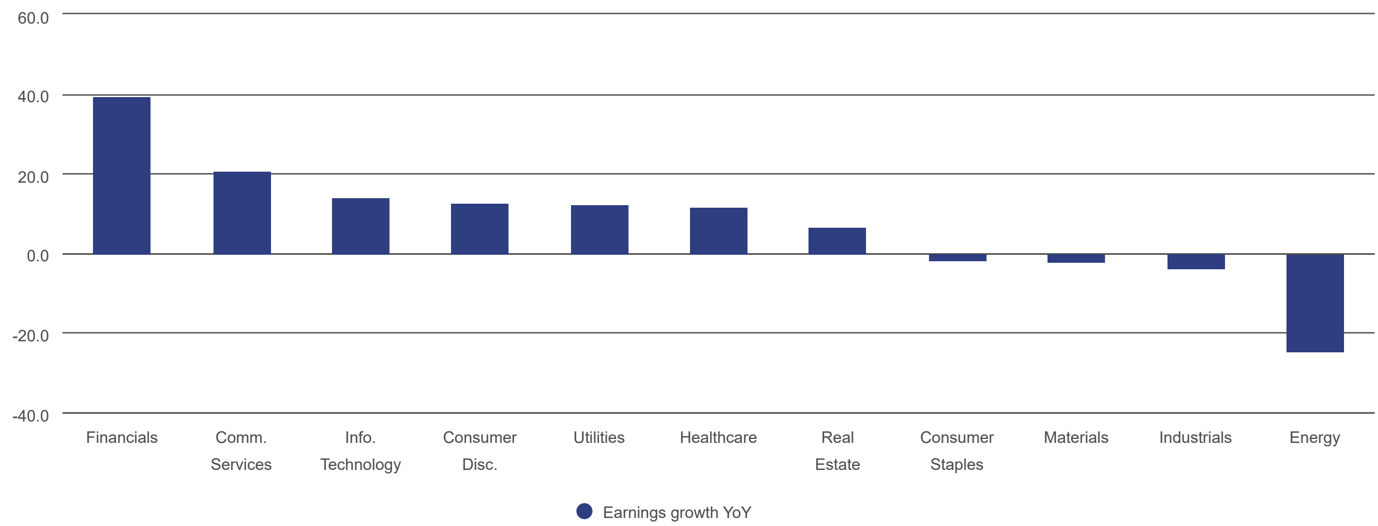
Advisory Flash - Q4 24 Earnings Outlook

The fourth quarter US earnings season is just beginning, taking us through to the end of the month of January. As per usual, major banks are heading off the season, reporting Wednesday, January 15th (JPMorgan, Wells Fargo, Citigroup). Overall, we believe broad-based growth across multiple sectors suggests a robust earnings environment despite some economic uncertainties.

Q4 24 Expected EPS Growth by Sector



Source: FactSet

Key expectations for Q4 2024

- **If estimates are realised, Q4 2024 would result in the highest YoY growth rate in four years:** Analysts are expecting a fifth consecutive quarter of year-over-year earnings growth for the market, with a reduced expectation of 11.9%, down from the September estimate of 14.5%. Nonetheless, should realised growth meet expectations, it would be the highest year-over-year earnings growth rate since Q4 2021.
- **Sector-specific earnings growth is expected to be broad, led by Financials at 39.5%:** Seven of the 11 sectors are expected to report YoY growth, with six reporting double-digit growth. This includes Financials, Communication Services, Information Technology, Consumer Discretionary, Utilities and Healthcare.
- **Four sectors are predicted to report a YoY decline in earnings, led by the Energy sector:** The energy sector has recorded the largest decrease in year-over-year estimated earnings at -24.6%, with the decline largely fuelled by Exxon Mobil and Chevron. This is followed by the Materials sector, with a year-over-year estimated earnings decrease of -2.1%.
- **Communication services recorded the largest increase in QoQ earnings estimates:** The Interactive Media & Services space heavily influence the financials in the sector, and in particular Alphabet and Meta play a major role in bolstering the estimated growth rate, which is 20.7% for Q4 2024, compared to 17% in Q3. However, when Interactive Media & Services are excluded, the estimated earnings growth rate would go down to 13.9%.

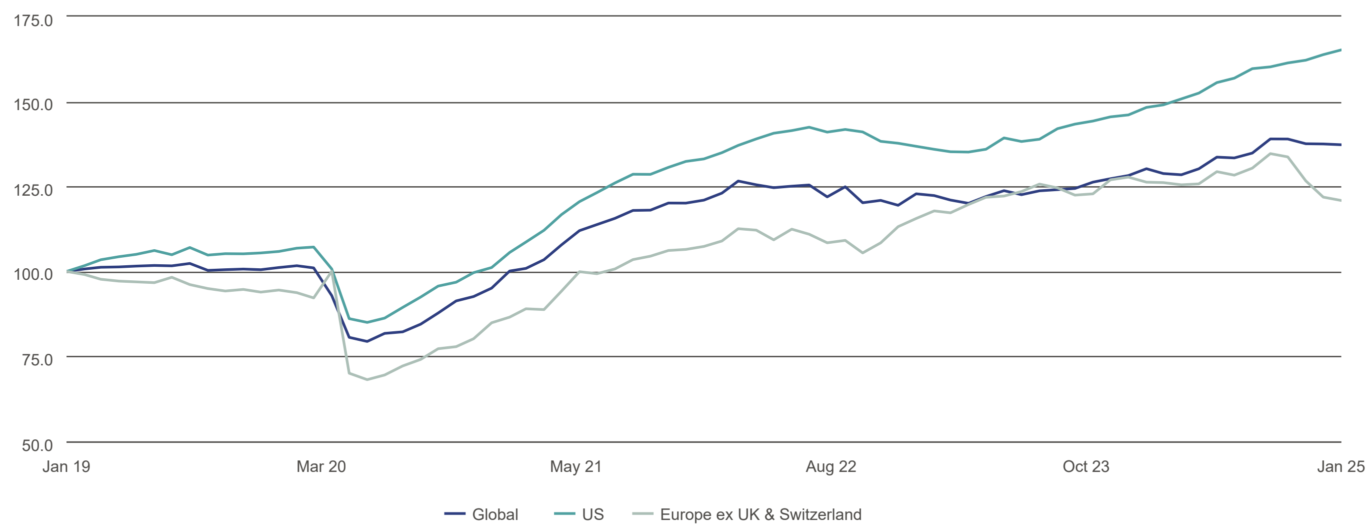
Additional notes

- Banks: JPMorgan and Goldman Sachs are expected to lead, while Wells Fargo and Citigroup face lower expectations. Banks may benefit from a steeper yield curve, although falling short-term rates in Q4-2024 could have put pressure on net interest income for the quarter. The key areas to focus on for the sector this quarter include net interest income (NII) trends, trading revenue, consumer credit health, and 2025 guidance. Any announcements regarding increased share repurchases or dividends could signal management confidence.

- Meanwhile, after posting several consecutive quarters of upbeat earnings and sales growth, which have impacted the "Magnificent Seven," investors and market participants will want to watch whether the strong trend in AI-related stocks continues.

- In Europe, investors will be focused on company specific developments and the outlooks of the largest European public companies that have had a muted performance of late. These include Novo Nordisk, L'Oreal, ASML and LVMH. In focus will also be Software name SAP, data center related stocks Schneider Electric and ABB, as well as major pharma, banks and energy stocks.

US, Europe and MSCI All Country Index - 2024 Earnings Expectations - Rebased series (100 = January 1990, USD terms)



Source: Rothschild & Co, Datastream, I/B/E/S, MSCI

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