

## Earnings Tracker

## Week 2: Green shoots into the busiest earnings week

## 5% EPS beat with 30% of earnings in

124 S&P 500 companies (30% of index earnings) are in. While consensus 4Q EPS (actuals + estimates) is tracking a 'meet' vs. expectations at the start of January, reported EPS has come in 5% above consensus, led by Financials (+10%) and Industrials (+7%). Reported sales beat by 0.7%. 73%/65%/51% of reporters beat on EPS/sales/both, better than the historical average of 63%/59%/44% and last quarter's 65%/59%/48%. Reactions to beats (+80bps) have been more muted vs. the historical average (+150bps). Our 1-mo. guidance ratio improved to 0.6x (vs. 0.25x as of last week). Although weaker on an absolute level, this is exactly in line with the historical January average.

## More green shoots from early cyclicals: Semis &amp; Trucking

Last week, we highlighted emerging signs of a bottom in the manufacturing/goods cycle (see [Week 1](#)). We continue to see encouraging signs. Our Transportation analyst's Truck Shipper Survey hit key inflection points (see [Truck survey](#)), the S&P manufacturing PMI rose to the highest level since October 2022, and ASML's orders tripled. Company commentaries so far (see page 2-3) also suggest the inventory cycle has inflected, and the tailwind from fiscal infrastructure investments continues to gain momentum. While capex is tracking weak at -13% YoY, our capex guidance ratio jumped to 1.7x (vs. historical average 1.4x), suggesting another healthy year for capex in 2024.

## Red Sea: headwind to retail, tailwind to manufacturing?

Situations in the Red Sea and Panama Canal are causing new concerns for the global supply chain: freight rates from Shanghai to Rotterdam quadrupled and Shanghai to LA doubled YTD. Our Retail analysts highlighted potential margin headwinds – see [Red Sea impact](#). The Red Sea situation is estimated to add 10-15 days between Europe and Asia. But this could be a tailwind to manufacturing, where the inventory cycle already started to inflect and demand is rising to rebuild inventories ahead of longer lead times and Chinese New Year, similar to the just-in-case inventory mgmt. post-COVID (Exhibit 11).

## January slowdown: blame the cold weather

BofA aggregated credit and debit card data suggests slowing consumption so far in January, likely due to the severe weather. The South and Midwest saw the biggest drop in spending – see [BofA on USA](#). Companies have also echoed the slowdown, with Visa citing direct correlation between the cold weather and slowdown in January. And it's not just the consumer that felt the impact. United Pacific (rail) also highlighted a weaker start to January. We believe this is just a near-term blip due to the cold weather. Rising consumer sentiment and subsiding inflation/rate pressure suggest another year of solid consumer backdrop in 2024.

## Up next: ~40% of earnings report this week

This week marks the busiest week of earnings with 100+ companies representing ~40% of index earnings scheduled to report, including MSFT, GOOGL, AAPL, AMZN, and META. Also see Equity Derivative team's report: [Navigating Earnings with Options](#).

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Timestamp: 29 January 2024 01:30AM EST

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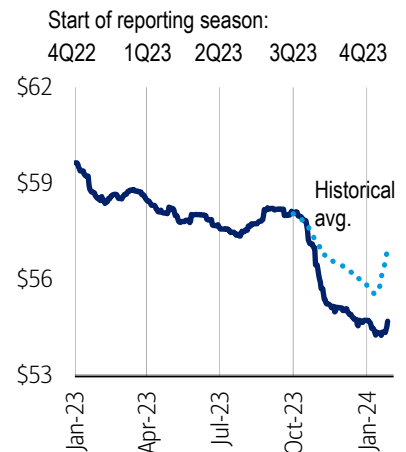
Equity and Quant Strategy  
United States

**Ohsung Kwon, CFA**  
Equity & Quant Strategist  
BofA  
+1 646 855 1683  
[ohsung.kwon@bofa.com](mailto:ohsung.kwon@bofa.com)

**Savita Subramanian**  
Equity & Quant Strategist  
BofA  
+1 646 855 3878  
[savita.subramanian@bofa.com](mailto:savita.subramanian@bofa.com)

See Team Page for List of Analysts

**Exhibit 1: 4Q EPS is unchanged QTD**  
Revision to consensus S&P 500 4Q EPS



**Source:** FactSet, BofA US Equity & Quant Strategy  
\*Note: Historical average indexed to the estimate as of the beginning of last earnings season  
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**Exhibit 2: S&P 500 qtrly EPS forecasts**  
Bottom-up consensus vs. our estimates

	Btm-up analysts	YoY	BofA Strategy	YoY
1Q23	53.08	-3%	53.08	-3%
2Q23	54.29	-6%	54.29	-6%
3Q23	58.41	4%	58.41	4%
4Q23E	54.71	3%	56.50	6%
<b>2023E</b>	<b>\$220</b>	<b>1%</b>	<b>\$222</b>	<b>2%</b>
1Q24E	55.69	5%	57.00	7%
2Q24E	59.45	9%	58.00	7%
3Q24E	63.23	8%	61.00	4%
4Q24E	63.85	17%	59.00	4%
<b>2024E</b>	<b>\$243</b>	<b>11%</b>	<b>\$235</b>	<b>6%</b>

**Source:** FactSet, BofA US Equity & Quant Strategy  
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## Key quotes from companies:

### Infrastructure/Industrials/capex

**United Rentals (Industrials)** – “Both infrastructure and non-res continued to show solid growth year-over-year as our customers kicked off new projects across a diverse range of markets. These include battery plants, semiconductor-related jobs, power, infrastructure, as well as data centers.”

**CSX (Industrials)** – “Infrastructure-related demand continued to be very healthy over the quarter with new cement production supporting volumes.”

**Steel Dynamics (Materials)** – “Onshoring and infrastructure spending should provide meaningful support to fixed-asset investment and related construction-oriented projects in the coming years.”

**Dow (Materials)** – “While we expect softness in industrial and durable goods demand to continue in the first quarter, we are encouraged by early positive signals in areas including construction, automotive, and consumer electronics.”

**PPG (Materials)** – “We continue to experience lower global industrial production, along with soft US and European architectural demand, especially for DIY-related products. Notable for us during the quarter was China, where despite a lethargic general economy, we achieved a high single-digit percentage volume growth.”

**Union Pacific (Industrials)** – “The economic environment continues to look muted in 2024, particularly in the first half. We are off to a poor start in January based on severe winter storms and market challenges we are seeing in coal and intermodal.”

### De-stocking/inventory

**Taiwan Semiconductors (Tech)** – “Coming off the steep inventory correction and low base of 2023, for the full year of 2024, we forecast the overall semiconductor market, excluding memory, to increase by more than 10% year-over-year.”

**Texas Instrument (Tech)** – “We know anecdotally that we’re shipping below demand [in industrials]. We have customers who have told us that they have built inventory and plan to correct that.”

**JB Hunt (Industrials)** – “We have seen an improvement in our year-over-year monthly volume trends since April or for nine consecutive months. By month in the fourth quarter, our volumes were up 6% in October, 6% in November, and up 8% in December.”

**3M (Industrials)** – “If you look at the channels, I see broadly the channels are stabilizing [...] as we went through the first part of last year, there was aggressive reduction in inventory in the channel. That played out and it's more balanced as we come through Q4 as we look into Q1.”

### Red Sea/supply chain

**Colgate-Palmolive (Staples)** – “We’ve been also proactive on [the Red Sea situation], looking at alternate methods where available, planning for the lead time disruption, and the rest of the supply chain has remained stable. So we don't see issues there, but we have anticipated longer lead times and planned appropriately for 2024.”

**CSX (Industrials)** – “We continue to monitor the evolving situations at both the Panama Canal and the Red Sea. To date, we have not been as significantly

affected by any changes in our customer behavior, but we stand at the ready with the capacity and capabilities to adapt as needed.”

**PPG (Materials)** – “The average delay due to not going through the Red Sea is about 10 to 12 days. So [...] we can plan for that in our raw material purchases.”

**Fastenal (Industrials)** – “I would say that the disruption moving from China to the West Coast ports is less than things moving the other direction. But if the existing capacity is going to be consumed on trips for a longer period of time, that's going to stress the entire global network, which is going to impact, ultimately our costs as well and that's what we've begun to see. Again it's very early, we don't know how this plays out, but it's something we're watching.”

**Conagra (Staples)** – “[On the Red Sea impact,] the answer is no. No impact there.”

#### Consumer

**Visa (Financials)** – “We did see that growth slow down the first week of January and we've looked really closely at it. And it's directly correlated to the extreme cold weather.”

**Watches of Switzerland (Consumer Discretionary)** – “The consumer preference about where they were spending money, and there's no doubt that travel, leisure, food, beverage, hospitality and so on beauty, were all favored categories, and watches and jewelry went down the priority list.”

**United Airlines (Industrials)** – “Domestic demand remains strong with increases in business traffic volumes year-over-year in addition to stronger pricing thus far this year.”

**Delta Airlines (Industrials)** – “Consumer spend is continuing to shift from goods to services [...] And corporate travel continues to improve, with demand accelerating into year-end.”

**Procter & Gamble (Staples)** – “Underlying market trends have softened in some Europe enterprise and Asia-Pacific, Middle East, Africa countries such as Egypt, Saudi Arabia and Turkey following multiple rounds of pricing to offset inflation and due to heightened tensions in the Middle East.”

**McCormick (Staples)** – “Consumers are exhibiting even more value-seeking behavior. They are increasing shopping trips, reducing basket size, and making just-in-time purchases creating further uncertainty in the consumer environment.”

#### Tech/AI

**ServiceNow (Tech)** – “Our Gen AI products drove the largest net new ACV (Annual Contract Value) contribution for our first full quarter at any of our new product family releases ever.”

