

Strategist's Handbook

Yardeni Research, Inc.

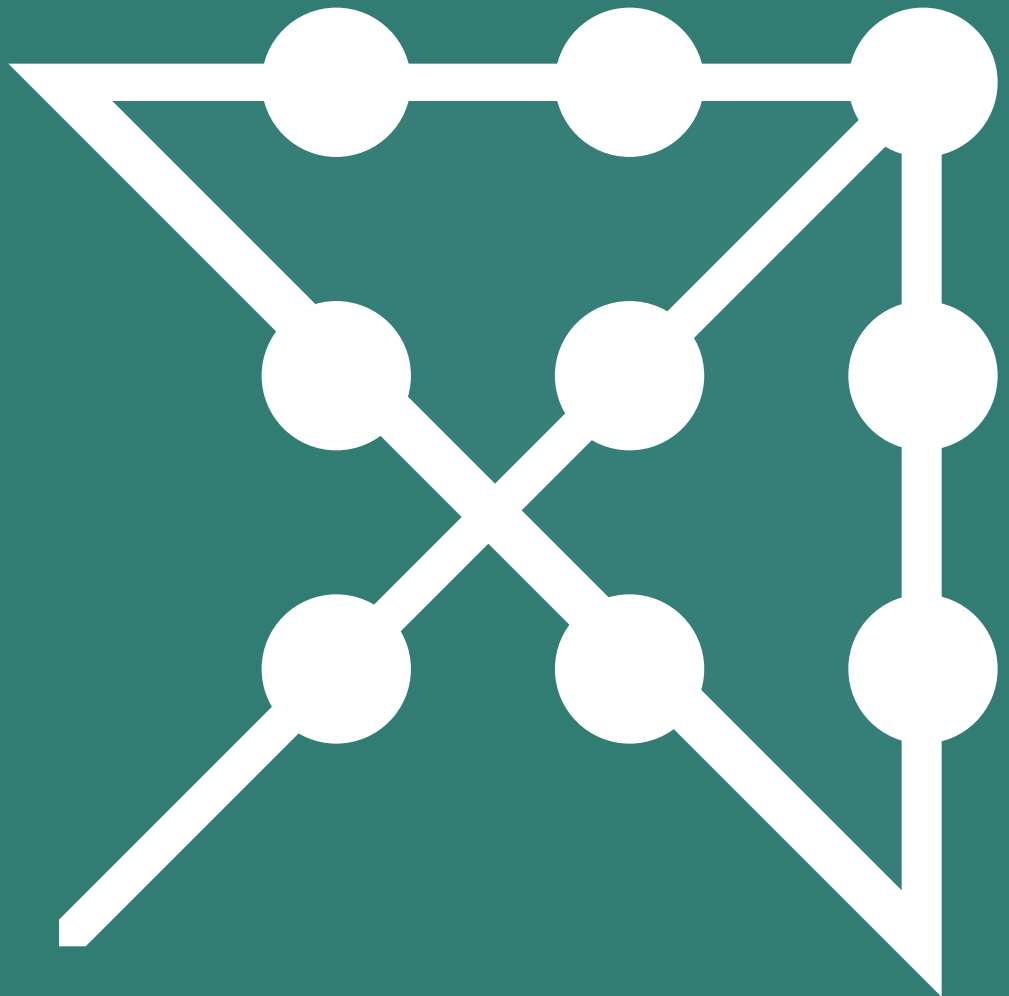
March 9, 2022

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thinking outside the box

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Figure A: Yardeni Research Economic Forecasts (3/6/2022)

Item (1)	2021				2022				2021a/ 2020a	2022e/ 2021a
	Q1a	Q2a	Q3a	Q4a	Q1e	Q2e	Q3e	Q4e		
Real GDP	6.3	6.7	2.3	7.0	2.0	2.0	2.0	2.0	5.7	3.2
Final Sales	9.1	8.1	0.1	2.0	-0.1	1.9	1.9	2.3	5.4	1.6
Gross Domestic Purchases	7.7	6.7	3.5	6.8	2.3	2.5	2.3	2.2	6.9	3.6
Finals Sales to Domestic Purchasers	10.4	8.0	1.3	2.0	1.7	1.8	1.8	2.1	6.5	2.1
Personal Consumption Expenditures	11.4	12.0	2.0	3.1	2.0	2.2	2.0	2.3	7.9	2.9
Durable Goods	50.0	11.6	-24.6	2.7	4.7	5.0	5.1	7.1	18.0	0.6
Nondurable Goods	15.9	13.9	2.0	0.8	1.2	2.6	0.9	1.2	9.0	2.0
Services	3.9	11.5	8.2	3.9	1.6	1.3	1.7	1.4	5.9	3.5
Nonresidential Fixed Investment	12.9	9.2	1.7	3.1	5.4	5.7	4.4	5.0	7.3	4.4
Structures	5.4	-3.0	-4.1	-9.4	-3.1	-3.6	1.9	2.8	-8.2	-4.0
Producers' Durable Equipment	14.1	12.2	-2.2	2.4	9.5	9.3	6.6	5.9	12.9	5.8
Intellectual Property Products	15.6	12.5	9.1	10.6	4.1	5.1	2.7	4.7	10.2	6.4
Residential Fixed Investment	13.3	-11.7	-7.7	1.0	1.7	1.3	1.7	1.1	9.0	-1.0
Inventory Investment (billion dollars)	-88.3	-168.5	-66.8	171.2	182.0	189.2	197.2	187.2	-37.5	188.9
Net Exports (trillion dollars)	-1.34	-1.25	-1.32	-1.34	-1.36	-1.40	-1.42	-1.43	-1.28	-1.40
Total Government Purchases	4.2	-2.0	0.9	-2.6	0.4	0.7	1.1	1.2	0.5	-0.1
Federal Government	11.3	-5.3	-5.1	-4.5	1.5	1.2	1.5	2.1	0.6	-0.8
State & Local Government	-0.1	0.2	4.9	-1.4	-0.4	0.4	0.8	0.6	0.3	0.3
Real GDP (y/y)	0.5	12.2	4.9	5.5	4.4	3.3	3.2	2.0	5.5	2.0
Real GDP (y/y in 4Q average)	1.9	-0.9	-2.2	-3.4	-3.4	1.6	3.6	5.7	2.4	2.2
Light Vehicle Sales (million units)	16.9	17.0	13.5	13.0	14.7	15.5	16.0	16.3	15.1	15.6
Housing Starts (million units)	1.6	1.6	1.6	1.7	1.6	1.7	1.7	1.8	1.6	1.7
Unemployment Rate (%)	6.2	5.9	5.1	4.2	3.8	3.7	3.6	3.4	5.4	3.6
Nonfarm Productivity	4.3	2.4	-5.0	6.6	2.0	2.0	2.0	2.0	1.8	2.0
PCE Core Deflator	2.7	6.1	4.6	4.9	6.0	7.0	5.0	4.0	4.6	5.6
Fed Funds Target Rate (%)	0.13	0.13	0.13	0.13	0.25	0.50	0.75	1.00	0.13	0.63
10-Year Government Yield (%)	1.32	1.59	1.32	1.54	1.70	2.00	2.50	2.50	1.44	2.18

a=actual. e=estimate.

(1) Quarterly and annual average percent change.

Estimates based on limited information and are subject to frequent and large revisions as new information becomes available.

Source: Yardeni Research, Inc.

Figure B: S&P 500 Operating Earnings*: YRI vs. Consensus Forecasts (3/7/2022)

	Yardeni Research		Analysts' Consensus	
	Level	YOY %	Level	YOY %
2009	60.80	-7.3	60.80	-7.3
2010	85.32	40.3	85.32	40.3
2011	97.82	14.7	97.82	14.7
2012	103.80	6.1	103.80	6.1
2013	109.68	5.7	109.68	5.7
2014	117.86	7.5	117.86	7.5
2015	117.46	-0.3	117.46	-0.3
2016	118.04 a	0.5	118.04 a	0.5
2017	131.98 a	11.8	131.98 a	11.8
2018	161.93 a	22.7	161.93 a	22.7
Q1	38.07 a	23.2	38.07 a	23.2
Q2	41.00 a	25.8	41.00 a	25.8
Q3	42.66 a	27.5	42.66 a	27.5
Q4	41.18 a	14.3	41.18 a	14.3
2019	162.97 a	0.6	162.97 a	0.6
Q1	39.15 a	2.8	39.15 a	2.8
Q2	41.31 a	0.8	41.31 a	0.8
Q3	42.14 a	-1.2	42.14 a	-1.2
Q4	42.00 a	2.0	41.99 a	2.0
2020	139.76 a	-14.2	139.76 a	-14.2
Q1	33.13 a	-15.4	33.13 a	-15.4
Q2	27.98 a	-32.3	27.98 a	-32.3
Q3	38.69 a	-8.2	38.69 a	-8.2
Q4	42.60 a	1.4	42.60 a	1.5
2021	208.49 a	49.2	208.49 a	49.2
Q1	49.13 a	48.3	49.13 a	48.3
Q2	52.75 a	88.5	52.75 a	88.5
Q3	53.89 a	39.3	53.89 a	39.3
Q4	54.14 a	27.1	54.14 a	27.1
2022	225.00 e	7.9	225.68 e	8.2
Q1	53.00 e	7.9	51.55 e	4.9
Q2	56.00 e	6.2	55.37 e	5.0
Q3	57.00 e	5.8	58.60 e	8.7
Q4	59.00 e	9.0	60.08 e	11.0
2023	250.00 e	11.1	248.35 e	10.0

e=estimate.

* Historical earnings growth rates and earnings are not adjusted for accounting and index composition changes.

Source: Yardeni Research, Inc. and I/B/E/S data by Refinitiv.

B: S&P 500 Earnings Forecasts

Figure 1.

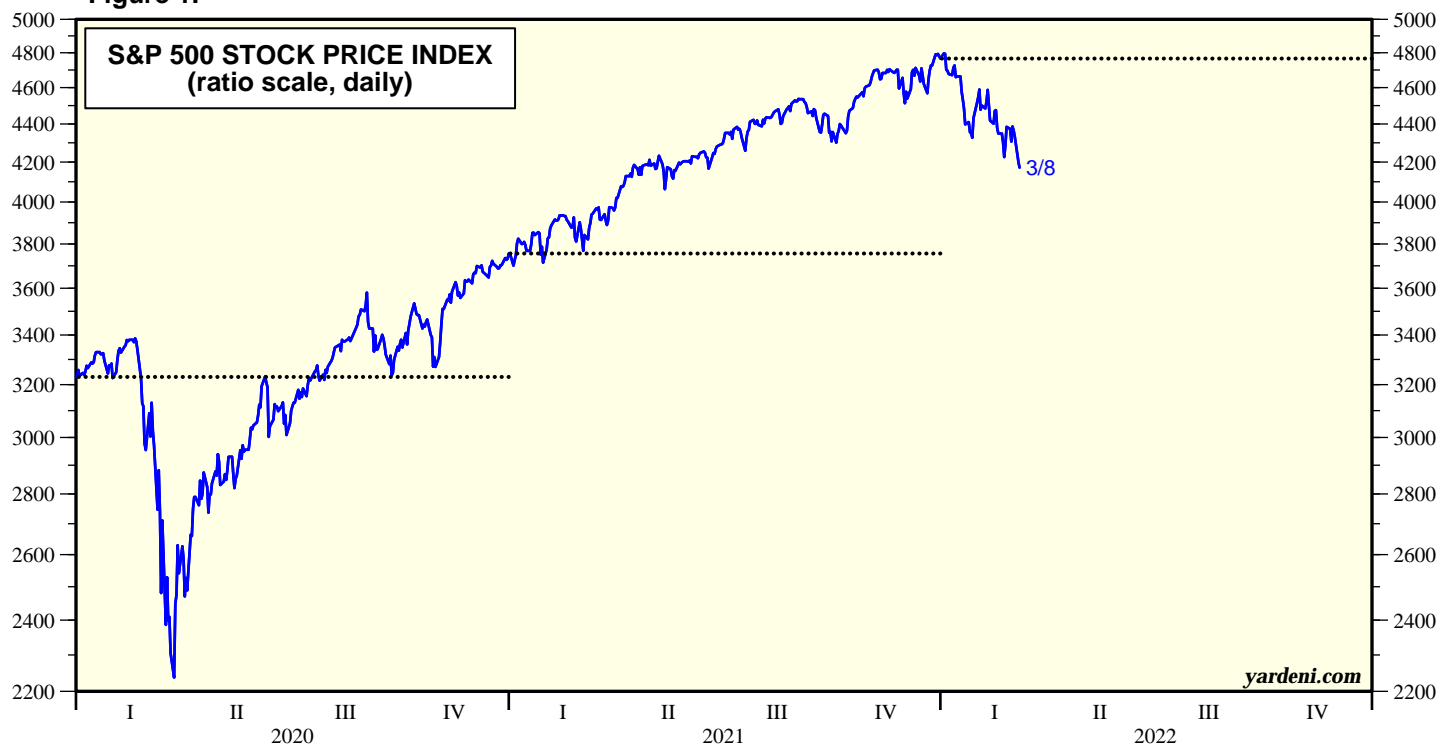
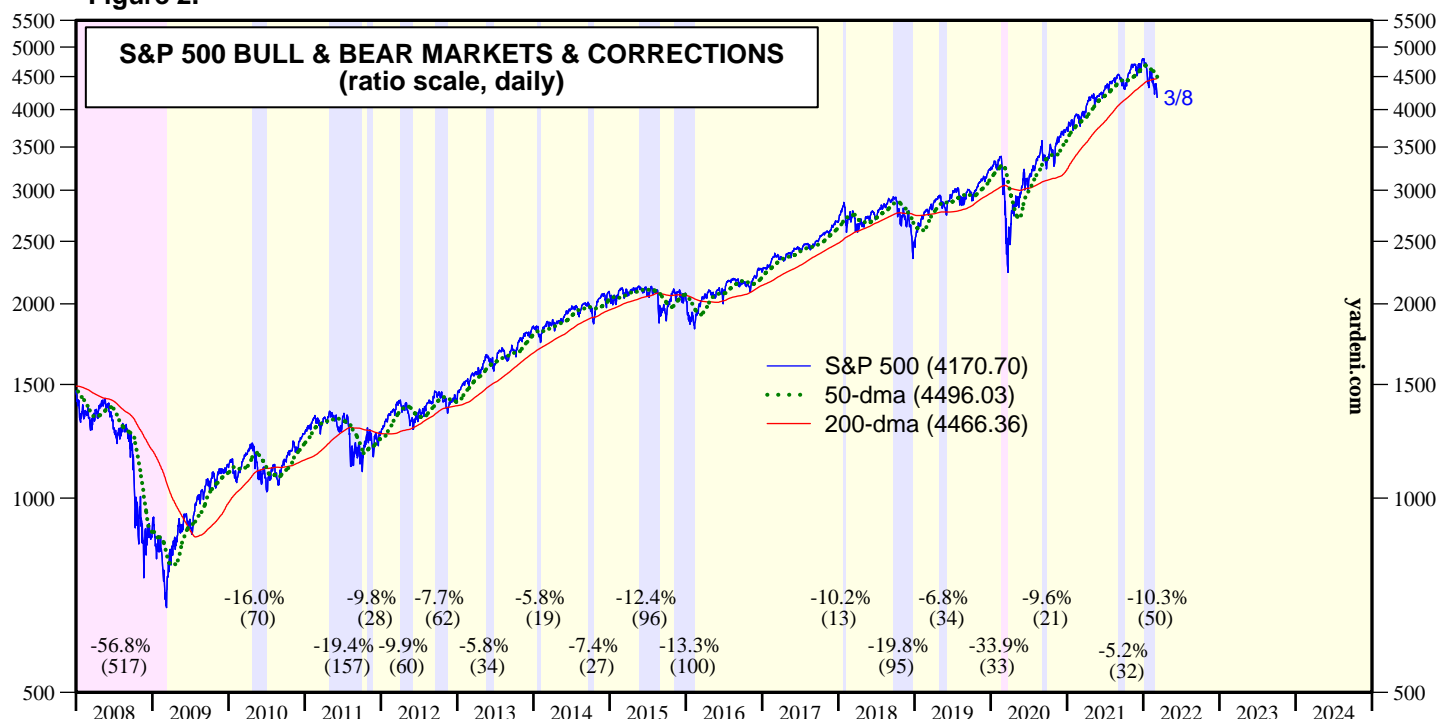


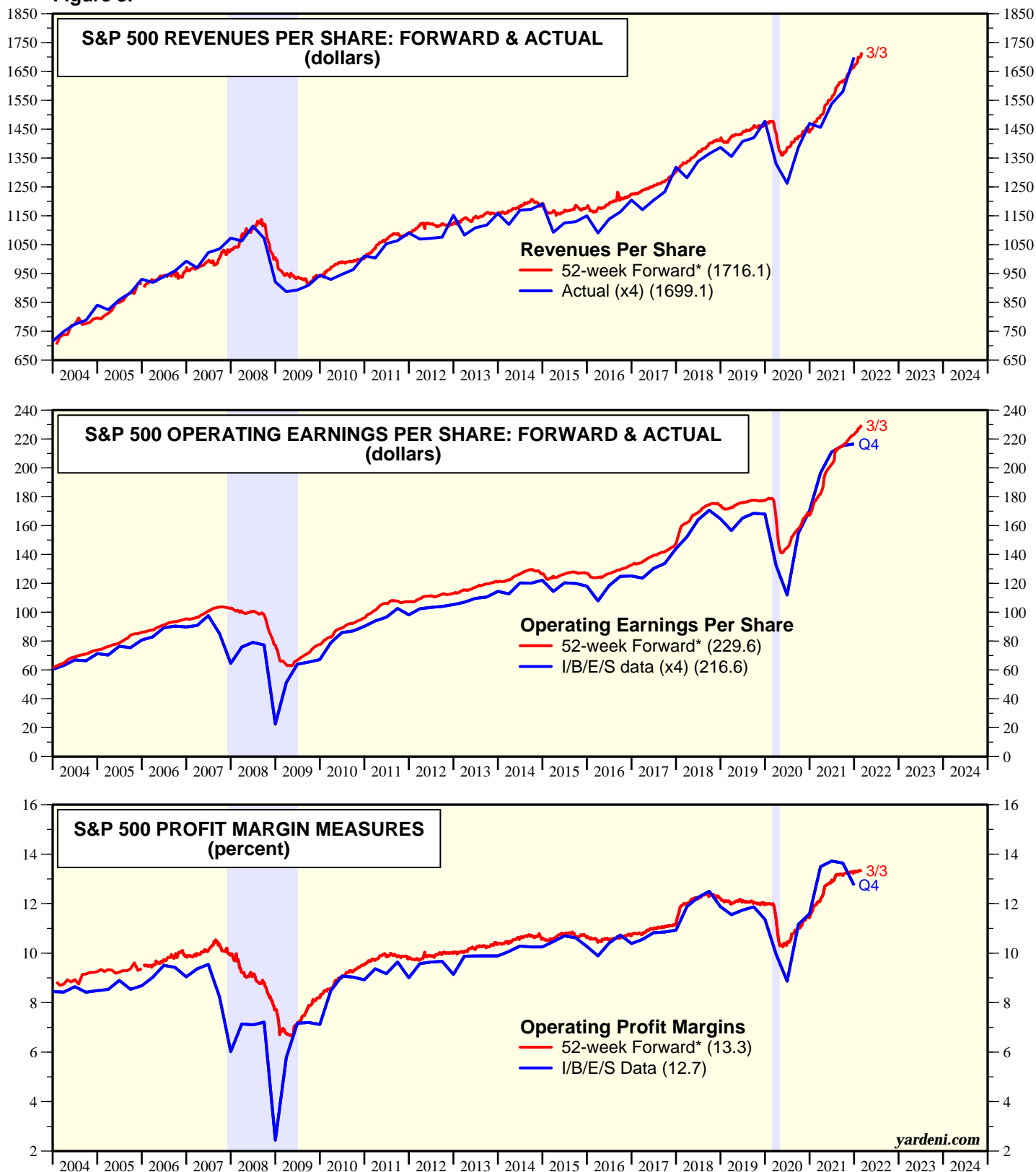
Figure 2.



