

Zacks Earning Trends

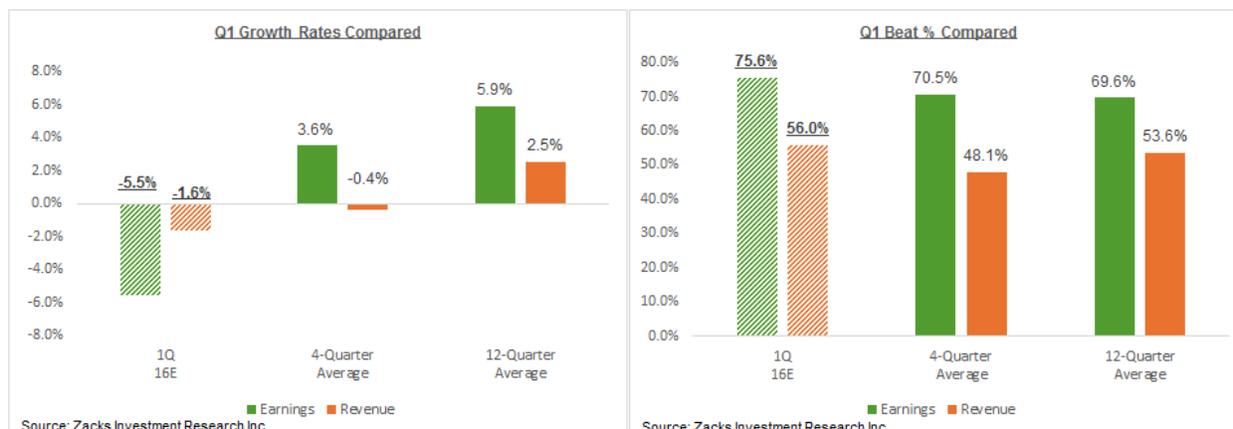
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Low Expectations Helping Q1 Earnings Picture

The Q1 earnings season is in full swing with results from 209 S&P 500 members accounting for 52.4% of the index's total market capitalization. While growth remains problematic, actual results are turning out to be less bad relative to the low levels to which estimates had fallen ahead of this reporting cycle. More companies are coming out with positive surprises for both earnings as well as revenues. Importantly, while estimates for the current period (2016 Q2) have started coming down, they are not falling by as much as was the case at the comparable stage in the prior earnings season. Low expectations likely explain the deceleration in the negative revisions pace for Q2 as estimates for this period had already come down over the last four months.

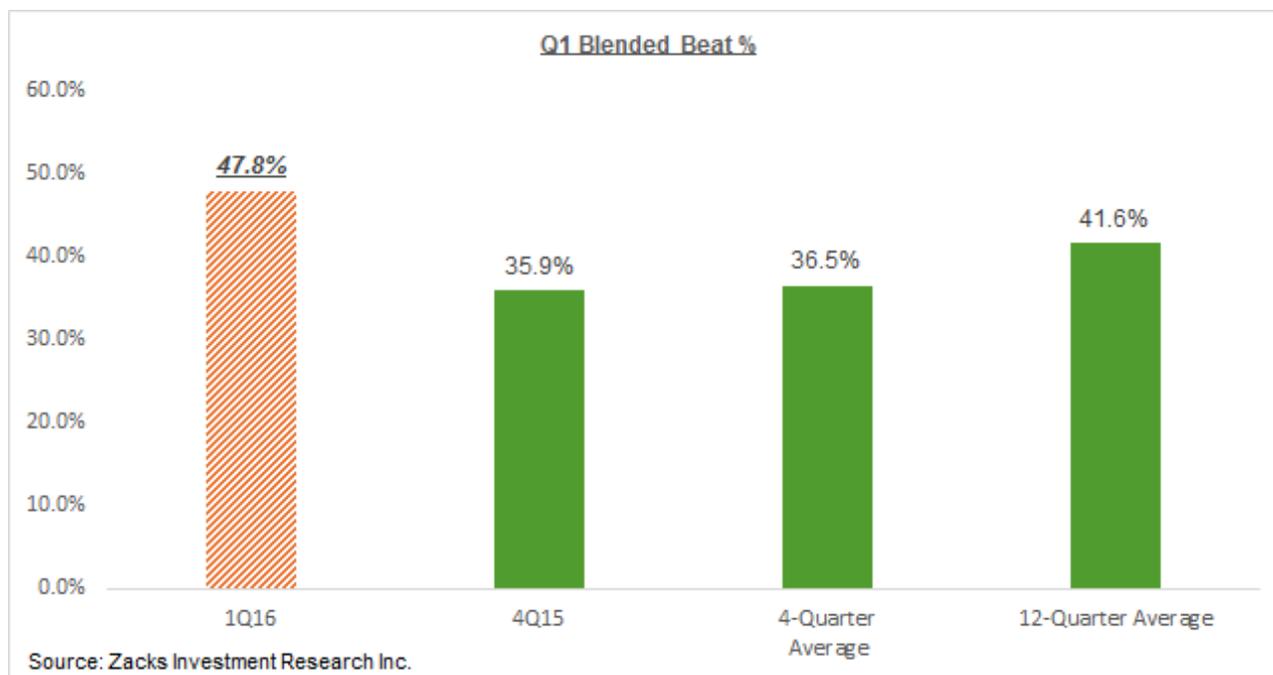
Total earnings for the 209 S&P 500 members that have reported results are down -5.5% from the same period last year on -1.6% lower revenues, with 75.6% beating EPS estimates and 56% coming ahead of top-line expectations. The side-by-side charts below compare the results thus far with what we have seen from the same group of 209 S&P 500 members in other recent periods.



The left-hand side chart compares the Q1 earnings and revenue growth rates while the right side chart compares the percentage of companies coming out with positive earnings and revenue surprises. As you can see, the growth pace is notably weaker relative to the 4-quarter and 12-quarter averages, but positive surprises are tracking above historical periods for the same group of companies.

One would reasonably expect that the recent decline in the exchange value of the U.S. dollar is helping S&P 500 members on the margin as well, but this preponderance of positive surprises is primarily a function of low expectations.

The chart below shows the proportion of the 209 index members that have beat both EPS and revenue estimates. Even on this metric, positive surprises are more numerous relative to historical periods.



