

Stock Market Briefing: NIPA vs. S&P 500 Profits

Yardeni Research, Inc.

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Dr. Edward Yardeni

516-972-7683

eyardeni@yardeni.com

Debbie Johnson

480-664-1333

djohnson@yardeni.com

Please visit our sites at
www.yardeni.com
blog.yardeni.com



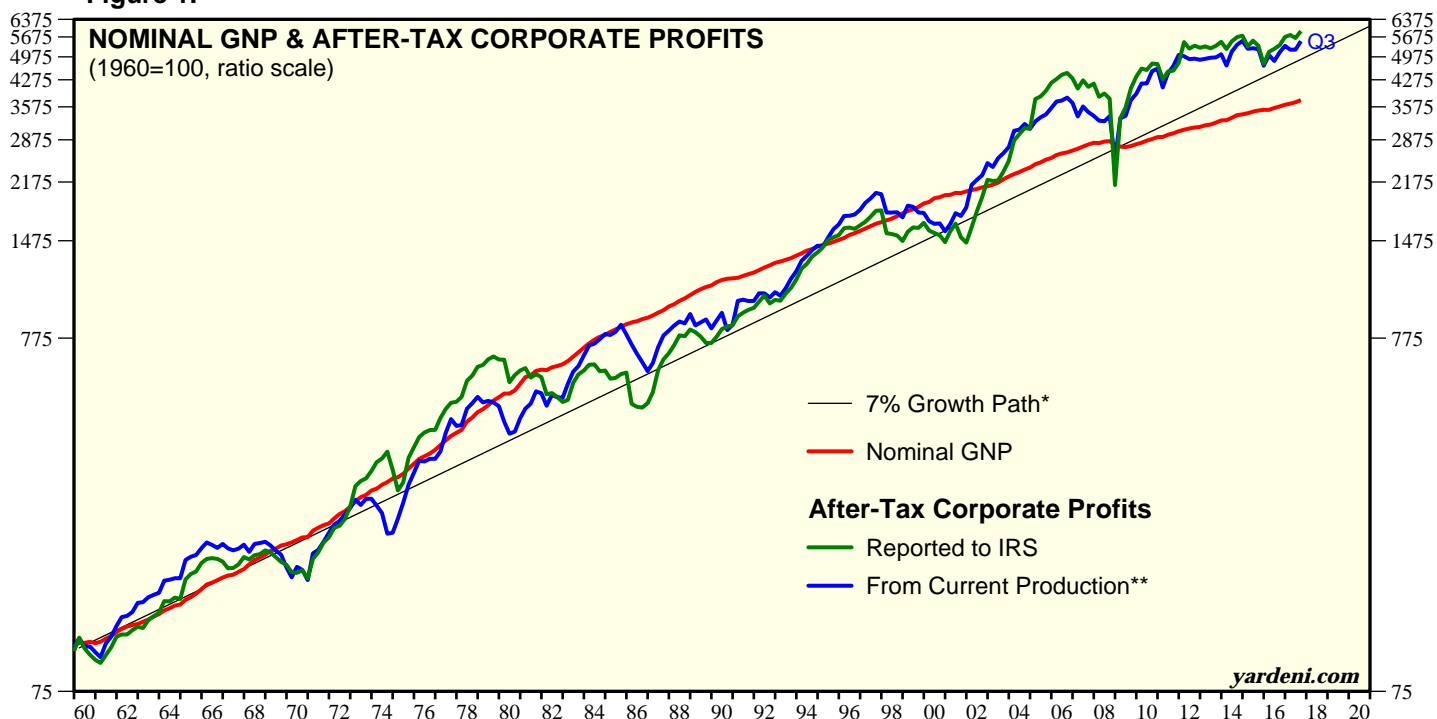
thinking outside the box

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Profits

Figure 1.

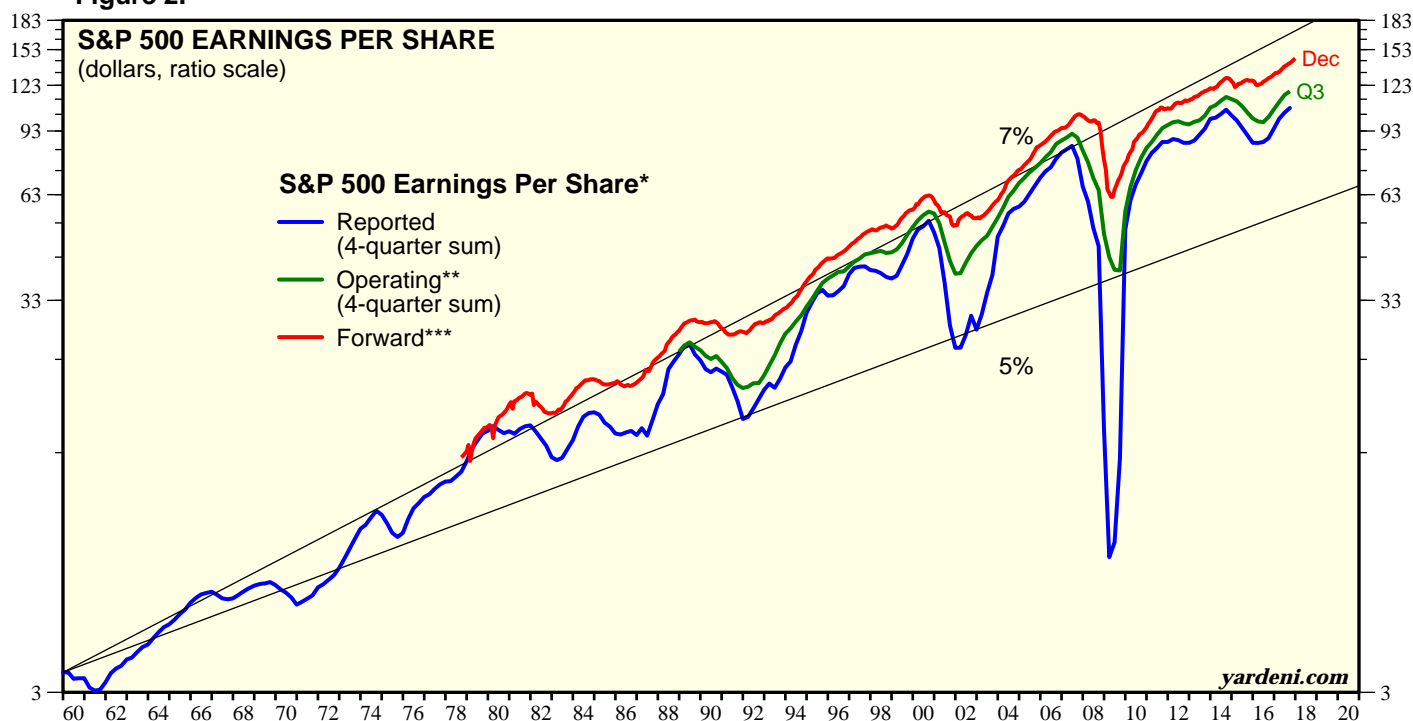


* Compounded monthly to yield 7% annually.

** Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

Figure 2.



* Growth paths are compounded monthly to yield 5% and 7% annually.

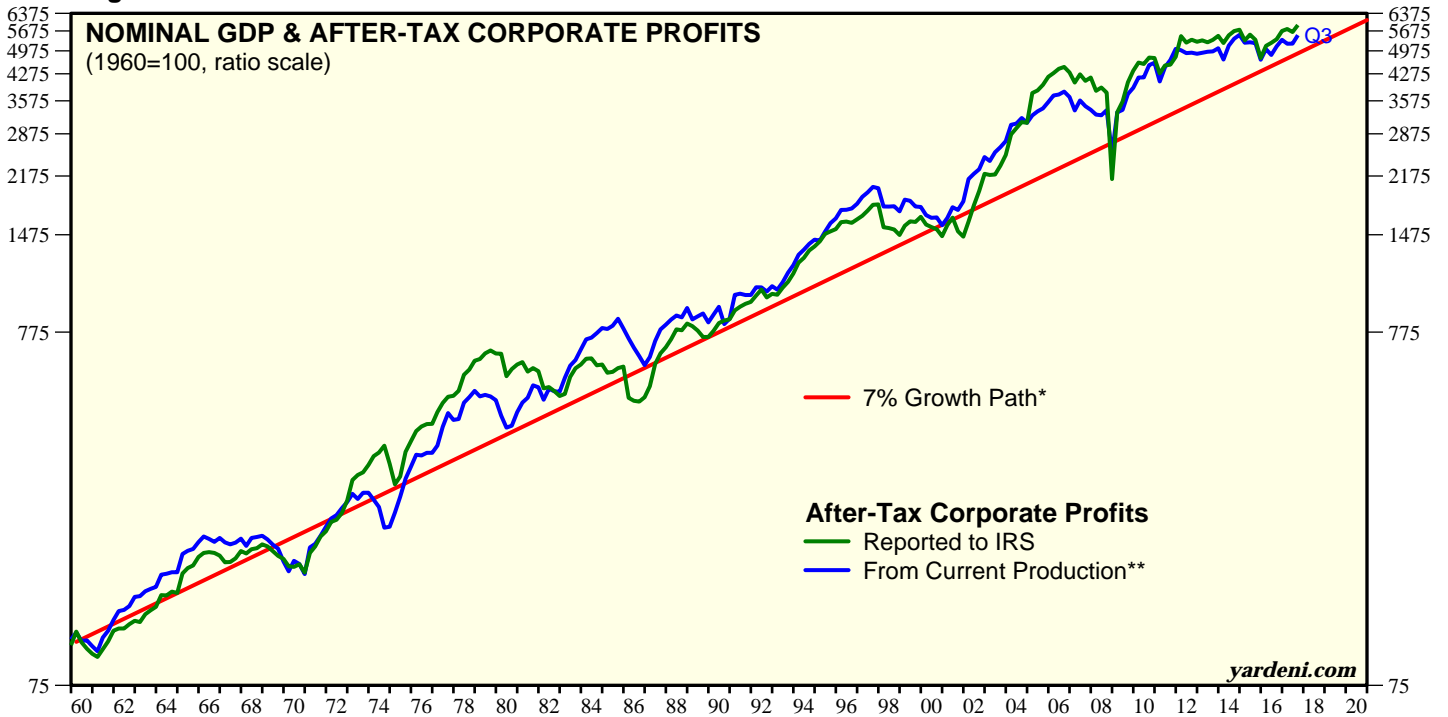
** Excludes write-offs.

*** S&P 500 12-month forward consensus expected operating earnings per share. Time-weighted average of consensus earnings estimates for current and next year.

Source: Standard & Poor's and Thomson Reuters I/B/E/S.

Profits

Figure 3.

