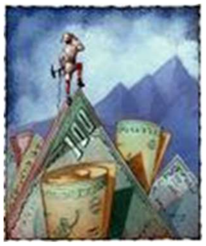
TINGEY ADVISORS
REGISTERED INVESTMENT ADVISORS

Alan B. Tingey, CFA
Jon D. Tingey, CFA
(801) 352-8166
Alan.Tingey@tingeyadvisors.com
Jon.Tingey@tingeyadvisors.com

Q1 Corporate Earnings Interim Report Card

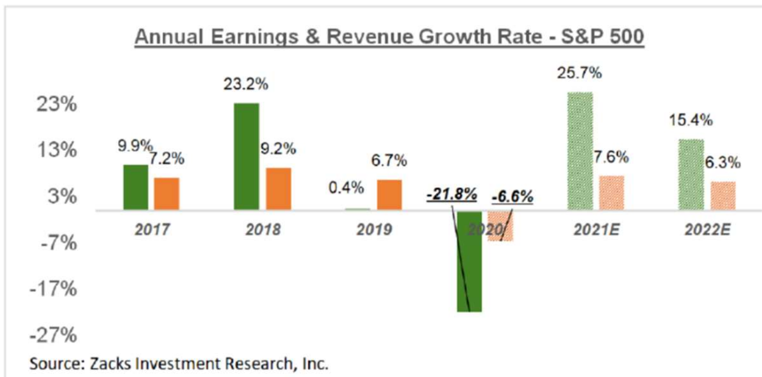
May 11, 2020



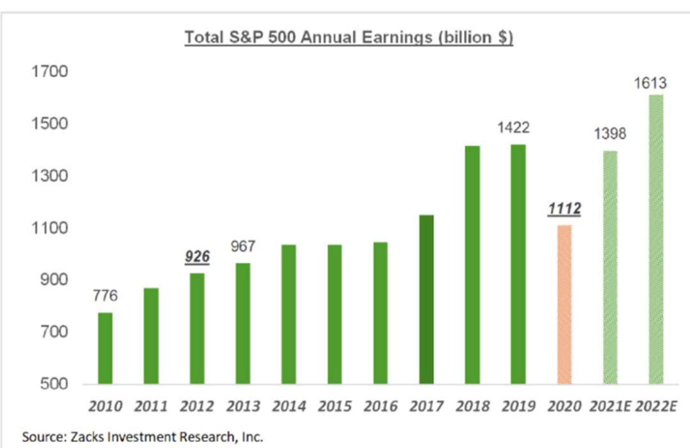
The stock market clung to mostly positive returns continuing the strong rally from the end of last week. The S&P 500 and the Nasdaq Composite finished higher and the Dow Jones Industrial Average and the Russell 2000 index finished flat. The S&P 500 rose 12 points, or 0.43% to close at 2942 and the Nasdaq Composite rose a robust 114 points, or 1.25% to close at 9236. The Dow Jones Industrial Average and the Russell 2000 finished flat closing at 24,331 and 1329, respectively.

The market is digesting public health data as well as economic and the current first quarter 2020 earnings reports. In fact, according to Zacks, as of last week, 70 percent of S&P 500 corporate members have reported first quarter earnings. Total corporate earnings is down -13.0% while revenues are 0.5% higher, with 67.1% of corporations beating wall street's earnings expectation and 60.1% beating revenue expectation.

The public health mandates began to take hold in mid-March. The first two months of the quarter were quite robust, yet, many companies have pulled their guidance for the remainder of the year due to the abrupt changes in fortune at the end March due to public health lockdowns. While the quarterly reports were impacted by the lockdowns in the last two weeks of March in the U.S., the full quarter was impacted with China's lockdowns.



It is notable to analyze the finance sector which all reported reasonably healthy revenues and earnings before adjustments. However, after considering the write downs that all the banks booked at the end of the quarter as they anticipate new deliquencies and loan defaults, the Finance sector has dragged down the overall Q1 earnings growth for the S&P 500 index. We now have 90% of the finance sector's reports and <u>total earnings for these finance companies are down 36% on 2.3% **higher** revenue</u>. Excluding the Finance sector drag, Q1 earnings growth for the remaining S&P 500 companies that have reported would be down 4.8%, rather than down 13%.



Looking forward, the full year 2020, total earnings for the S&P 500 index are currently expected to be down -21.8% on -6/6% lower revenues while full year 2021 earnings are currently expected to be up 25.7%. <u>The market clearly understands that 2020's earnings will be disasterous</u>; however, it is trying to ascertain when the turn in earnings happens and how strongly earnings turn positve. That picture doesn't clear until we have a better handle on what kind of public health mandates will be required going forward and how quickly consumers re-engage in the economy. Q2 is shaping up to be very critical in helping us understand these two variables.

SM © 2020 Tingey Advisors, Inc. All rights reserved