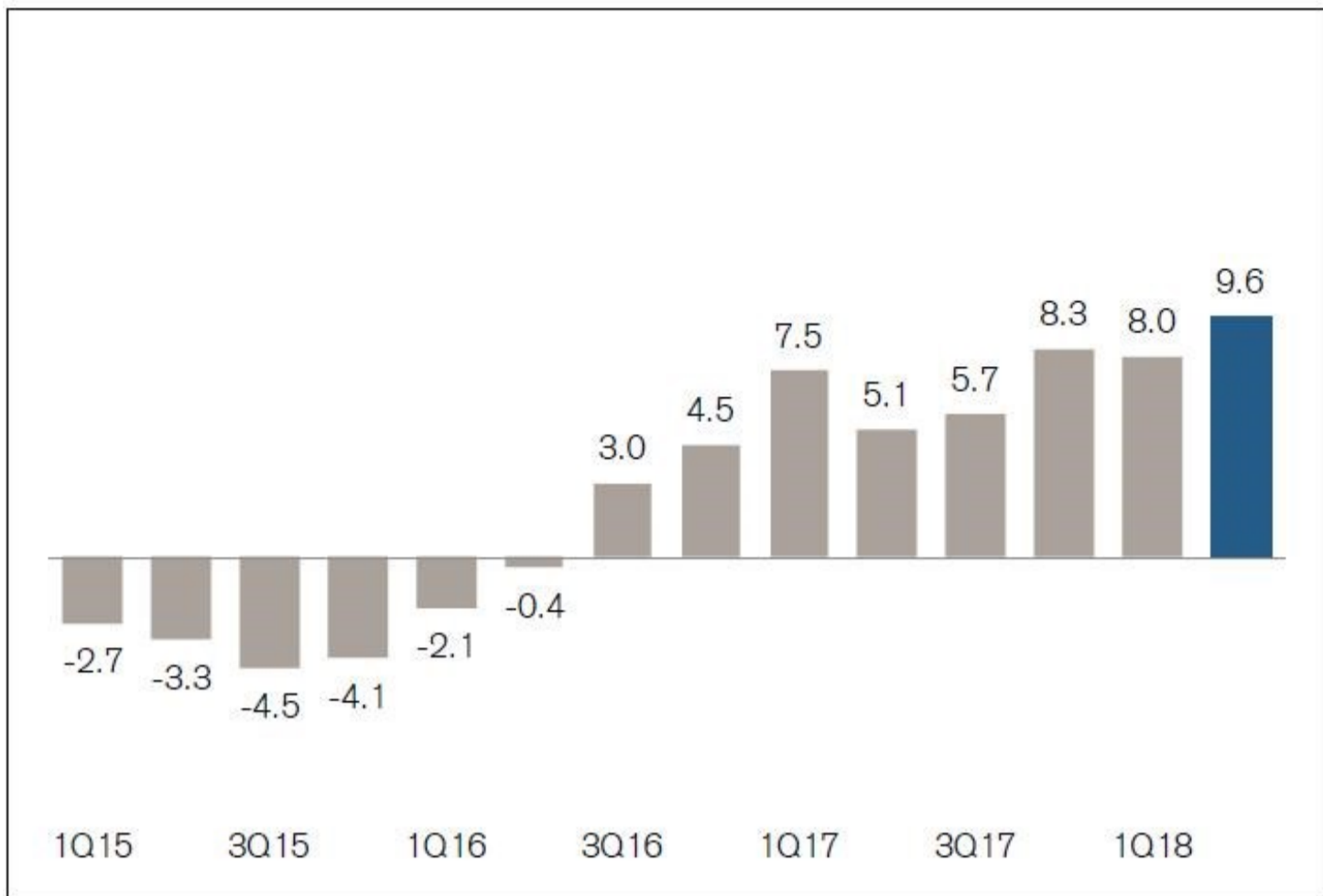


CHART OF THE MONTH

AUGUST 2018

S&P 500 Revenue Growth %



Note: YoY growth of current constituents; blend of unreported and reported numbers where available
 Source: Standard & Poor's, Thomson Financial, FactSet, Credit Suisse

The stock market increased in April, May, June, and July, and is up once again for the first three weeks of August, all for good reason as corporations have reported outstanding results this year.

