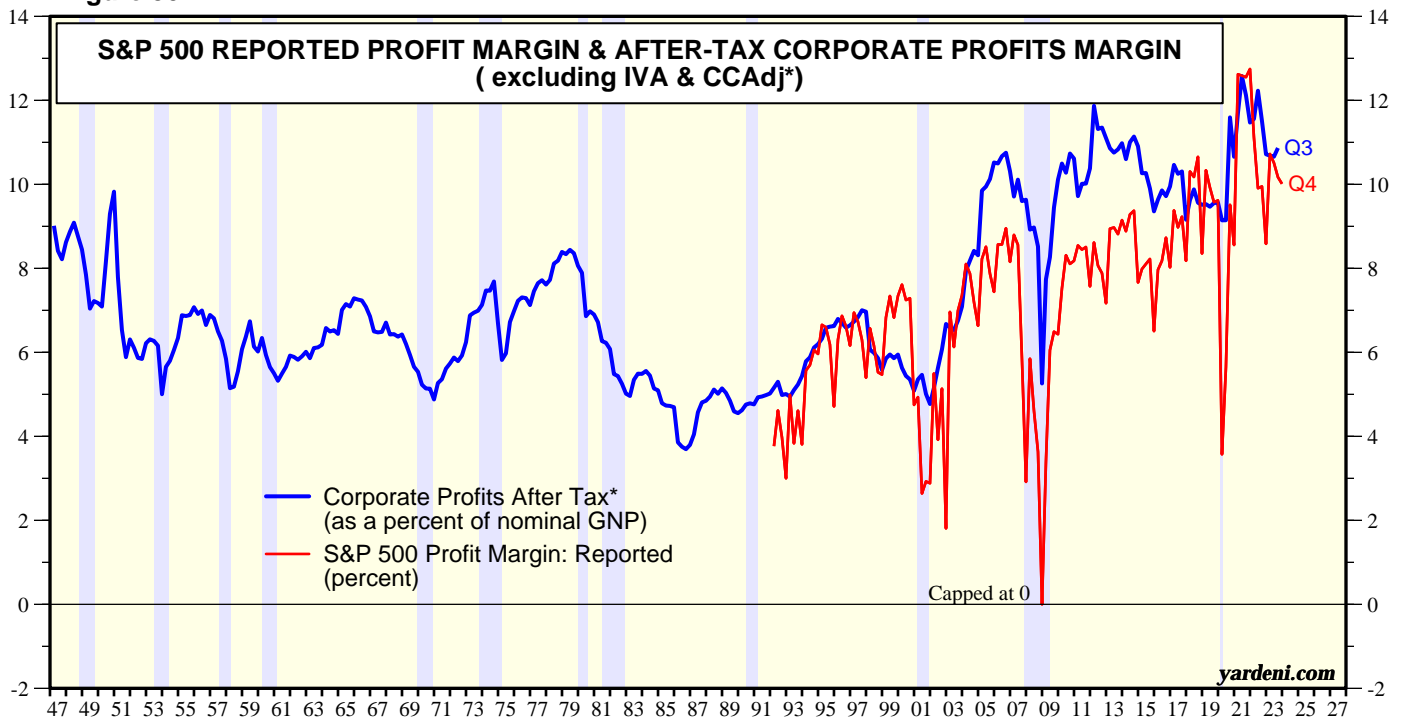
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Figure 29.



Source: Standard & Poor's.

Figure 30.



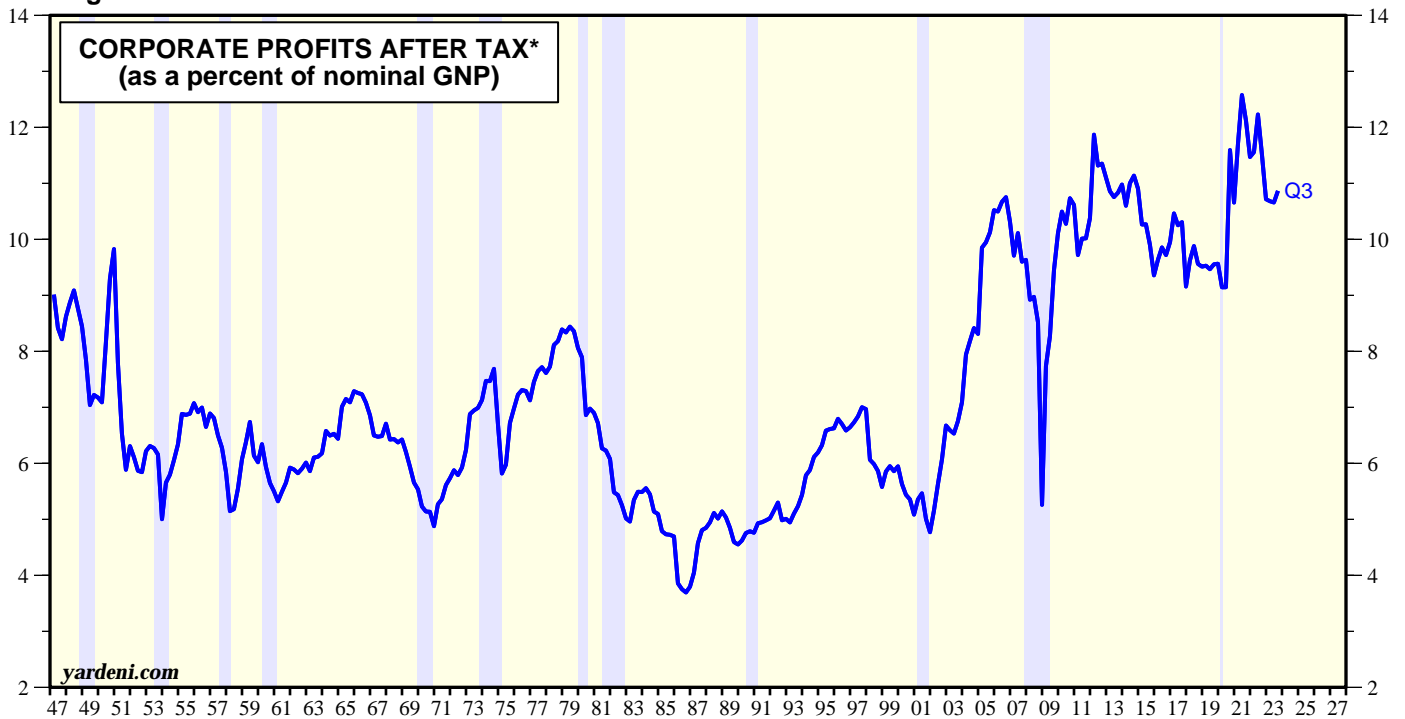
* After-tax profits as reported to IRS excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAAdj). These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GNP.

Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: Standard & Poor's and Bureau of Economic Analysis.

