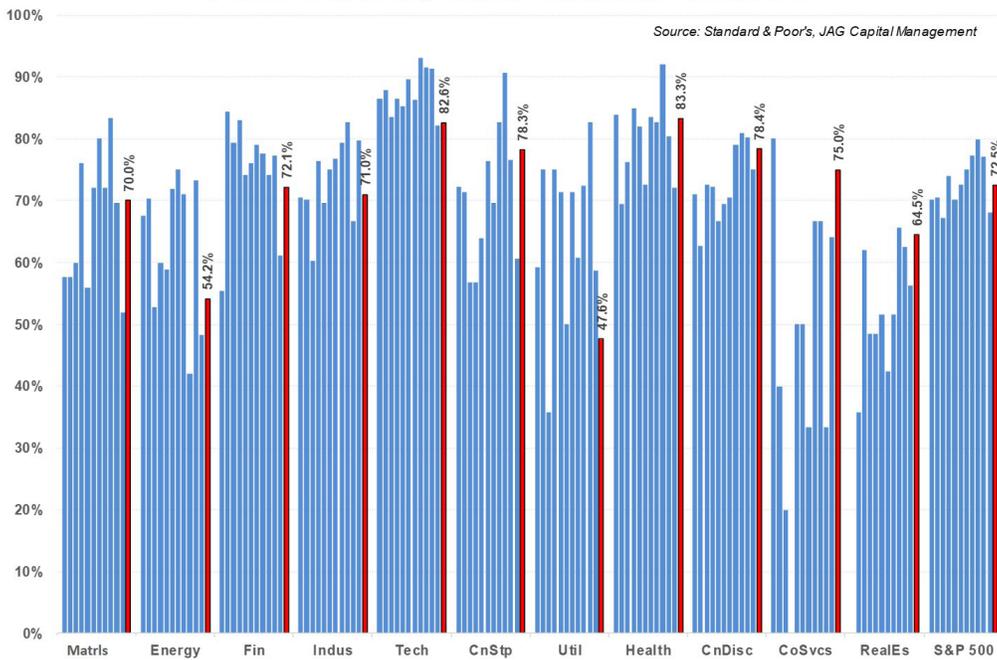


Timely Insights from JAG's Research Team

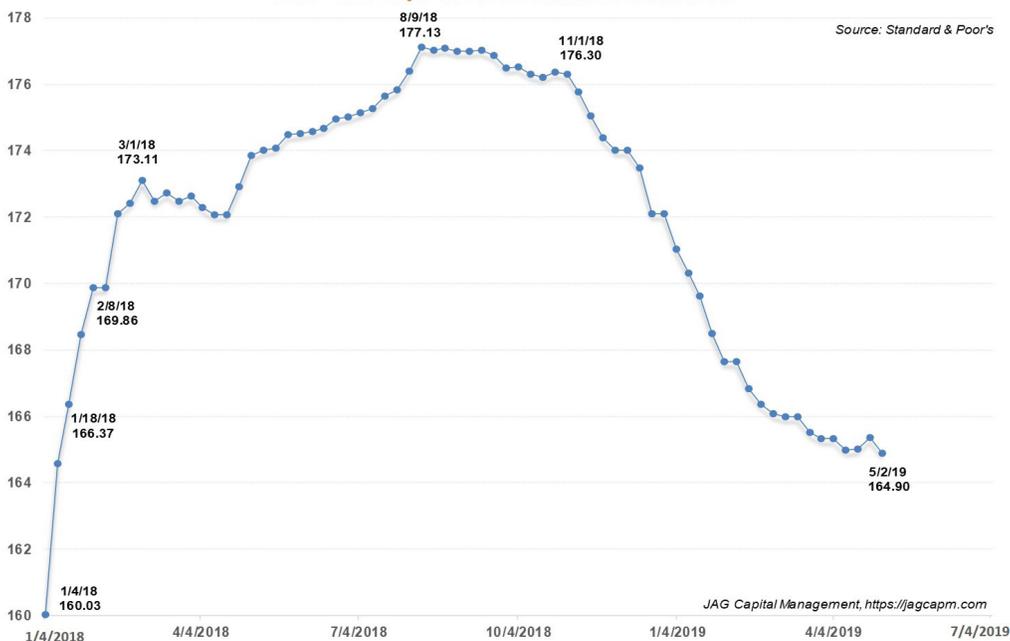
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Pct EPS Beats by Sector - Jun-2016 - Mar-2019



While the market has been somewhat volatile over the last few weeks, we're increasingly encouraged by recent fundamental readings. The earnings beat rate for the S&P 500 is tracking at 72.5% so far this quarter, a marked improvement over the prior quarter's reading and in line with the last 10 quarters' average. **We are especially encouraged by strong earnings beat rates in some of the more cyclical sectors such as Materials and Industrials.** Better earnings out of these sectors could indicate that we're beginning to see an improvement in economic conditions for "metal bending" companies and their respective suppliers.

S&P 500 Op. EPS Estimates for 2019



From a broader perspective, S&P 500 operating earnings estimates for 2019 have begun to level off after coming down over the last six months. If earnings (and underlying business conditions) remain strong, **we think S&P 500 earnings could come in above current expectations of \$165.** This could be significant when paired with the relatively undemanding valuation of the overall market. A variety of catalysts could drive the market multiple higher from here (continuation of accommodative Federal Reserve policy or a finalized Chinese trade deal come to mind). **If earnings continue to come in above expectations and the market multiple is maintained or even expands slightly, we think there could be further upside into the end of 2019 and into 2020.**

Disclosures

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