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MARKET COMMENTARY

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To Our Valued Clients,

While politics have continued to dominate headlines and capture much of our attention, U.S. corporations have quietly delivered another impressive round of quarterly earnings over the past few weeks. These solid results coupled with continued economic growth have bolstered what has already been a strong year for the stock market.

The S&P 500 is putting a bow on Q3 earnings season, with 95% of its constituents having reported thus far, the year-over-year earnings growth for the index is currently at 5.4%, the 5th consecutive quarter of year-over-year growth for the index¹. A few notable themes have emerged; for starters, it hasn't only been about Tech companies. The largest contributors to the increase in the overall earnings growth rate for the index have come from the Consumer Discretionary, Financials, and Communications sectors. Now, don't get me wrong, Tech earnings have remained strong, but this shift in leadership supports the idea of a broadening out in the stock market which has been dominated by a handful of mega-cap Tech companies over the past couple of years. Another bright spot, surprisingly, has been companies that derive a significant portion of their revenues internationally, and not just the NVIDIAs and Apples of the world. Companies like Pfizer and General Electric not only exceeded earnings expectations but cited international demand as a key driver of outperformance, and that's just to name a couple. S&P 500 companies that derive greater than 50% of their revenues internationally experienced a 12.9% increase in Q3 earnings versus just 1.5% for companies with the majority of their revenue being generated domestically². This will be an interesting trend to follow against a backdrop of evolving global trade dynamics under the new administration.

The bar for corporate earnings has continued to rise since the initial shocks of COVID, but corporations, for the most part, have continued to deliver. Quality earnings results and resilient economic growth should provide a solid foundation for stocks as we head into the final stretch of the year. Thank you for reading, and we wish you and your families a wonderful Thanksgiving holiday. As always, if you have any questions or if there's any way we can assist, please don't hesitate to give our office a call.

With My Best Regards,

Brandon Hethcoat

¹ Factset

² Factset

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