

# Market Ethos

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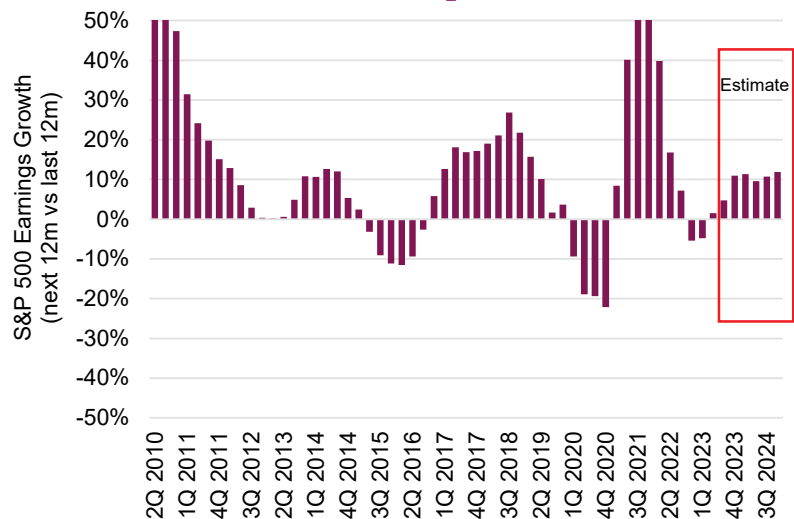
Craig Basinger

## Earnings, trick or treat?

We are about halfway through the U.S. earnings season, with 245 of the S&P 500 companies having already reported. Earnings are backward-looking, kind of like GDP reports, since the quarter started in July and ended in September. Nonetheless, companies offer a direct look at what is happening on the ground and deliver their expectations for the coming quarters via guidance. We would include Canadian earnings as well, but only 14% of the TSX has reported. Things move a little slower up here. So, let's dive into U.S. earnings.

There is some good news: earnings growth has returned. After three quarters of negative or no earnings growth, Q3 2023 earnings appear to be coming in at about +5% compared to the same quarter last year. Based on current bottom-up analyst estimates, earnings growth is expected to continue to improve up to about 10% or so.

### S&P 500 earnings growth has started to improve



Source: S&P, Purpose Investments

Continuing on a positive note, about 80% of companies have so far surprised to the upside, in keeping with historical norms. Impressively, this was widespread across all sectors except energy. Growth, too, was widespread, with all sectors except energy, materials and real estate showing positive earnings improvement over last year. With commodity prices lower than a year ago, that is what drives the earnings in energy and materials, so it is not surprising. And, of course, real estate continues to struggle. Margins have also remained resilient. Yes, costs are up, but so too is top-line revenue growth for most firms. Overall, it has been a decent earnings season so far.

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Source: Charts are sourced to Bloomberg L.P., Purpose Investments Inc., and Richardson Wealth unless otherwise noted.

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