

Topical Study #4

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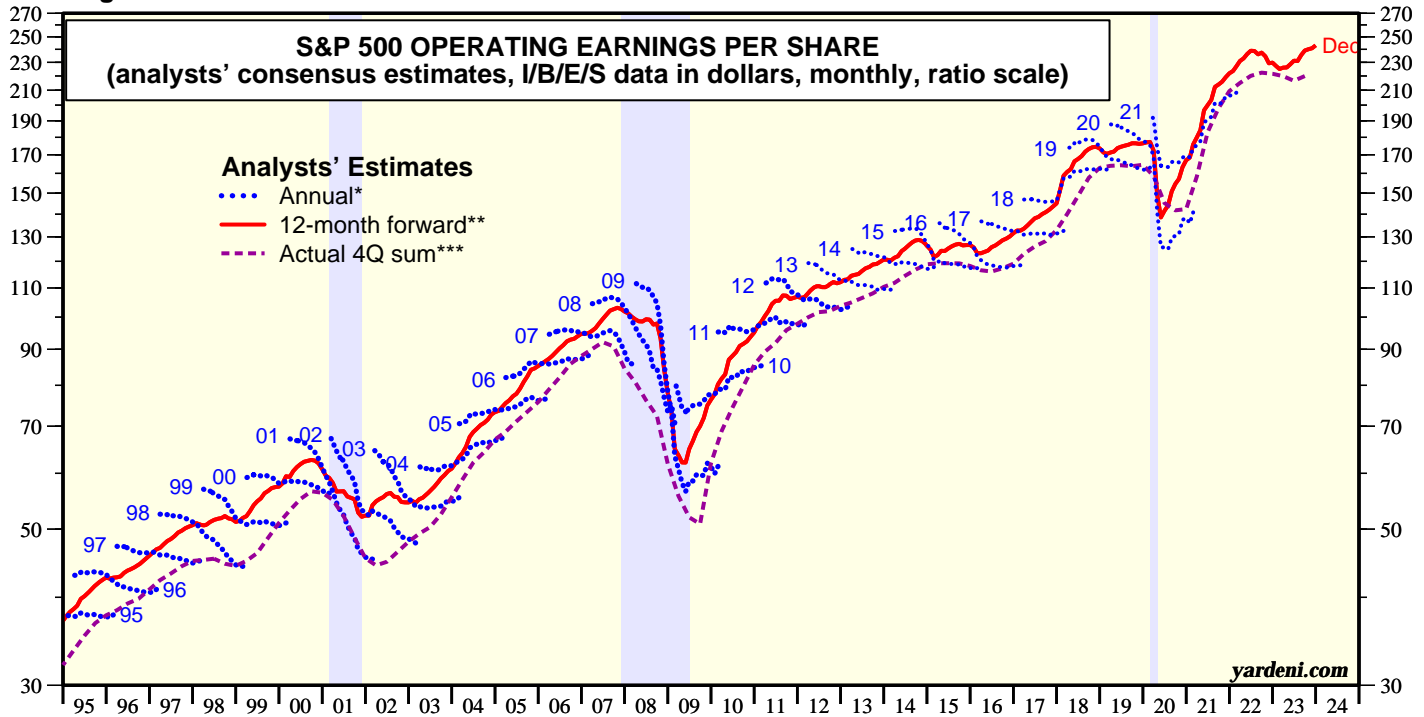
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thinking outside the box

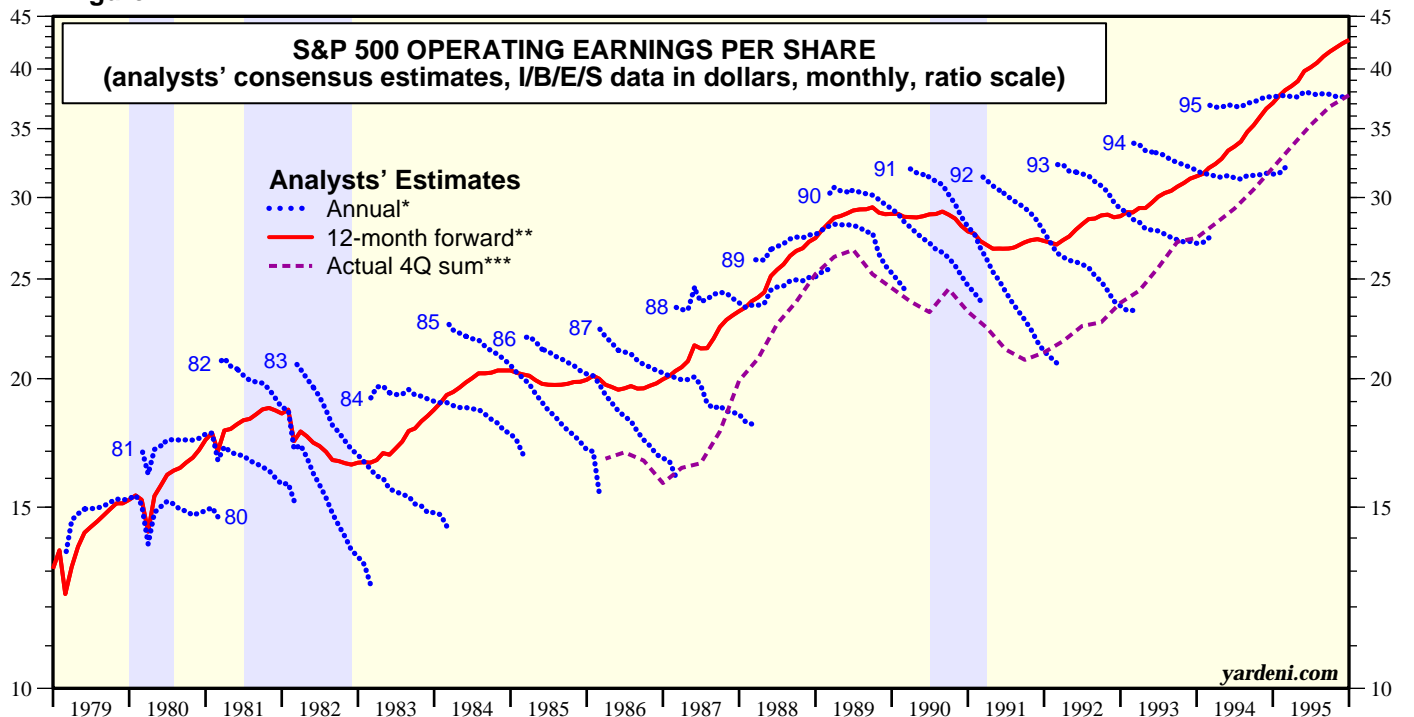
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Figure 1.



* "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.

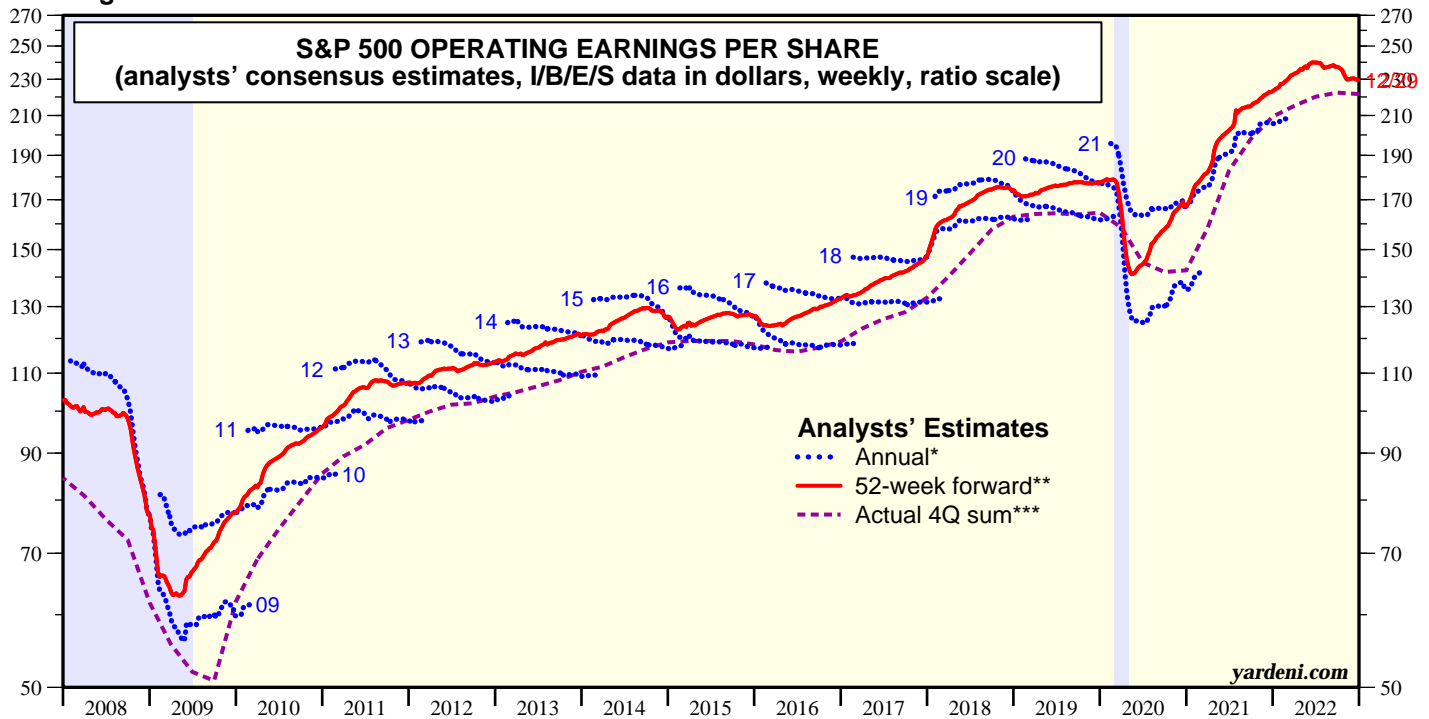
Figure 2.



* "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.

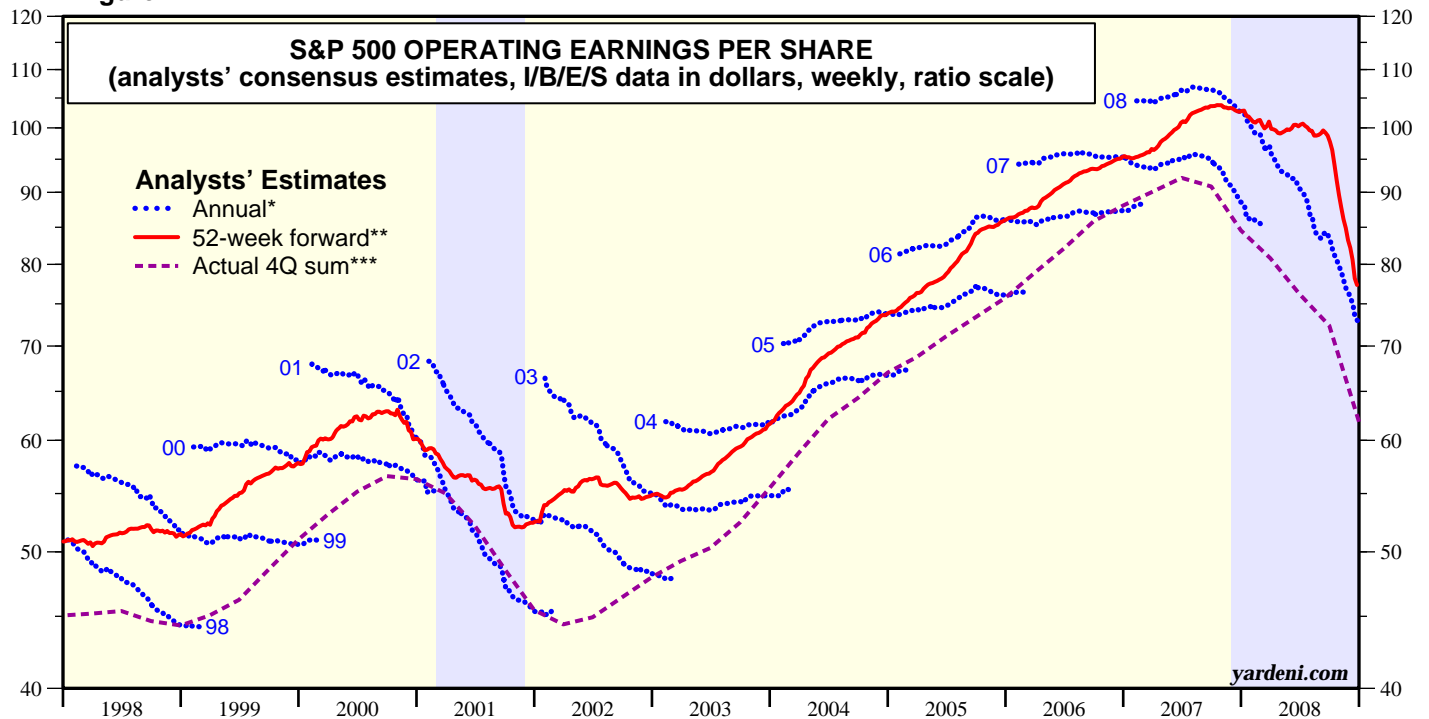
** Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

*** 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.

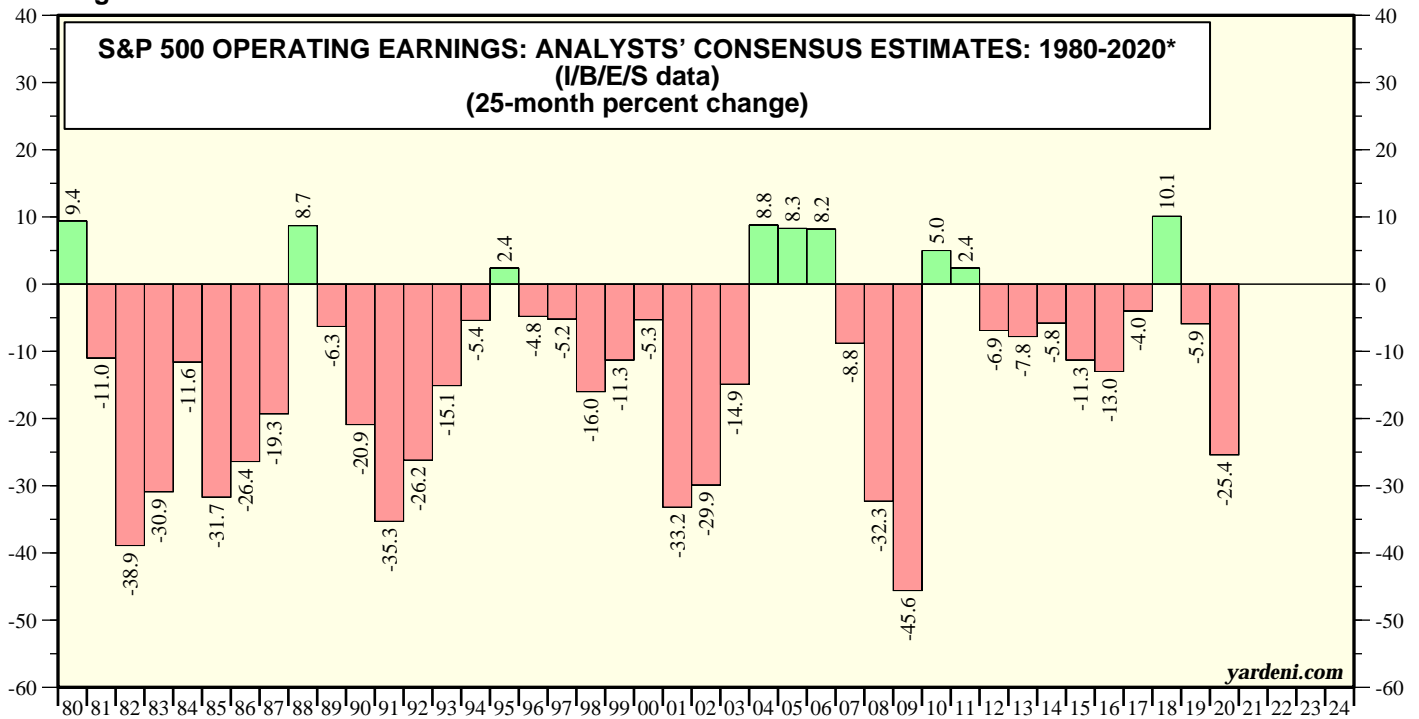
*** Actual 4Q sum from I/B/E/S.

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

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

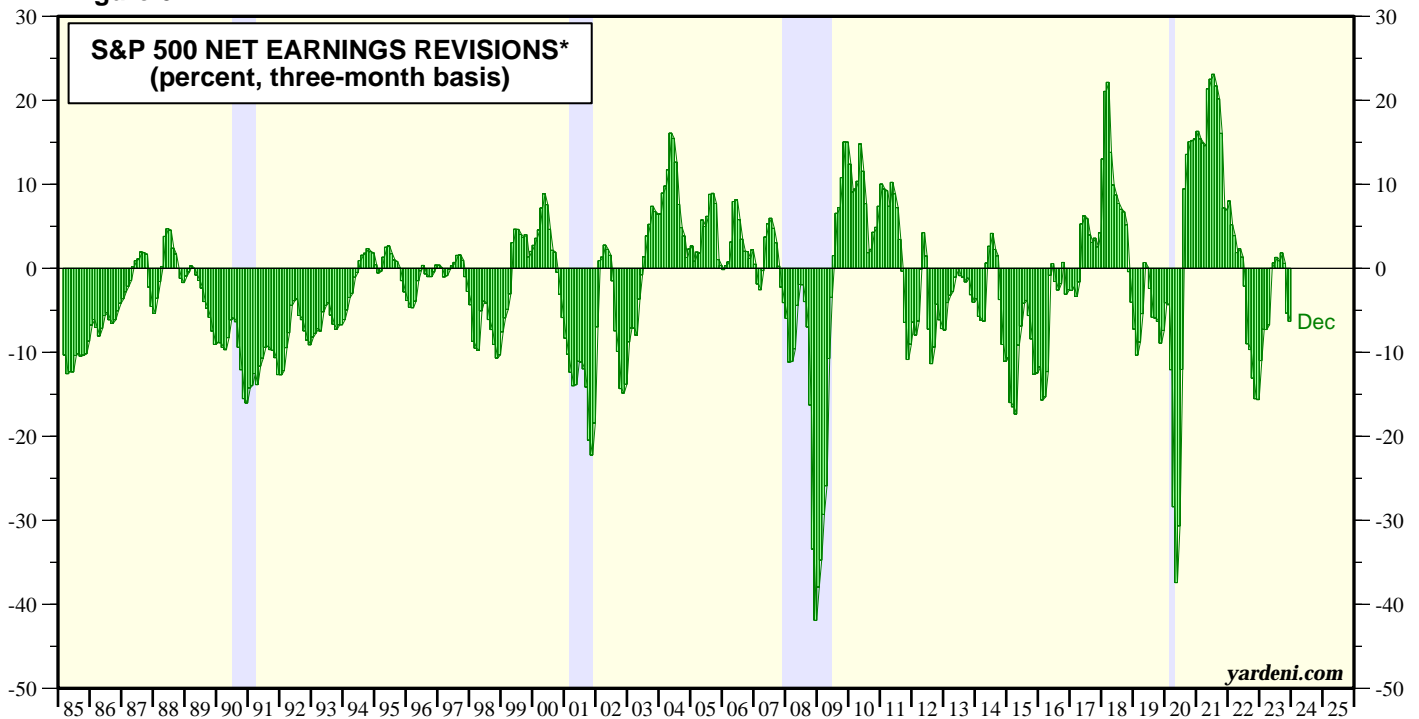
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Figure 5.



* 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.

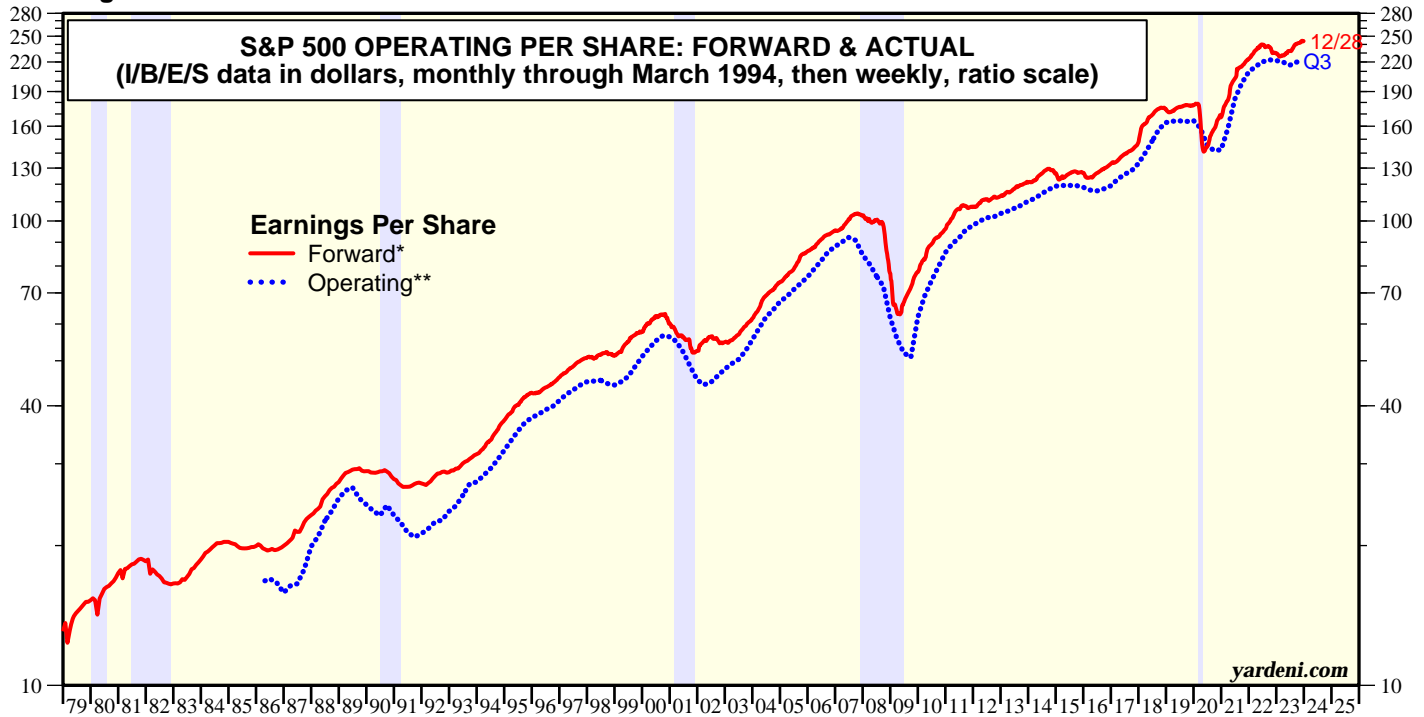
Figure 6.



