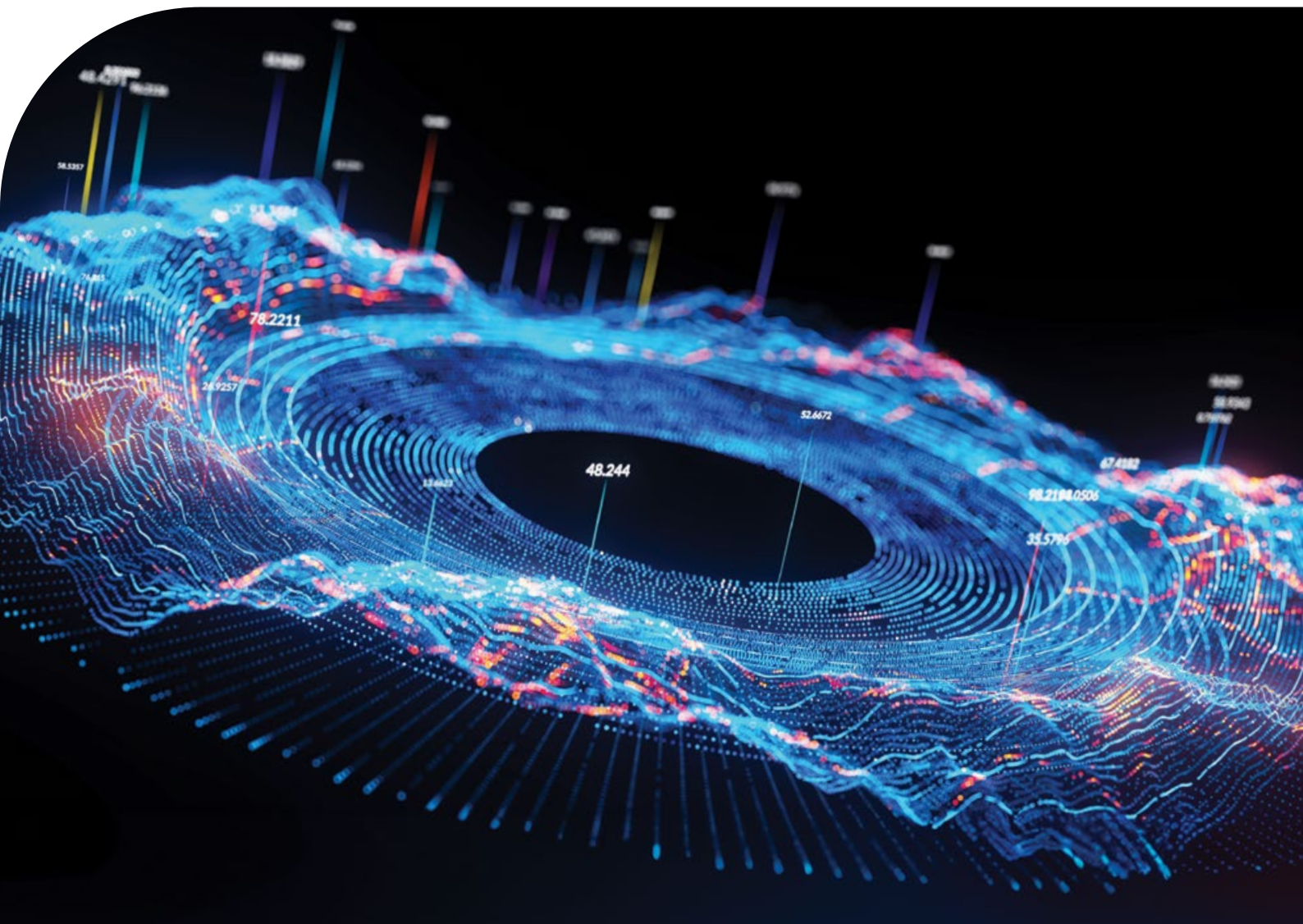


SEPTEMBER 2024

For institutional, professional and wholesale investors only

# Q2 2024 RESULTS SEASON

## Mixed fortunes for growth, earnings and sales



It has been a mixed Q2 2024 reporting season, with weakening trends on sales surprises and growth, both in the US and Europe. Growth was losing momentum on sales, and to a lesser extent on earnings. Whilst margin pressure is not as apparent as in the previous reporting season for these geographies, there is still some underlying margin pressure in specific sectors. In our latest update, we provide the key highlights from this round of reporting.



