

# S&P 500 Q4 Earnings Recap

And The Outlook for 2025



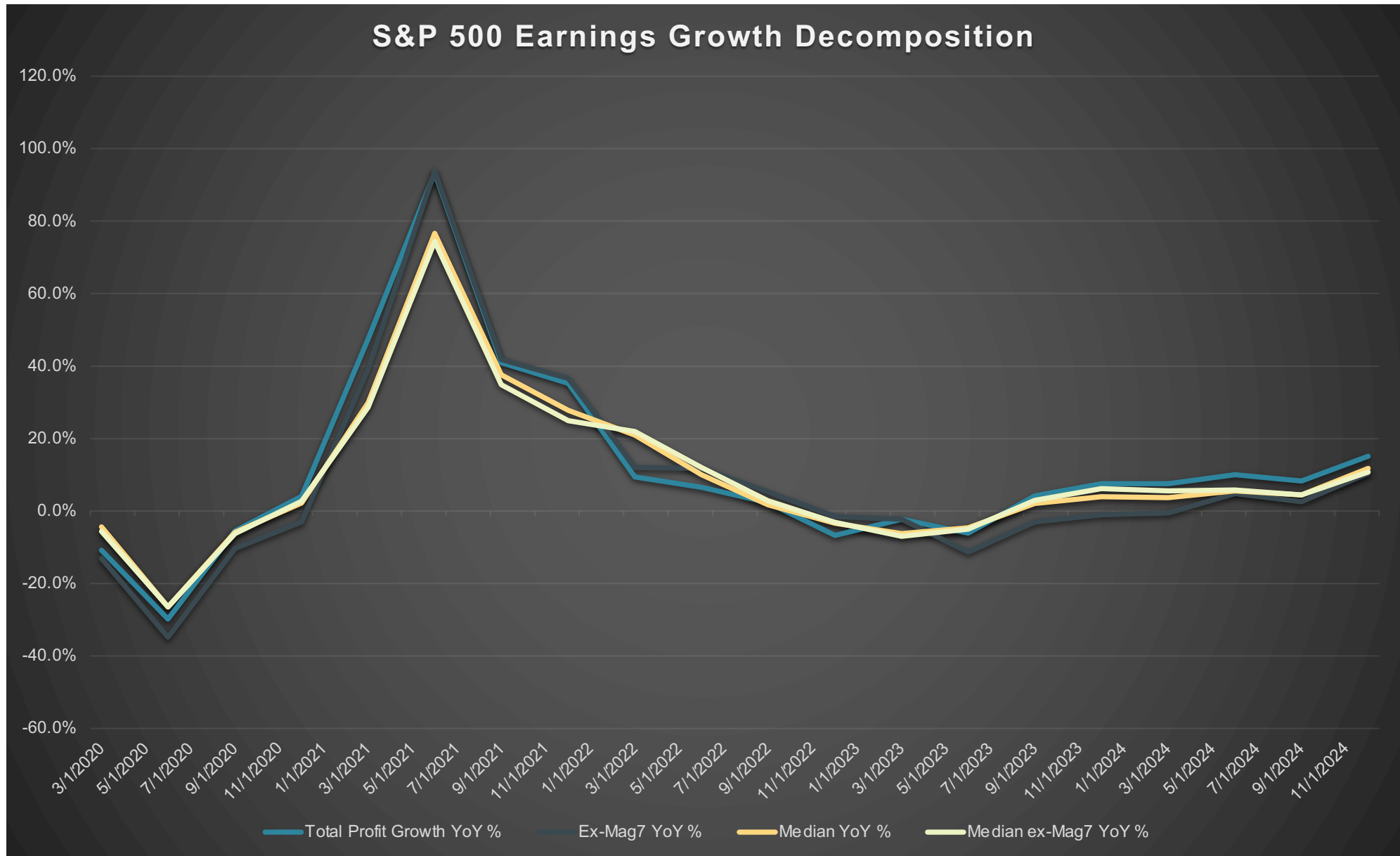
Presented by:

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Equity Strategist  
March 2025

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# Earnings Growth Attribution to Mag 7



