

## Equity Strategy

### Q1 Earnings Season Tracker

- This is the last edition of our “Q1 Earnings Season Tracker”. 98% of companies have reported in Japan, 96% in Europe and 90% in the US.
- In the US, **71% of the S&P500 companies beat EPS estimates**, close to the historical median. The average surprise is positive by 7% and **EPS growth is coming out at +7% yoy ex-Energy**. The blended Q1 EPS is tracking at \$28.6, down from \$29.5 in January, but still better than expected at the start of the reporting season. Top-line delivery has been softer due to a combination of weak US activity and strong dollar during Q1, in our view. Only **46% of companies beat sales estimates**, the lowest since 3Q '12, with top-line growth coming out at +1% ex-Energy.
- In Europe, the Q1 reporting season was strong, with **58% of the DJStoxx600 companies beating EPS estimates**, the best in over four years. EPS growth prints +11% ex-Energy, the best out of the three regions. Top-line delivery has been robust too, with **72% of the companies beating sales estimates** – the best since we started tracking the data in '09. The average sales surprise is +3%, with growth ex-Energy printing at +10% yoy.
- In Japan, Q1 results were mixed, with **only 48% of the Topix companies beating EPS estimates** and delivering +9% EPS growth yoy ex-Energy. We believe that these mixed results are partly due to some one-offs (DTA and commodity asset writedowns) and note that Japanese EPS revisions remain positive. Top-line delivery has been better though, with 55% of companies beating estimates, by 6% on average.
- The overall Q1 earnings delivery was particularly robust in all the three regions, with the aggregate EPS ex-Energy growing high single digits. This is an interesting contrast to the soft global GDP growth delivered in Q1.

#### Equity Strategy

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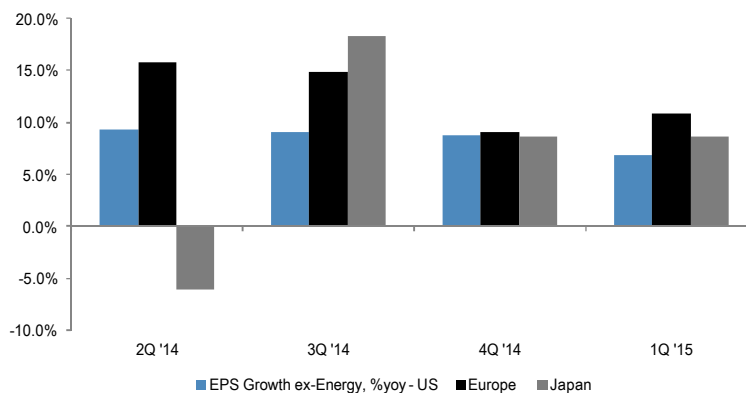
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Figure 1: Q1 EPS Growth ex-Energy across regions



Source: Bloomberg, J.P. Morgan

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## US Q1 '15 reporting season