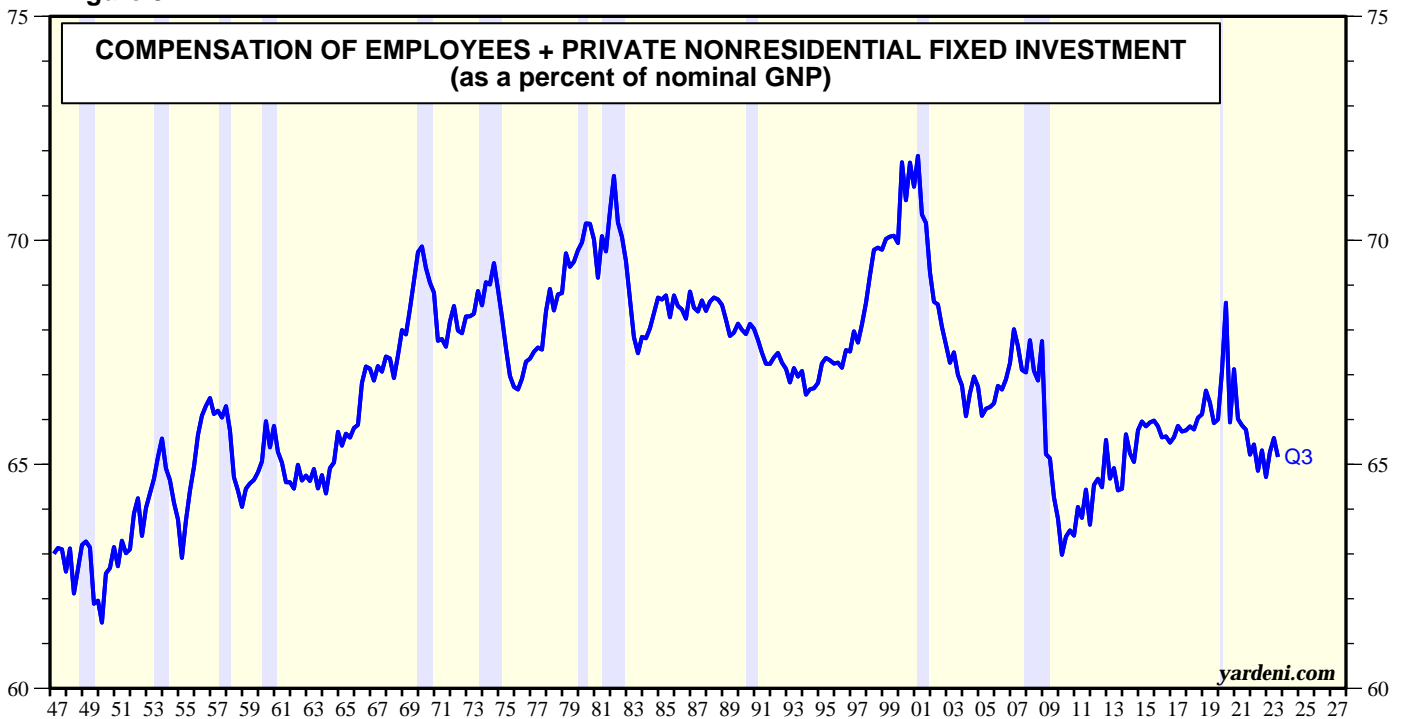
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Figure 31.



* After-tax profits as reported to IRS excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj). These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GNP.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Bureau of Economic Analysis.

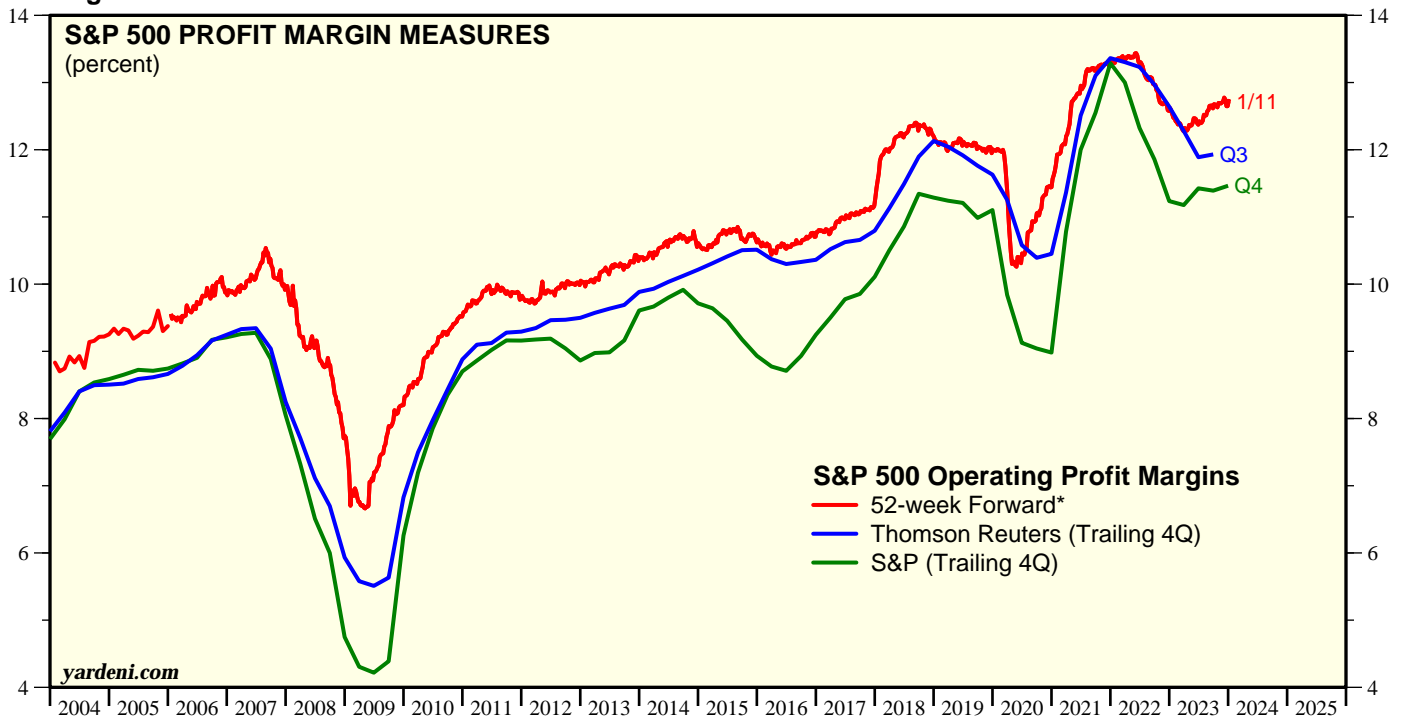
Figure 32.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Bureau of Economic Analysis.

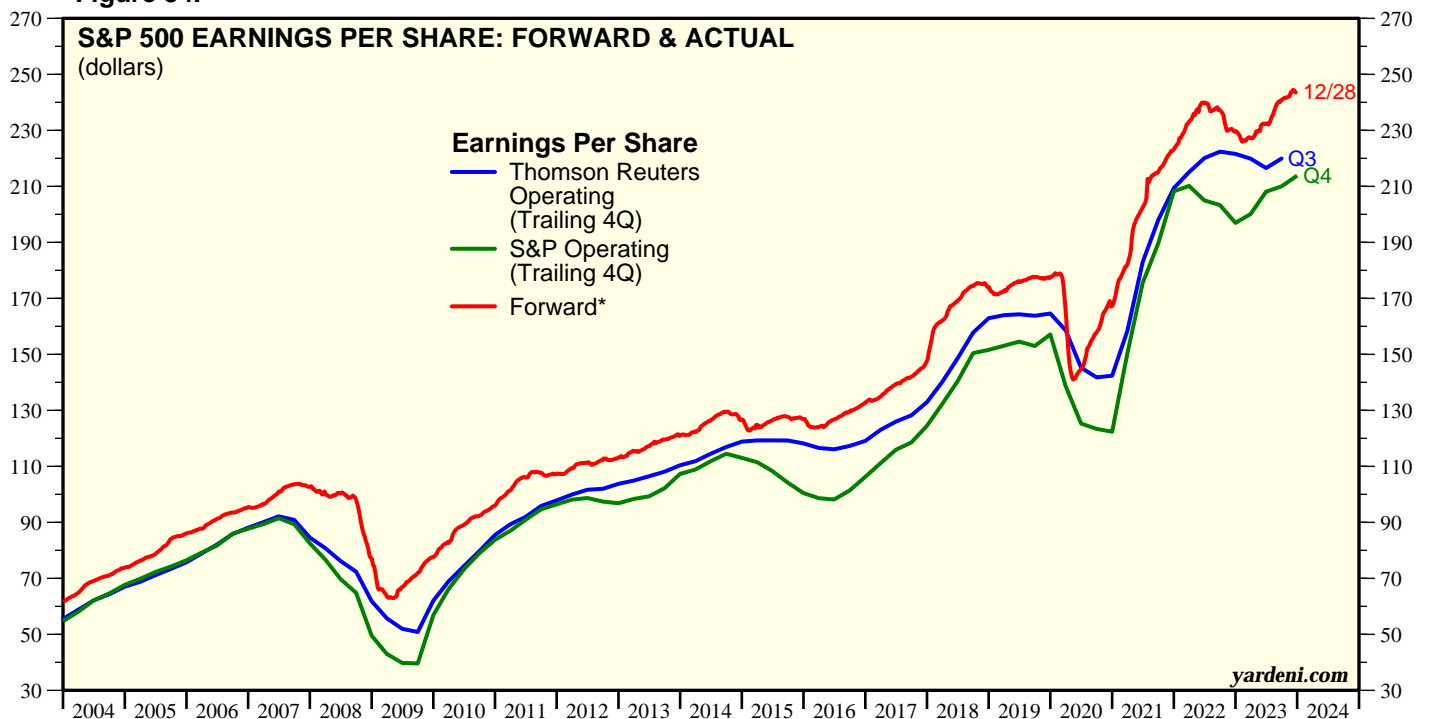
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Figure 33.



