

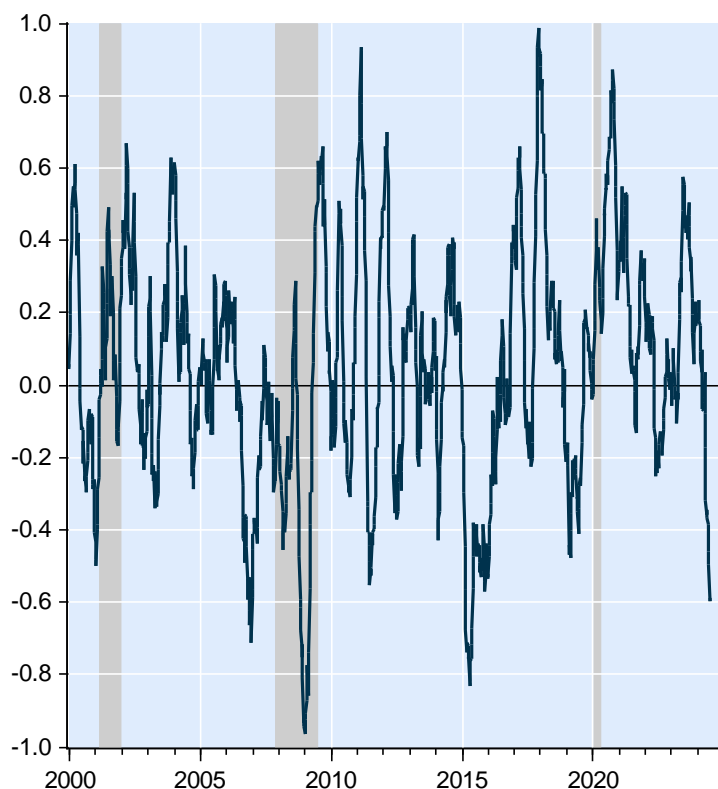
## Market Watch

By **Stéfane Marion / Alexandra Ducharme / Matthieu Arseneau**

The frenzy on US stock markets is being fuelled by ambitious earnings expectations, with the consensus forecasting a 13% increase in S&P 500 earnings per share (EPS) over the next 12 months. But how realistic is this given the current very negative reading of the Bloomberg Economic Surprise Index? As today's Hot Chart shows, earnings forecasts have been revised downwards by an average of 7.2% in the three months following a reading of less than -0.5 on the Bloomberg Economic Surprise Index, which is currently the case. As shown, the Energy, Materials and Financials sectors are usually the ones suffering from the biggest downwards revisions, while Health Care, Consumer Staples and Utilities are only marginally reassessed. **Bottom-line:** we see a significant downside to the consensus estimates for EPS growth in the coming months (more details in our just-released [equity monitor](#))

### U.S.: Economic surprises consistent with downward EPS revisions

Bloomberg economic surprise index, weekly averages



NBF Economics and Strategy (data via Refinitiv and Bloomberg)

S&P 500 3-month earnings revisions depending on surprise index level

	<u>Bloomberg economic surprise index</u>			
	Below -0.5	Between -0.5 and 0	Between 0 and 0.5	Over 0.5
<b>Composite</b>	-7.2	-2.0	-0.9	2.3
<b>Energy</b>	-17.1	-1.4	1.2	8.6
<b>Materials</b>	-12.4	-4.8	-1.8	4.3
<b>Financials</b>	-12.2	-3.1	-0.9	2.4
<b>Cons. disc.</b>	-10.3	-3.6	-1.8	3.9
<b>Industrials</b>	-7.5	-1.8	-1.9	1.2
<b>IT</b>	-5.0	-2.1	-1.2	3.0
<b>Telecom</b>	-4.9	-2.1	-1.7	0.0
<b>Utilities</b>	-2.7	-0.5	-0.8	-0.4
<b>Cons.stap.</b>	-2.2	-1.0	-0.8	0.7
<b>Health care</b>	-1.1	-0.5	-0.6	0.8



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