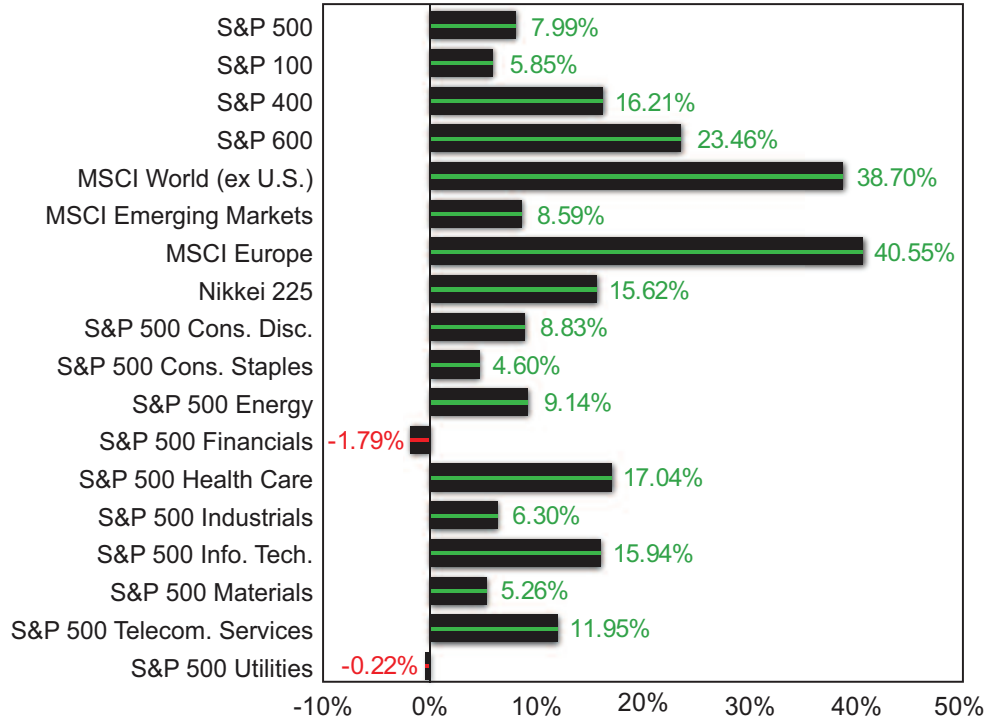


2014 Earnings Snapshot

2014 Estimated EPS Growth Rates For Major Equity Indices



Source: Bloomberg.
As of 5/7/14.
Past performance is no
guarantee of future results.

View from the Observation Deck

1. Today's blog post is an updated version of one we did on 2/11/14. Earnings estimates are monitored and adjusted often throughout the calendar year.
2. The biggest difference between today's earnings growth rate estimates for 2014 and this past February's is that there are currently 8 equity indices (see chart) with double-digit projections, compared to 11 on 2/11/14.
3. Another notable difference is that Bloomberg is currently forecasting negative earnings growth rates for Financials and Utilities. All of the estimates for the 18 indices cited were positive on 2/11/14 (data as of 2/6/14).
4. The 7.99% earnings growth rate estimate for the S&P 500 is still encouraging, in our opinion, considering the index stood just 0.63% below its all-time high of 1890.90 (4/2/14) on 5/7/14.
5. We believe that earnings growth drives the direction of stock prices over time, especially when the markets are trading at or near all-time highs.
6. From 1926-2013, the average annual total return on the S&P 500 was 10.08%, according to Ibbotson Associates/Morningstar.
7. The current 7.99% earnings growth estimate is approximately 2 percentage points below that 10.08% average.
8. We think that the 7.99% estimate could be adjusted higher if economic activity accelerates in the next couple of quarters.
9. European equities are perhaps the most intriguing opportunity in 2014, in our opinion. The 40.55% earnings growth rate estimate for the MSCI Europe Index (lowered from February's 46.76% est.), remains the highest of all the indices in the chart.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the 10 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. The S&P 100 Index is a capitalization-weighted index based on 100 highly capitalized stocks selected from the S&P 500 for which options are listed. The S&P 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization. The MSCI World (ex-U.S.) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Europe Index is a free-float weighted index designed to measure the performance of the developed equity markets in Europe. The Nikkei 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.