## EPS in-line so far, but fewer beats vs. history

Following Week 2, 124 S&P 500 companies (30% of index earnings) are in. While consensus 4Q EPS is tracking a ‘meet,’ reported EPS has come in 5% above consensus, led by Financials (+10%) and Industrials (+7%). Reported sales beat by 0.7%. 73%/65%/51% of reporters beat on EPS/sales/both, better than the historical average of 63%/59%/44% and last quarter’s 65%/59%/48%.



**Exhibit 3: Consensus expects 3% earnings growth in 4Q**

S&P 500 consensus earnings and sales growth expectations by sector based on current constituents

Sector	Earnings		Sales	
	YoY%	QoQ%	YoY%	QoQ%
Consumer Disc.	23.8%	(27.1%)	3.8%	3.8%
Consumer Staples	0.2%	(6.9%)	2.9%	1.2%
Energy	(31.1%)	(13.7%)	(7.7%)	(3.1%)
Financials	4.4%	(11.0%)	5.4%	(3.0%)
Health Care	(21.7%)	(11.1%)	4.6%	0.9%
Industrials	(0.1%)	(3.0%)	2.2%	1.5%
Technology	16.8%	11.1%	6.3%	10.6%
Materials	(23.0%)	(17.7%)	(5.4%)	(2.6%)
Real Estate	2.6%	(0.5%)	6.1%	1.6%
Communication Services	45.5%	34.9%	5.9%	7.2%
Utilities	32.4%	(21.9%)	1.5%	3.1%
<b>S&amp;P 500</b>	<b>3.0%</b>	<b>(3.1%)</b>	<b>2.9%</b>	<b>1.9%</b>
<b>ex. Financials</b>	<b>2.7%</b>	<b>(1.4%)</b>	<b>2.6%</b>	<b>2.6%</b>
<b>ex. Energy</b>	<b>6.8%</b>	<b>(2.3%)</b>	<b>4.0%</b>	<b>2.4%</b>
<b>ex. Fins &amp; Energy</b>	<b>7.3%</b>	<b>(0.2%)</b>	<b>3.8%</b>	<b>3.2%</b>

Source: FactSet, BofA US Equity & Quant Strategy

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**Exhibit 4: % of S&P 500 companies beating consensus expectations on 4Q23 EPS and sales**

Results from companies that have reported 4Q earnings

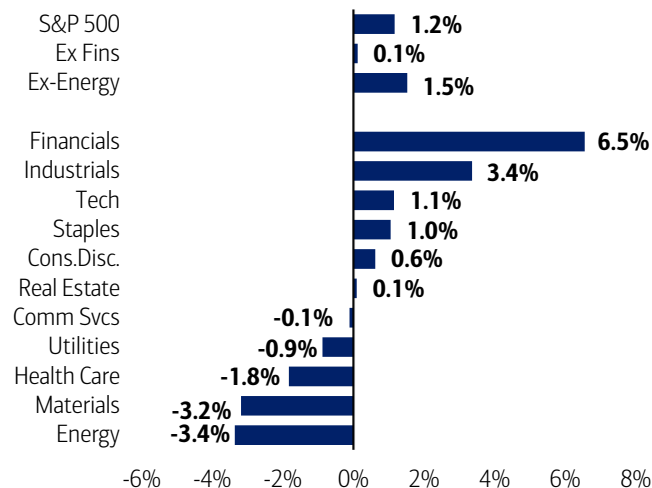
Sector	Total companies	Number Reported	% with EPS beat	% with Sales beat	% EPS & Sales beat
Cons. Disc.	53	9	67%	56%	33%
Cons. Staples	38	10	90%	40%	40%
Energy	23	5	80%	20%	20%
Financials	72	38	74%	58%	45%
Health Care	64	7	57%	100%	57%
Industrials	78	22	68%	77%	64%
Tech	64	17	94%	71%	71%
Materials	28	6	83%	100%	83%
Real Estate	31	3	33%	33%	33%
Comm. Svcs.	19	5	20%	100%	20%
Utilities	30	2	100%	50%	50%
<b>S&amp;P 500</b>	<b>500</b>	<b>124</b>	<b>73%</b>	<b>65%</b>	<b>51%</b>

Source: FactSet, BofA US Equity & US Quant Strategy

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**Exhibit 5: Earnings are tracking a 1% beat**

Revision to consensus 4Q23 earnings since start of January

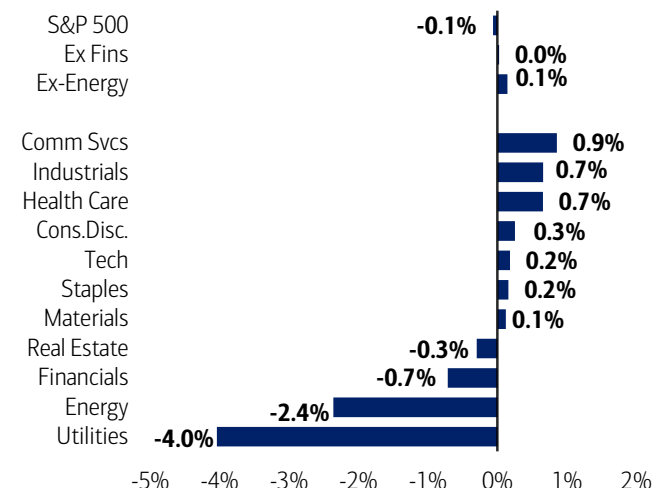


Source: FactSet, BofA US Equity & Quant Strategy

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**Exhibit 6: Sales are tracking a meet**

Revision to consensus 4Q23 sales since the start of January



Source: FactSet, BofA US Equity & Quant Strategy

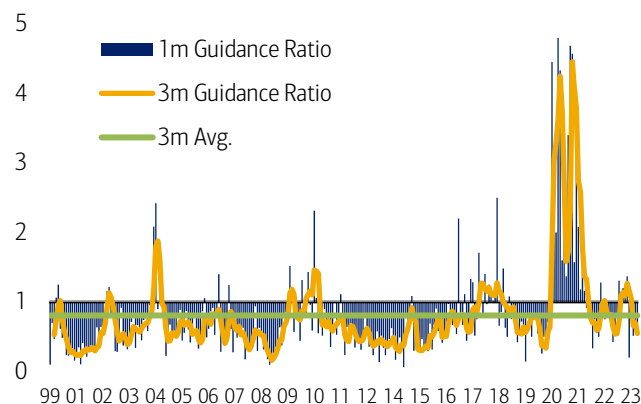
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**Guidance is weak, but in line with a typical January**

Our 1-mo. guidance ratio (# of above- vs. below-consensus guides) is tracking at 0.6x so far in January. Although weaker on an absolute level, this is exactly in line with the seasonal pattern in January. We also see no reasons for companies to guide aggressively amid macro uncertainty, and don't believe weak guidance and estimate cuts in 1Q are good reasons to sell equities (see [preview](#)). While capex is tracking weak at -13% YoY, our capex guidance jumped to 1.7x (vs. historical average 1.4x), suggesting another healthy year for capex in 2024.

### Exhibit 7: Our 1-mo. guidance ratio is tracking 0.6x so far in January, in line with the historical Jan avg.

S&P 500 guidance ratio (# above vs. below consensus) – 1999-1/26/24

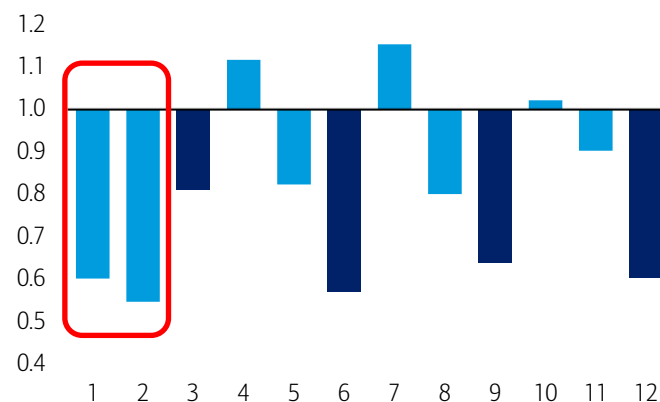


Source: BofA US Equity and Quantitative Strategy

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### Exhibit 8: Jan-Feb has historically been the weakest period for guidance (light blue = earnings seasons)

Avg. 1-mo. guidance ratio by month (1999-2023)

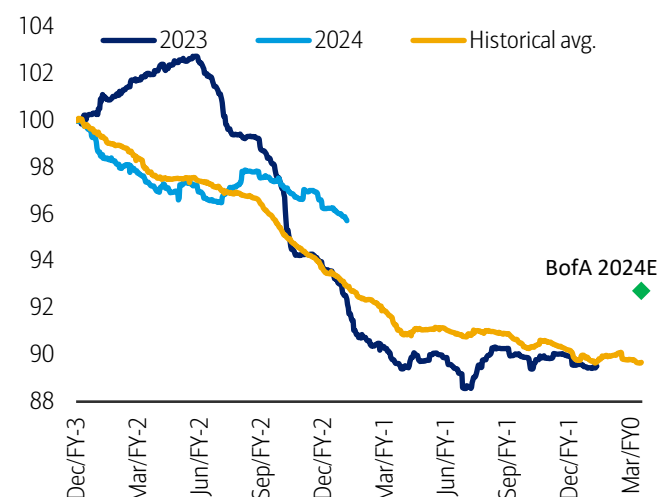


Source: Bloomberg, BofA US Equity & Quant Strategy

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### Exhibit 9: Consensus EPS typically gets cut through March FY-1

S&P 500 historical FY2 EPS revisions vs. 2023-24 consensus EPS (2023-24 as of 1/25/24)

