

MRB Corporate Profits

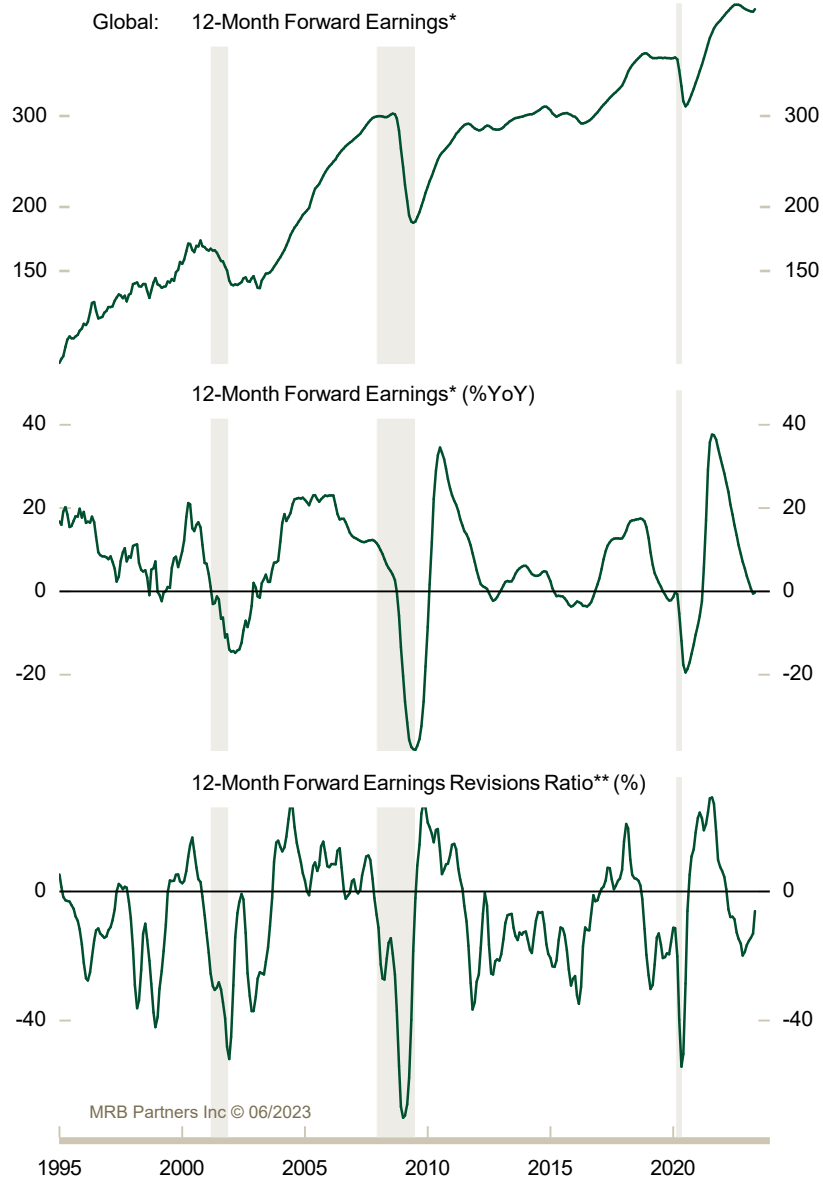
June 2023

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Highlights:

- Global 12-month forward earnings edged up modestly in May, underscoring their resilience even as U.S. recession fears linger. The U.S. and global ex-U.S. benchmarks show a similar forward earnings profile.
- Forward earnings momentum (the year-over-year growth rate) has fully unwound the 2020-2021 rebound phase. If the global economic expansion continues as we expect, then there should only be modest further downside for global forward earnings momentum.
- The upturn in the global earnings revisions ratio, while still tentative, lends credence to the notion that earnings growth momentum has limited downside. However, even if that is the case it does not imply that an imminent upturn in the level of forward earnings looms.
- It is noteworthy that while U.S. earnings are elevated by historical standards, the recent upturn in the U.S. earnings revisions ratio has been stronger than for the rest of the world in aggregate.
- We also note that earnings revisions ratios for the euro area, Germany, Sweden and Switzerland have climbed into positive territory, i.e. there are now more upgrades than downgrades, auguring favorably for earnings momentum.
- Earnings revisions ratios for Canada, emerging markets, Japan and the U.K. are comparatively weak, with net downgrades.
- Any upturn in earnings, however, will likely have a limited horizon since global return on equity remains very elevated by historical terms, despite having declined modestly in the past year. Global return on equity is consistent with our thesis that late-cycle economic and capital market conditions prevail.