Note: Corrections are declines of 10% or more, but less than 20%, while minor ones are 5%-10% (all in blue shades). Bear markets are declines of 20% or more (in red shades). Number of calendar days in parentheses.
Source: Standard & Poor's.

B: S&P 500 Earnings Forecasts

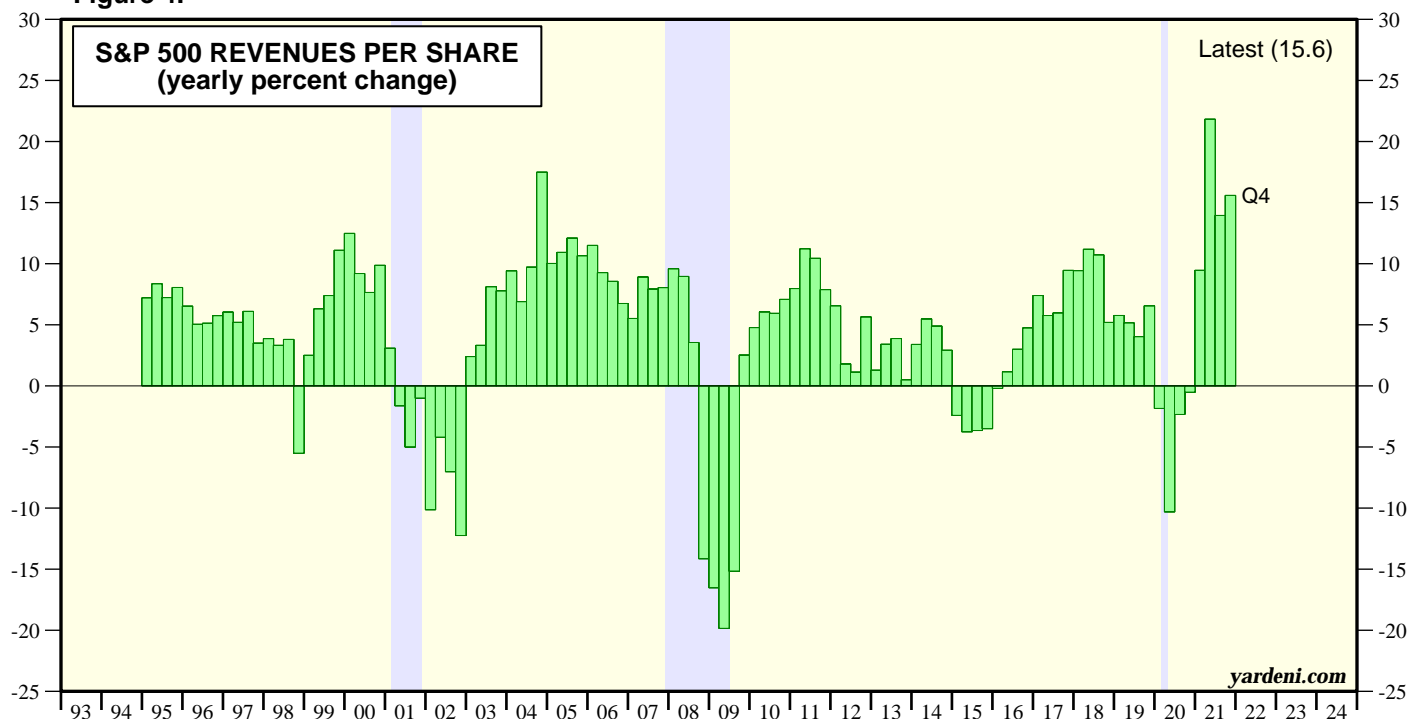
Figure 3.



* Time-weighted average of consensus estimates for current and next years.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Standard & Poor's and I/B/E/S data by Refinitiv.

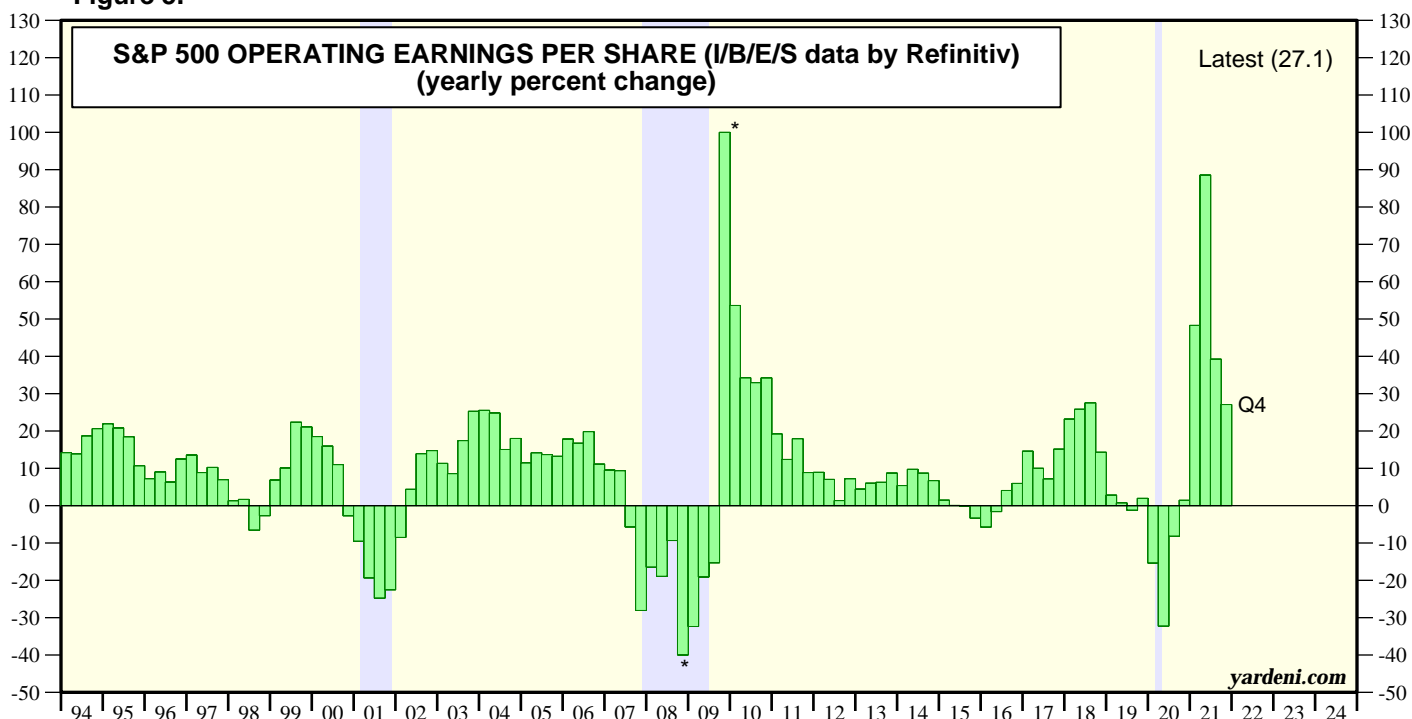
B: S&P 500 Earnings Forecasts

Figure 4.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Standard & Poor's.

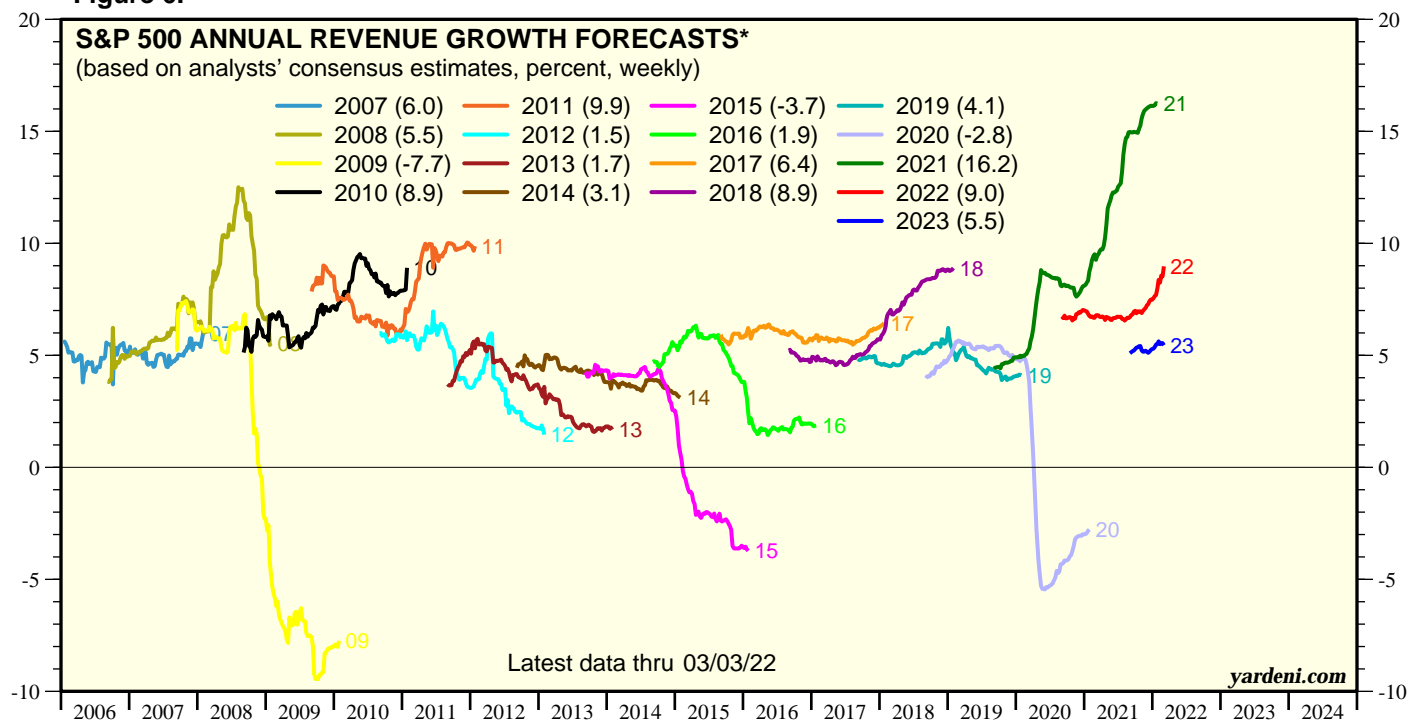
Figure 5.



* Due to extreme values, Q4-2008's -65.2% is capped at -40%, Q4-2009's +198.9% is capped at 90%.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.

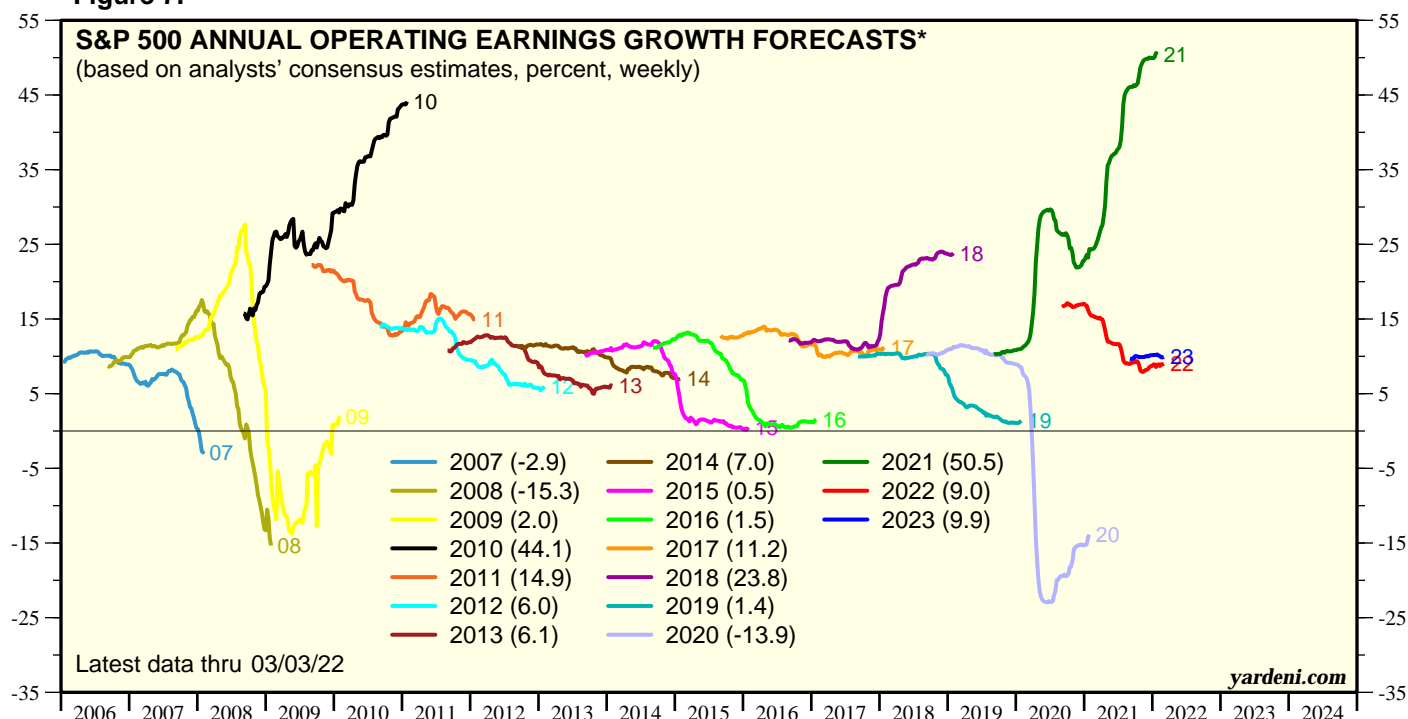
B: S&P 500 Earnings Forecasts

Figure 6.



Source: I/B/E/S data by Refinitiv.