* 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.



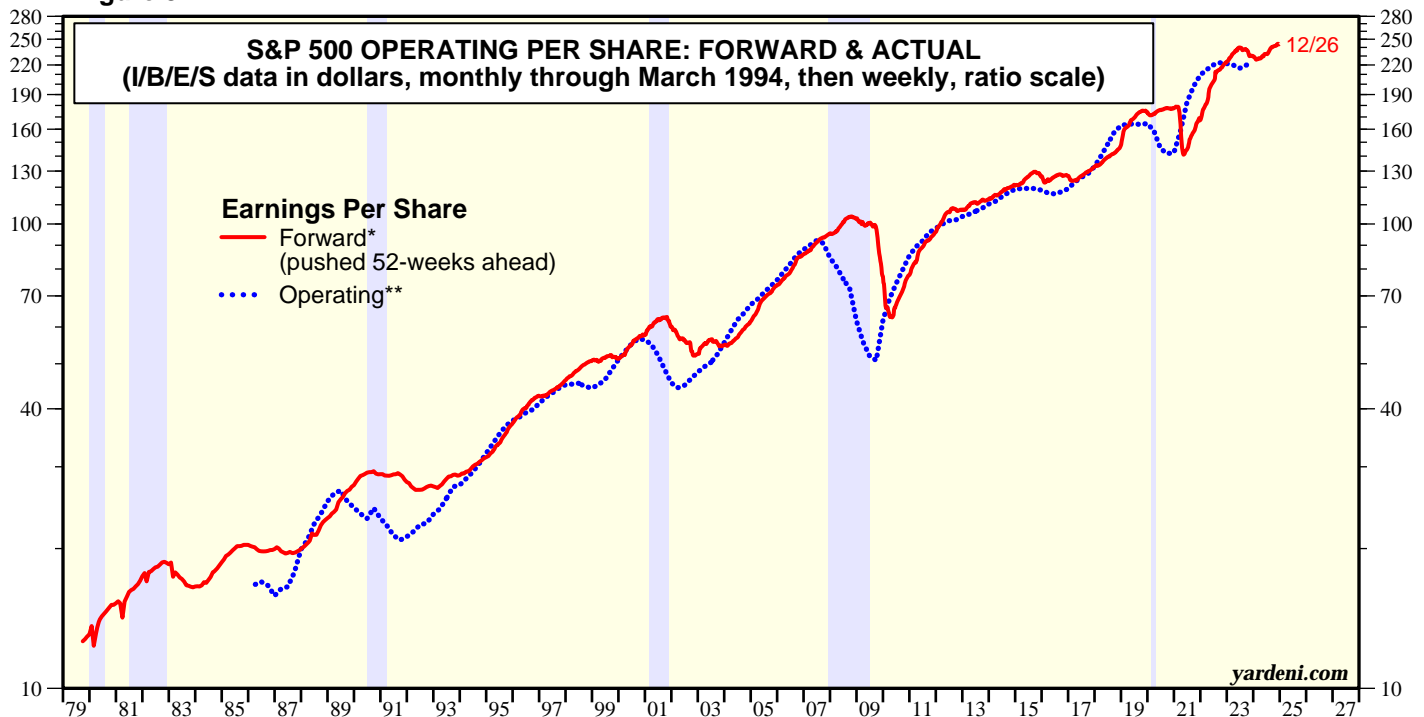
* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

** 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.

Figure 8.



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

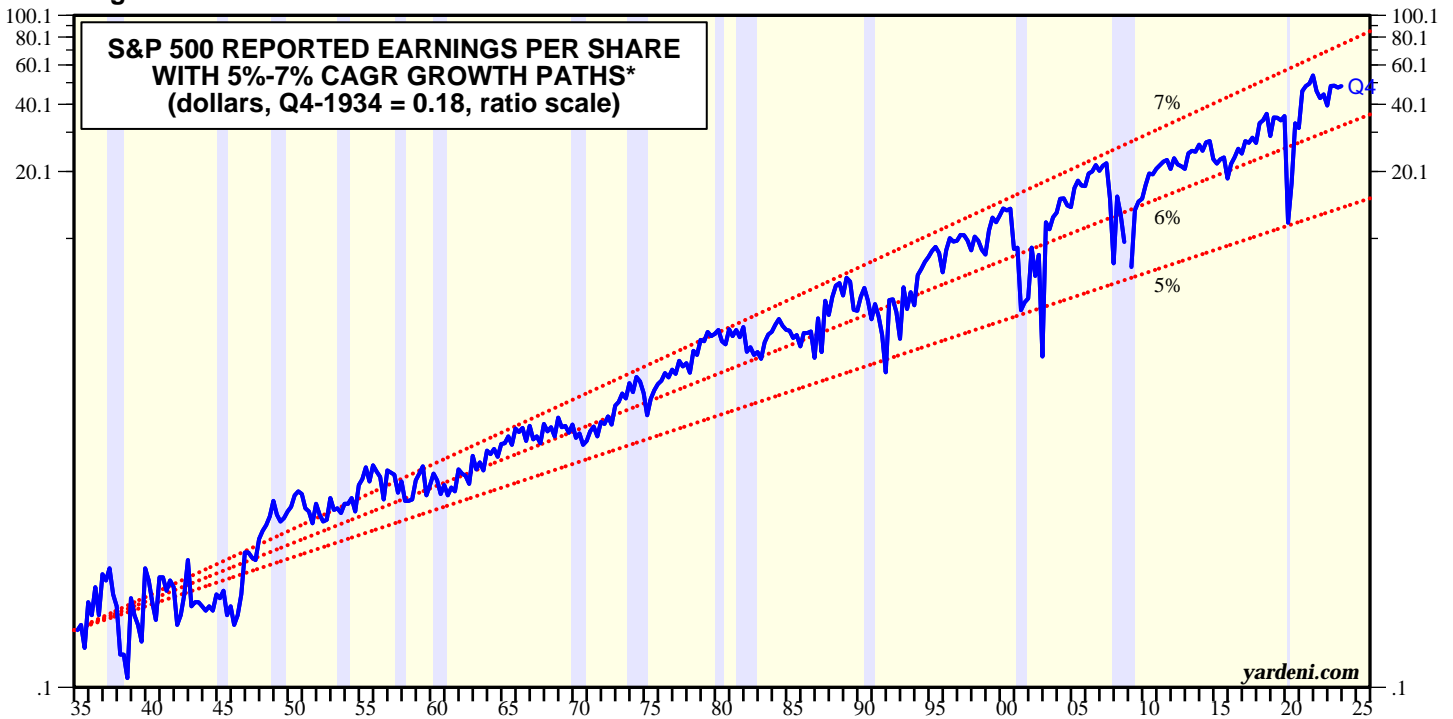
** Actual 4Q sum from S&P until Q4-1993, then from I/B/E/S.

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

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

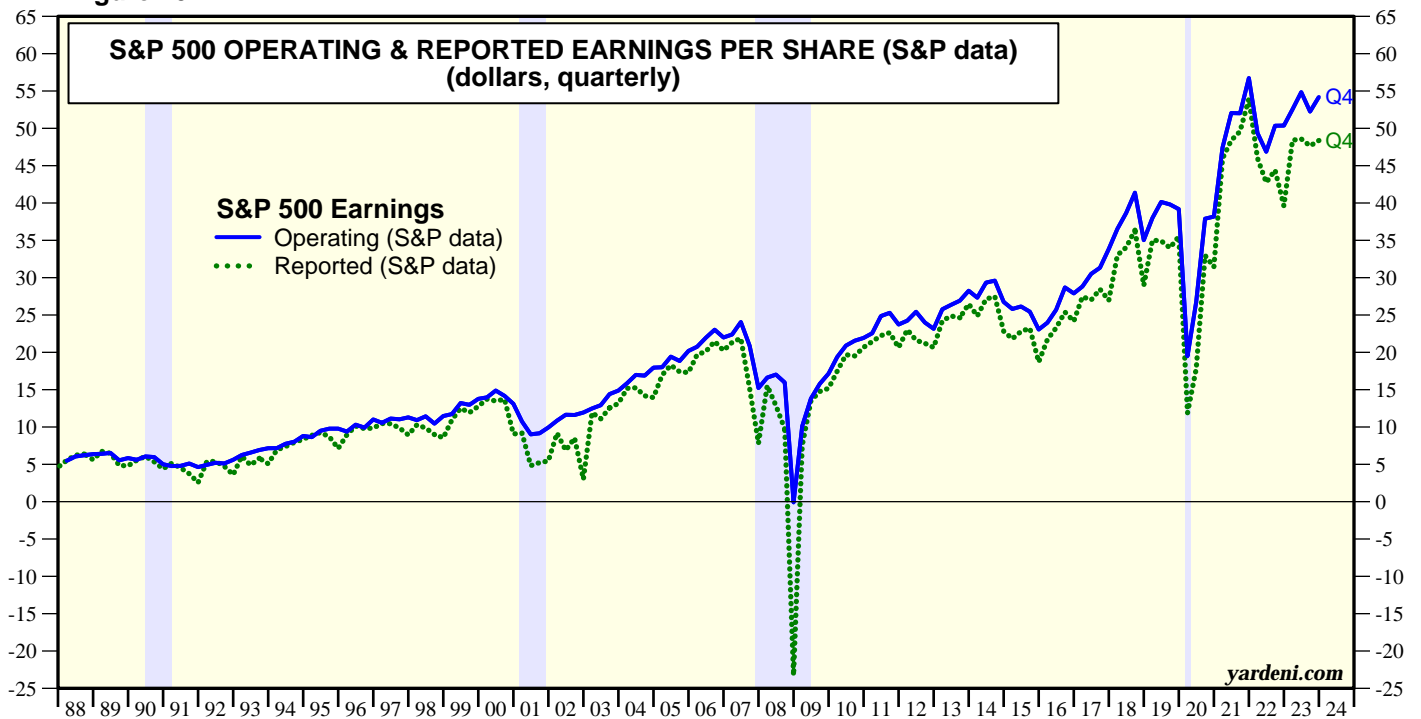
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Figure 9.



* 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.

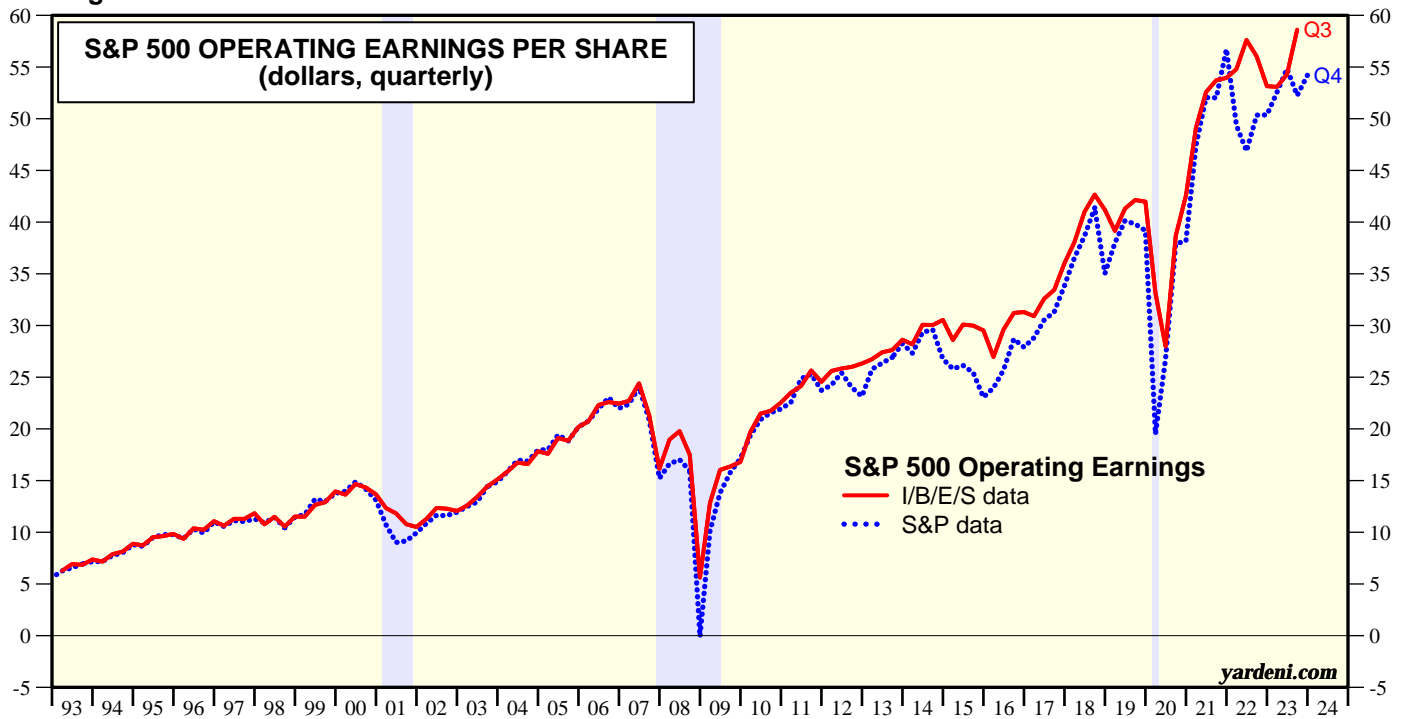
Figure 10.



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

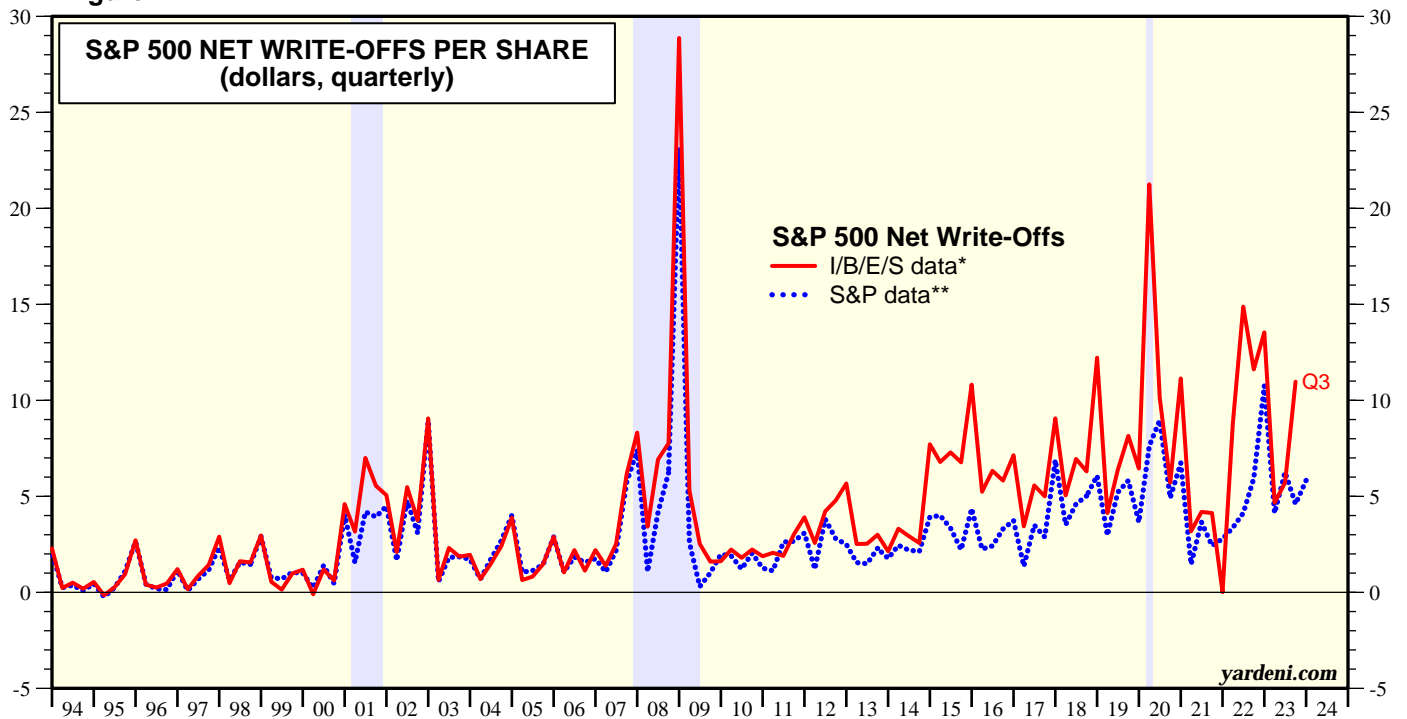
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Figure 11.



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.

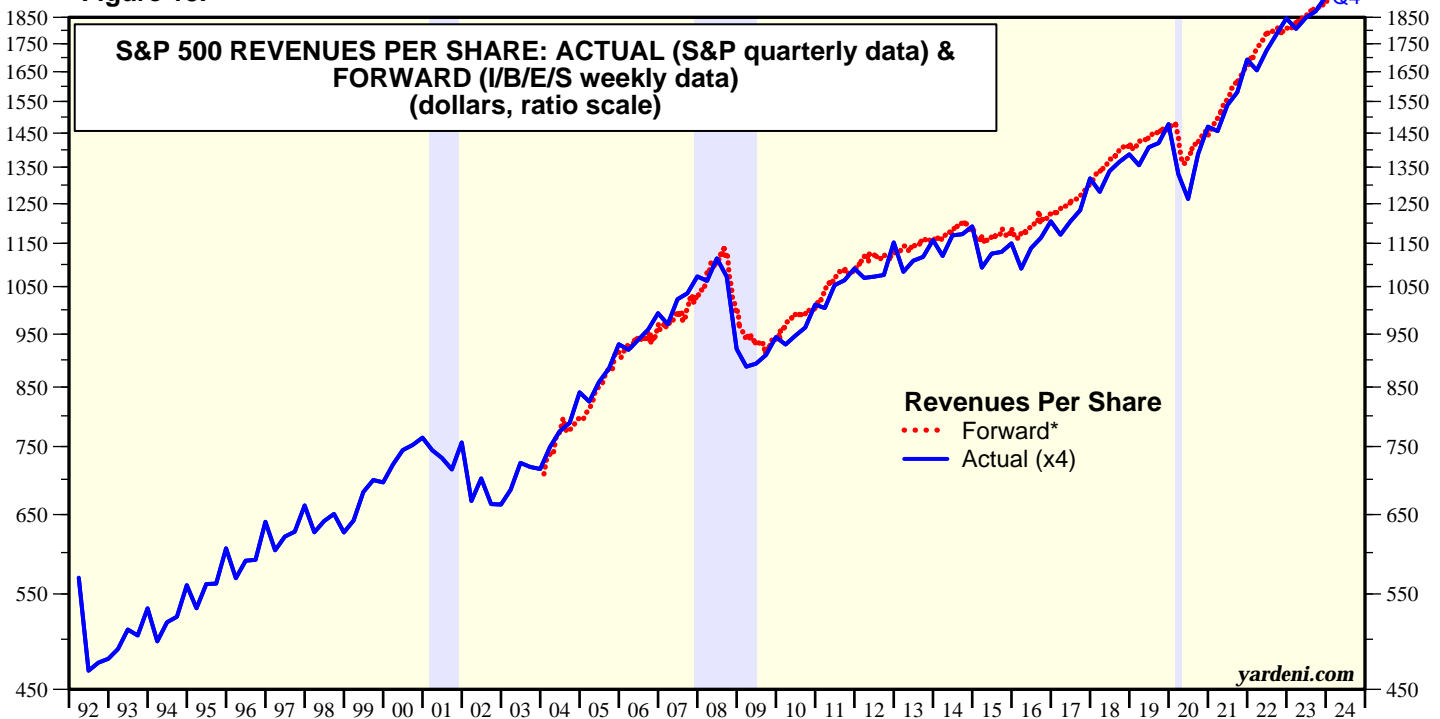
Figure 12.



* 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 and I/B/E/S data by Refinitiv.