Global

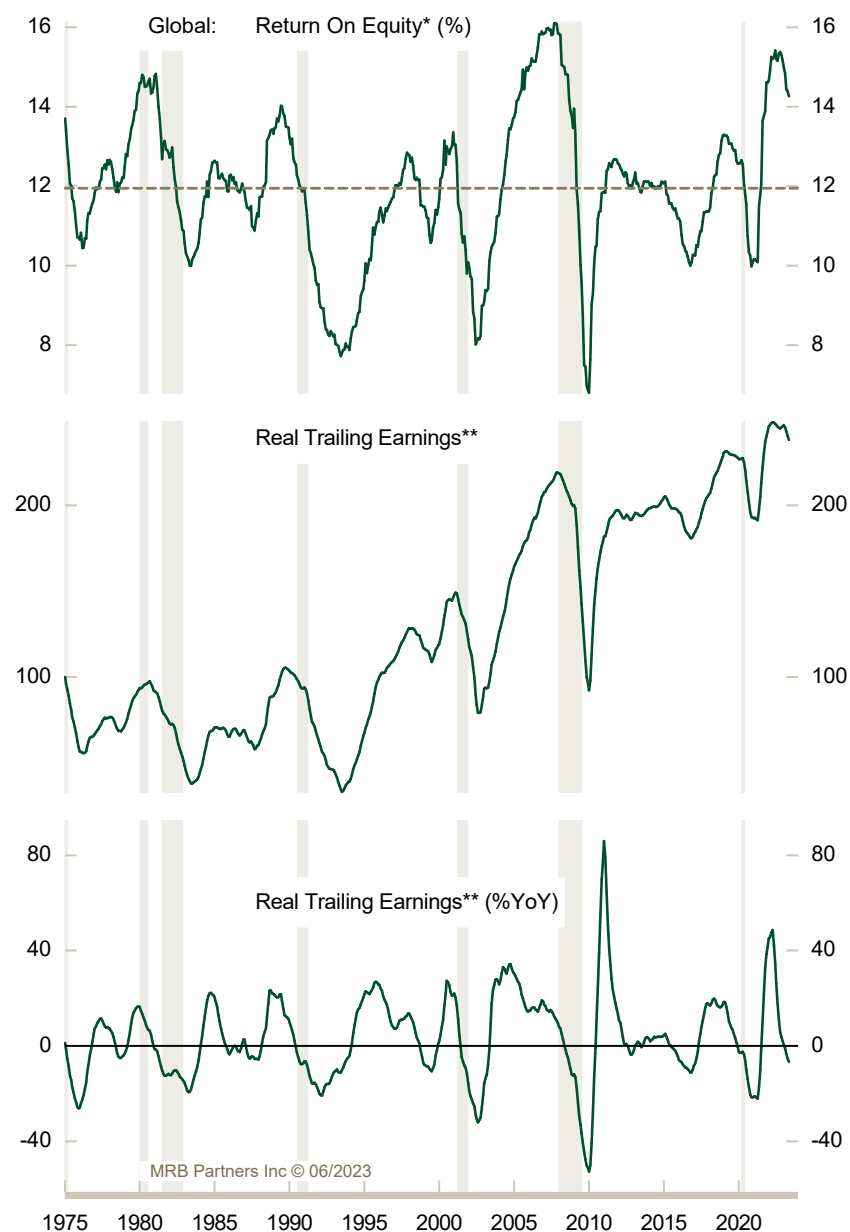


* Local currency; rebased to January 1995 = 100; source: MSCI

** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

Note: Shaded for NBER-designated U.S. recessions

Global

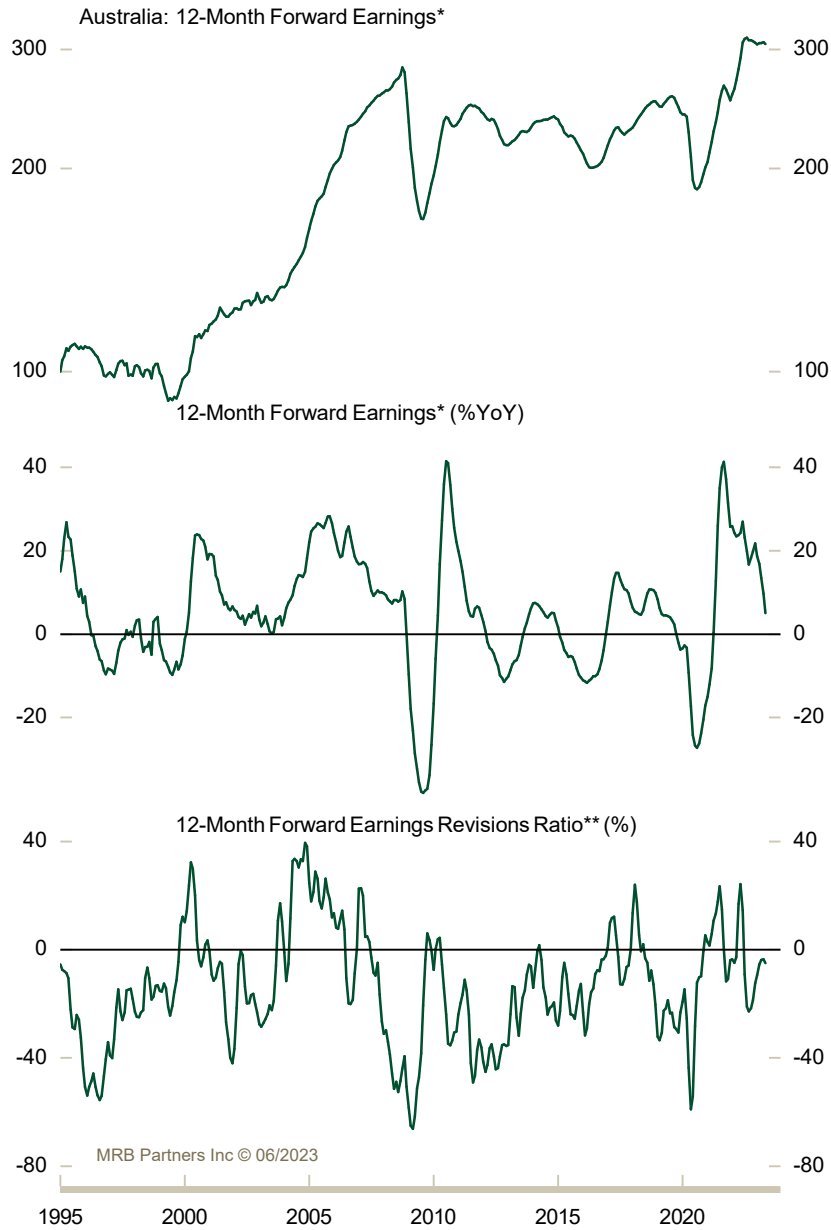


* Source: MSCI

** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI

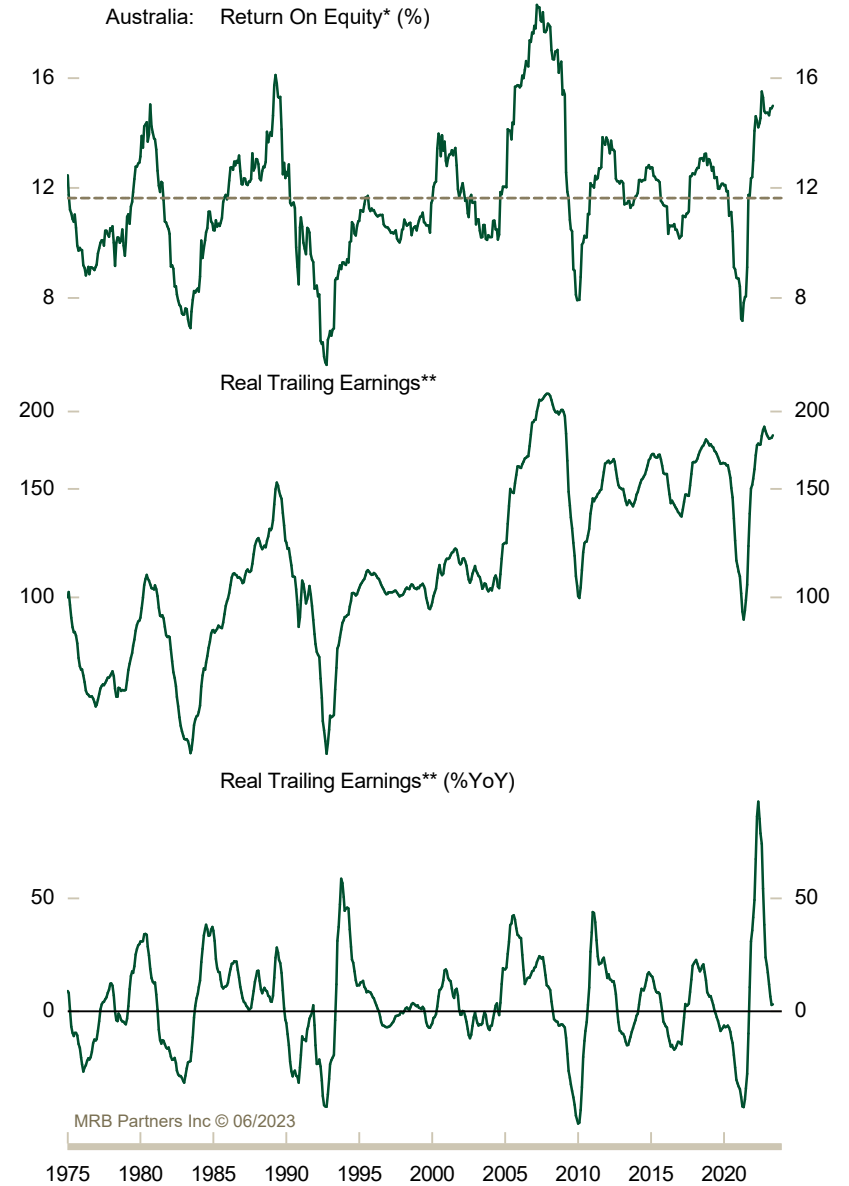
Note: Shaded for NBER-designated U.S. recessions

Australia



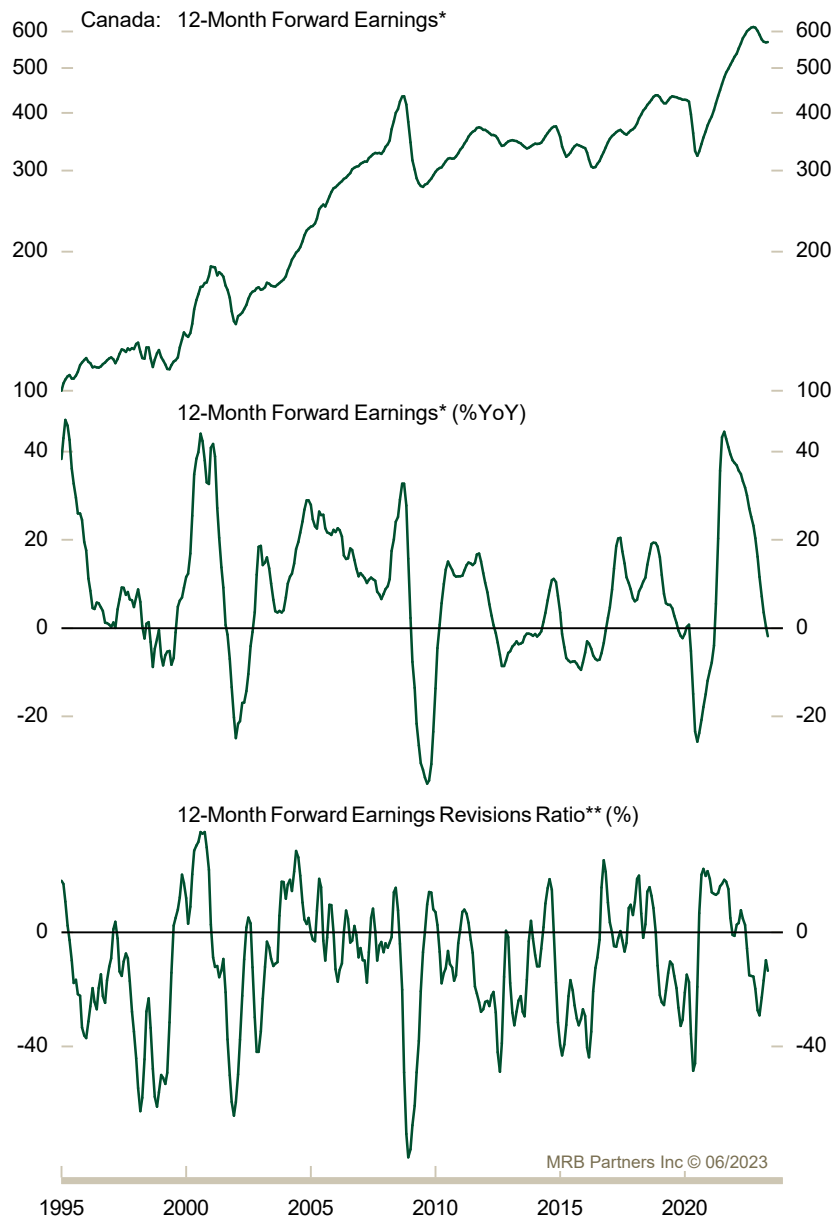
* Local currency; rebased to January 1995 = 100; source: MSCI
 ** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