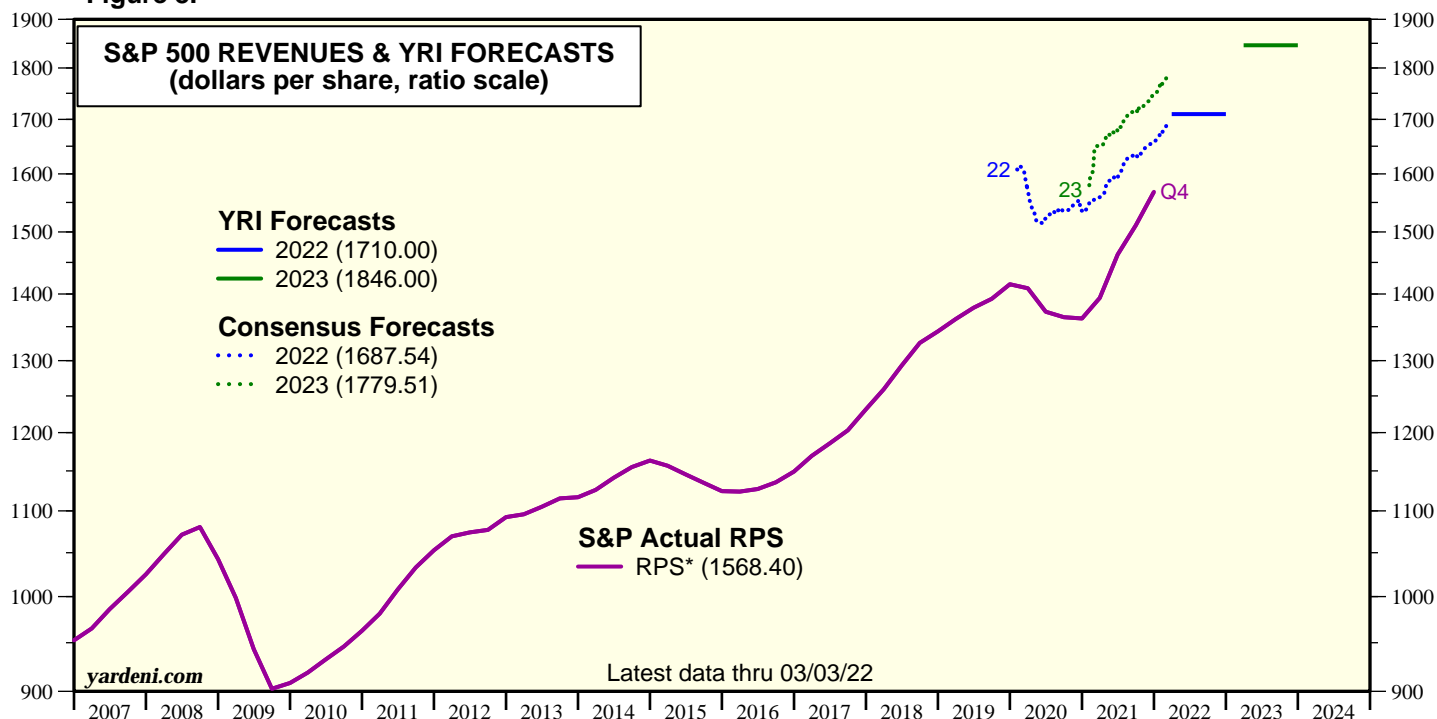
Figure 7.



Source: I/B/E/S data by Refinitiv.

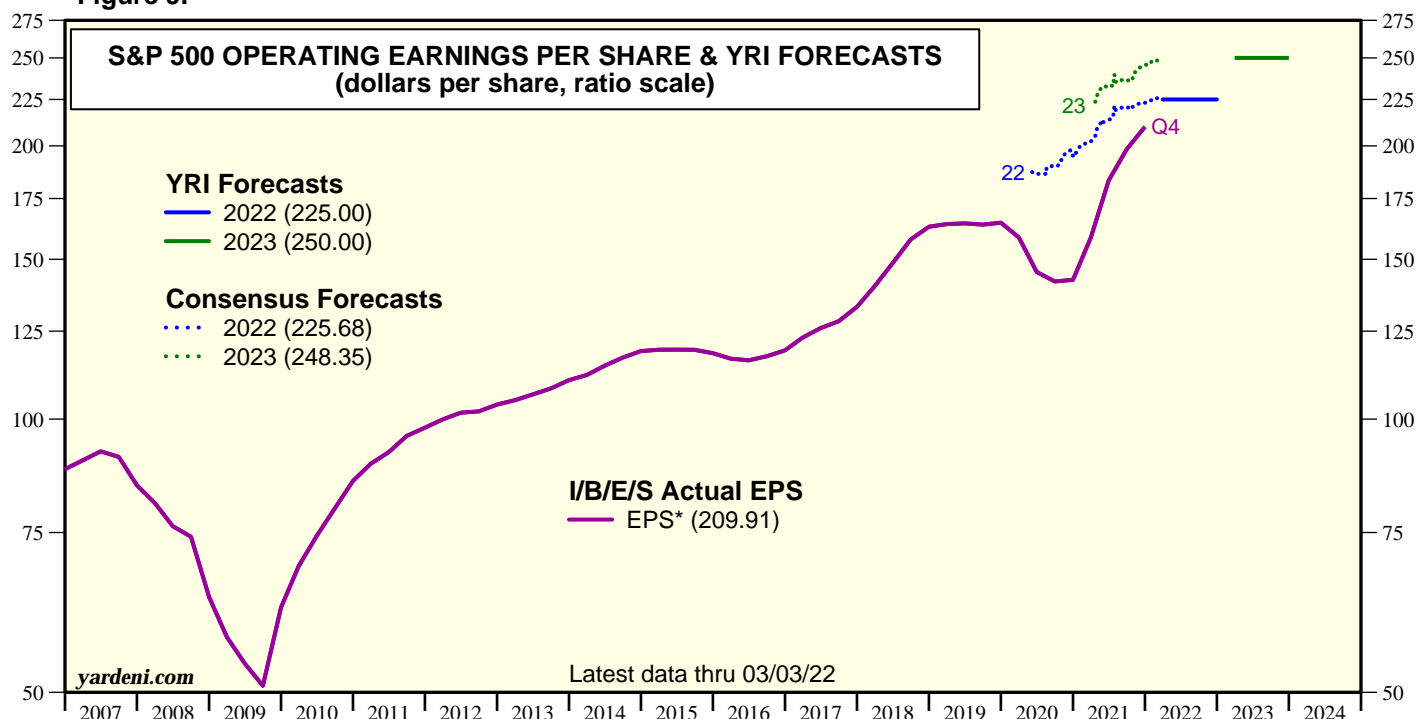
B: S&P 500 Earnings Forecasts

Figure 8.



* Four-quarter trailing sum of revenues per share.
Source: I/B/E/S data by Refinitiv.

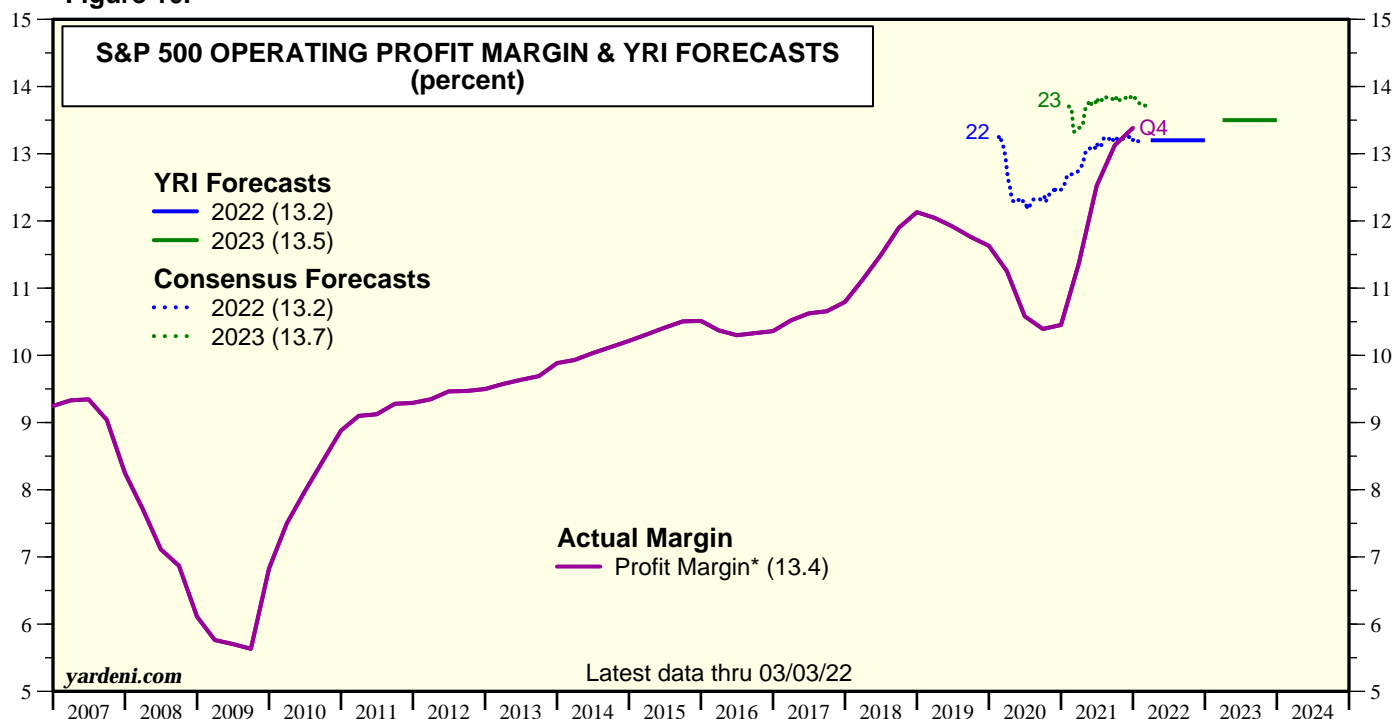
Figure 9.



* Four-quarter trailing sum of operating earnings per share.
Source: I/B/E/S data by Refinitiv.

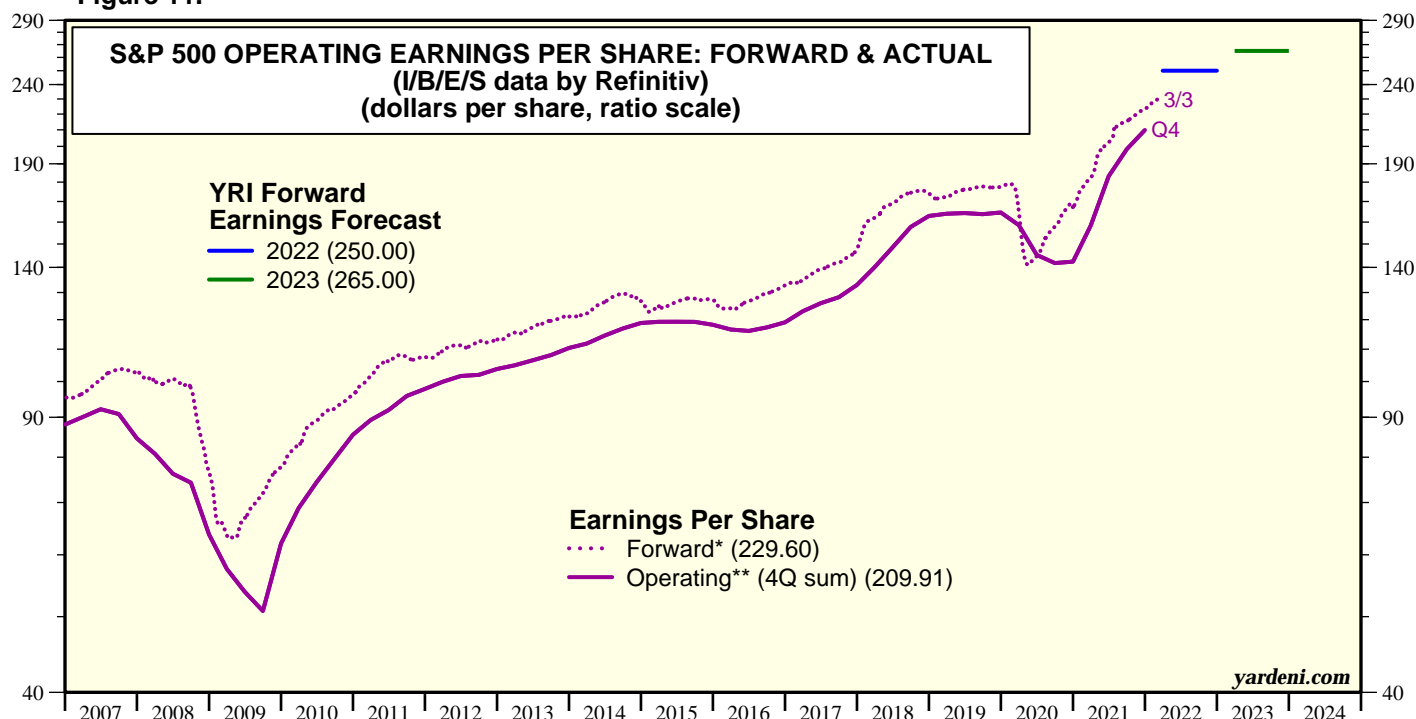
B: S&P 500 Earnings Forecasts

Figure 10.



* Four-quarter trailing operating profit margin.
 Source: I/B/E/S data by Refinitiv and Standard & Poor's.

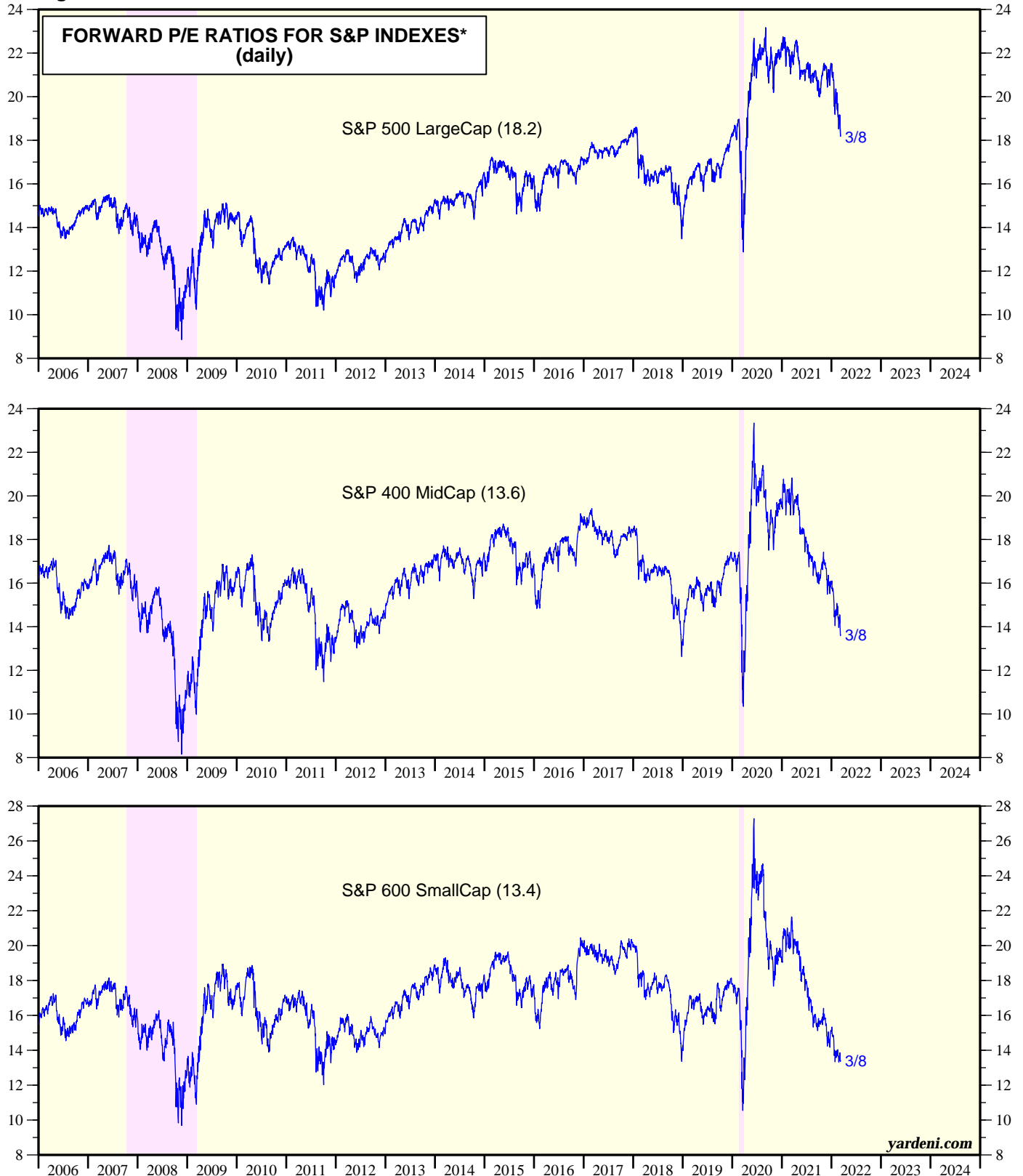
Figure 11.



* Time-weighted average of consensus operating earnings estimates for current and next year. Monthly through March 1994, then weekly.
 ** From S&P until Q4-1993, then from I/B/E/S data by Refinitiv.
 Source: I/B/E/S data by Refinitiv.

B: S&P 500 Earnings Forecasts

Figure 12.

