

Flash Note
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Alex Fusté
[@AlexfusteAlex](#)
alex.fuste@andbank.com

Corporate earning season in Europe & the US - A quick assessment.

Europe:

- Analysts' optimism over the rebound in European stocks is being dented with Q2 earnings season reaching the half-way mark.
- Of 44% companies in the STOXX 600 that have reported so far, only 56% beat EPS estimates (which is down from the ~66% in Q1).
- The smaller percentage of beats in Europe is mainly due to the stronger euro weighing on exporters.
- The lag is prompting analysts to revise down earnings estimates (which were initially boosted by a sharp rebound in profits in the first quarter).
- Equity analysts expect now earnings growth of about 13% this year in Europe - down from about 14% at the beginning of June.
- Still, so far European firms have reported EPS growth of 16 percent from the year earlier period, but when you strip out the energy sector the number falls to just 7 percent.
- Overall earnings revisions in Europe are very closely following the euro trade-weighted index, which implies modest further downgrades (following the recent sharp up-swing in the euro).

USA:

- U.S. companies are faring better. So far, 78 percent of S&P 500 companies have beaten earnings expectations (versus 56% in Europe)
- All sectors have shown positive earnings growth this quarter, according to JPMorgan.

Best Regards