

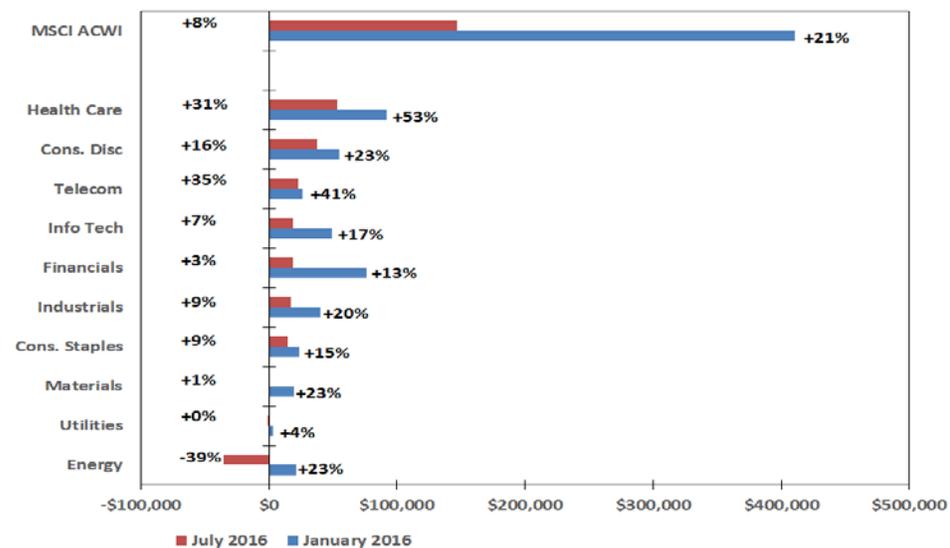
Global Earnings Synthesis: Consensus 2016 Estimates Have Been Falling; 2017 Estimates Look Too High



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- **A Sharp Drop in 2016 Estimates.** Consensus estimates for 2016 global earnings have fallen sharply since the start of the year. Nevertheless, many stock markets globally have performed strongly, even as uncertainty has increased given both the Brexit vote and the forthcoming U.S. presidential election.
- **2017 Estimates Look Too High.** Consensus estimates currently imply a 26% gain in global earnings in 2017. Annual earnings growth has not exceeded 13% in any of the past five years.
- **Some Stock Markets Look to Be at Precarious Levels.** The combination of falling earnings estimates and heightened levels of global uncertainty suggests some stock markets that are at, or close to, record levels — such as the U.S. — seem vulnerable to a pullback. The potential combination of a continued decline in earnings estimates and compressed multiples suggests that U.S. stock prices will be flat, at best, in 2016.

Figure 1: Estimated 2016 MSCI ACWI EPS: July 2016 and January 2016
Percentage and Absolute Change in Earnings in \$ Millions (Sum of Sectors Equals MSCI ACWI)



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Source: MSCI, Cornerstone Capital Group



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