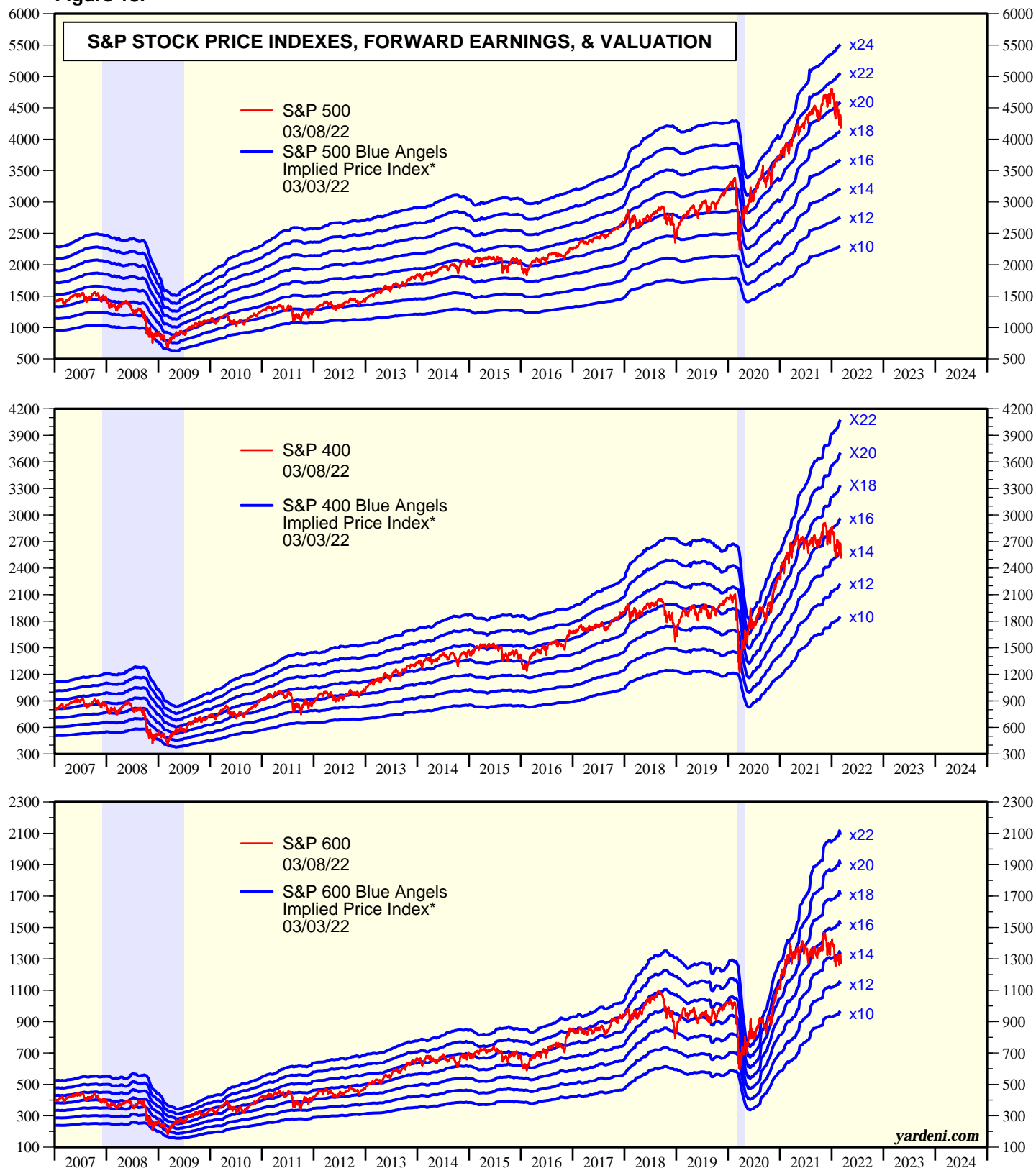


* Price divided by 52-week forward consensus expected operating earnings per share.

Source: I/B/E/S data by Refinitiv and Standard & Poor's.

B: S&P 500 Earnings Forecasts

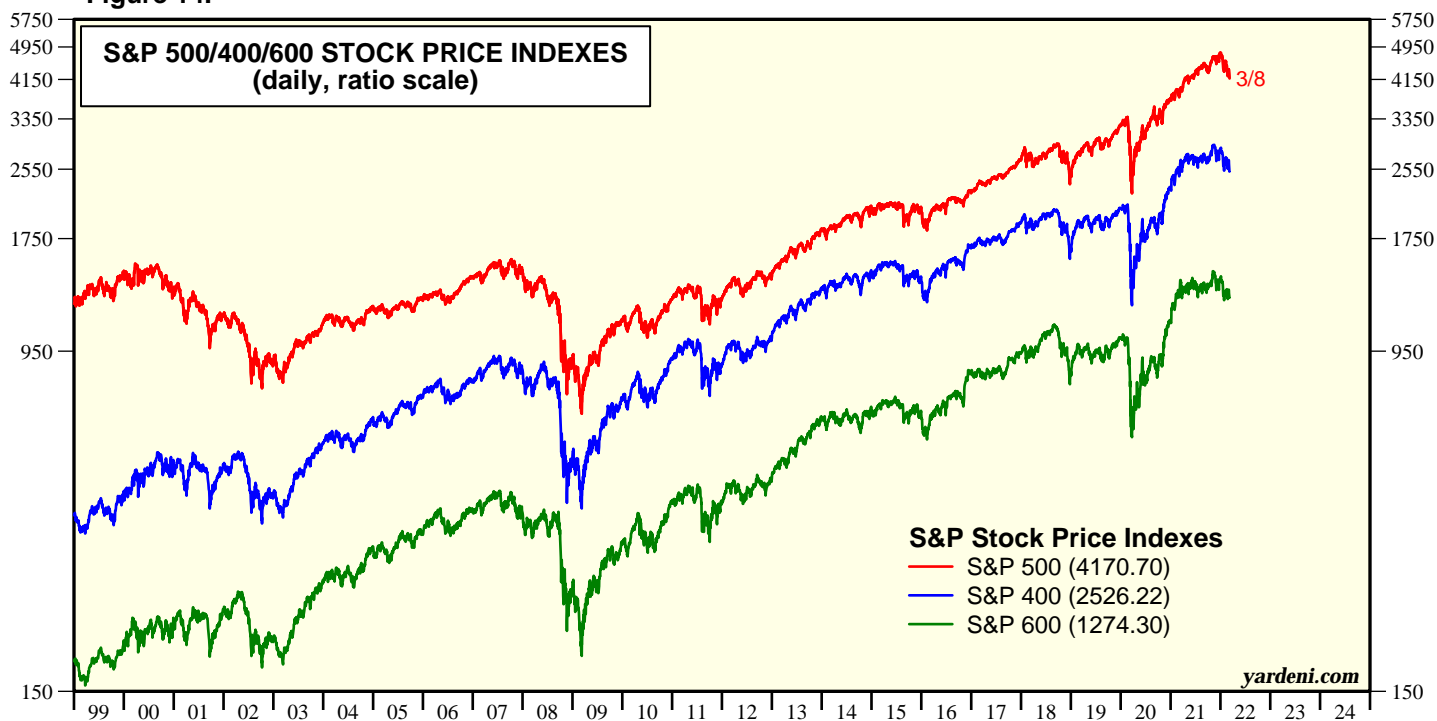
Figure 13.



* Implied stock price index calculated using actual 52-week consensus expected forward earnings times hypothetical forward P/Es.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Standard & Poors and I/B/E/S data by Refinitiv.

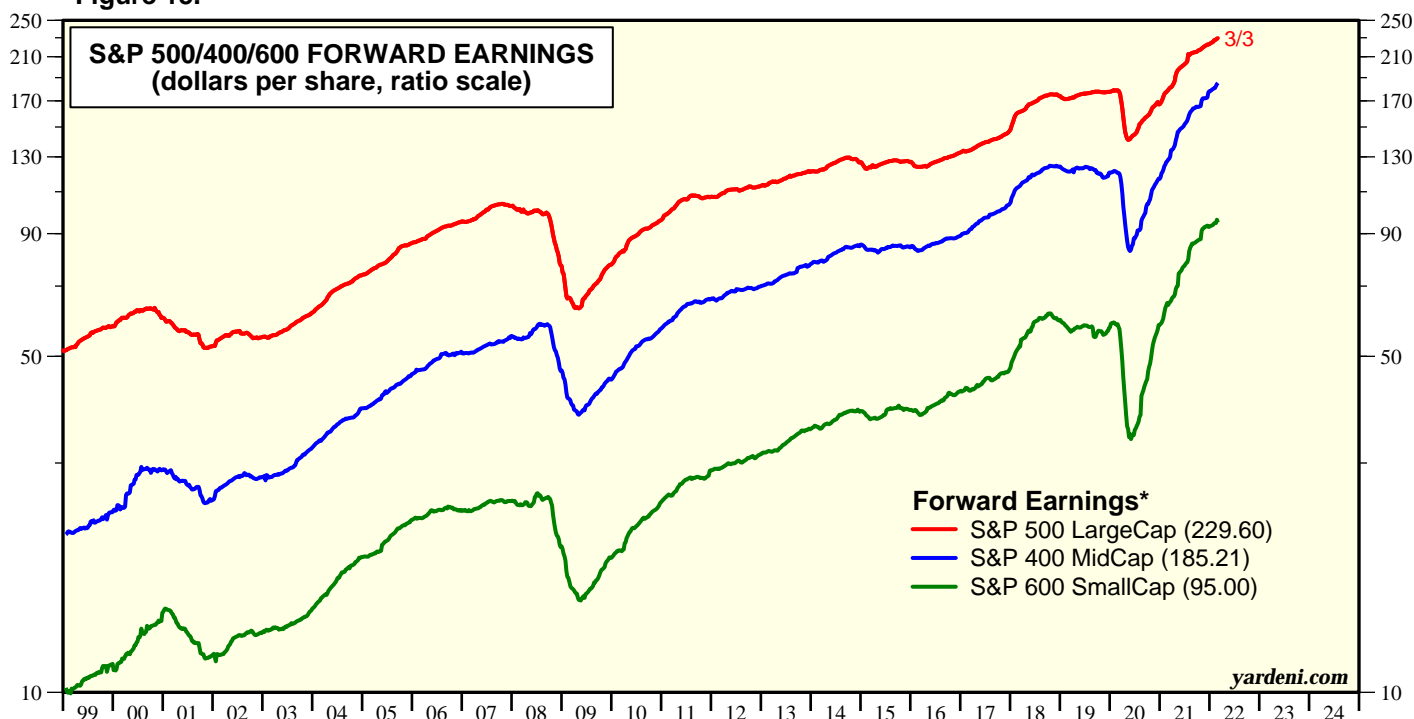
B: S&P 500 Earnings Forecasts

Figure 14.



Source: Standard & Poor's.

Figure 15.



* Time-weighted average of consensus estimates for current year and next year.
Source: I/B/E/S data by Refinitiv.

B: S&P 500 Earnings Forecasts

Figure 16.

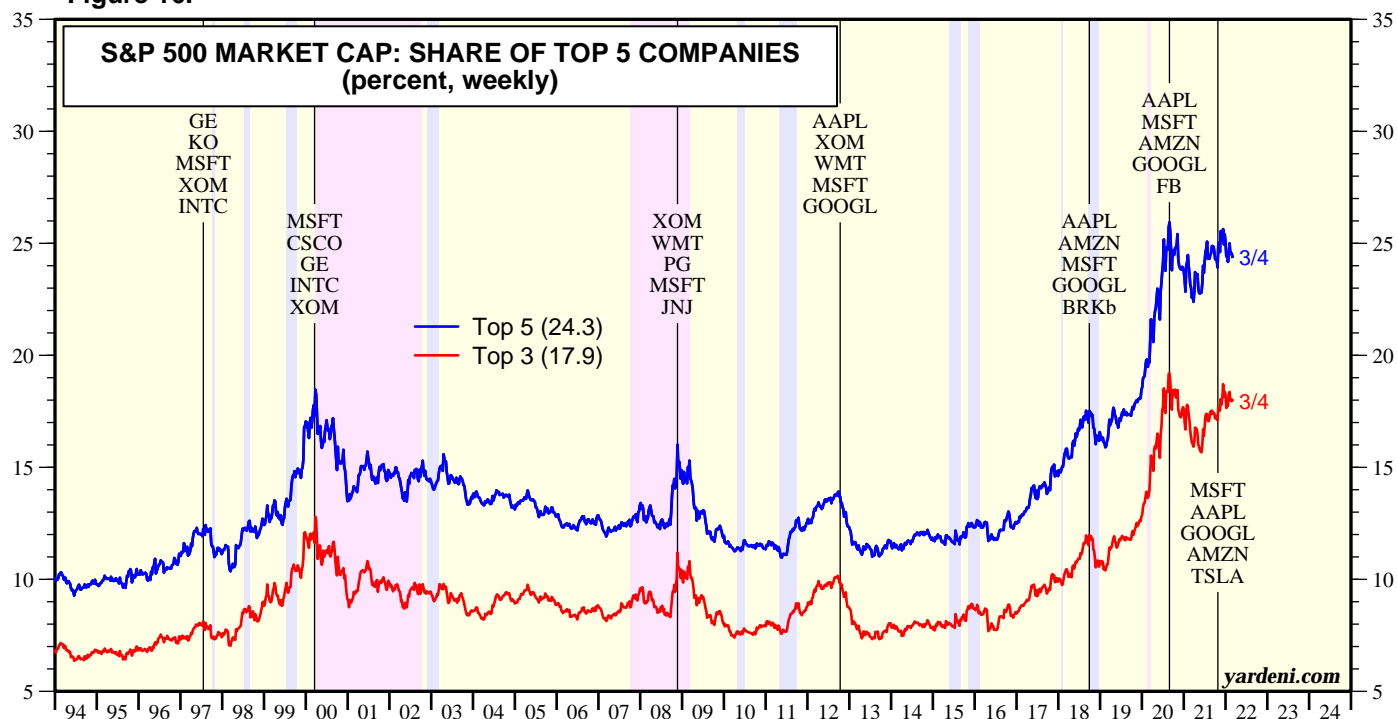
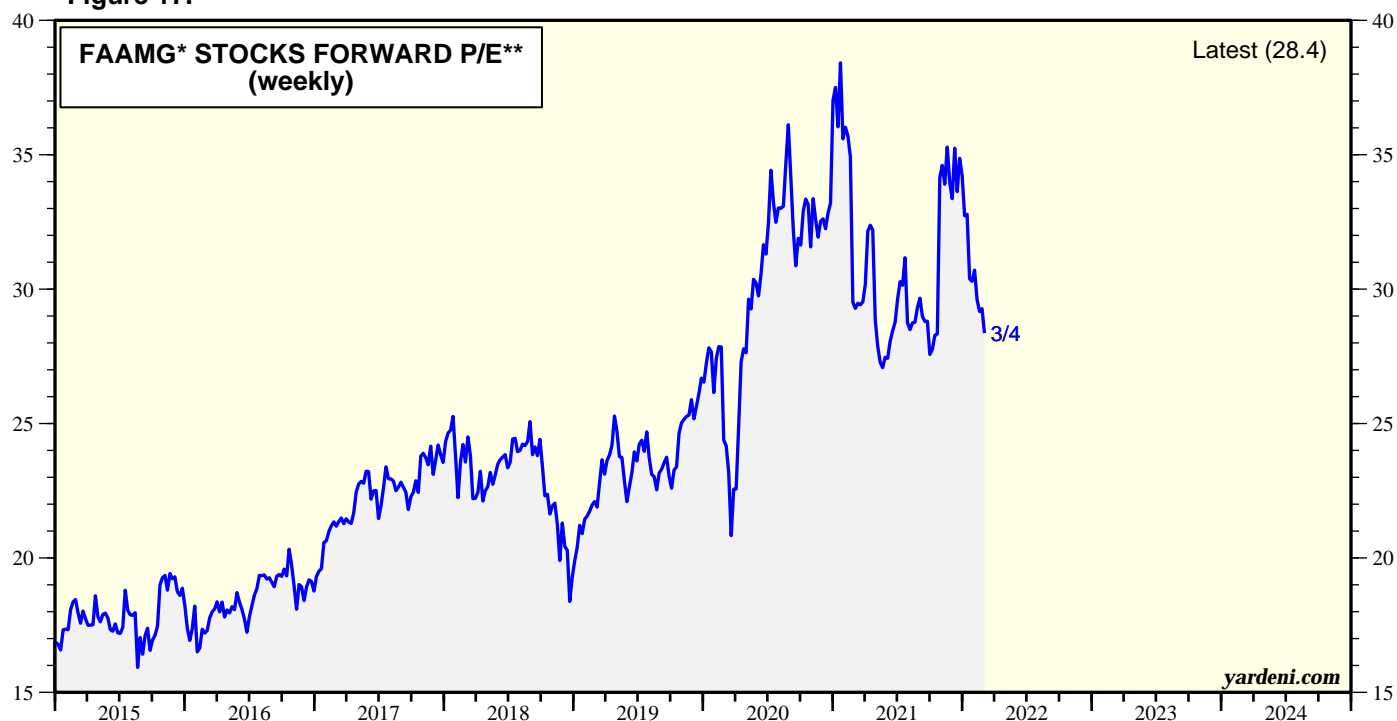


Figure 17.