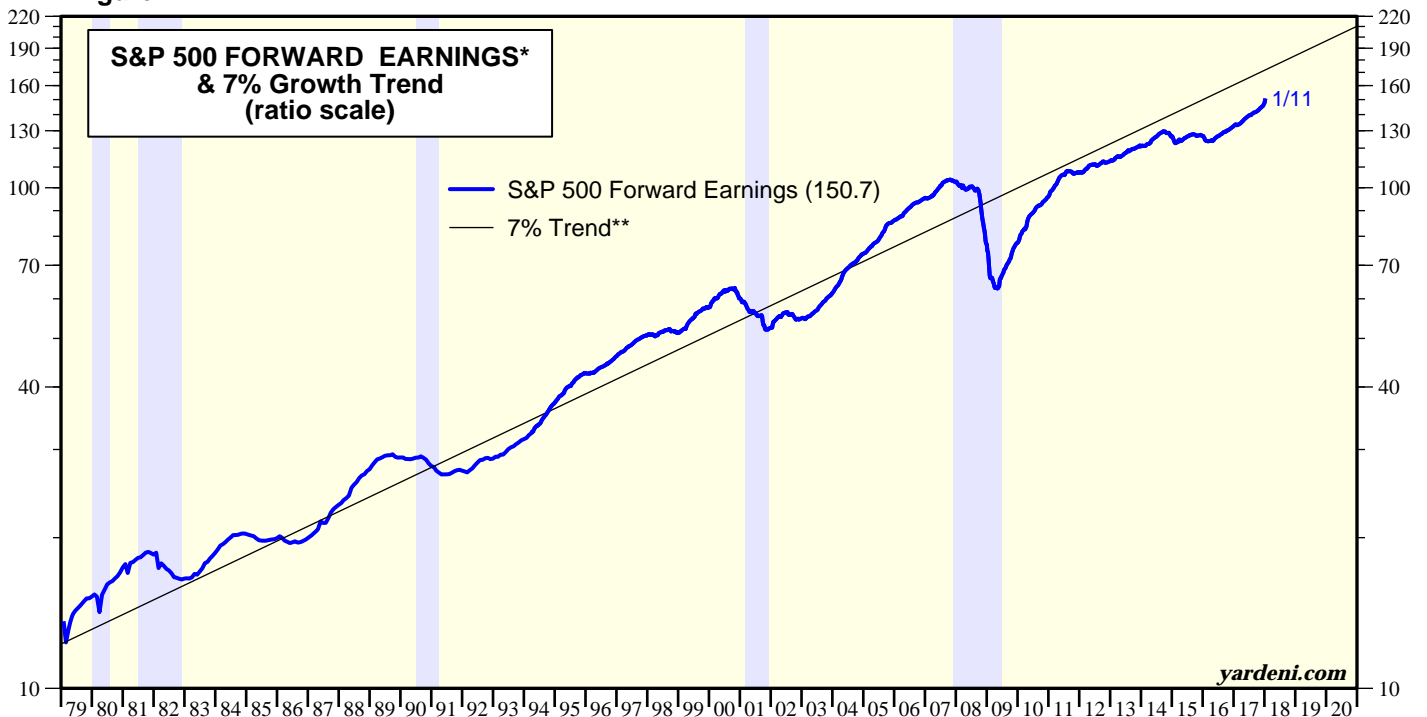


* Compounded monthly to yield 7% annually.

** Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

Figure 4.



* 52-week forward consensus expected S&P 500 operating earnings per share. Monthly through April 1994, then weekly.

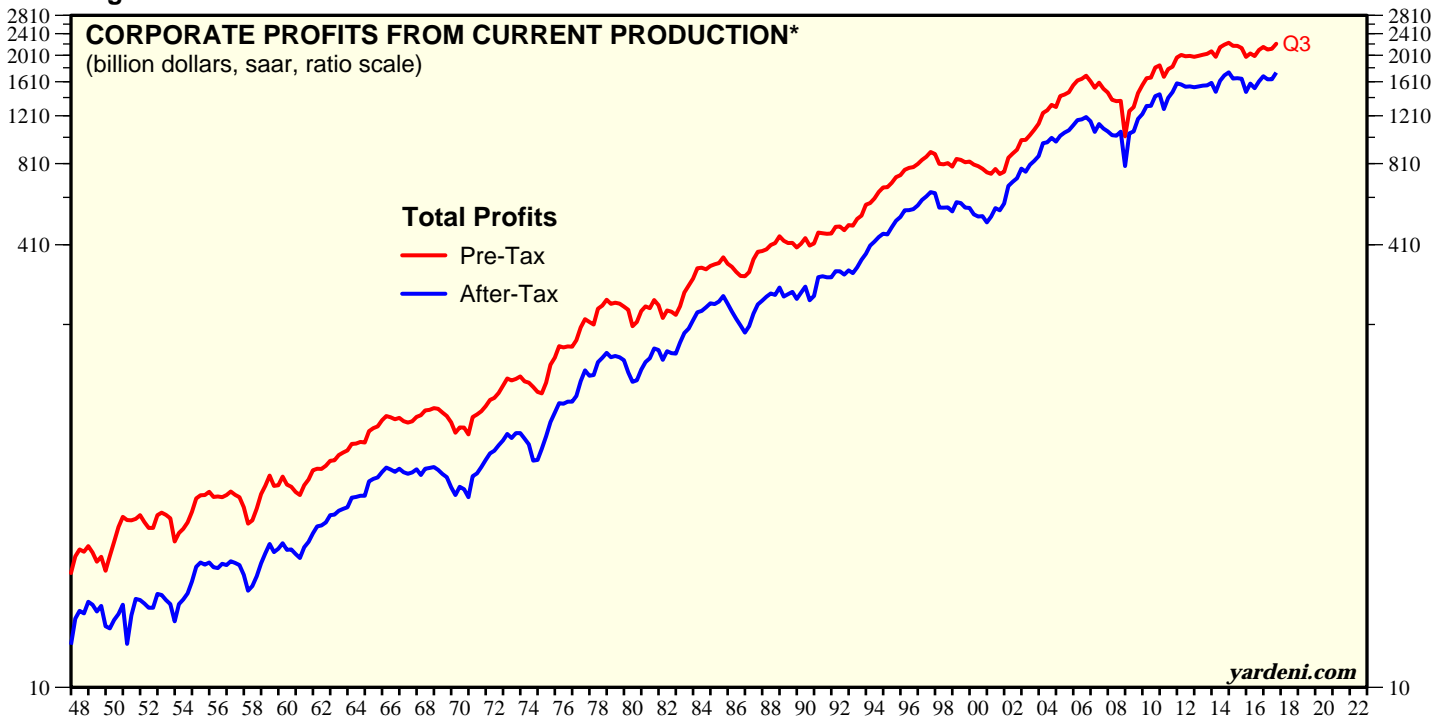
** Compounded monthly to yield 7% annually.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Source: Thomson Reuters I/B/E/S.

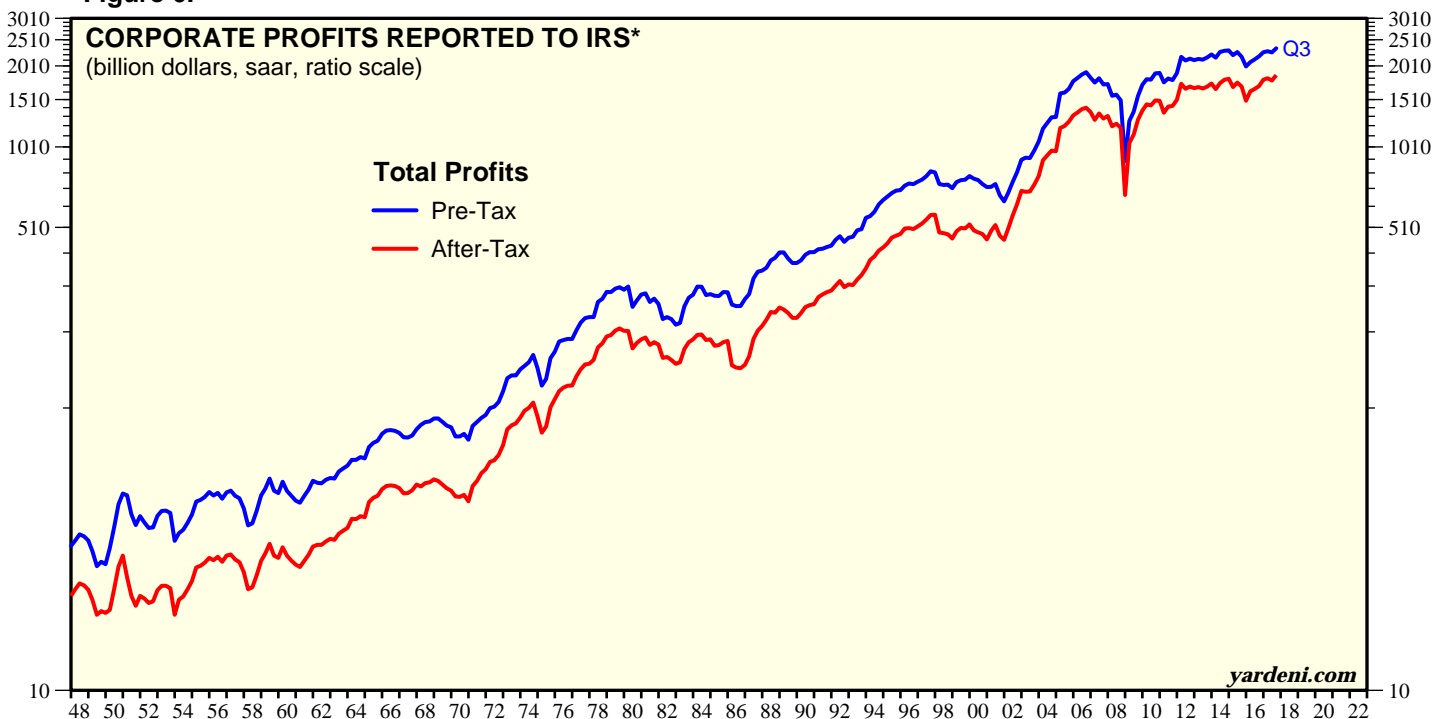
Profits (NIPA)

Figure 5.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.

