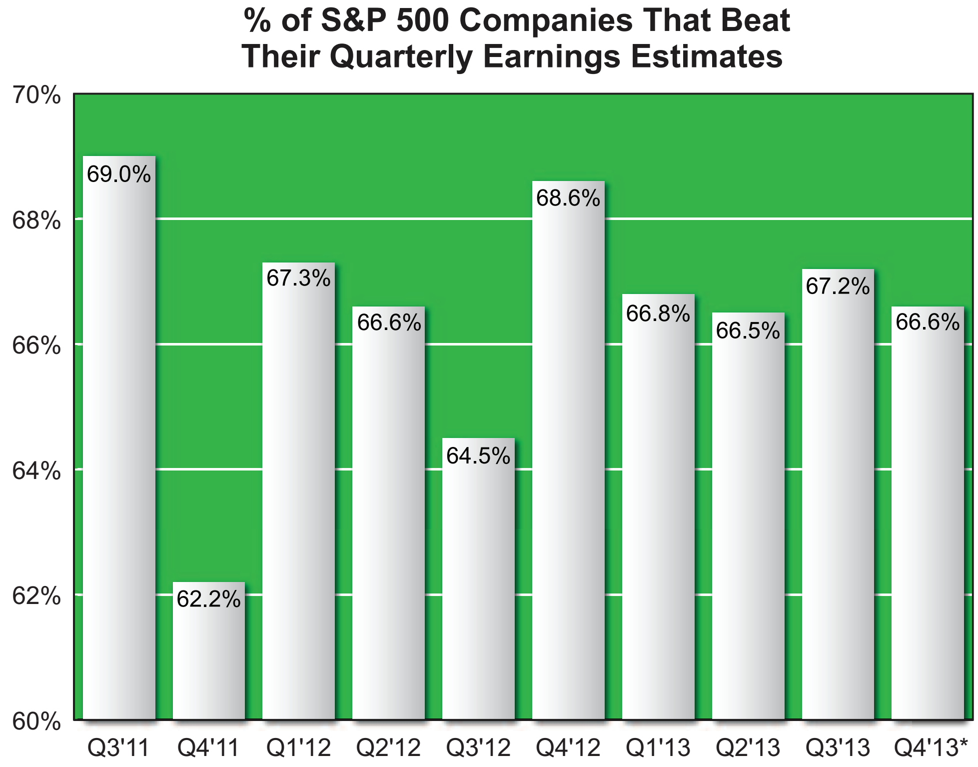
# S&P 500 Earnings Beat Rate On The Mark For Q4'13




*Source: Bloomberg*

## View from the Observation Deck

1. From Q3'11 through Q3'13, the average quarterly earnings beat rate for S&P 500 companies was 66.5%. The 66.6% beat rate so far in Q4'13 is on the mark.
2. Whenever a bull market runs this long (59.5 months and counting) it is natural for some investors to question its staying power.
3. The S&P 500 has not experienced a 10% correction in 870 days, as of 2/20/14. The longest stretch without a 10% correction was 2,553 days (10/11/90-10/7/97), according to Bespoke Investment Group.
4. This suggests that, while always a possibility, a correction in the stock market is not necessarily imminent. Just like drop in corporate earnings is not necessarily imminent simply because the U.S. economic expansion is nearly 56 months old.
5. Brian Wesbury, Chief Economist at First Trust Advisors L.P., characterizes this expansion as a "Plow Horse" recovery. Its growth pace has been notably slower than in previous recoveries.
6. The silver lining is that many of the major economist surveys/forecasts show that they expect U.S. real GDP growth to accelerate in 2014 to around 2.8%, up from 2.2% actual growth in 2013, according to the Bureau of Economic Analysis.
7. Bloomberg estimates that S&P 500 earnings will rise to $117.71 in 2014. That would set another all-time high. The previous high was $108.28 in 2013. Earnings stood at $58.33 in 2008, the year of the financial crisis.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.*