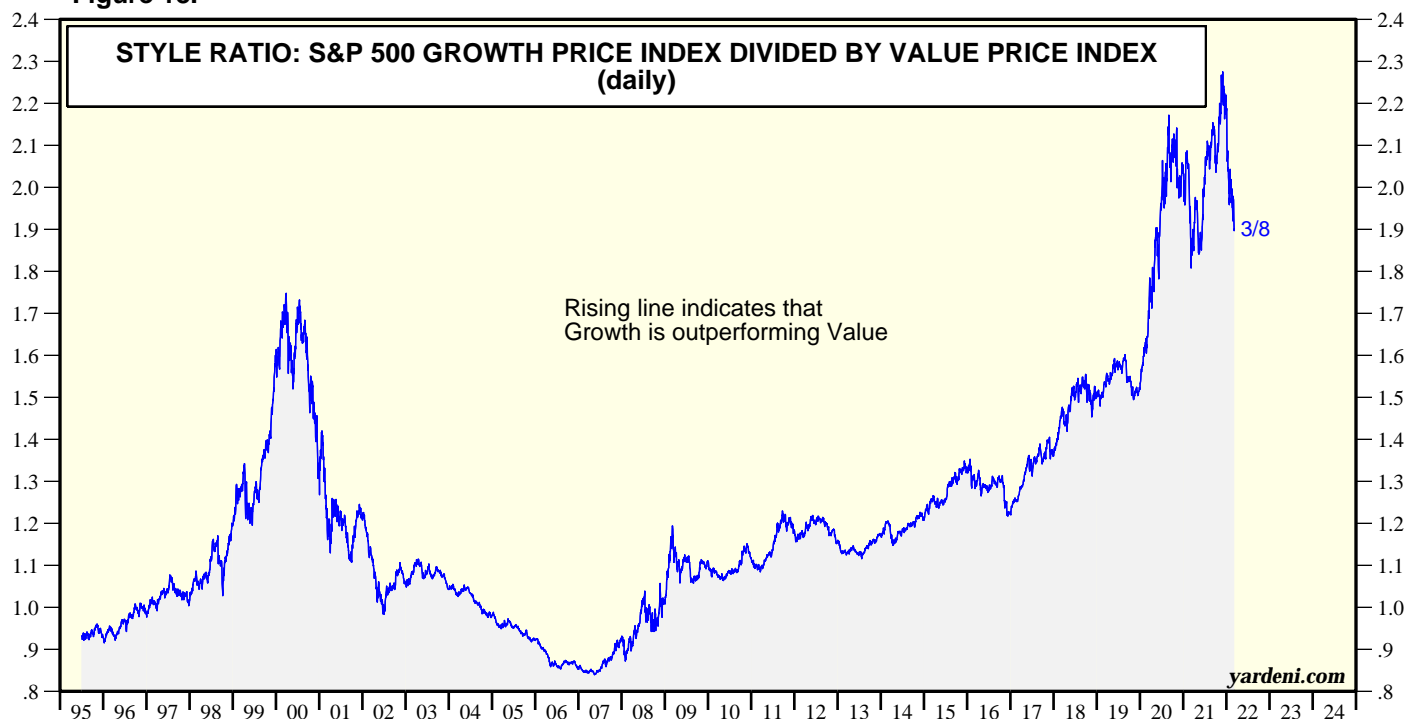
* FAAMG stocks include Facebook, Amazon, Apple, Microsoft, and Google (Alphabet). Both classes of Alphabet are included.

** Market cap divided by aggregate forward consensus expected operating earnings.

Source: I/B/E/S data by Refinitiv.

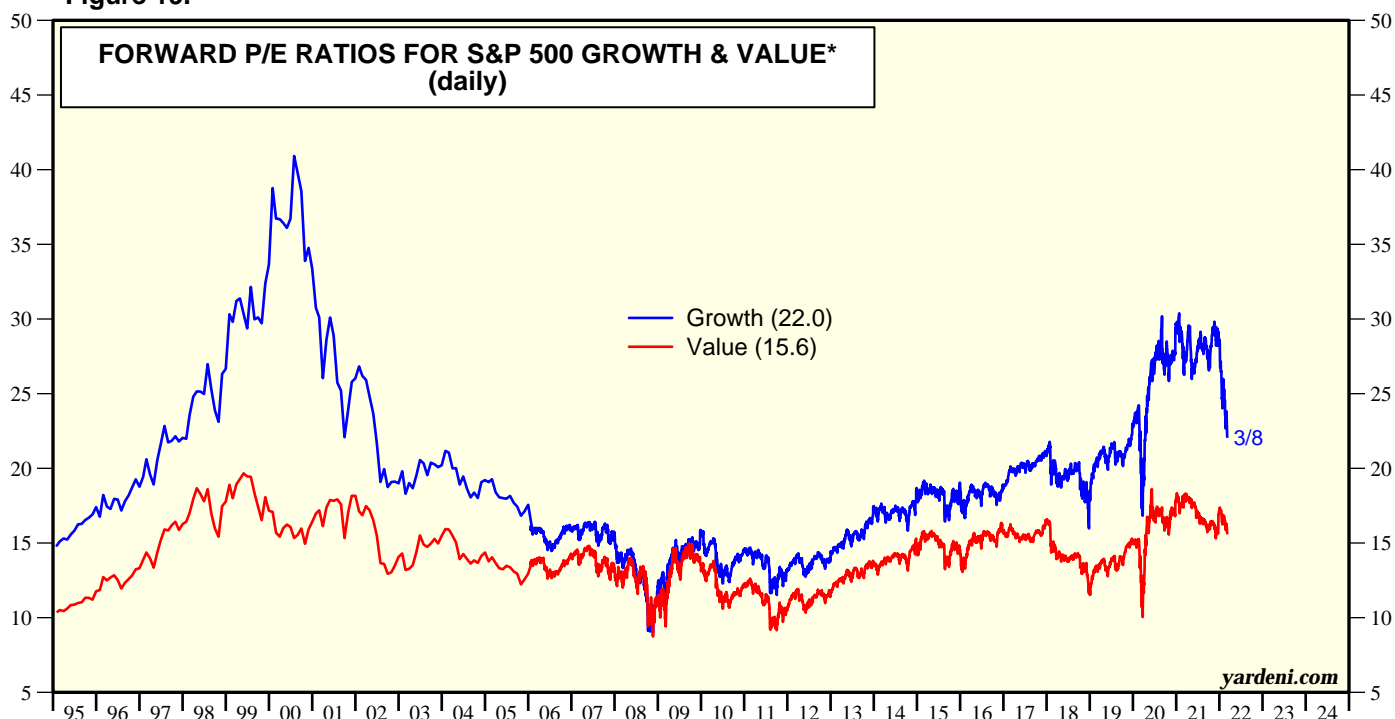
B: S&P 500 Earnings Forecasts

Figure 18.



Source: Standard & Poor's and Haver Analytics.

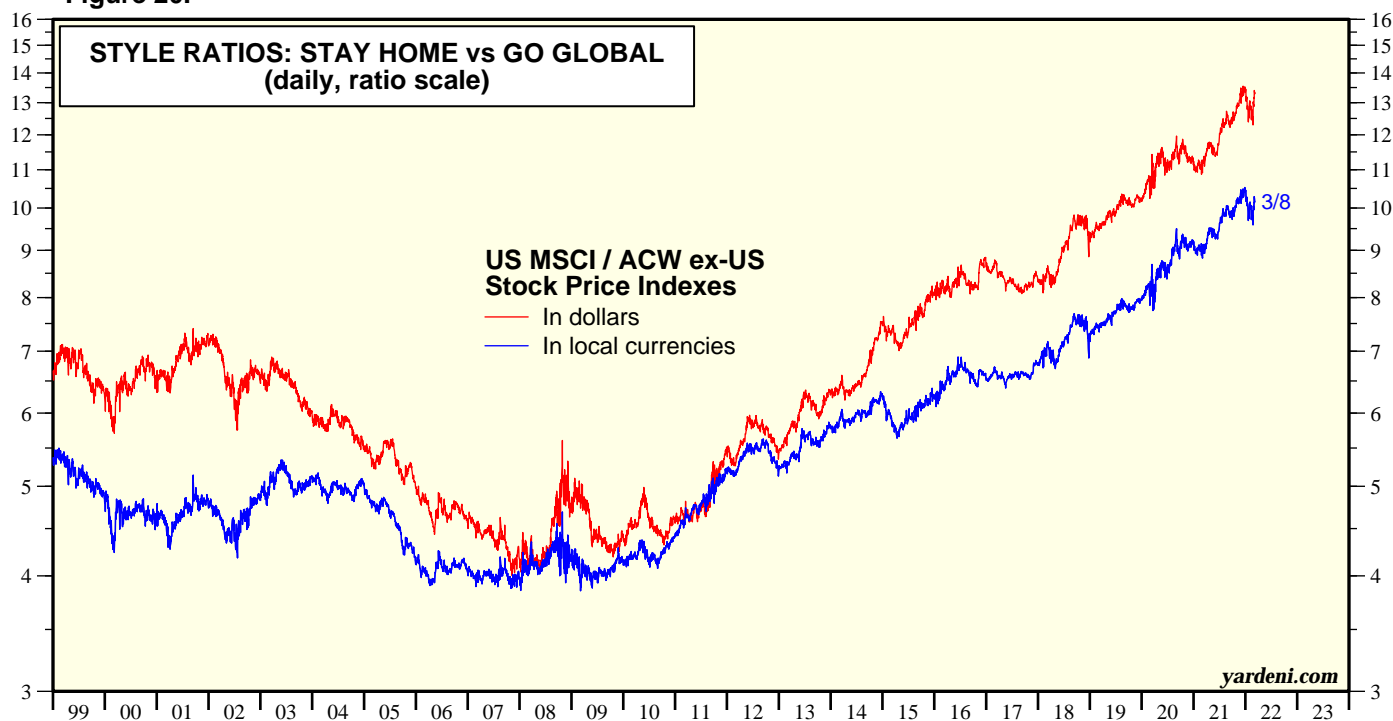
Figure 19.



* Price divided by 12-month (52-week) forward consensus expected operating earnings per share. Monthly data through December 2005, then daily.
Source: I/B/E/S data by Refinitiv.

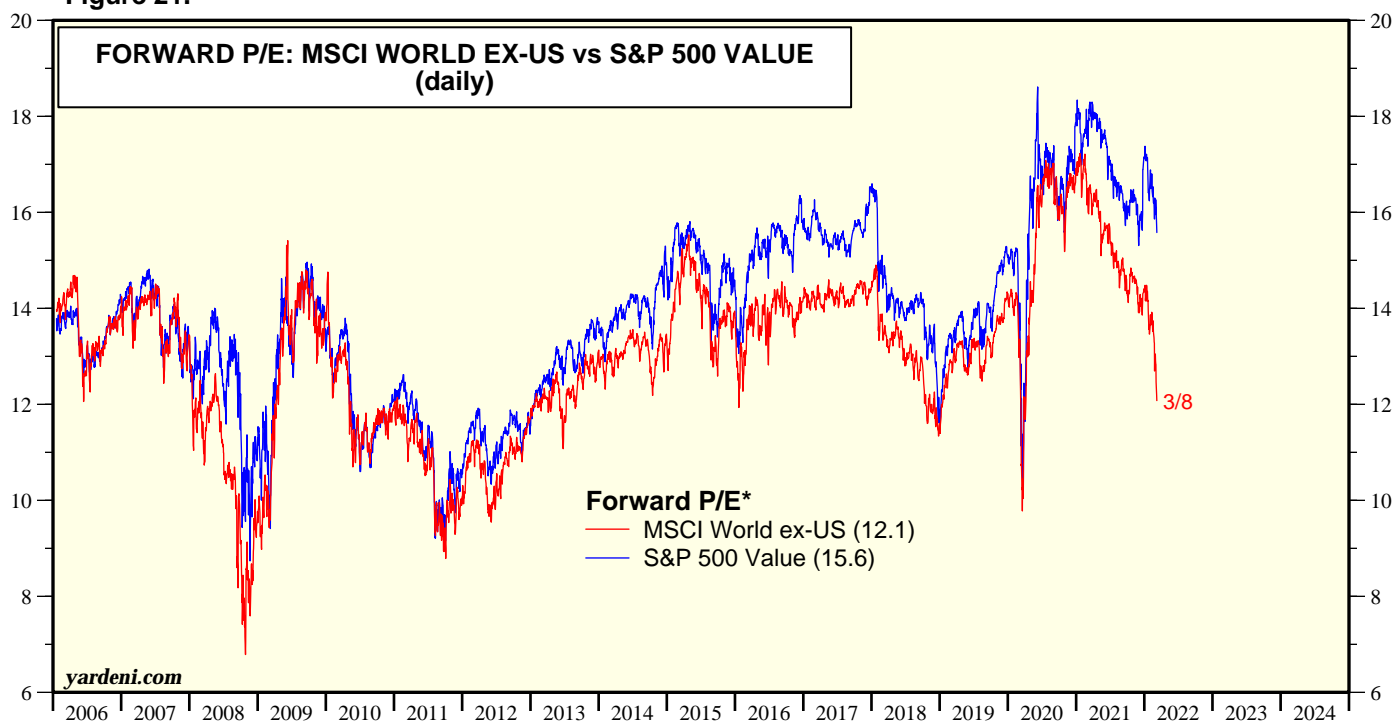
B: S&P 500 Earnings Forecasts

Figure 20.



Source: MSCI.

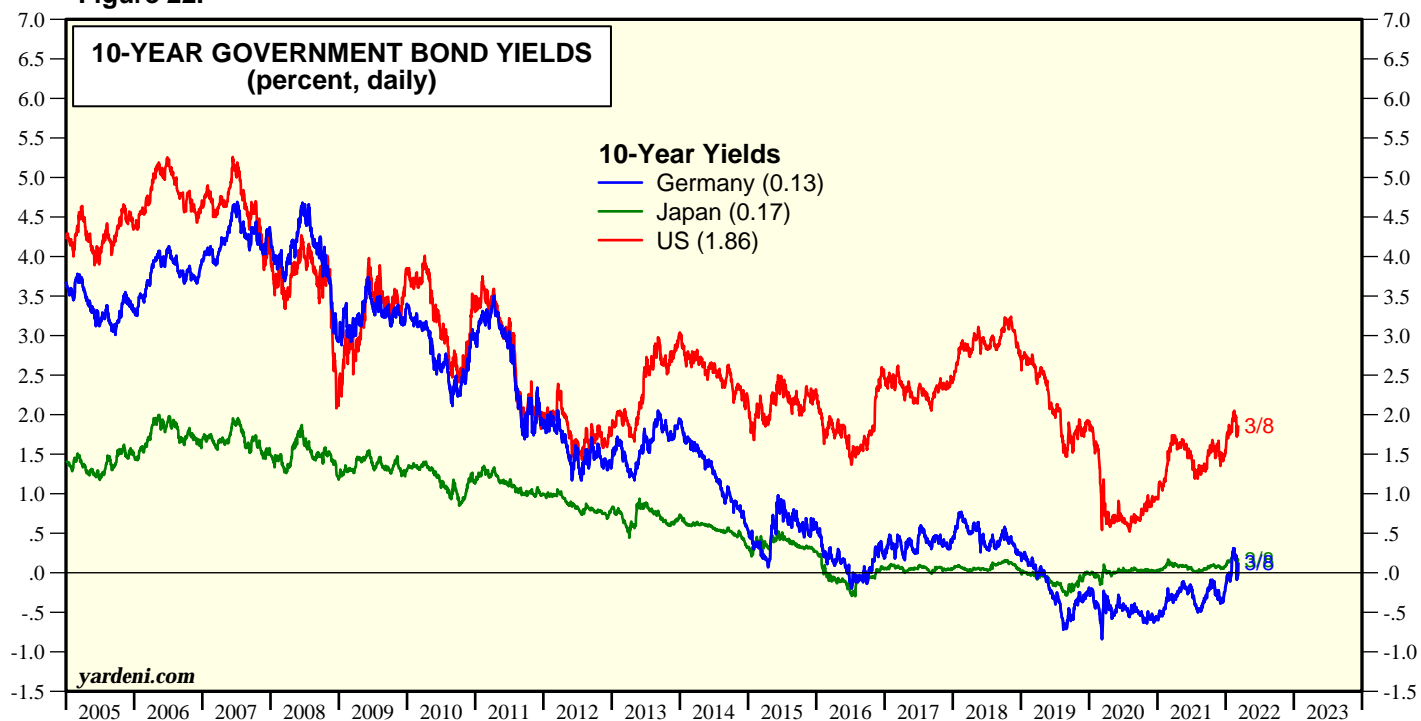
Figure 21.



* Price divided by 12-month forward consensus expected operating earnings per share. Monthly through December 2005, weekly and daily thereafter.
Source: I/B/E/S data by Refinitiv and MSCI.

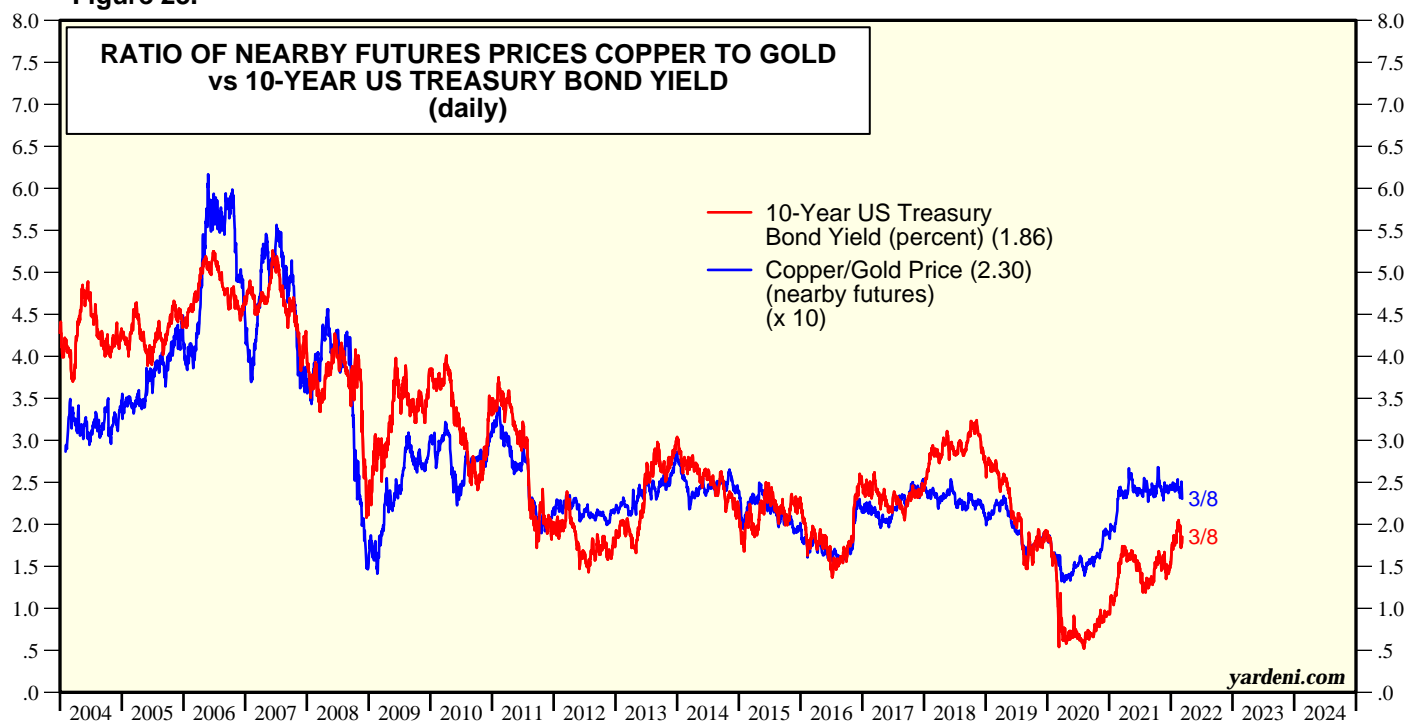
B: S&P 500 Earnings Forecasts

Figure 22.