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The Magnificent Seven remained a strong contributor to the US reporting season, although growth momentum is weakening there too, mostly as a result of the tougher year-on-year (YoY) comparatives on both sales and earnings. Japan has continued to post a supportive results season, whilst emerging markets (EM) reporting season has been improving markedly versus previous quarters, with likely less currency headwinds and easing pressure on margins. In terms of sectors, generally, Energy, Materials, Consumer, Industrials sectors are on the weaker side, whilst Utilities, Financials and Technology have been showing strong and/or strengthening trends. Healthcare has also been posting some improving trends.

Earnings momentum has been improving during Q1 and Q2, which has led to upward revisions in consensus estimates, although we now note some loss of momentum as we enter into Q3, with a rollover in trends across geographies, and earnings revisions turning outright negative for UK and Asia. Whilst earnings growth expectations have been increasing, notably in the US and EM, we still see consensus estimates as being overly optimistic, in light of potentially weakening economic momentum in H2. Our top down forecasts remain below consensus across many key geographies, although our estimates are now in line with consensus at the global level.

Q2 2024	US (SPX)	Magnificent Seven	S&P ex Magnificent Seven	Europe (SXXP)	Eurozone (SXXE)	Japan (Topix)	EM (BBRG EM)	World (BBRG World)
% of companies that reported	91%	86%	91%	67%	79%	88%	47%	68%
% companies that beat on sales	48%	67%	47%	50%	50%	57%	51%	52%
Sales surprise	1%	1%	1%	2%	2%	3%	4%	2%
% companies that beat on earnings	79%	83%	79%	55%	56%	60%	56%	66%
Earnings Surprise	4%	5%	4%	5%	4%	10%	3%	4%
Sales growth YoY	5%	11%	4%	2%	2%	7%	10%	5%
Earnings growth YoY	9%	26%	6%	3%	1%	11%	15%	9%

Source: Bloomberg as at 11 August 2024. SPX: S&P 500, SXXP: Stock Europe 600, SXXE: Euro Stoxx, BBRG EM: Bloomberg Emerging Markets, BBRG World: Bloomberg World.

Region	Martin Currie earnings growth estimate (%YoY)	Consensus earnings growth estimate (%YoY)
US	+8	+10
Global	+6	+6
Europe	+3	+4
Asia ex Japan	+8	+22
Japan	+12	+13

Source: Martin Currie and Bloomberg as at 11 August 2024.



## Mixed reporting, sluggish sales surprises and less supportive growth, with a loss of momentum on both sales and earnings growth

In the US, 91% of companies have reported Q2 2024 results, showing a less supportive reporting season on sales, despite earnings still coming through. Profit warnings have been picking up, which could lead to risk on the earnings momentum front. Companies within the Magnificent Seven have remained an important positive contributor, although the growth momentum of that basket is also waning.

On sales, only 48% of companies beat estimates, which was markedly lower than the previous two reporting seasons (56% and 55% respectively for Q4 2023 and Q1 2024), with a similarly positive surprise of only c.+0.8% on average. Three sectors posted a negative sales surprise, which were Materials, Utilities and Consumer Staples. A further five sectors posted a less than 1% surprise, which were Financials, Technology, Real Estate, Industrials, and Communications. Most positive beats came from Energy (+3%), Consumer Discretionary (+1.5%) and Healthcare (+1.2%). Most negative surprises came from Materials (-3.6%), Utilities (-2.6%), and Consumer Staples (-0.5%).

On earnings, 79% of companies posted a positive surprise, with an average beat of +4.1%, which is markedly weaker than the prior reporting season at +8.2%. Most positive beats came from Utilities (+10.2%), Healthcare (+8.9%) and Financials (+8.4%). Only Communications posted a negative surprise on earnings at -9.8%.