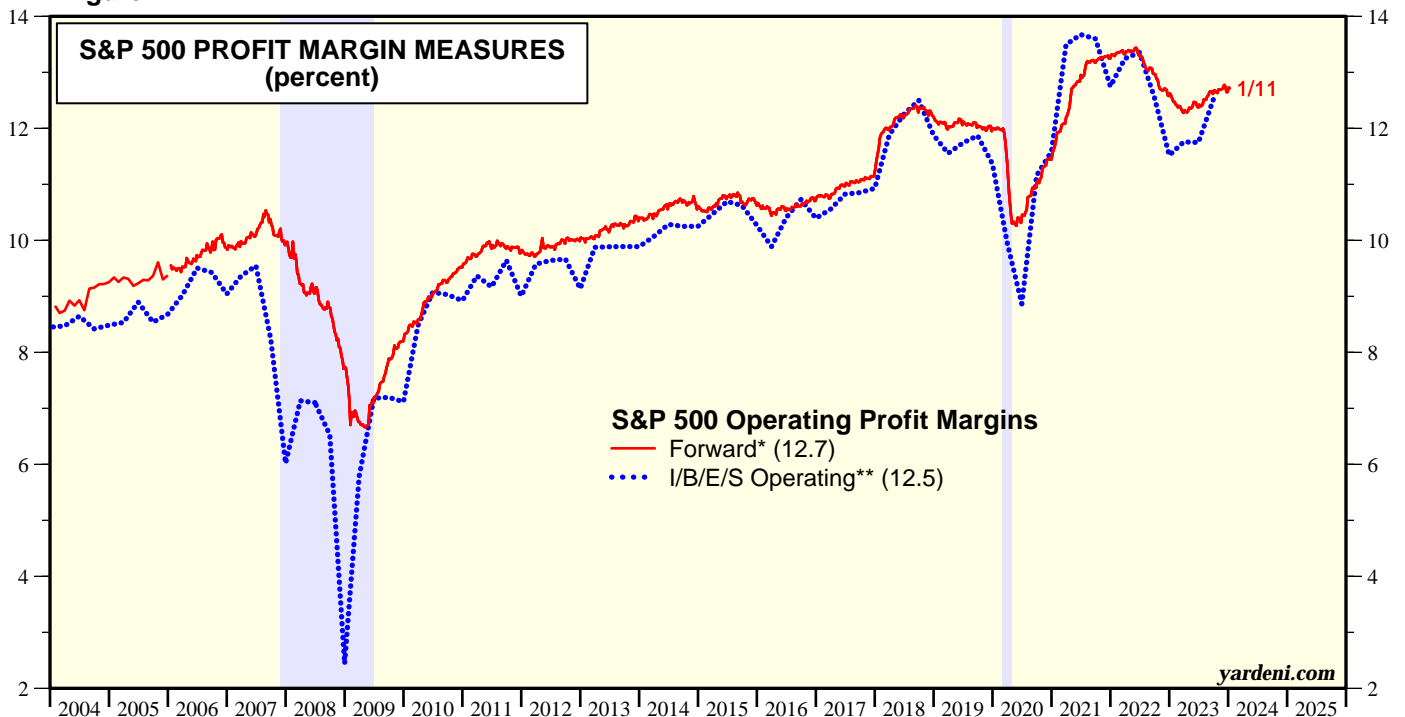
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Figure 13.



* Time-weighted average of analysts' consensus estimates for S&P 500 revenues per share for current year and next year. Monthly through December 2005, then weekly.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Standard & Poor's (for actual revenues) and I/B/E/S data by Refinitiv (for forward revenues).

Figure 14.



* Time-weighted average of analysts' consensus estimates for S&P 500 profit margin for current year and next year. Monthly through December 2005, then weekly.

** Operating earnings divided by revenues.
 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.

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Figure 15.

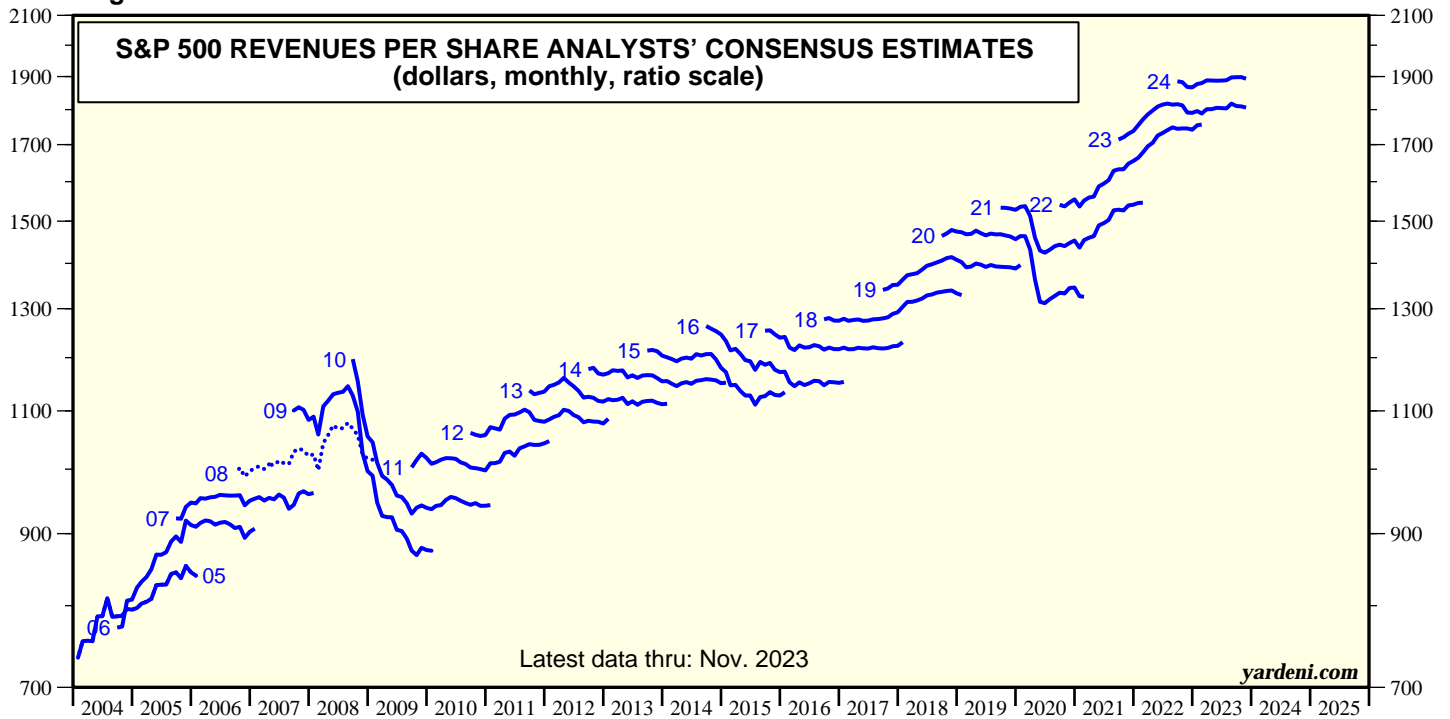
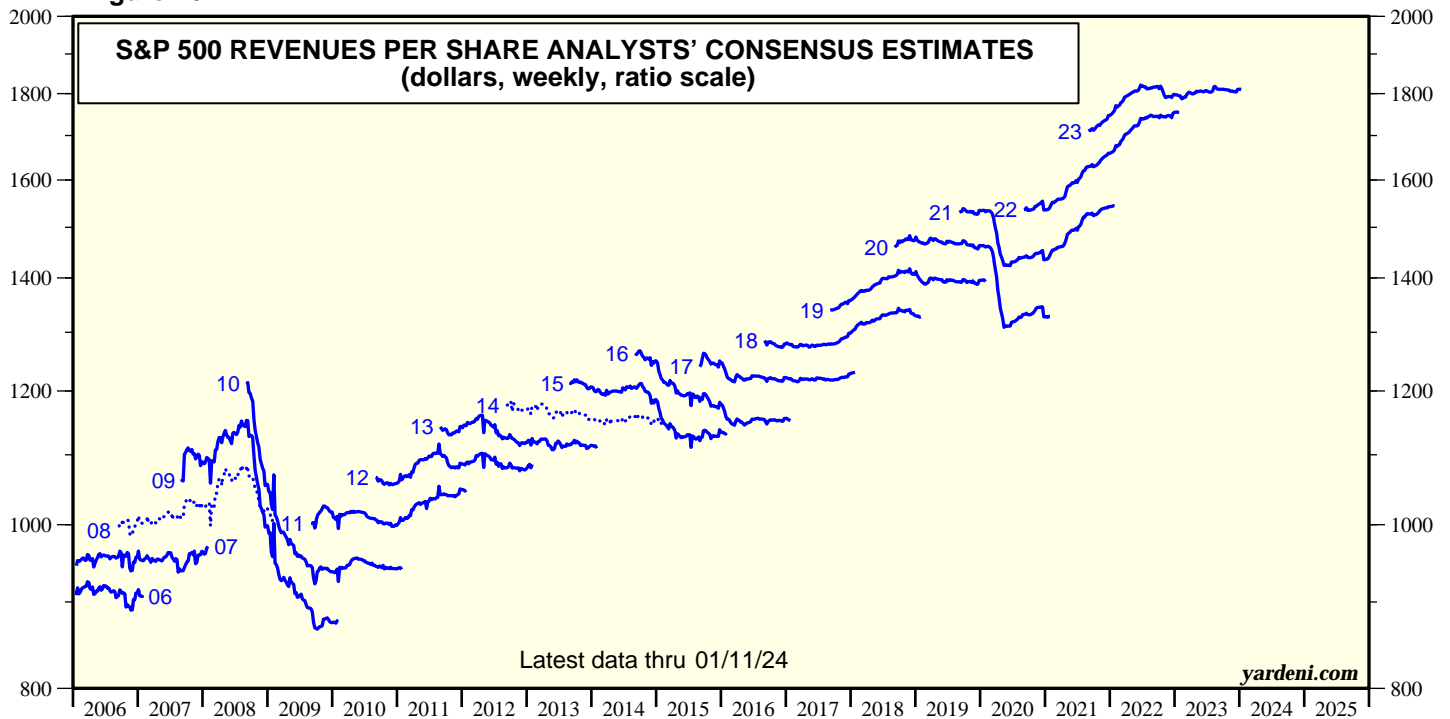
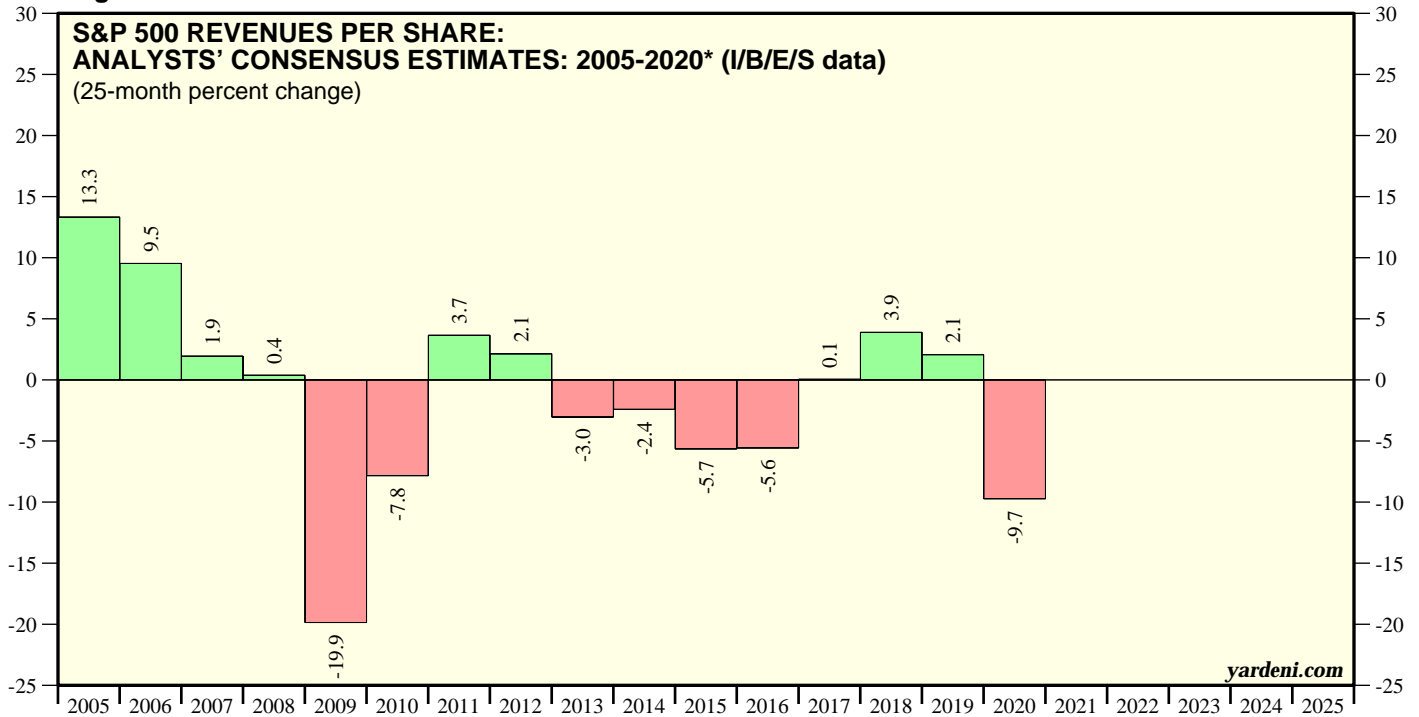


Figure 16.



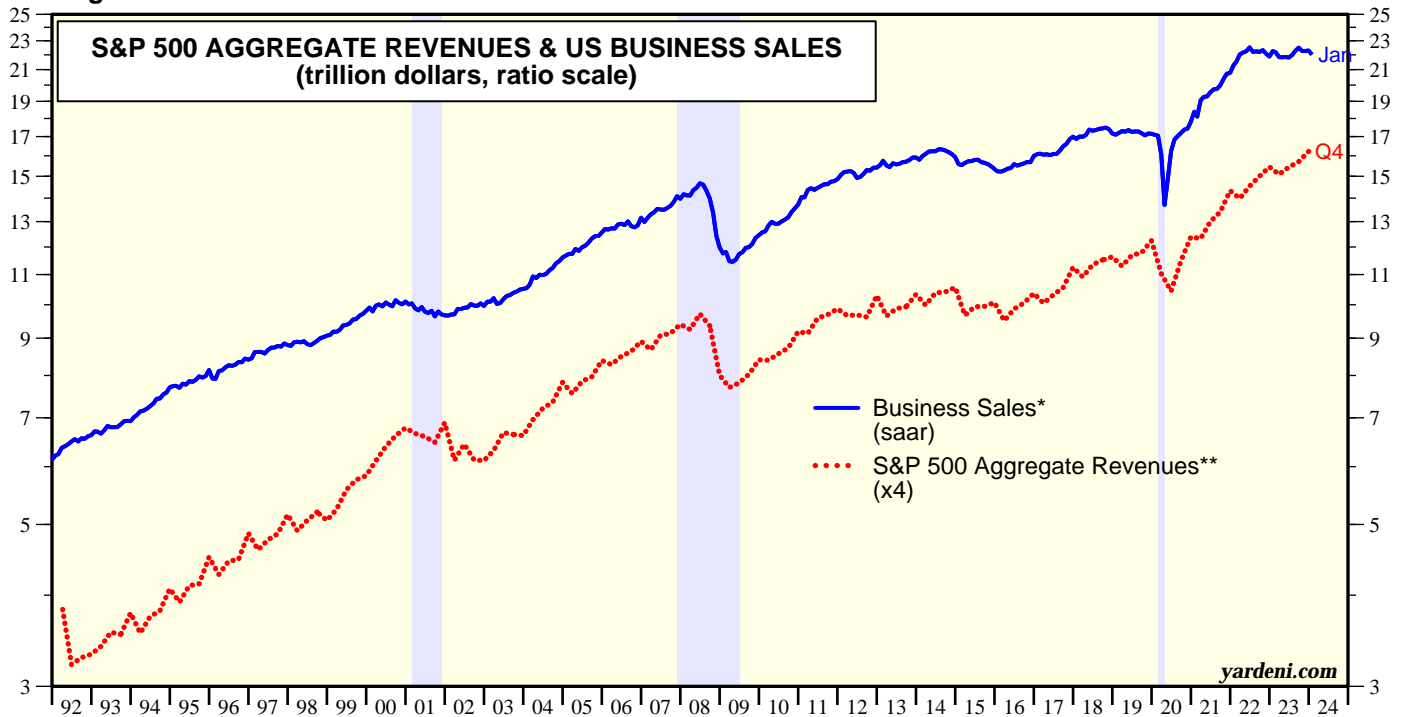
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Figure 17.



* Percent change in analysts' consensus estimates for S&P 500 revenues per share for each year shown from initial forecast to actual, e.g., from February 2004 to February 2006 for calendar year 2005.
Source: I/B/E/S data by Refinitiv.

Figure 18.



* Manufacturing and trade sales (includes goods, not services).

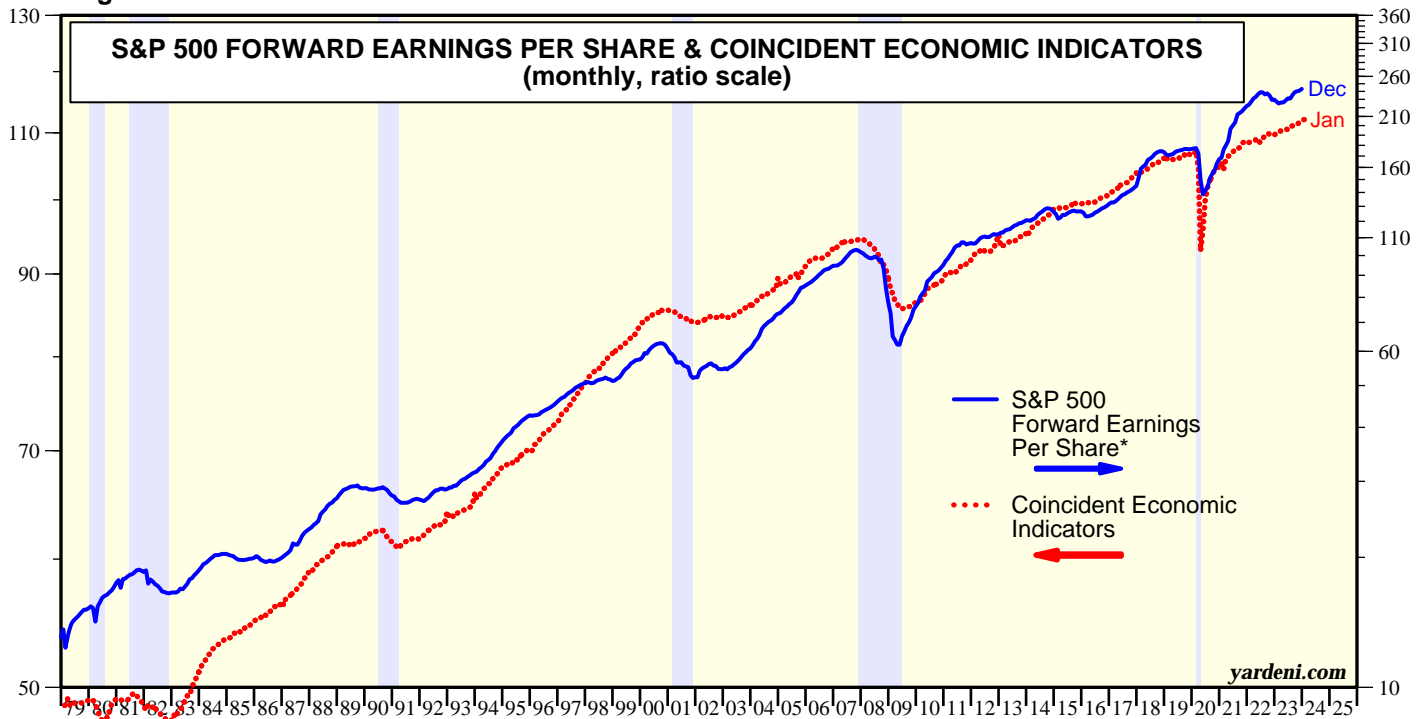
** S&P quarterly data, not per share. Revenues are derived by multiplying S&P 500 revenues per share by the S&P 500 divisor for each quarter.

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

Source: Census Bureau and Standard & Poor's.

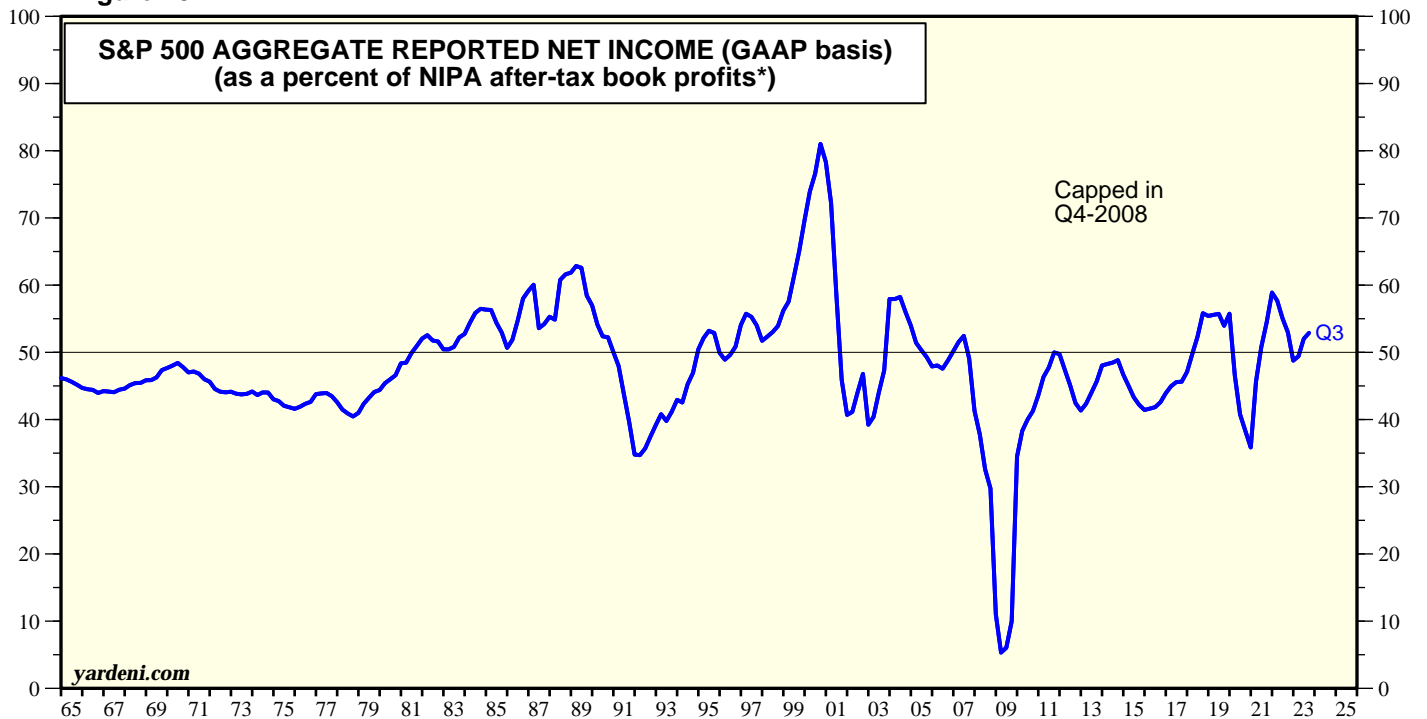
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Figure 19.



* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: I/B/E/S data by Refinitiv and Conference Board.

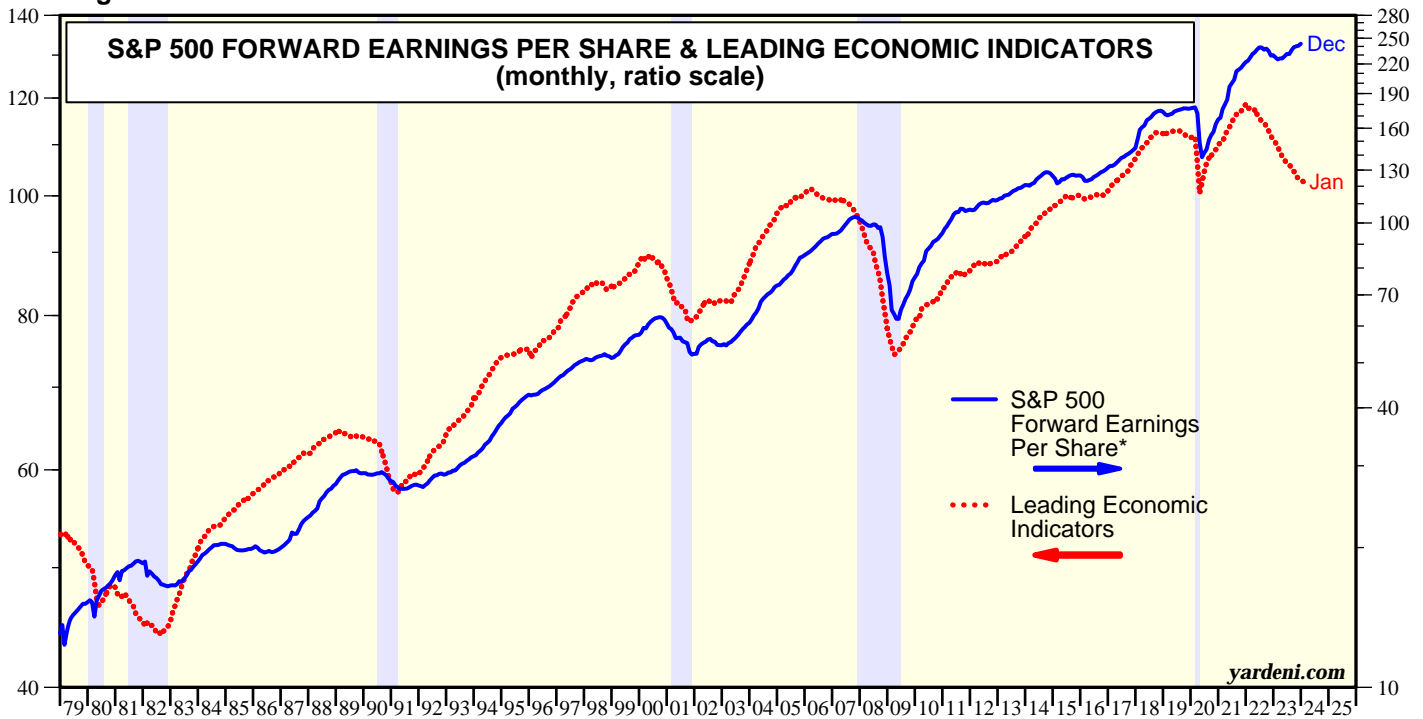
Figure 20.



* S&P 500 aggregate reported net income is on GAAP basis and shown as four-quarter sum. NIPA book profits exclude Inventory Valuation Adjustment and Capital Consumption Adjustment. NIPA series is shown using seasonally adjusted and annualized quarterly data.
 Source: Bureau of Economic Analysis and Standard & Poor's.

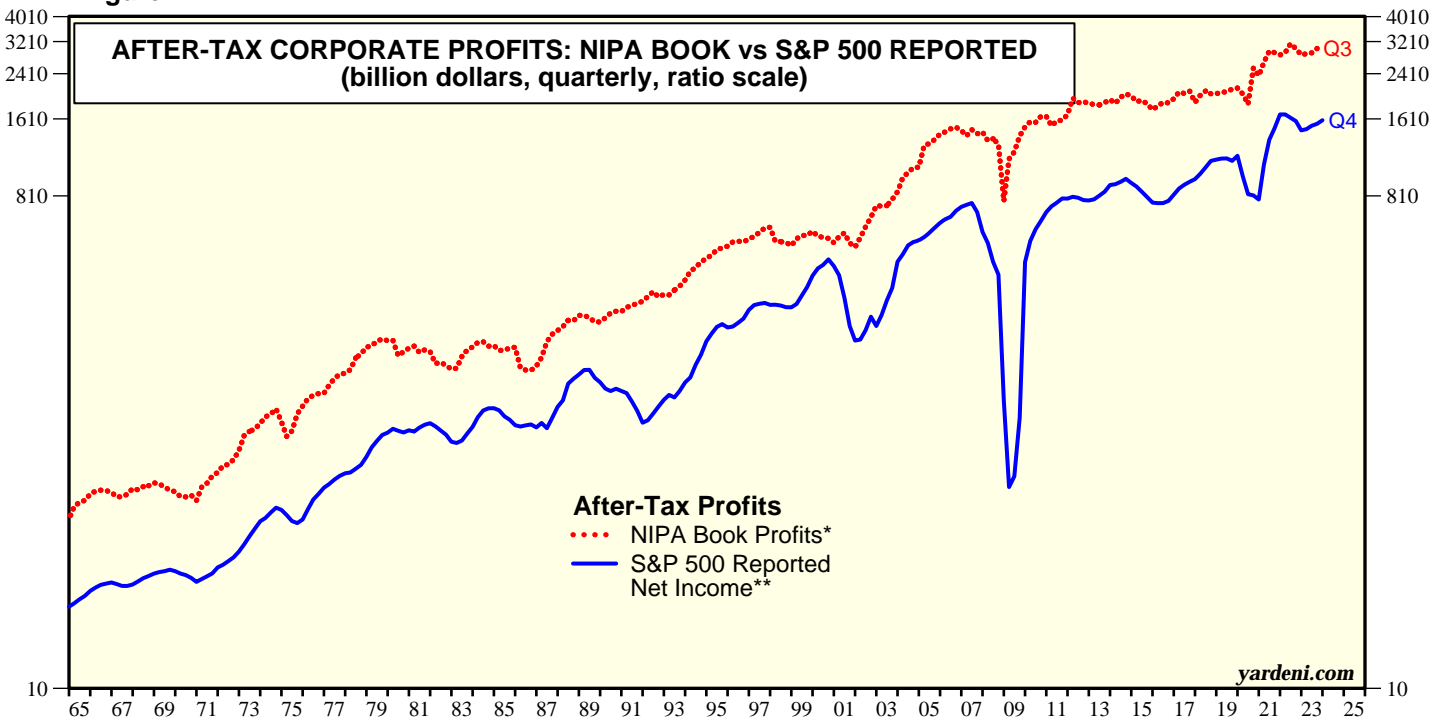
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Figure 21.



* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: I/B/E/S data by Refinitiv and Conference Board.

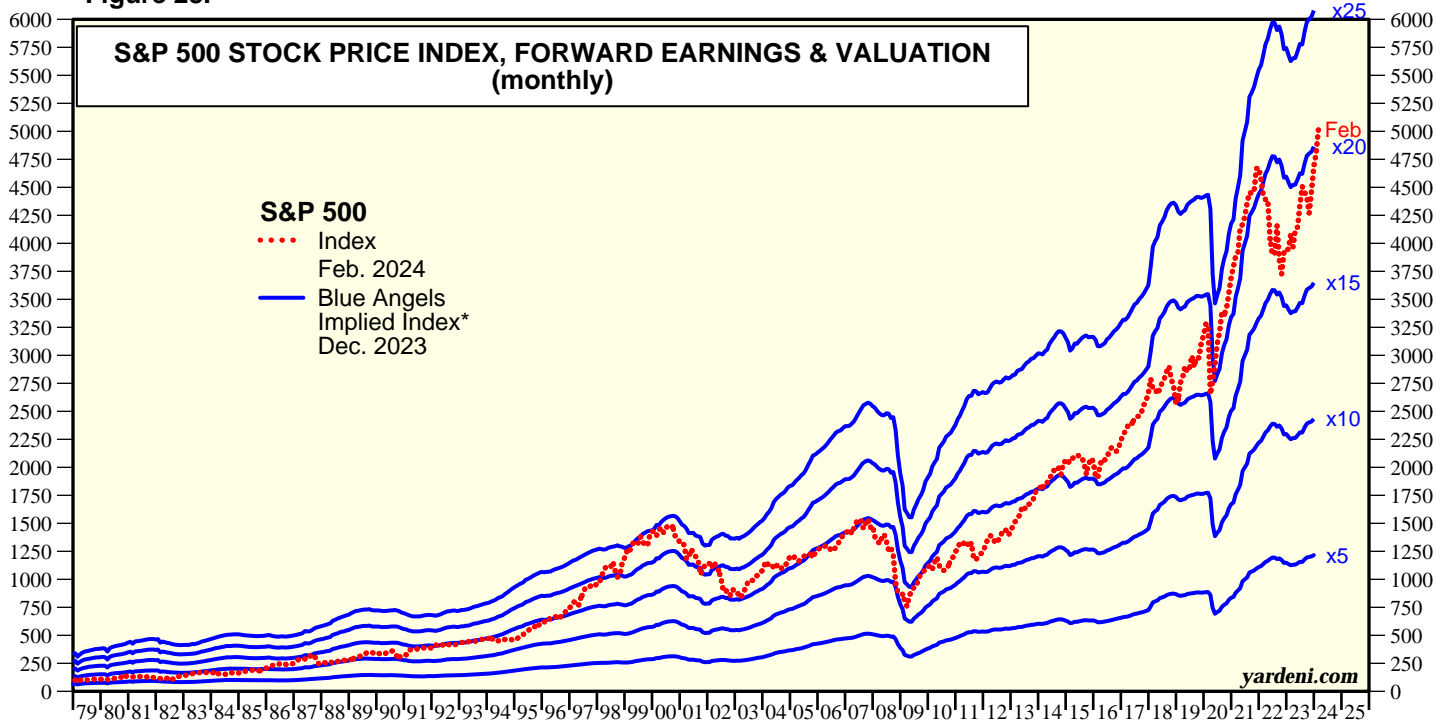
Figure 22.



* NIPA book profits series excludes Inventory Valuation Adjustment and Capital Consumption Adjustment. Series is seasonally adjusted and annualized quarterly data.
 ** S&P 500 aggregate net income on GAAP basis using four-quarter sum.
 Source: Bureau of Economic Analysis and Standard & Poor's.

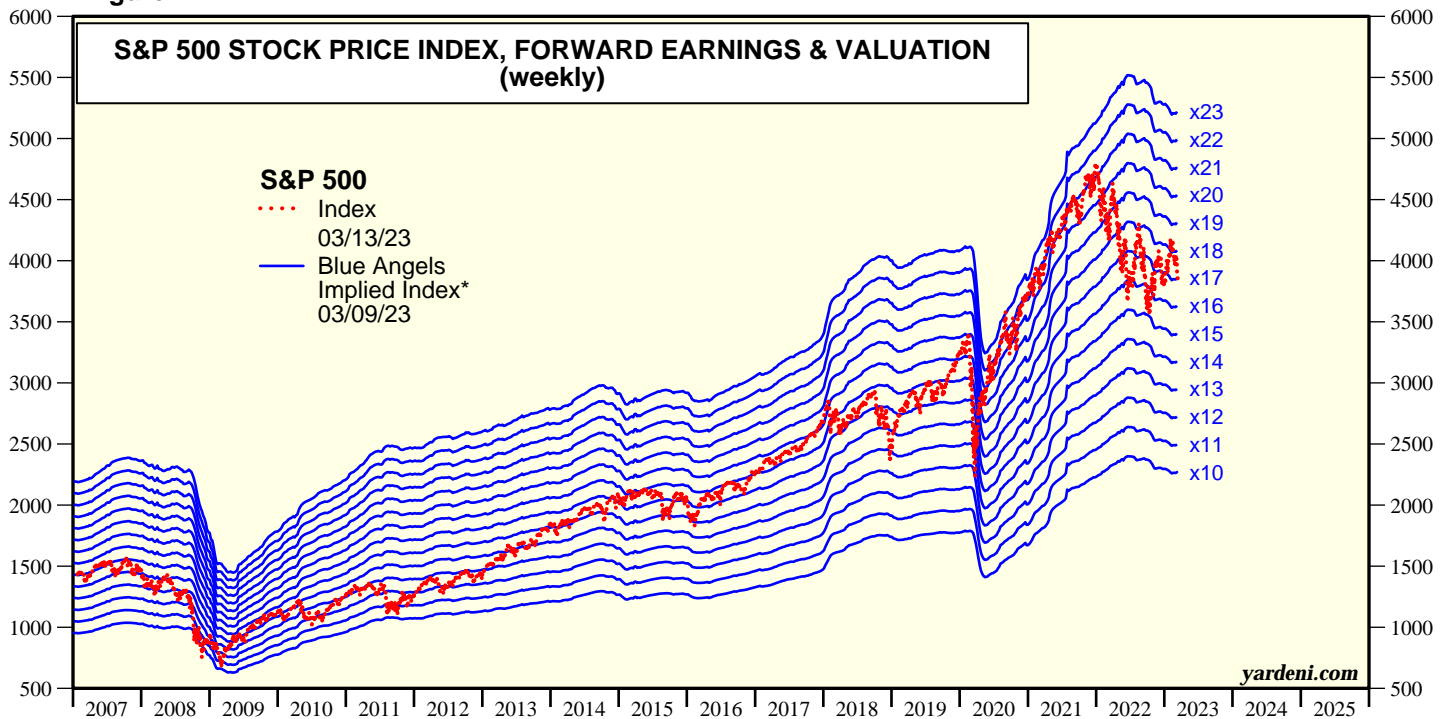
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Figure 23.



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

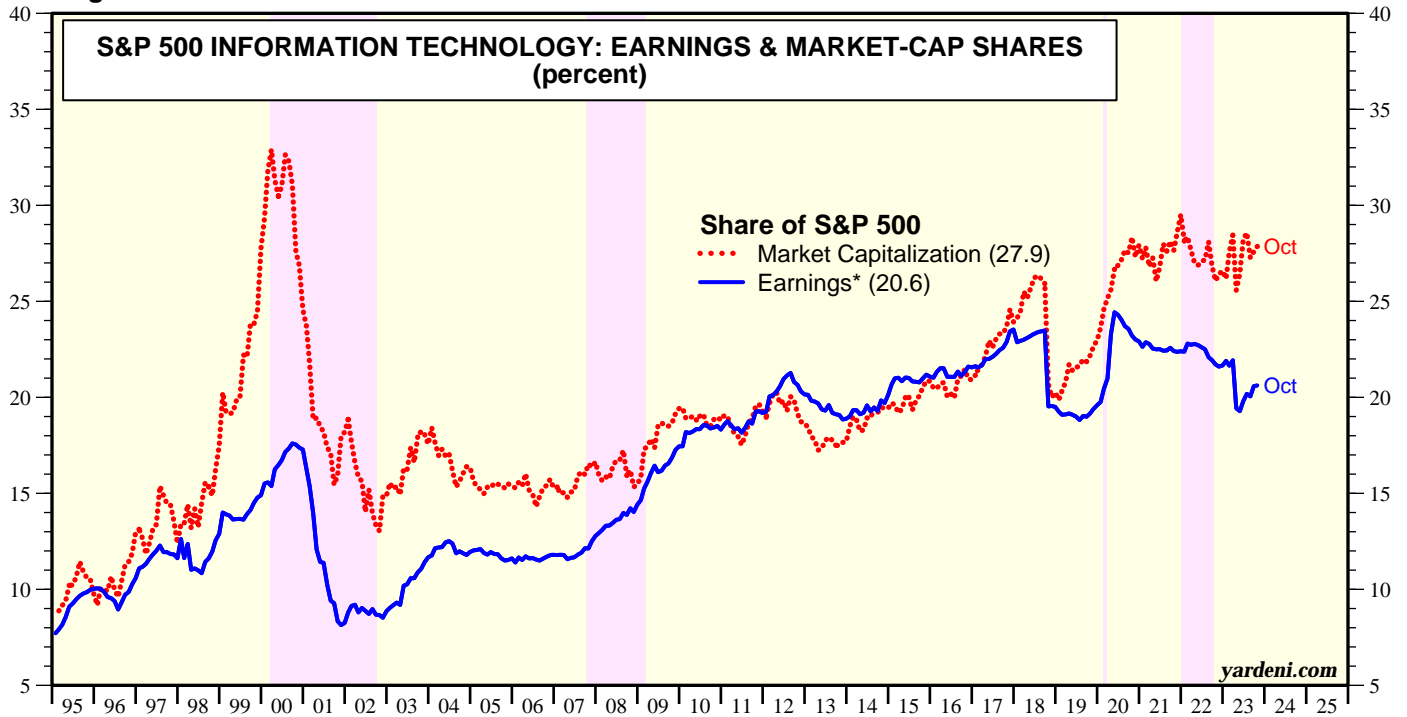
Figure 24.



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

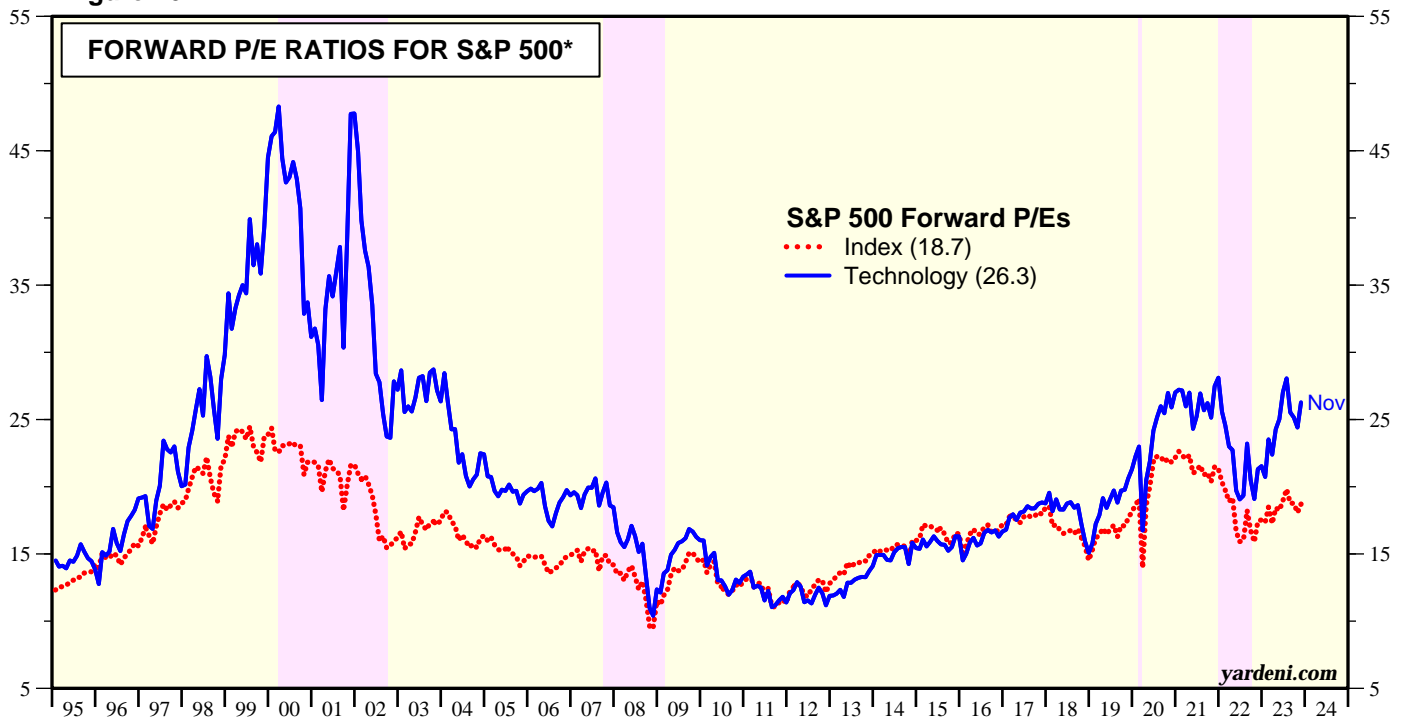
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Figure 25.