Australia



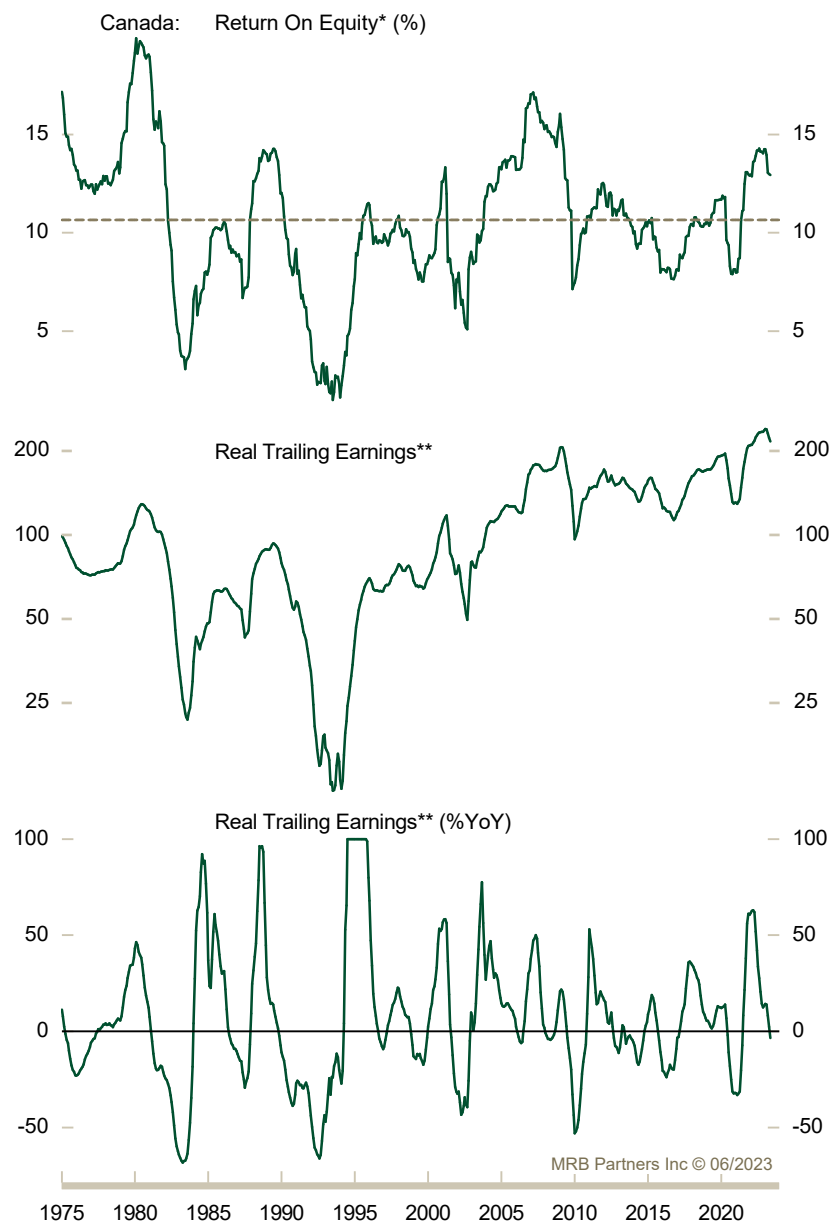
* Source: MSCI
 ** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI

Canada



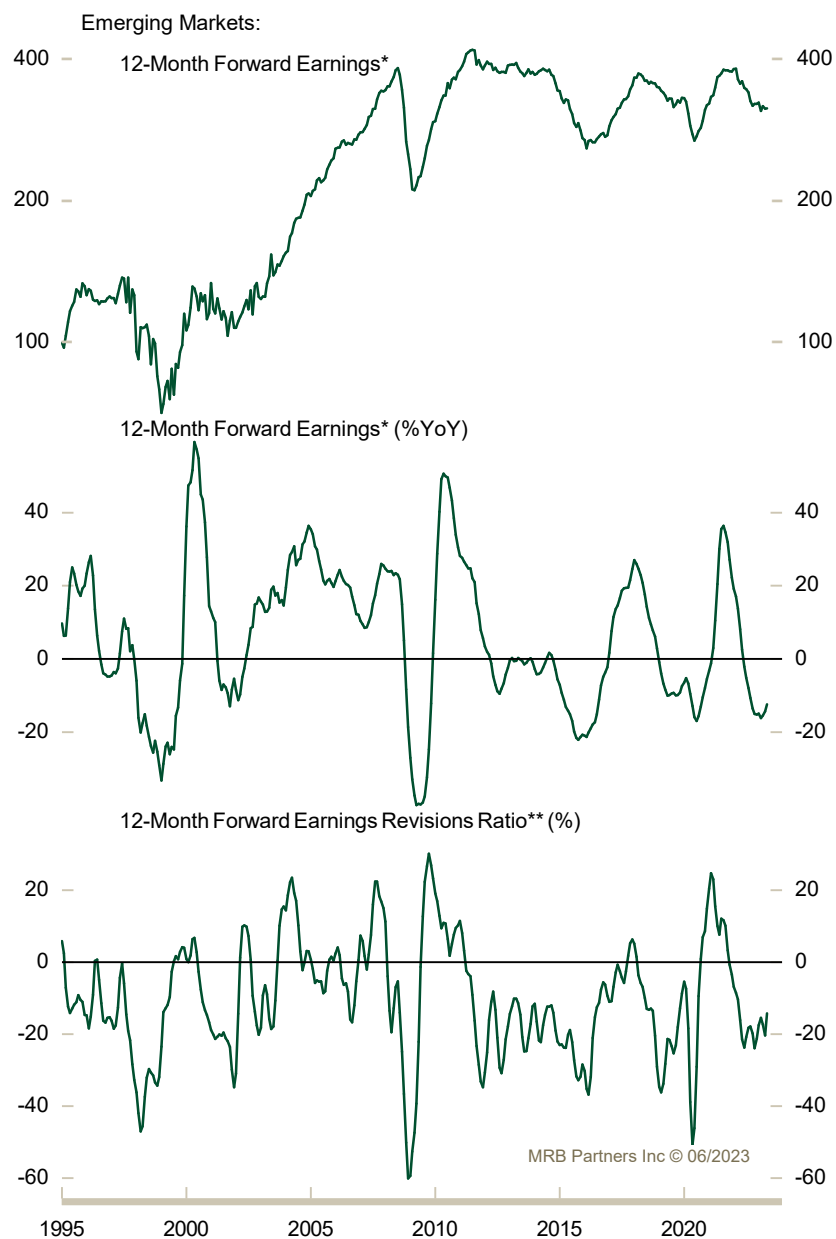
* Local currency; rebased to January 1995 = 100; source: MSCI
 ** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