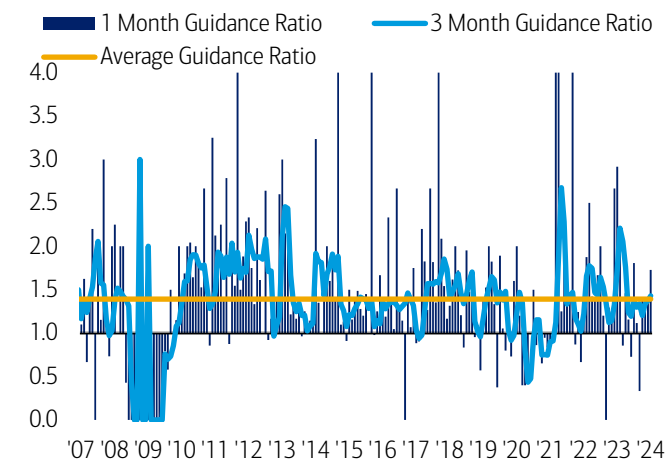


Source: BofA US Equity & Quant Strategy, FactSet; Note: historical average based on 2001-2022

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### Exhibit 10: Our capex guidance is tracking strong at 1.7x vs. 1.4x historical average

Capex guidance ratio (# above vs. below-consensus capex guides); 2007-1/25/24



Source: Bloomberg, BofA US Equity & Quant Strategy

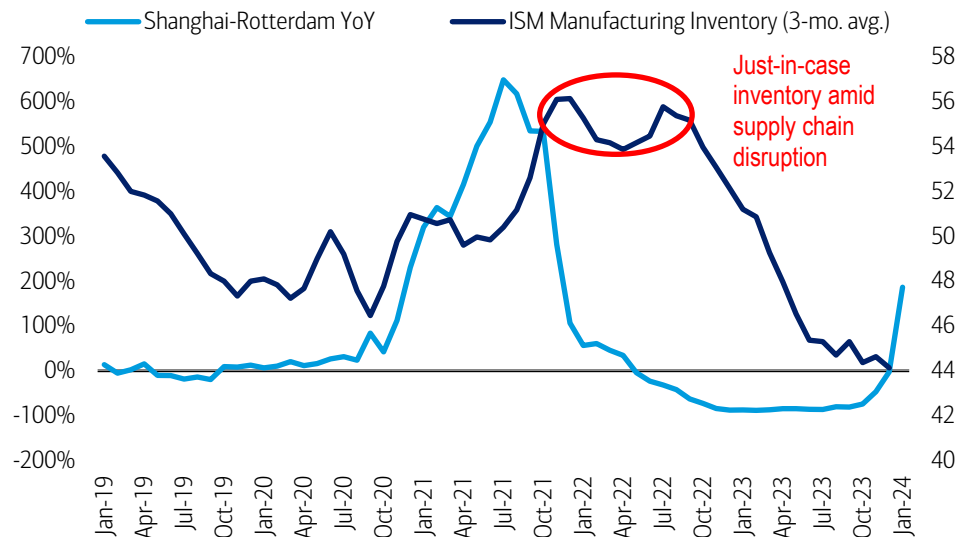
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## Red Sea: headwind to retail, tailwind to manufacturing?

Situations in the Red Sea and Panama Canal are causing new concerns for the global supply chain: freight rates from Shanghai to Rotterdam quadrupled and Shanghai to LA doubled YTD. Our Retail analysts warned about potential margin headwinds – see [Red Sea impact](#). The Red Sea situation is estimated to add 10-15 days between Europe and Asia. But this could potentially be a tailwind to manufacturing, where inventories have already normalized and demand is rising to rebuild inventories ahead of longer lead times and Chinese New Year, similar to the just-in-case inventory management post-COVID (Exhibit 11).

### Exhibit 11: Supply chain disruptions post-COVID led to just-in-case inventory management. Red Sea disruptions could fuel the re-stocking cycle

Shanghai-Rotterdam freight rate YoY vs. ISM Manufacturing inventory (1/19-1/24)



Source: Bloomberg, BofA US Equity & Quant Strategy

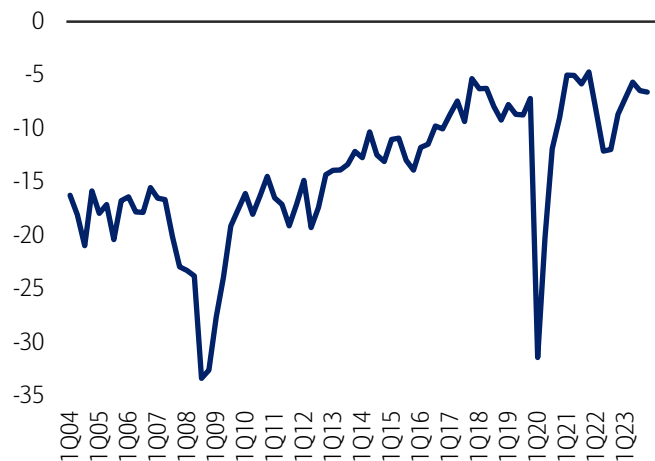
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## Corporate sentiment flat QoQ so far

BofA's Predictive Analytics team helped analyze earnings transcripts using Loughran McDonald's financial dictionary to calculate sentiment scores (see Appendix for full methodology). Our Corporate Sentiment Indicator remains flat QoQ, but still up YoY. The YoY change in corporate sentiment has been highly correlated with quarterly EPS YoY with a one quarter lag, pointing to a continued earnings recovery ahead.

### Exhibit 12: Corporate sentiment remains flat QoQ

Avg. negative sentiment score for S&P 500 companies (2004-4Q23 as of 1/25/24)

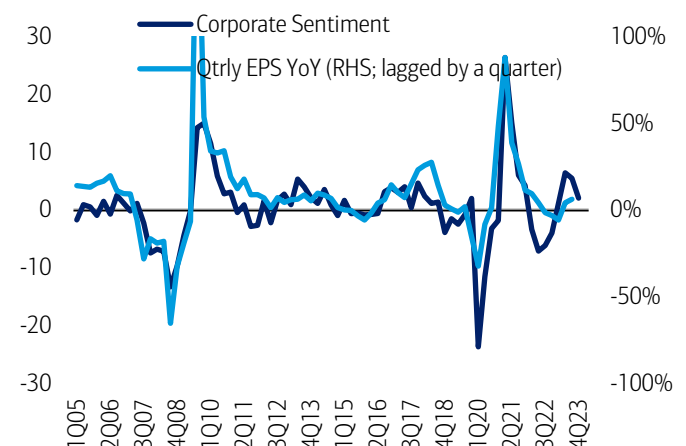


Source: BofA Global Research, FactSet

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### Exhibit 13: YoY change in Corporate Sentiment is slowing

S&P 500 avg. negative sentiment score YoY vs. quarterly EPS YoY with a quarter lag (r-sq=50%; 1Q05-4Q23 as of 1/25/24)



Source: BofA Global Research, FactSet

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## Demand recovery still missing, but it's coming

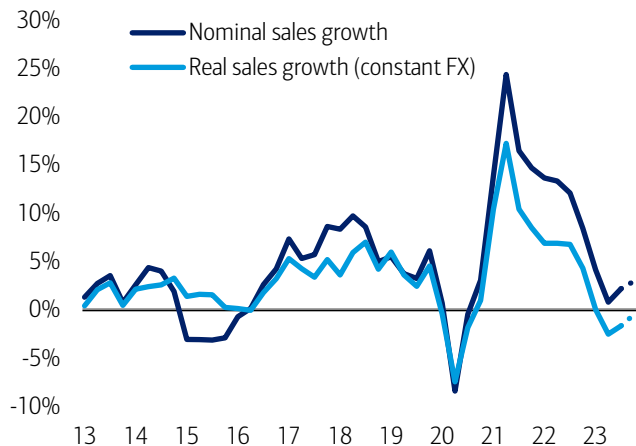
Although earnings have inflected higher, sales growth remains muted, -2% YoY adjusted for inflation and FX. Mentions of weak demand also remains elevated. The main reason

for tepid sales despite robust GDP growth was the mix between goods and services. The goods/manufacturing economy remained weak, which represents 50% of S&P 500 earnings but just 20% of GDP.

But we see early signs of the goods/manufacturing recession coming to an end, including Korea exports, freight demand, and PMI new orders vs. inventories. We expect the bottoming process in goods, followed by a recovery in the near-term, should result in earnings outpacing GDP in 2024. Margins have increased for the second straight quarter in 3Q without a sales recovery, pointing to companies' lower cost profile now. A demand recovery ahead should result in margins potentially surprising to the upside.

#### Exhibit 14: Real sales growth remains negative

S&P 500 sales growth and real growth (constant FX) – 2013-4Q23E

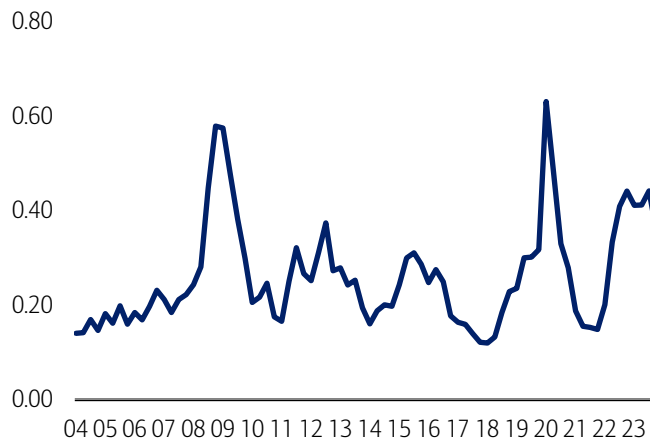


Source: FactSet, BofA US Equity & Quant Strategy

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#### Exhibit 15: Mentions of weak demand is tracking below last quarter's

Avg. mention of weak demand per co. for Consumer sectors ('03-4Q23 through 1/25/24)