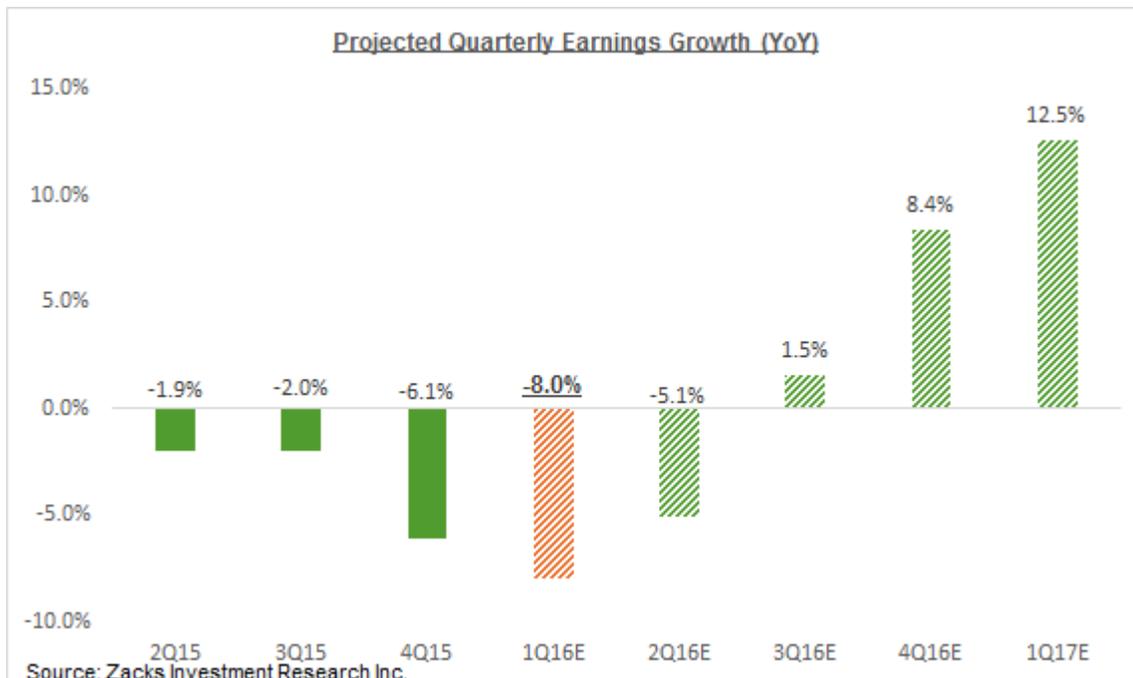
The focus on expectations helps explain the market's disappointment at Tech sector results from Google's parent Alphabet (GOOGL), Apple (AAPL), Microsoft (MSFT) and others. These companies, particularly Google and Microsoft failed to rise to the expectations that had built up following their blowout results the prior earnings season. In other words, the Tech disappointments are inverse of what is happening this earnings season in most other sectors, with low expectations providing easy-to-beat hurdle rates for most companies.

The blended growth picture for Q1, combining the actual results from the 209 that have reported with estimates for the still-to-come 291 index members, shows total earnings declining -8.0% from the same period last year on -1.0% lower revenues. This would be the 4th quarter in a row of earnings declines for the index.

Estimates for the current period (2016 Q2) show these declines continuing, with total earnings for the S&P 500 index expected to be down -5.1% from the same period last year -0.8% lower revenues. Q2 estimates have been coming down in recent days, but the magnitude of negative revisions is lower relative to what we experienced in the comparable period in the 2015 Q4 earnings season.

The chart below shows Q1 growth expectations contrasted with what was actually achieved in the preceding three quarters and estimates for the following four periods. As

you can see in the chart below, all of this year's growth is dependent on estimates for the back-half of the year.



Many see the Q1 earnings season as the inflection point for corporate earnings, with the growth picture starting improve from Q2 onwards and turning positive in the back half of the year. The relative more numerous positive surprises and the fewer negative revisions to current-period estimates would support that view. But the proof of this narrative will become clear in the coming days as more companies report Q1 results and provide color on the evolving business picture.

(Note: Full report on the following pages)

Q1 Earnings Season Past the Half-way Mark

The Q1 earnings season has crossed the half-way mark in terms of market capitalization, with results from more than 50% of the market cap of the S&P 500 index already out. We have results from 209 index members that combined account for 52.4% of the index's total market capitalization. Total earnings for these 209 index members are down -5.5% from the same period last year on -1.6% lower revenues, with 75.6% beating EPS estimates and 56% coming ahead of top-line expectations.

The table below shows the Q1 scorecard of the results thus far. The last two columns show the blended beat % (the percentage of companies that have beat both EPS as well revenue estimates), and the stock price impact of the earnings report.

	2016 Q1 Scorecard							
	% Reported		Earnings		Revenue		Blended Beat %	*Price Impact
	Total Companies	Total Market Cap	Growth YoY	Beat %	Growth YoY	Beat %		
Consumer Staples	40.6%	63.1%	-0.7%	84.6%	-7.3%	61.5%	53.8%	0.0%
Consumer Discrt	35.1%	40.3%	11.5%	84.6%	3.6%	53.8%	46.2%	-1.1%
Retail	31.8%	27.7%	-3.1%	78.6%	3.3%	50.0%	42.9%	-0.3%
Medical	30.2%	34.6%	4.7%	75.0%	9.5%	68.8%	62.5%	2.3%
Auto/Tires/Trks	60.0%	55.5%	25.5%	100.0%	1.0%	33.3%	33.3%	0.5%
Basic Materials	45.0%	52.3%	-20.7%	77.8%	-13.3%	44.4%	33.3%	0.9%
Industrial Prod	52.4%	56.7%	-27.2%	81.8%	-10.3%	81.8%	72.7%	0.6%
Construction	50.0%	55.3%	25.6%	100.0%	7.7%	83.3%	83.3%	0.7%
Conglomerates	83.3%	99.0%	-14.2%	80.0%	-8.4%	80.0%	80.0%	-0.2%
Computer & Tech	41.9%	71.8%	-8.1%	73.1%	-0.4%	50.0%	50.0%	-0.2%
Aerospace	88.9%	87.8%	-4.4%	75.0%	3.3%	87.5%	62.5%	-0.5%
Oils/Energy	18.4%	17.1%	-99.4%	42.9%	-32.5%	14.3%	14.3%	3.6%
Finance	54.5%	61.6%	-5.0%	64.6%	-4.2%	56.3%	43.8%	1.4%
Utilities	12.9%	14.6%	-0.1%	75.0%	-7.0%	0.0%	0.0%	1.2%
Transportation	85.7%	75.0%	1.8%	91.7%	-1.6%	41.7%	41.7%	2.6%
Business Svcs	47.8%	56.3%	8.6%	72.7%	3.3%	63.6%	36.4%	-2.1%
S&P 500	41.8%	52.4%	-5.5%	75.6%	-1.6%	56.0%	47.8%	0.66
Excluding Finance	39.1%	50.7%	-5.8%	78.9%	-1.1%	55.9%	49.1%	0.43
Excluding Oil	43.7%	55.1%	-4.4%	76.7%	-1.0%	57.4%	49.0%	N/A

Source: Zacks Investment Research, Inc.