Canada



* Source: MSCI
 ** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI

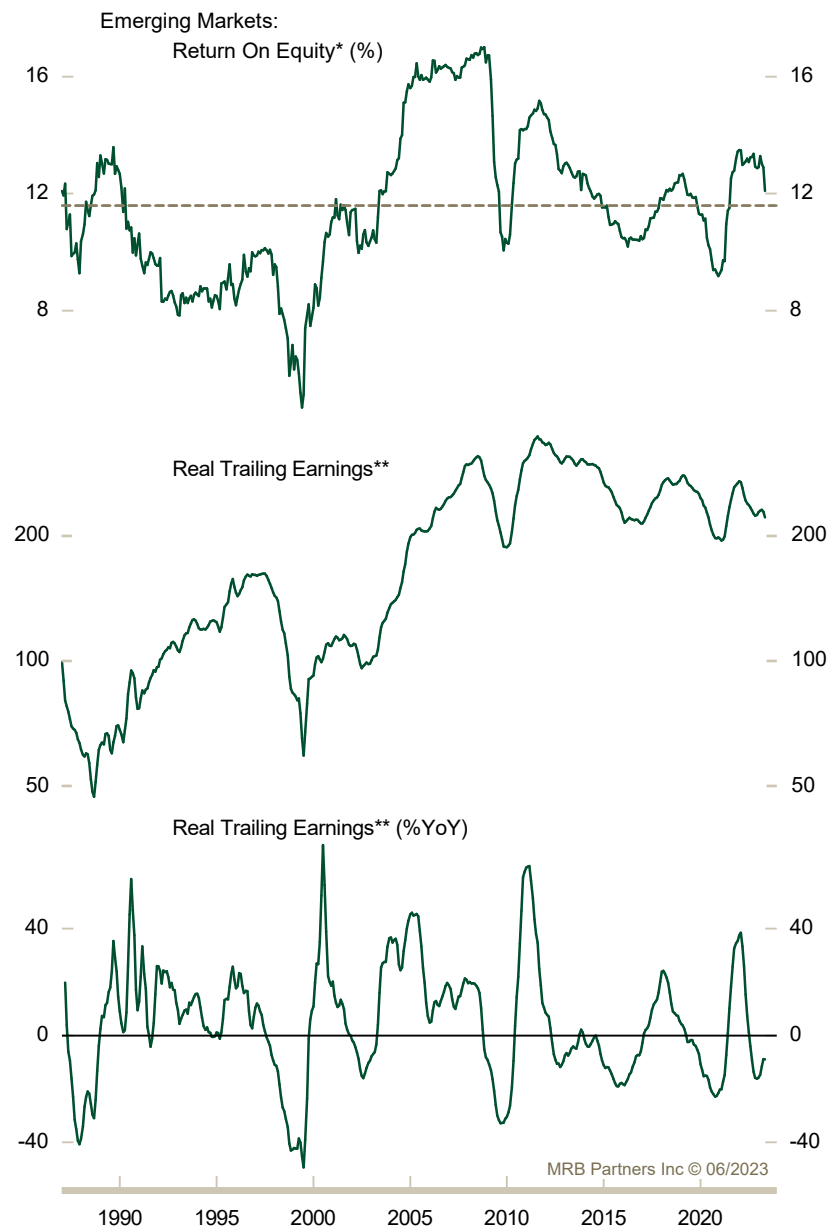
Emerging Markets



* U.S. dollars; rebased to January 1995 = 100; source: MSCI

** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

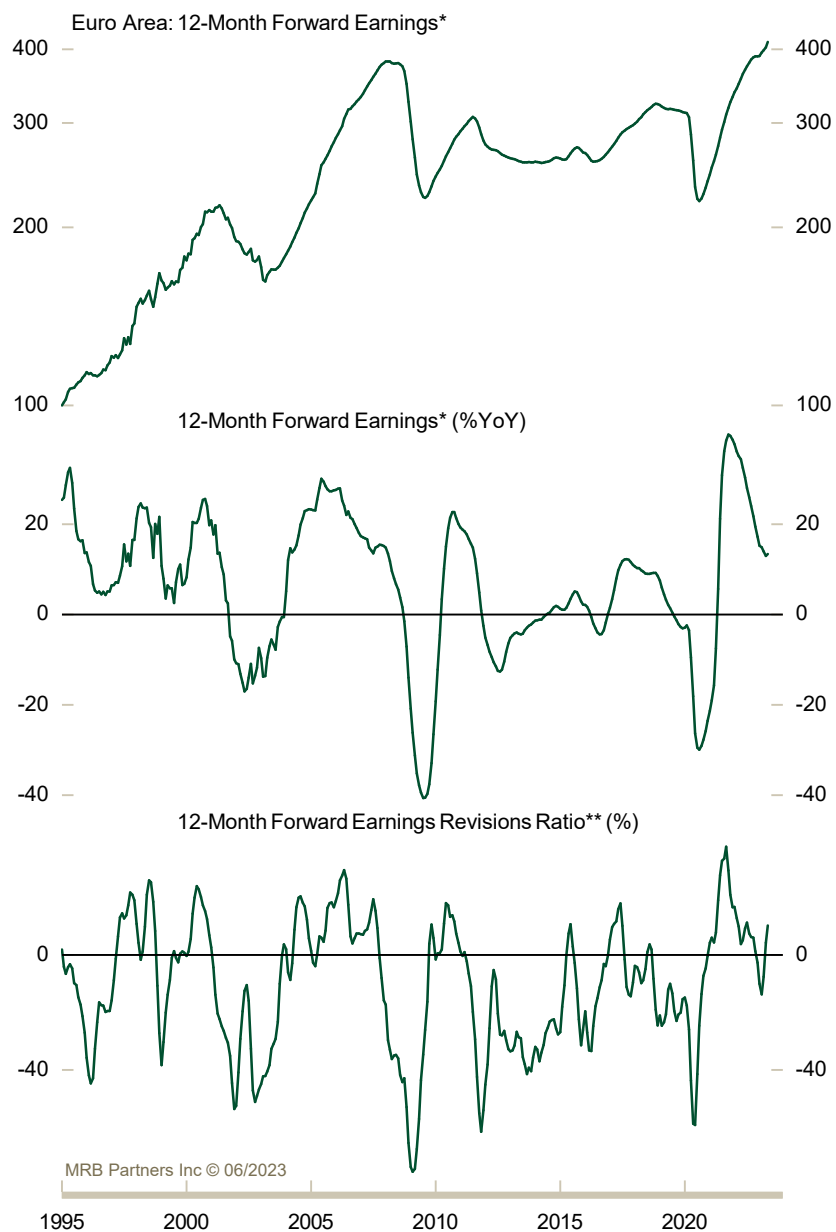
Emerging Markets



* Source: MSCI

** Deflated by headline U.S. CPI; rebased to January 1987 = 100; U.S. dollars; smoothed; source: MSCI

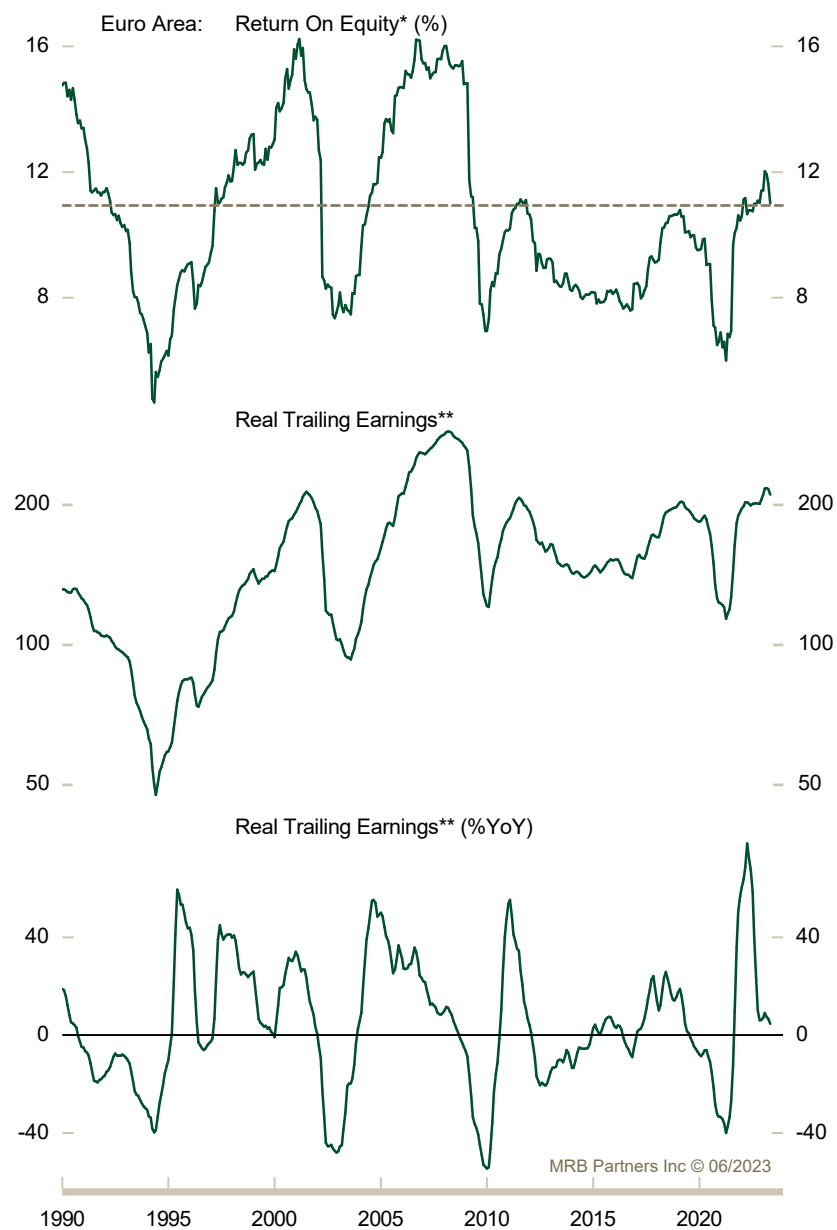
Euro Area



* Local currency; rebased to January 1995 = 100; source: MSCI

** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

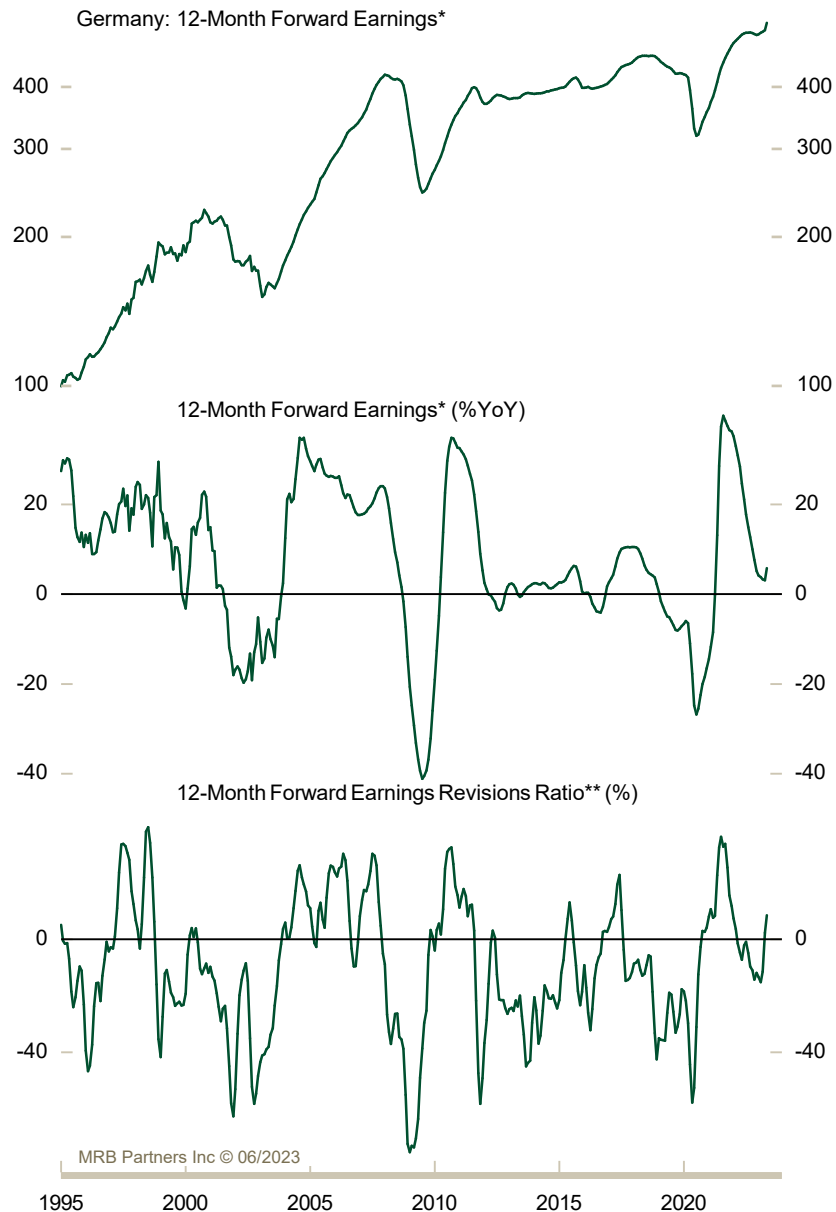