* Time-weighted average of consensus operating estimates for current and next years.
Source: Standard & Poor's (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).

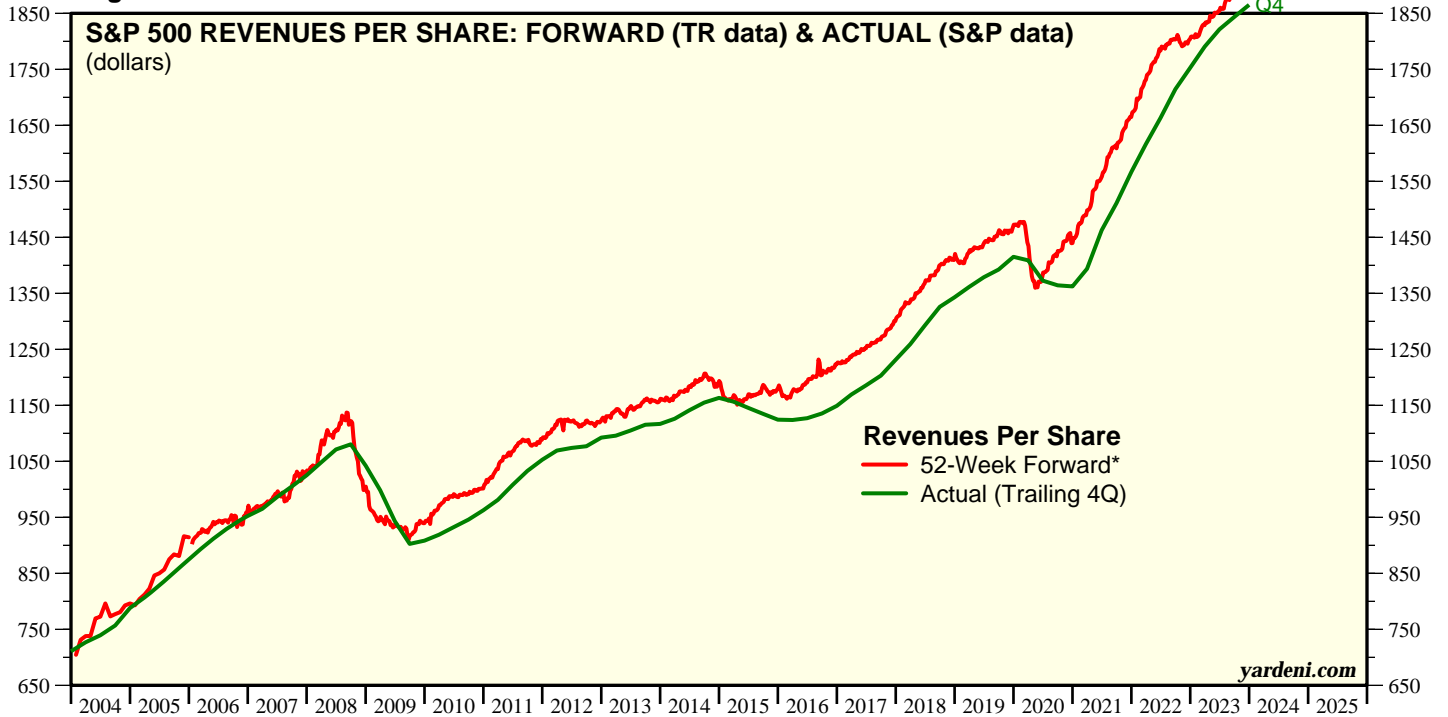
Figure 34.



* Time-weighted average of consensus operating estimates for current and next years.
Source: Standard & Poor's (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).

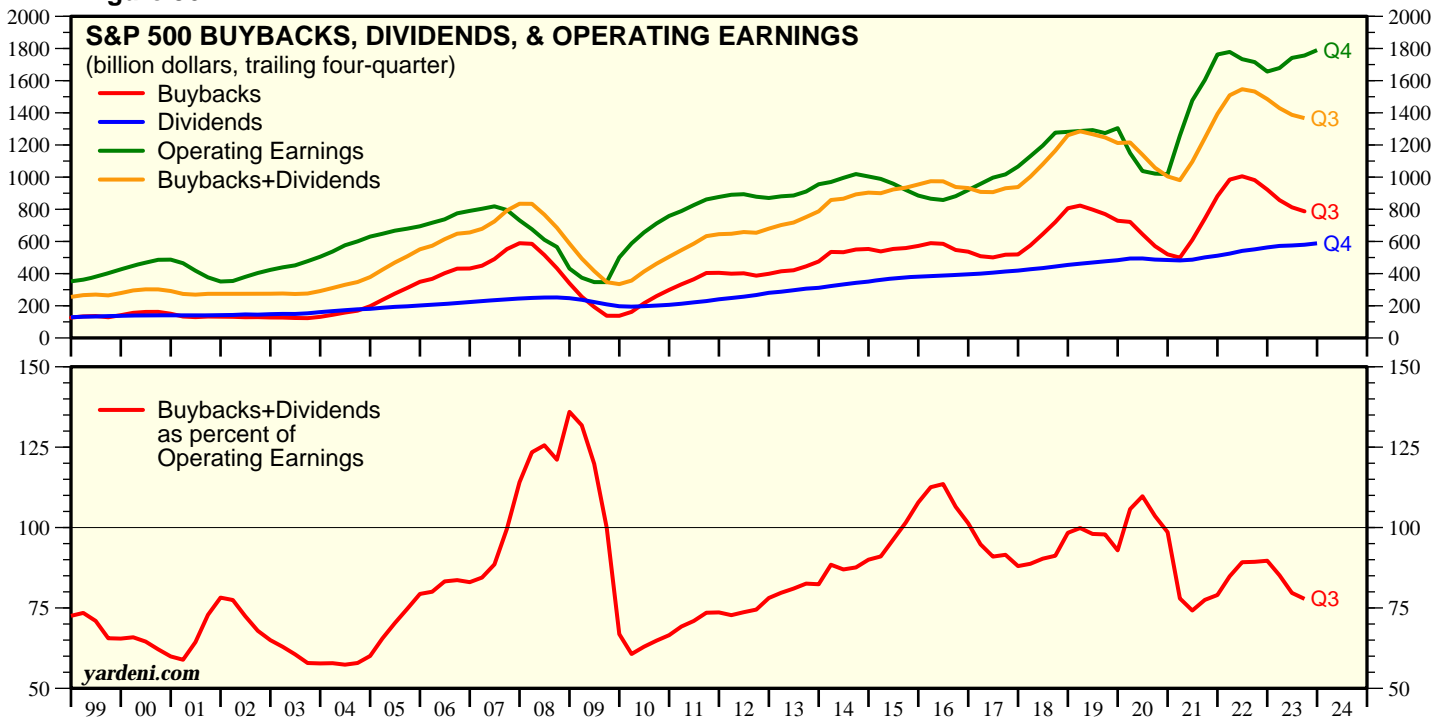
Predicting Corporate Earnings

Figure 35.



* Time-weighted average of consensus operating estimates for current and next years.
Source: Standard & Poor's (for actual revenues) and Thomson Reuters I/B/E/S (for forward revenues).

Figure 36.



Source: Standard & Poor's.

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Figure 37.