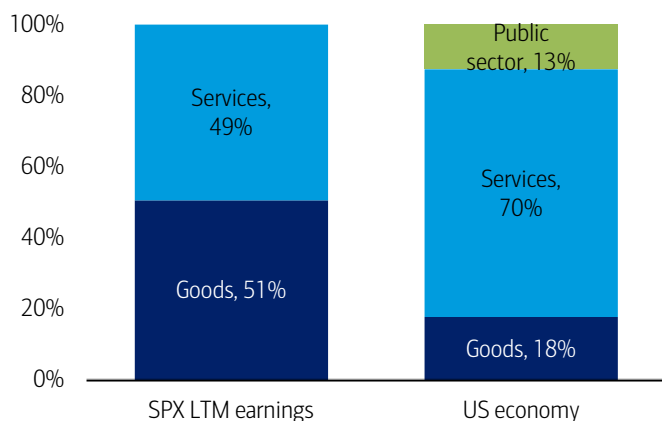
Source: BofA Global Research

Note: mentions include "lower," "softer," "moderating," "weaker"

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#### Exhibit 16: S&P 500 is more geared towards goods than the economy

Our estimate for Goods vs. Services exposure of S&P 500 based on industry breakout of 2Q23 earnings vs. % goods/services for US economy (based on gross value added by industry, 2022)

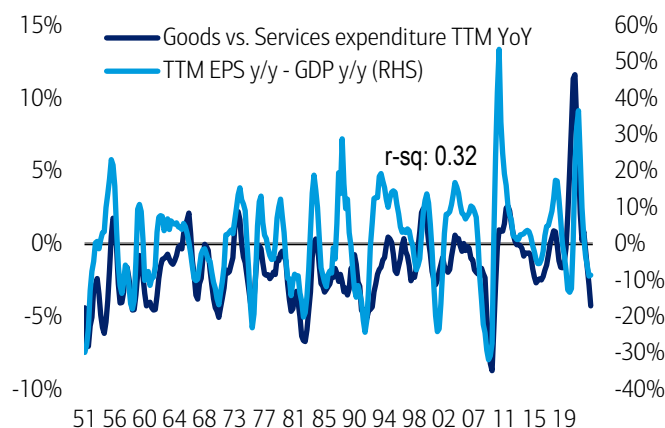


Source: Haver Analytics, FactSet, BofA US Equity & US Quant Strategy

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#### Exhibit 17: Goods outpacing services has historically been a tailwind for earnings vs. GDP

Goods vs. Services consumption TTM YoY vs. EPS vs. GDP TTM YoY (1951-3Q23)



Source: FactSet, Bloomberg, BofA US Equity & Quant Strategy

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**Exhibit 18: Korea exports rebounded recently, pointing to a manufacturing recovery**

Korea exports YoY vs. ISM Manufacturing PMI (1997-12/23)

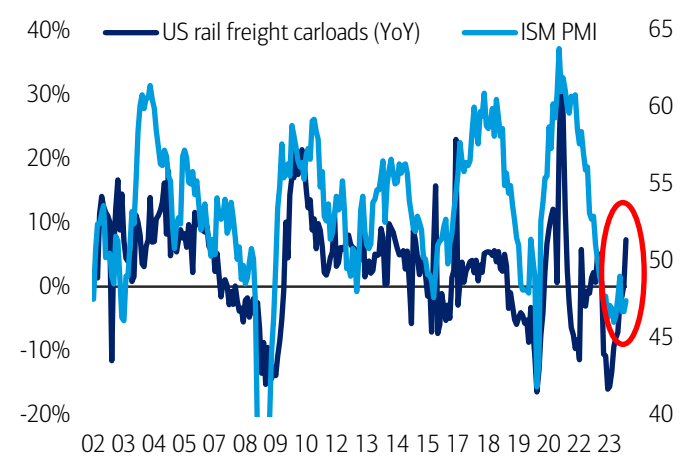


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 19: Rail freight carloads also sharply rebounded, pointing to a manufacturing recovery**

US rail freight carloads YoY vs. ISM Manufacturing PMI (2002-12/23)

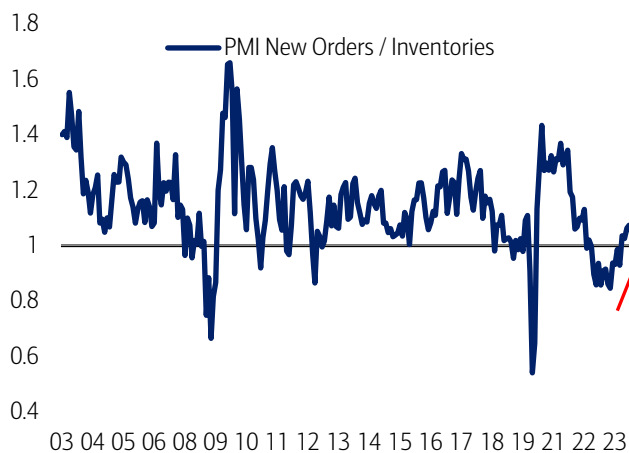


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 20: Manufacturing new orders remain stronger than inventory levels – i.e. re-stocking**

ISM Manufacturing PMI new orders / inventories (2003-12/23)

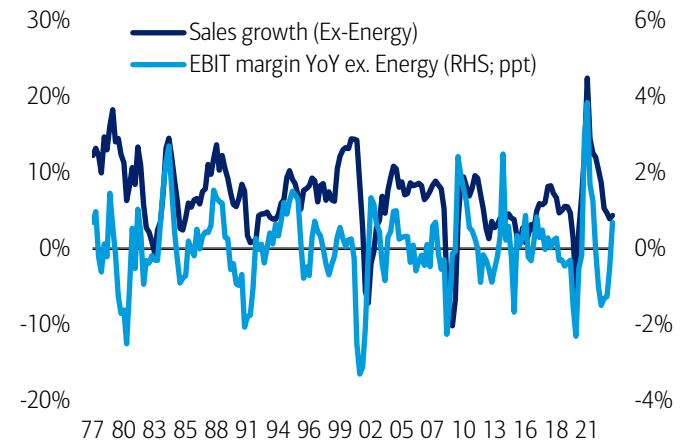


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 21: Margins already inflected higher without sales boost**

S&amp;P 500 ex. Energy &amp; Financials sales growth YoY vs. EBIT margin YoY (1977-3Q23)



Source: FactSet, BofA US Equity &amp; Quant Strategy

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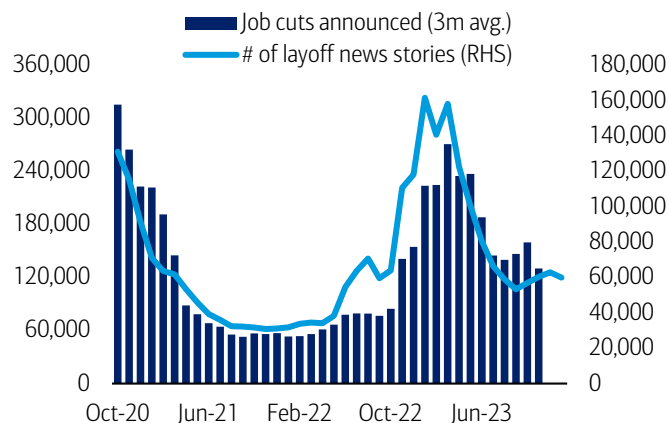
**Upcycle in earnings = peak in corporate layoffs?**

Despite some layoff announcement recently, both the size and frequency have been falling (Exhibit 19). Layoff announcements from Banks were also fairly muted vs. last year, other than Citi (restructuring). Historically, layoffs and earnings cycles have shown a strong inverse correlation (0.43 r-sq) – Exhibit 20. The earnings upcycle that we expect in 2024 suggests that the peak corporate layoff cycle is likely behind us.



**Exhibit 22: Size and frequency of layoff announcements have declined**

Challenger job cuts announced (3-mo. avg.) vs. # of layoff news stories on Bloomberg (2020-12/23)

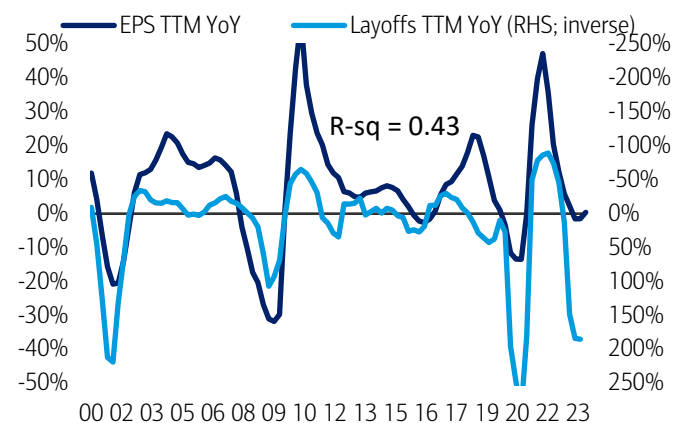


Source: BofA US Equity & Quant Strategy, Bloomberg

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**Exhibit 23: Earnings upcycle should translate to fewer layoffs ahead**

S&P 500 trailing 12-mo. EPS YoY vs. Challenger job cuts TTM YoY (2000-12/23)



Source: BofA US Equity & Quant Strategy, Bloomberg, FactSet

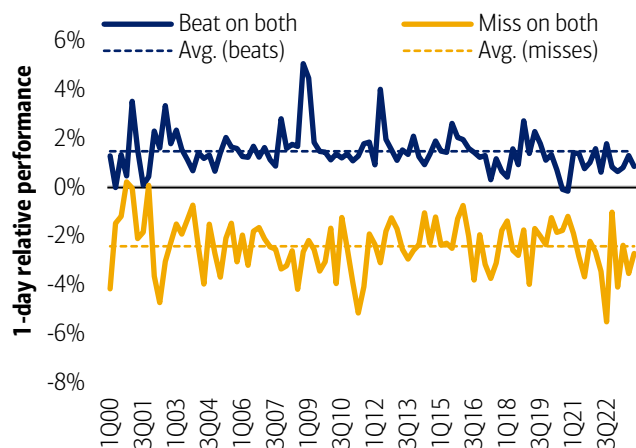
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**More muted reactions to beats**

Companies that beat on both sales and EPS outperformed the S&P 500 by 80bps the next day (vs. +150bps historical average), pointing to a higher bar after the big rally. Misses were penalized more than usual, underperforming by 270bps vs. a typical -240bps.