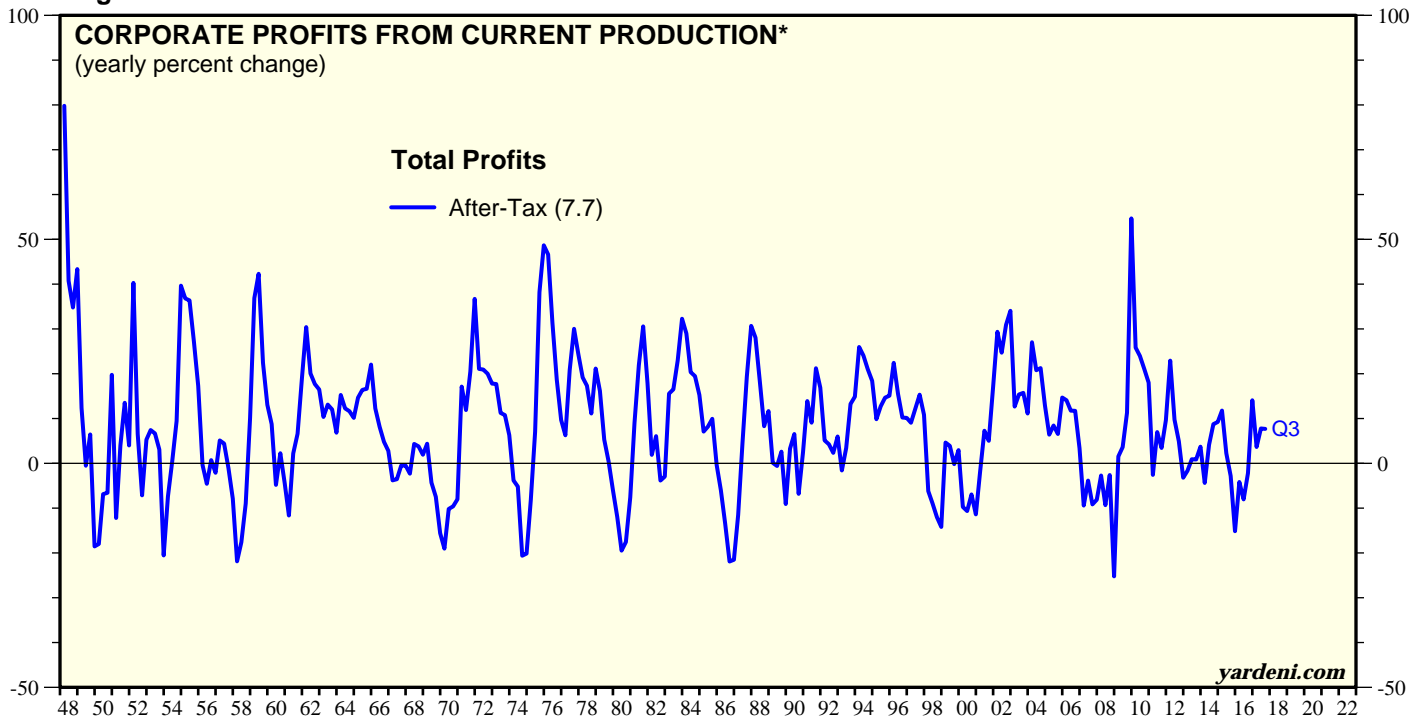
Figure 6.



* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

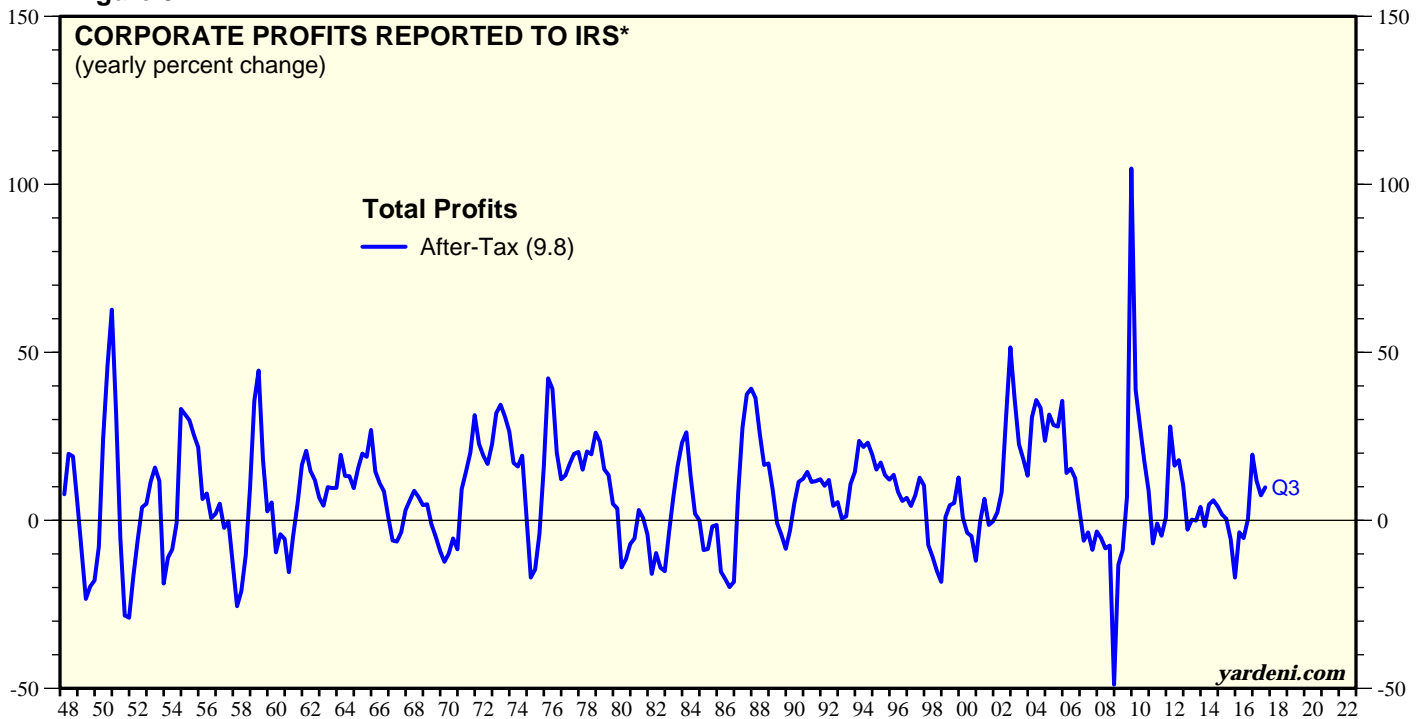
Profits (NIPA)

Figure 7.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

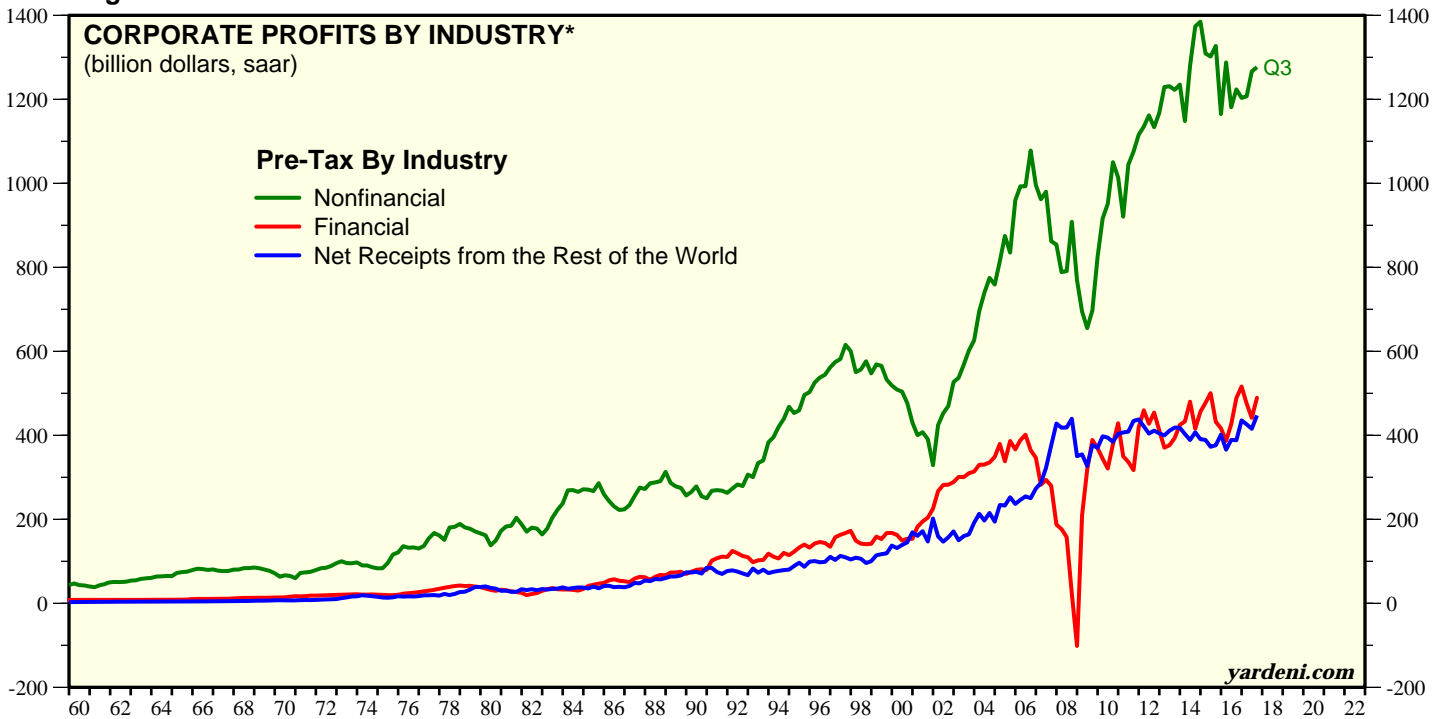
Figure 8.