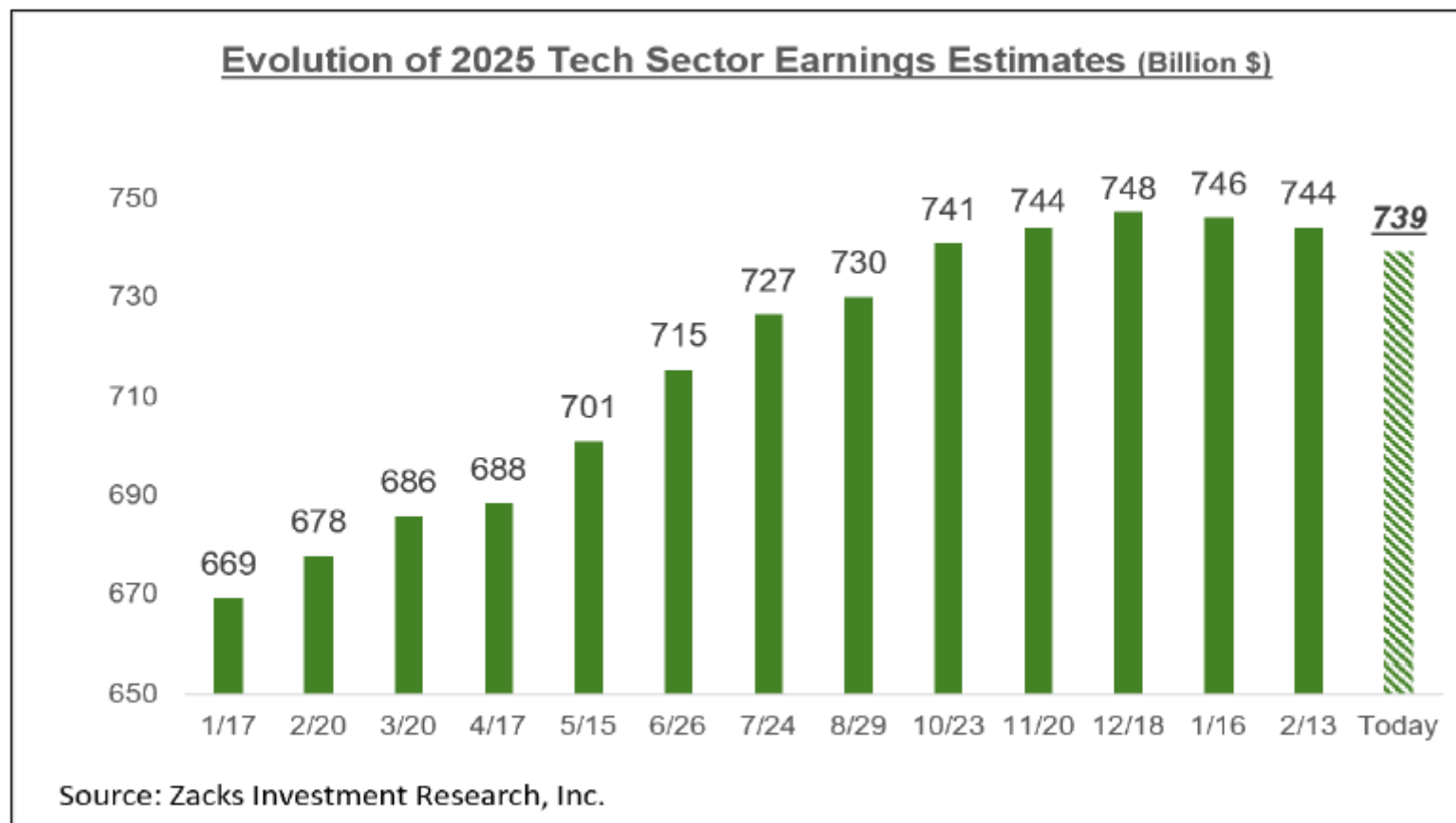
	12/31/2024	9/30/2024	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Total Profit Growth YoY %	15.1%	8.3%	10.1%	7.5%	7.5%	4.3%	-6.1%	-2.3%	-6.7%	2.3%	6.6%	9.4%	35.2%	40.9%	93.3%	47.5%	4.1%	-5.5%	-29.8%	-10.9%
Ex-Mag7 YoY %	10.4%	2.6%	4.8%	-0.6%	-1.0%	-3.0%	-11.4%	-2.3%	-1.5%	5.3%	11.7%	12.0%	36.6%	41.8%	93.8%	39.2%	-3.0%	-10.3%	-34.8%	-13.1%
Median YoY %	11.8%	4.4%	5.5%	3.7%	3.9%	2.1%	-4.6%	-6.2%	-3.4%	1.7%	10.1%	20.9%	27.8%	37.6%	76.6%	29.8%	2.2%	-5.9%	-26.5%	-4.4%
Median ex-Mag7 YoY %	10.7%	4.4%	5.7%	5.6%	6.2%	3.0%	-5.0%	-6.9%	-3.1%	2.8%	12.0%	22.0%	24.9%	34.9%	74.4%	28.7%	2.7%	-6.2%	-26.5%	-5.7%



Retailers ex Amazon have reported +3.0% earnings growth YoY on +4.3% revenue growth YoY.

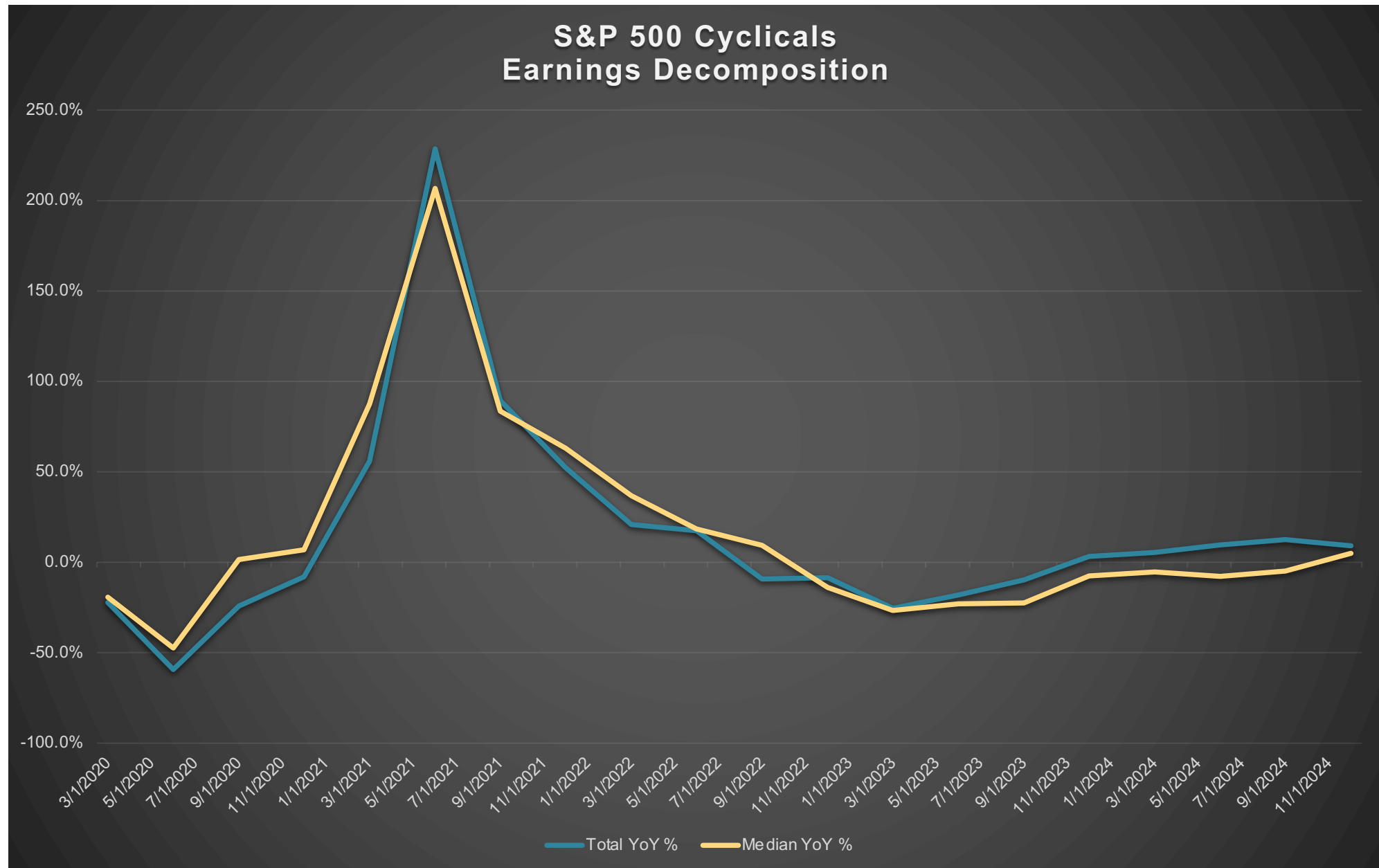
However, tariff threats are weighing on FY 2025 guidance, with Target guiding lower comps and Best Buy withholding any guidance due to the uncertainty.

