2018 & 2019 Earnings Snapshot

View from the Observation Deck

1. With just three months left in 2017, we thought it would be a good time to look ahead to the 2018 and 2019 year-over-year earnings growth projections for a number of major stock indices.

2. We often note that we believe that corporate earnings determine the direction of stock prices over time, particularly when the major indices are trading at or near record highs.

3. From 1926 through 2016, the S&P 500 Index posted an average annual total return of 10.04%, according to Ibbotson Associates/Morningstar. The 10.04% annual gain is roughly in line with the S&P 500 Index’s 2018 and 2019 earnings growth rate estimates (see chart).

4. With respect to the 2018 earnings growth rate estimates, the indices in the chart with positive double-digit projections are as follows (Highest-Lowest): S&P 500 Energy; S&P SmallCap 600; S&P 500 Materials; MSCI Emerging Markets; S&P MidCap 400; S&P 500 Financials; S&P 500 Information Technology; S&P 500 Industrials; S&P 500; S&P 100; S&P 500 Consumer Discretionary; and Nikkei 225.

5. With respect to the 2019 earnings growth rate estimates, the indices in the chart with positive double-digit projections are as follows (Highest-Lowest): S&P 500 Energy; S&P SmallCap 600; S&P 500 Consumer Discretionary; MSCI Emerging Markets; S&P 500 Real Estate; Nikkei 225; S&P MidCap 400; S&P 500 Industrials; S&P 100; S&P 500 Materials; and S&P 500.

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. There can be no assurance that any of the projections cited will occur. 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 11 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 MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P SmallCap 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 excluding the U.S. 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-adjusted 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.

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