

THE HALFTIME REPORT

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With NFL training camps starting up this week, its time to bring out a football analogy as we comment on Q2 earnings and kick off the third quarter.

As of July 27, we are just over half way through the reporting season. To date, 311 of the constituents in the S&P 500 have reported results and they are coming in better-than-expected once again.

Amidst market conditions where some are claiming that “the end is near,” investors should take solace in knowing that 65.6% of the 311 companies who have reported have surpassed analyst’s expectations.

As of June 9, Thomson Financial was forecasting earnings growth of just 3.8% for the S&P 500 in Q2. To date, overall earnings are 9.7% higher on a share-weighted basis compared to the same quarter a year ago.

While negative surprises have been observed largely in the financial sector (specifically among banks), Consumer Staples, Industrials, and Health Care have enjoyed the majority of the positive surprises. Consumer Staples alone has currently reported a buoyant 81% of constituents with positive earnings surprises.

Despite this week’s market sell-off, stock prices are driven by earnings growth over the long term. As the remaining S&P 500 companies gear up to report their earnings and the market continues to digest the abundance of positive surprises, it is reasonable to expect that the near-term market sell-off will be just as the name implies.

Earnings Surprise - Top Reporters

MOT - Motorola	+300%
VRSN - VeriSign	+145%
MUR - Murphy Oil Co.	+67.1%
SYMC - Symantec	+52.6%
TXT - Textron	+38.5%
TER - Teradyne	+33.3%
AAPL - Apple	+29.5%

Positive EPS Surprises - % Per Quarter