Data as of:

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*Price Impact' is the price change from 1 day before to one day after, if available, else intraday price.

Note: Here are few key points to keep in mind while reading this report.

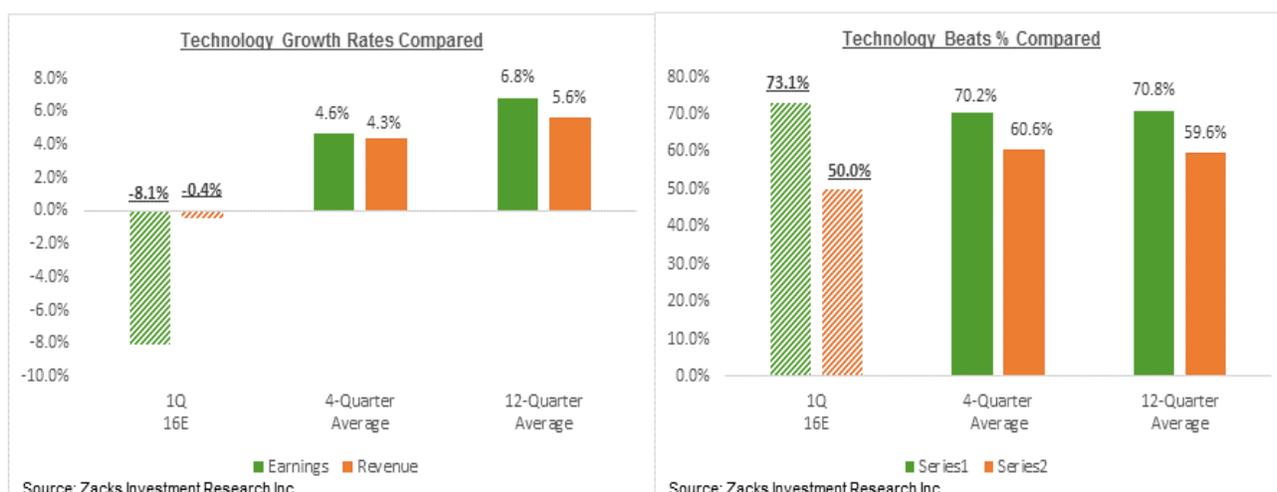
- All the earnings analysis in this report pertains to the S&P 500 index, a handy proxy for the entire business world. We use the index's current membership as the basis for all period comparisons, meaning that even historical periods reflect the index's current membership.

- b. We divide the corporate world into 16 sectors compared to the official S&P 10 GICS. We have stand-alone sectors like Autos, Construction, Conglomerates, Aerospace, Transportation and Business Services that provide for a better understanding of trends in these key areas of the economy.
- c. All references to 'earnings' mean 'total earnings' and not 'mean or median EPS'.
- d. We make adjustments to reported GAAP earnings to account for non-recurring or one-time items, but we do consider employee stock options (ESOs) as a legitimate business expense. Unlike Zacks, Wall Street and all other data vendors don't treat ESO's as a recurring business expense.

For 11 of the 16 sectors, we now have Q1 results from more than half of their respective market capitalizations in the S&P 500 index.

The spotlight lately has been on the **Technology sector**, as referred to earlier, following disappointing reports from a number of sector leaders. Overall, we now have Q1 results from 71.8% of the sector's market capitalization in the S&P 500 index. Total earnings for these Tech companies are down -8.1% on -0.4% lower revenues, with 73.1% beating EPS estimates and 50% beating revenue expectations.

As the comparison charts below show, this are weak results from these Tech sector companies relative to their historical performance.



For the **Finance sector**, we have Q1 results from 61.6% of the sector's total market cap in the index. Total earnings for these Finance companies, essentially the bulge-bracket firms and regional banks, are down -5.0% from the same period last year on -4.2% lower revenues, with 64.6% beating EPS estimates and 56.3% coming ahead of top-line estimates.

We knew that Q1 was a tough period for the banks and brokers with low interest rates weighing on their core lending margins and macro uncertainties dragging down their trading and investment banking businesses. But as referred to earlier, investors were actually prepared for even weaker results, particularly on the capital markets side. J.P.

Morgan's report showed that while the advisory side of the business was as weak as expected, the trading side did relatively better; trading revenues were weak, but the expectation was for even weaker results. They are provisioning for the Energy sector exposure (adding to reserves) and making headway in squeezing costs out of the operations. Growth in the traditional banking business continues to improve, with steady gains in the loan portfolios, though the interest rate backdrop continues to remain challenging.

For the **Transportation sector**, we now have Q1 results from 75% of the sector's market cap in the S&P 500 index. Total earnings for these companies are up +1.8% from the same period last year on -1.6% lower revenues, with 80% beating EPS estimates and only 20% beating revenue estimates.

For the **Consumer Staples sector**, we now have Q1 results from 63.1% of the sector's total market cap in the S&P 500 index. Total earnings for these companies are down -0.7% on -7.3% lower revenues, with 84.6% beating EPS estimates and 61.5% beating revenue estimates.

Q1 Estimates as a Whole

Looking Q1 as a whole, total earnings are expected to be down -8.0% from the same period last year, on -1.0% lower revenues. This will be the 4th quarter in a row of negative earnings growth for the index.