Table 1: S&P500 Q1 earnings summary

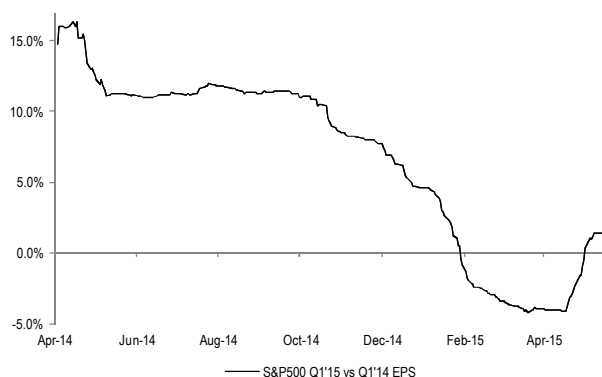
	No. of cos reported / Total		% reported	% cos Beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos Beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
<b>S&amp;P500</b>	<b>447</b>	<b>/ 498</b>	<b>90%</b>	<b>71%</b>	<b>28%</b>	<b>7%</b>	<b>0%</b>	<b>46%</b>	<b>54%</b>	<b>0%</b>	<b>-4%</b>
Energy	41	/ 41	100%	76%	24%	34%	-55%	49%	51%	4%	-35%
Materials	29	/ 29	100%	59%	41%	7%	0%	38%	62%	-4%	-10%
Industrials	60	/ 64	94%	62%	38%	3%	7%	38%	62%	-3%	-2%
Discretionary	62	/ 84	74%	66%	34%	2%	3%	44%	56%	-2%	0%
Staples	28	/ 38	74%	79%	21%	7%	4%	46%	54%	-2%	2%
Healthcare	52	/ 55	95%	83%	15%	10%	19%	60%	40%	1%	10%
Financials	87	/ 87	100%	73%	26%	7%	7%	49%	51%	1%	2%
IT	53	/ 65	82%	72%	28%	5%	9%	53%	47%	1%	7%
Telecoms	5	/ 5	100%	60%	40%	5%	9%	0%	100%	-1%	3%
Utilities	30	/ 30	100%	77%	23%	6%	1%	37%	63%	-1%	-5%
<b>Ex-Financials</b>	<b>360</b>	<b>/ 411</b>	<b>88%</b>	<b>71%</b>	<b>29%</b>	<b>8%</b>	<b>-2%</b>	<b>46%</b>	<b>54%</b>	<b>0%</b>	<b>-5%</b>
<b>Ex-Energy</b>	<b>406</b>	<b>/ 457</b>	<b>89%</b>	<b>71%</b>	<b>29%</b>	<b>4%</b>	<b>7%</b>	<b>46%</b>	<b>54%</b>	<b>-1%</b>	<b>1%</b>

Source: Bloomberg, J.P. Morgan

90% of S&P500 companies have reported Q1 earnings: 71% beat EPS estimates, surprising positively by 7%. Q1 EPS growth is flat yoy and up 7% ex-Energy. The bulk of the EPS surprises have come from Energy, Staples, Healthcare and Utilities.

US top-line delivery is softer, with only 46% of companies beating sales estimates. Q1 revenue growth is down at -4% yoy (+1% ex-Energy).

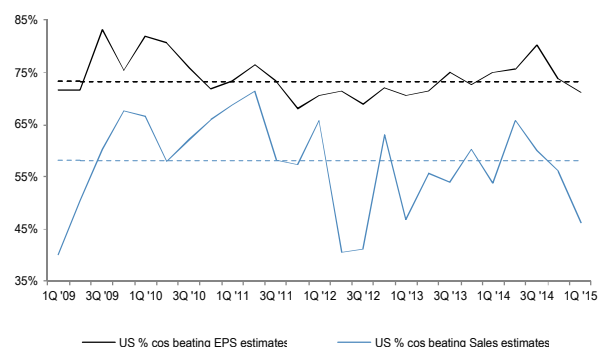
Figure 2: S&P500 Q1 '15e EPS growth



Source: Thomson Reuters

S&P500 blended Q1e EPS is tracking at \$28.6, compared to \$29.5 at the start of the year. The Q1 yoy EPS growth expectation is now at +1.4%. This compares to consensus expectation of +4.6% at the start of the year.

Figure 3: % of S&P500 companies beating EPS and sales estimates



Source: Bloomberg, J.P. Morgan, dotted lines denote median EPS and Sales beats

The proportion of US companies beating sales estimates is the lowest since 3Q '12.