* Using aggregate S&P 500 12-month forward analysts' consensus expected operating earnings.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: I/B/E/S data by Refinitiv.

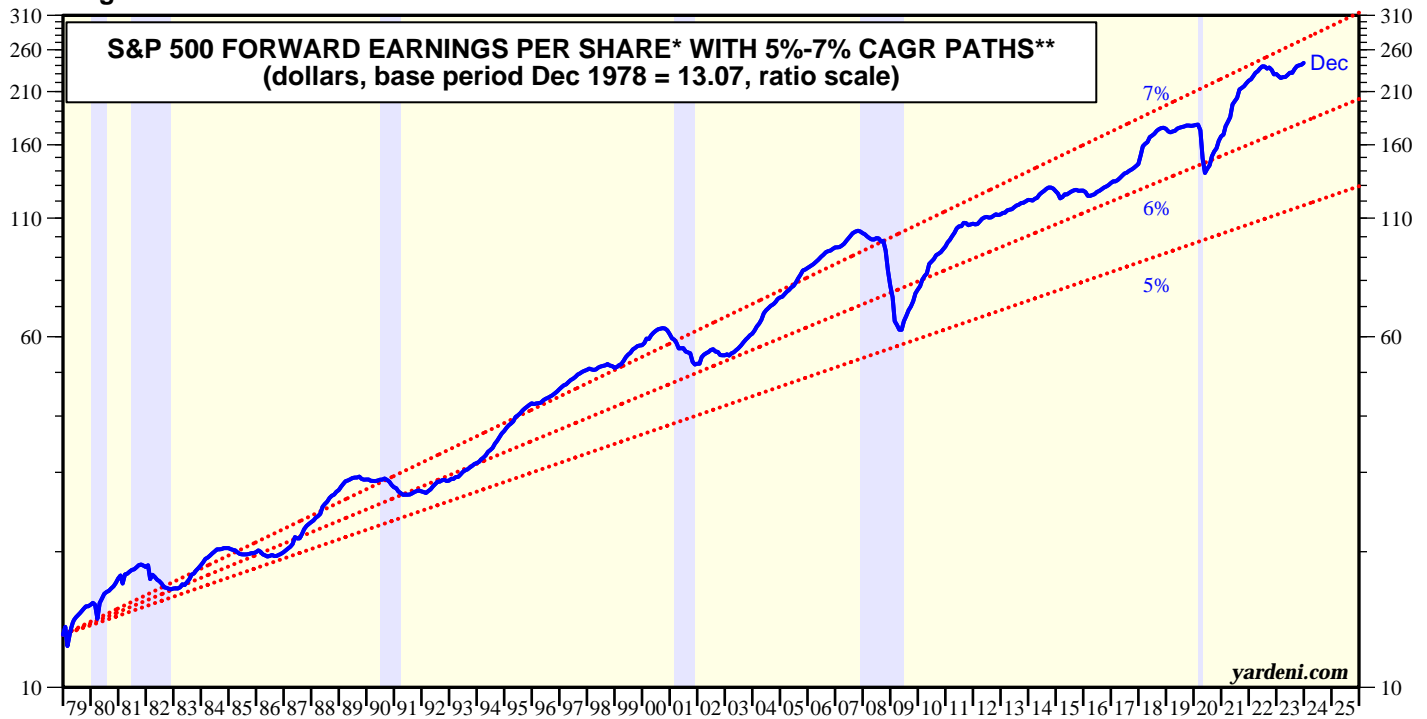
Figure 26.



* S&P 500 stock price index divided by S&P 500 12-month forward analysts' consensus expected operating earnings per share.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: I/B/E/S data by Refinitiv.

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Figure 27.



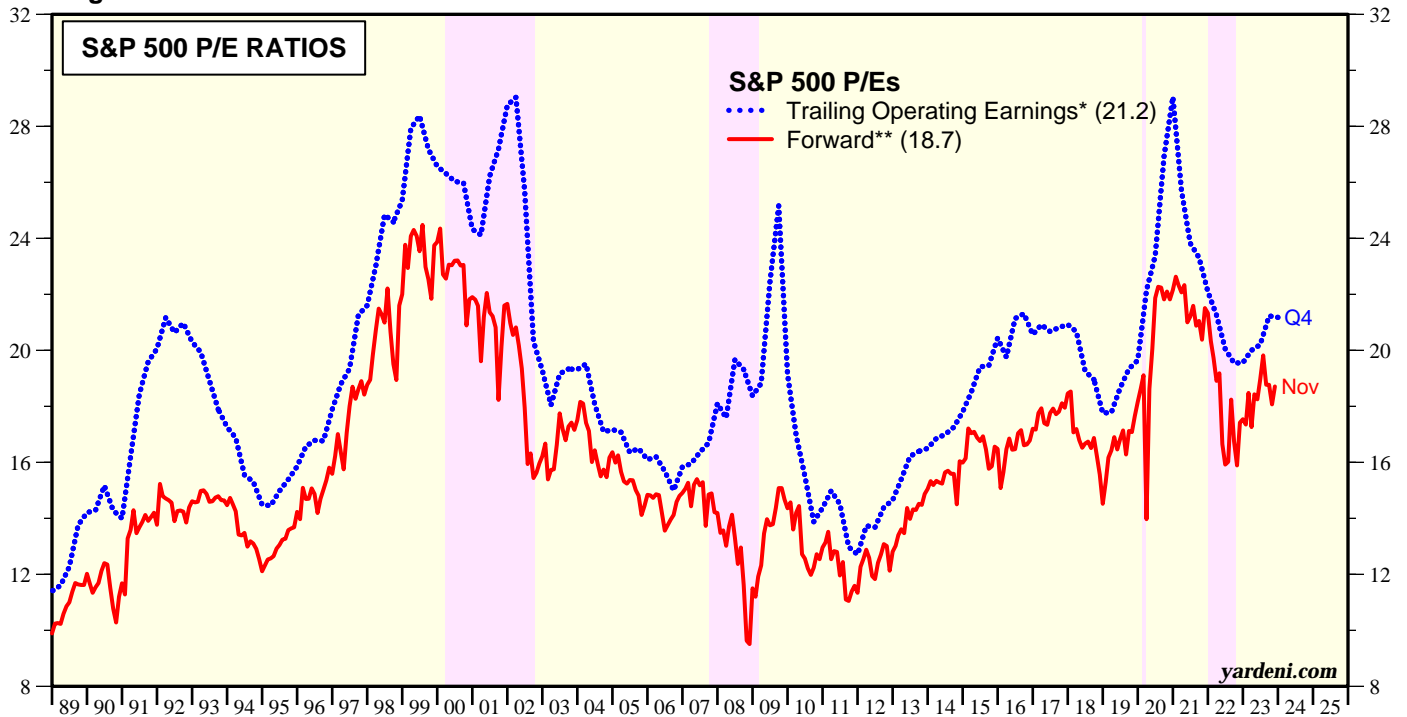
* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.

** Compounded annual growth rate from base value using monthly data.

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

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

Figure 28.



* Using quarterly average of daily data for S&P 500 price index, and 4-quarter trailing operating earnings (I/B/E/S data).

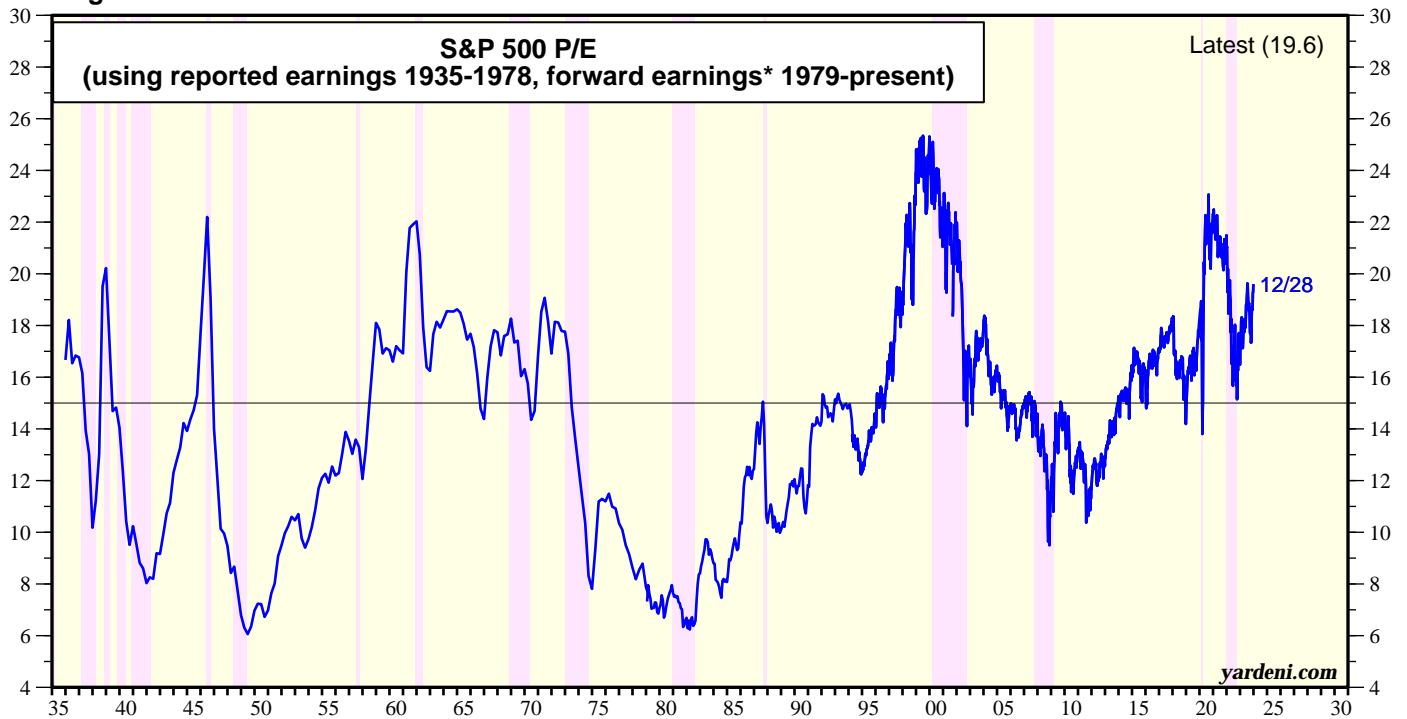
** S&P 500 stock price index divided by S&P 500 12-month forward analysts' consensus expected operating earnings per share.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.

Source: I/B/E/S data by Refinitiv and Standard & Poor's.

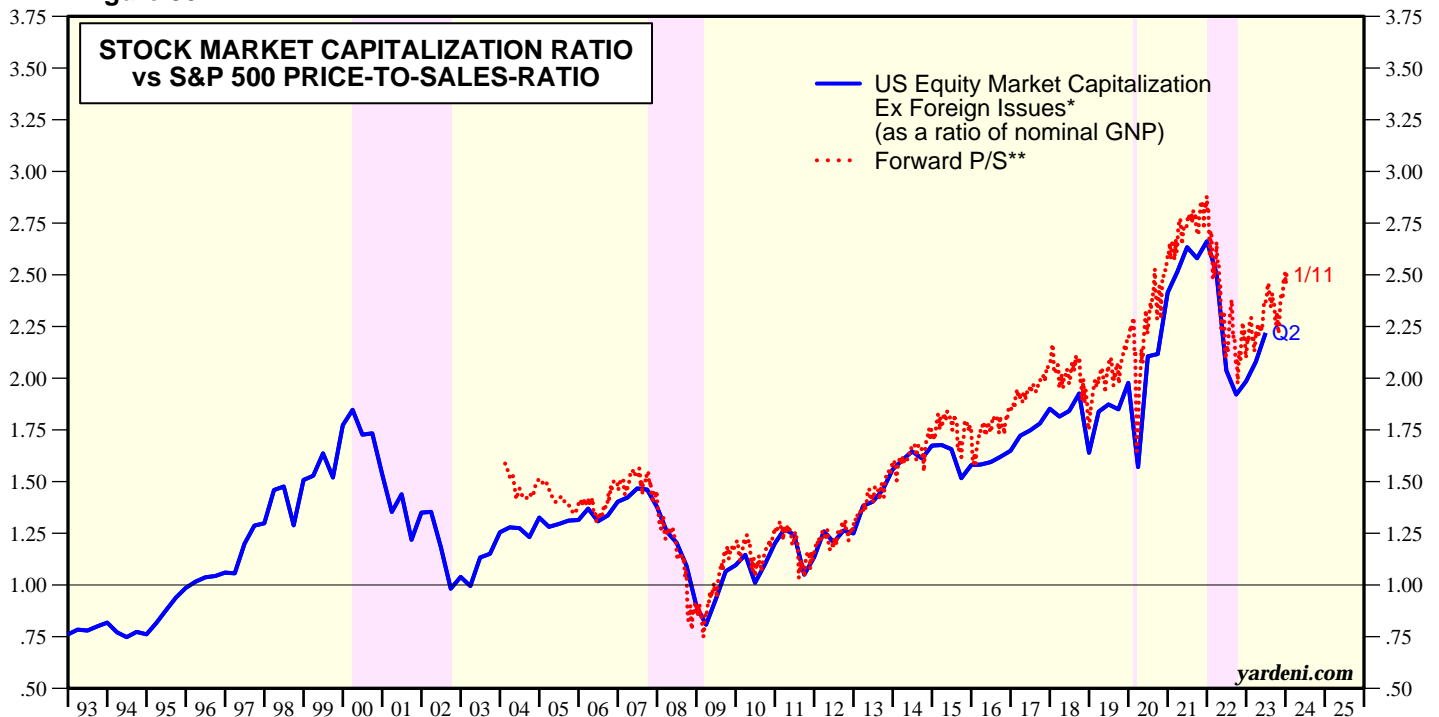
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Figure 29.



* Four-quarter trailing sum of reported earnings through 1978. Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year. Monthly from January 1979 through April 1994, then weekly.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
Source: I/B/E/S data by Refinitiv and Standard & Poor's.

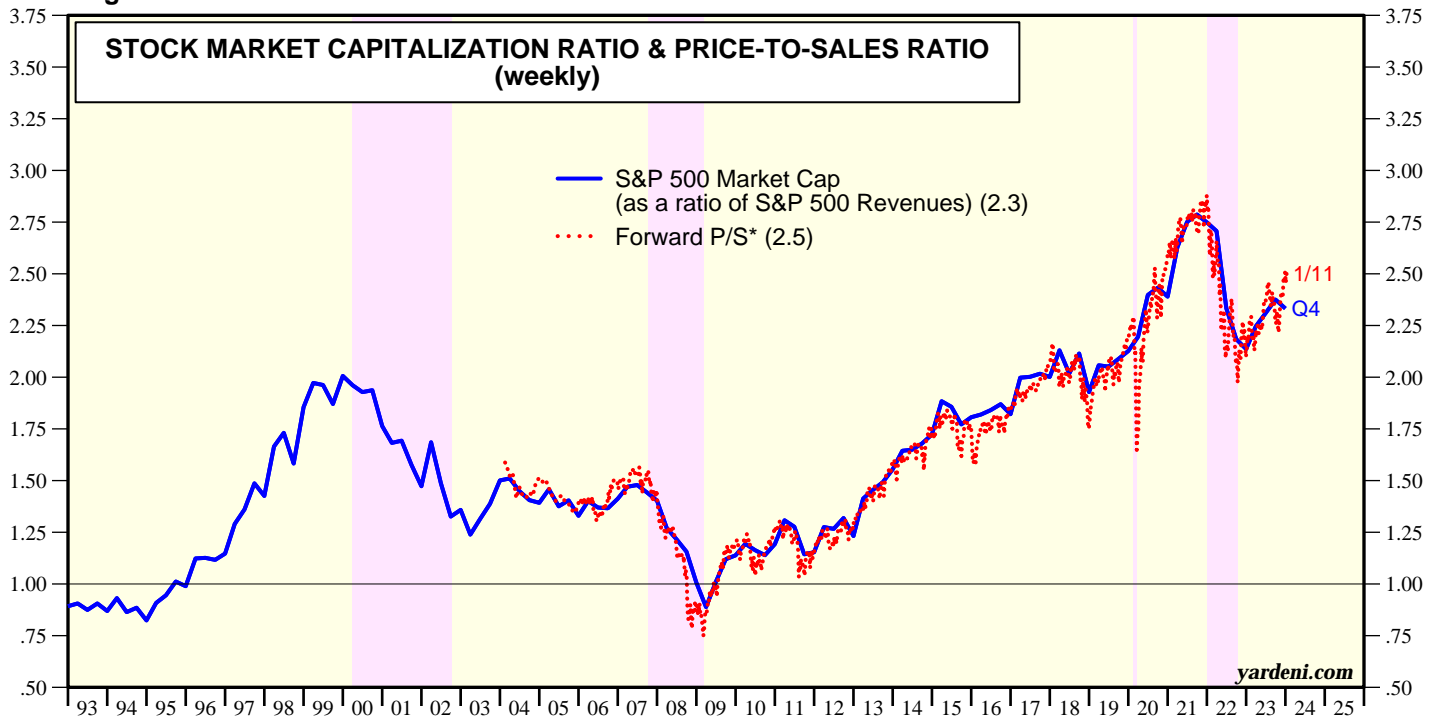
Figure 30.



* Total excluding market value of holdings by US residents of foreign corporate equities, investment fund shares, and ADRs.
** S&P 500 index divided by S&P 500 year-ahead forward analysts' consensus expected revenues per share. Monthly through 2005, then weekly.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
Source: Federal Reserve Board, Bureau of Economic Analysis, and Standard & Poor's.

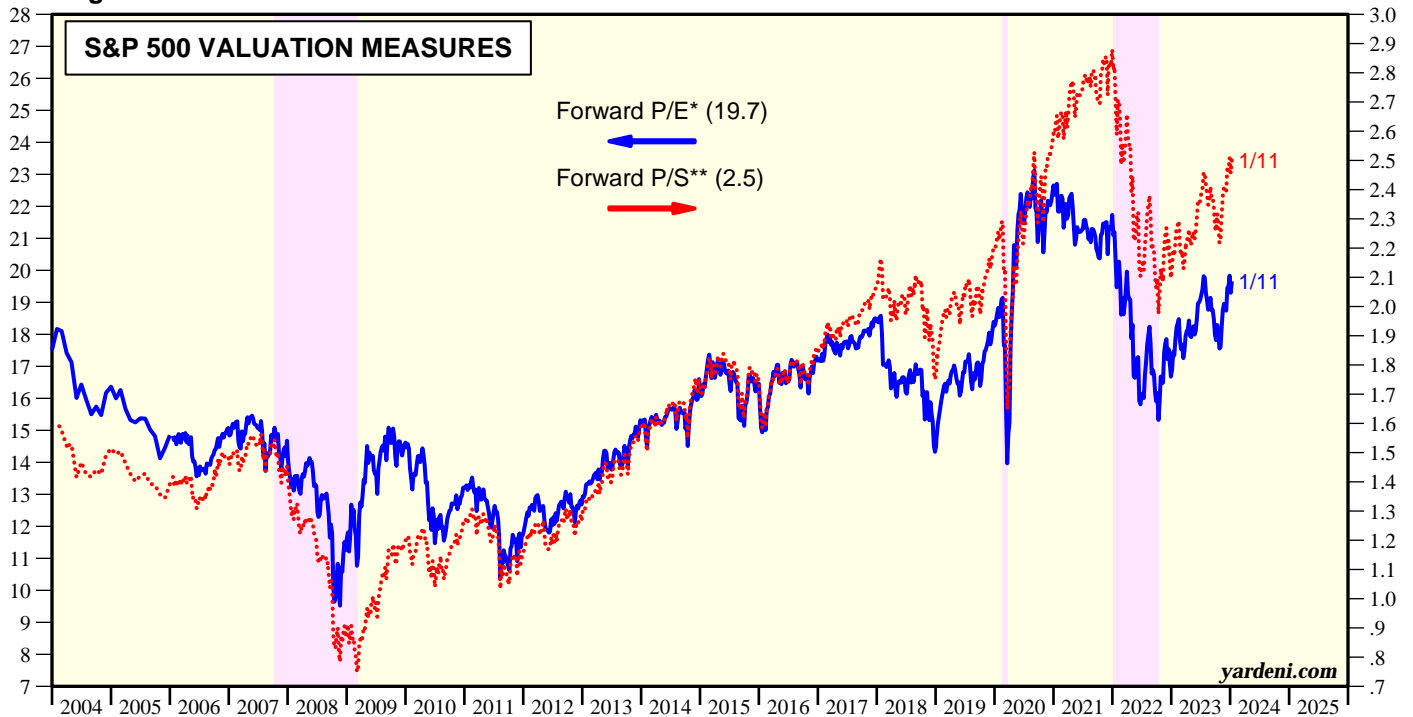
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Figure 31.



* S&P 500 index divided by year-ahead forward analysts' consensus expected S&P 500 revenues per share. Monthly through 2005, then weekly.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: I/B/E/S data by Refinitiv and Standard & Poor's.