The table below provides a summary view of the expectations for 2016 Q1

Zacks Sectors	Year-over-Year Growth					
	Earnings			Revenues		
	1Q16	4Q15	3Q15	1Q16E	4Q15	3Q15
Cons. Staples	-0.5%	-6.3%	-1.0%	-4.0%	-7.9%	-5.4%
Cons. Discretionary	3.1%	5.1%	3.7%	5.8%	2.2%	2.1%
Retail/Wholesale	-1.8%	0.6%	4.8%	4.9%	5.3%	5.3%
Medical	2.3%	9.5%	14.7%	9.1%	10.2%	9.9%
Autos	31.4%	8.5%	30.7%	0.9%	-1.3%	-0.9%
Basic Materials	-18.4%	-23.4%	-18.8%	-8.5%	-15.5%	-14.0%
Industrial Products	-23.4%	-17.2%	-23.6%	-9.4%	-11.3%	-12.3%
Construction	14.9%	0.1%	8.4%	1.1%	-4.3%	-1.9%
Conglomerates	-20.4%	-7.1%	-8.7%	-9.4%	-13.2%	-10.6%
Technology	-6.0%	-1.3%	8.3%	2.3%	2.4%	3.4%
Aerospace	-7.2%	-13.0%	2.4%	-0.5%	-2.8%	4.1%
Oil/Energy	-114.5%	-78.6%	-56.4%	-31.8%	-35.1%	-37.1%
Finance	-2.4%	0.5%	0.6%	2.1%	2.7%	2.3%
Utilities	6.0%	-1.6%	-0.9%	-0.1%	-6.7%	-3.2%
Transportation	2.1%	14.5%	22.5%	-0.8%	-2.4%	-1.3%
Business Services	5.1%	4.6%	5.3%	5.0%	2.3%	0.8%
S&P 500	-8.0%	-6.1%	-2.0%	-1.0%	-3.2%	-3.8%
ex Finance	-9.5%	-7.6%	-2.6%	-1.5%	-4.0%	-4.6%
ex Oil/Energy	-2.3%	0.1%	4.5%	2.2%	1.0%	1.6%

Source: Zacks Investment Research, Inc.

Data as of: April 27, 2016 www.zacks.com

As you can see in the table above, the Energy sector still remains a big drag on the aggregate growth picture. Total earnings for the sector are expected to be down -114.5% from the same period last year on -31.8% lower revenues, which follows the -78.6% drop in the sector's earnings in the preceding period. Excluding the Energy sector, total earnings for the rest of the S&P 500 index would still be in negative.

In total, earnings growth is expected to be negative for 9 of the 16 Zacks sectors in Q1, with Basic Materials, Industrial Products, and Conglomerates as the other double-digit decliners.

On the positive side, 7 sectors are expected to have positive earnings growth in Q1. These include Autos (+31.4%), Construction (+14.9%), Business Services (+5.1%), Medical (+2.3%), Utilities (+6.0%), Transportation (+2.1%), and Consumer Disc (+3.1%).

The growth picture isn't that reassuring for the Technology and Finance sectors in the index, with Tech earnings expected to be down -6.0% on +2.3% higher revenue revenues. For Finance, earnings are expected to be down -2.4% on +2.1% higher revenues.

The Context for Growth Expectations

Let's take a look at how consensus earnings expectations for 2016 Q1 compare to what companies earned in the last few quarters and what they are expected to earn in the coming quarters.

Table 2 below presents the year over year quarterly earnings growth rates – actuals as well as estimates. Table 3 presents the same data for revenues.

Table 2 – Earnings Growth Context

Zacks Sectors	Earnings Growth (YoY)								
	1Q17E	4Q16E	3Q16E	2Q16E	1Q16	4Q15	3Q15	2Q15	1Q15
Consumer Staples	9.3%	9.7%	4.1%	-3.0%	-0.5%	-6.3%	-1.0%	0.0%	1.2%
Consumer Discrt	8.3%	5.6%	4.0%	2.6%	3.1%	5.1%	3.7%	3.0%	1.3%
Retail	6.9%	9.0%	8.3%	2.9%	-1.8%	0.6%	4.8%	4.5%	5.3%
Medical	7.4%	9.7%	5.8%	1.0%	2.3%	9.5%	14.7%	14.9%	20.1%
Auto/Tires/Trks	1.9%	-6.4%	0.3%	7.2%	31.4%	8.5%	30.7%	25.3%	26.4%
Basic Materials	18.9%	17.7%	4.6%	-13.1%	-18.4%	-23.4%	-18.8%	3.9%	-2.1%
Industrial Prod	6.5%	4.5%	2.8%	-7.3%	-23.4%	-17.2%	-23.6%	-15.6%	-5.2%
Construction	10.6%	10.5%	7.5%	6.0%	14.9%	0.1%	8.4%	9.0%	3.2%
Conglomerates	3.8%	0.2%	18.7%	0.4%	-20.4%	-7.1%	-8.7%	-8.0%	4.7%
Computer & Tech	9.7%	4.6%	0.2%	-2.6%	-6.0%	-1.3%	8.3%	1.8%	8.5%
Aerospace	10.3%	15.9%	-1.2%	3.9%	-7.2%	-13.0%	2.4%	-9.4%	0.7%
Oils/Energy	-707.4%	33.6%	-56.0%	-78.9%	-114.5%	-78.6%	-56.4%	-60.7%	-55.8%
Finance	5.1%	14.7%	8.6%	-3.9%	-2.4%	0.5%	0.6%	7.5%	16.8%
Utilities	-4.8%	5.6%	3.7%	4.3%	6.0%	-1.6%	-0.9%	5.2%	5.0%
Transportation	-2.5%	-5.9%	-12.3%	-9.2%	2.1%	14.5%	22.5%	12.6%	71.2%
Business Svcs	8.8%	6.6%	7.6%	-0.4%	5.1%	4.6%	5.3%	9.1%	7.1%
S&P 500	12.5%	8.4%	1.5%	-5.1%	-8.0%	-6.1%	-2.0%	-1.9%	3.1%
Excluding Finance	14.8%	6.8%	-0.2%	-5.4%	-9.5%	-7.6%	-2.6%	-4.3%	-0.2%
Excluding Oil	6.9%	7.9%	4.4%	-1.7%	-2.3%	0.1%	4.5%	5.3%	10.9%