# Technology Sector EPS Estimates Are Fading





However, the all-important cyclicals are seeing accelerating growth





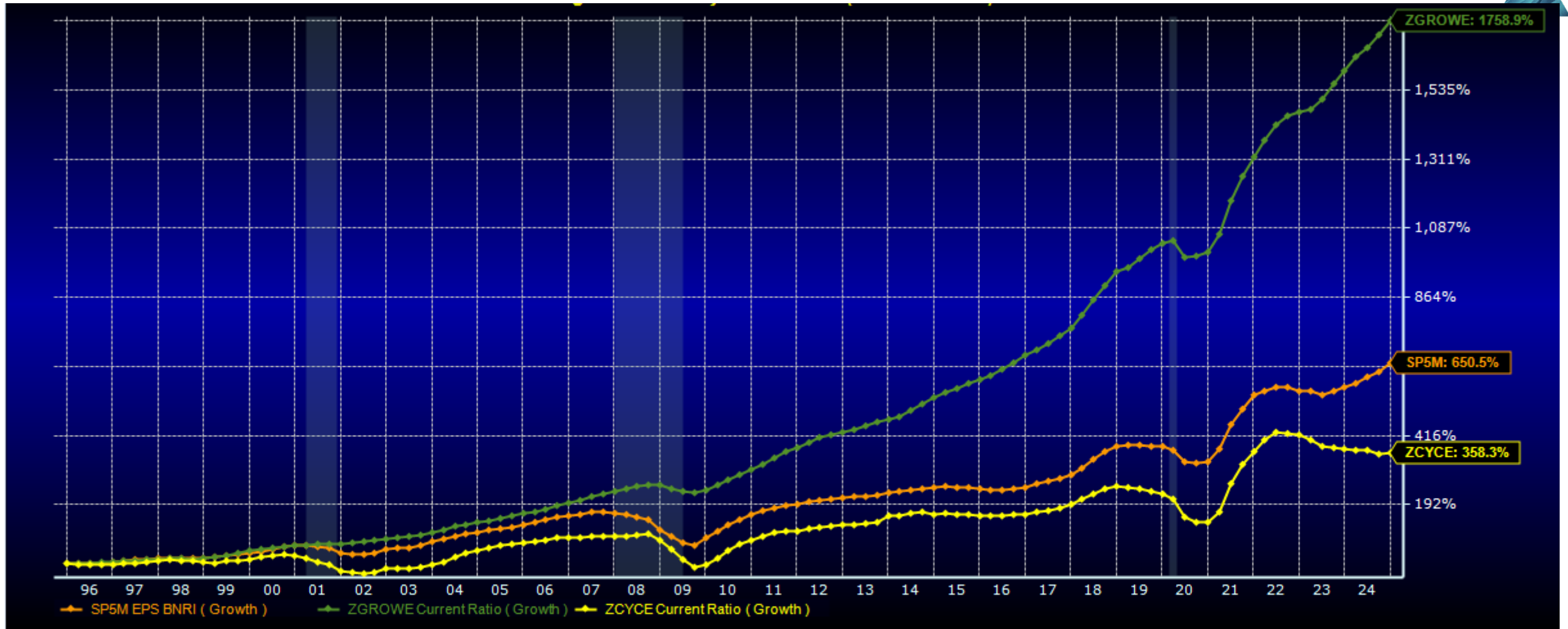
# S&P 500 Cyclical Earnings Growth Decomposition

	12/31/2024	9/30/2024	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Total YoY %	9.1%	12.5%	9.7%	5.3%	3.2%	-9.8%	-18.0%	-25.3%	-8.5%	-9.3%	17.4%	20.8%	52.2%	89.5%	228.6%	55.8%	-7.9%	-24.2%	-59.3%	-22.3%
Median YoY %	5.0%	-4.8%	-7.7%	-5.3%	-7.4%	-22.4%	-22.9%	-26.6%	-13.9%	9.3%	18.5%	36.7%	63.0%	83.5%	206.7%	87.4%	7.0%	1.4%	-47.4%	-19.3%



While growth dominates returns, cyclicals (value stocks) have great analytical value as a reflection of the true underlying economy.