Growth YoY came in at +5.0% on sales, and +9.3% on earnings. On sales the strongest growth YoY was posted by Energy (+7.8%), Technology (+7.2%) and Consumer Discretionary (+6.8%), whilst negative sales growth came from Materials (-1.4%), and Consumer Staples (-1.3%).

On earnings the strongest growth was posted by Consumer Discretionary (+18.9%), Healthcare (+17%), and Utilities (+15.2%). Negative earnings growth YoY was posted by Materials (-7%), Staples (-1%) and Industrials (-0.5%).

The Magnificent Seven is worth highlighting again, as it is an important contributor to the positive reporting season. With six out of the seven companies reporting, 67% beat on sales, 83% beat on earnings, with a positive surprise of 0.7% on sales and +5.4% on earnings. Growth achieved was +11% on sales and +26% on earnings - still significantly stronger than the broader US market index, but growth momentum is slowing down compared to previous reporting seasons, in part as a result of the tougher comparatives coming through.



## Europe

### Balanced beat/miss ratio both on sales and earnings, with growth remaining pedestrian in low-single-digit range

In Europe, 67% of companies have reported Q2 2024 results, with a beat on both sales and earnings.

On sales, 50.1% of companies surprised positively, with a positive beat of +1.8% on average. Most positive beats came from Financials, with a +12% positive surprise, followed by Utilities (+7.1% surprise), and Communications at +2.7%. Negative surprise came from Real Estate (-4.4%), Energy (-2.2%), Consumer Staples (-0.7%) and Materials (-0.6%).

On earnings, 55% of companies beat estimates, with an aggregate positive earnings surprise of +4.5%. Strongest positive surprise came from Utilities (+39%), Communications (+18%) and Financials (+8%). On the negative earnings surprise, Materials came in at -13.7%, followed by Energy (-1.6%), and Consumer Discretionary (-1.3%).

Growth achieved during the period was weaker on the top line, with sales growth on aggregate coming in at c.+1.8% YoY. Strongest growth came from Utilities (+14%), Financials (+7%), and Real Estate (+6%). Negative sales growth came from Technology (-5%), Materials (-5%), and Consumer Discretionary (-2%). On earnings, growth came in at +2.9% YoY, with strongest positive growth coming from Communications (+45%), Utilities (+39%), and Real Estate (+14%). Negative earnings growth was most pronounced in Materials (-25%), Technology (-20%) and Consumer Discretionary (-2%).



## Japan

### Strong reporting season, with supportive but waning growth

In Japan, 88% of companies have reported, with a +10 positive earnings surprise and a sales surprise of +3%. Sales growth came in at +6.6%, with earnings growth at +10.8%, implying an ongoing positive margin trend, although nowhere near as positive as seen for the Q4 2023 reporting season. The beat/miss ratio was positive with 57% of companies beating on sales, and 60% on earnings.

Most positive earnings surprise came from Utilities (+52%), Financials (+23%), and Healthcare (+23%), whilst most negative surprise came from Communications (-24%), Consumer Staples (-3%) and Energy (-2%).

Strongest earnings growth was posted by Telecoms (+56%), Energy (+43%), and Financials (+30%). Negative earnings growth was reported by Utilities (-39%), and Healthcare (-3%).



## Emerging Markets

### More supportive reporting season, with improving trends both on surprise, margins and on growth

In EM, 47% of companies have reported, with a sales surprise of +4.2%, and an earnings surprise of +2.9%. Sales growth was +9.6% YoY, whilst earnings growth was +14.8%, showing improvement in both growth and margin trends, as currency headwinds and margins pressures seem to be abating. Beat/miss ratio has been improving, with 51% of companies beating on sales, and 56% beating on earnings.

Most positive earnings surprise came from Industrials (+17%), Healthcare (+17%) and Technology (+15%), whilst most negative earnings surprise came from Energy (-12%), and Communications (-4%).

Strongest earnings growth was posted by Technology (+130%), Industrials (+71%), and Utilities (+50%). Most negative earnings growth was reported by Energy (-21%) and Communications (-5%).