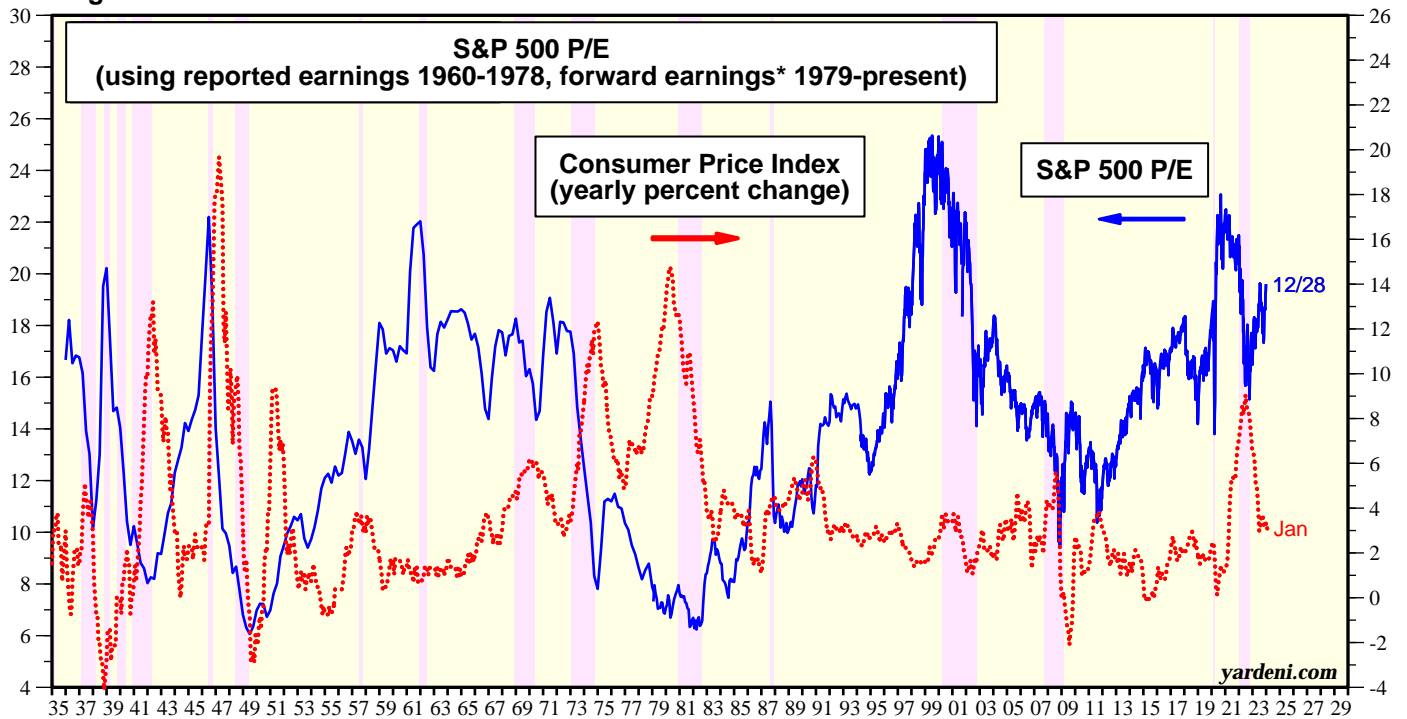
Figure 32.



* S&P 500 index divided by year-ahead forward analysts' consensus expected S&P 500 operating earnings per share. Monthly through 2005, then weekly.
 ** S&P 500 index divided by year-ahead forward analysts' consensus expected S&P 500 revenues per share. Monthly through 2005, then weekly.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: I/B/E/S data by Refinitiv.

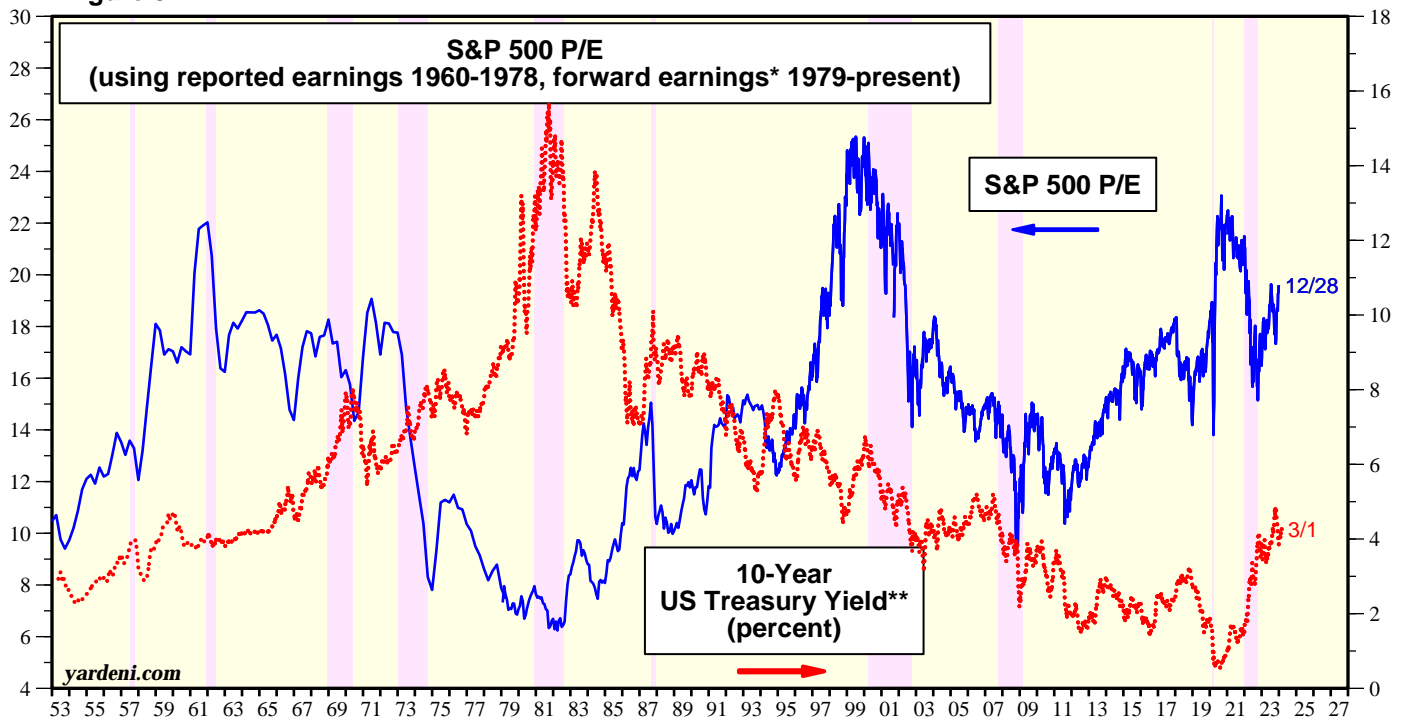
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Figure 33.



* Four-quarter trailing sum of reported earnings through 1978, then time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year. Monthly from January 1979 through April 1994, then weekly.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: I/B/E/S data by Refinitiv and Standard & Poor's.

Figure 34.

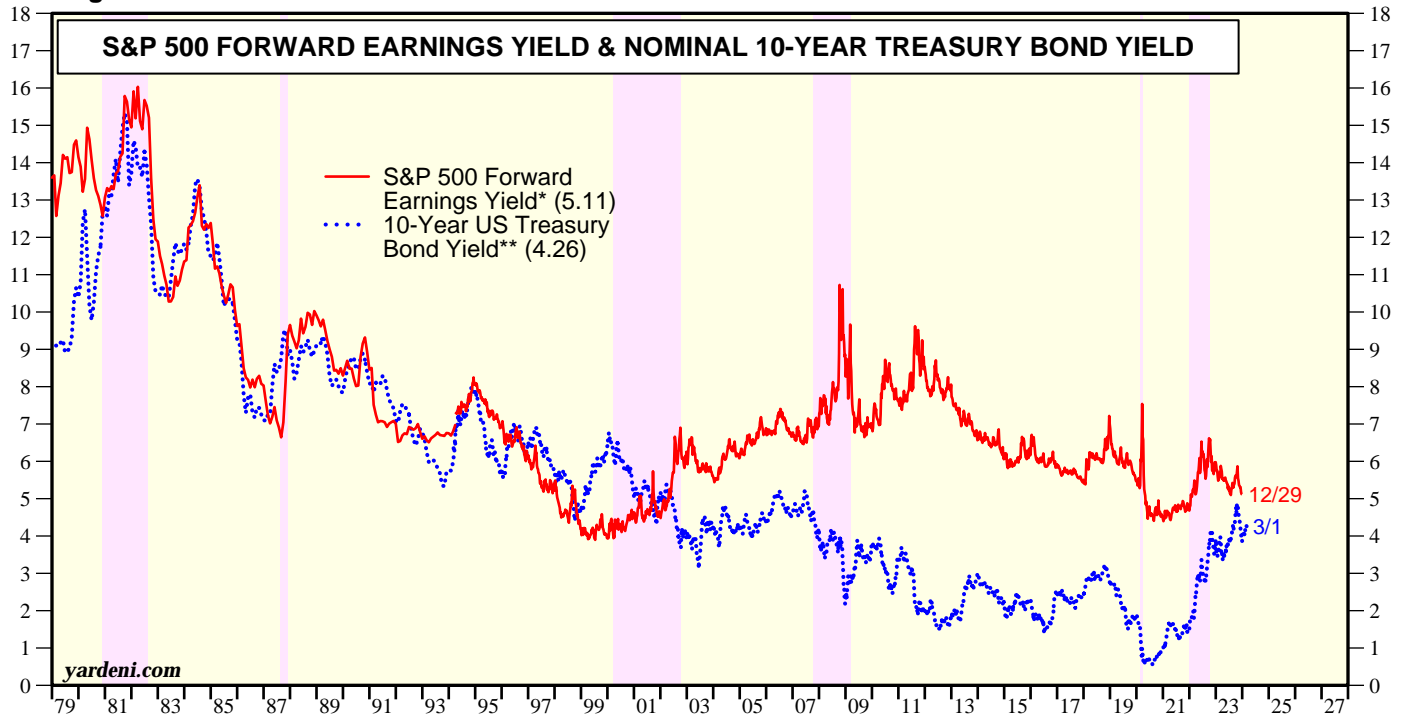


** Four-quarter trailing sum of reported earnings through 1978, then time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year. Monthly from January 1979 through April 1994, then weekly.

** Monthly from April 1953 through December 1961, then weekly.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets
 Source: I/B/E/S data by Refinitiv, Standard & Poor's, and Federal Reserve Board.

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Figure 35.



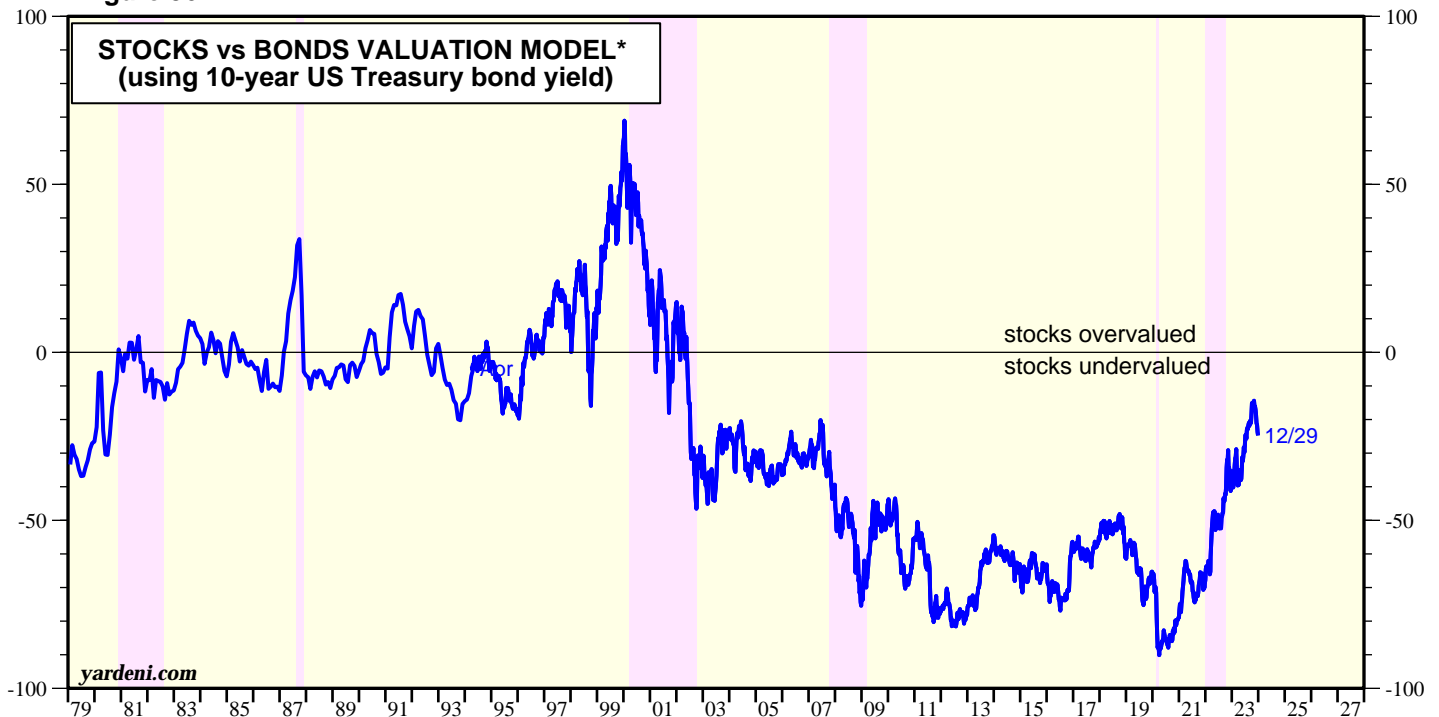
* Year-ahead forward consensus expected earnings divided by S&P 500 stock price index. Monthly through March 1994, then weekly.

** Monthly through March 1994, then weekly.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.

Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

Figure 36.



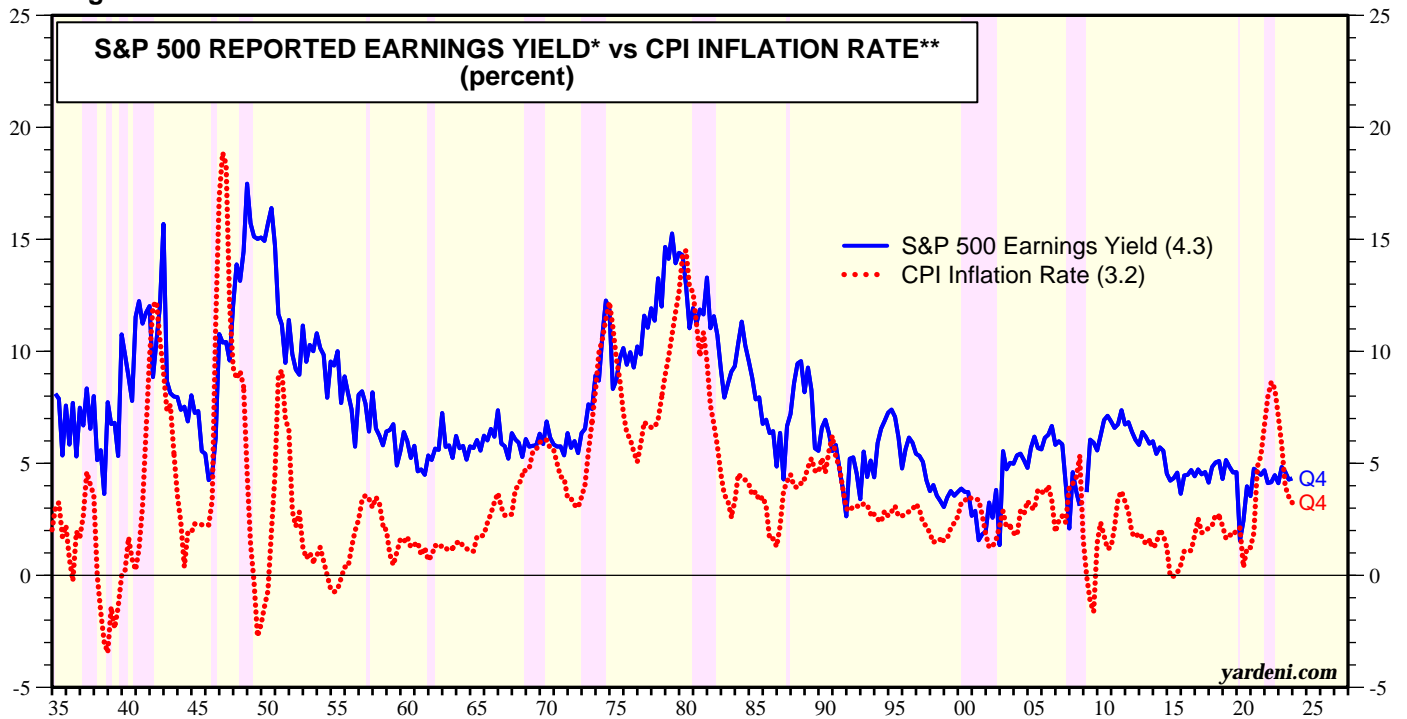
* S&P 500 stock price index divided by S&P 500 fair-value price defined as year-ahead forward analysts' consensus expected S&P 500 operating earnings divided by 10-year US Treasury bond yield converted to percentage. Monthly through April 1994, then weekly.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.

Source: I/B/E/S data by Refinitiv and Federal Reserve Board.

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Figure 37.



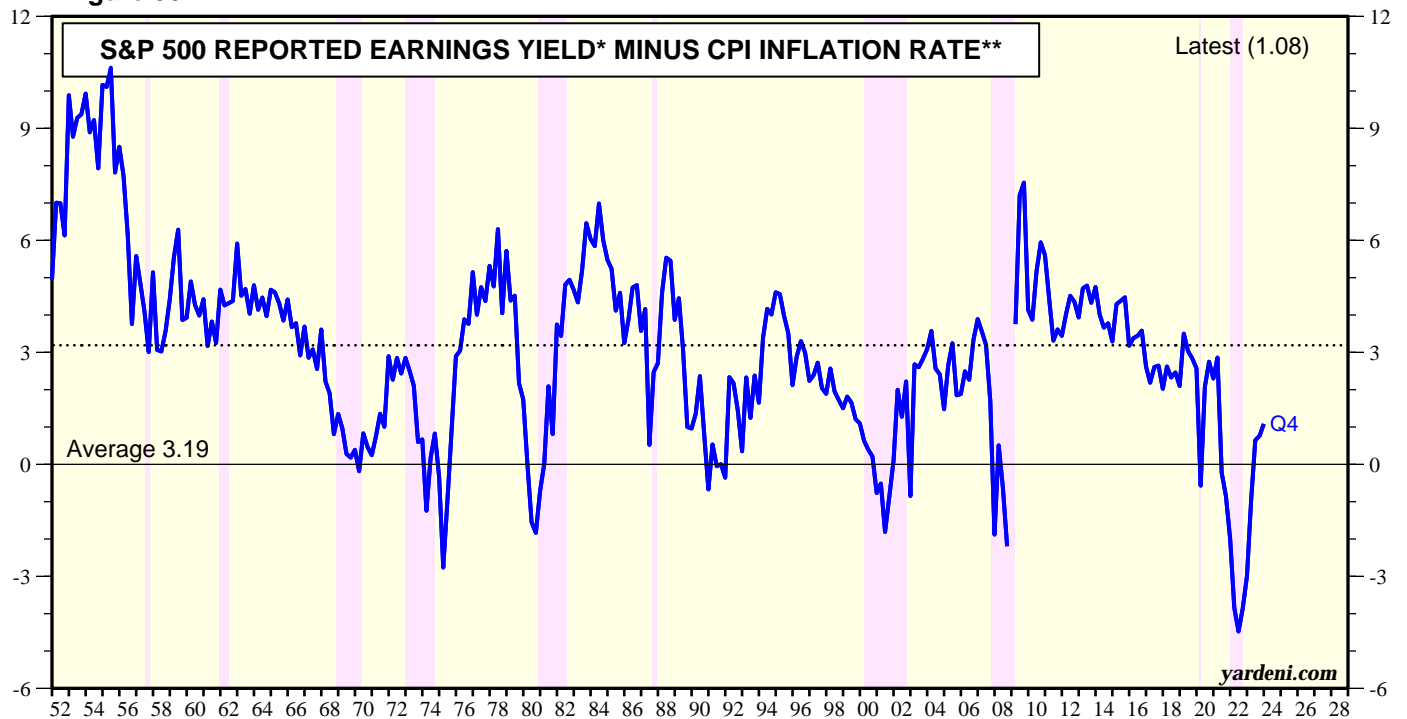
* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of large negative value.

** Year-over-year percent change in three-month average of each quarter.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.

Source: Standard & Poor's and Bureau of Labor Statistics.

Figure 38.



* S&P 500 reported earnings as a percent of quarterly average S&P 500 index. Q4-2008 dropped because of large negative value.