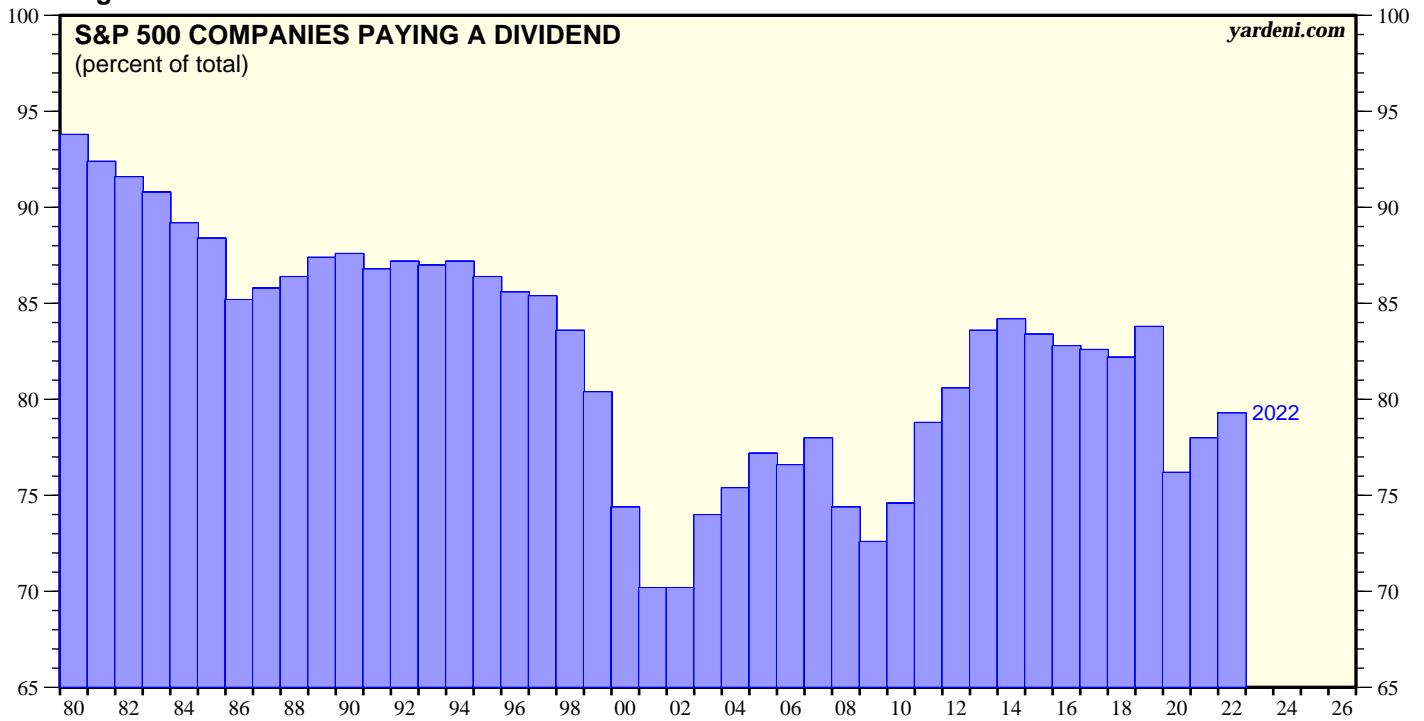
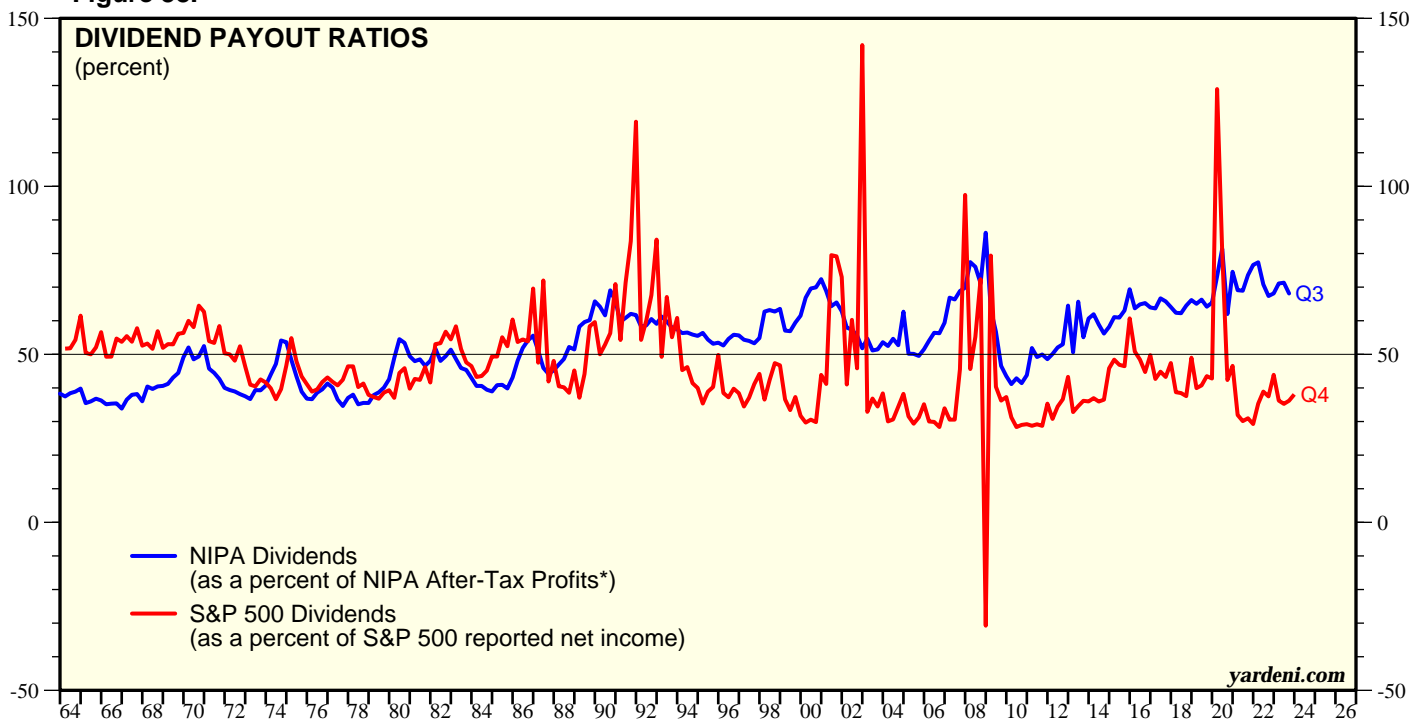


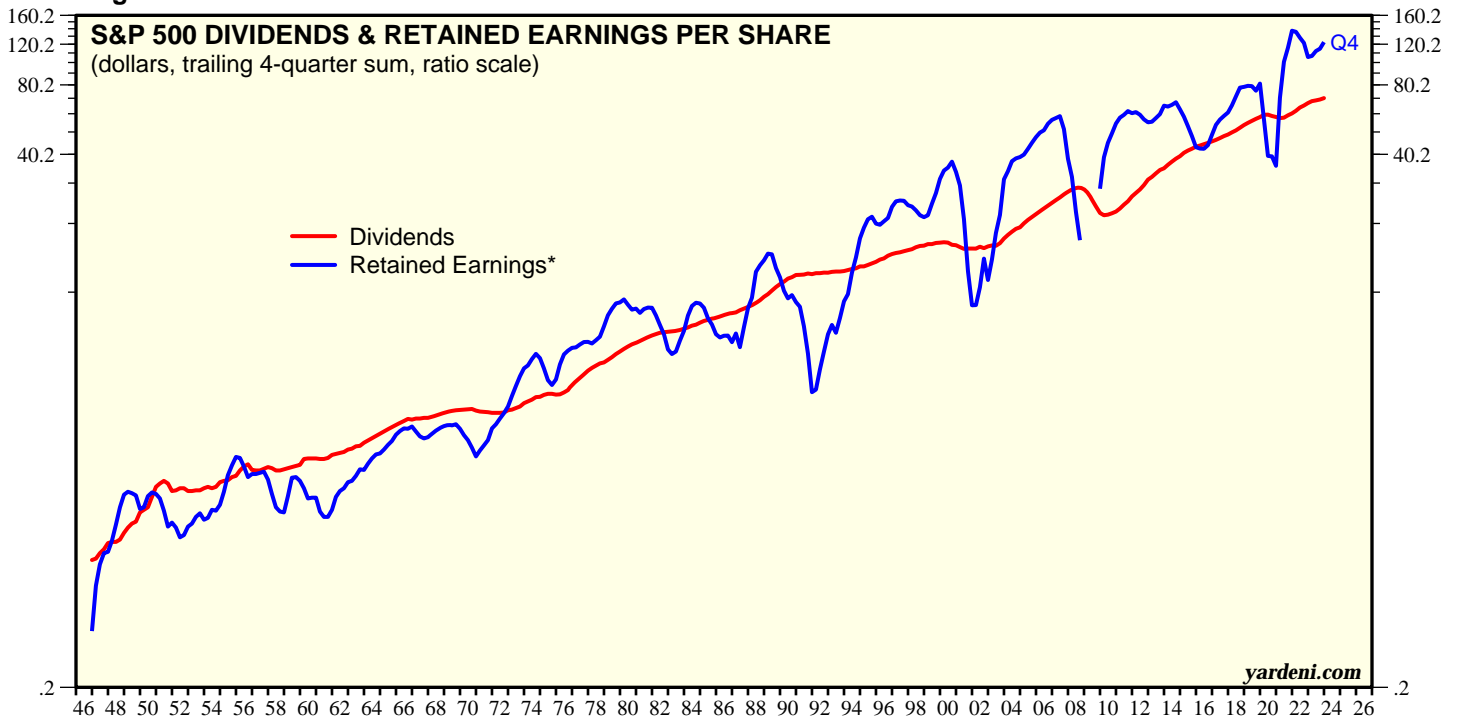
Figure 38.