**Exhibit 24: More muted reactions to beats vs. history**

Rel. 1-day post-reporting performance (vs. S&P 500) on EPS & sales surprise (1Q00-4Q23 as of 1/26/24)



Source: FactSet, BofA US Equity & Quant Strategy

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**Exhibit 25: Relative performance of reported companies vs. S&P 500**

4Q23 earnings reactions based on surprise

	1 day	5 day	Start of reporting season to 1 day after reporting	Start of reporting season to 5 days after reporting
EPS Beat	0.4%	-0.2%	-1.0%	-2.0%
EPS Miss	-2.0%	-5.0%	-3.9%	-6.5%
EPS In-Line	-0.3%	-0.7%	-0.3%	-1.6%
Sales Beat	0.6%	0.0%	-0.5%	-3.1%
Sales Miss	-1.3%	-2.5%	-3.5%	-2.3%
Sales In-Line	NA	NA	NA	NA
<b>Both Beat</b>	<b>0.8%</b>	<b>0.3%</b>	<b>-0.3%</b>	<b>-3.0%</b>
<b>Both Miss</b>	<b>-2.7%</b>	<b>-4.0%</b>	<b>-4.8%</b>	<b>-5.0%</b>

Source: FactSet, BofA US Equity & Quant Strategy

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**Exhibit 26: Relative performance by sector vs. S&P 500**

4Q23 earnings reactions based on surprise by sector

Sector	At the open (+1D)		Intraday (+1D)		1 day after reporting		5 days after reporting	
	Beat on both	Missed on both	Beat on both	Missed on both	Beat on both	Missed on both	Beat on both	Missed on both
Cons. Disc.	-0.7%	-9.1%	1.32%	-3.9%	0.6%	-12.7%	-2.2%	N.A.
Staples	-0.2%	-4.7%	0.84%	-1.0%	0.6%	-5.6%	0.1%	N.A.
Energy	1.7%	-1.8%	-0.7%	-0.5%	1.0%	-2.3%	5.7%	-6.5%
Financials	1.9%	0.8%	-0.8%	0.4%	1.1%	1.2%	0.5%	-1.2%
Health Care	3.0%	NA	-1.8%	NA	1.1%	N.A.	-4.3%	N.A.
Industrials	0.8%	-4.4%	-0.4%	1.9%	0.5%	-2.5%	-1.1%	-10.1%
Tech	0.6%	-3.7%	-0.1%	-3.2%	0.5%	-6.8%	3.6%	N.A.
Materials	-0.2%	NA	0.9%	NA	0.7%	N.A.	-3.9%	N.A.
Real Estate	2.9%	NA	1.5%	NA	4.4%	N.A.	N.A.	N.A.
Comm. Svcs.	-0.6%	NA	3.4%	NA	2.8%	N.A.	N.A.	N.A.
Utilities	3.0%	NA	-1.8%	NA	1.2%	N.A.	N.A.	N.A.
<b>S&amp;P 500</b>	<b>1.0%</b>	<b>-2.7%</b>	<b>-0.2%</b>	<b>-0.1%</b>	<b>0.8%</b>	<b>-2.7%</b>	<b>0.3%</b>	<b>-4.0%</b>

Source: FactSet, BofA US Equity &amp; Quant Strategy

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## S&P 500 companies reporting in Week 3

Below we list confirmed/tentative dates for S&P 500 companies reporting this week.

### Exhibit 27: S&P 500 companies slated to report 4Q results in Week 3 (mega caps highlighted in blue)

Week 3 schedule

Report Date	Ticker	Company Name	Sector	Market Cap (\$B)	Status
1/29/2024	NUE	NUCOR CORP	Materials	43	Confirmed
1/29/2024	ARE	ALEXANDRIA REAL ESTATE EQUIT	Real Estate	21	Confirmed
1/29/2024	BEN	FRANKLIN RESOURCES INC	Financials	14	Confirmed
1/29/2024	FFIV	F5 INC	Information Technology	11	Confirmed
1/29/2024	WHR	WHIRLPOOL CORP	Consumer Discretionary	6	Confirmed
1/30/2024	MSFT	MICROSOFT CORP	Information Technology	2,999	Confirmed
1/30/2024	GOOG	ALPHABET INC-CL C	Communication Services	1,908	Confirmed
1/30/2024	GOOGL	ALPHABET INC-CL A	Communication Services	1,908	Confirmed
1/30/2024	AMD	ADVANCED MICRO DEVICES	Information Technology	288	Confirmed
1/30/2024	DHR	DANAHER CORP	Health Care	175	Confirmed
1/30/2024	PFE	PFIZER INC	Health Care	156	Confirmed
1/30/2024	UPS	UNITED PARCEL SERVICE-CL B	Industrials	135	Confirmed
1/30/2024	SYK	STRYKER CORP	Health Care	119	Confirmed
1/30/2024	SBUX	STARBUCKS CORP	Consumer Discretionary	105	Confirmed
1/30/2024	MDLZ	MONDELEZ INTERNATIONAL INC-A	Consumer Staples	101	Confirmed
1/30/2024	CB	CHUBB LTD	Financials	98	Confirmed
1/30/2024	HCA	HCA HEALTHCARE INC	Health Care	76	Tentative
1/30/2024	MPC	MARATHON PETROLEUM CORP	Energy	60	Confirmed
1/30/2024	GM	GENERAL MOTORS CO	Consumer Discretionary	48	Confirmed
1/30/2024	MSCI	MSCI INC	Financials	44	Confirmed
1/30/2024	JCI	JOHNSON CONTROLS INTERNATION	Industrials	38	Confirmed
1/30/2024	SYT	SYSCO CORP	Consumer Staples	38	Tentative
1/30/2024	EA	ELECTRONIC ARTS INC	Communication Services	37	Confirmed
1/30/2024	GLW	CORNING INC	Information Technology	26	Tentative
1/30/2024	PHM	PULTEGROUP INC	Consumer Discretionary	23	Confirmed
1/30/2024	NVR	NVR INC	Consumer Discretionary	22	Confirmed
1/30/2024	EQR	EQUITY RESIDENTIAL	Real Estate	22	Confirmed
1/30/2024	HUBB	HUBBELL INC	Industrials	18	Confirmed
1/30/2024	SWKS	SKYWORKS SOLUTIONS INC	Information Technology	17	Confirmed
1/30/2024	TER	TERADYNE INC	Information Technology	16	Confirmed
1/30/2024	AOS	SMITH (A.O.) CORP	Industrials	12	Tentative
1/30/2024	PNR	PENTAIR PLC	Industrials	12	Confirmed
1/30/2024	JNPR	JUNIPER NETWORKS INC	Information Technology	12	Confirmed
1/30/2024	BXP	BOSTON PROPERTIES INC	Real Estate	11	Confirmed
1/30/2024	MTCH	MATCH GROUP INC	Communication Services	10	Confirmed
1/30/2024	RHI	ROBERT HALF INC	Industrials	9	Confirmed
1/31/2024	MA	MASTERCARD INC - A	Financials	409	Confirmed
1/31/2024	TMO	THERMO FISHER SCIENTIFIC INC	Health Care	214	Confirmed
1/31/2024	QCOM	QUALCOMM INC	Information Technology	169	Confirmed
1/31/2024	BA	BOEING CO/THE	Industrials	124	Confirmed
1/31/2024	ADP	AUTOMATIC DATA PROCESSING	Industrials	97	Confirmed
1/31/2024	BSX	BOSTON SCIENTIFIC CORP	Health Care	89	Confirmed
1/31/2024	PSX	PHILLIPS 66	Energy	61	Confirmed
1/31/2024	ROP	ROPER TECHNOLOGIES INC	Information Technology	59	Confirmed
1/31/2024	MET	METLIFE INC	Financials	52	Confirmed
1/31/2024	AFL	AFLAC INC	Financials	50	Confirmed
1/31/2024	HES	HESS CORP	Energy	44	Confirmed
1/31/2024	COR	CENCORA INC	Health Care	44	Confirmed
1/31/2024	ODFL	OLD DOMINION FREIGHT LINE	Industrials	43	Confirmed
1/31/2024	OTIS	OTIS WORLDWIDE CORP	Industrials	36	Confirmed
1/31/2024	ROK	ROCKWELL AUTOMATION INC	Industrials	35	Confirmed
1/31/2024	NDAQ	NASDAQ INC	Financials	34	Confirmed
1/31/2024	CTVA	CORTEVA INC	Materials	32	Confirmed
1/31/2024	FTV	FORTIVE CORP	Industrials	26	Confirmed
1/31/2024	AVB	AVALONBAY COMMUNITIES INC	Real Estate	25	Confirmed
1/31/2024	APTV	APTIV PLC	Consumer Discretionary	24	Confirmed
1/31/2024	PTC	PTC INC	Information Technology	21	Confirmed
1/31/2024	ALGN	ALIGN TECHNOLOGY INC	Health Care	20	Confirmed
1/31/2024	AVY	AVERY DENNISON CORP	Materials	16	Confirmed
1/31/2024	MKTX	MARKETAXESS HOLDINGS INC	Financials	10	Confirmed
1/31/2024	QRVO	QORVO INC	Information Technology	10	Confirmed

