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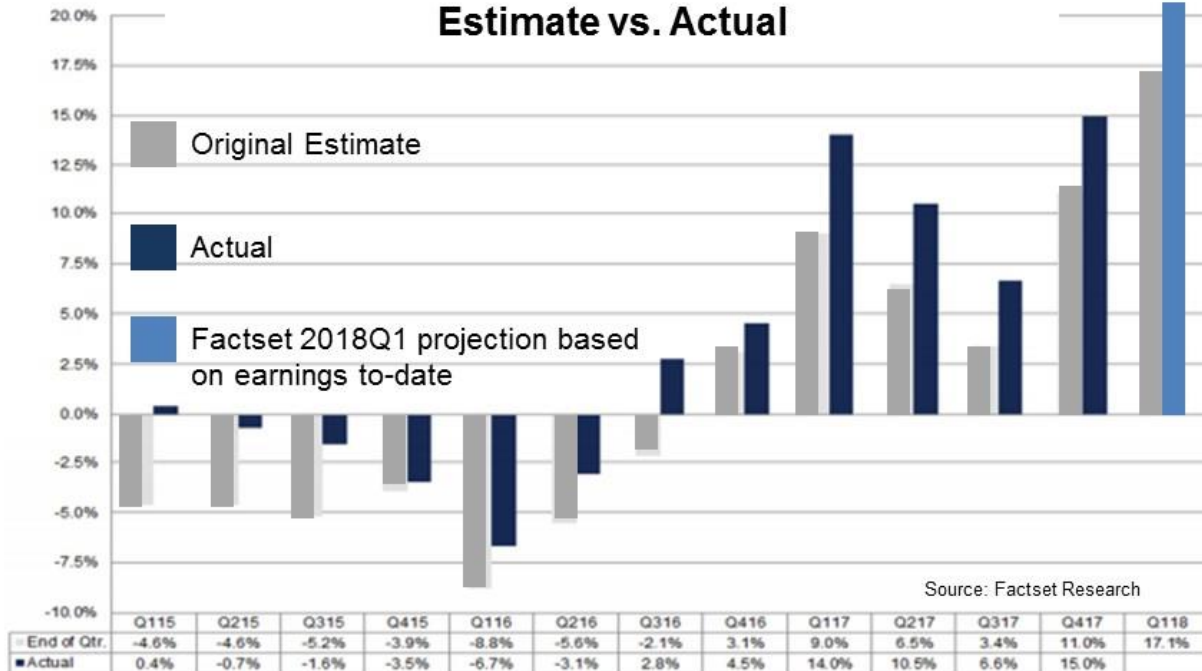
April 20, 2018

## This Market Has To Earn It!

Because of high levels of investor skepticism (AAII investor sentiment is 43% Bearish and only 26% Bullish) for the stock market to rise, it is going to have to earn it!

Factset Research is predicting the market will. Through Friday of last week, 70% of the S&P 500 companies that have reported earnings (about 6% of the index) beat earnings estimates. This week through Thursday, the beat rate jumped up to 83%. Factset is already postulating that earnings growth in the first quarter is more likely to be 20%+ than the 17% they had been predicting roughly a week ago.

## S&P 500 Earnings Growth Estimate vs. Actual



Over the past several years, consensus analyst estimates for S&P 500 operating earnings were initially too optimistic and were revised lower over time. When companies reported and beat earnings estimates, they usually were beating reduced estimates. The chart below shows how 2017 earnings estimates were revised down over a two year period and finally became an actual number at the low of \$124.52.

## Progression of Analyst Earnings Estimates 2017 S&P 500 Operating Earnings



The cycle of downward revisions may be over. The chart below shows consensus analyst estimates for S&P 500 operating earnings for 2018 and 2019 are being revised higher as time passes.

## Progression of Analyst Earnings Estimates S&P 500 Operating Earnings



Much of the upward revision occurred as a result of the tax law change. Importantly, revenue growth may also be accelerating. Through Friday of last week, 73% of the S&P 500 companies that reported beat revenue expectations. For 2018, Factset is estimating 7% top-line growth.