## European Q1 '15 reporting season

Table 2: Stoxx600 Q1 earnings summary

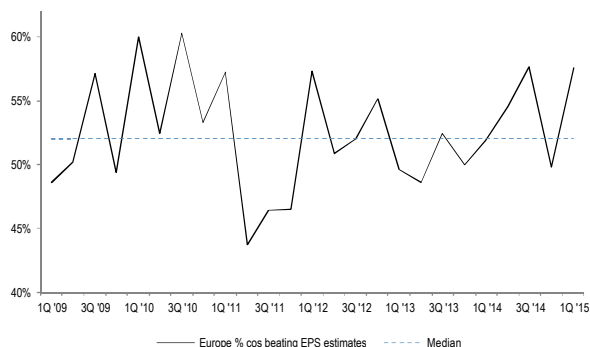
	No. of cos reported / Total		% reported	% cos Beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos Beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
<b>DJStoxx600</b>	<b>377</b>	<b>/ 392</b>	<b>96%</b>	<b>58%</b>	<b>41%</b>	<b>12%</b>	<b>4%</b>	<b>72%</b>	<b>28%</b>	<b>3%</b>	<b>2%</b>
Energy	16	/ 17	94%	63%	38%	40%	-39%	47%	53%	3%	-32%
Materials	36	/ 36	100%	43%	53%	-20%	-5%	66%	34%	2%	2%
Industrials	75	/ 76	99%	49%	51%	19%	31%	75%	25%	1%	3%
Discretionary	54	/ 57	95%	62%	38%	10%	27%	75%	25%	4%	16%
Staples	28	/ 30	93%	53%	47%	29%	5%	82%	18%	1%	6%
Healthcare	27	/ 28	96%	65%	35%	6%	2%	59%	41%	1%	6%
Financials	82	/ 88	93%	66%	32%	15%	23%	75%	25%	6%	30%
IT	20	/ 21	95%	56%	44%	-5%	40%	85%	15%	3%	16%
Telecoms	20	/ 20	100%	62%	31%	-20%	-20%	80%	20%	1%	4%
Utilities	19	/ 19	100%	57%	43%	3%	-3%	61%	39%	2%	1%
<b>Ex-Financials</b>	<b>295</b>	<b>/ 304</b>	<b>97%</b>	<b>55%</b>	<b>44%</b>	<b>11%</b>	<b>-2%</b>	<b>72%</b>	<b>28%</b>	<b>2%</b>	<b>-4%</b>
<b>Ex-Energy</b>	<b>361</b>	<b>/ 375</b>	<b>96%</b>	<b>57%</b>	<b>42%</b>	<b>8%</b>	<b>11%</b>	<b>74%</b>	<b>26%</b>	<b>3%</b>	<b>10%</b>

Source: Bloomberg, J.P. Morgan, Earnings Growth is computed using a bottom up approach excluding HEIA NA, ABI BB, NHY NO, LHA GR

96% of DJStoxx600 companies have reported Q1 earnings: 58% beat EPS estimates and delivering EPS growth of 4% yoy (+11% ex-Energy). Industrials and Materials are the outliers, with a majority of earnings misses.

A strong 72% of the companies beat sales estimates, courtesy of the weak Euro and the rebound in domestic activity during Q1 in our view. The average surprise is +3% and top-line growth ex-Energy is coming out at +10% yoy.

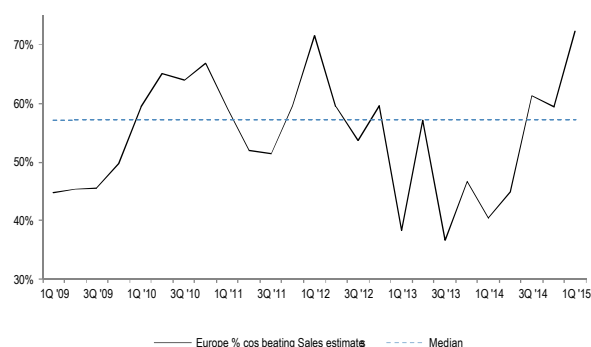
Figure 4: % of Stoxx600 companies beating EPS estimates



Source: Bloomberg, J.P. Morgan

58% of SXXP companies are beating EPS estimates, which is the highest since 3Q '10.

Figure 5: % of Stoxx600 companies beating sales estimates



Source: IBES

Likewise, the proportion of European companies beating Q1 sales estimates, at 72%, is the best since we started tracking the data in 2009.