Euro Area



* Source: MSCI

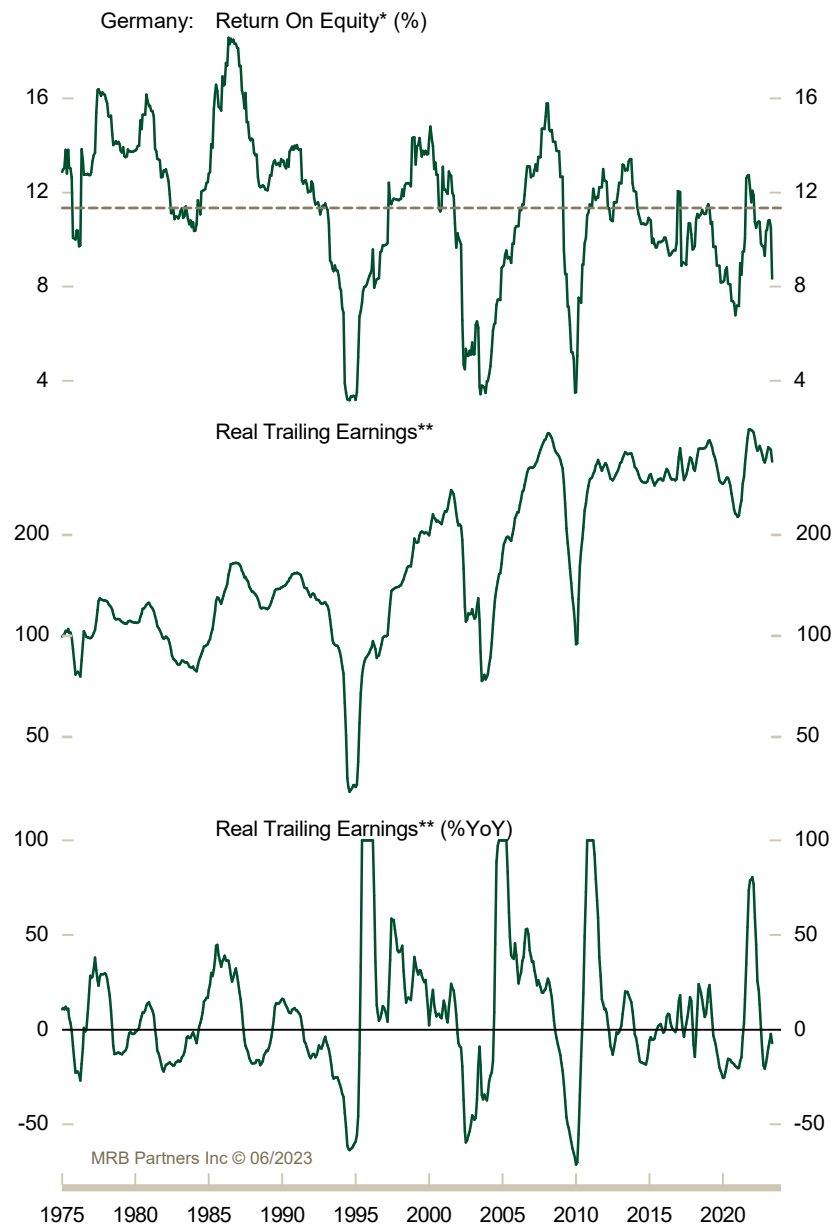
** Deflated by headline CPI; rebased to March 1990 = 100; local currency; smoothed; source: MSCI

Germany



* Local currency; rebased to January 1995 = 100; source: MSCI
 ** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

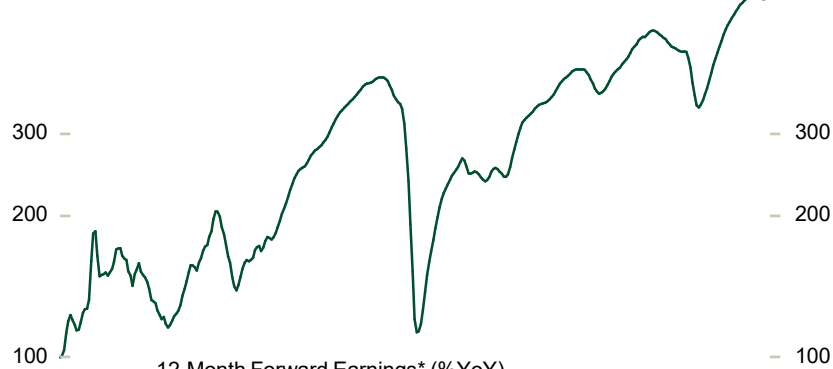
Germany



* Source: MSCI
 ** Deflated by headline CPI; rebased; local currency; smoothed;
 source: MSCI
 Note: Panel 3 truncated above 100

Japan

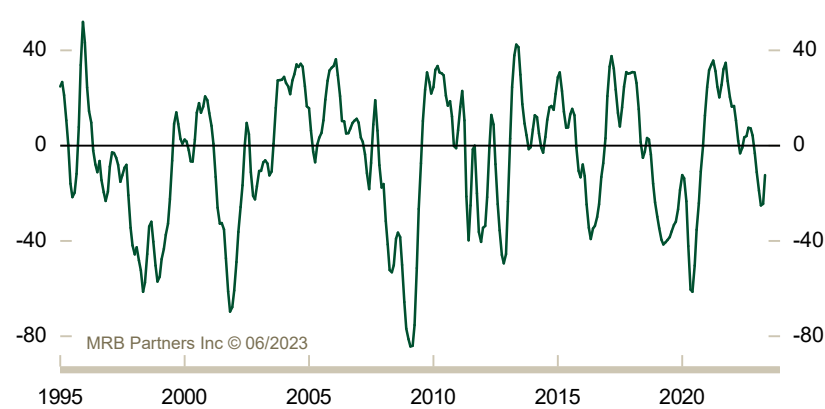
Japan: 12-Month Forward Earnings*



12-Month Forward Earnings* (%YoY)



12-Month Forward Earnings Revisions Ratio** (%)