* Excluding Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

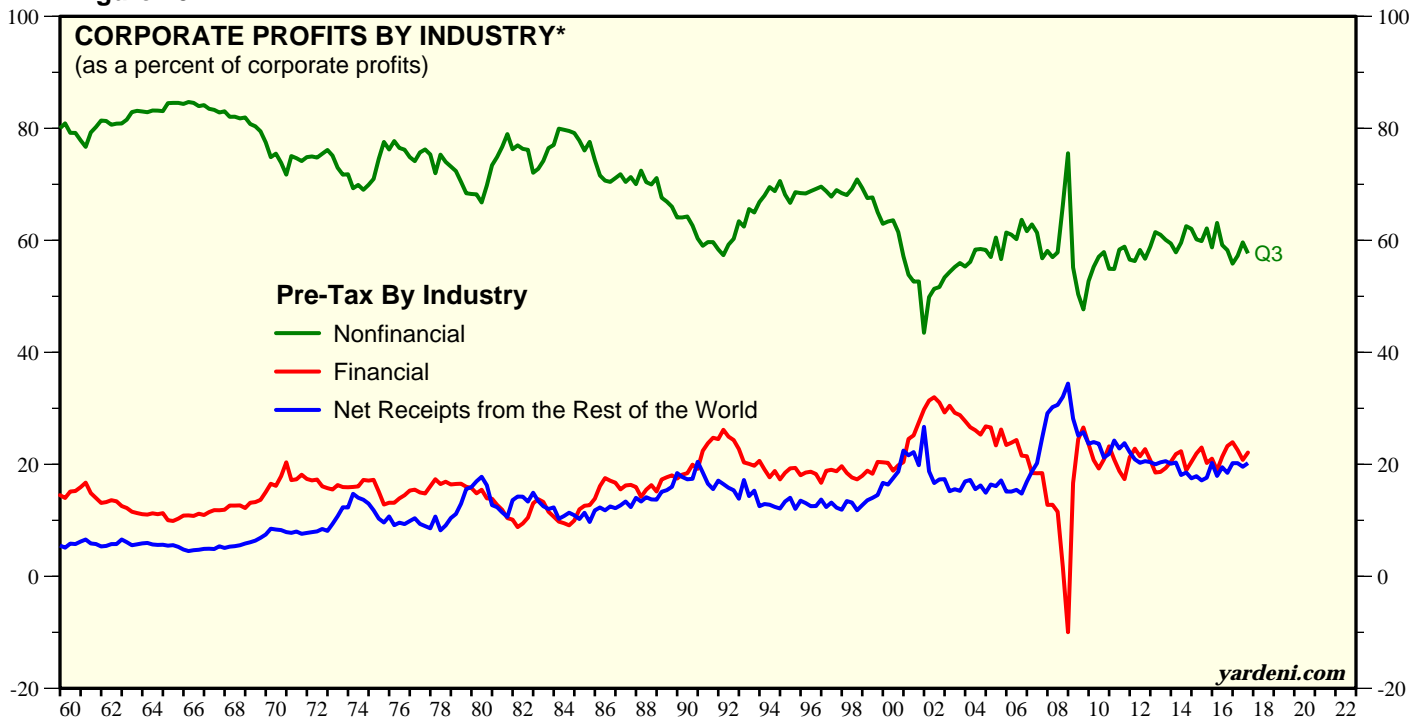
Profits (NIPA)

Figure 9.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

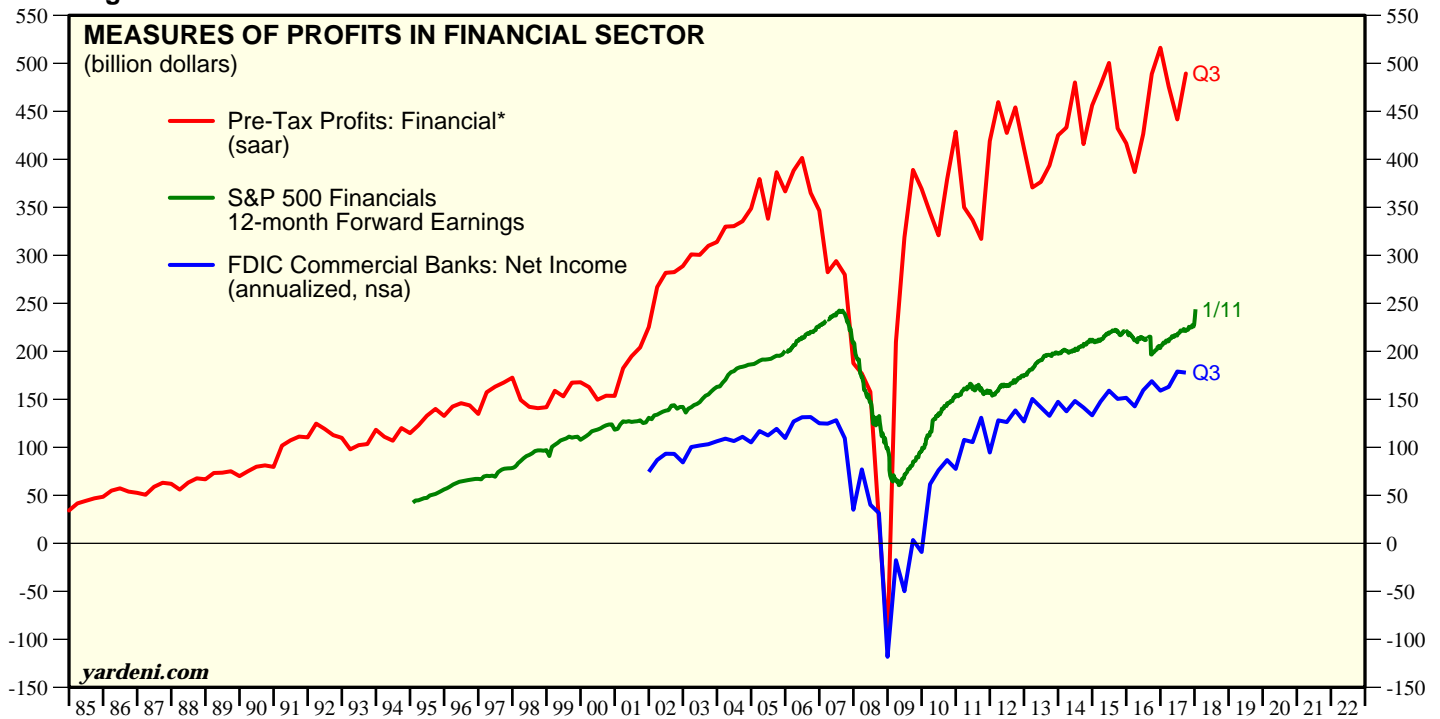
Figure 10.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

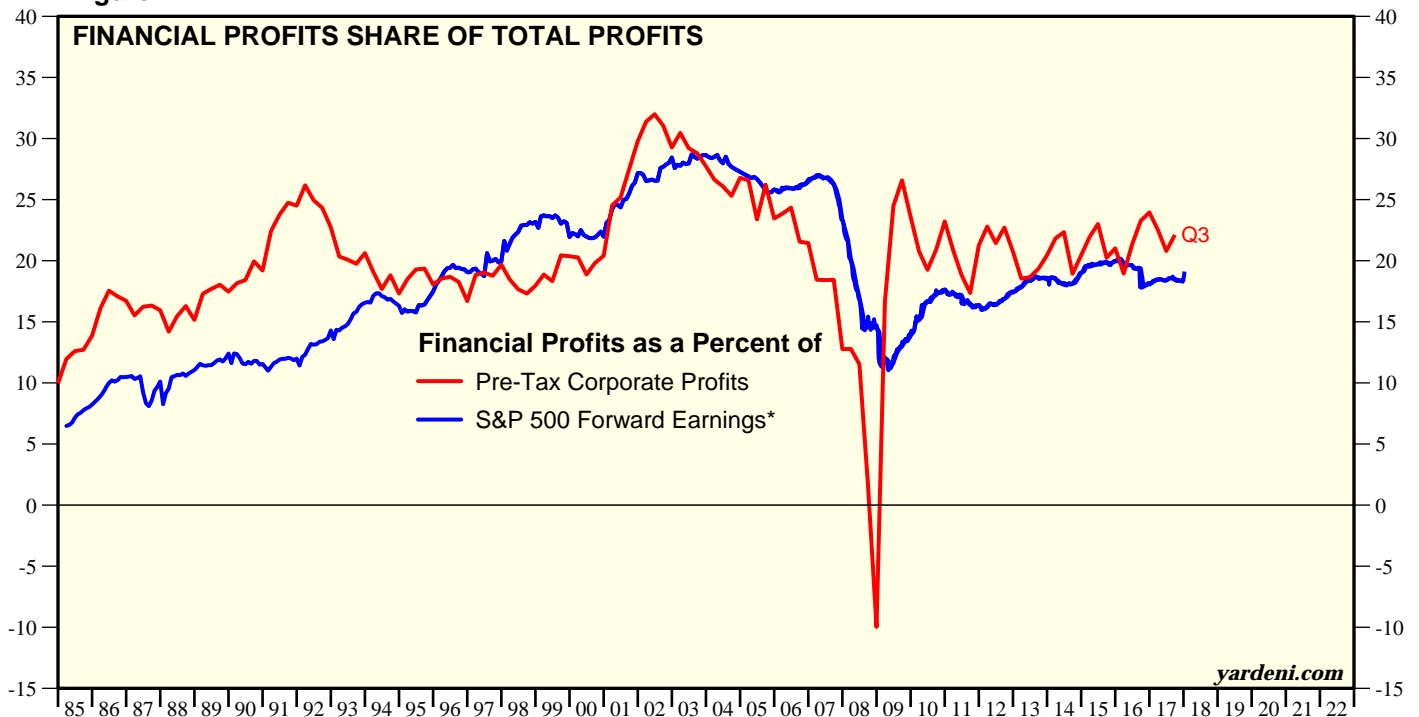
Profits (NIPA)

Figure 11.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis and Federal Deposit Insurance Corporation, Quarterly Banking Profile.

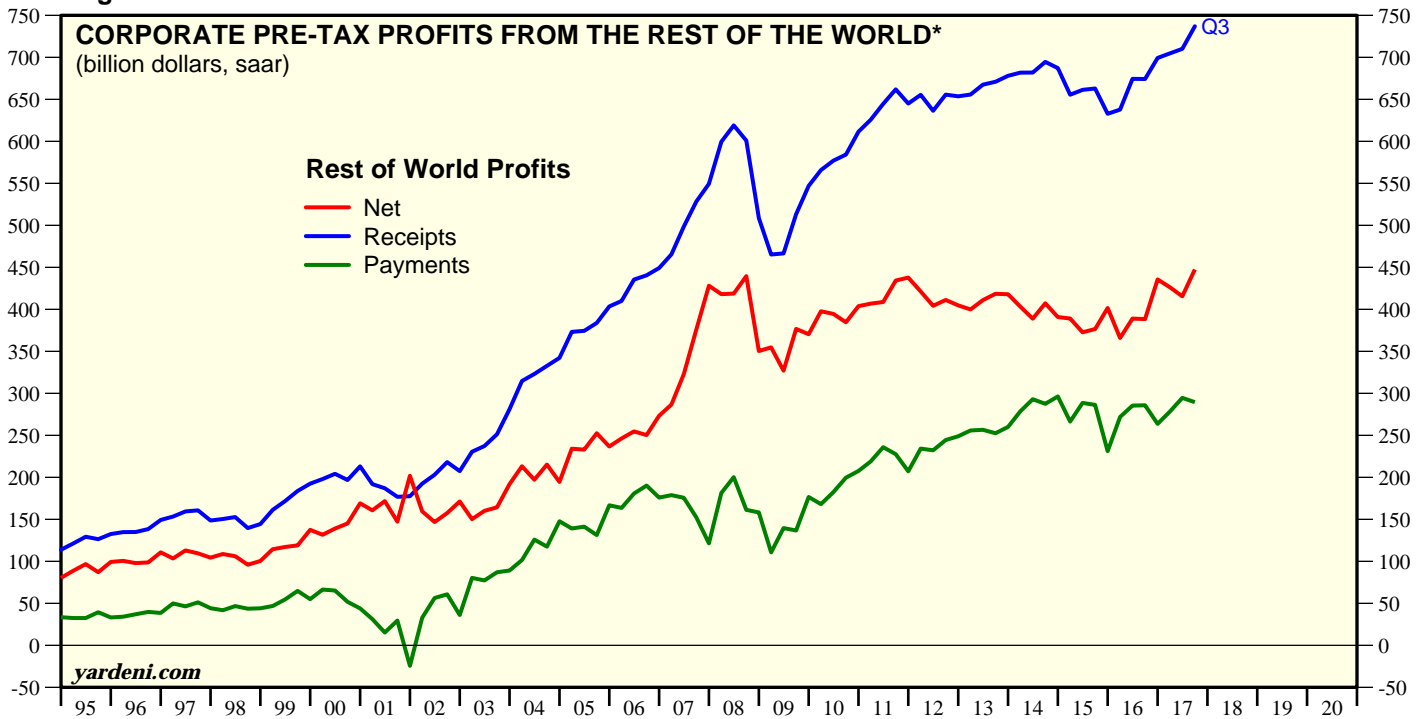
Figure 12.