* From Current Production. Including IVA & CCadj. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis and Standard & Poor's.

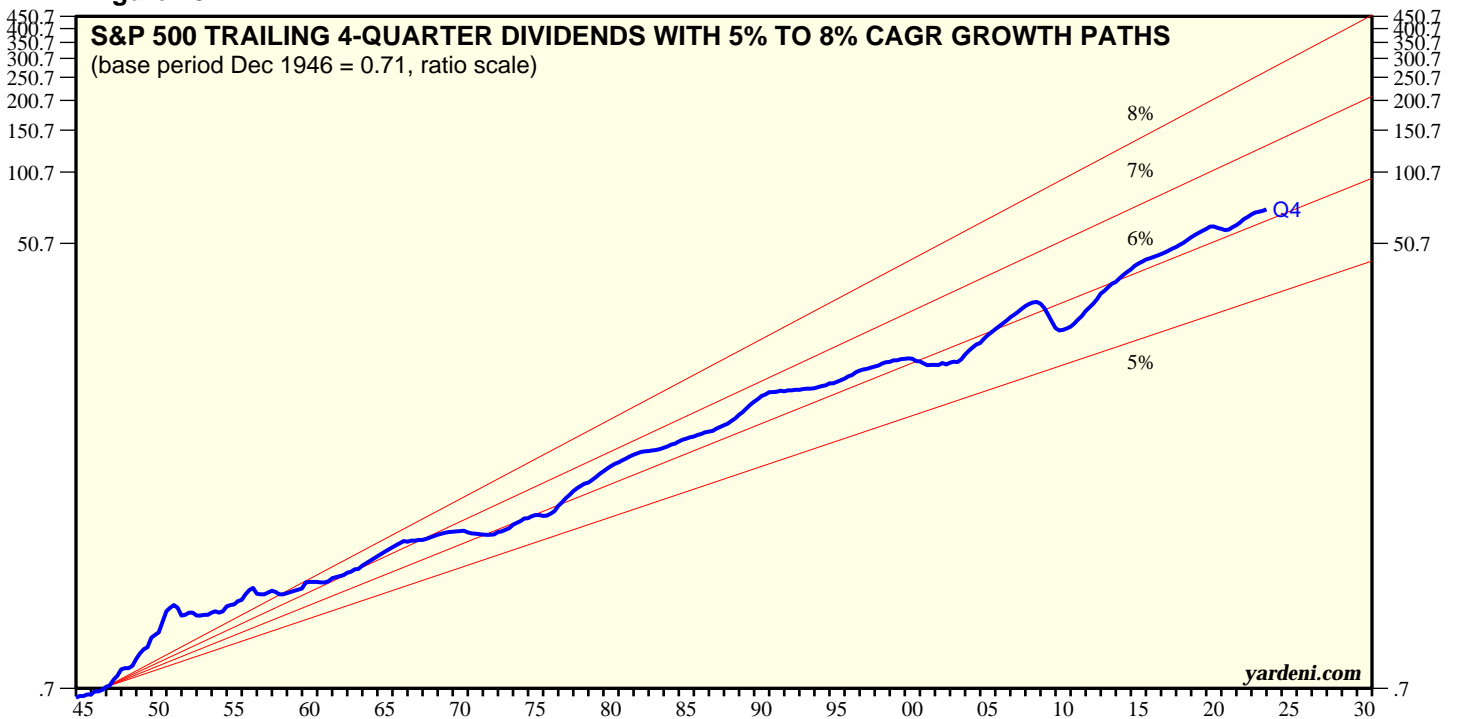
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Figure 39.



* Reported earnings minus dividends per share.
Source: Standard & Poor's.

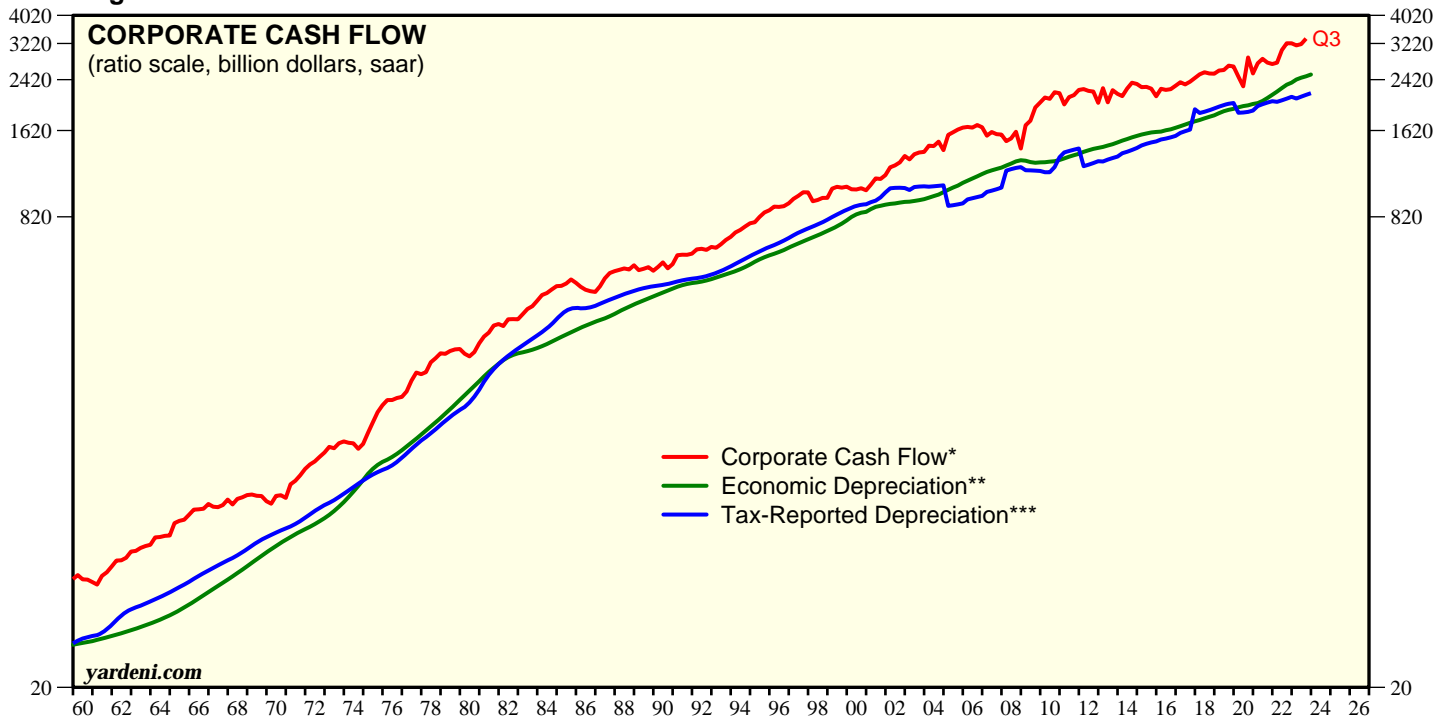
Figure 40.