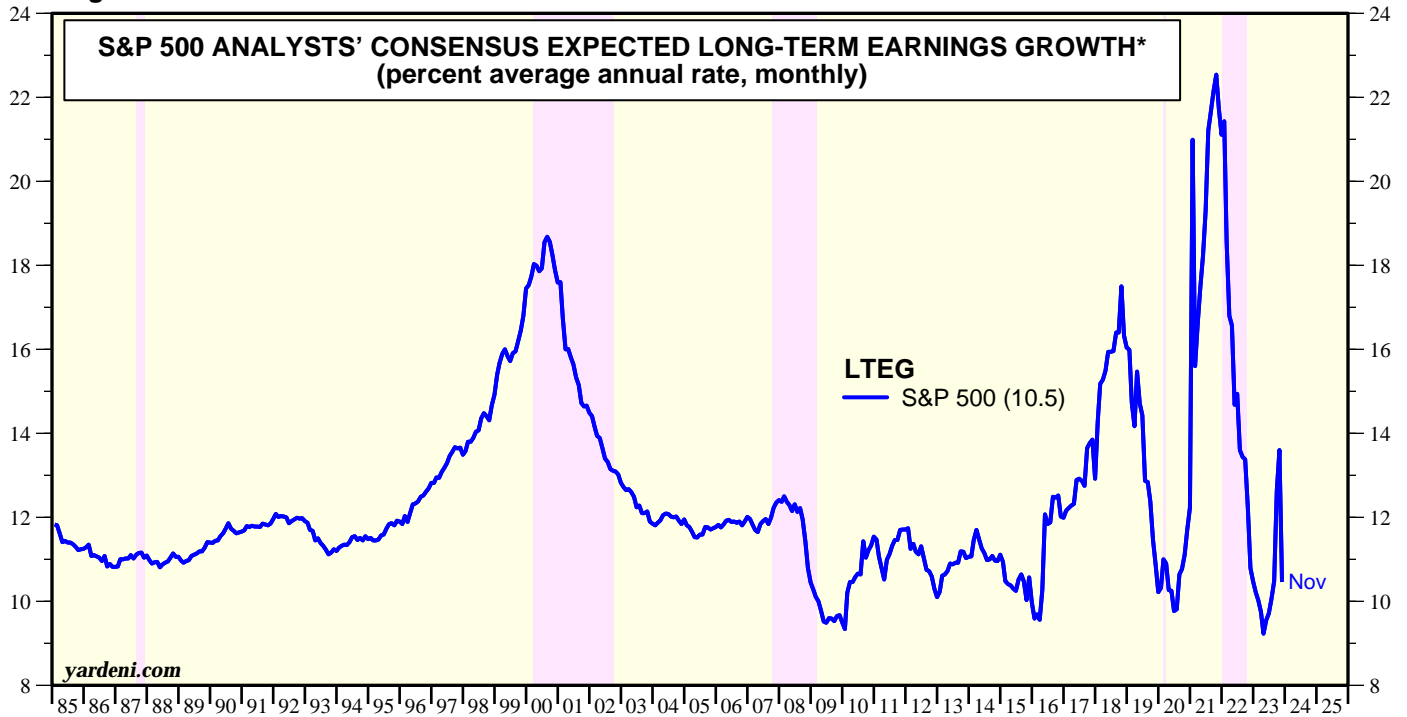
** Year-over-year percent change in three-month average of each quarter.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.

Source: Standard & Poor's and Bureau of Labor Statistics.

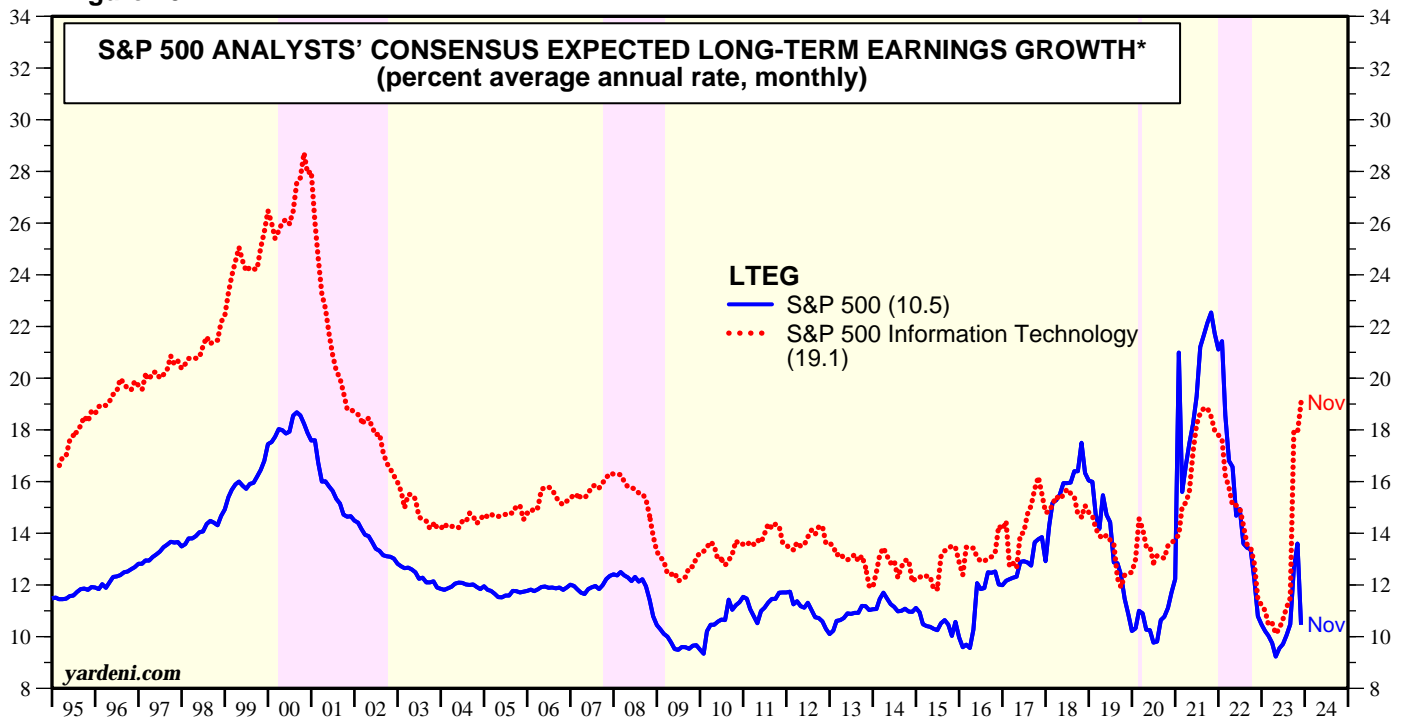
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Figure 39.



* LTEG = analysts' consensus expected 5-year average annual earnings growth.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
Source: I/B/E/S data by Refinitiv.

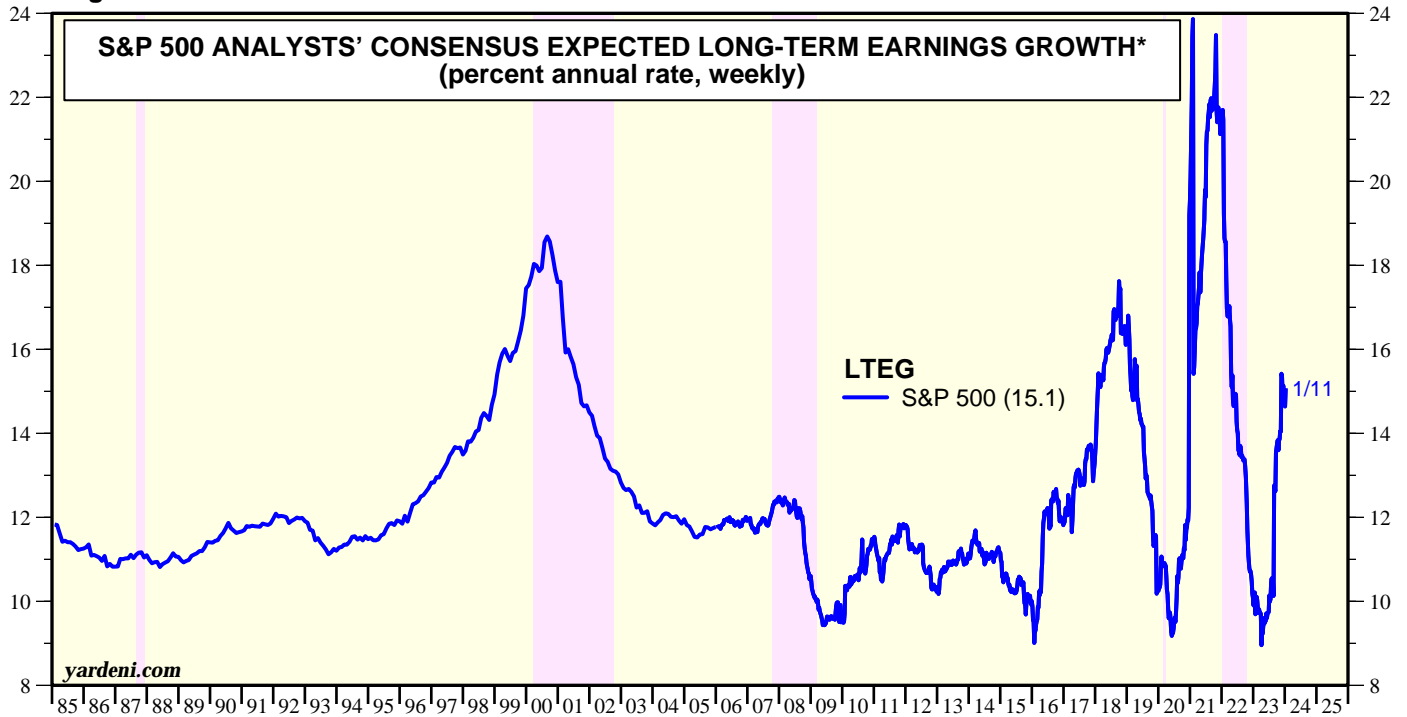
Figure 40.



* LTEG = analysts' consensus expected 5-year average annual earnings growth.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
Source: I/B/E/S data by Refinitiv.

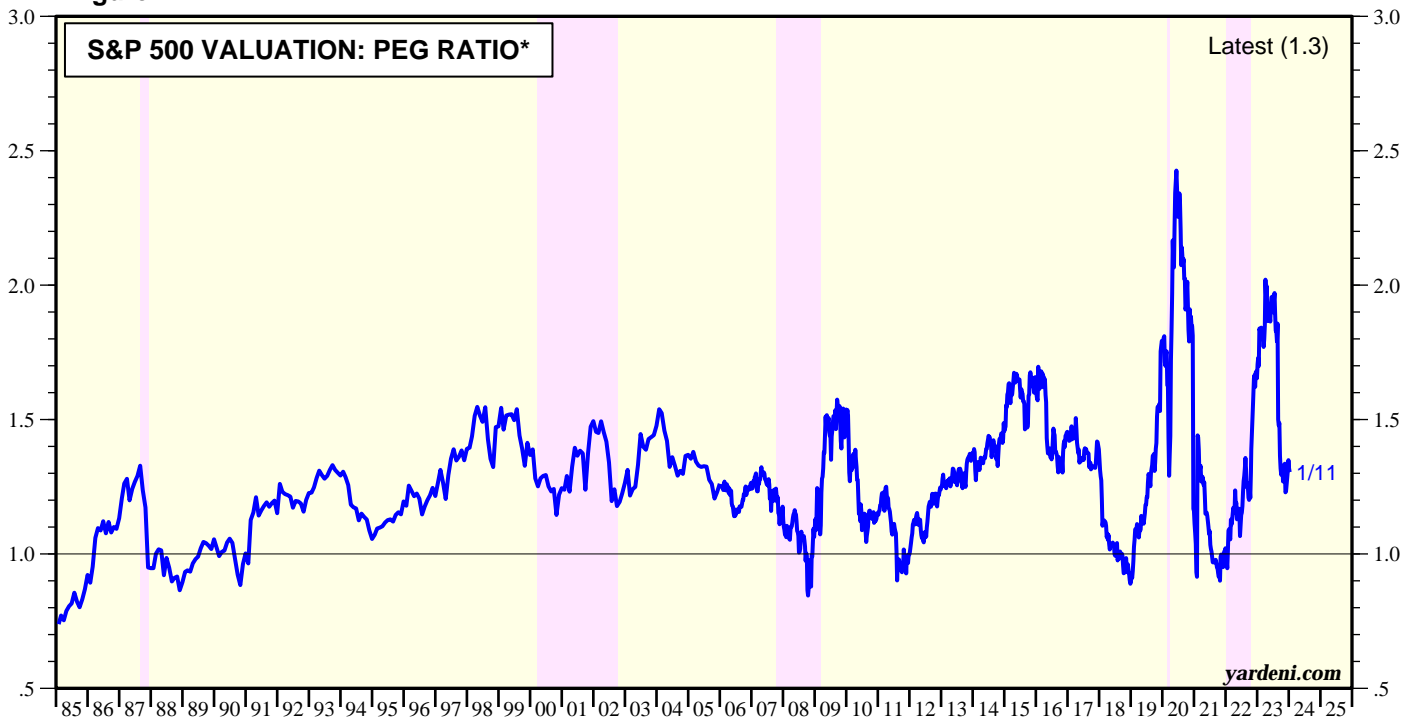
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Figure 41.



* LTEG = analysts' consensus expected 5-year average annual earnings growth. Monthly data through 2005, then weekly.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
Source: I/B/E/S data by Refinitiv.

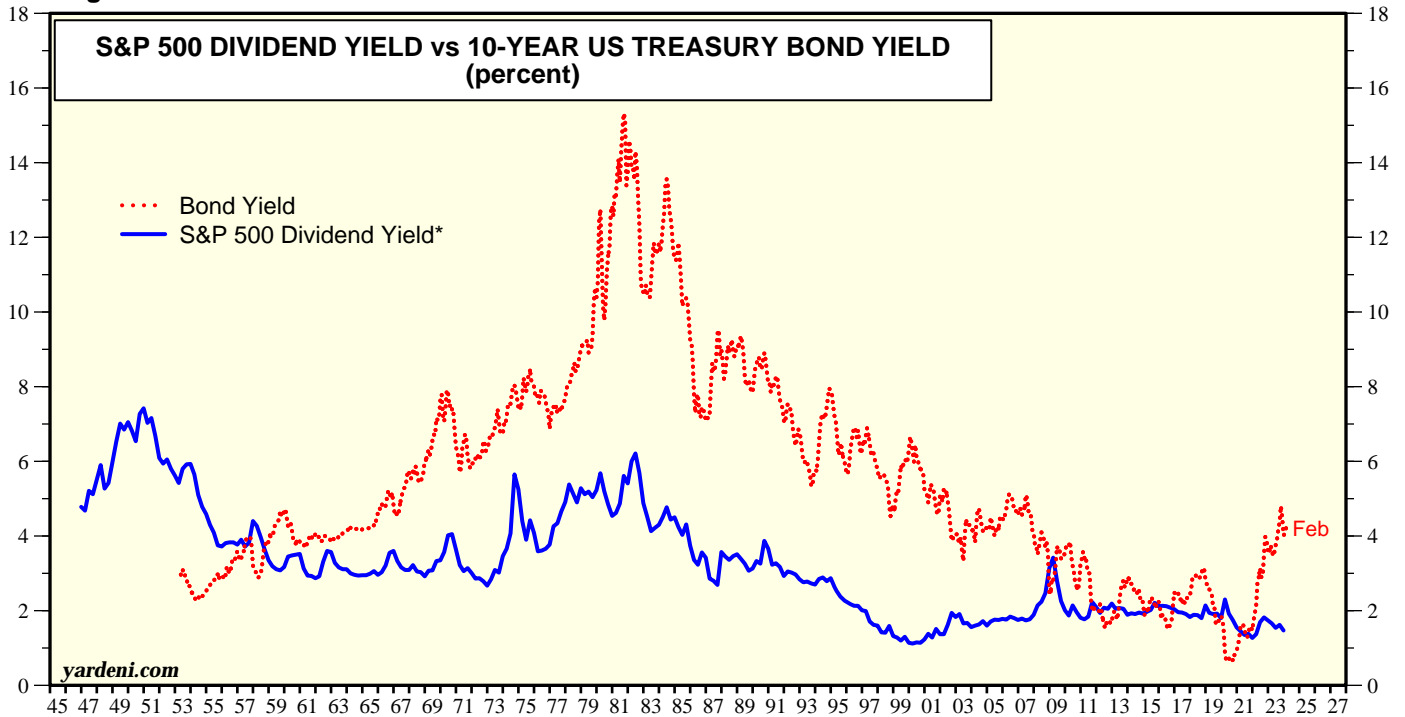
Figure 42.



* S&P 500 forward P/E divided by analysts' consensus expected 5-year average annual earnings growth (LTEG). Monthly data through 2005, then weekly.
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
Source: I/B/E/S data by Refinitiv.

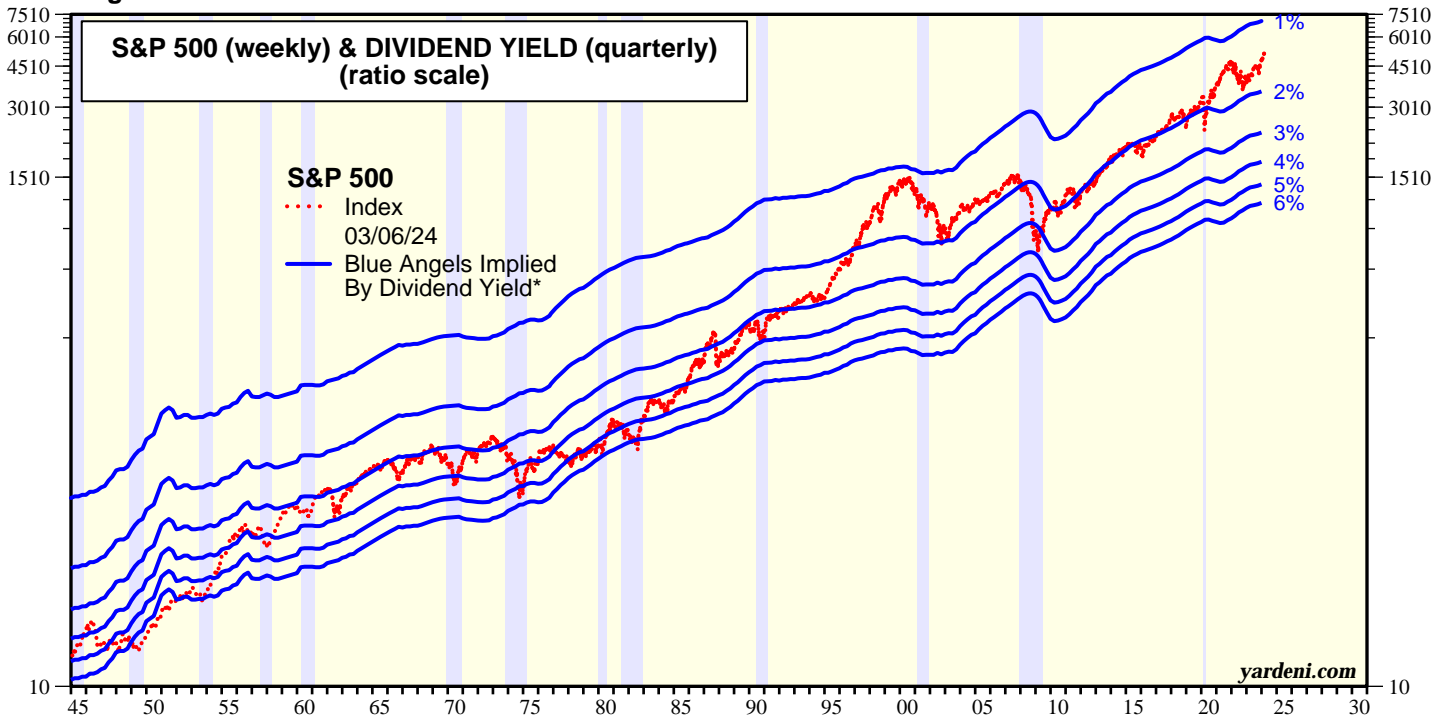
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Figure 43.



* S&P 500 four-quarter trailing dividends per share divided by quarterly closing value of the S&P 500 index.
 Source: Standard & Poor's and Federal Reserve Board.

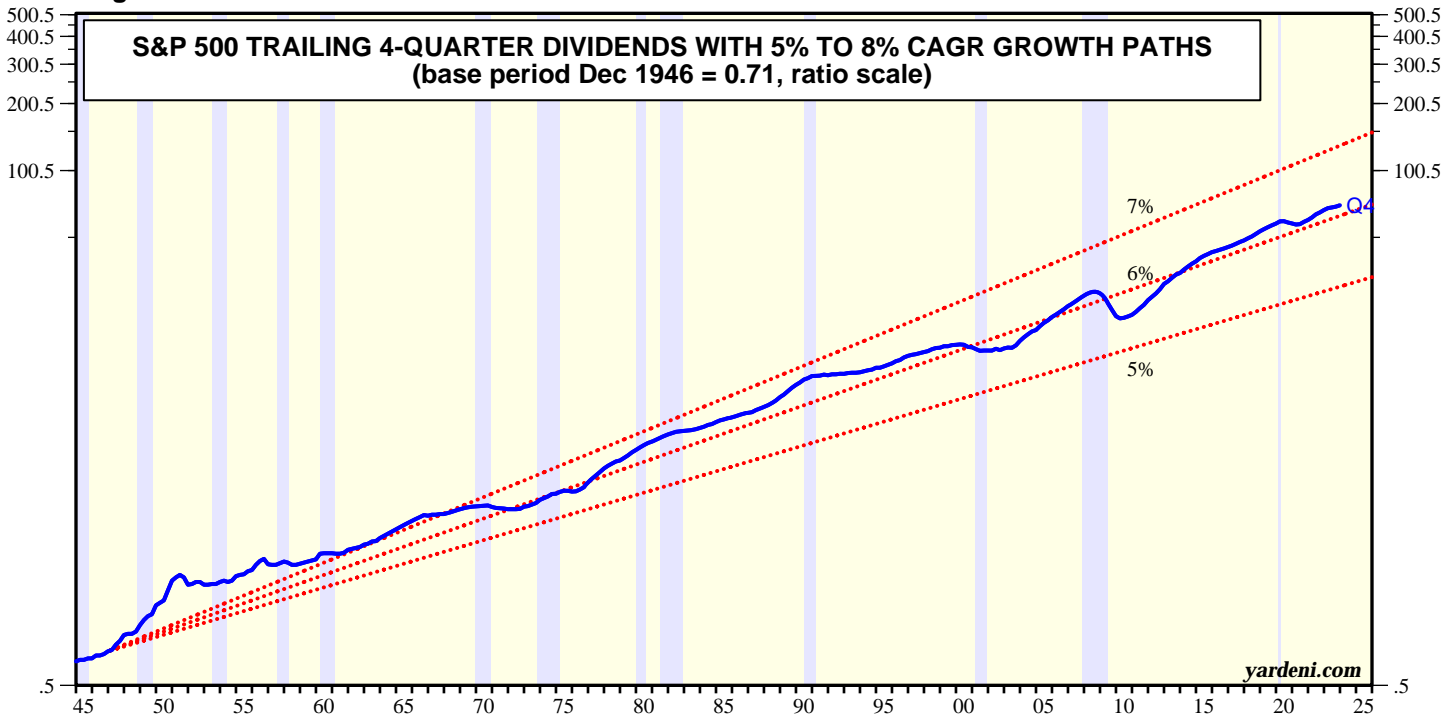
Figure 44.