We are only about one week into a six week earnings reporting season. The bull case for the market rests primarily on earnings. Given the high level of investor skepticism, the market may have to deliver strong earnings before investors are willing to buy it.

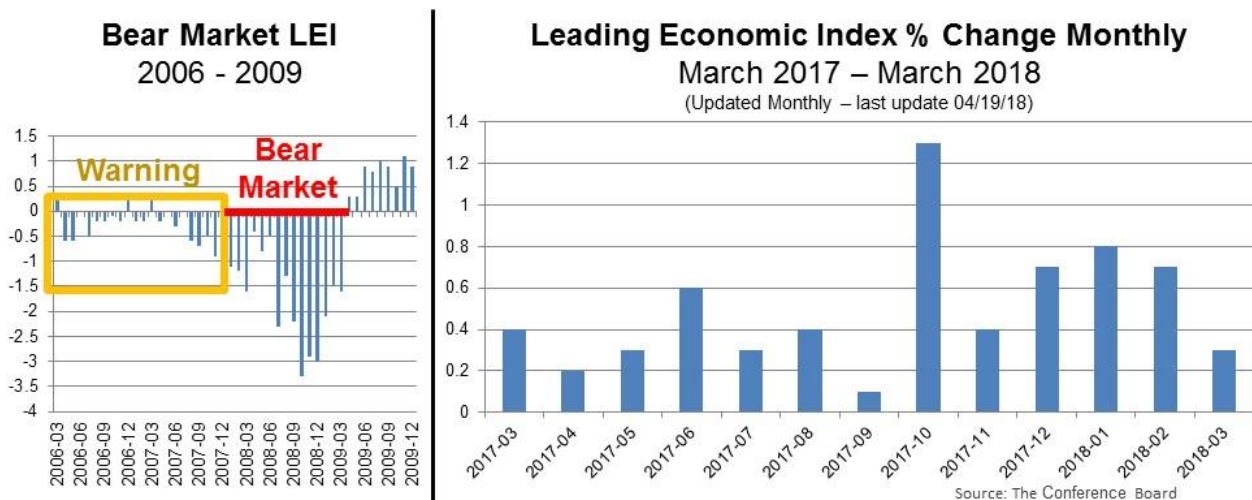
### Give Us a Call Today

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*"The little sad faces next to some items mean they don't taste very good."*

## Delta Stock Market Dashboard



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## INDICATOR STATISTICS

MARKET SENTIMENT IS

**BEARISH**

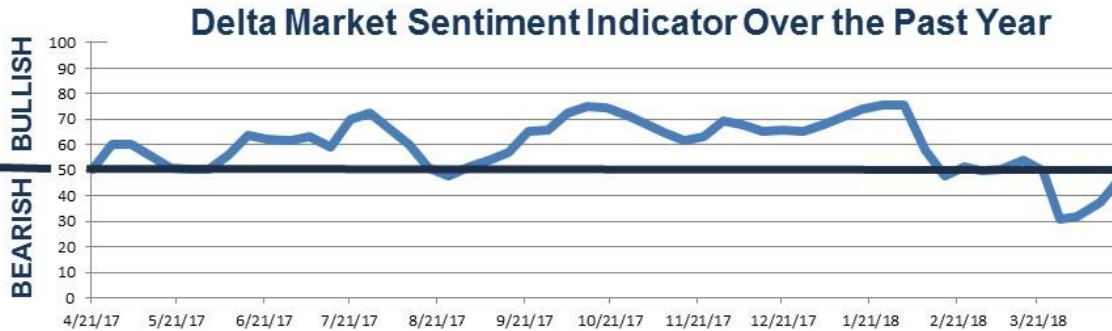
THIS WEEK'S NUMBER IS

**47.0**

Our technical indicator increased  
this week from 37.7 to 47.0

Consecutive Bearish Weeks:	4
Cycle Inception Date:	3/29/2018
Range:	30.7 – 47.0
Mean:	36.8
Bullish Weeks YTD:	12
Bearish Weeks YTD:	4
*S&P 500	1.8%
*DJIA	2.0%
*NASDAQ	2.4%

*\* Percentage change during current cycle*



(Delta MSI is published every week in *Barron's*)

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