Source: Zacks Investment Research, Inc.
Data as of: April 27, 2016 www.zacks.com

Table 3 – Revenue Growth Context

Zacks Sectors	Revenue Growth (YoY)								
	1Q17E	4Q16E	3Q16E	2Q16E	1Q16E	4Q15	3Q15	2Q15	1Q15
Cons. Staples	4.0%	4.9%	1.5%	-1.4%	-4.0%	-7.9%	-5.4%	-6.4%	-4.3%
Cons. Discretionary	5.0%	6.0%	6.1%	3.8%	5.8%	2.2%	2.1%	2.0%	-1.8%
Retail/Wholesale	3.9%	6.3%	5.2%	4.2%	4.9%	5.3%	5.3%	5.5%	5.1%
Medical	6.4%	6.1%	7.2%	7.7%	9.1%	10.2%	9.9%	9.6%	11.0%
Autos	2.3%	0.7%	-1.2%	1.3%	0.9%	-1.3%	-0.9%	-5.0%	-4.8%
Basic Materials	3.8%	5.0%	-1.5%	-7.1%	-8.5%	-15.5%	-14.0%	-9.9%	-11.2%
Industrial Products	2.8%	1.5%	-1.6%	-4.5%	-9.4%	-11.3%	-12.3%	-10.1%	-7.5%
Construction	8.8%	8.8%	9.5%	6.3%	1.1%	-4.3%	-1.9%	2.3%	1.6%
Conglomerates	2.5%	5.7%	2.8%	-2.5%	-9.4%	-13.2%	-10.6%	-6.4%	-2.1%
Technology	4.5%	3.4%	3.2%	3.6%	2.3%	2.4%	3.4%	2.5%	5.0%
Aerospace	3.8%	5.0%	-0.1%	-0.4%	-0.5%	-2.8%	4.1%	4.6%	2.7%
Oil/Energy	40.6%	-11.3%	-20.0%	-30.0%	-31.8%	-35.1%	-37.1%	-31.8%	-34.2%
Finance	4.1%	3.2%	2.6%	0.6%	2.1%	2.7%	2.3%	2.1%	1.9%
Utilities	-0.7%	1.7%	0.4%	0.2%	-0.1%	-6.7%	-3.2%	-5.3%	-3.5%
Transportation	2.8%	2.9%	0.7%	-0.2%	-0.8%	-2.4%	-1.3%	-2.0%	1.7%
Business Services	6.5%	6.9%	7.1%	6.5%	5.0%	2.3%	0.8%	-0.5%	0.9%
S&P 500	6.6%	3.4%	1.4%	-0.8%	-1.0%	-3.2%	-3.8%	-3.3%	-3.0%
ex Finance	7.0%	3.4%	1.3%	-1.0%	-1.5%	-4.0%	-4.6%	-4.1%	-3.7%
ex Oil/Energy	4.2%	4.7%	3.6%	2.4%	2.2%	1.0%	1.6%	1.4%	2.1%

Source: Zacks Investment Research, Inc.

Data as of: April 27, 2016

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The next two tables present the same data in a different format – instead of year-over-year growth rates, we have the dollar level of total earnings and revenues for each of these quarters.

Table 4 – Total Quarterly earnings

<u>Zacks Sectors</u>	<u>Quarterly Earnings (billion dollars)</u>									
	<u>1Q17E</u>	<u>4Q16E</u>	<u>3Q16E</u>	<u>2Q16E</u>	<u>1Q16</u>	<u>4Q15</u>	<u>3Q15</u>	<u>2Q15</u>	<u>1Q15</u>	
Cons. Staples	17.8	19.1	19.9	18.2	16.3	17.5	19.1	18.8	16.4	
Cons. Discretionary	13.3	15.2	15.3	12.4	12.3	14.4	14.7	12.1	11.9	
Retail/Wholesale	18.6	24.3	20.5	20.2	17.4	22.3	18.9	19.7	17.7	
Medical	42.0	43.0	42.7	41.1	39.1	39.2	40.4	40.7	38.2	
Autos	6.2	6.4	6.9	7.3	6.1	6.8	6.9	6.8	4.6	
Basic Materials	8.1	6.4	6.1	7.6	6.8	5.4	5.8	8.7	8.3	
Industrial Products	4.3	4.7	5.2	5.0	4.1	4.5	5.0	5.4	5.3	
Construction	1.3	1.9	2.3	1.9	1.2	1.7	2.1	1.8	1.0	
Conglomerates	6.5	9.7	9.4	8.1	6.3	9.7	7.9	8.0	7.9	
Technology	56.9	69.1	56.0	52.0	51.9	66.0	55.9	53.4	55.2	
Aerospace	4.5	5.1	4.8	4.5	4.1	4.4	4.8	4.3	4.4	
Oil/Energy	11.7	6.6	5.8	2.6	-1.9	4.9	13.2	12.2	13.3	
Finance	60.2	59.7	58.4	57.8	57.2	52.0	53.8	60.2	58.6	
Utilities	9.5	7.1	11.0	7.8	10.0	6.7	10.6	7.4	9.4	
Transportation	6.6	7.9	9.1	8.7	6.8	8.4	10.4	9.6	6.6	
Business Services	7.7	8.1	7.7	7.3	7.1	7.6	7.2	7.3	6.7	
S&P 500	275.3	294.3	281.0	262.5	244.7	271.6	276.7	276.5	265.8	
ex Finance	215.1	234.6	222.6	204.7	187.4	219.6	222.9	216.3	207.2	
ex - Oil	263.6	287.7	275.2	259.9	246.6	266.7	263.5	264.3	252.5	

Source: Zacks Investment Research, Inc.
Data as of: April 27, 2016 www.zacks.com

Table 5 – Total Quarterly Revenues

Zacks Sectors	Quarterly Revenues (billion dollars)								
	1Q17E	4Q16E	3Q16E	2Q16E	1Q16E	4Q15	3Q15	2Q15	1Q15
Cons. Staples	147.8	162.5	157.9	153.9	142.2	154.9	155.5	156.0	148.1
Cons. Discretionary	121.6	130.8	126.1	116.7	115.9	123.4	118.8	112.4	109.5
Retail/Wholesale	458.4	506.5	461.3	450.7	441.0	476.4	438.4	432.4	420.4
Medical	409.8	418.9	407.6	402.2	385.3	394.6	380.1	373.6	353.2
Autos	106.5	111.1	108.6	109.8	104.1	110.3	109.9	108.3	103.1
Basic Materials	74.6	73.5	72.5	76.1	71.8	70.0	73.6	81.9	78.5
Industrial Products	58.2	59.0	60.1	61.0	56.5	58.1	61.1	63.8	62.4
Construction	25.6	28.0	29.6	27.8	23.5	25.8	27.0	26.2	23.3
Conglomerates	67.3	78.0	72.1	72.6	65.6	73.9	70.2	74.5	72.5
Technology	340.6	376.5	334.2	325.7	326.0	364.0	323.8	314.5	318.8
Aerospace	60.7	68.0	64.8	63.3	58.5	64.7	64.8	63.5	58.8
Oil/Energy	231.3	186.9	189.9	185.4	164.5	210.7	237.3	264.7	241.2
Finance	361.3	361.0	363.0	357.6	347.0	349.9	353.8	355.5	340.0
Utilities	90.6	77.5	89.1	77.9	91.3	76.2	88.8	77.8	91.4
Transportation	79.3	83.2	84.7	82.8	77.1	80.9	84.1	83.0	77.7
Business Services	50.4	52.5	50.4	49.7	47.3	49.1	47.0	46.7	45.1
S&P 500	2683.7	2773.9	2671.9	2613.3	2517.6	2682.6	2634.2	2634.9	2544.0
ex Finance	2322.5	2412.9	2308.9	2255.7	2170.5	2332.8	2280.4	2279.4	2203.9
ex Oil/Energy	2452.4	2587.0	2482.0	2427.9	2353.1	2471.9	2396.9	2370.2	2302.8

Source: Zacks Investment Research, Inc.