Source: Bloomberg as at 11 August 2024 unless otherwise stated.



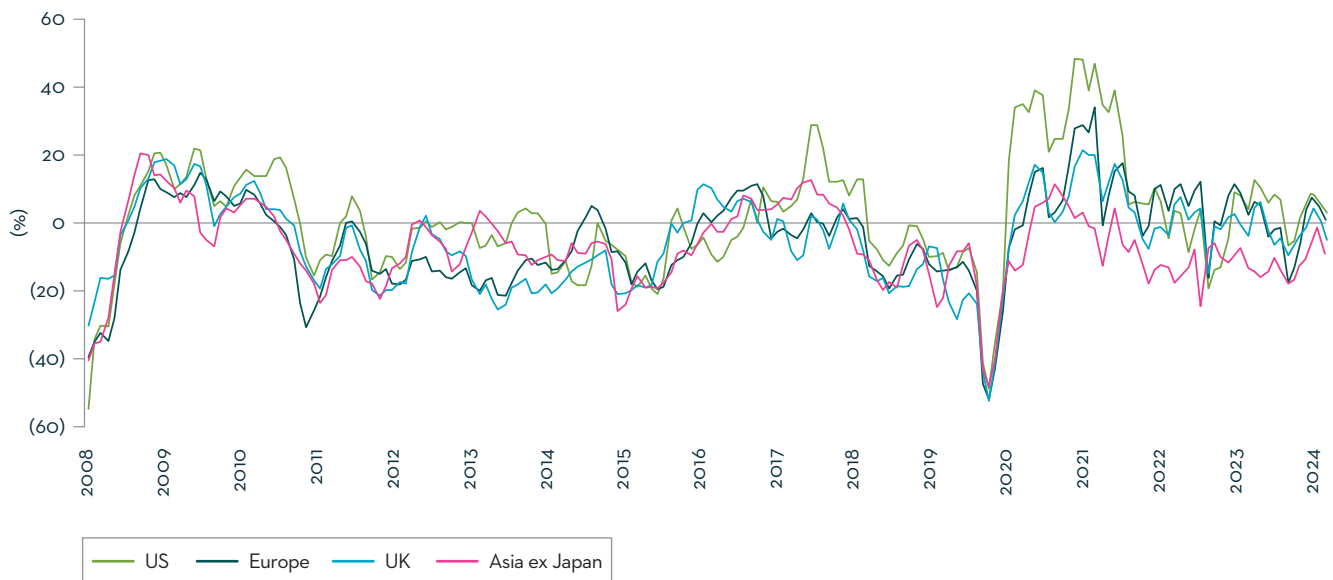
# Earnings momentum and the top-down view

Earnings momentum has been improving across geographies in the first half of 2024, turning positive for most geographies over that period, apart from Asia ex Japan.

However, more recently, the trends have been rolling over, with the UK and Asia (ex Japan) turning negative again, whilst Europe and the US are deteriorating, they are still marginally positive. There is in our view a risk of ongoing deterioration in earning momentum trends, with the growing risk of weakening economic momentum. See chart below for illustration.

## Earnings momentum of given equity markets

Changes in estimates of following year earnings



Source: FactSet and MSCI. Earnings momentum data and forecast EPS data as at 31 July 2024.

Our top down estimates are being revised up slightly, to +8% in the US (from +5% previously), maintained at +3% in Europe, increased to +8% for Asia (from +5% previously), and to +12% for Japan (+6% previously), bringing our top down corporate earnings growth forecast at the global level up to +6% (from +4% previously). Our forecasts compare to consensus estimates currently standing at +10% for North America, +4% for Europe, +22% for Asia, +12% for Japan, and +6% at the global level.

**Overall, we still see downside risk in some of the geographies, but at the global equity and European equity level, we are now in line with consensus estimates. The reporting season has been mixed, and earnings revisions are rolling over and turning negative for some geographies, which could weigh on sentiment in the market. However, in our view the key macro determinants will remain inflation figures and interest rate expectations.**

Source: Bloomberg as at 11 August 2024 unless otherwise stated.

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