## Japanese Q1 '15 reporting season

Table 3: Topix Q1 earnings summary

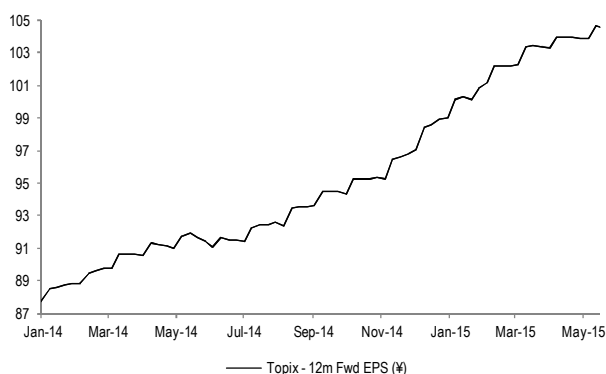
	No. of cos reported / Total	% reported	% cos Beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos Beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
<b>Topix</b>	<b>1759 / 1793</b>	<b>98%</b>	<b>48%</b>	<b>52%</b>	<b>-13%</b>	<b>0%</b>	<b>55%</b>	<b>44%</b>	<b>6%</b>	<b>-1%</b>
Energy	22 / 22	100%	25%	75%	-	-	54%	46%	5%	-25%
Materials	186 / 186	100%	47%	53%	18%	19%	49%	51%	-2%	1%
Industrials	480 / 486	99%	47%	53%	-14%	-21%	57%	43%	7%	-10%
Discretionary	383 / 394	97%	42%	58%	-25%	10%	53%	46%	0%	4%
Staples	150 / 156	96%	51%	49%	24%	-3%	60%	40%	2%	4%
Healthcare	80 / 81	99%	41%	59%	-	-9%	38%	63%	-2%	-2%
Financials	172 / 173	99%	65%	35%	4%	-20%	65%	35%	5%	12%
IT	263 / 272	97%	53%	47%	-4%	7%	62%	38%	1%	4%
Telecoms	4 / 4	100%	25%	75%	-12%	15%	25%	75%	-1%	2%
Utilities	19 / 19	100%	50%	50%	-29%	-	50%	50%	-	3%
<b>Ex-Financials</b>	<b>1587 / 1620</b>	<b>98%</b>	<b>47%</b>	<b>53%</b>	<b>-19%</b>	<b>7%</b>	<b>55%</b>	<b>45%</b>	<b>6%</b>	<b>-3%</b>
<b>Ex-Energy</b>	<b>1737 / 1771</b>	<b>98%</b>	<b>49%</b>	<b>51%</b>	<b>-10%</b>	<b>9%</b>	<b>55%</b>	<b>44%</b>	<b>6%</b>	<b>0%</b>

Source: Bloomberg, J.P. Morgan

98% of Topix companies have reported Q1 earnings. Only 48% of companies are beating EPS estimates and EPS growth is flat yoy. We believe that these mixed results are partly due to some one-offs, DTA and commodity asset writedowns in particular.

Top-line delivery is better, with 55% of the Topix companies that have reported beating sales estimates, by 6% on average, and with top-line growth at -1% yoy.

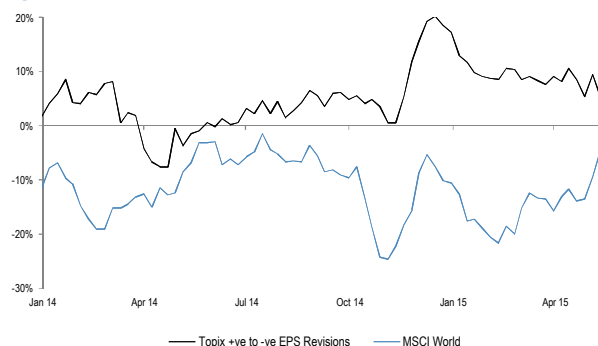
Figure 6: Topix 12m Fwd EPS



Source: IBES

Japanese EPS momentum has been steadily moving higher since last year and remains strongly positive.

Figure 7: +ve to -ve EPS revisions for Topix and MSCI World



Source: IBES

Japanese EPS revisions remain in positive territory, but the gap with the other regions is narrowing.