**Exhibit 27: S&P 500 companies slated to report 4Q results in Week 3 (mega caps highlighted in blue)**

Week 3 schedule

Report Date	Ticker	Company Name	Sector	Market Cap (\$B)	Status
1/31/2024	CHRW	C.H. ROBINSON WORLDWIDE INC	Industrials	10	Confirmed
2/1/2024	AAPL	APPLE INC	Information Technology	3,008	Confirmed
2/1/2024	AMZN	AMAZON.COM INC	Consumer Discretionary	1,634	Confirmed
2/1/2024	META	META PLATFORMS INC-CLASS A	Communication Services	1,010	Confirmed
2/1/2024	MRK	MERCK & CO. INC.	Health Care	305	Confirmed
2/1/2024	HON	HONEYWELL INTERNATIONAL INC	Industrials	134	Confirmed
2/1/2024	ETN	EATON CORP PLC	Industrials	98	Confirmed
2/1/2024	ITW	ILLINOIS TOOL WORKS	Industrials	79	Confirmed
2/1/2024	MO	ALTRIA GROUP INC	Consumer Staples	71	Confirmed
2/1/2024	BDX	BECTON DICKINSON AND CO	Health Care	68	Confirmed
2/1/2024	PH	PARKER HANNIFIN CORP	Industrials	61	Confirmed
2/1/2024	TT	TRANE TECHNOLOGIES PLC	Industrials	57	Confirmed
2/1/2024	MCHP	MICROCHIP TECHNOLOGY INC	Information Technology	48	Tentative
2/1/2024	RCL	ROYAL CARIBBEAN CRUISES LTD	Consumer Discretionary	32	Confirmed
2/1/2024	CAH	CARDINAL HEALTH INC	Health Care	26	Confirmed
2/1/2024	WEC	WEC ENERGY GROUP INC	Utilities	25	Confirmed
2/1/2024	BR	BROADRIDGE FINANCIAL SOLUTIO	Industrials	25	Confirmed
2/1/2024	TSCO	TRACTOR SUPPLY COMPANY	Consumer Discretionary	24	Confirmed
2/1/2024	DOV	DOVER CORP	Industrials	21	Confirmed
2/1/2024	BALL	BALL CORP	Materials	18	Confirmed
2/1/2024	CLX	CLOROX COMPANY	Consumer Staples	18	Confirmed
2/1/2024	HOLX	HOLOGIC INC	Health Care	17	Confirmed
2/1/2024	CMS	CMS ENERGY CORP	Utilities	17	Confirmed
2/1/2024	GEN	GEN DIGITAL INC	Information Technology	15	Confirmed
2/1/2024	DGX	QUEST DIAGNOSTICS INC	Health Care	15	Confirmed
2/1/2024	SWK	STANLEY BLACK & DECKER INC	Industrials	15	Confirmed
2/1/2024	RVTY	REVVITY INC	Health Care	14	Confirmed
2/1/2024	IP	INTERNATIONAL PAPER CO	Materials	13	Confirmed
2/1/2024	TECH	BIO-TECHNE CORP	Health Care	12	Tentative
2/1/2024	WRK	WESTROCK CO	Materials	11	Confirmed
2/1/2024	HII	HUNTINGTON INGALLS INDUSTRIE	Industrials	10	Confirmed
2/1/2024	CPT	CAMDEN PROPERTY TRUST	Real Estate	10	Confirmed
2/1/2024	EMN	EASTMAN CHEMICAL CO	Materials	10	Confirmed
2/2/2024	XOM	EXXON MOBIL CORP	Energy	409	Confirmed
2/2/2024	ABBV	ABBVIE INC	Health Care	290	Confirmed
2/2/2024	CVX	CHEVRON CORP	Energy	280	Tentative
2/2/2024	REGN	REGENERON PHARMACEUTICALS	Health Care	103	Confirmed
2/2/2024	BMJ	BRISTOL-MYERS SQUIBB CO	Health Care	102	Confirmed
2/2/2024	CI	THE CIGNA GROUP	Health Care	88	Confirmed
2/2/2024	CHTR	CHARTER COMMUNICATIONS INC-A	Communication Services	65	Confirmed
2/2/2024	AON	AON PLC-CLASS A	Financials	60	Confirmed
2/2/2024	GWW	WW GRAINGER INC	Industrials	44	Confirmed
2/2/2024	LYB	LYONDELLBASELL INDU-CL A	Materials	31	Confirmed
2/2/2024	HIG	HARTFORD FINANCIAL SVCS GRP	Financials	26	Tentative
2/2/2024	CHD	CHURCH & DWIGHT CO INC	Consumer Staples	24	Confirmed
2/2/2024	CBOE	CBOE GLOBAL MARKETS INC	Financials	20	Confirmed

Source: Bloomberg, BofA US Equity &amp; US Quant Strategy

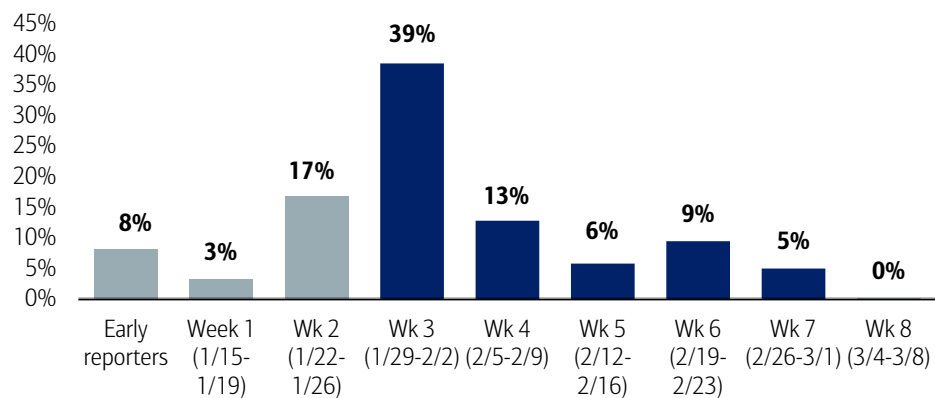
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## 4Q23 Reporting by Week

### Exhibit 28: S&P 500 4Q23 Earnings Reporting by Week

% of earnings by sector

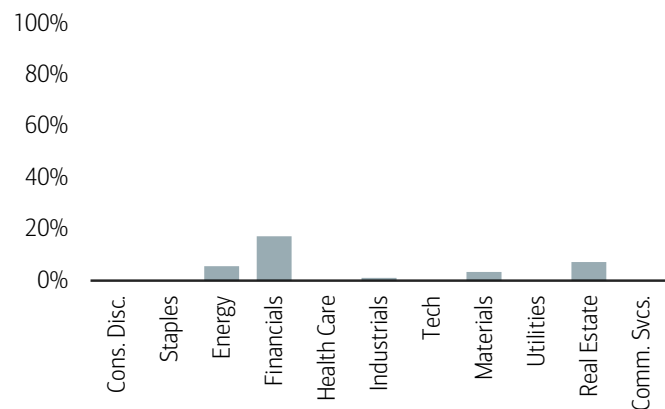


Source: Bloomberg, BofA US Equity & Quant Strategy

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### Exhibit 29: Week 1: % 4Q earnings reported by sector

% of earnings by sector

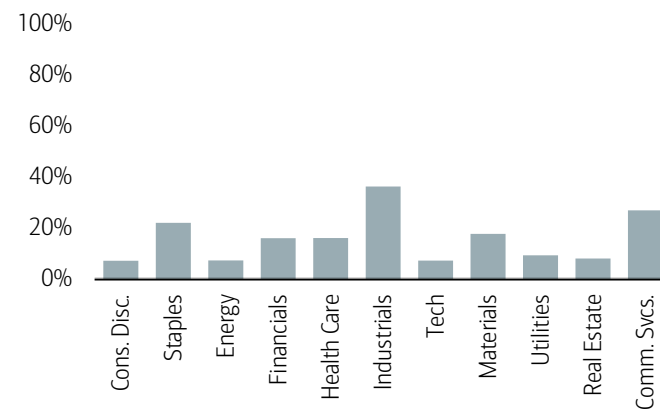


Source: Bloomberg, BofA US Equity & Quant Strategy

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### Exhibit 30: Week 2: % 4Q earnings reported by sector

% of earnings by sector

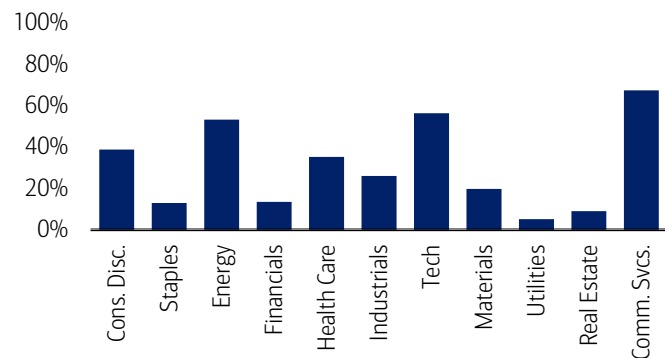


Source: Bloomberg, BofA US Equity & Quant Strategy

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### Exhibit 31: Week 3: % 4Q earnings reported by sector

% of earnings by sector

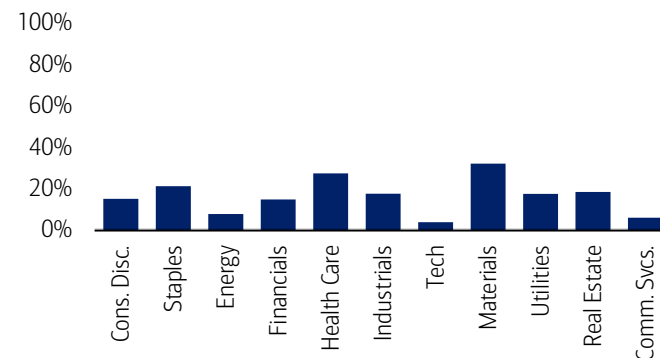


Source: Bloomberg, BofA US Equity & Quant Strategy

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### Exhibit 32: Week 4: % 4Q earnings reported by sector

