News Release Archive

Despite New Market Highs, Street Sees Overall Earnings Decline for 6 out of 10 Sectors, say S&P Capital IQ Analysts

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

NEW YORK, March 16, 2012 /PRNewswire/ -- In the most recent issue of the **Lookout Report** -- a biweekly research note from S&P Capital IQ's Global Market Intelligence (GMI) unit -- analysts for the firm's widely-used Consensus Estimates, note that for the first time since S&P Capital IQ began tracking first-quarter estimates, the majority of Wall Street analysts polled expect 6 of the 10 sectors covered in the S&P 500 to report a year-over-year decline in earnings (energy, materials, health care, financials, telecommunication services, and utilities). Meanwhile, Street analysts continue to cut 2012 earnings expectations for European companies, despite some encouraging signs of recovery in the past few weeks.

These views are published in the *Lookout Report for March 16, 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
The strength in U.S. nonfarm payroll employment over the past three months (three-month average of 245,000) has set the stage for a powerful asset allocation trade that could very well benefit equities over time at the expense of the fixed-income market and even precious metals. This turn of events would require a belated-but-sustained cyclical upswing in job creation and wages, combined with the continuation of the existing multi-month trend of rising core inflation that exceeds the Fed's preferred target range.

S&P Index Commentary: The U.S. May Only Be Part Of The Global Economy And Equity Market--But It's Still The Largest
While the U.S. economy may still be the largest in the world, it is long past the point where it can go it alone, in our opinion. From the opposite perspective, while the U.S. may not be as nimble as some of its smaller emerging counterparts, it nonetheless remains a vital destination for trading partner exports.

Leveraged Commentary And Data: The Loan Default Rate Is Still Set To Rise, But Managers Temper Forecasts
After another low-default stretch during the first quarter, when two S&P/LSTA Index issuers defaulted on just $475 million of loans, managers have reduced their default-rate forecasts for 2012 and 2013. On average, managers expect that the default rate will end 2012 at 1.6% and then push to 2.7% in 2013, according to LCD's latest quarterly buyside poll (taken in March). Those figures compare to expectations of 1.9% and 2.9%, respectively, in LCD's last buyside survey, from December.

R2P Corporate Bond Monitor
From Feb. 29, 2012, to March 12, 2012, risk-reward profiles--as measured by average Risk-to-Price (R2P) scores--seemed to have taken into account the current economic climate, with improving scores in North America and deteriorating scores in most sectors in Europe. Unlike North America, the average probability of default in Europe increased.

Market Derived Signal Commentary: The Sovereign CDS Market Is Alive And Well After Greek Debt Trigger
Eurozone sovereign credit default swap spreads widened 13% in the week ended March 9 after a credit event triggered $3.2 billion of Greek default protection contracts. The S&P/ISDA Eurozone Developed Nation Sovereign Index (Eurozone index), whose largest constituents are France, Germany, and Italy, expanded 88 bps to 750 bps, just 7 bps shy of the record of 757 bps set on March 8.

Capital Market Commentary: IPOs Perform In Line With Overall Market
So far, S&P 500 fourth-quarter 2011 earnings results indicate that 70% of companies have met or exceeded analyst consensus expectations. With that in mind, the Global Markets Intelligence research team reviewed the earnings performance for companies from last year's crop of IPOs priced in the U.S. We found that these companies have performed similarly to the overall index, as 49 of 69 (71%) companies have reported fourth-quarter 2011 financial results that beat or met consensus earnings expectations.

S&P Index Commodity Commentary:

The strong dollar has contributed to pressure on most commodity prices in March, with the notable exception of energy. Energy continues to support gains in the S&P GSCI Index, but the index has declined on the month (as of March 14), despite strength in equities. Commodities may be flashing early warning signals, but continued divergence between the S&P GSCI Index and S&P 500 Index, along with a decline in the stubbornly high correlation measures, could be a sign of the improving post-2008 investment environment.

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 S&P Capital IQ.com and the S&P Capital IQ Global Credit Portal.

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.

SOURCE S&P Capital IQ