# Cyclicals Represent the True State of the Business Cycle



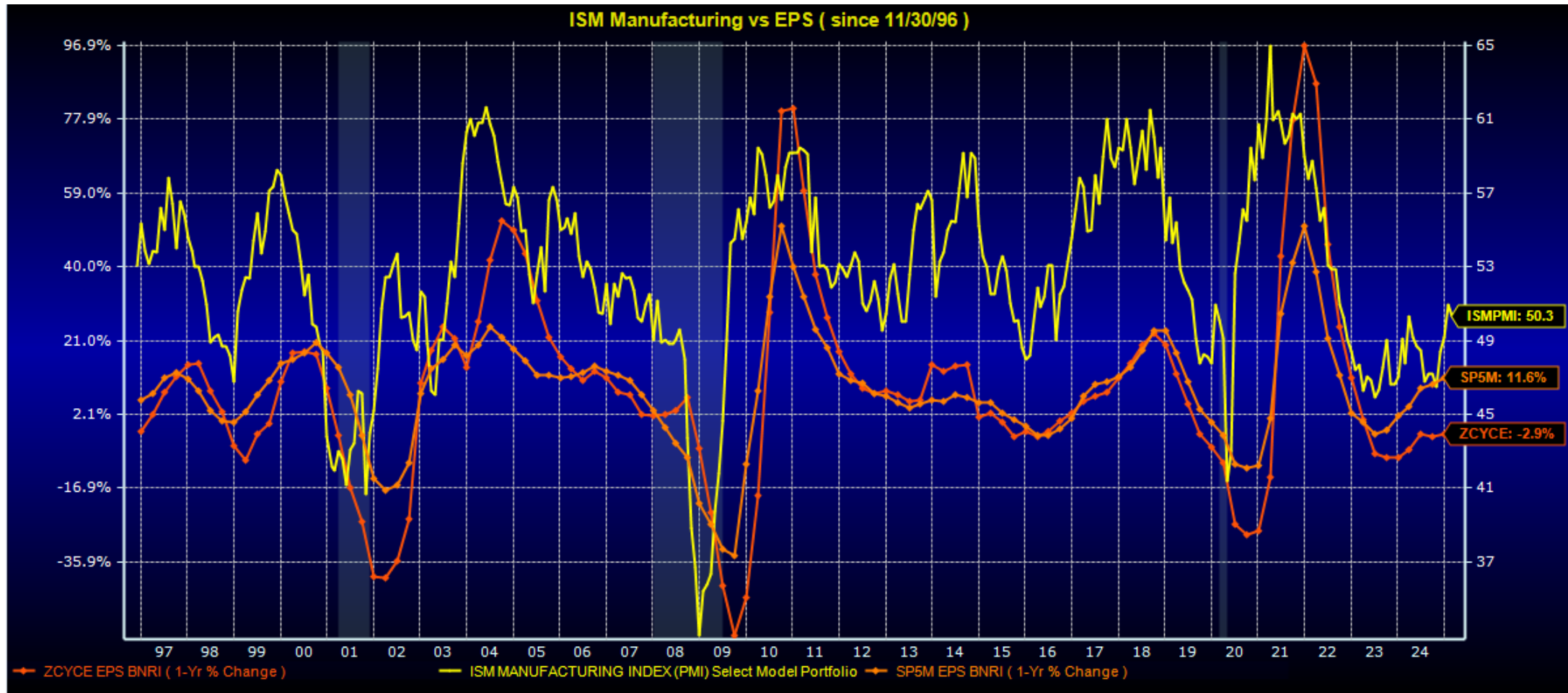
Title	High	Low	Median	Current	Cumulative Return	Annualized Return	Start Date	End Date
ZacksGrowthProxy (ZGROWE) Current Ratio ( Gr )	1758.90%	0.00%	271.80%	1758.90%	1758.90%	10.44%	12-31-1995	12-31-2024
S&P 500 Composite Market ETF (SP5M) EPS BNRI ( Gr )	650.49%	0.00%	164.20%	650.49%	650.49%	7.09%	12-31-1995	12-31-2024
ZacksCyclicalProxy (ZCYCE) Current Ratio ( Gr )	425.00%	-31.54%	89.80%	358.31%	358.31%	5.31%	12-31-1995	12-31-2024