* Using consensus 12-month forward earnings forecasts.
Source: US Department of Commerce, Bureau of Economic Analysis and Thomson Reuters I/B/E/S.

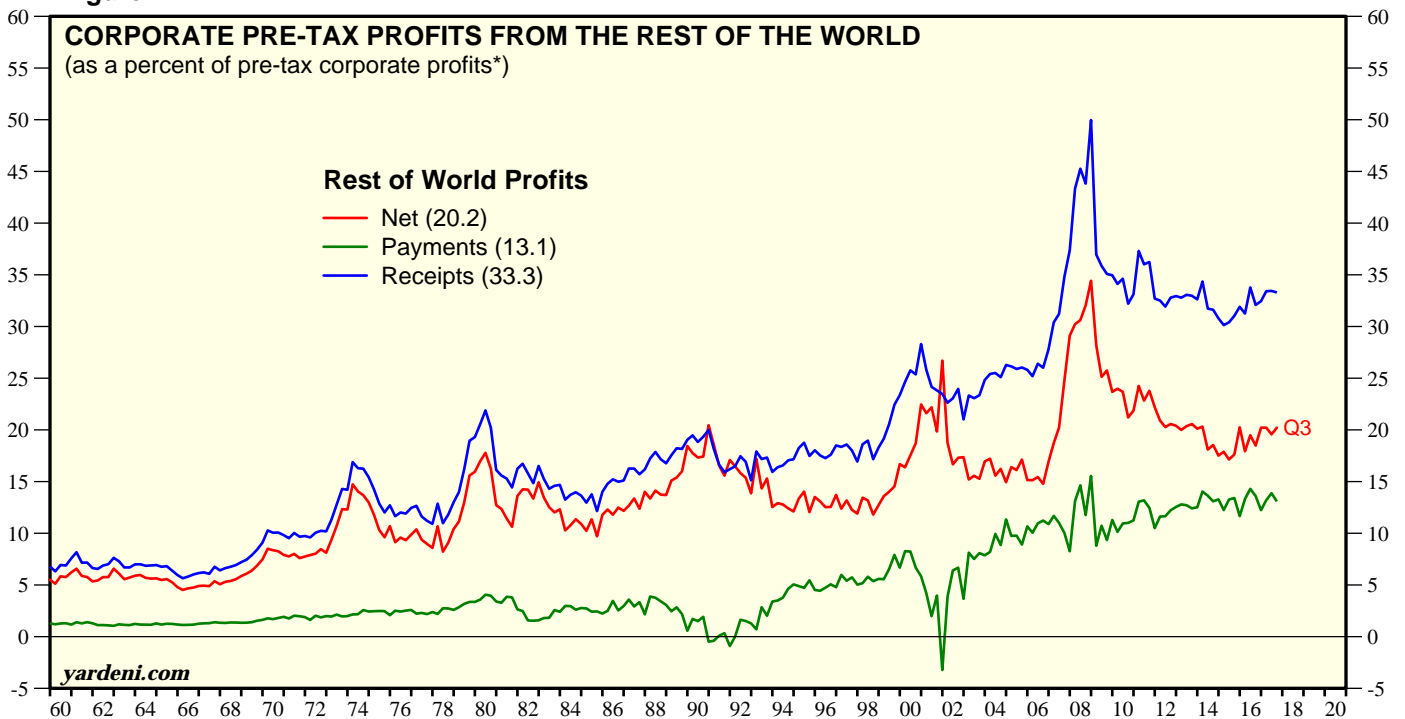
Profits (NIPA)

Figure 13.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

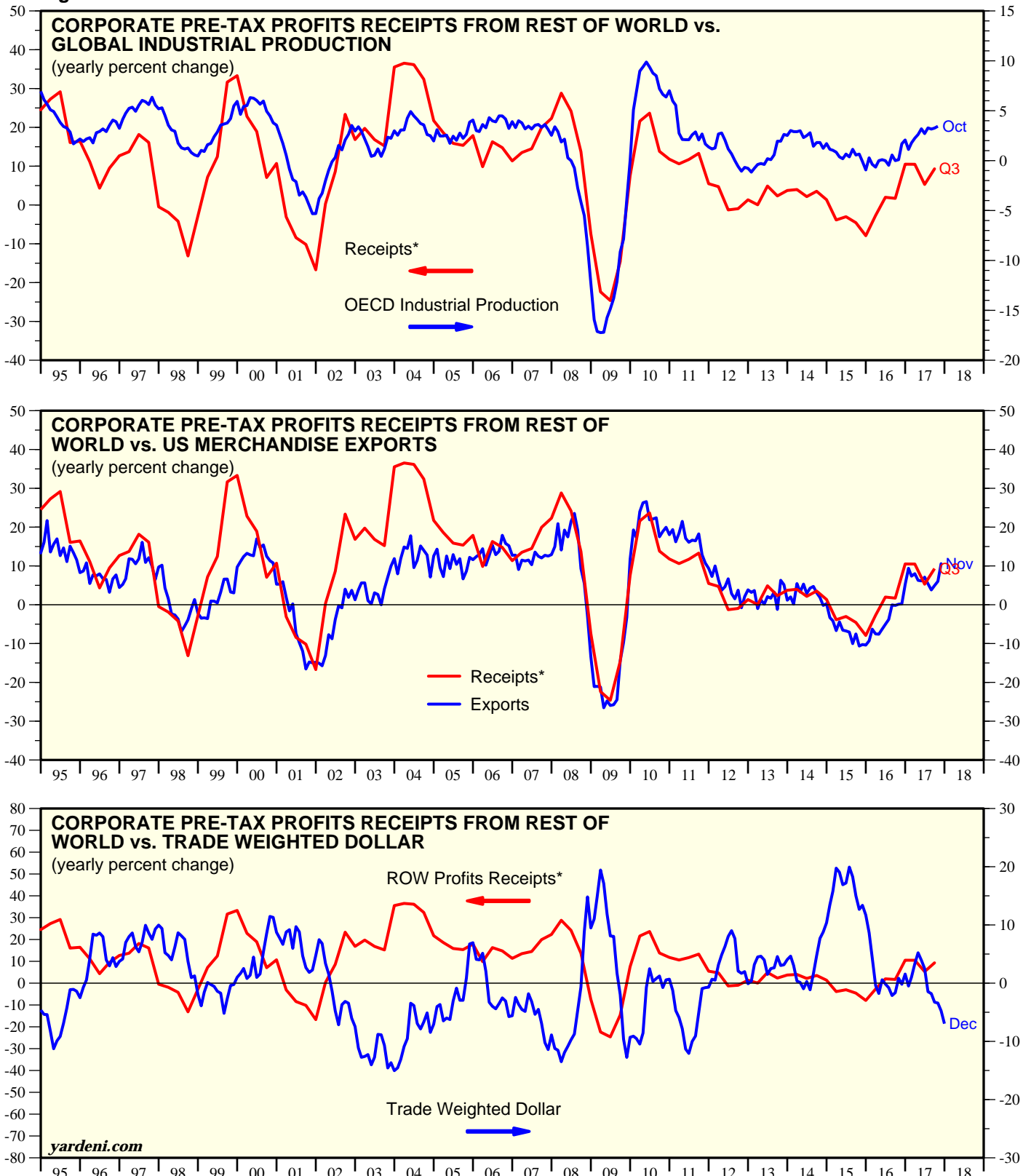
Figure 14.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: US Department of Commerce, Bureau of Economic Analysis.

Profits (NIPA)

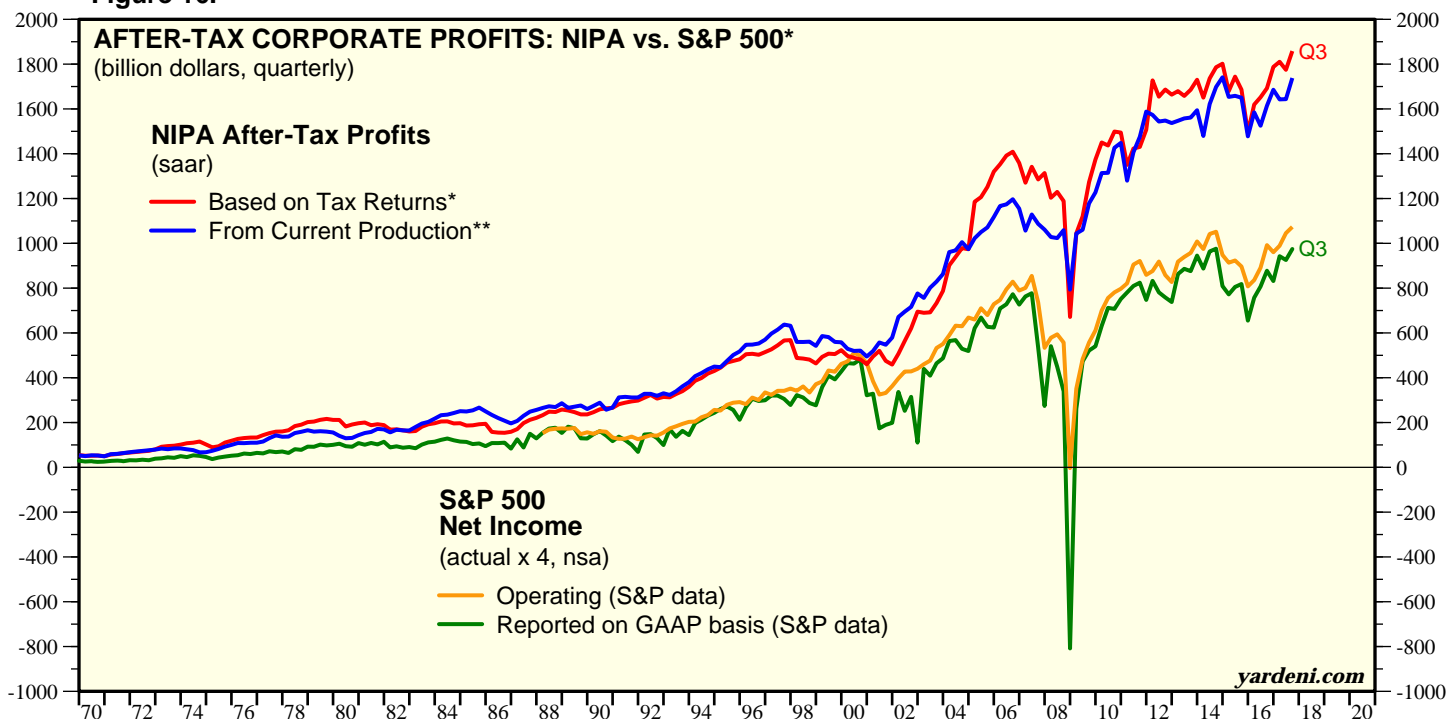
Figure 15.



* Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
 Source: Bureau of Economic Analysis and Board of Governors of the Federal Reserve System, Census Bureau and OECD.

Profits (NIPA vs. S&P)

Figure 16.

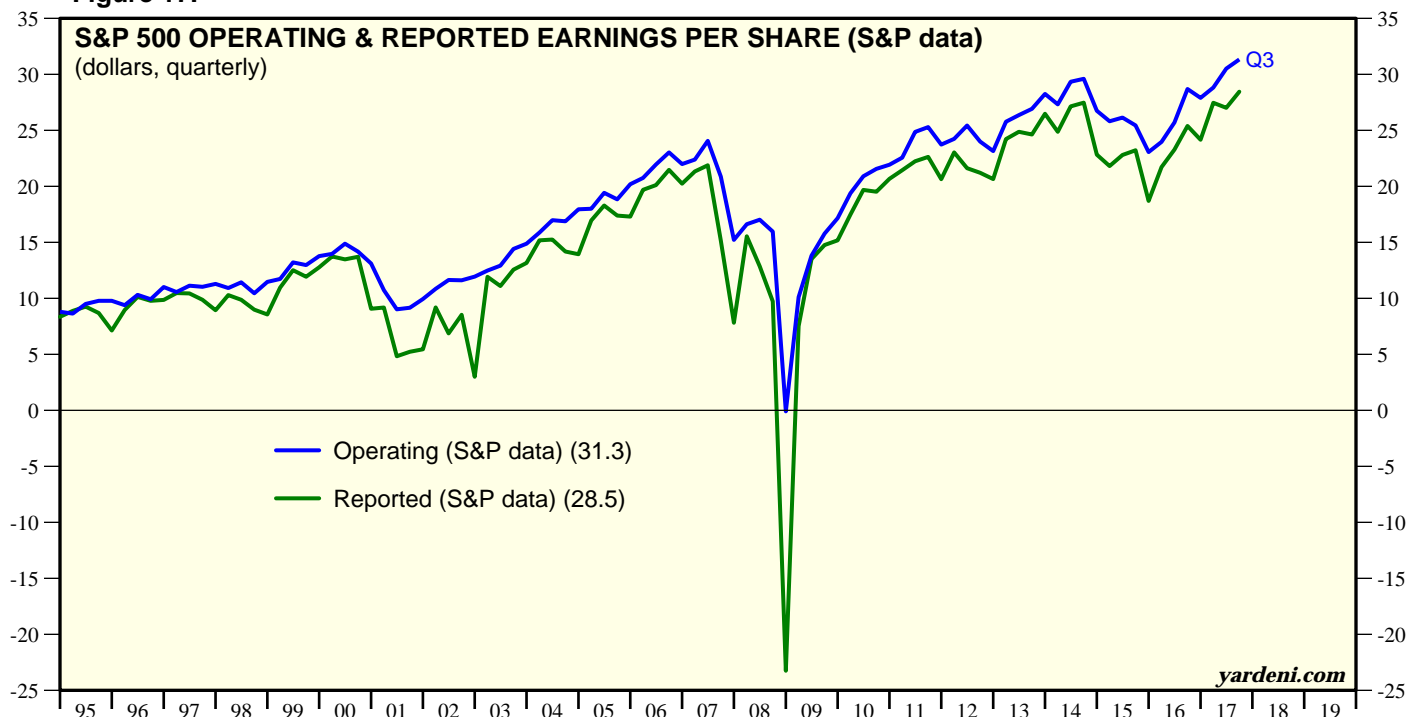


* Excluding IVA & CCadj.

** Including IVA & CCadj. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis and Standard & Poor's.

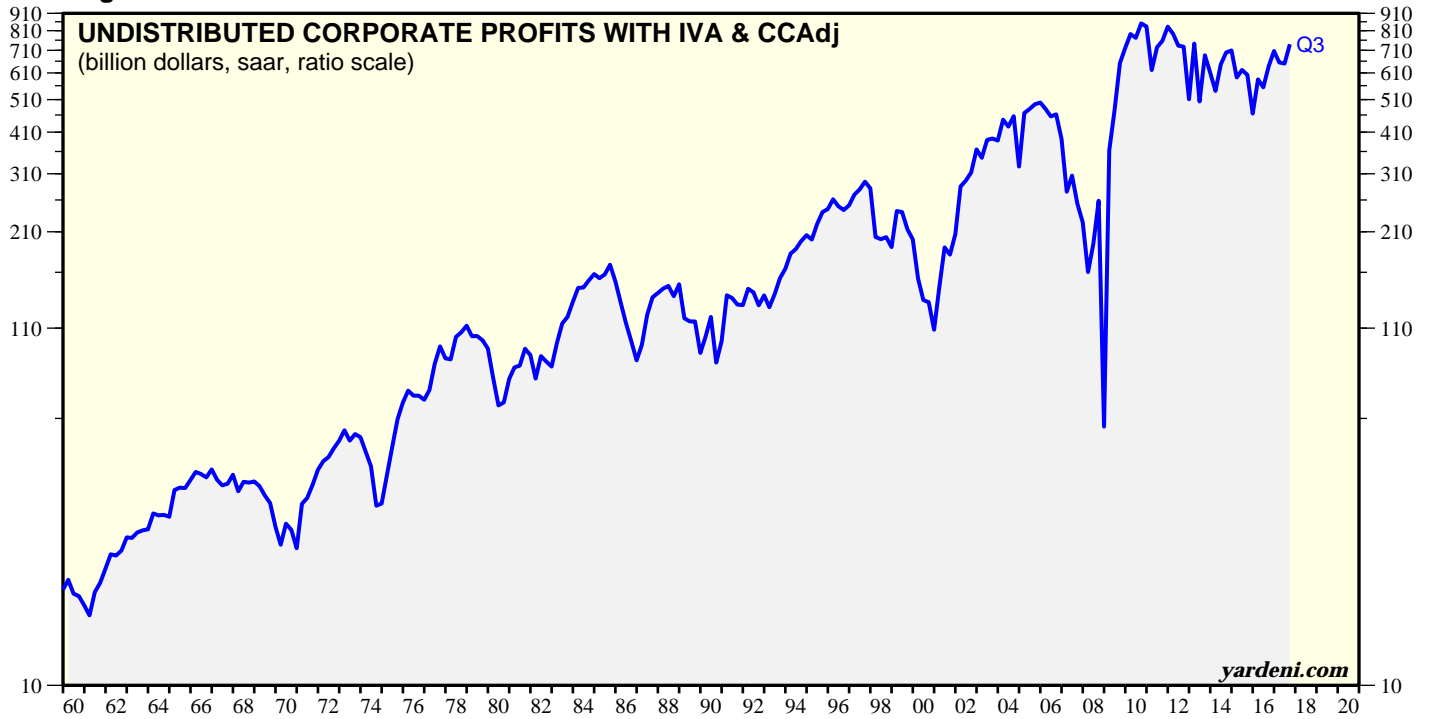
Figure 17.



Source: Standard & Poor's.

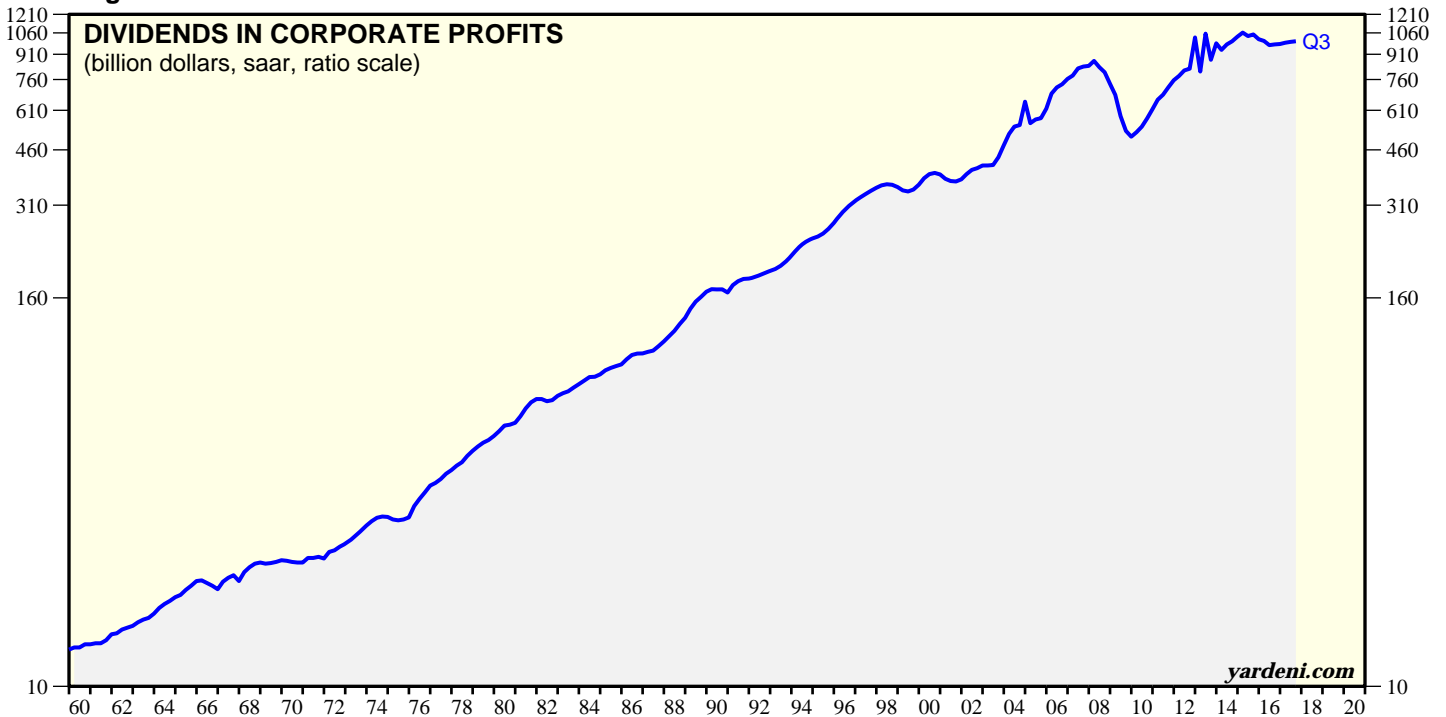
Retained Earnings & Dividends

Figure 18.



