The Outlook For S&P 500 Index Earnings Reflects Strength Through Year-End

View from the Observation Deck

1. Today's chart is intended to give investors some visual perspective on where equity analysts think earnings are headed. Earnings estimates are subject to change.

2. From Q1'15 to Q4'17 (see chart), S&P 500 Index earnings are expected to rise from $26.21 per share to an estimated $35.25 per share, or an increase of 34.50%.

3. We believe that corporate earnings drive the direction of stock prices over time, especially when the major indices are trading at or near record highs. Revenue growth from rising sales is critical at this stage of the recovery, in our opinion.

4. The S&P 500 Index closed 5/22/17 at 2,394.03, which was 0.35% below its all-time high of 2,402.32 established on 5/15/17, according to Bloomberg.

5. The estimated revenue growth rate for the S&P 500 Index for 2017 was 5.76% as of 5/19/17, up from an estimated 1.64% in 2016, according to Bloomberg.

6. The estimated price-to-earnings ratio on the S&P 500 Index for year-end 2017 was 18.44 as of 5/22/17, below its three-year average of 19.11, according to Bloomberg.

7. For the three-year period ended 5/22/17, the S&P 500 Index posted a cumulative total return of 34.74% (10.44% average annualized), according to Bloomberg.

8. From 1926 through 2016, the S&P 500 Index posted an average annual total return of 10.04%, according to Morningstar/Ibbotson Associates.


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.