# Key Bellwethers of the S&P 500 Cyclical



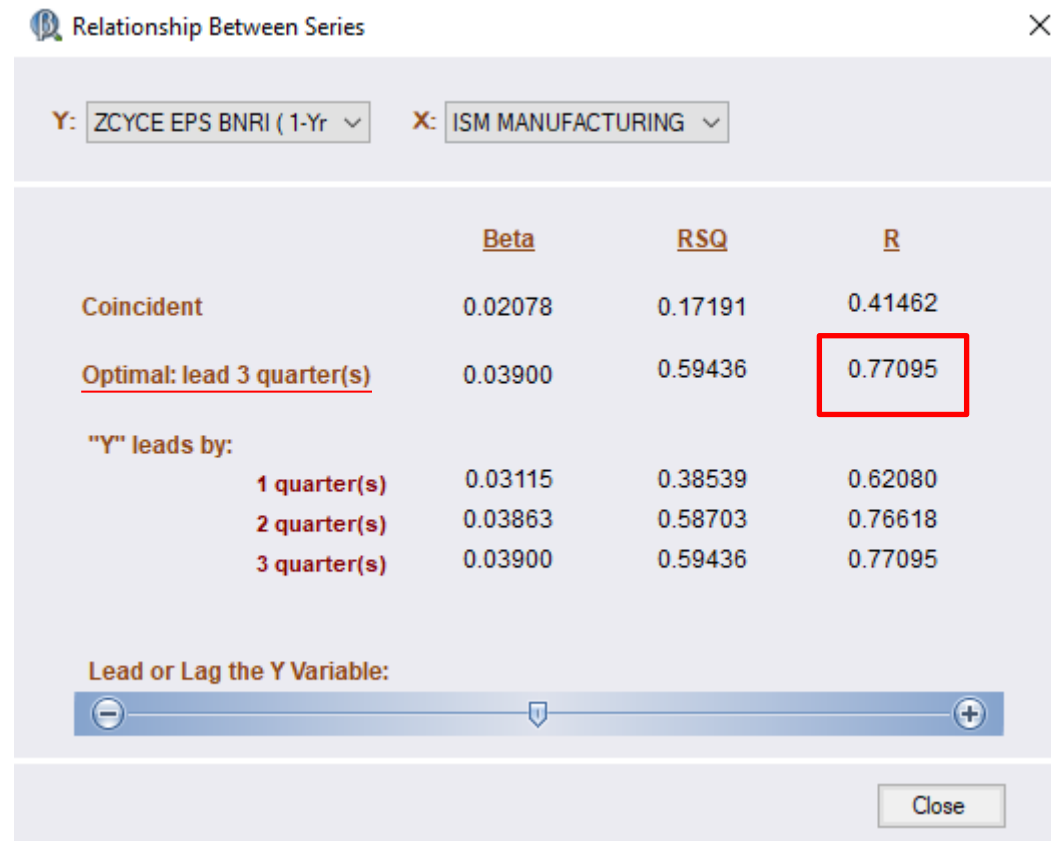
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# ISM Manufacturing Forecasts Positive Earnings Momentum for Cyclical



Title	High	Low	Median	Current	Cumulative Return	Annualized Return	Start Date	End Date
ZacksCyclicalProxy (ZCYCE) EPS BNRI ( 1-Yr % Change )	96.89%	-54.82%	7.60%	-2.93%	358.31%	5.31%	12-31-1996	12-31-2024
ISM MANUFACTURING INDEX (PMI) Select Model Portfolio	64.70	33.30	52.80	50.30	-5.09%	-0.18%	11-30-1996	02-28-2025
S&P 500 Composite Market ETF (SP5M) EPS BNRI ( 1-Yr % Chang	50.37%	-34.30%	8.00%	11.57%	650.49%	7.09%	12-31-1996	12-31-2024