Source: Haver Analytics.

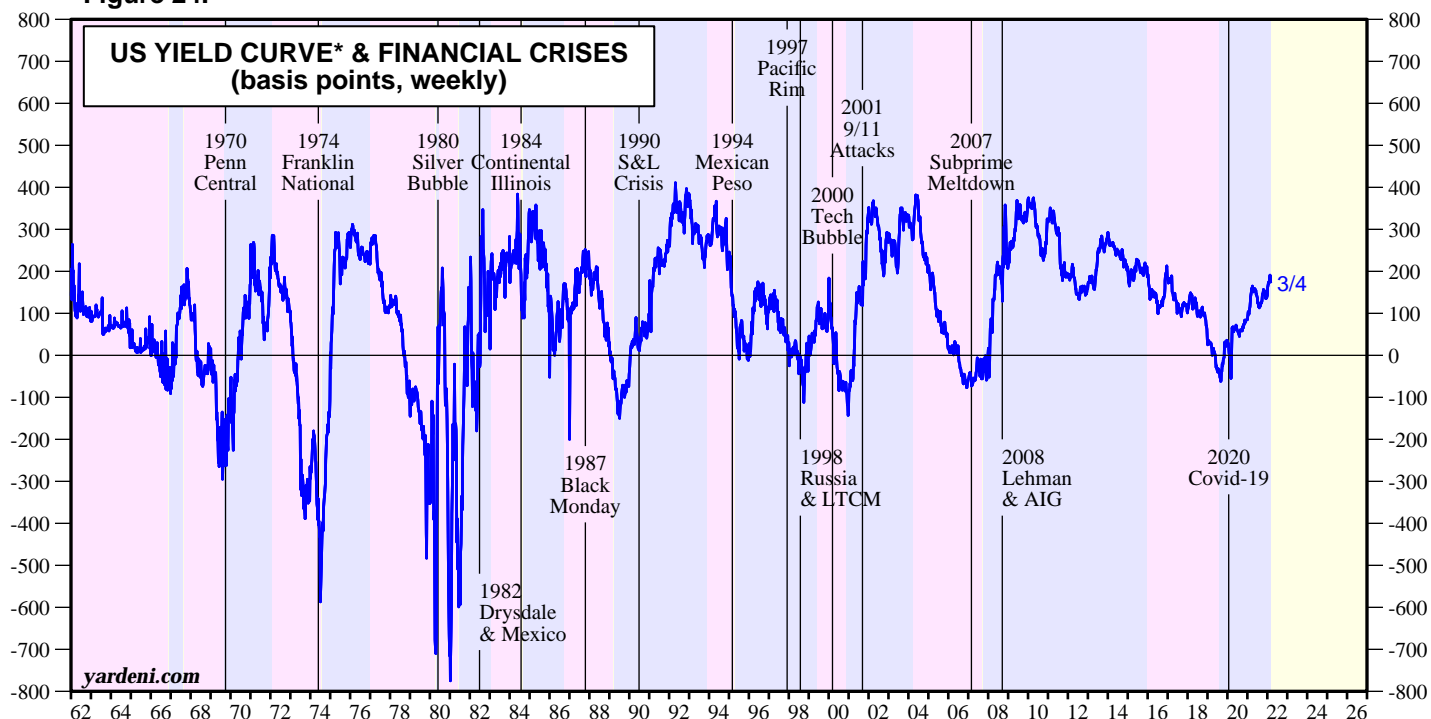
Figure 23.



Source: Federal Reserve Board and Haver Analytics.

B: S&P 500 Earnings Forecasts

Figure 24.

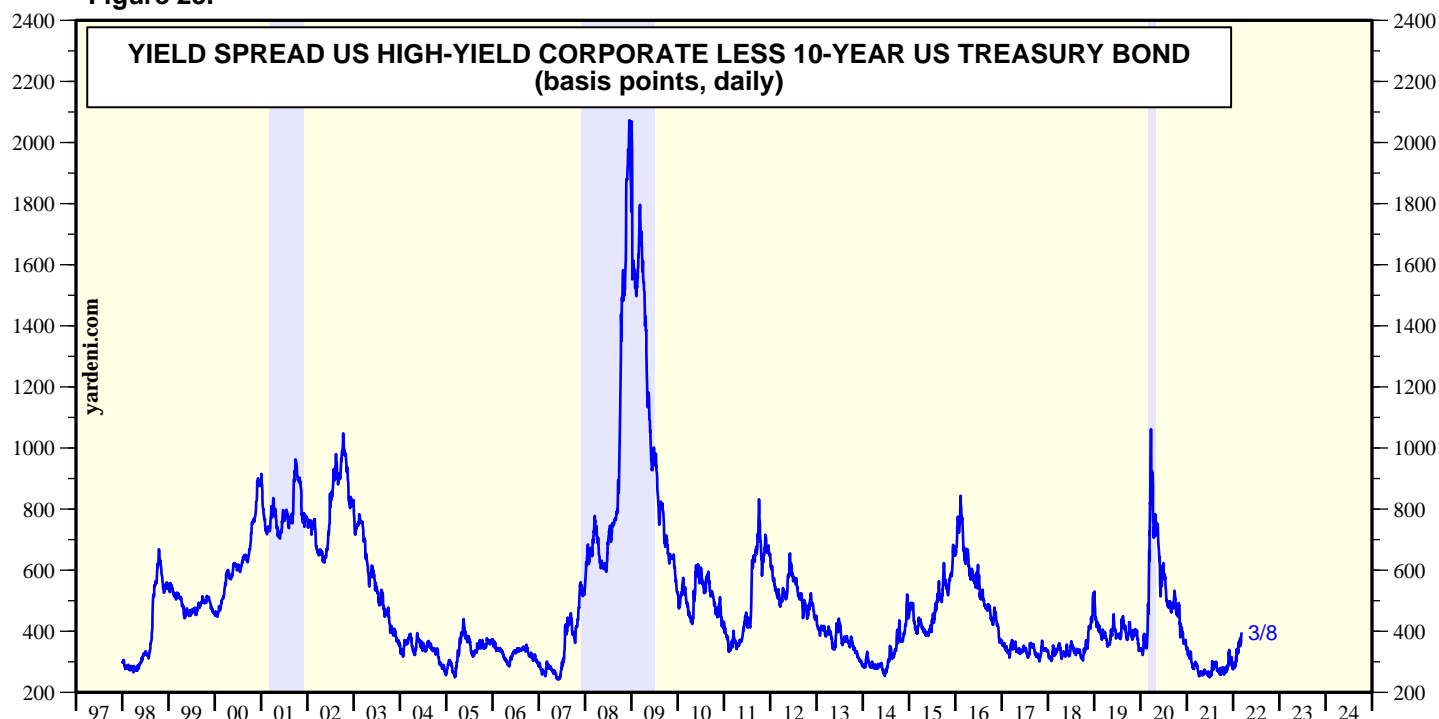


* 10-year US Treasury yield less federal funds rate.

Note: Blue shaded areas are periods of monetary easing between cyclical peaks and troughs in the federal funds rate. Red shaded areas are monetary tightening periods

Source: Federal Reserve Board.

Figure 25.

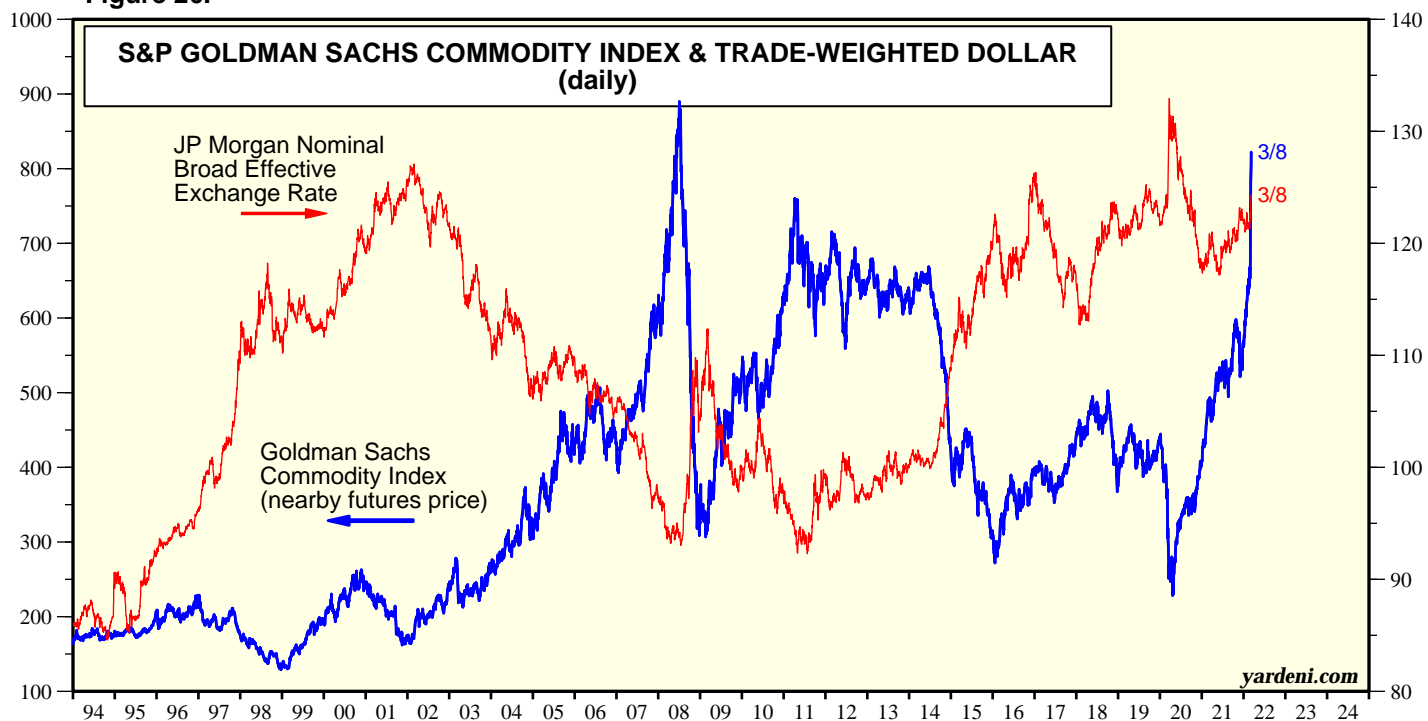


Note: Shaded areas are recessions according to the National Bureau of Economic Research.

Source: Bank of America Merrill Lynch and Federal Reserve Board.

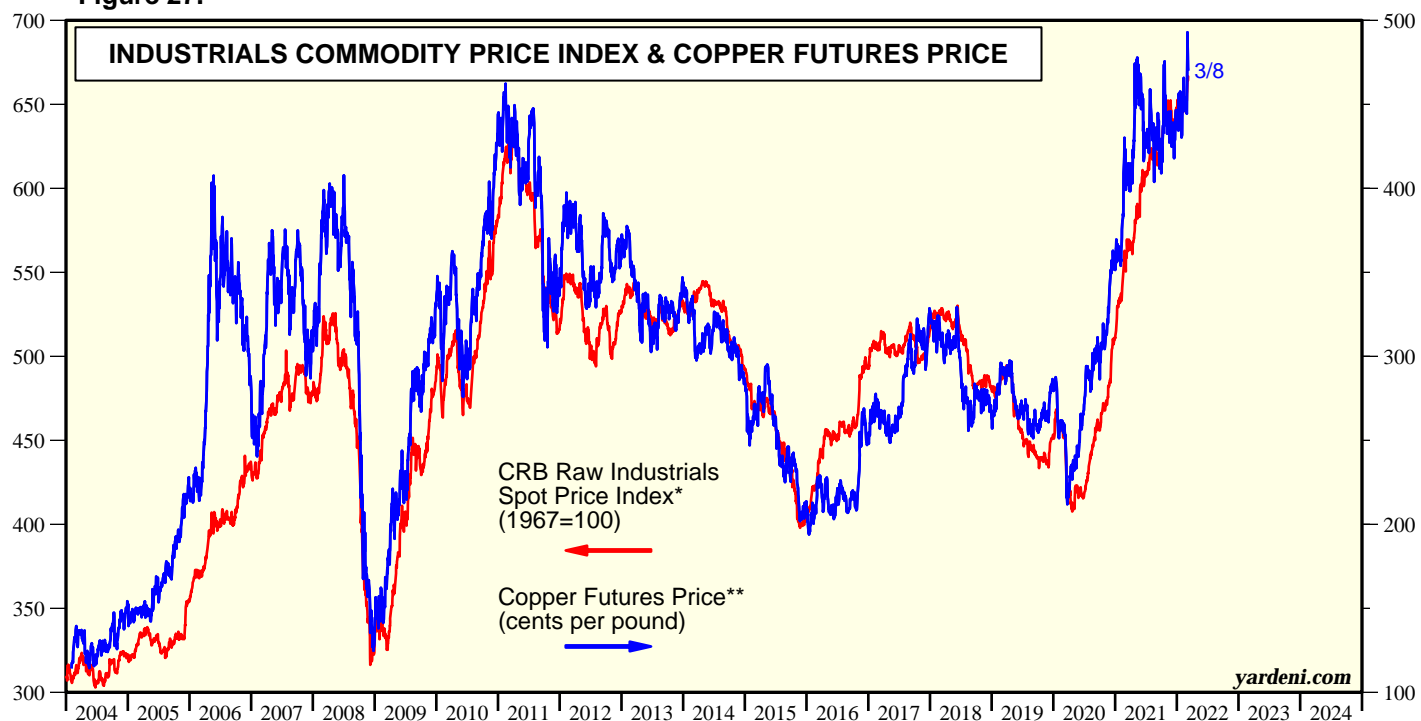
B: S&P 500 Earnings Forecasts

Figure 26.



Source: Standard & Poor's, JP Morgan, and Haver Analytics.

Figure 27.



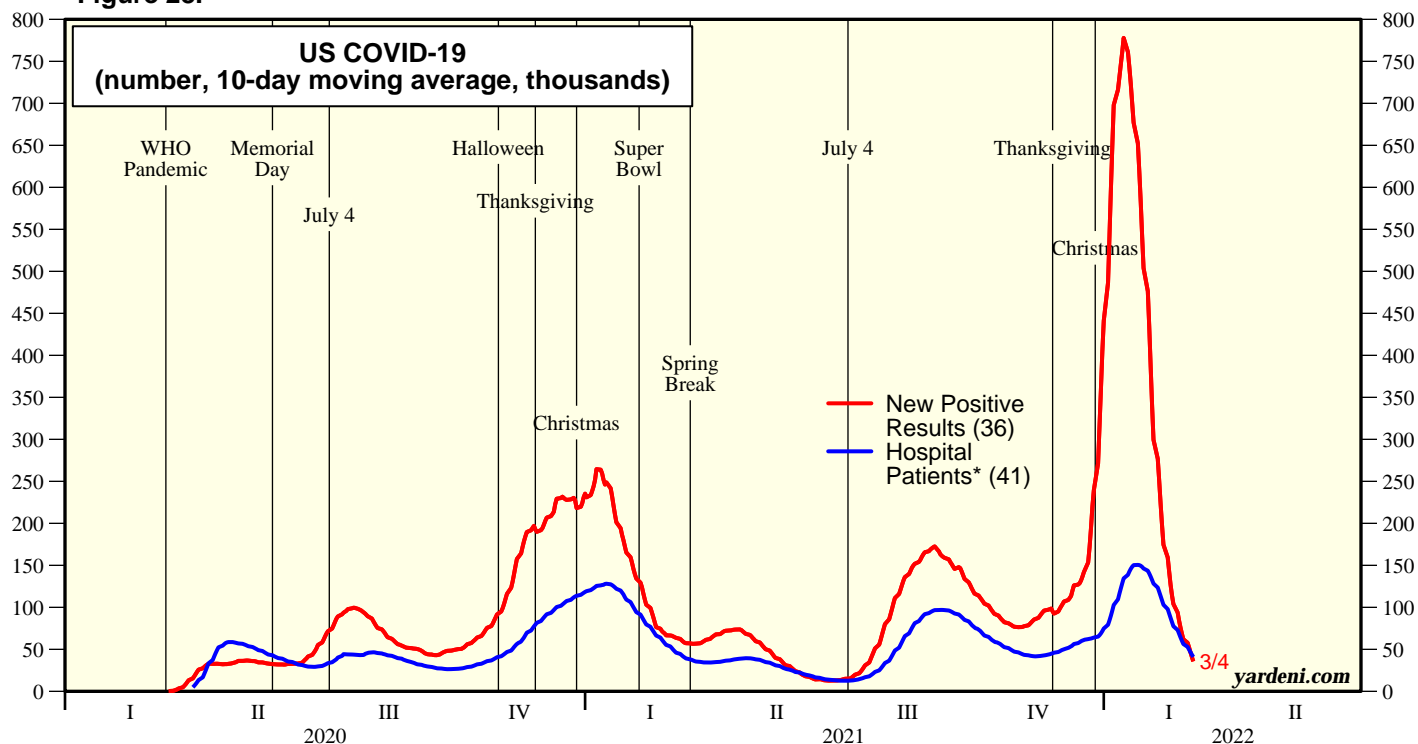
* Includes copper scrap, lead scrap, steel scrap, tin, zinc, burlap, cotton, print cloth, wool tops, hides, rosin, rubber, and tallow.

