

## Market Update—A Surge in Earnings

Earnings reports have shown a dramatic improvement in corporate profitability in recent weeks. Just over 90% of S&P 500 companies that announced earnings in July reported results that exceeded consensus expectations. This is the highest figure for positive surprises since late 2008. According to FactSet, aggregate S&P 500 earnings for the second quarter should come in at 85% above 2020's second quarter, reflecting a strong recovery from last year's depressed levels. For the full year 2021, S&P 500 earnings are estimated at 43% above 2020 levels.

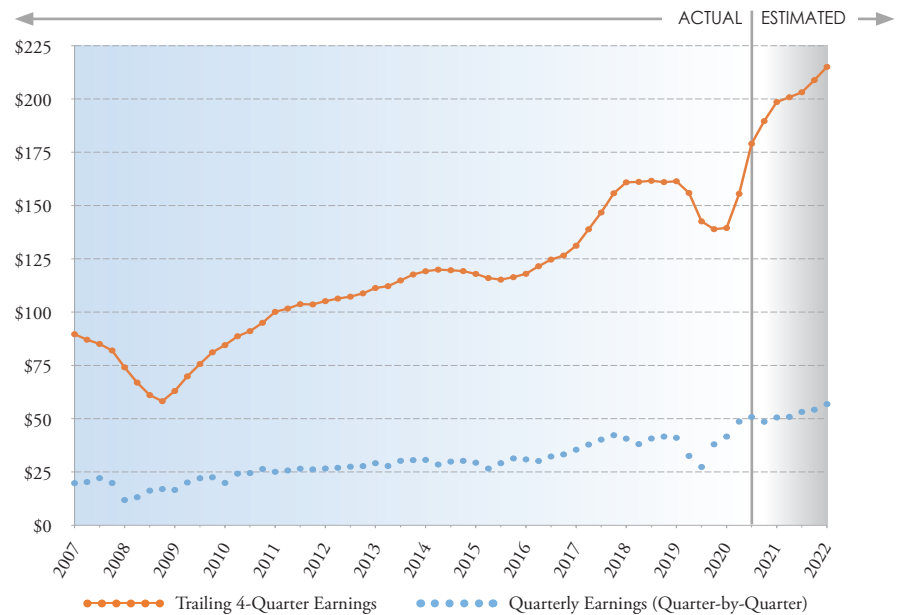
While the earnings recovery will likely continue for the next several quarters, it is worth noting that earnings comparisons are benefiting from easy comparisons with 2020's weak levels. S&P 500 earnings bottomed in last year's second quarter and then began moving higher, indicating that future year-over-year comparisons will likely become more challenging.

As overall earnings comparisons become more difficult, it will become even more important to identify companies that have strong sustainable earnings growth potential. In addition, in a market environment where overall valuation levels are relatively high, a focus on finding reasonably priced stocks is also likely to become even more important.

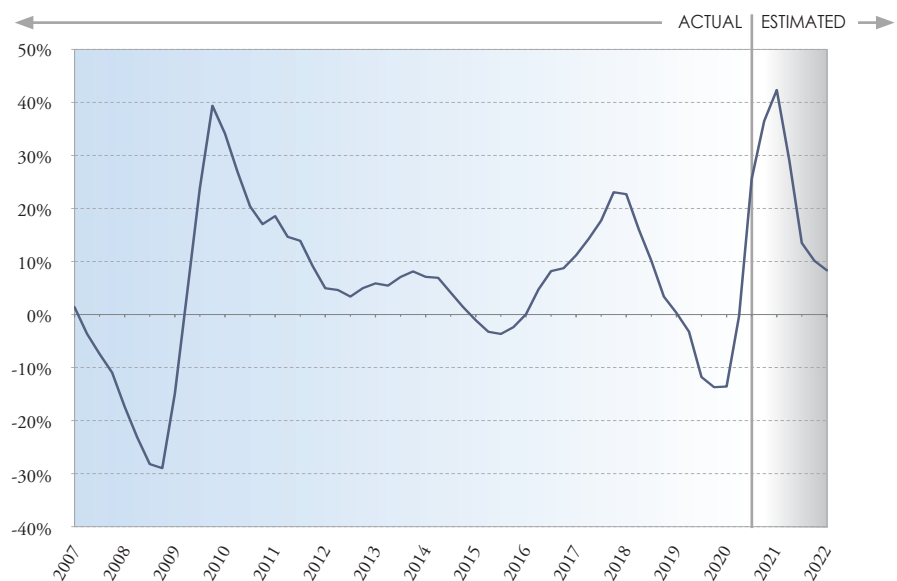
Our outlook for stocks remains positive, but we believe that adherence to a disciplined investment

process will become even more important over the remainder of this year and next.

### S&P 500 EARNINGS



### YEAR-OVER-YEAR CHANGE IN 4-QUARTER EPS



Data from 12/31/2007–12/31/2022  
Source: FactSet

## DISCLOSURES

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