Data as of: April 27, 2016 www.zacks.com

It may be obvious, but it's still useful to explain what we mean by total earnings.

This means the sum of net income for all companies in the S&P 500. For historical periods through 2015 Q4, we have taken the total earnings (net income, not EPS) for each company in the S&P 500 and added them up to arrive at the sector and index level totals (we do adjust reported GAAP earnings for non-recurring items, but consider employee stock options as a legitimate business expense).

For the coming quarters, including the ongoing Q1 reports, we have taken the Zacks Consensus EPS for each company in the index, multiplied that by the corresponding share count (from the last reported quarter) to arrive at the total earnings for each company. And then we aggregated them to arrive at the totals for each sector and the

index as a whole. The lack of accuracy in real-time share count notwithstanding, this gives us a fairly accurate view of the total earnings picture. In plain language, what Table 4 tells us is that companies in the S&P 500 earned \$271.6 billion in 2015 Q4 and are currently expected to earn \$244.7 billion in 2016 Q1.

Index 'EPS' and PEs

The table below shows the PEs and 'EPS' for the index. As you can see, the index is expected to earn \$114.01 in EPS in 2016 on a bottom-up basis and \$119.89 on a top-down basis.

Zacks Sectors	P/E Ratios			Price Change	
	F0	F1	F2	YTD	52-Weeks
Cons. Staples	23.1	22.4	20.3	3.9%	13.6%
Cons. Discretionary	20.8	19.1	17.1	5.4%	-2.1%
Retail/Wholesale	24.5	22.4	19.8	2.1%	-5.5%
Medical	17.5	16.2	14.6	-1.6%	-4.5%
Autos	9.3	8.9	8.5	6.2%	-9.6%
Basic Materials	17.3	17.9	15.5	12.3%	-10.2%
Industrial Products	17.5	18.6	17.3	12.6%	0.4%
Construction	20.9	18.4	16.0	8.8%	3.1%
Conglomerates	21.1	19.3	17.2	5.5%	1.6%
Technology	17.8	19.2	17.4	1.0%	-3.5%
Aerospace	18.1	17.2	15.4	2.1%	4.6%
Oil/Energy	31.1	95.3	30.1	15.7%	-23.1%
Finance	13.9	13.6	12.3	0.4%	-1.9%
Utilities	17.8	17.5	16.8	12.3%	3.3%
Transportation	12.7	12.8	11.9	8.5%	-8.1%
Business Services	24.4	22.6	20.0	4.2%	5.0%
S&P 500	18.4	18.5	16.3	4.7%	-2.9%

Bottom-up Index

'EPS' (Implied) \$ 113.92 \$ **113.01** \$ 128.27 - -

Bottom-up Index

'EPS' (Calculated) \$ 114.66 \$ **114.01** \$ 129.33

Top-down Index

'EPS' \$ 114.98 \$ **119.89** \$ 130.18 - -

Note: F0 is the last completed year; F1 is the current year and F2 is next year; the P/E ratios represent 'total market cap' over 'aggregate earnings' for each sector as well as the index; the bottom-up EPS has been backed out of current market values, using the last closing value for the index and the P/E value(s) here

The Margins Picture

The table below shows net margin expectations for Q1 in the context of where they have been and where they are expected to go in the coming quarters.

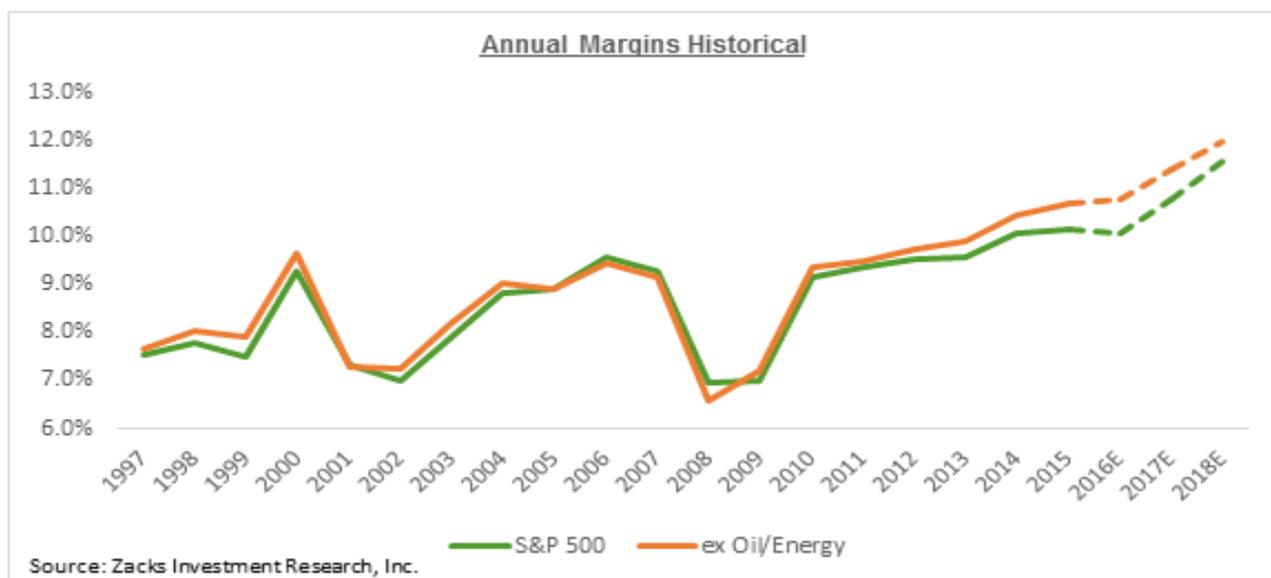
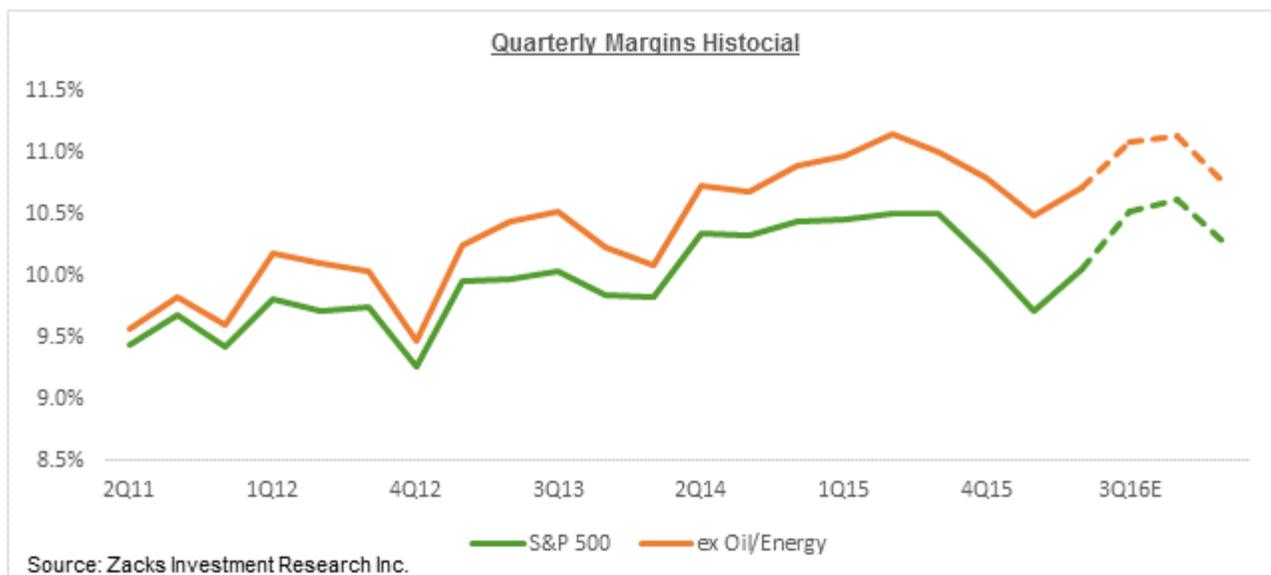
Table 6: Quarterly Net Margins