** Nearby futures contract.

Source: Commodity Research Bureau and Haver Analytics.

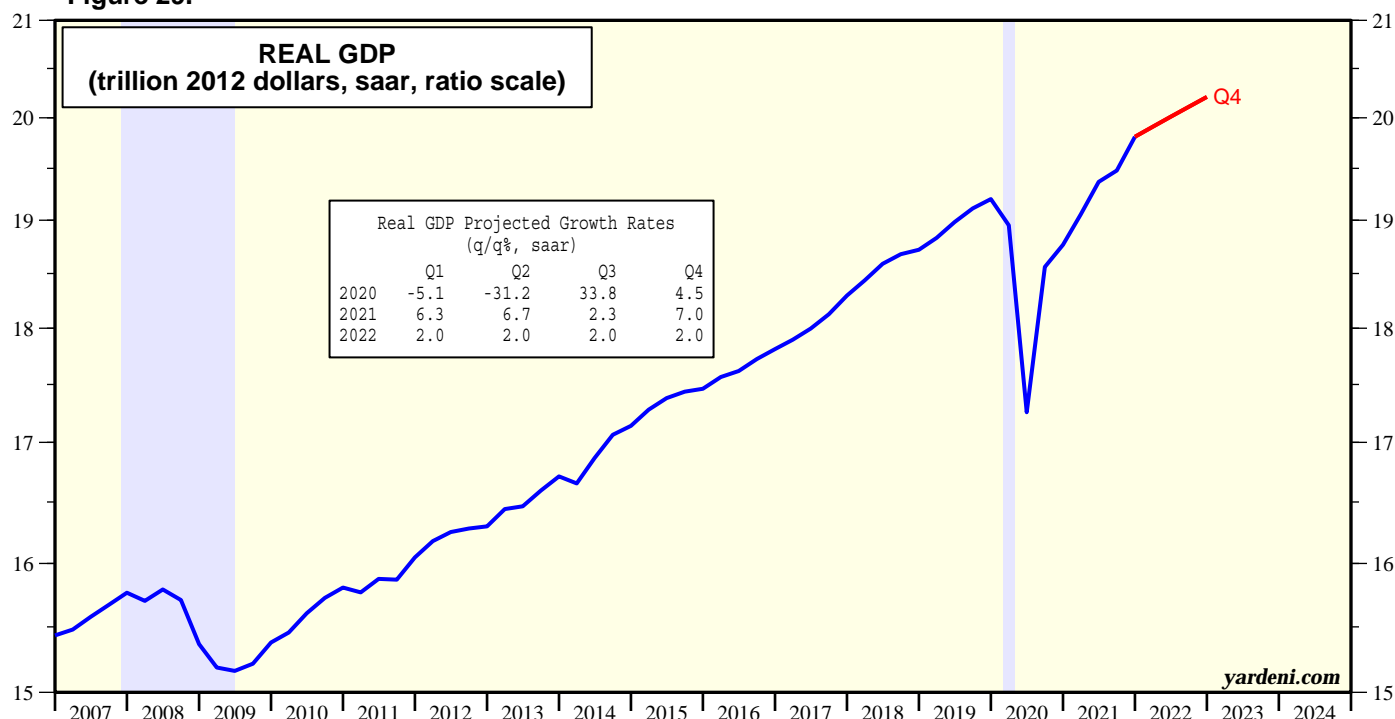
B: S&P 500 Earnings Forecasts

Figure 28.



* Note: Data for hospital patients from July 2020 to the present is from Oxford University, prior to that data is from COVID Tracking Project.
 Source: Department of Health & Human Services, Centers for Disease Control & Prevention, COVID Tracking Project and Oxford University.

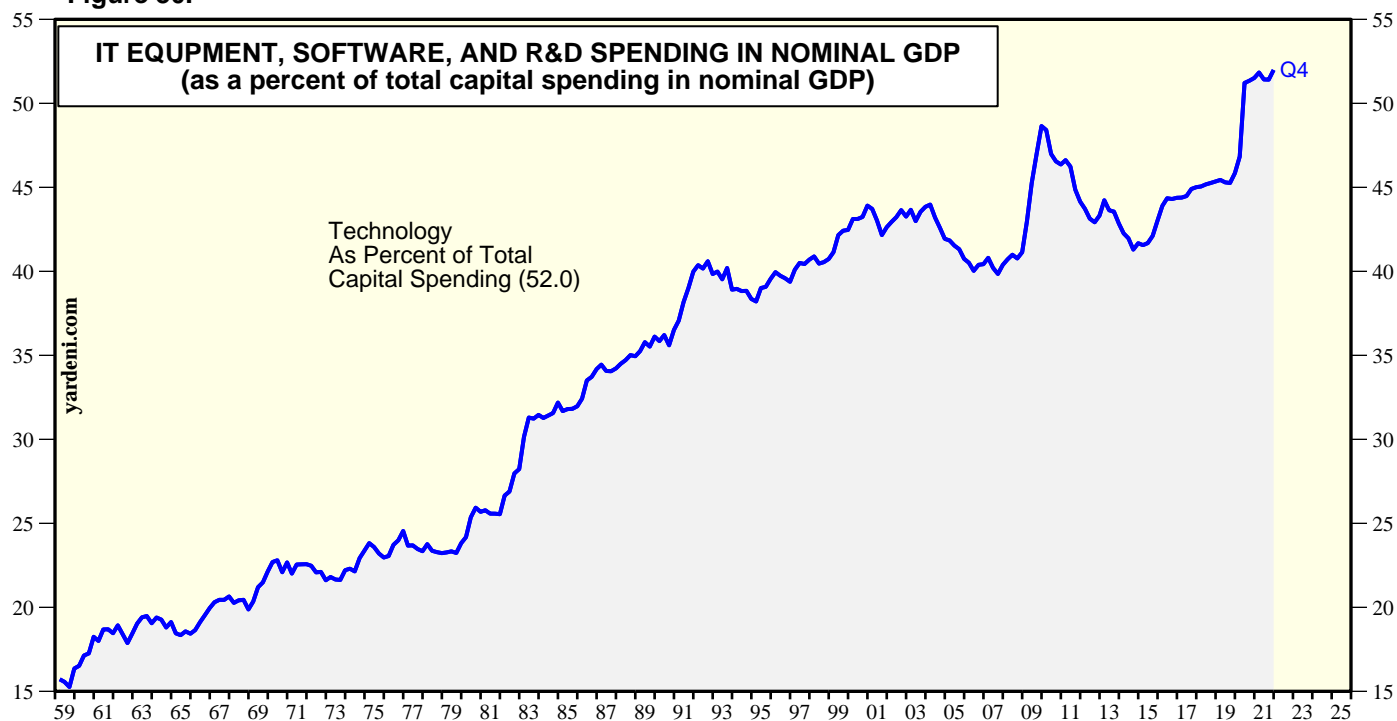
Figure 29.



* Red line is YRI forecast for Q3-2021 through Q4-2022.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: Bureau of Economic Analysis.

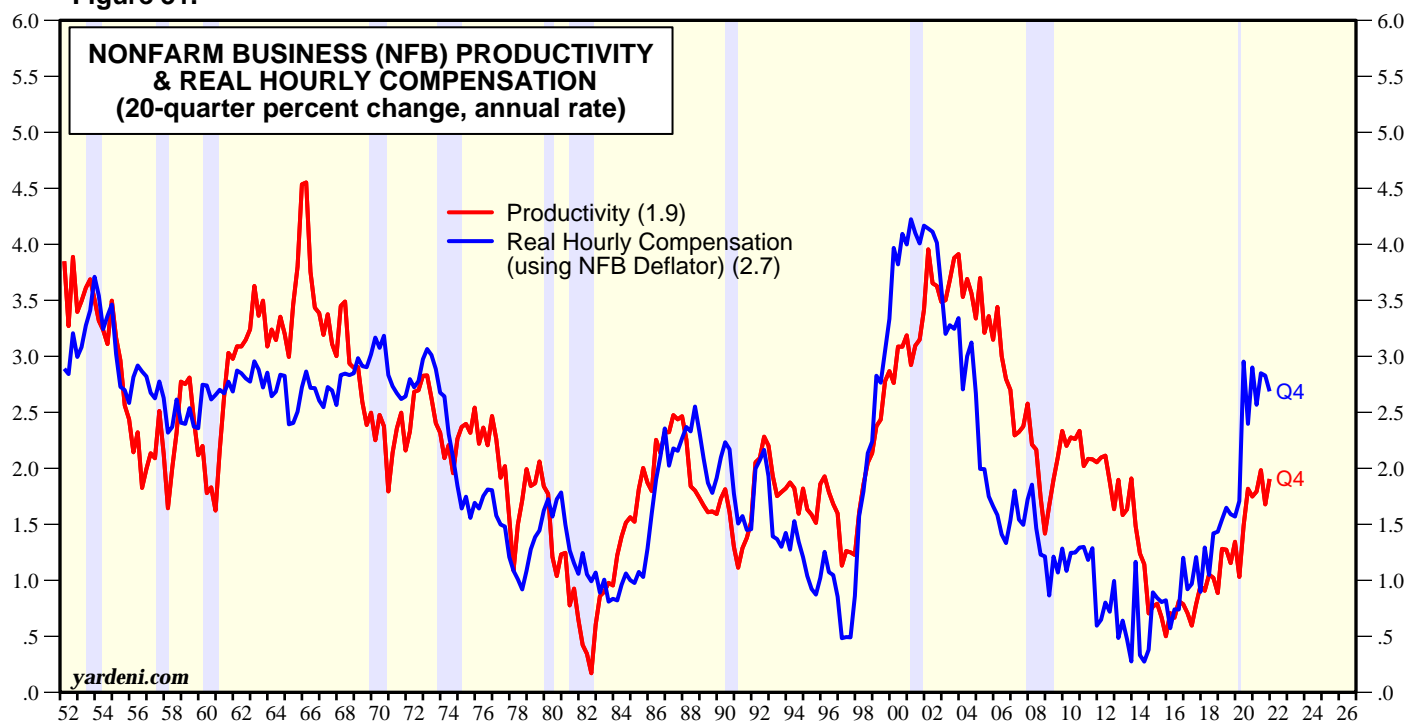
B: S&P 500 Earnings Forecasts

Figure 30.



Source: Bureau of Economic Analysis.

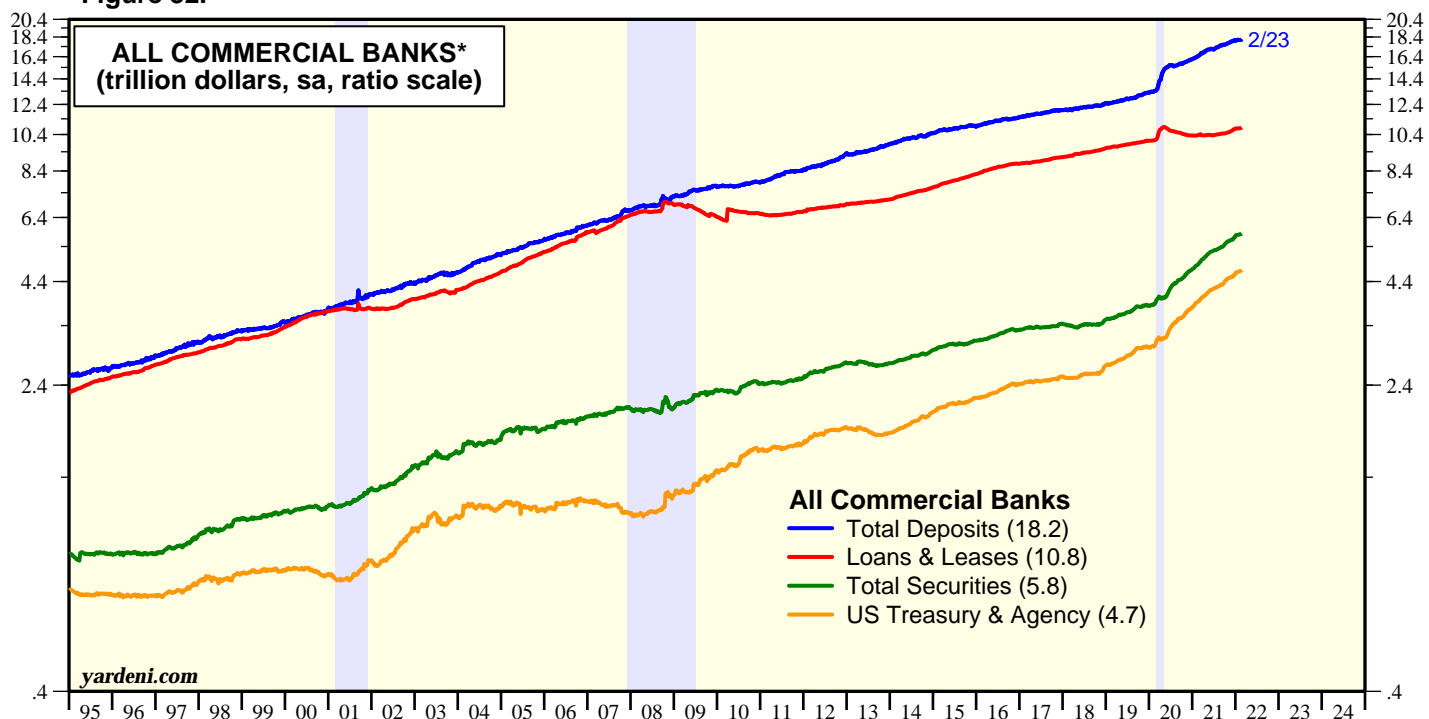
Figure 31.



Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Bureau of Labor Statistics.

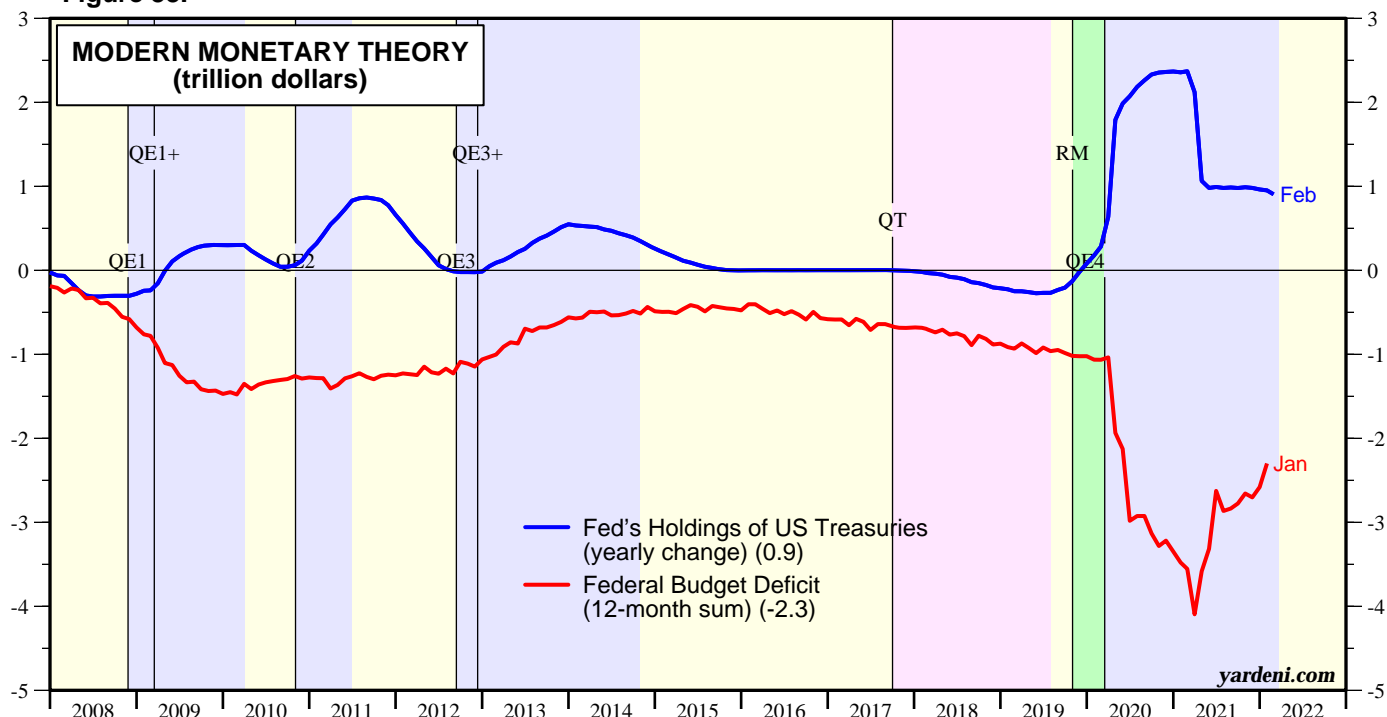
B: S&P 500 Earnings Forecasts

Figure 32.