* Blue lines show hypothetical values of S&P 500 stock price index using actual S&P 500 dividend (4-quarter trailing sum) divided by dividend yields from 1.0% to 6.0%.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Standard & Poor's.

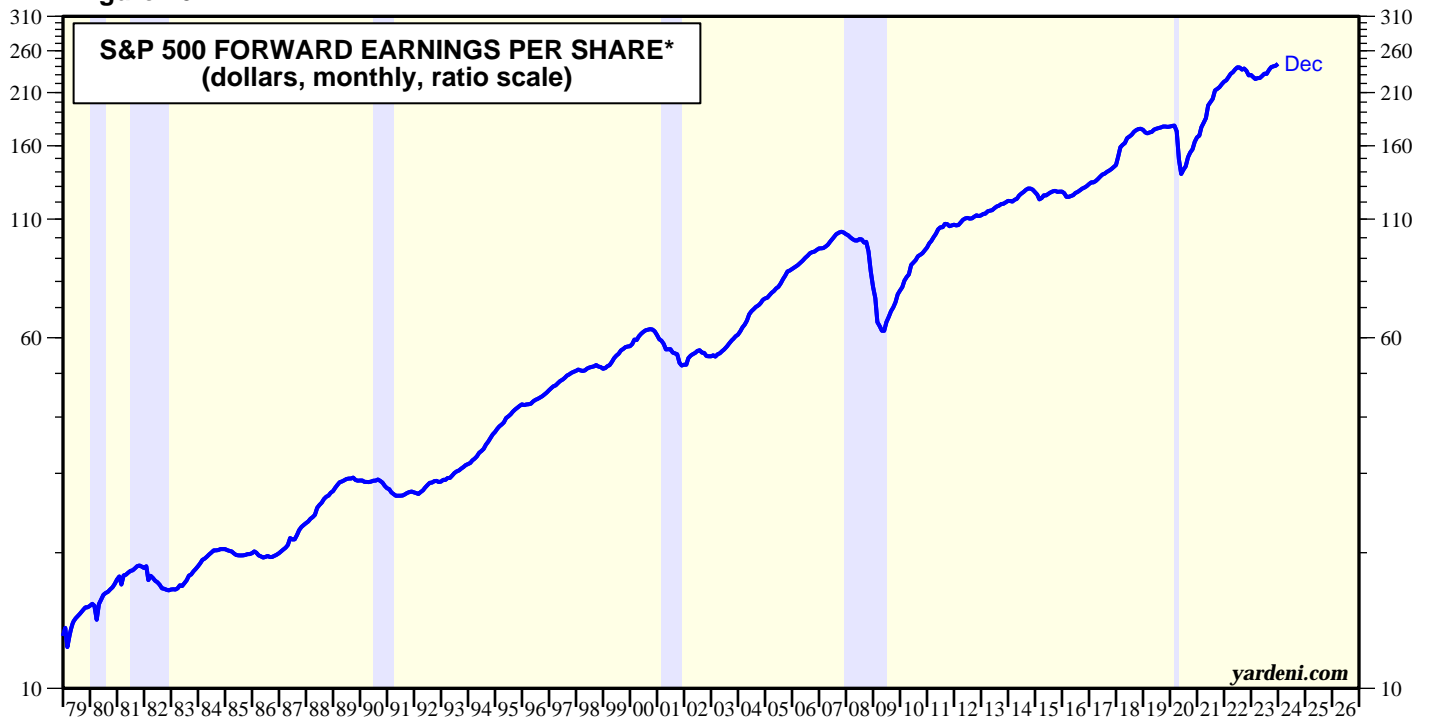
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Figure 45.



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

Figure 46.



* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.

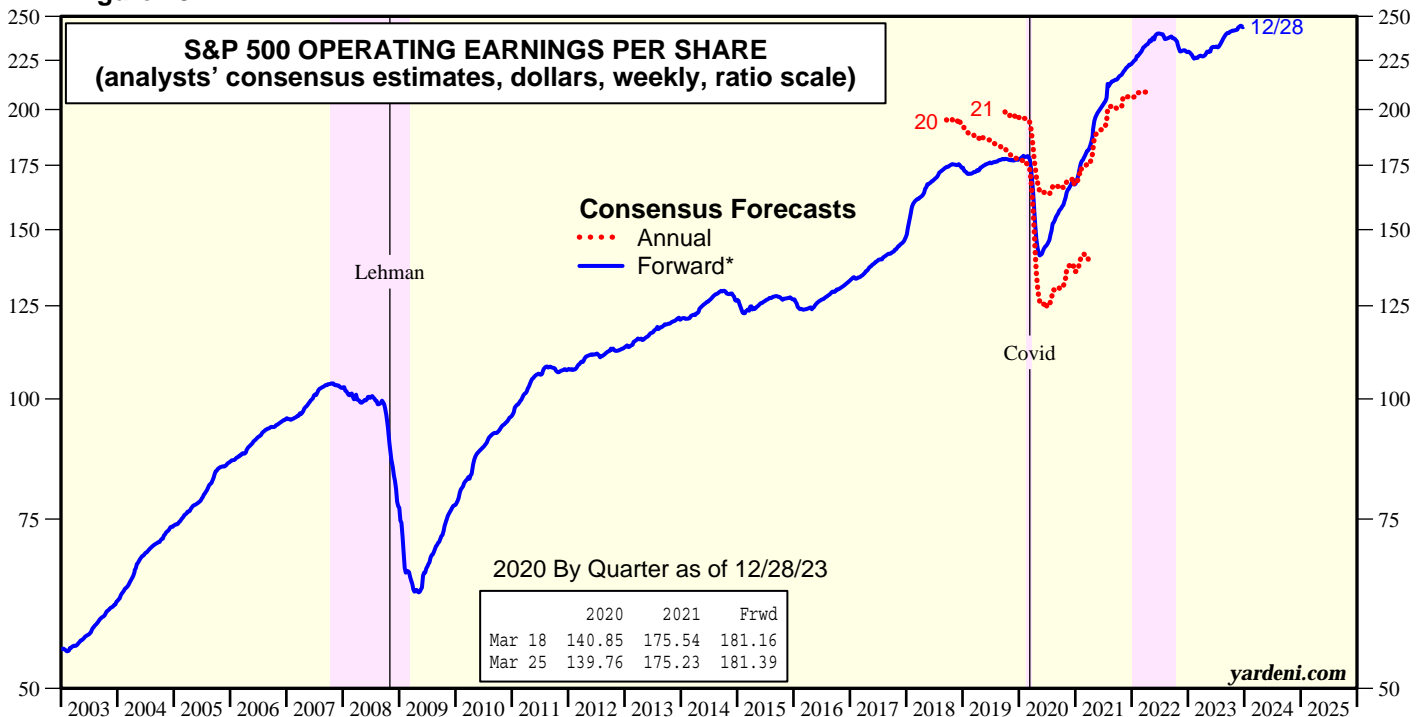
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Figure 47.



Note: Lehman collapsed 9/15/2008. COVID-19 declared global pandemic 3/11/2020.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: Standard & Poor's.

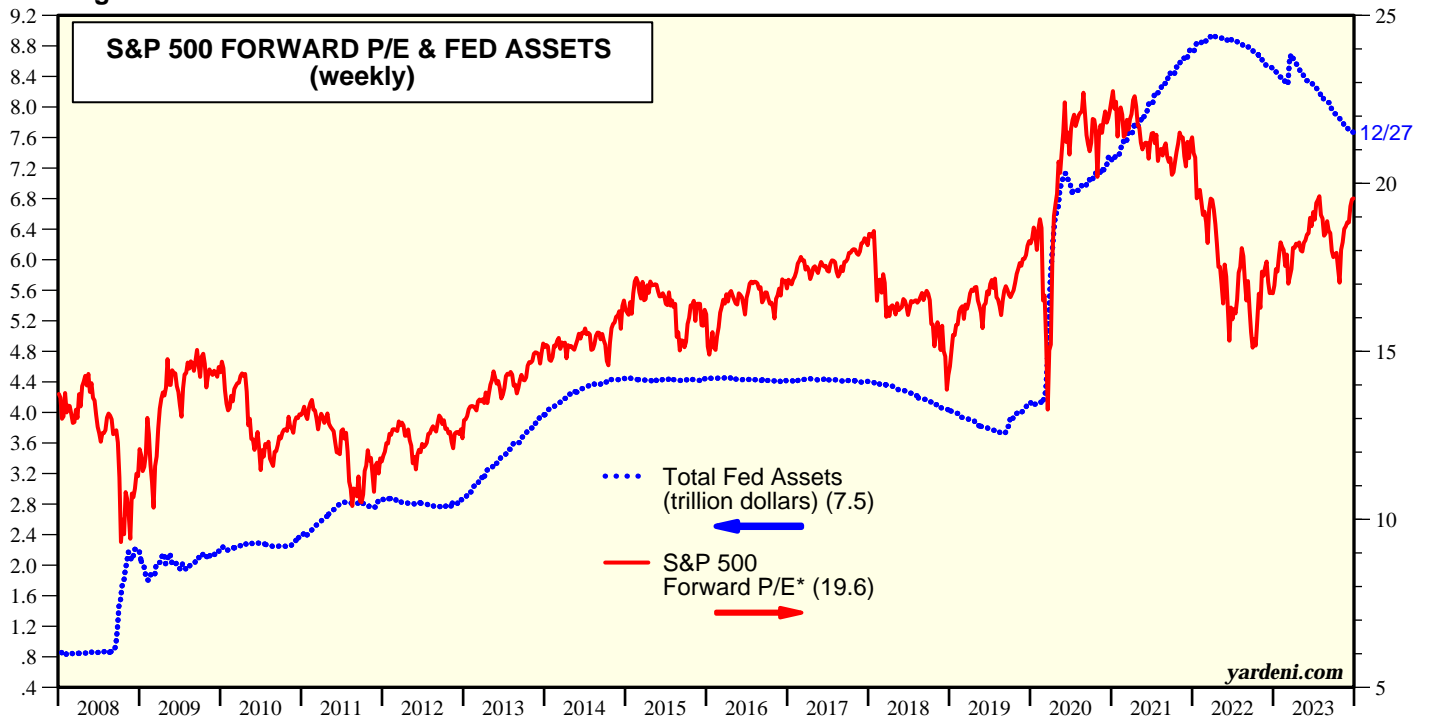
Figure 48.



* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings per share for current year and next year.
 Note: Lehman collapsed 9/15/2008. COVID-19 declared global pandemic 3/11/2020.
 Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.
 Source: I/B/E/S data by Refinitiv.

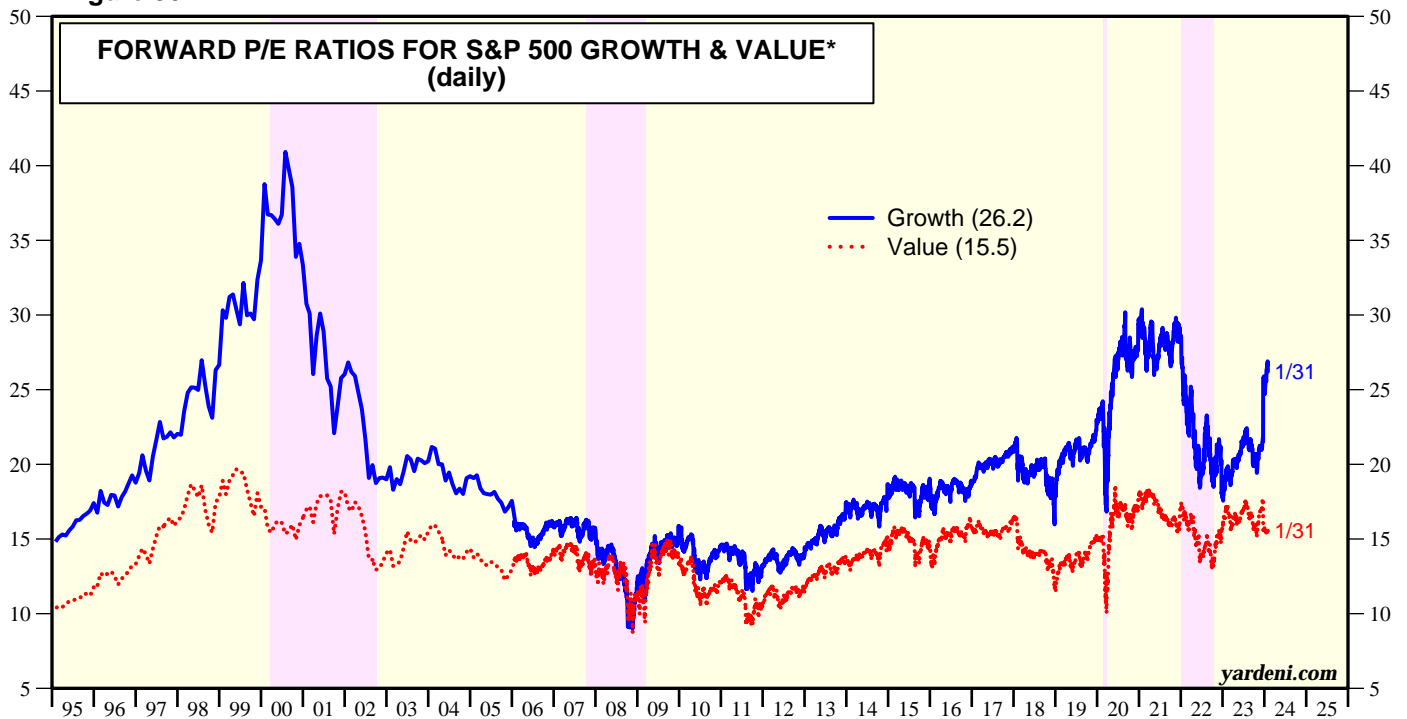
Topical Study #4

Figure 49.



* S&P 500 index divided by year-ahead forward analysts' consensus expected S&P 500 operating earnings per share. Source: Federal Reserve Board, I/B/E/S data by Refinitiv, and Standard & Poor's.

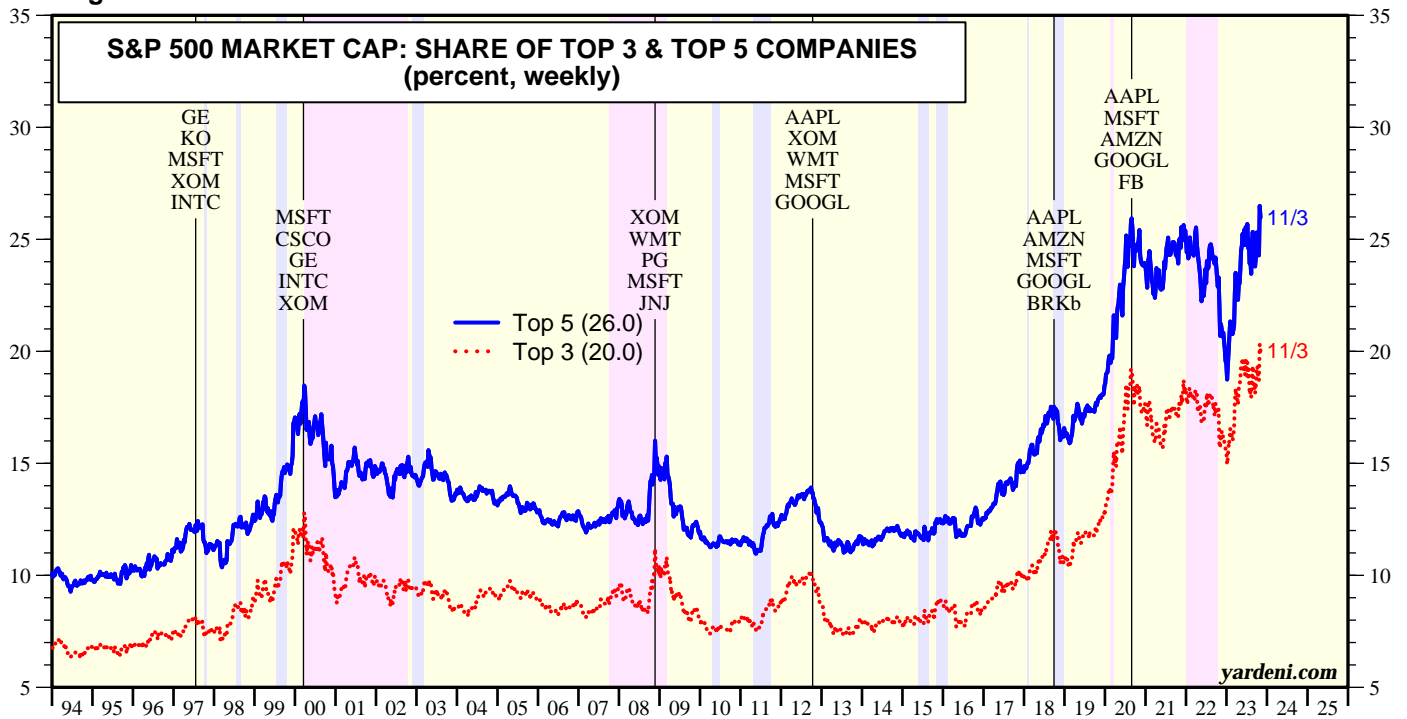
Figure 50.



* Stock price index divided by year-ahead forward analysts' consensus expected operating earnings per share. Monthly data through December 2005, then daily. Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets. Source: I/B/E/S data by Refinitiv.

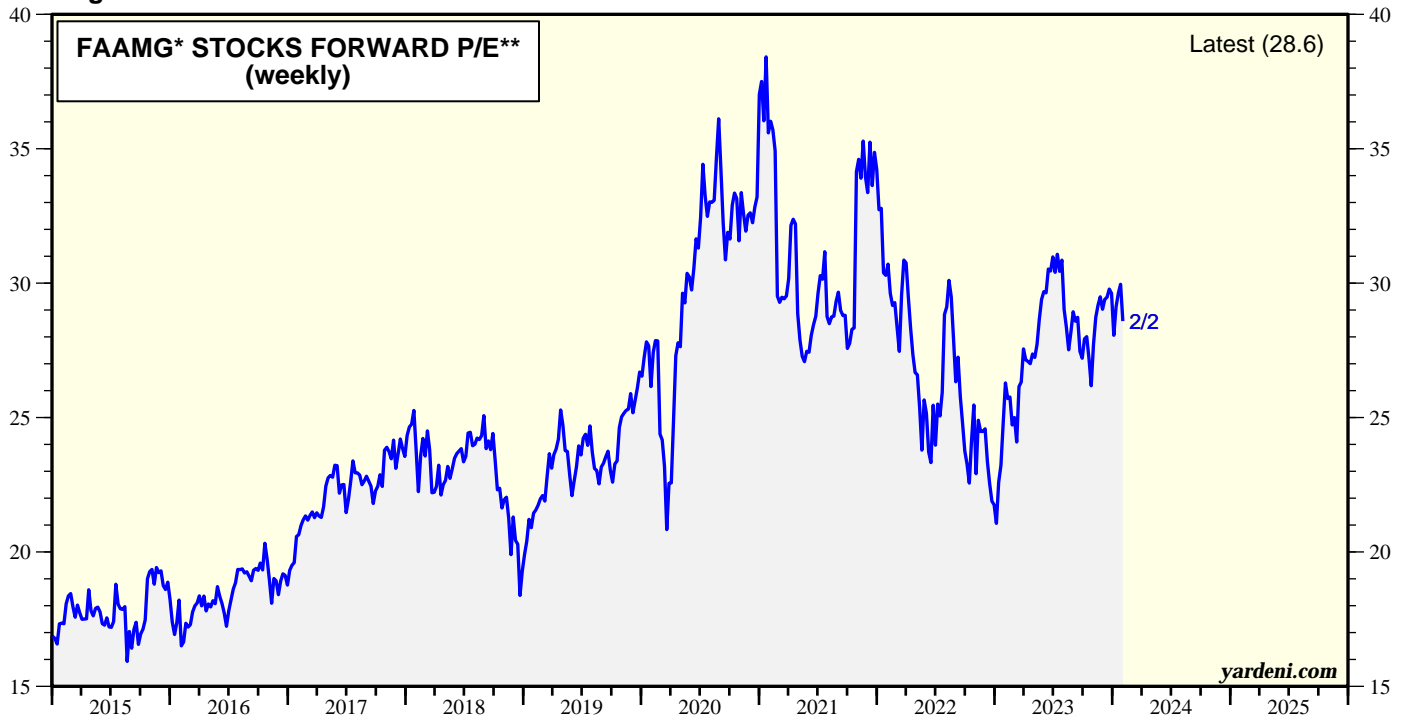
Topical Study #4

Figure 51.



Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Blue shaded areas are correction declines of 10% to less than 20%. Yellow areas are bull markets.
 Source: Yardeni Research using Standard & Poor's and I/B/E/S data by Refinitiv.

Figure 52.



* FAAMG stocks include Facebook, Amazon, Apple, Microsoft, and Google (Alphabet). Both classes of Alphabet are included.
 ** Market cap divided by aggregate forward consensus expected operating earnings.
 Source: I/B/E/S data by Refinitiv.

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