Zacks Sectors	Quarterly Margins								
	1Q17E	4Q16E	3Q16E	2Q16E	1Q16E	4Q15	3Q15	2Q15	1Q15
Cons. Staples	12.0%	11.8%	12.6%	11.9%	11.5%	11.3%	12.3%	12.1%	11.1%
Cons. Discretionary	11.0%	11.6%	12.1%	10.6%	10.6%	11.7%	12.4%	10.8%	10.9%
Retail/Wholesale	4.1%	4.8%	4.4%	4.5%	3.9%	4.7%	4.3%	4.5%	4.2%
Medical	10.2%	10.3%	10.5%	10.2%	10.1%	9.9%	10.6%	10.9%	10.8%
Autos	5.8%	5.7%	6.3%	6.7%	5.9%	6.2%	6.3%	6.3%	4.5%
Basic Materials	10.8%	8.7%	8.4%	9.9%	9.5%	7.8%	7.9%	10.6%	10.6%
Industrial Products	7.5%	7.9%	8.6%	8.3%	7.2%	7.7%	8.3%	8.5%	8.5%
Construction	5.1%	6.6%	7.6%	6.8%	5.1%	6.5%	7.8%	6.9%	4.5%
Conglomerates	9.7%	12.4%	13.0%	11.1%	9.6%	13.1%	11.2%	10.8%	10.9%
Technology	16.7%	18.4%	16.8%	16.0%	15.9%	18.1%	17.3%	17.0%	17.3%
Aerospace	7.5%	7.5%	7.4%	7.1%	7.0%	6.8%	7.4%	6.8%	7.6%
Oil/Energy	5.1%	3.5%	3.1%	1.4%	-1.2%	2.3%	5.6%	4.6%	5.5%
Finance	16.7%	16.5%	16.1%	16.2%	16.5%	14.9%	15.2%	16.9%	17.2%
Utilities	10.5%	9.2%	12.3%	10.0%	10.9%	8.9%	11.9%	9.6%	10.3%
Transportation	8.3%	9.5%	10.8%	10.5%	8.8%	10.4%	12.4%	11.5%	8.5%
Business Services	15.3%	15.5%	15.3%	14.6%	15.0%	15.6%	15.3%	15.6%	15.0%
S&P 500	10.3%	10.6%	10.5%	10.0%	9.7%	10.1%	10.5%	10.5%	10.4%
ex Finance	9.3%	9.7%	9.6%	9.1%	8.6%	9.4%	9.8%	9.5%	9.4%
ex Oil/Energy	10.7%	11.1%	11.1%	10.7%	10.5%	10.8%	11.0%	11.2%	11.0%

Source: Zacks Investment Research, Inc.

Data as of: 4/27/16 10:11 AM www.zacks.com

The charts below show current margins expectations in a historical context. The first chart shows margins on a quarterly basis since early 2011 while the second one shows annual margins since 1997. As you can see, margins are already past cyclical highs.