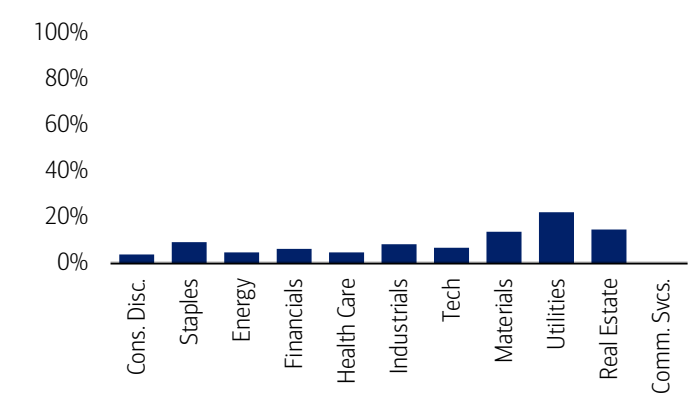
% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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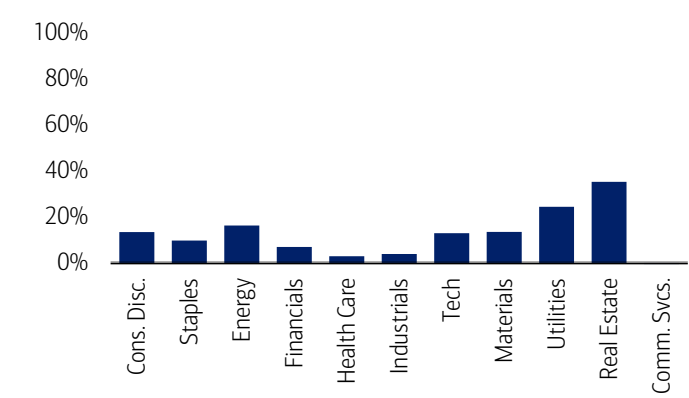
**Exhibit 33: Week 5 % 4Q earnings reported by sector**  
% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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**Exhibit 34: Week 6: % 4Q earnings reported by sector**  
% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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## Small cap 4Q23 earnings update

- So far, 105 S&P 600 companies have reported. 4Q consensus earnings are 2.5% above where they stood at the start of January while sales are 0.3% lower than at the start of January.
- Financials and Materials are the sectors that have seen the most positive earnings revisions while Real Estate and Energy have seen the largest downward revisions since the start of January.
- 62% of companies beat on EPS, 32% beat on sales, and 15% beat on both.
- Analysts are forecasting 4Q small cap earnings to be -13% YoY (-12% for the median company) on sales -2% YoY (-0.5% median).

### Exhibit 35: Small cap 4Q23 growth expectations and proportion of beats so far

S&P 600 consensus 4Q23 earnings and sales growth and % positive surprises

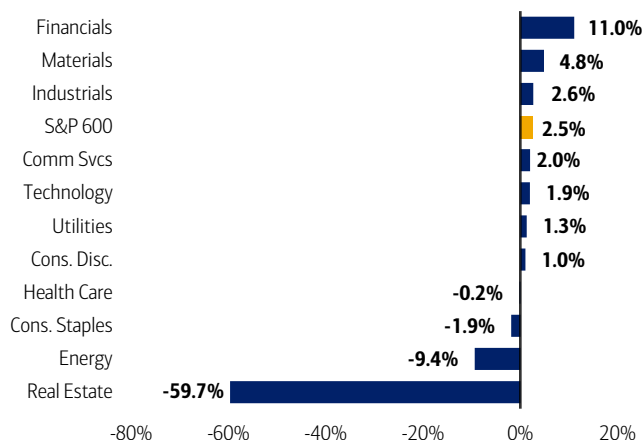
Sector	Total Companies	Number Reported	Earnings YoY%	Median earnings YoY%	Sales YoY%	Median sales YoY%	% With EPS Beat	% With Sales Beat	Both Beat %
Comm Svcs	23	1	-75.0%	-43.8%	-7.6%	-6.6%	0%	0%	0%
Cons. Disc.	85	6	3.7%	-9.2%	-2.1%	-0.7%	40%	60%	33%
Cons. Staples	30	8	-42.0%	-21.4%	-2.5%	0.9%	75%	50%	25%
Energy	28	2	-20.1%	-8.2%	-6.3%	0.9%	0%	0%	0%
Financials	118	54	-0.8%	-14.8%	8.9%	-2.6%	61%	19%	11%
Health Care	67	3	11.4%	-1.8%	0.7%	5.5%	0%	100%	0%
Industrials	95	14	-21.1%	-9.1%	-1.3%	0.4%	90%	40%	29%
Technology	62	7	-26.3%	-11.7%	-7.5%	-3.5%	75%	50%	29%
Materials	32	4	-12.0%	-12.7%	-4.4%	-3.2%	50%	50%	0%
Real Estate	51	5	-72.0%	-23.1%	-2.4%	-0.5%	0%	100%	0%
Utilities	11	1	21.8%	5.8%	7.4%	6.5%	N.A.	N.A.	0%
<b>S&amp;P 600</b>	<b>602</b>	<b>105</b>	<b>-12.7%</b>	<b>-11.9%</b>	<b>-2.2%</b>	<b>-0.5%</b>	<b>62%</b>	<b>32%</b>	<b>15%</b>
Ex-Financials	484	51	-16.9%	-11.1%	-3.2%	-0.1%	62%	48%	20%
Ex-Energy	574	103	-12.0%	-12.3%	-1.8%	-0.6%	63%	33%	16%
Ex-Energy&Financials	456	49	-16.4%	-11.1%	-2.8%	-0.1%	64%	50%	20%

Source: FactSet, BofA US Equity & US Quant Strategy

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### Exhibit 36: Earnings tracking +2.5% better than estimates at start of January

4Q23 earnings revisions since the start of reporting on 1/1/24

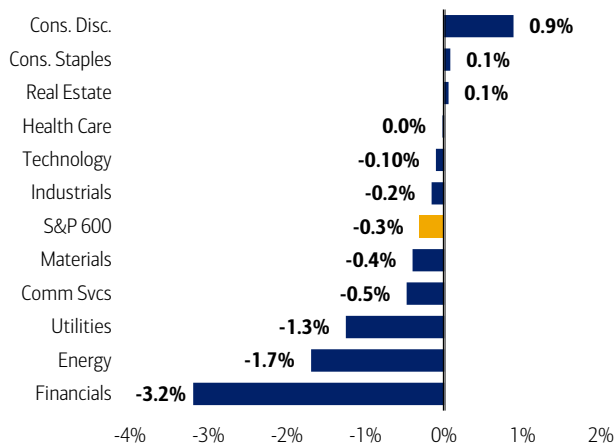


Source: FactSet, BofA US Equity & Quant Strategy

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### Exhibit 37: Sales tracking -0.3% worse than the estimates at start of January

4Q23 sales revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

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## Mid cap 4Q23 earnings update

- So far, 55 S&P 400 companies have reported. Earnings estimates are 1.8% lower since the start of earnings season and sales forecasts are down 0.3%.
- Real Estate and Tech have seen the biggest upward EPS revisions since the start of January, while Utilities and Energy have seen the most negative earnings revisions.
- So far, 57% of companies beat on EPS, 40% beat on sales and 20% beat on both, better than in small caps.
- Earnings are expected to be -6% YoY (-3% for the median company) while sales are expected to be -1% YoY (+1% for the median company).

### Exhibit 38: Mid cap 4Q23 growth expectations and proportion of beats so far

S&P 400 consensus 4Q23 earnings and sales growth and % positive surprises

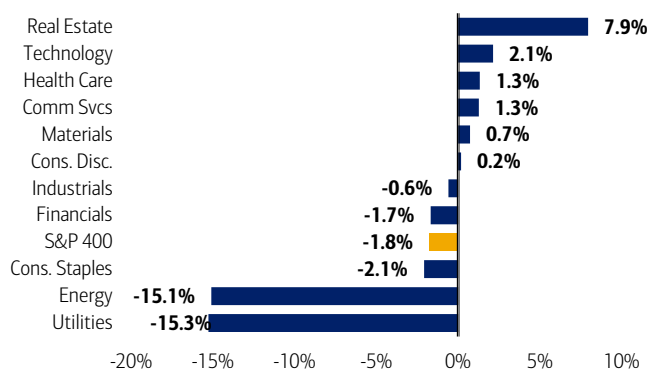
Sector	Total Companies	Number Reported	Earnings YoY%	Median earnings YoY%	Sales YoY%	Median sales YoY%	% With EPS Beat	% With Sales Beat	Both Beat %
Comm Svcs	9	0	-19.5%	-5.6%	-0.6%	0.2%	N.A.	N.A.	N.A.
Cons. Disc.	65	3	4.6%	5.5%	1.3%	0.7%	100%	100%	67%
Cons. Staples	17	1	9.6%	6.0%	5.5%	6.3%	N.A.	N.A.	0%
Energy	20	2	-37.8%	-9.4%	-20.5%	-4.8%	N.A.	N.A.	0%
Financials	65	31	-0.2%	-10.0%	2.6%	-0.7%	52%	43%	19%
Health Care	36	1	22.5%	3.3%	7.6%	8.3%	100%	0%	0%
Industrials	74	7	-7.8%	0.1%	1.2%	3.8%	43%	29%	29%
Technology	41	1	-19.9%	-21.4%	-11.1%	-8.2%	100%	0%	0%
Materials	27	6	-13.9%	-13.2%	-5.4%	-3.3%	67%	33%	17%
Real Estate	31	1	-0.1%	-5.6%	37.4%	2.3%	N.A.	N.A.	0%
Utilities	16	2	4.6%	-9.6%	-8.9%	-0.4%	N.A.	N.A.	0%
<b>S&amp;P 400</b>	<b>401</b>	<b>55</b>	<b>-6.1%</b>	<b>-3.4%</b>	<b>-1.4%</b>	<b>1.0%</b>	<b>57%</b>	<b>40%</b>	<b>20%</b>
Ex-Financials	336	24	-8.0%	-1.2%	-1.8%	1.2%	64%	36%	21%
Ex-Energy	381	53	-2.1%	-3.0%	0.4%	1.2%	57%	40%	21%
Ex-Energy&Financials	316	22	-2.9%	-1.0%	0.1%	1.5%	64%	36%	23%