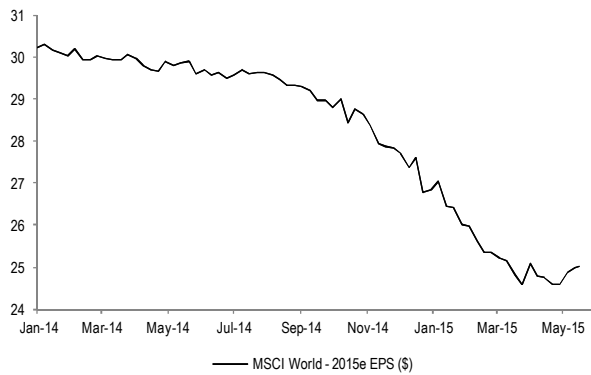
## 2015e EPS evolution in different regions

Table 4: '15e EPS growth expectations vs start of last year

	Jan-15	Current
MSCI World	8.1%	2.2%
S&P500	7.6%	1.5%
Stoxx600	10.5%	5.5%
Euro Stoxx	16.4%	18.0%
FTSE100	1.2%	-9.3%
Topix*	12.7%	16.3%
EM	11.2%	5.4%

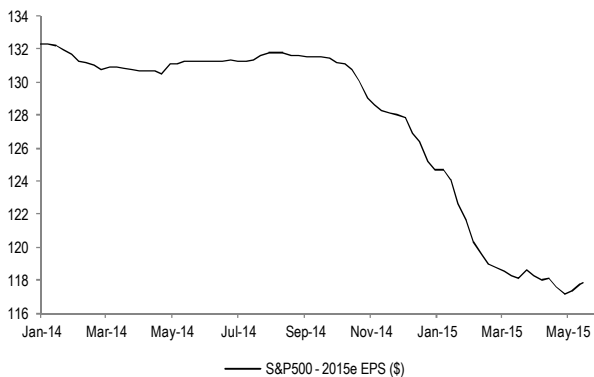
Source: IBES, \* for Year Ending March 2016

Figure 8: MSCI World 2015e EPS



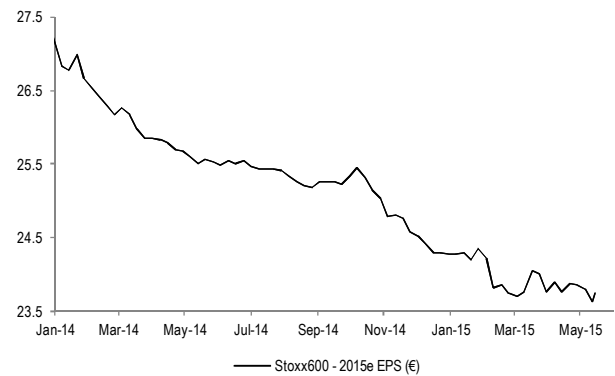
Source: IBES

Figure 9: S&P500 2015e EPS



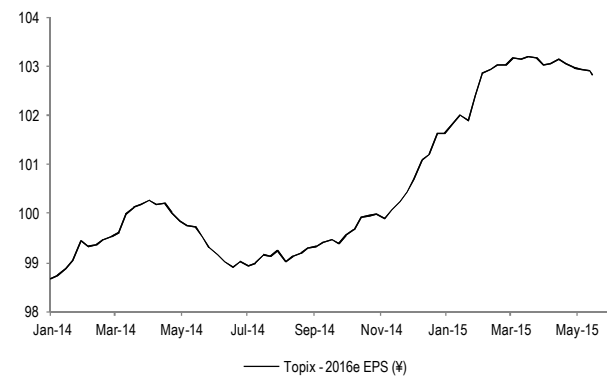
Source: IBES

Figure 10: Stoxx600 2015e EPS



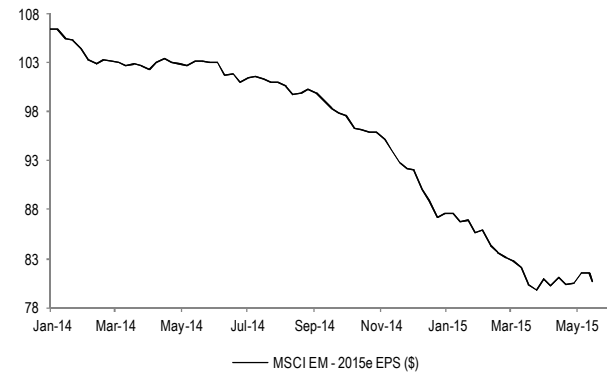
Source: IBES

Figure 11: Topix 2016e EPS\*



Source: IBES, \*for Year Ending March 2016

Figure 12: MSCI EM 2015e EPS



Source: IBES

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