

# Investors Hope Earnings Season Will Revive Stocks

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THE WSJ, HANNAH MIAO, OCTOBER 8 2023



# Higher Earnings Growth could help the Stock Market

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End of July, U.S. Stock Market up 18%

Since then the market is down 6% so overall market is up about 12%

Fed has raised interest rates about 5% over 18 months

New realization that Fed will keep interest rates higher for longer than expected

This has caused interest rates on bonds to rise

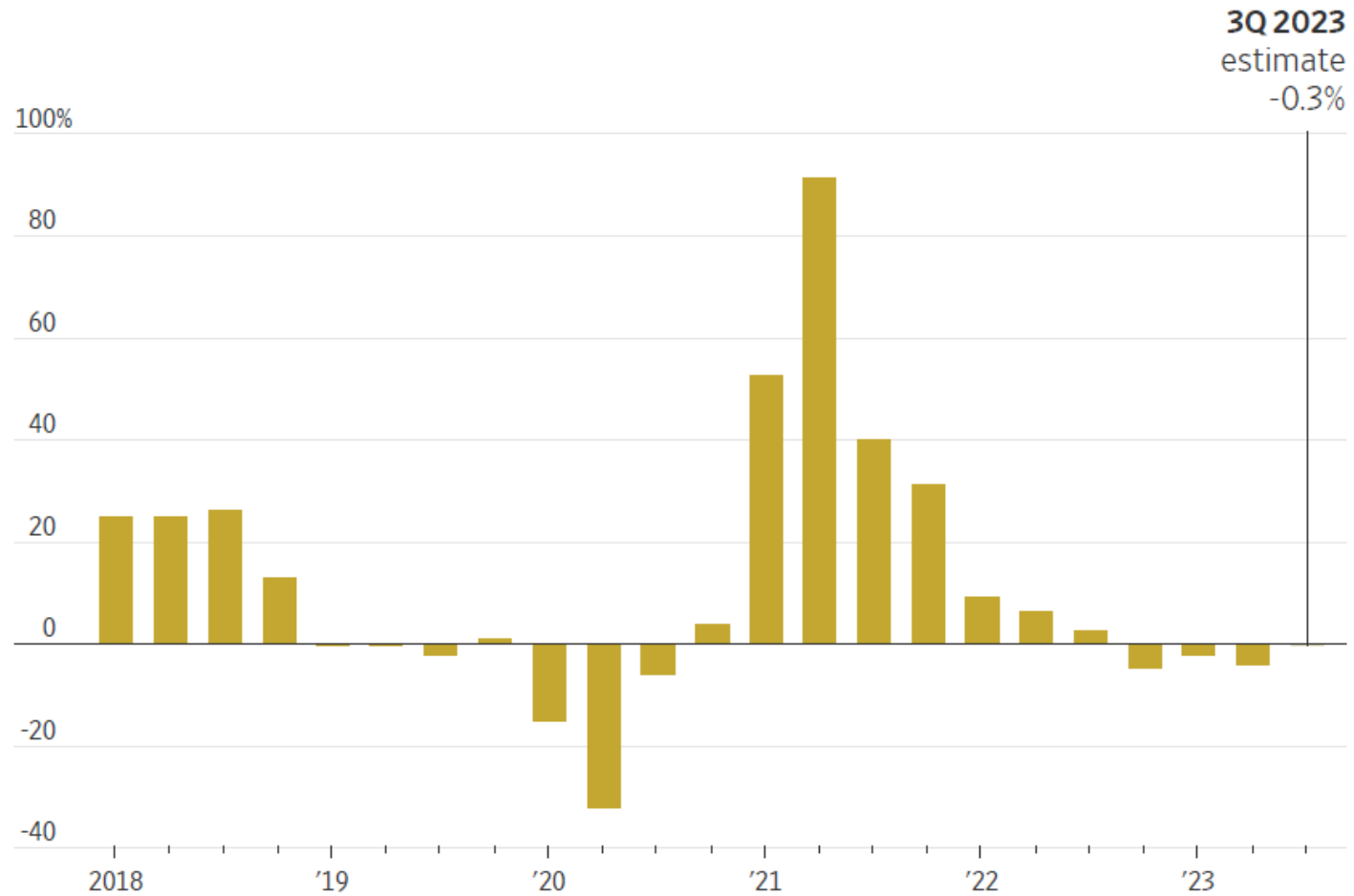
Investors have switched from stocks to bonds

Expected earnings in the S&P 500 in Q3 are expected to decline .3% YOY

If companies in the S&P500 beat expectations, on average, we could have earnings growth

Nike recently beat expectations and the shares jumped

## S&P 500 quarterly earnings, change from a year earlier



Note: 3Q 2023 based on estimates. As of Oct. 6.

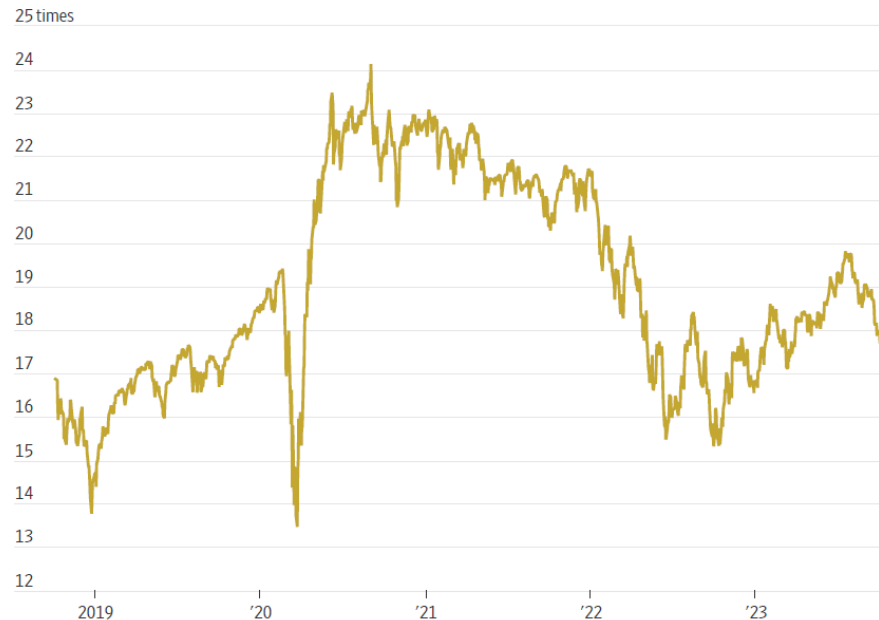
Source: FactSet

# Price to Earnings Ratio – Multiple of Value to Expected Earnings

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Today about 18 times

S&P 500 price/earnings, next 12 months



Source: FactSet

There has not been earnings growth to date in 2023 on average of companies in the S&P

Yet the P/E multiple had risen from about 17 to a high of about 20

The market seemed “priced for perfection”

Now the multiple has fallen from the high of about 20 to about 18 times

If Q3 earnings, especially at banks, beat expectations, then perhaps market can stabilize