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## SUMMARY

- Q4 earnings were generally positive for S&P 500 companies.
- Earnings beats and growth driven primarily by technology companies.
- Earnings growth should continue to be a positive driver for stocks in '24, in our view.

epitomized by the S&P 600. This helps corroborate our view that large-cap companies have fewer headwinds than small-cap companies currently, relating to less leverage on balance sheets resulting in lower interest expense and greater access to capital in a rising interest rate environment.

**These beat rates were led by the technology sector, which boasted close to 90% of companies beating earnings.** We share the market's excitement over how artificial intelligence adoption has now passed the 'tipping point', with profound positive impacts on the tech semiconductor, hardware, and software ecosystem. Analysts are now looking for approximately 17% earnings growth for the S&P 500 in fiscal year 2024, led by technology and technology-related communication services firms; both sectors have expected earnings growth rates of over 20% (source: NDR Research). We continue to favor the tech sector, with a particular emphasis on large-cap, high free-cash-flow-generating companies.

DATE 03.12.2024

## Q4 Earnings Roundup: On the Whole, Wholly Good

### S&P 500 Earnings Continues to Shine Relative to Small-Cap, International

In RiverFront's [2024 Outlook](#), we presented our thesis that US corporate earnings were likely to continue their winning ways this year. Our confidence in earnings growth represents a key reason we remain constructive on stocks, despite elevated valuations in some areas of the market. With over 90% of S&P 500 companies now having reported fourth quarter results, we have our first real chance this year to evaluate how our earnings thesis is playing out.

### Q4 Results: US Large Caps Better Than Small-Caps, Other Geographies

The bottom line: so far, so good (in our view)! **Fourth quarter earnings season was strong for the S&P 500**...particularly relative to smaller-capitalization US companies and other geographies outside the US. **Roughly three-fourths (77%) of S&P 500 companies' earnings-per-share (EPS) results surprised to the upside relative to estimates.** The median S&P 500 company beat its' estimate by +10.7% (source: NDR Research). This percentage of companies beating was higher in the S&P 500 - by a wide margin - than in international markets such as MSCI Europe and Japan (see Table 1, right). This helps confirm our view that US corporate earnings are generally likely to stay stronger than [international earnings](#).

This percentage beat rate for the S&P 500 was also superior to US smaller-cap companies, as

**Table 1: S&P 500 Leads in Positive Q4 Earnings Surprises**

Region/Country	% Positive Earnings Surprises
S&P 500	77.1
S&P 600 (small-cap)	62.5
Europe ex. U.K.	56.5
Japan	55.4

Source: NDR Research, RiverFront; data quarterly, as of February 29, 2024. Chart shown for illustrative purposes only. Past performance is no indication of future results. See NDR Disclaimer at [ndr.com/copyright.html](http://ndr.com/copyright.html). For data vendor disclaimers refer to [ndr.com/vendorinfo/](http://ndr.com/vendorinfo/).