# ISM Manufacturing shares a 77% correlation with cyclical earnings with 3-quarter lead time

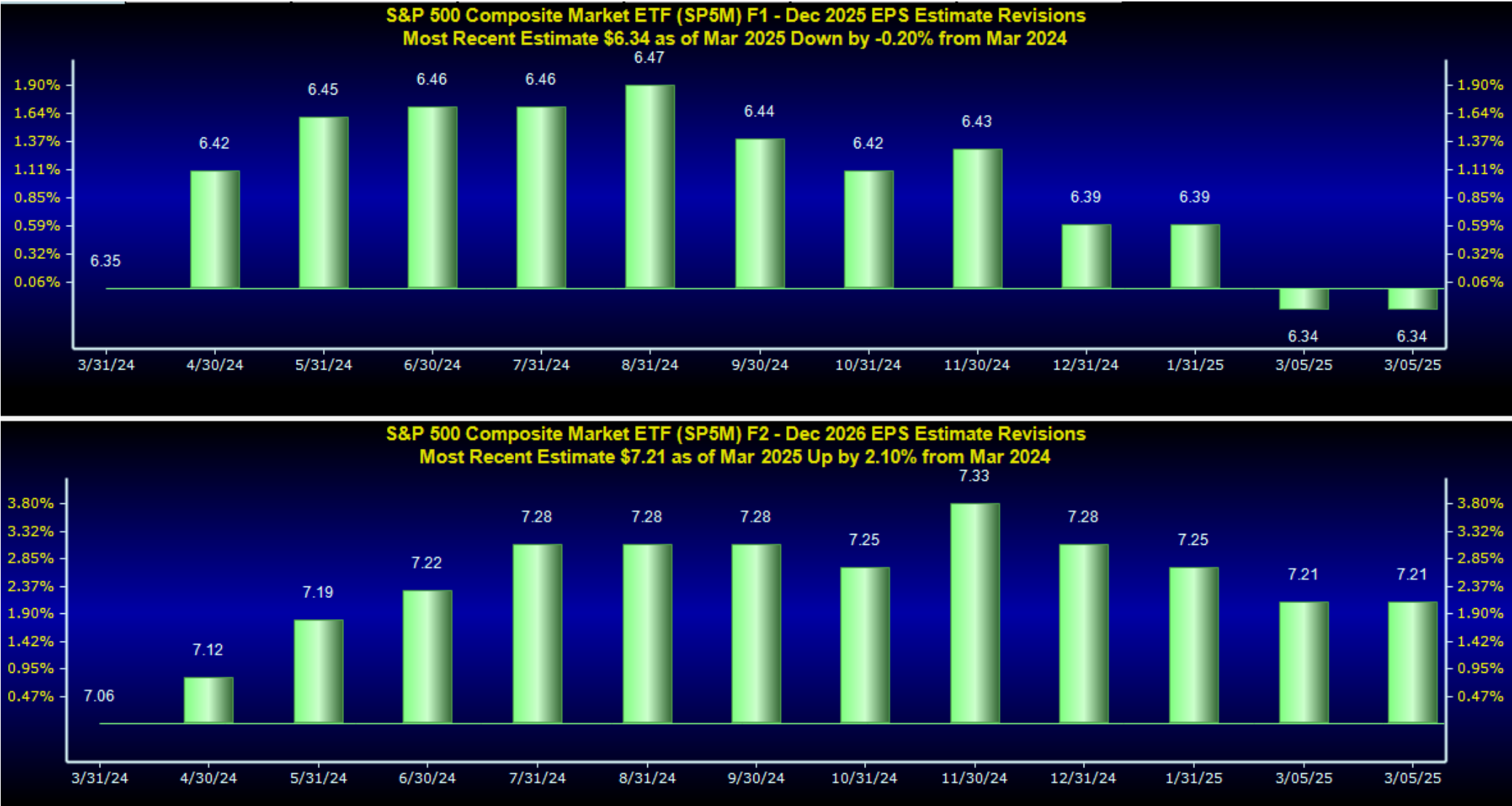




If American manufacturing sustains the recovery, we could be at the very early stages of a cyclical earnings recovery for transportation, retail, consumer discretionary, and industrials.

This would \*significantly\* ease the burden on the “Mag 7” carrying the market solely on its shoulders by widening breadth.