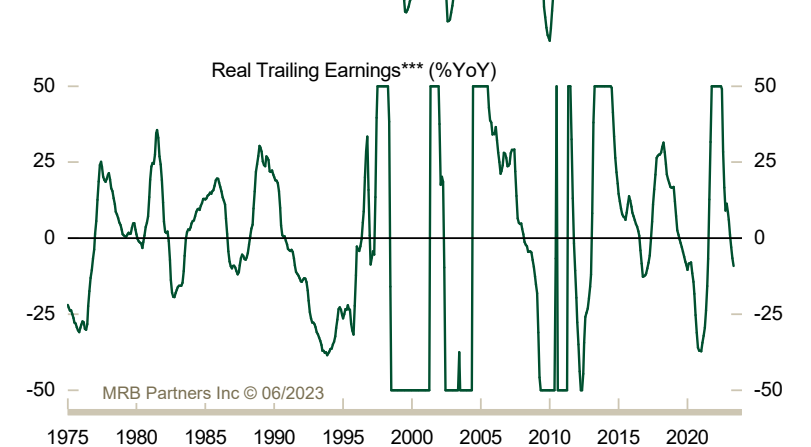
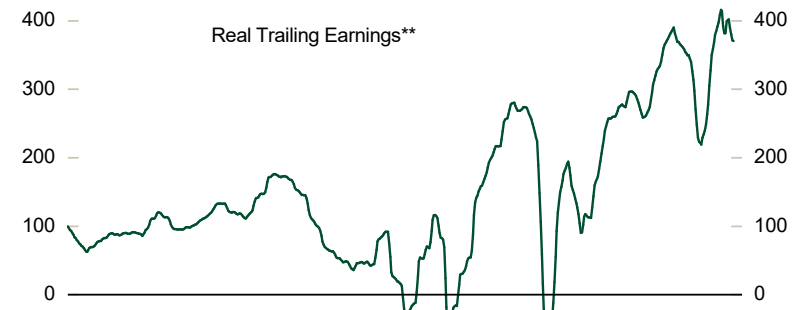
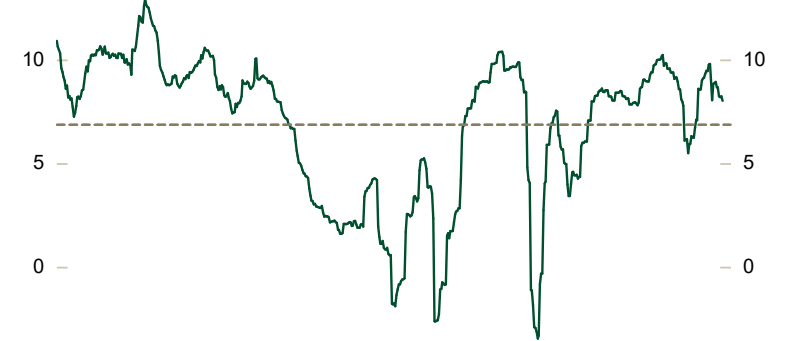


* Local currency; rebased to January 1995 = 100; source: MSCI

** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

Japan

Japan: Return On Equity* (%)



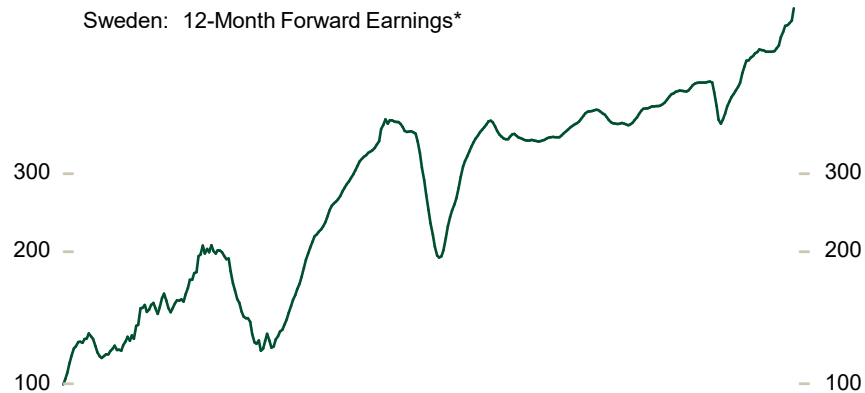
* Source: MSCI

** Deflated by headline CPI; rebased to December 1975 = 100; local currency; smoothed; source: MSCI

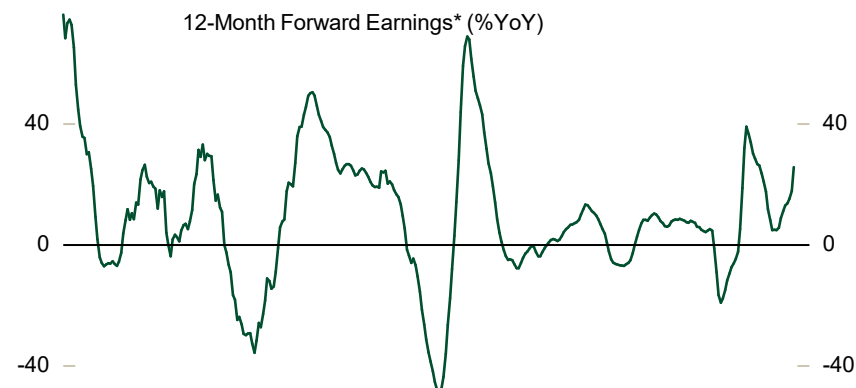
*** Truncated at 50 and -50; deflated by headline CPI; local currency; smoothed; source: MSCI

Sweden

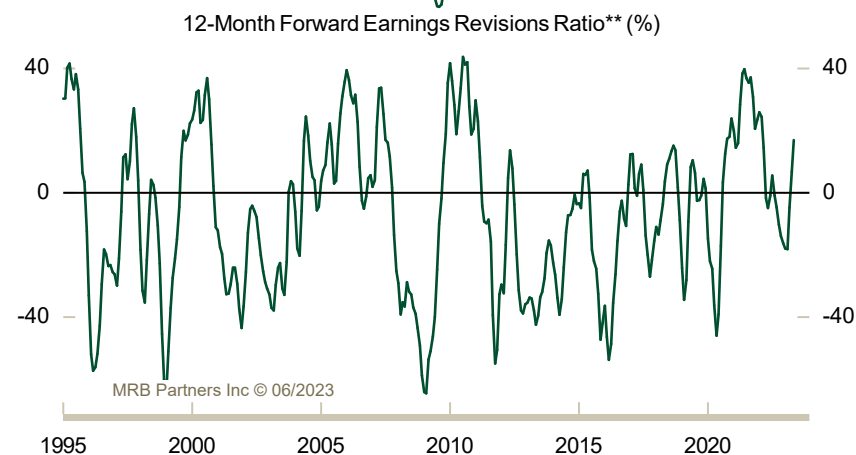
Sweden: 12-Month Forward Earnings*



12-Month Forward Earnings* (%YoY)



12-Month Forward Earnings Revisions Ratio** (%)



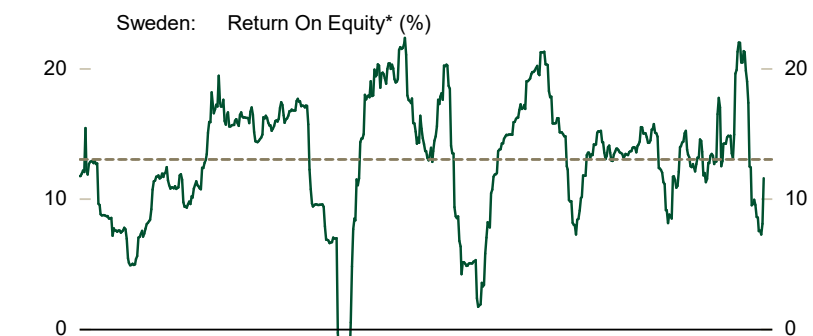
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* Local currency; rebased to January 1995 = 100; source: MSCI

** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

Sweden

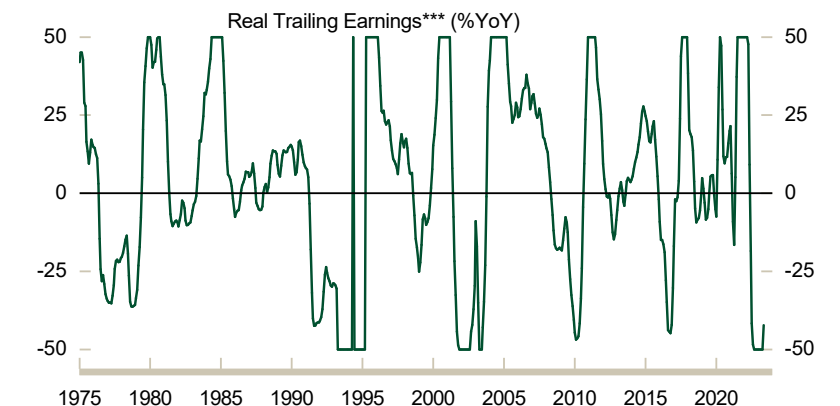
Sweden: Return On Equity* (%)



Real Trailing Earnings**



Real Trailing Earnings*** (%YoY)