Source: FactSet, BofA US Equity & US Quant Strategy

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### Exhibit 39: Earnings estimates are down 1.8% since start of January

4Q23 earnings revisions since the start of reporting on 1/1/24

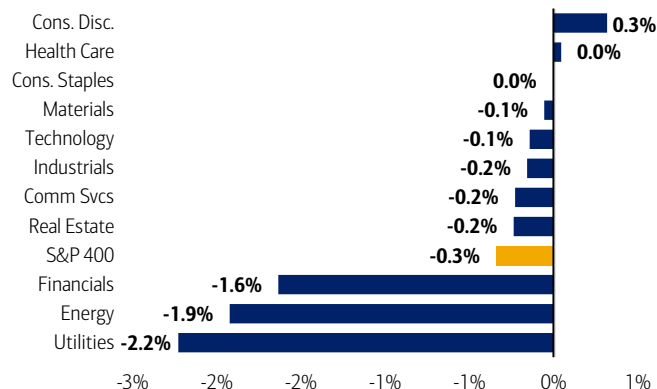


Source: FactSet, BofA US Equity & Quant Strategy

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### Exhibit 40: Sales estimates down -0.3% since start of January

4Q23 sales revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

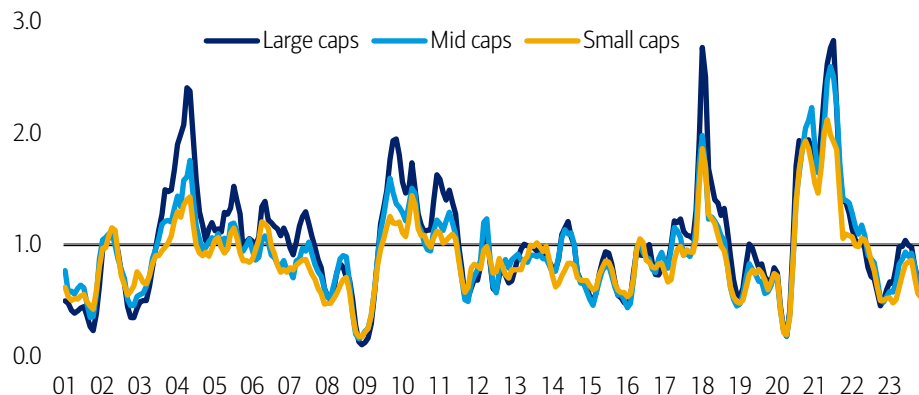
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## Revisions better in large, guidance better in SMID

- Earnings revision trends weakened across the board over the last three months and revision ratios are still below 1.0 (more cuts than raises to estimates) in all three size segments (and weakest in small caps). Large and mid caps saw slight improvement from last month while small caps continued to deteriorate. Typically, small cap earnings trough 1-2 quarters after large cap earnings.
- Meanwhile, guidance has been better for SMIDs: the 3-month ratio of above- vs. below-consensus guidance is tracking at 0.9x in both small and mid (in-line with its long-term average), higher than in large caps. While still early in the earnings season, the one-month guidance ratio was highest in small caps (1.5x) relative to mid (0.3x) and large (0.6x).

### Exhibit 41: Revision trends weakened across the board since October, weakest in small caps

3m earnings revision ratio (ERR) for S&P small, mid and large cap indices as of 12/31/2023

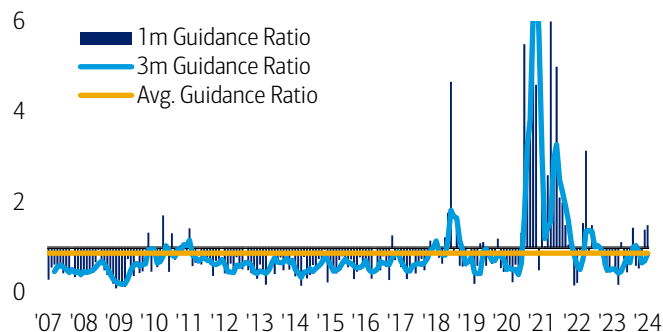


Source: Bloomberg, BofA US Equity & US Quant Strategy

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### Exhibit 42: Small cap earnings guidance is in-line with average on a 3m basis and the highest of the three size segments

S&P 600 management guidance ratio (# above- vs. below-consensus) as of 1/25/23

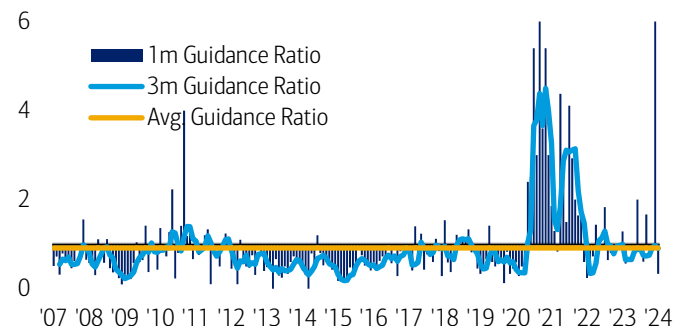


Source: Bloomberg, BofA US Equity & US Quant Strategy

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### Exhibit 43: Mid cap earnings guidance is also in-line with its long-term average on a 3m basis and at similar levels to small caps

S&P 400 management guidance ratio (# above- vs. below-consensus) as of 1/25/23



Source: Bloomberg, BofA US Equity & US Quant Strategy

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# Methodology

## Guidance Ratios

**Earnings guidance:** We track the number of instances of above- vs. below-consensus management guidance for earnings over the last three months for S&P 500 companies. If a company issues changes to its outlook more than once in a one-month period, we incorporate all instances of guidance into our aggregate number. The ratio also includes all instances of above- or below-consensus earnings guidance issued by a company (for example, if they issue both quarterly and annual guidance). The one-month and three-month revision ratios are calculated as they are for estimate revision ratios. The data source is Bloomberg. For companies that provide both GAAP and Operating guidance, or for REITs that provide both EPS and FFO guidance, we remove one data point if both data points provide the same guidance direction, otherwise both data points are used.

**Capex guidance:** We track the number of instances of above- vs. below-consensus management guidance for planned capex over the last three months for S&P 500 companies, calculated the same way as above; data source is FactSet.

## Methodology: Earnings Calls Sentiment

With the help of BofA's Predictive Analytics team, we parsed through earnings calls transcripts to calculate sentiment for the S&P500 universe of companies that have reported since 31st March 2020. We use the Loughran McDonald's financial dictionary to calculate sentiment scores as per the definition below.

Sentiment score = No. of Unique positive words – No. of unique negative and uncertainty words

The sentiment score is computed with three different filters: the full transcript, management discussion and answers of CEO/CFO from Q/A section. Calculated scores were then averaged on the Sector level. Loughran-McDonald Sentiment and Uncertainty:

1. **Loughran-McDonald Sentiment:** Examples of positive words include **accomplish, achieve, outperform, stabilize, strength** and negative words such as **abandon, abnormal, downturn, evade, failing, stagnate**. In total, the lexicon has 2,355 negative words and 354 positive words.
2. **Loughran-McDonald Uncertainty:** Examples of uncertain words include **almost, ambiguity, hidden, fluctuate, doubts, unclear**. In total, the lexicon has 297 words.

Note that the charts show the sentiment score multiplied by (- 1) and after applying the natural log to normalize the data on the same scale. Our Predictive Analytics team is currently researching more advance modeling approaches including Deep Learning so please stay tuned for future enhancements.

## BofA Corporate Misery Indicator methodology

The Corporate Misery Indicator is our macro-based predictor of the profits cycle and is based on the CPI, Average Hourly Earnings, and the Coincident Indicators. Our theory is that corporate profits are a function of how many units a company sells and their margin per unit. Implicitly, these factors incorporate productivity because enhanced productivity will result in either better margins or more units sold for the same inputs.

We use the YoY change in the Coincident Indicators as a proxy for units, because the Coincident Indicators are a proxy for Real GDP, a measure of unit growth. We use the spread between the YoY change in the CPI and the YoY change in Average Hourly Earnings to approximate margins. When the indicator declines, it implies that profits are being squeezed. This has historically coincided with a decelerating profits cycle.

**Corporate Misery Indicator** = CPI (YoY) – Average Hourly Earnings (YoY) + Coincident Indicators (YoY).

# Disclosures

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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## Research Analysts

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**Savita Subramanian**

Equity & Quant Strategist  
BofA  
+1 646 855 3878  
[savita.subramanian@bofa.com](mailto:savita.subramanian@bofa.com)

**Ohsung Kwon, CFA**

Equity & Quant Strategist  
BofA  
+1 646 855 1683  
[ohsung.kwon@bofa.com](mailto:ohsung.kwon@bofa.com)

**Jill Carey Hall, CFA**

Equity & Quant Strategist  
BofA  
+1 646 855 3327  
[jill.carey@bofa.com](mailto:jill.carey@bofa.com)

**Alex Makedon**

Equity & Quant Strategist  
BofA  
+1 646 855 5982  
[alex.makedon@bofa.com](mailto:alex.makedon@bofa.com)

**Victoria Roloff**

Equity & Quant Strategist  
BofA  
+1 646 743 6339  
[victoria.roloff@bofa.com](mailto:victoria.roloff@bofa.com)

**Nicolas Woods**

Equity & Quant Strategist  
BofA  
+1 646 556 4179  
[nicolas.woods\\_barron@bofa.com](mailto:nicolas.woods_barron@bofa.com)

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