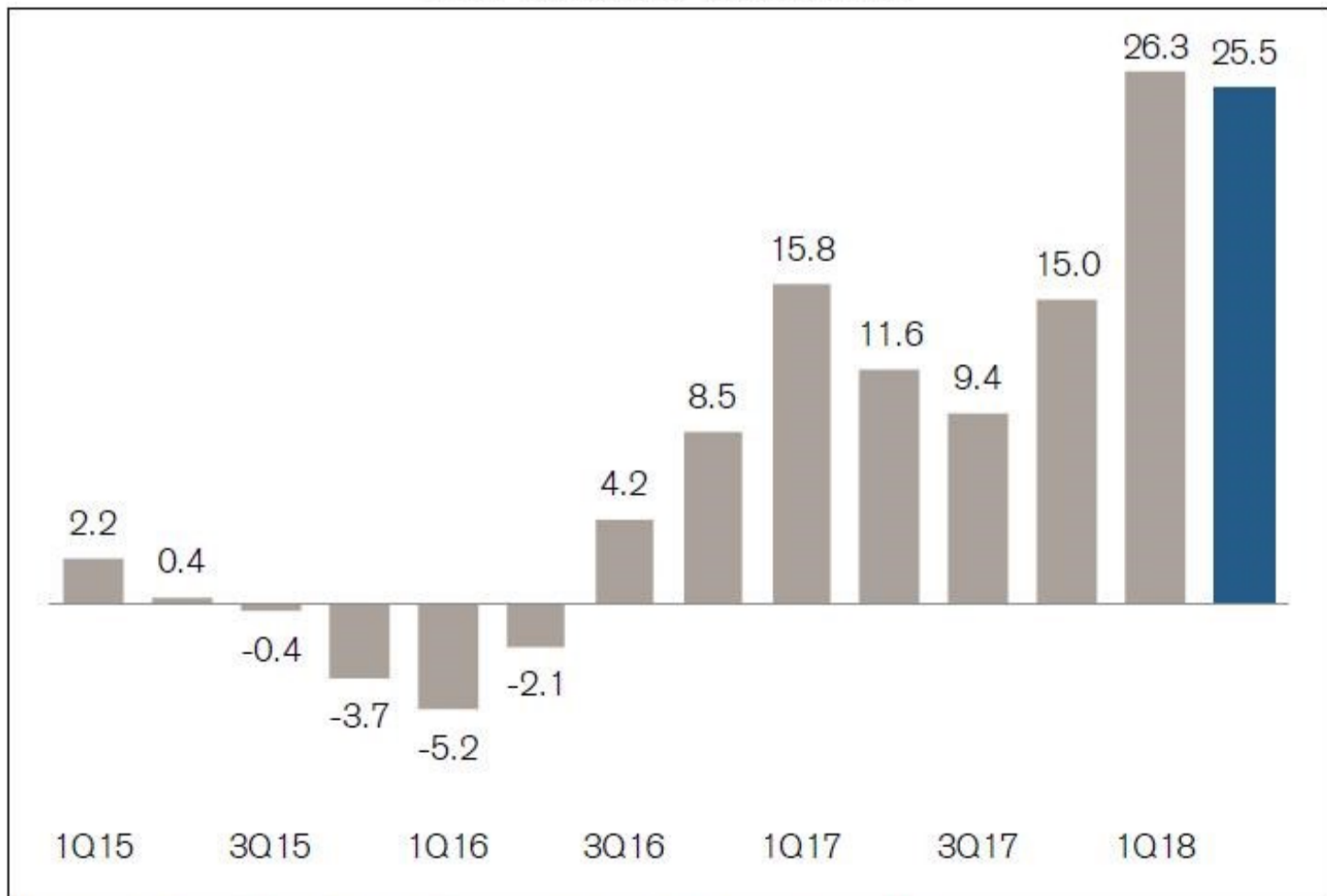
As shown in the two bar charts, the S&P 500 reported revenue and EPS growth of 9.6% and 25.5%, respectively, for the second quarter. The sales growth is the strongest since the 3Q 2011 and the earnings growth is the second highest since 3Q 2010 (falling just short of the 26.3% in 1Q 2018). In addition, the EPS growth is the third consecutive quarter of at least 15% and the fifth out of the past six with double-digit or better.

The recent top- and bottom-line results stand in stark contrast to 2015 and 2016 when companies were reporting year-over-year declines in revenues and flat-to-lower net income. Earnings, in fact, peaked in 2014 and didn't turn up until the second half of 2016. They gained momentum in 2017 and have spiked in 2018.

While corporate tax cuts have been a major tailwind to earnings this year, we estimate that EPS grew a still remarkable 17.4% excluding the tax benefits. Of note, the U.S. is outpacing the rest of the world in revenue and earnings growth. To wit, the S&P 500 is delivering more than 50% faster revenue growth than the EAFE (Europe, Australasia, and Far East) index, three times the earnings growth, and more than two times the earnings growth without the tax benefits.

For what it's worth, in the ten years when the S&P 500 has advanced in April, May, June, and July since 1950, the final five months have produced a positive return in every instance with an average gain of 9.5%. Yes, the market finished the year higher 100% of the time. Although the past is no guarantee of future performance, the results thus far in August, coupled with the expectations for high-single-digit revenue growth and high-teens to perhaps 20% earnings growth in the second half of the year, may be setting the stage to make 2018 the 11th year (out of 11 since 1950) in which the market generated further gains after climbing in April, May, June, and July.

S&P 500 EPS Growth %



Note: YoY growth of current constituents; blend of unreported and reported numbers where available
 Source: Standard & Poor's, Thomson Financial, FactSet, Credit Suisse