Source: Standard & Poor's.

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Figure 41.



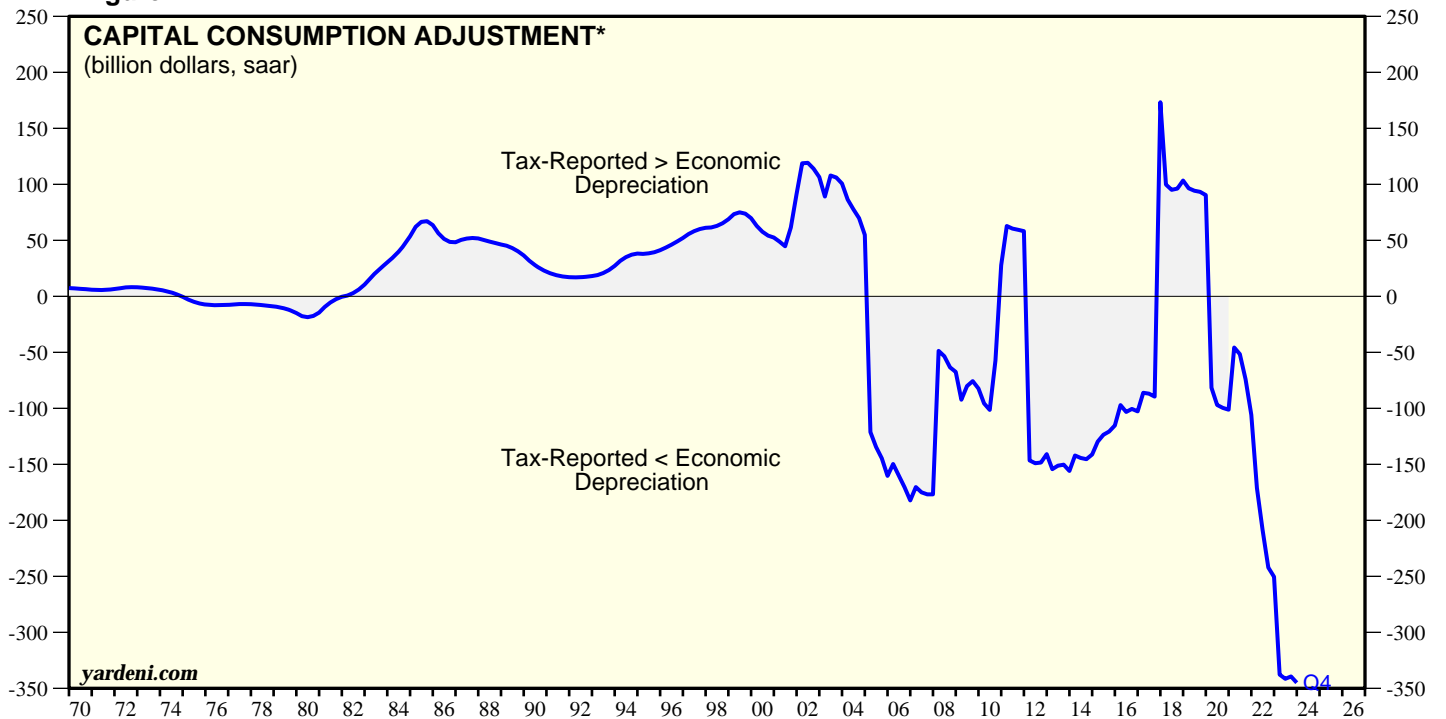
* After-tax retained earnings plus tax-reported depreciation.

** Corporate capital consumption allowances.

*** Corporate capital consumption allowances with capital consumption adjustment.

Source: Bureau of Economic Analysis.

Figure 42.

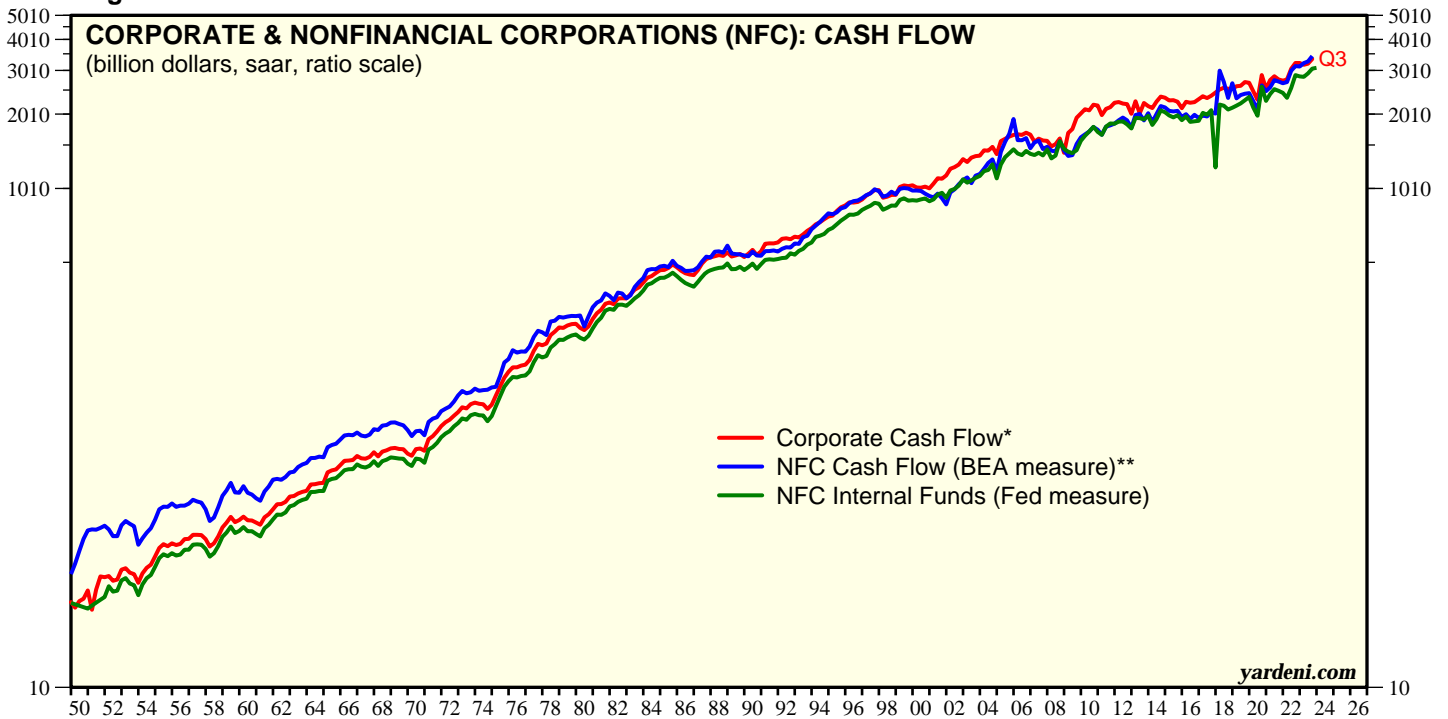


* This adjustment is used to restate the historical cost basis used in profits tax accounting for depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