Source: Bureau of Economic Analysis.

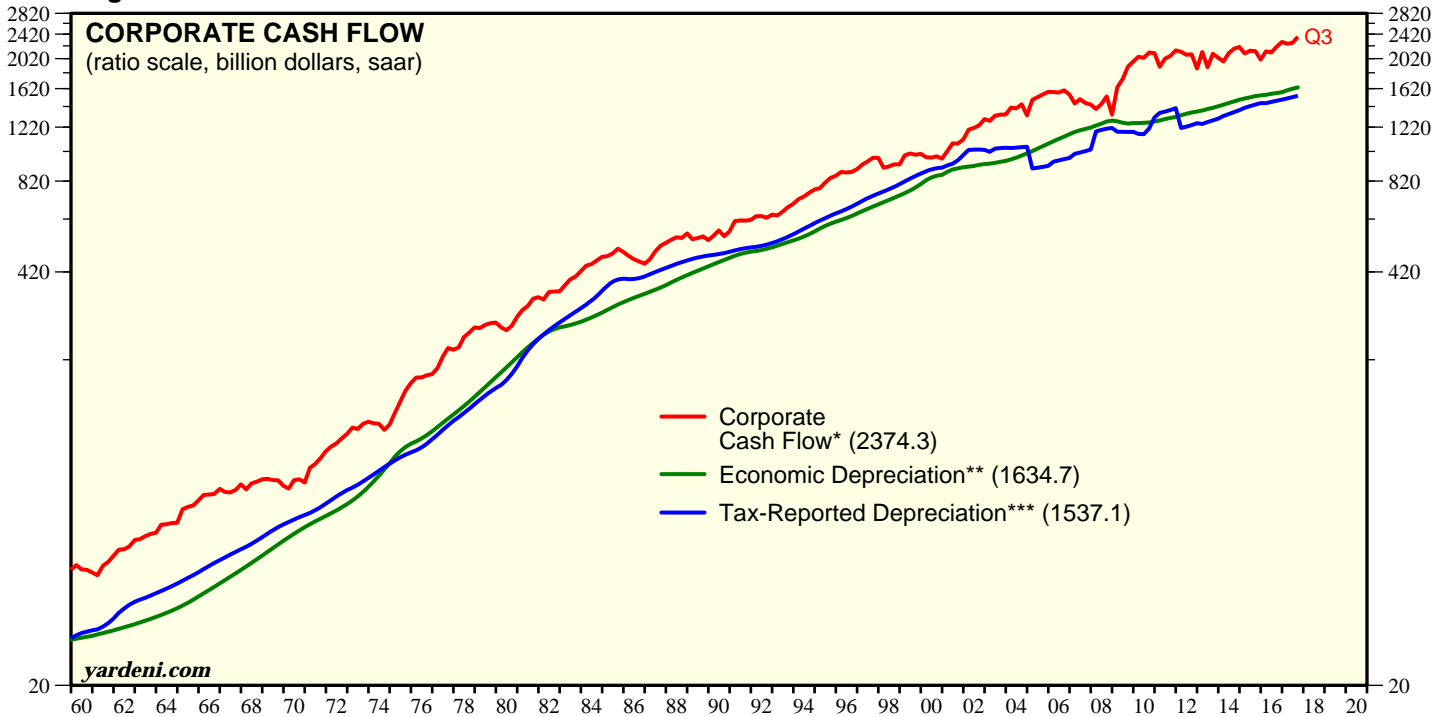
Figure 19.



Source: Bureau of Economic Analysis.

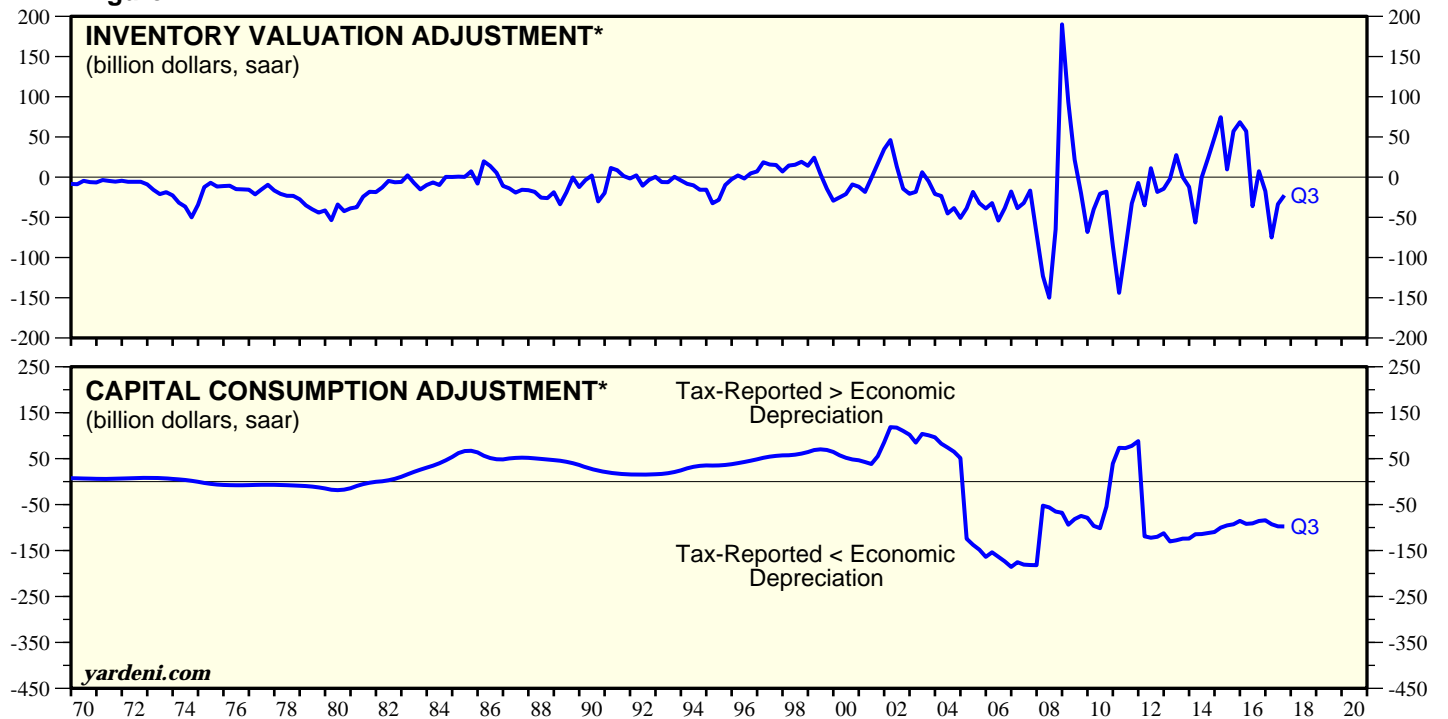
Cash Flow

Figure 20.



* After-tax retained earnings plus tax-reported depreciation.
 ** Corporate capital consumption allowances.
 *** Corporate capital consumption allowances with capital consumption adjustment.
 Source: US Department of Commerce, Bureau of Economic Analysis.

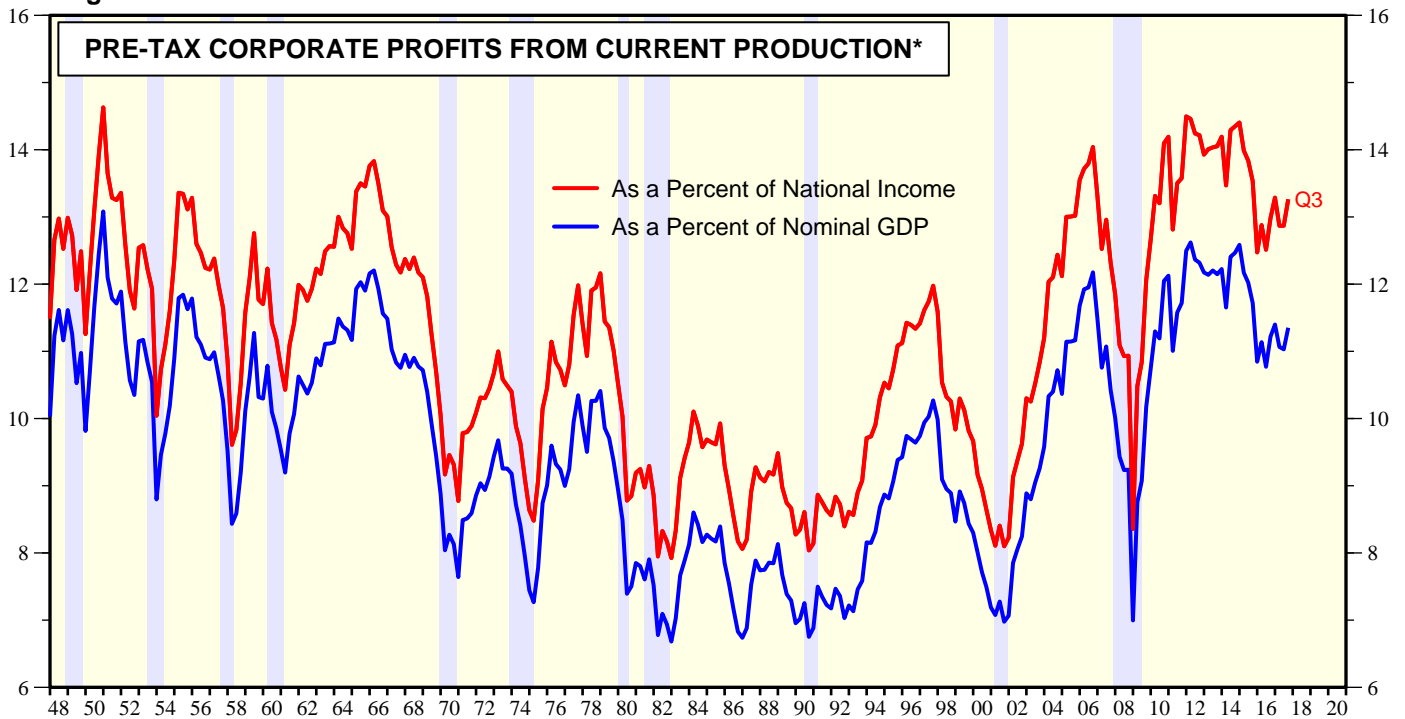
Figure 21.