* Source: MSCI

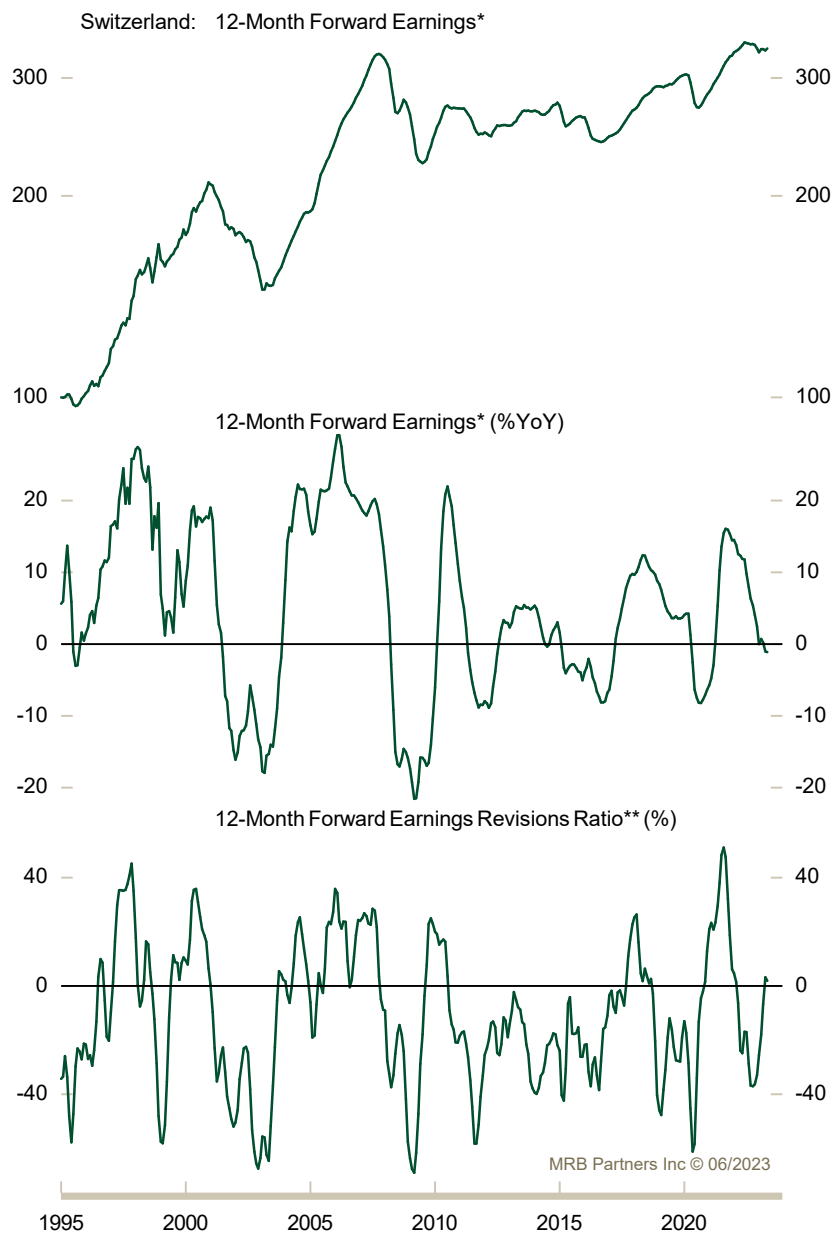
** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI

*** Truncated at 50 and -50; deflated by headline CPI; local currency; smoothed; source: MSCI

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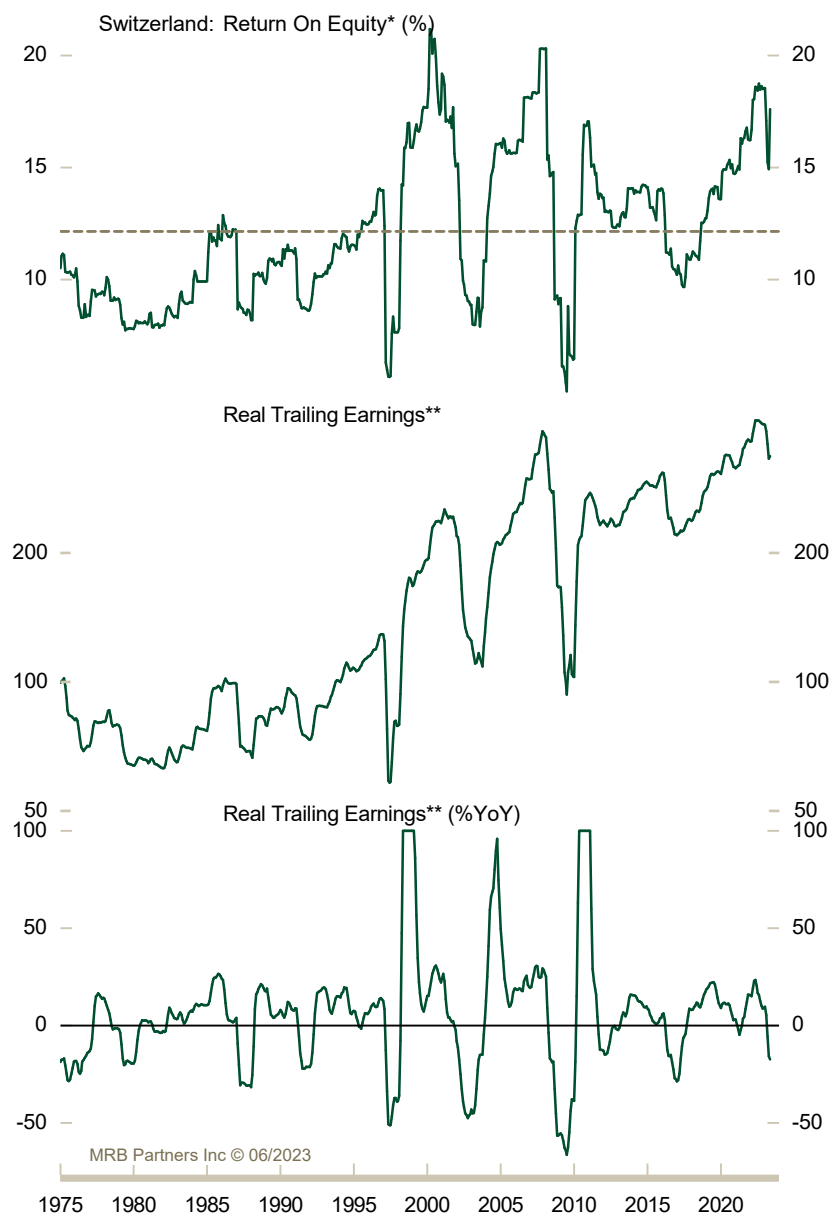
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Switzerland



* Local currency; rebased to January 1995 = 100; source: MSCI
 ** Projected 12-Month Earnings: Forward / Trailing; truncated at 50; source: MSCI
 **Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

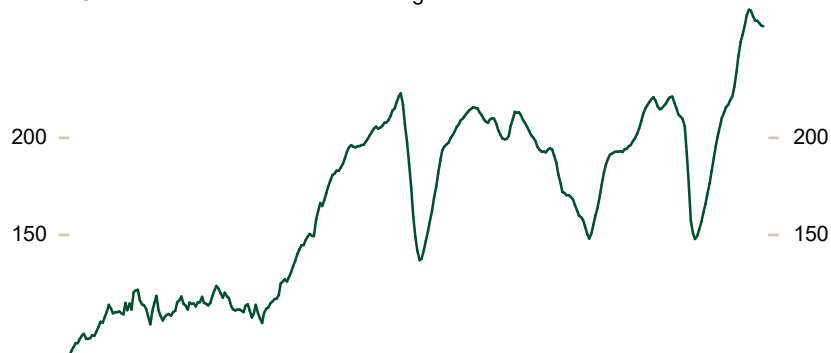
Switzerland



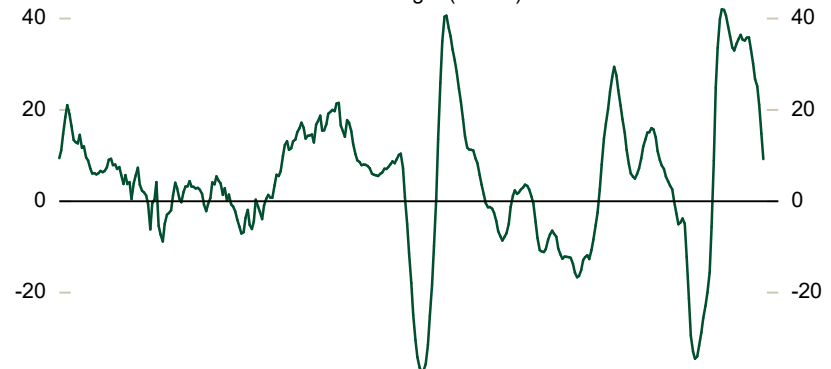
* Source: MSCI
 ** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI
 Note: Panel 3 truncated above 100

U.K.

