

S&P 500 Top-Line Growth Estimates

S&P 500 & S&P 500 Sectors (Estimated Annual Y-O-Y Revenue Growth Rates)

	2013	2014	2015	2016
S&P 500 Index	2.6%	3.5%	4.5%	4.9%
Consumer Discretionary	4.1%	6.2%	6.3%	6.1%
Consumer Staples	2.6%	2.7%	4.1%	6.1%
Energy	-1.2%	0.0%	1.5%	3.2%
Financials	3.8%	1.5%	4.3%	5.5%
Health Care	5.0%	6.8%	6.9%	4.5%
Industrials	1.4%	3.0%	3.9%	4.1%
Information Technology	3.5%	5.0%	5.7%	5.4%
Materials	0.5%	3.7%	4.7%	5.8%
Telecomm. Services	2.1%	2.7%	2.2%	1.7%
Utilities	6.1%	3.4%	2.2%	3.4%

Source: Bloomberg. As of 3/14/14 using fiscal year revenue from each company.

View from the Observation Deck

1. Today's blog post is intended to supplement our post from 2/20/14 ("S&P 500 Earnings Beat Rate On The Mark For Q4'13").
2. In that post we noted that 66.5% of S&P 500 companies, on average, had beaten their quarterly earnings estimates since Q3'11.
3. Nearly two out of every three S&P 500 companies has managed to top analysts' quarterly forecasts, in part, by cutting costs, such as labor, and boosting productivity via the implementation of cutting-edge technology.
4. Whenever stock indices are trading at or near their all-time highs, like the S&P 500 is today, it becomes harder to make an argument for higher stock prices if earnings plateau, in our opinion.
5. With the bulk of the cost-cutting measures likely behind us, we expect investors will soon look beyond the earnings beat rate, if they haven't already, to revenue growth ("Top-Line").
6. The good news is that revenue growth estimates (see chart) for the S&P 500 look encouraging through 2016.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the 10 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.