* These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
 Source: Bureau of Economic Analysis.

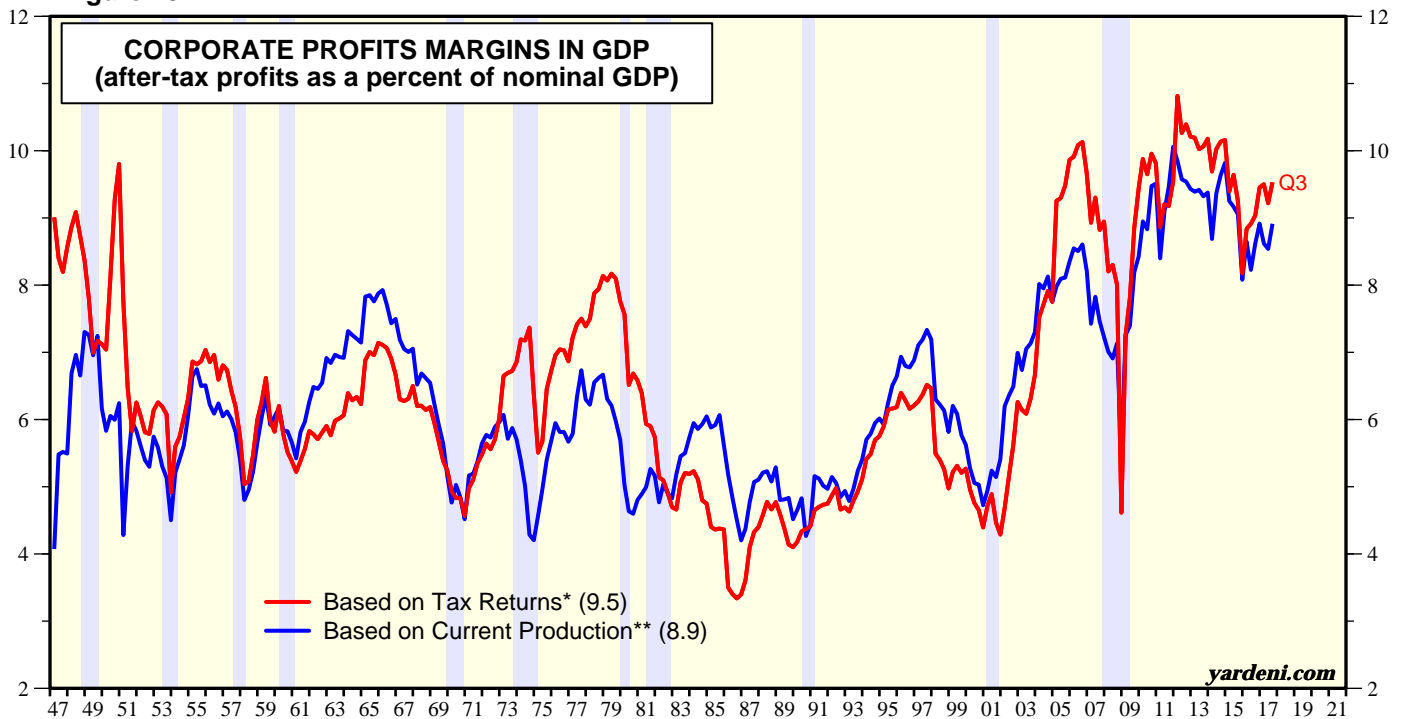
Profit Margin

Figure 22.



* Includes IVA & CCAdj. These two adjustments restate the historical-cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current-cost measures used in GDP.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Source: US Department of Commerce, Bureau of Economic Analysis.

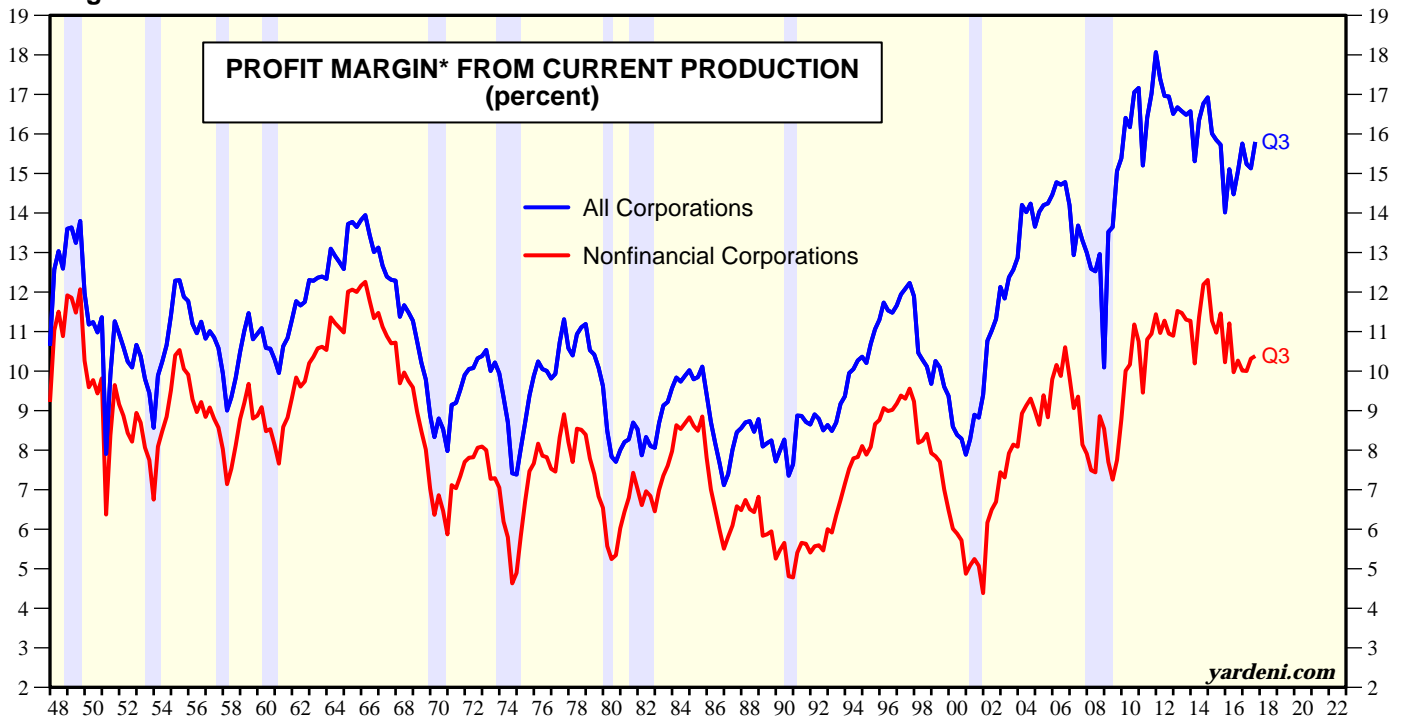
Figure 23.



Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
 * Excluding IVA & CCAdj.
 ** Including IVA & CCAdj. These two adjustments restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
 Source: Bureau of Economic Analysis.

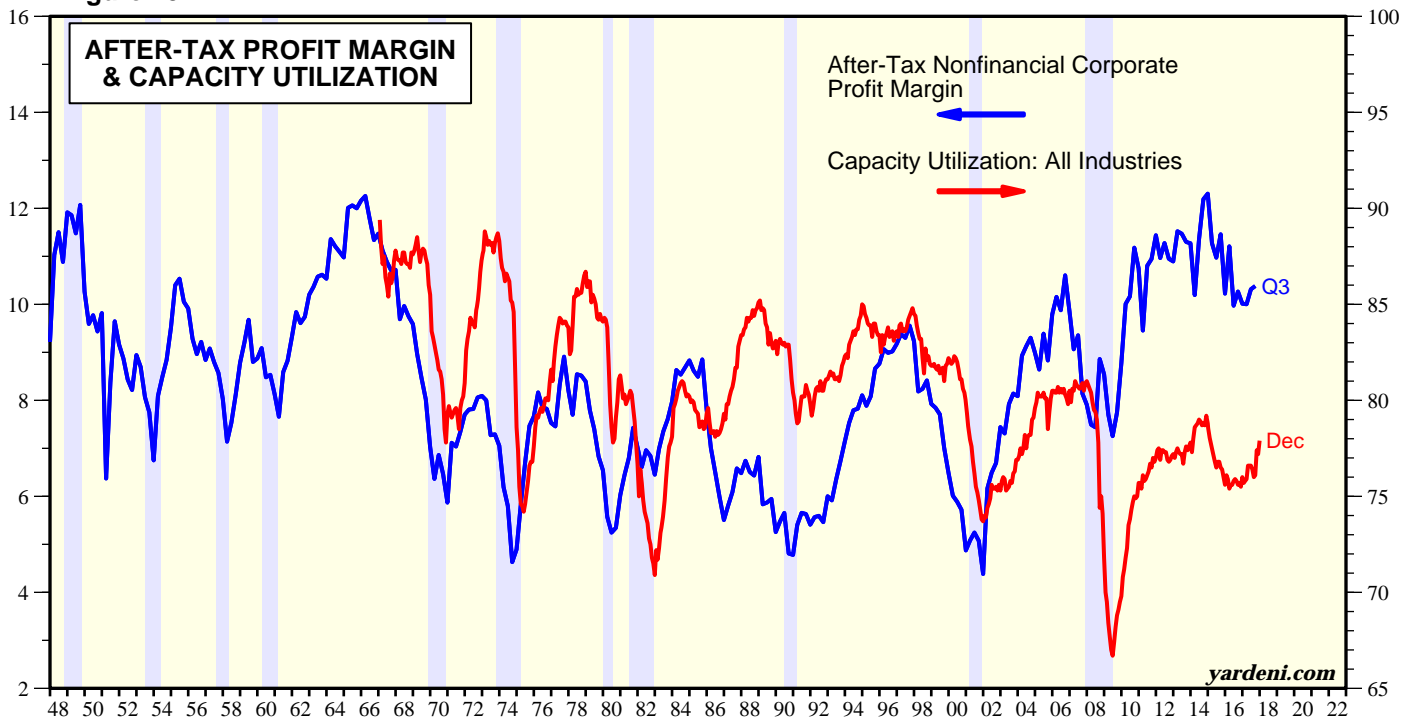
Profit Margin

Figure 24.



* After-tax profits including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj) divided by Gross Value Added of Corporate Business.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research, which determined that a peak in business activity occurred in the U.S. economy in March 2001.
 Source: US Department of Commerce, Bureau of Economic Analysis.

Figure 25.



Source: Federal Reserve Board and US Department of Commerce, Bureau of Economic Analysis.

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