

S&P 500 Index Top-Line Growth Estimates

S&P 500 & S&P 500 Sectors
(Estimated Annual Y-O-Y Revenue Growth Rates as of 3/10/17)

	2016	2017	2018
S&P 500 Index	1.8%	5.7%	5.5%
Consumer Discretionary	5.0%	4.2%	5.1%
Consumer Staples	1.0%	1.6%	3.6%
Energy	-17.5%	25.5%	8.9%
Financials	2.7%	2.8%	4.1%
Health Care	9.3%	4.4%	5.1%
Industrials	-0.6%	2.6%	4.5%
Information Technology	1.0%	6.5%	6.5%
Materials	-2.9%	4.9%	3.8%
Real Estate	11.2%	4.6%	5.2%
Telecomm. Services	3.7%	6.2%	6.4%
Utilities	-0.4%	6.0%	2.6%

Source: Bloomberg. Consensus estimates using fiscal year revenue from each company. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post provides investors with a three-year look into the expected revenue growth rates of the companies that comprise the S&P 500 Index.
2. On 3/10/17, the S&P 500 Index stood at 2,372.60, or 0.97% below its all-time high of 2,395.96, set on 3/1/17, according to Bloomberg. The current bull market in stocks entered its 9th year after the close of trading on 3/9/17.
3. For the market to trend higher, we believe that corporate earnings will need to grow, and perhaps the best catalyst for growing earnings is to increase revenues.
4. As indicated in the chart, as of 3/10/17, the estimated revenue growth rate for the S&P 500 Index for 2016 was 1.8%. When you exclude Energy, the rate bumps to 2.9% (not shown in chart), according to Bloomberg.
5. Energy, Materials, Industrials and Utilities, which had negative revenue growth rate estimates for 2016, are expected to rebound in 2017. Energy revenues are expected to surge 25.5% year-over-year (y-o-y) in 2017.
6. Estimates for the S&P 500 Index and eight of the 11 major sectors that comprise the index reflect stronger potential y-o-y revenue growth for 2017. Four sectors have 2017 estimates in excess of 5.0%.
7. With respect to 2018, seven of the 11 major sectors that comprise the index reflect stronger potential y-o-y revenue growth. Six sectors have 2018 estimates in excess of 5.0%.
8. The forecast for revenue growth is relatively optimistic, in our opinion.

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 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.