## Looking Forward: Earnings Revisions Improving Again for S&P 500, Led by Tech

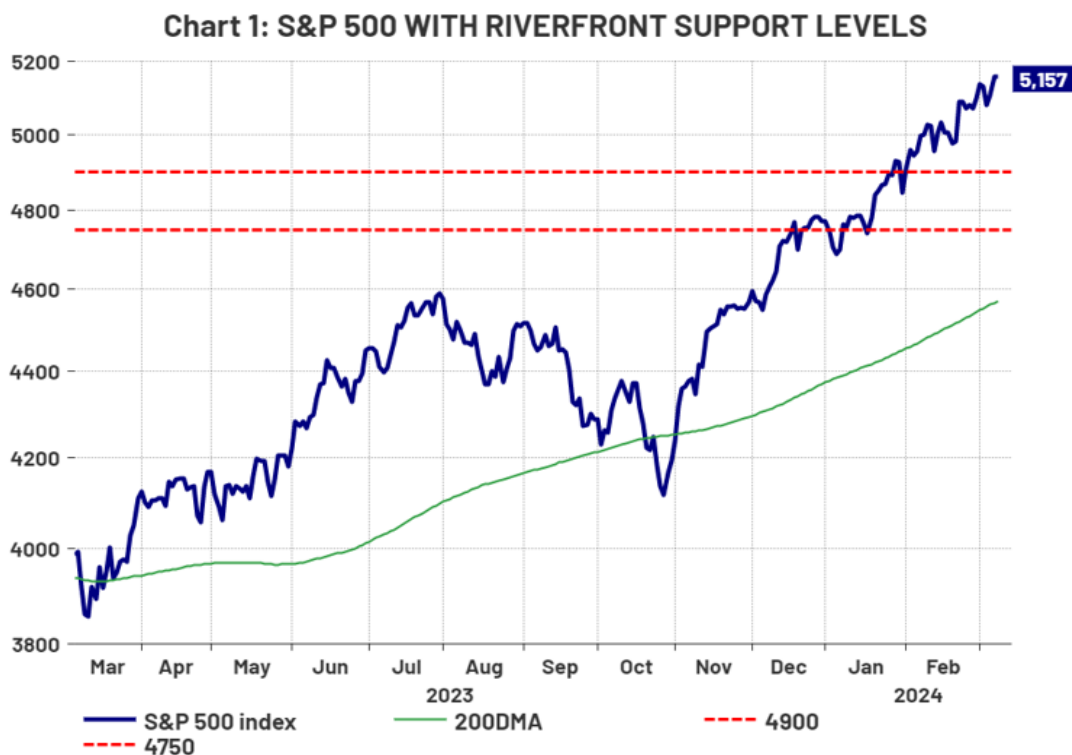
As background, earnings estimates are published by Wall Street analysts for every company in the S&P 500, as well as many other companies. Analysts derive these estimates by monitoring industry trends, reviewing data, guidance furnished by company management, and through conversations with employees, suppliers, and customers. RiverFront believes that, by aggregating these estimates together into indexes, and studying how these aggregate estimates change over time, investors can glean valuable insight into the momentum of various indices and sectors.

Encouragingly, the ‘momentum’ of these estimates— defined by RiverFront as the percentage of net positive earnings revisions as a percentage of total estimates in a particular index - have started improving again for most S&P 500 sectors, after bottoming in the second half of 2023. Since then, there have been more positive earnings revisions than negative ones in tech, comm services, and financials. This is important, as we believe that this aggregate earnings momentum indicator at the index level tends to be a helpful confirmation signal for upturns in corporate earnings cycles.

## Conclusion: Bull Market Remains Healthy, Even with a Potential Pullback

We believe corporate earnings will continue to be a positive catalyst for US stocks, and thus we remain constructive on the S&P 500 in 2024. We view the recent all-time highs made in the US and other markets, as well as the upward-sloping primary trends (as defined by the 200-day moving average of price; green line in Chart 1, below) in those markets as important signs that the bull market is healthy.

We recognize that the market may need to go through a period of higher volatility and consolidation in the near-term, as investors start to focus on inflation data and the upcoming US Presidential election. S&P 500 support levels we will be watching include roughly 4900 and 4750 (see red dotted lines on Chart 1). Even the lower of these levels would only represent a fairly typical ‘minimum retracement’ from October’s rally, of the type we’d expect to see in an otherwise healthy bull market.



Source: LSEG Datastream, RiverFront; data daily, as of March 8, 2024. Chart shown for illustrative purposes only. Past performance is no indication of future results. You cannot invest directly in an index.

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*Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.*

*Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.*

*Index Definitions:*

*Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.*

*Standard & Poor's (S&P) SmallCap 600 Index - measures the performance of about 600 small cap companies and represents about 3% of the US equities markets.*

## WEEKLY VIEW

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*The MSCI Europe ex UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. With 341 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.*

*MSCI Japan Index -- designed to measure the performance of the large and mid cap segments of the Japanese market.*

### *Definitions:*

*Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.*

*The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.*

*Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.*

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