# Estimates for 2025 and 2026 Remain Remarkably Stable

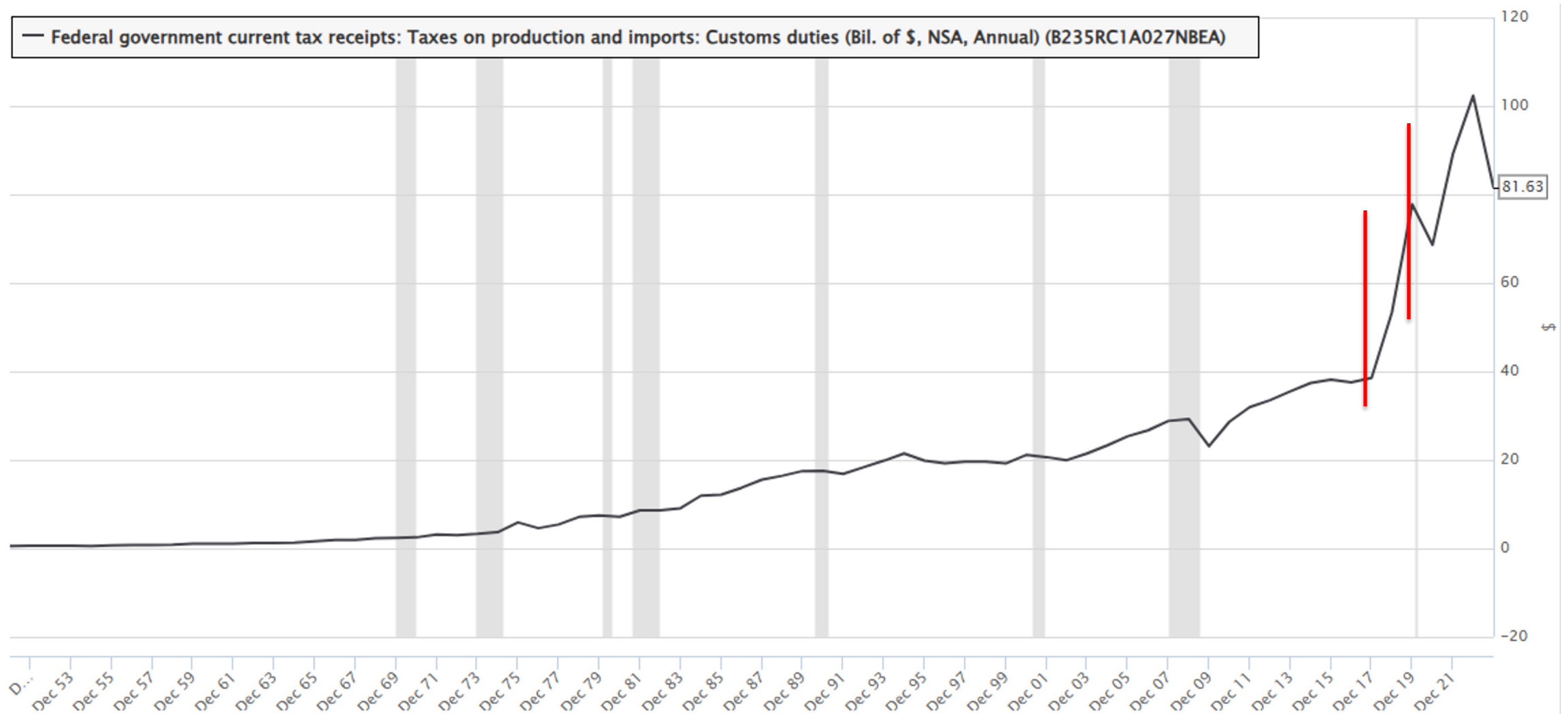




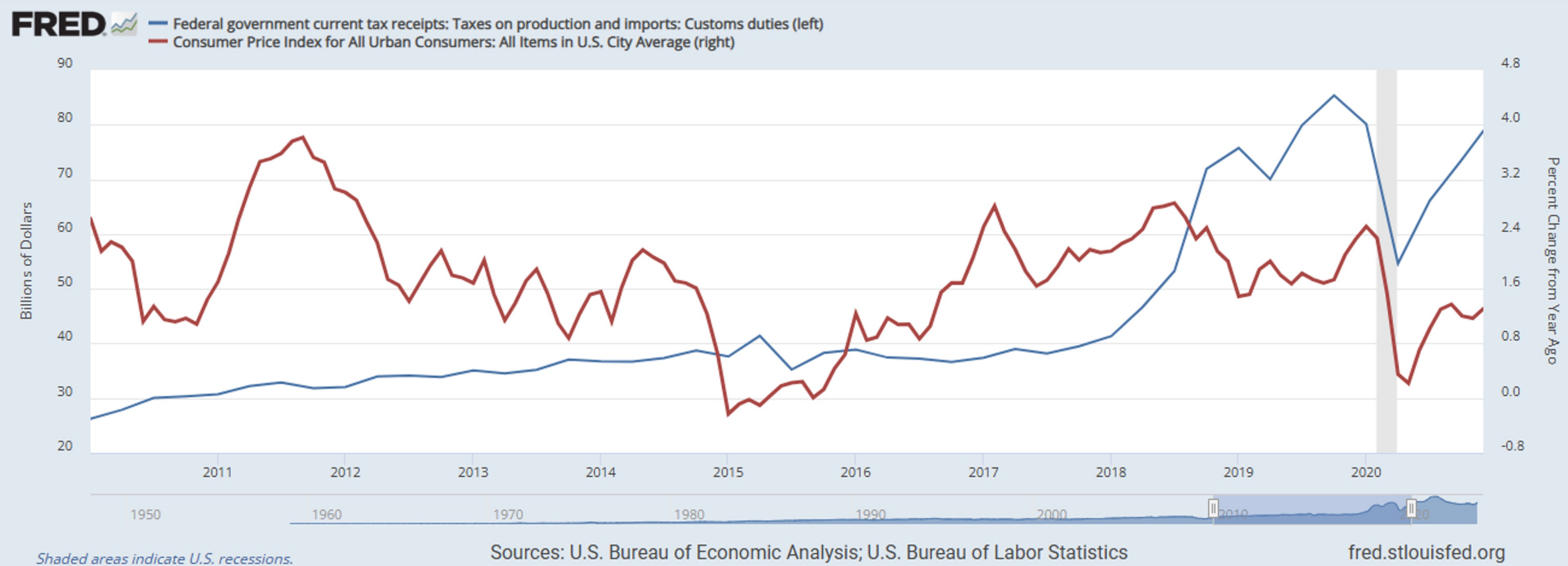


Do not fear the tariff – it is meant to negotiate better terms or to encourage companies to circumvent the tariff by directly investing in the United States for manufacturing & hiring.

# Tariffs: the Cornerstone of Trump's Economic Policy



# Federal Tariff Revenue Doubled In Trump's First Term With No Impact on CPI



# 'Tariffs' Are The Key to Trump's Pro-Growth Agenda



- The threat of targeted tariffs are President Trump's preferred negotiation tactic in order to secure more favorable trade deals with nations
- Tariffs are anti-growth and inflationary if the goal of the policy is to actually extract revenue
- Tariffs can be extraordinarily pro-growth and noninflationary if the goal of the policy is to force foreign countries to reduce their import tariffs on American exports
- Tariffs can also be pro-growth if they successfully convince companies to invest in America
- Ultimately, the point of high tariffs is for very few companies to actually pay them because they successfully open up new geographic markets for American companies to sell into OR to incentivize companies to manufacture in the US
- This becomes even more bullish for US-based capital investment and hiring if the policy is paired with favorable tax rates for businesses. Initial discussions suggest a 15% corporate tax rate, which would be very bullish in my view.



As bullish as these policies are in the long-run, there is significant possibility for short-term pain with the markets priced at highly elevated multiple.

Transitioning from debt-fueled economic expansion to savings-fueled economic expansion won't be easy, and will serve many speedbumps along the way.



ECP: high quality steady compounders

DVP: high quality cyclicals + deep multiple  
compression



# Takeaways

- ❖ S&P 500 trades at a highly elevated 22.5x forward P/E with very bullish growth expectations next year. The bar is extremely high—in the top decile over the past 30 years.
- ❖ As such, the forward earnings yield of the market is at parity with the 10-year yield. Historically, market returns over the following 5 years have been poor at these levels.
- ❖ However, ISM Manufacturing looks like it has turned a corner, which would be very bullish for S&P cyclicals. If cyclicals (finally) return to earnings growth, the breadth of the market could expand dramatically, making the current market valuation not as expensive as it may seem.
- ❖ Remain long the S&P 500 as long as it remains above the 10-week Average True Range (ATR), which sits at 5675 for the SPX. But in my view, the best gains over the next 4 years are going to come from high quality cyclicals with strong balance sheets, high ROIC, and attractive valuations.

# Zacks Earnings Certain Proxy: Recession-Resistant, Durable Moat-Protected, Low Volatility, Steady Compounders







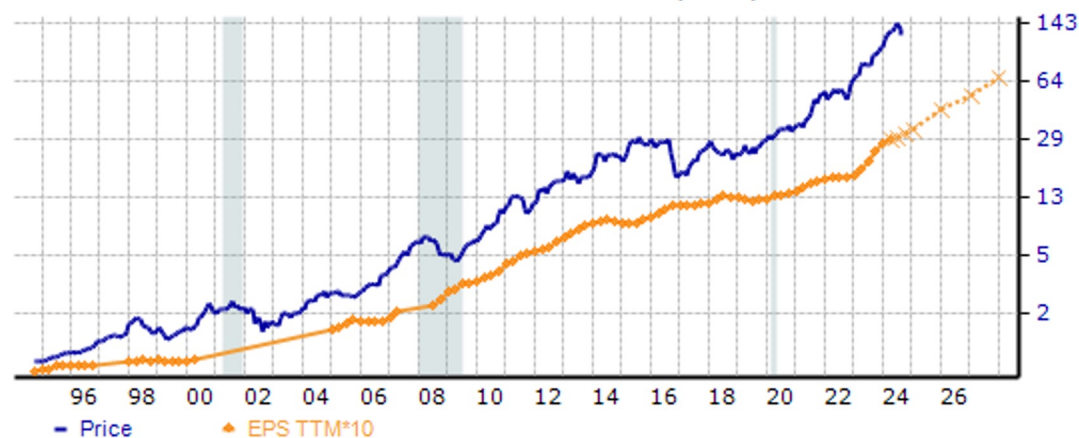
Price & Earnings  
CHECK PT SOFTW (CHKP)

