

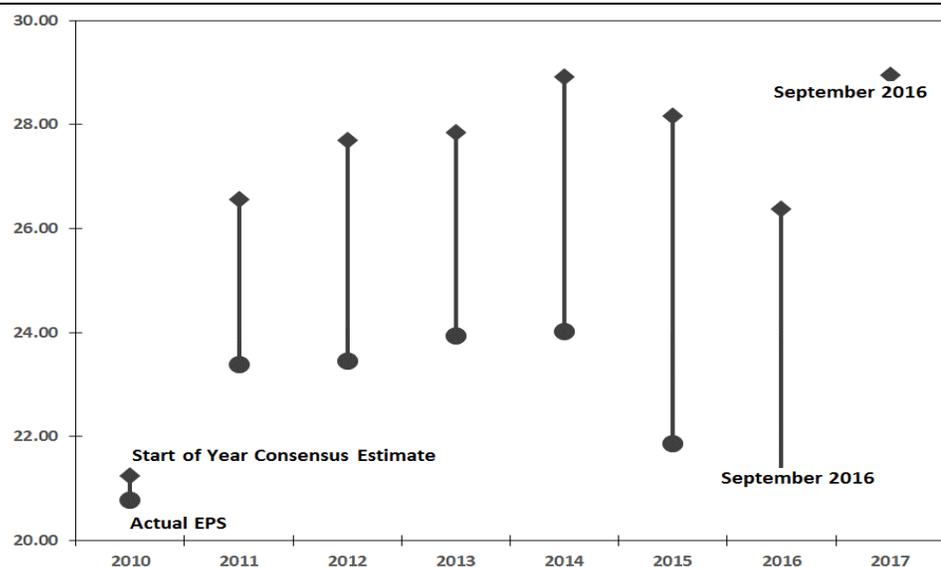
Global Earnings Synthesis: Single-Digit Earnings Gains in 2017 Could Imply a Single-Digit Gain in Equity Markets



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- **2017 Estimates Seem Overly Optimistic.** Consensus estimates currently imply a 31% gain in global earnings in 2017. Annual earnings growth has not exceeded 13% in any of the past five years. Financials and Energy have seen the biggest downward estimate revisions in 2016, but the consensus estimate is for those sectors to have some of the biggest gains in earnings in 2017.
- **A Single-Digit Gain in 2017 EPS Seems Plausible.** Since 2010 the start-of-year expectation for MSCI ACWI EPS has, on average, been too high by 14%. If the current estimate of 2017 earnings declined by the average 14%, that would imply a 13% gain in 2017 earnings. However, with estimates likely to continue falling, actual earnings growth in 2017 could well be in the low single digits.
- **Equity Markets in 2017: Driven by Earnings Growth?** The potential combination of stable P/E multiples and modest earnings growth raises the possibility that global stock prices will rise by just a single digit amount in 2017.

Figure 1: MSCI ACWI EPS – Start-of-Year Consensus Estimate and Actual Year-End EPS



Source: MSCI, Cornerstone Capital Group



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