

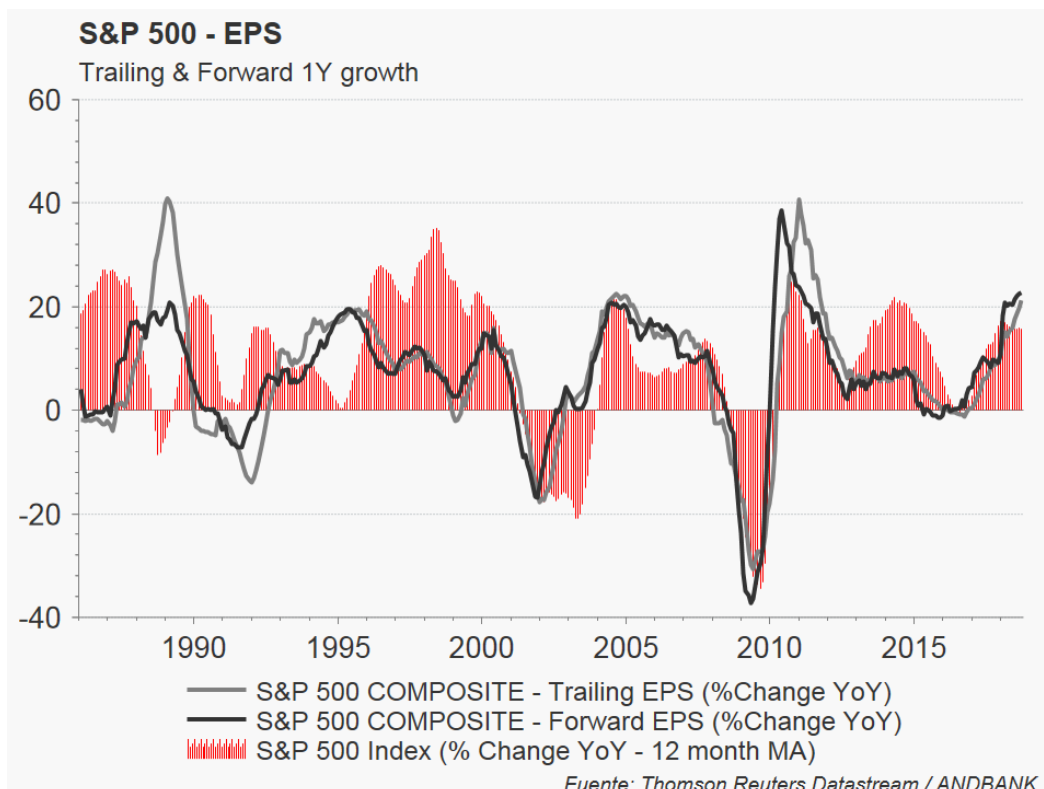
## Flash Note 23/10/2018

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### Can US corp profits continue to grow at a 20% rate in 2019?

Observe in the chart how the EPS estimation line (forward EPS) is consistently located at a distance ahead of the light gray line (trailing EPS growth). This means that the real corporate benefits end up representing what the estimates suggest (IBES). The distance between them is about 6 months on average. Suggesting that corporate profits in the USA will continue to grow at a rate close to 20% during the following 6 months. If true, this would be courtesy of the permanent cuts in corporate taxes. And although the base effect of tax stimulus will dissipate gradually, they have helped to finance investments with which to improve productivity, aimed at compensating for the higher financial and salary costs, helping to keep margins stable.

Another important aspect offered by this chart arises from the observation that although the growth in profits can be moderately reduced (as we expect during 2H2019), the stock market can continue to grow at considerable rates (see the period 1990-91, 1996-99, 2006-08, 2013-15).



Best regards

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