Price \$ | EPS\*10



Price & Earnings  
NOVO-NORDISK AS (NVO)

Price \$ | EPS\*10



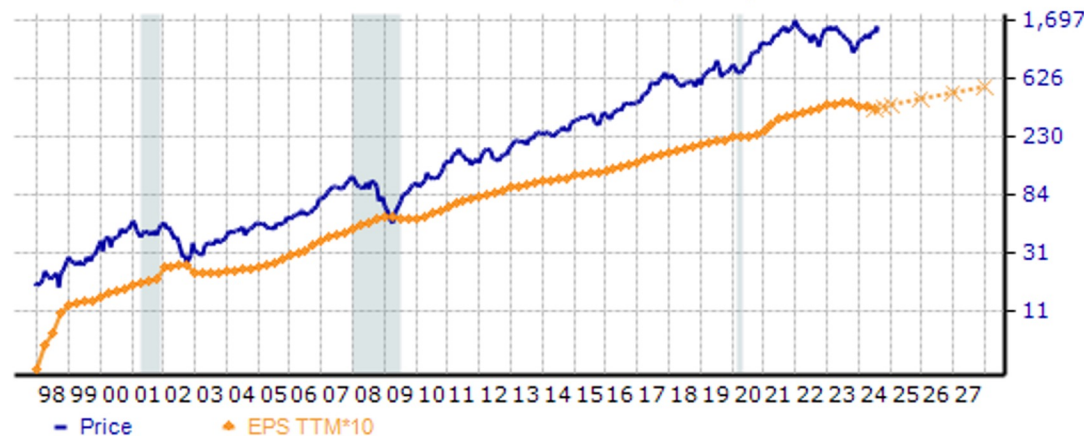
Price & Earnings  
CENCORA INC

Price \$ | EPS\*10

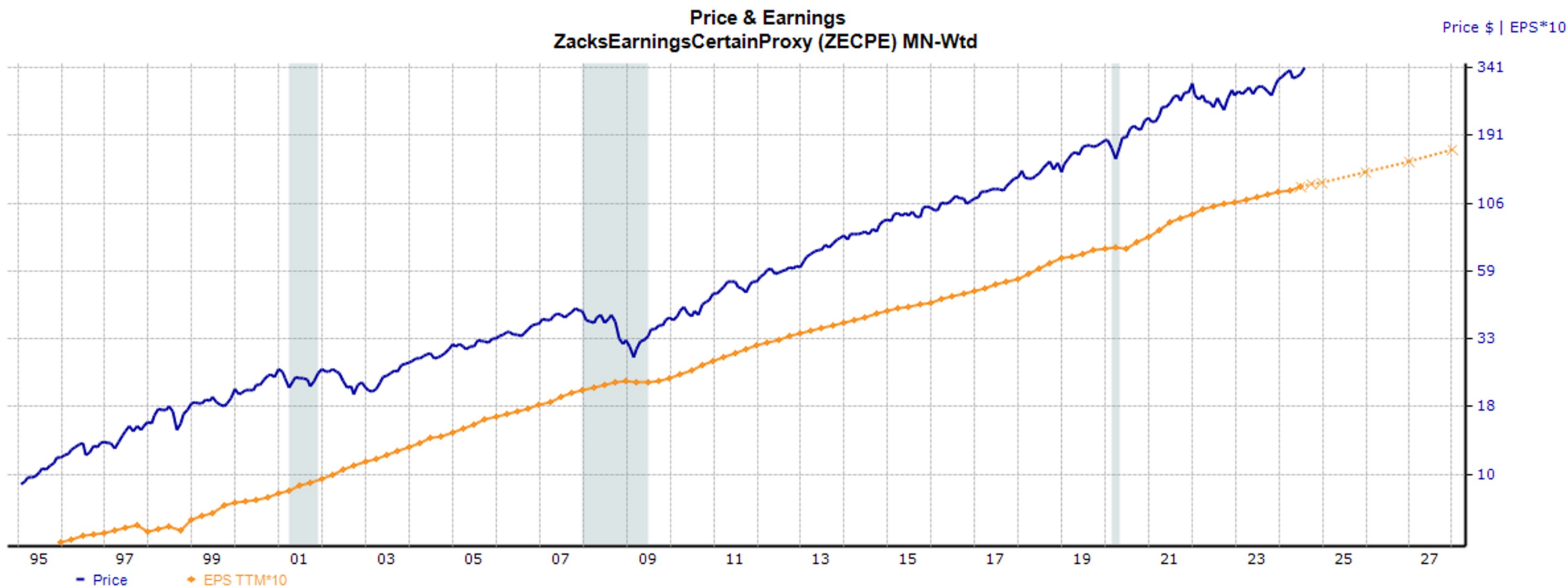


Price & Earnings  
METTLER-TOLEDO (MTD)

Price \$ | EPS\*10



# Built for Long-Term Durability



# Top Ideas in Deep Value Cyclical



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