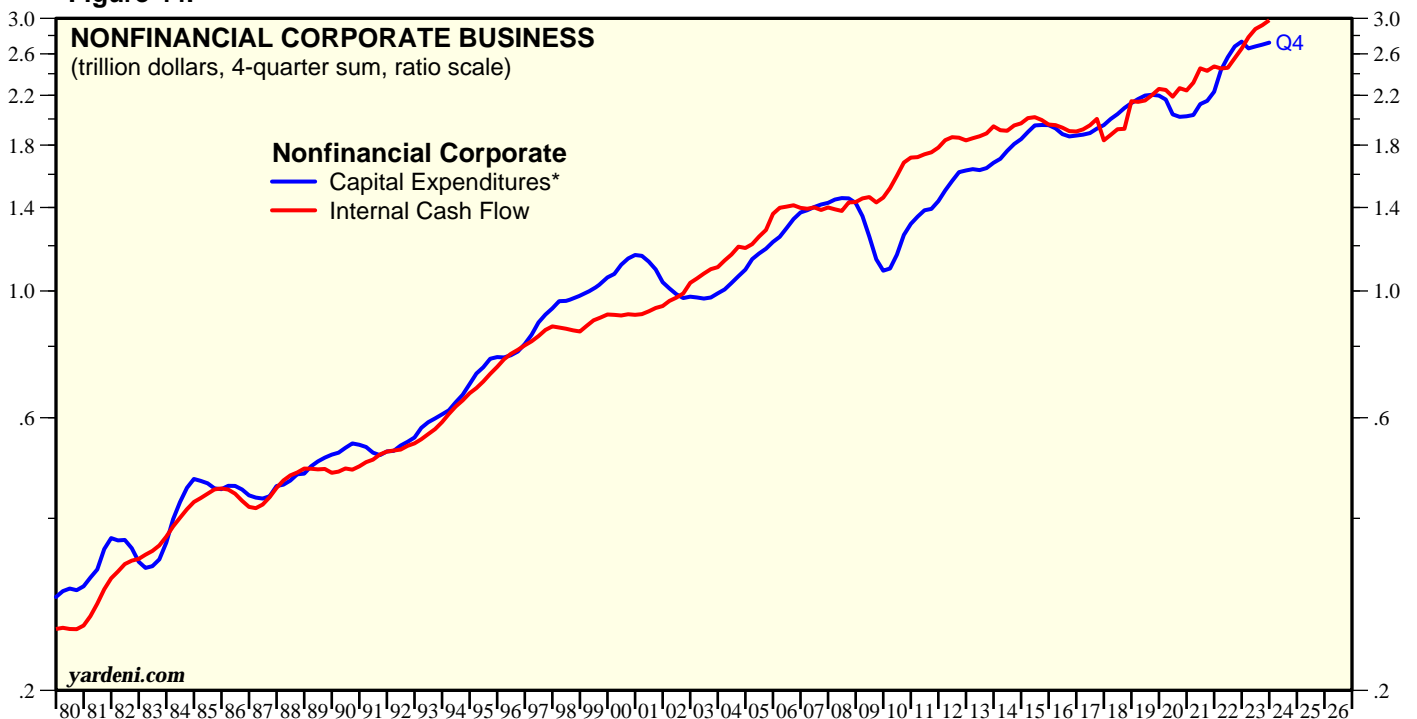
Predicting Corporate Earnings

Figure 43.



* After-tax retained earnings plus tax-reported depreciation.
 ** After-tax operating retained earnings plus tax-return-based depreciation.
 Source: Bureau of Economic Analysis and Flow of Funds Accounts.

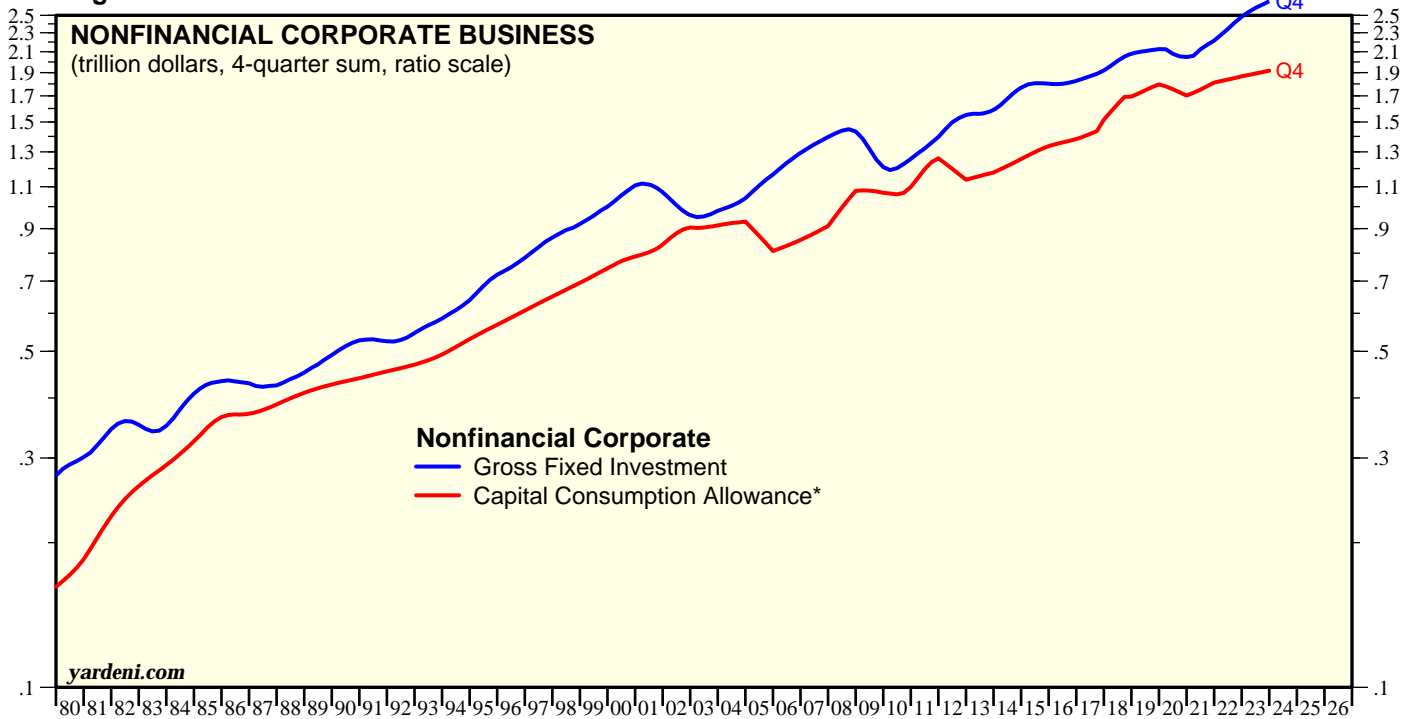
Figure 44.



* Includes nonresidential fixed investment plus residential fixed investment, and inventory change with IVA.
 Source: Flow of Funds Accounts.

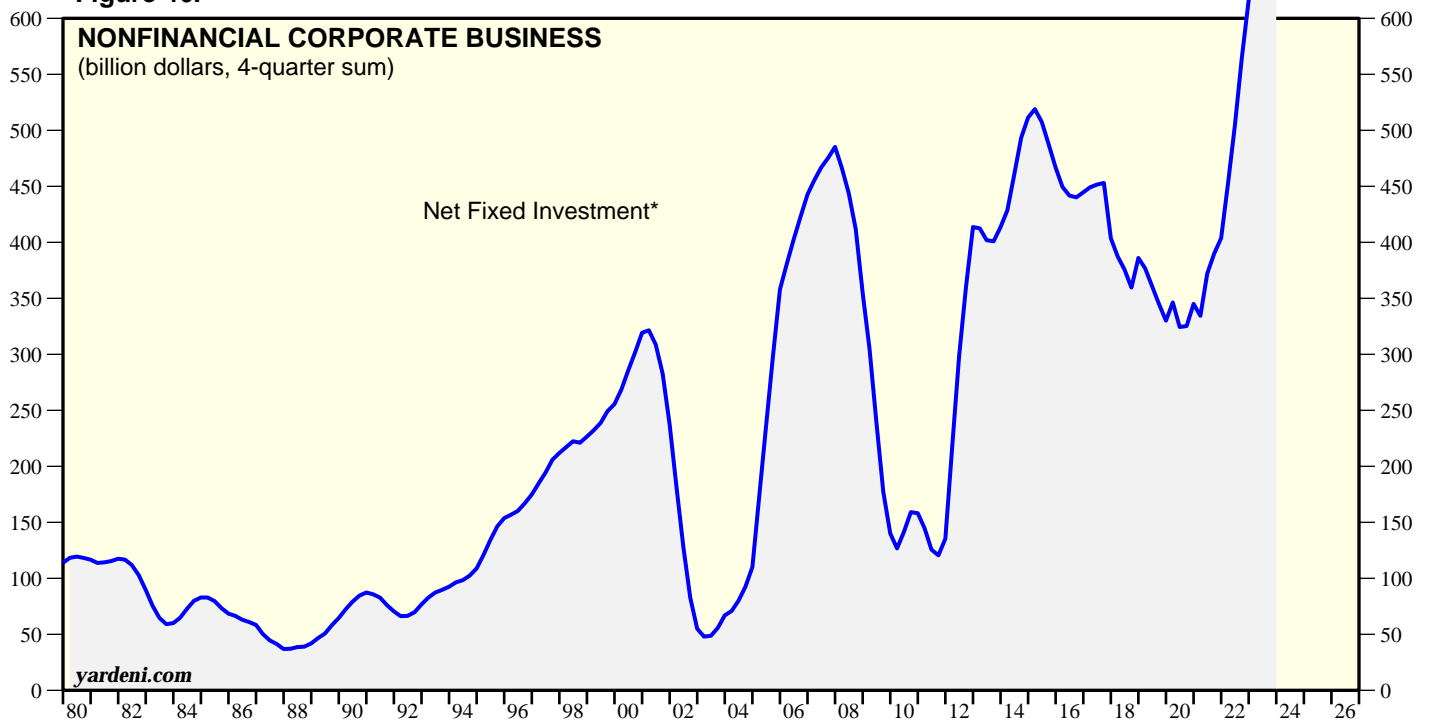
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Figure 45.



