

# Disappointing S&P 500 Earnings Data Contrast With Improving Macroeconomic Outlook, Says S&P Capital IQ

Biweekly Research Note from S&P Capital IQ Delivers Institutional Market View of Fundamentals, Fixed-Income, Equities, Derivatives and Capital Markets

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NEW YORK, Feb. 3, 2012 /PRNewswire/ -- In the most recent issue of the **Lookout Report** -- a biweekly research note from S&P Capital IQ's Global Market Intelligence unit that draws upon the firm's unique analytical assets -- analysts observe that with more than half of S&P 500 corporations having reported fourth-quarter earnings, the recent run of eight consecutive quarters of double-digit earnings growth will come to an end with the current fourth-quarter earnings season. As of Friday morning, the fourth-quarter earnings growth rate is tracking at 7.53%. This is disappointing news because it establishes a negative undertone for fourth-quarter earnings and indicates that a return to double-digit corporate earnings growth may not occur until fourth-quarter 2012 earnings are reported a year from now.

These views are published in the [Lookout Report for February 3, 2012](#). The report, which also features market insights and commentary on corporate earnings, leveraged loan trends, commodity index activity and more is available [here](#).

Following are additional highlights in this issue of the **Lookout Report**:

## *Macroeconomic Overview*

While global macroeconomic headwinds will continue to be a major near-term source of investor anxiety, forward S&P 500 expected earnings have room to improve if economic prospects continue to brighten. We reiterate our belief that the rate of job creation in the world's largest economy (the U.S.) will be a major factor to follow in 2012, relative to corporate profit growth and investor preference for risk aversion.

## *S&P Index Commentary: Putting Seasonal And Other Special Situation Market Theories In Perspective*

While performance in January might "set the tone" for the year and the traditional month of influx of new capital into the market, there are 11 additional months of the year in which major events occur. On its face, it's irrational to say that a gain in January suggests the S&P 500 Index will finish higher for the year, or vice versa.

## *Leveraged Commentary And Data: Leveraged Loans Return 2.18% In January Amid Positive Bias*

Buoyed by robust technical conditions and improving investor sentiment across the capital markets, the S&P/LSTA Leveraged Loan Index returned 2.18% in January. That's the best monthly performance since October, and, before that, March 2010. The larger names that comprise the S&P/LSTA 100 Index fared even better in January, posting a 2.88% return.

## *R2P Corporate Bond Monitor*

Despite the uncertain recovery, the fixed-income markets seemed to have taken into account the upbeat U.S. economic data in January. From Dec. 30, 2011, to Feb. 2, 2012, with risk-reward profiles--as measured by average Risk-to-Price (R2P) scores--improved overall, except for the European information technology, consumer staples, and telecommunication services sectors.

## *Market Derived Signal Commentary: CDS Spreads Reflect Better-Than-Expected Earnings In The Health Care Sector*

Since Dec. 30, 2011, the average spread for the health care sector, based on five-year CDS, tightened 16.7% to 130 basis points (bps), placing it between the 'A-' and 'BBB+' health care credit rating benchmarks. We think investors with CDS protection may find some trading opportunities at this time, given the positive bias reflected in the sector's spreads.

*Capital Market Commentary: Facebook's IPO Could Spur M&A Activity, Market Reaction*

One of the benefits of being a publicly traded company is the ability to offer common stock as consideration for acquisitions. Therefore, many anticipate that the forthcoming Facebook IPO may translate into a flurry of M&A activity, given the wealth generated from the transaction. Yet, if history is any gauge, the expectations of a buying spree may be premature.

*S&P Index Commodity Commentary: Strength In Metals Forge Commodity Gains*

Optimism has characterized the commodity market at this early stage in 2012, as metals have so far led gains. Following weakness in 2011, most market participants hope the recovery in industrial metals prices is sustainable, indicating an increasingly optimistic global economic outlook.

The **Lookout Report** provides cross-market and cross-asset class views of current data and forward-looking insights from leading S&P market specialists. Key areas of focus include aggregated corporate earnings, market and credit risk evaluation, capital markets activity, index investing and proprietary data and analytics. The report previews the issues most likely to drive market expectations or cause a market disturbance in the weeks ahead. It can be accessed on the [S&P Global Credit Portal](#) and [Capital IQ](#).

**About S&P Capital IQ**

S&P Capital IQ, a brand of the McGraw-Hill Companies (NYSE: MHP), is a leading provider of multi-asset class data, research and analytics to institutional investors, investment advisors and wealth managers around the world. We provide a broad suite of capabilities designed to help track performance, generate alpha, identify new trading and investment ideas, and perform risk analysis and mitigation strategies. Through leading desktop solutions such as Capital IQ, Global Credit Portal and MarketScope Advisor desktops; enterprise solutions such as S&P Securities Evaluations, Global Data Solutions, and Compustat; and research offerings including Leveraged Commentary & Data, Global Market Intelligence, and company and funds research, S&P Capital IQ sharpens financial intelligence into the wisdom today's investors need.

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