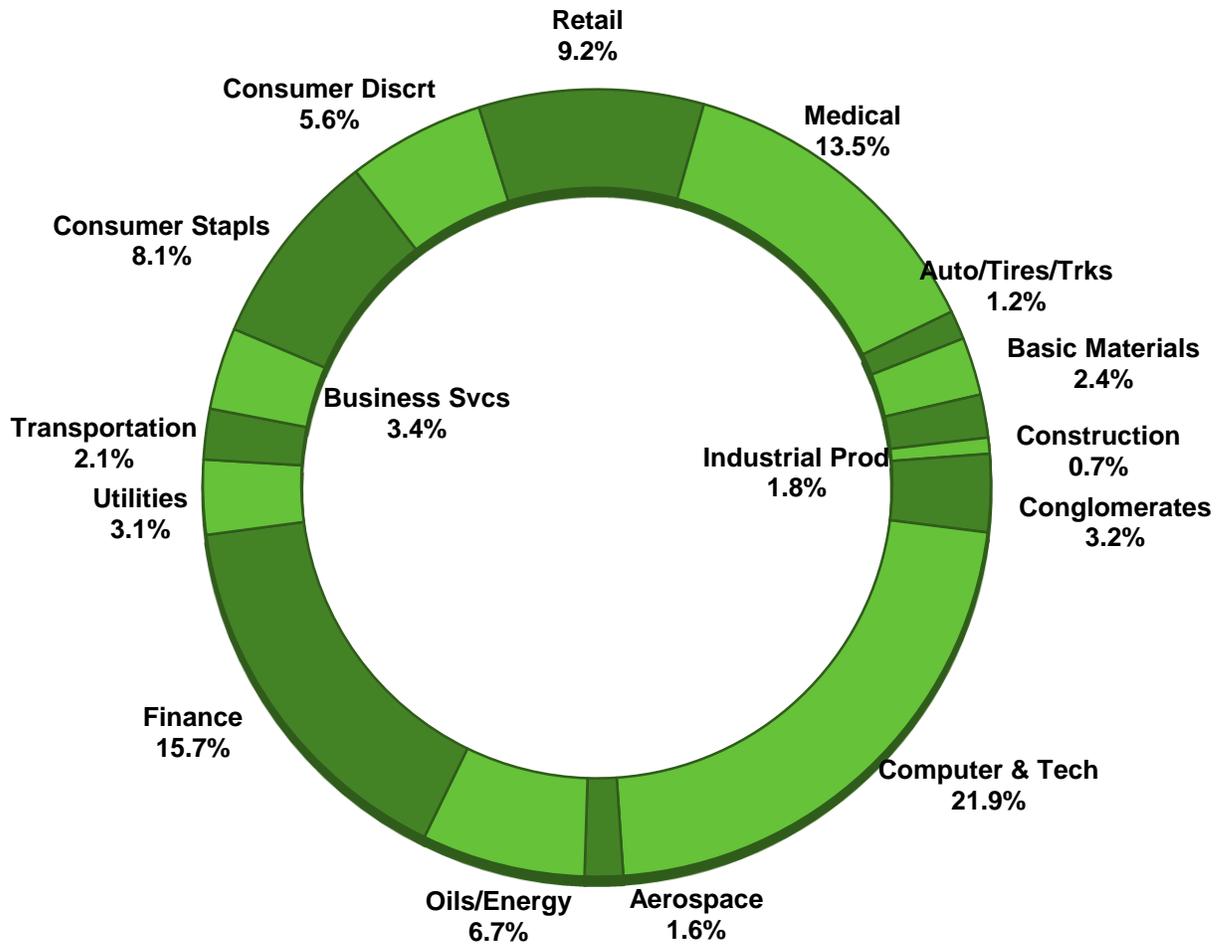


Market Cap vs. Total Earnings

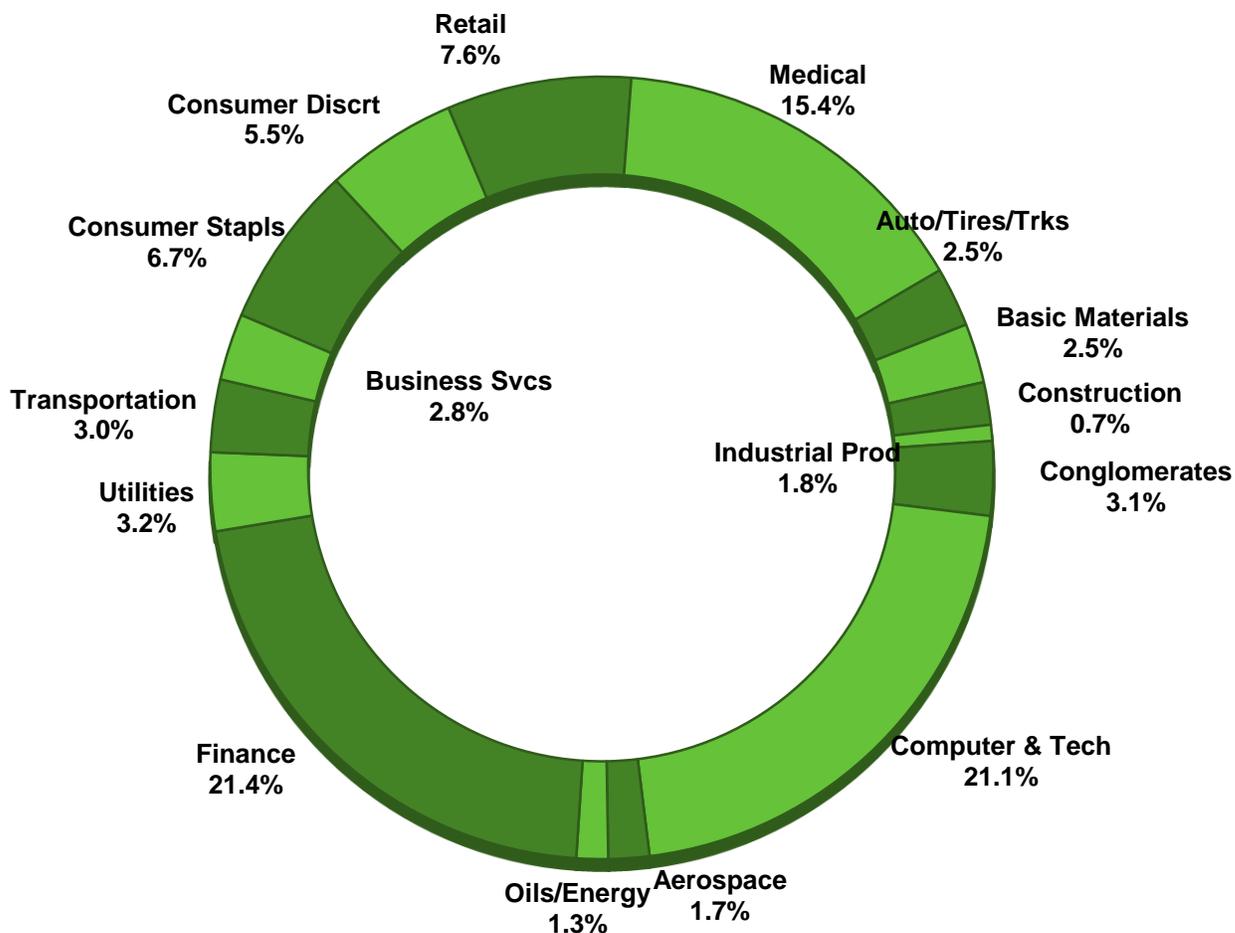
The charts below show the share of estimated total earnings for 2016 as well as the share of total market capitalization for each of the 16 Zacks sectors. Since the S&P 500 is a market-cap weighted index, each sector's market cap share is also its index weight.

The Finance sector is about even with the Technology sector in terms of earnings contribution even though it carries a smaller weight in the index.

% Share of Mkt Cap



Share of 2016 Income



Want more information about this report or about Zacks Investment Research?

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