* Consumption of fixed capital plus the capital consumption adjustment.
Source: Flow of Funds Accounts.

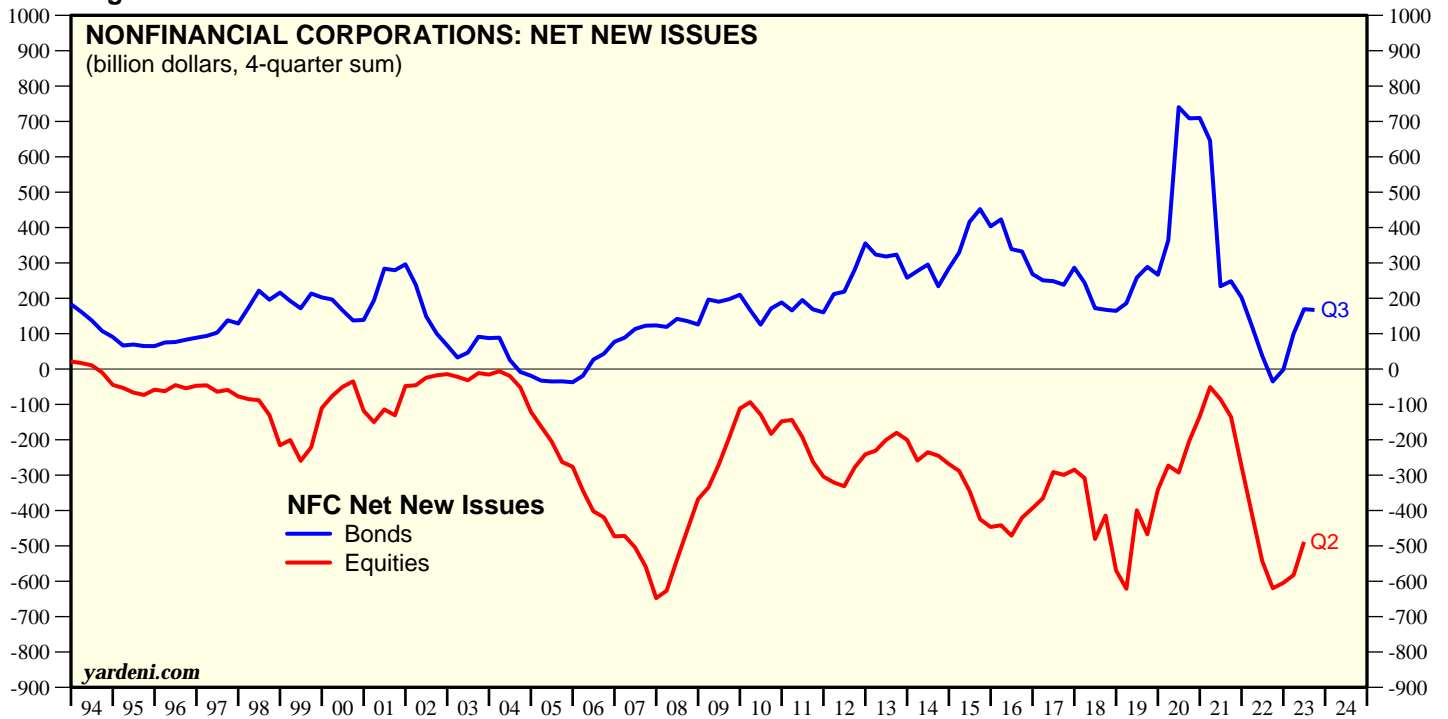
Figure 46.



* Gross fixed investment less consumption of fixed capital plus the capital consumption adjustment.
Source: Flow of Funds Accounts.

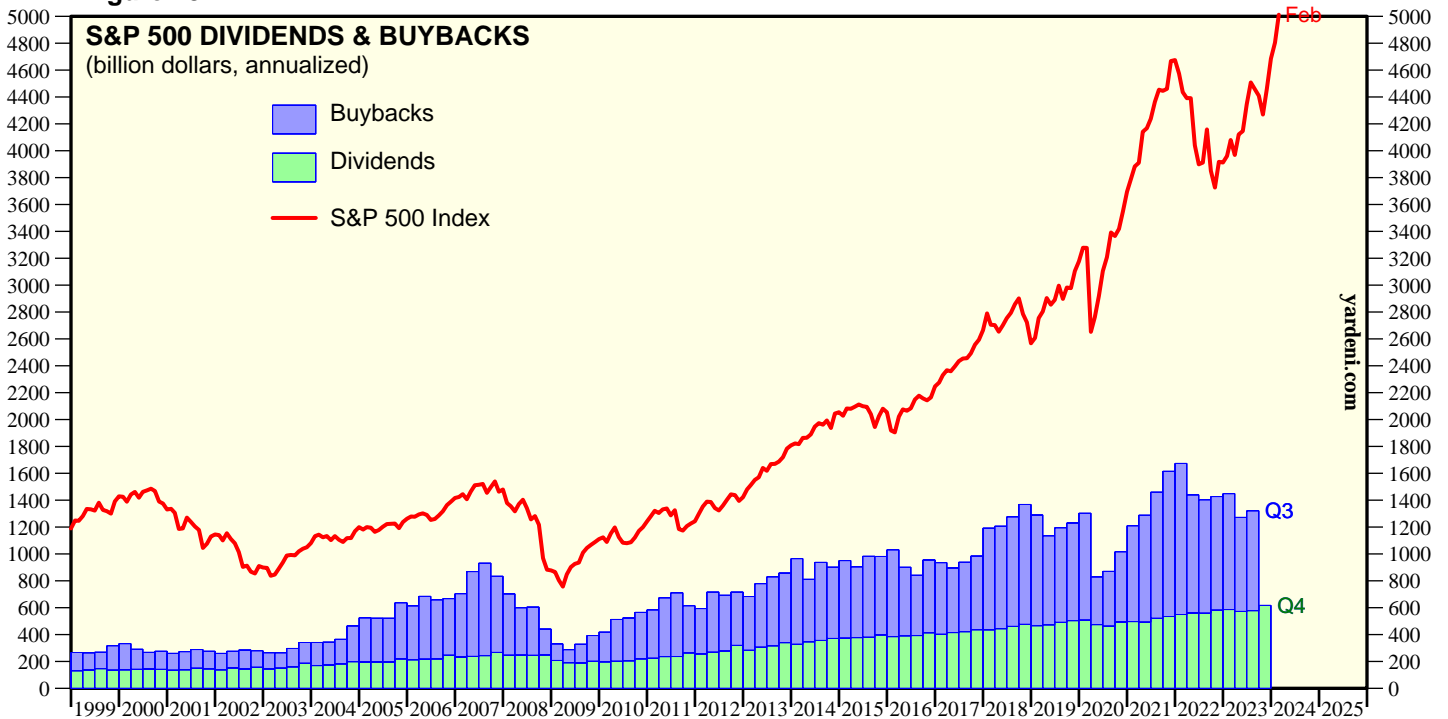
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Figure 47.



Source: Flow of Funds Accounts.

Figure 48.



Source: Standard & Poor's.

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