* Includes domestically chartered commercial banks and foreign-related ones.
Note: Shaded areas are recessions according to the National Bureau of Economic Research.
Source: Federal Reserve Board.

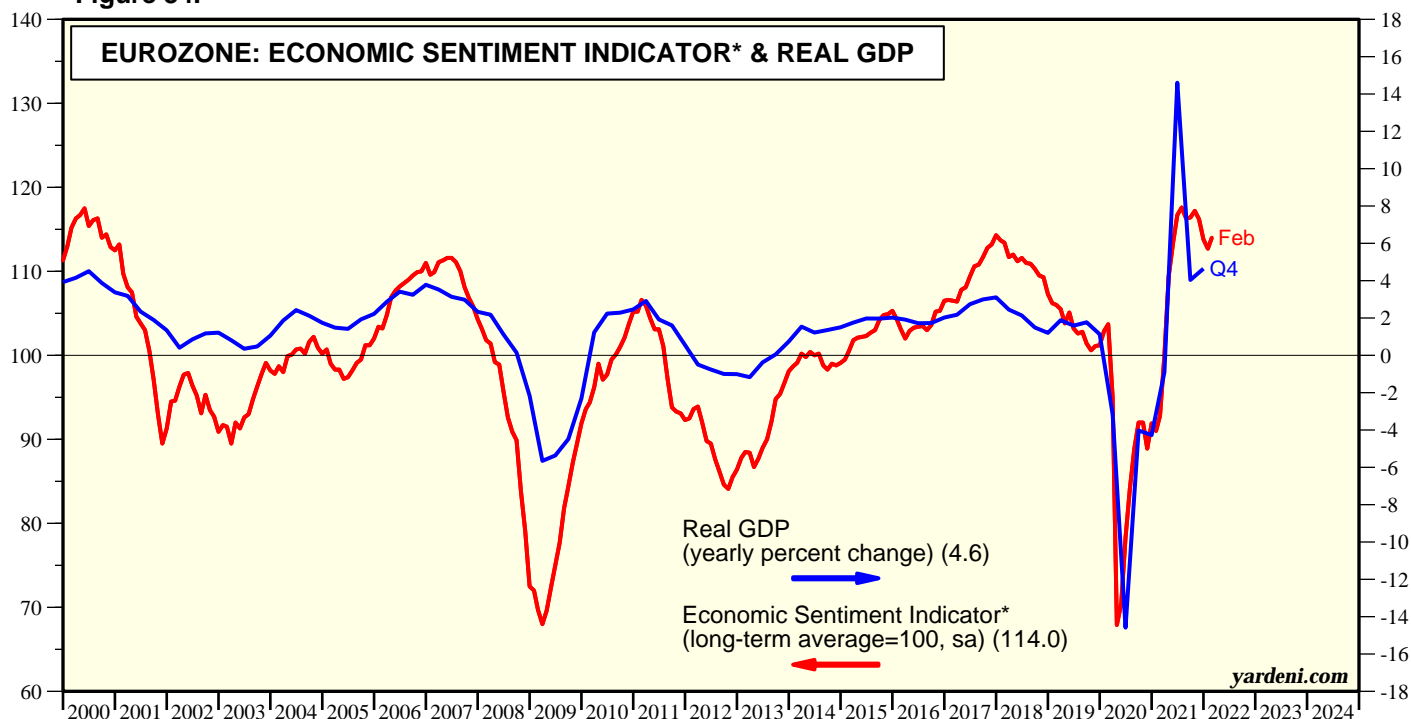
Figure 33.



Note: QE1 (11/25/08-3/31/10) = \$1.24tn in mortgage securities; expanded (3/16/09-3/31/10) = \$300bn in Treasuries. QE2 (11/3/10-6/30/11) = \$600bn in Treasuries. QE3 (9/13/12-10/29/14) = \$40bn/month in mortgage securities (open ended); expanded (12/12/12-10/1/14) = \$45bn/month in Treasuries. QT (10/1/17-7/31/19) = balance sheet pared by \$675bn. RM (11/1/19-3/15/20) = reserve management, \$60bn/month in Treasury bills. QE4 (3/16/20-infinity).
Source: Federal Reserve Board and US Treasury Department.

B: S&P 500 Earnings Forecasts

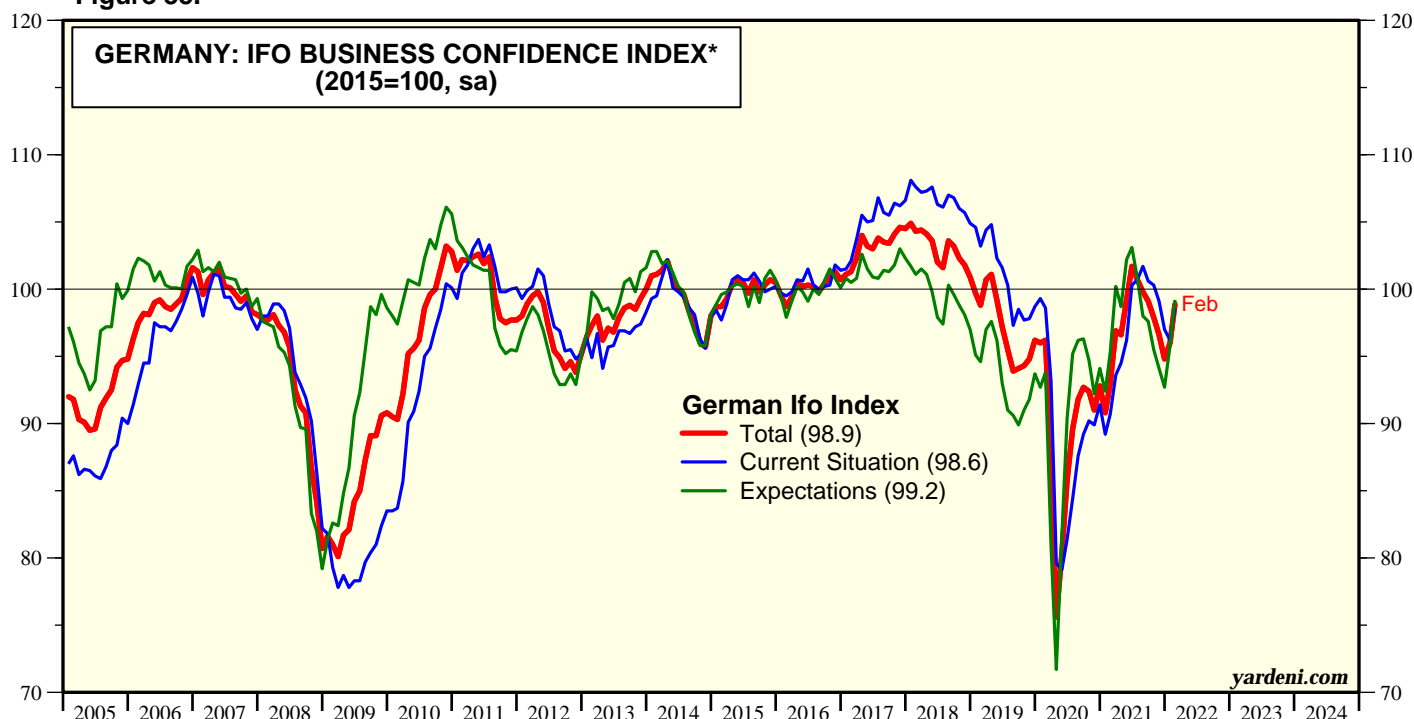
Figure 34.



* The overall economic sentiment indicator (ESI) is derived from the industrial (weight 40%), service (30%), consumer (20%), construction (5%), and retail trade (5%) confidence indicators.

Source: Statistical Office of the European Communities, European Commission, and Haver Analytics.

Figure 35.

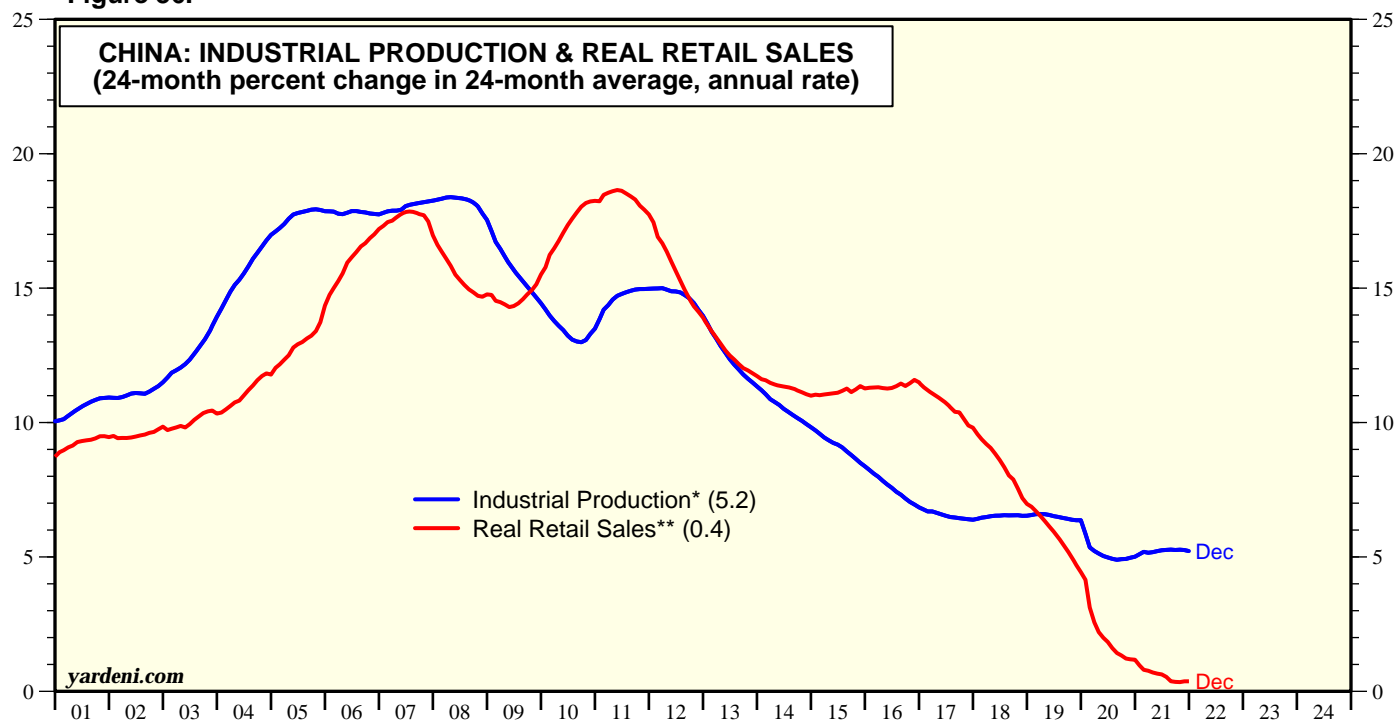


* Ifo introduced new series, which include services for the first time, drastically reducing the weight of the manufacturing sector within the measures.

Source: Ifo-Institut Fur Wirtschaftsforschung.

B: S&P 500 Earnings Forecasts

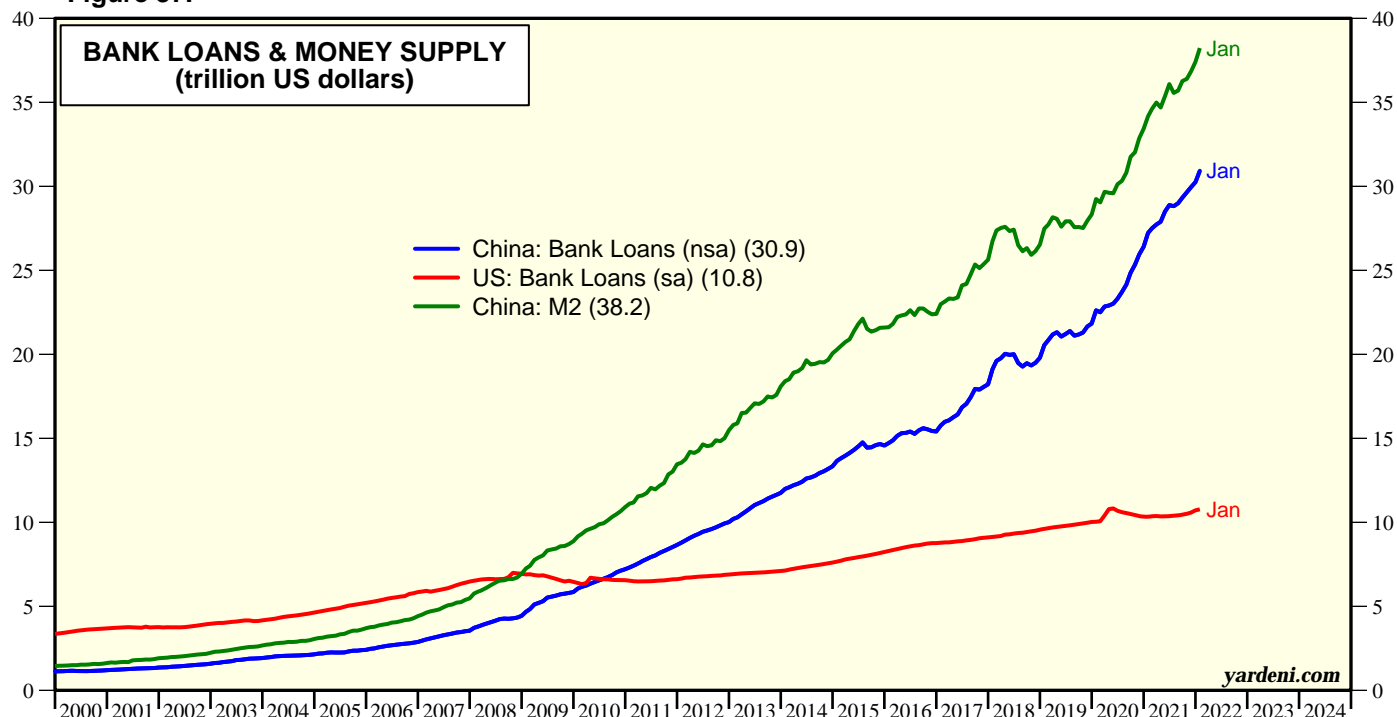
Figure 36.



* Value added basis.

** Using nominal retail sales divided by CPI.
Source: China National Bureau of Statistics.

Figure 37.



Source: Federal Reserve Board and People's Bank of China.



“A Private War” (+ + +) is a 2018 biopic about Marie Colvin, who was an extraordinary American war correspondent for The Sunday Times of London. She wore an eyepatch after losing her left eye in 2001 when she was covering the civil war in Sri Lanka. Despite suffering from PTSD, she covered the conflicts in Iraq and Libya, interviewing Qadhafi before he was killed. In February 2012, she was interviewed on CNN from Homs, Syria, where she reported that Assad’s army was committing war crimes against civilians on a massive scale. Rosamund Pike’s performance as Marie is top notch.

“Mudbound” (+++) is a 2017 drama on Netflix about life in rural Mississippi during and right after World War II. It’s about the corrosive impact of poverty and racism on people’s lives. It’s an unrelenting tale of misery without much relief other than from family support, which is tested often and hard. Particularly poignant are the parallel struggles of two World War II veterans—one white, one black—who return home and are forced to deal with racism and PTSD.

“Nine Perfect Strangers” (++) is an eight-episode mini-series on Hulu about nine very different people who are hoping to find peace from their demons at Tranquillum House, a secluded retreat run by a mysterious wellness guru, Masha, played by Nicole Kidman. Masha’s treatments include the usual Zen rituals such as meditation. But she also spikes her guests’ breakfast smoothies. The acting is good, especially by Melissa McCarthy, Michael Shannon, and Bobby Cannavale. The series is entertaining but not must-see.

“Respect” (+ +) is a biopic about the life and times of Aretha Franklin, the Queen of Soul. It really doesn’t do justice to either. Instead, the movie focuses on Aretha’s soulful songs, which clearly reflected the challenges she faced in her life. She was haunted by “demons” and bad relationships with various men, including her father. She contributed greatly to Martin Luther King’s civil rights movement by appearing at fundraisers for his organization. Jennifer Hudson does a great job playing Aretha and belting out her songs.

“Stillwater” (-) is a movie that turns the old proverb on its head. In this case, still waters don’t run deep. It stars Matt Damon as the oil-rigger father of an American girl who was convicted of murdering her college roommate in Marseille, France. It’s loosely based on what really happened to Amanda Knox in Italy. Damon’s acting is stiff and one-dimensional as he does his best to find evidence of his daughter’s innocence. She is played by an actress who must have studied melodrama.

“The Many Saints of Newark” (- -) is a fictional history of Tony Soprano, recounting the events of his childhood that would shape him into the troubled mafioso. The movie is a prequel to the long-running HBO series “The Sopranos.” It’s fun to get a little background on Tony’s wonder years. However, the movie is slow paced and mostly boring—a big disappointment. More time should have been spent on the events and people in Tony’s life that would explain why he needed to see a psychologist during his adult life.

“The Titans That Built America” (+ + +) is a History Channel docudrama series about the remarkable entrepreneurs who transformed American industry after World War I. The new generation of Titans included Pierre Du Pont, Walter Chrysler, J.P. Morgan Jr., Henry Ford, and William Boeing. They literally drove the prosperity of the Roaring 1920s by inventing the auto industry. However, FDR attacked them as “economic royalists” to get elected as president and blamed them for the Great Depression. He then had to do an about-face when he needed their skills to build an “arsenal of democracy” to defeat Hitler. They did so, producing tens of thousands of bombers and other weapons. One of the remarkable heroes of this story is Edsel Ford.

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