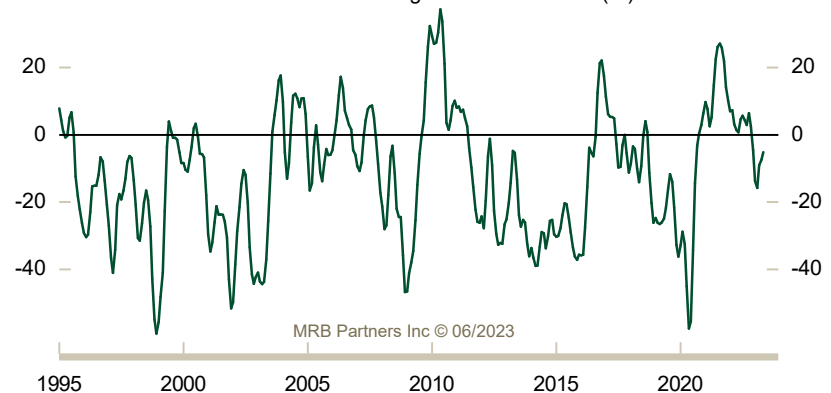
U.K.: 12-Month Forward Earnings*



12-Month Forward Earnings* (%YoY)



12-Month Forward Earnings Revisions Ratio** (%)



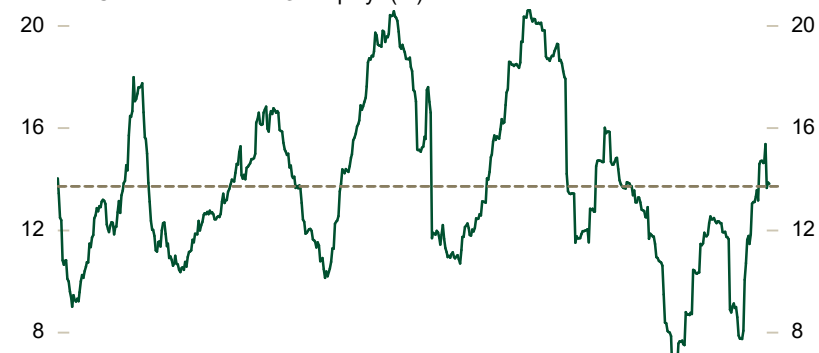
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* Local currency; rebased to January 1995 = 100; source: MSCI

** Net Revisions divided by total revisions, smoothed; source: Refinitiv I/B/E/S Global Aggregates

U.K.

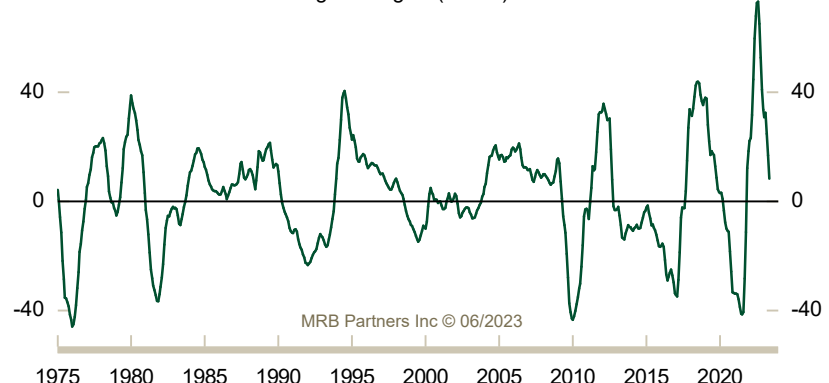
U.K.: Return On Equity* (%)



Real Trailing Earnings**



Real Trailing Earnings** (%YoY)

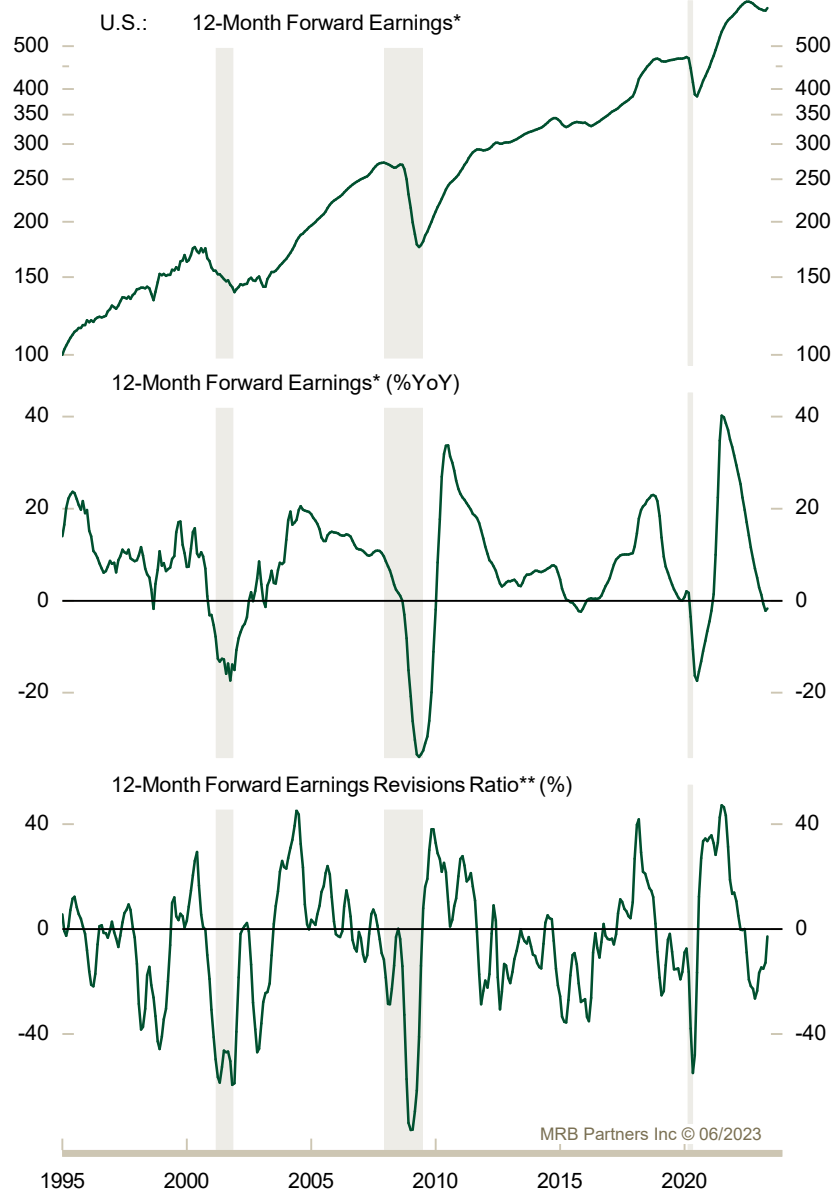


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* Source: MSCI

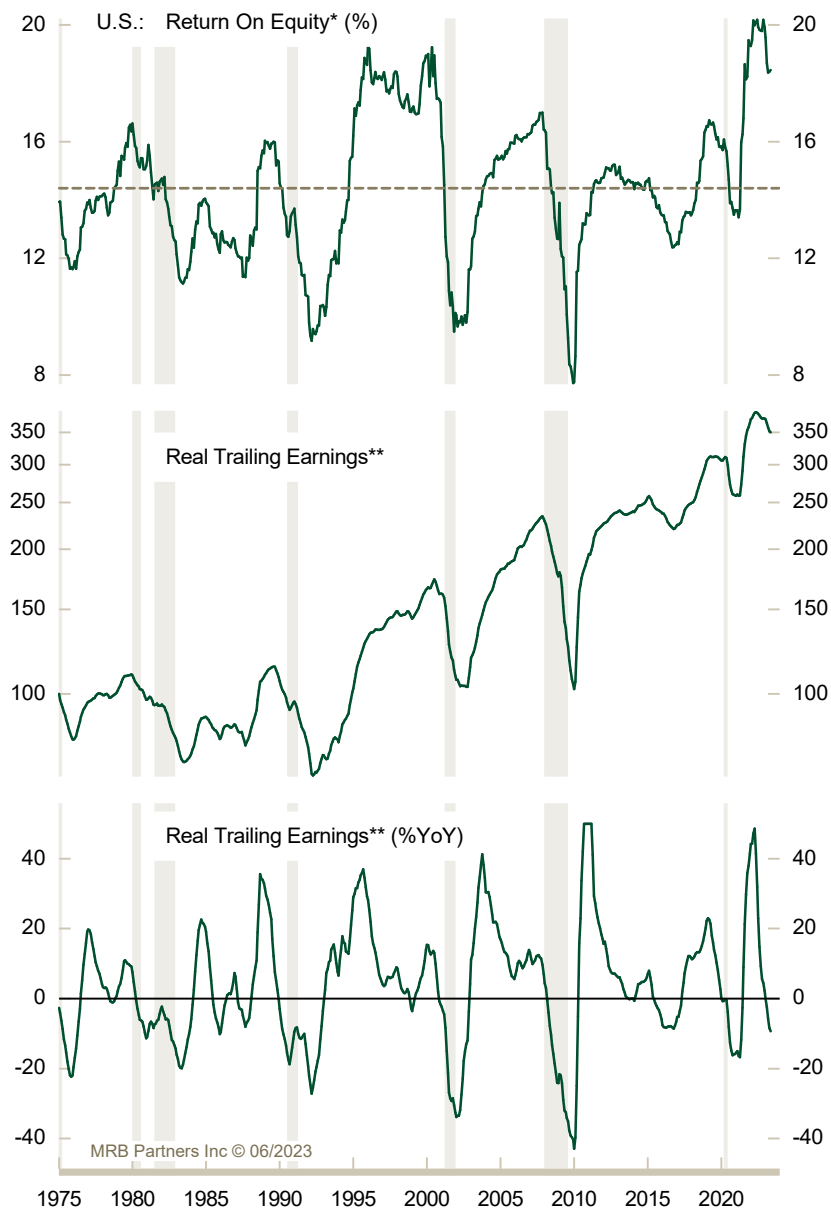
** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI

U.S.



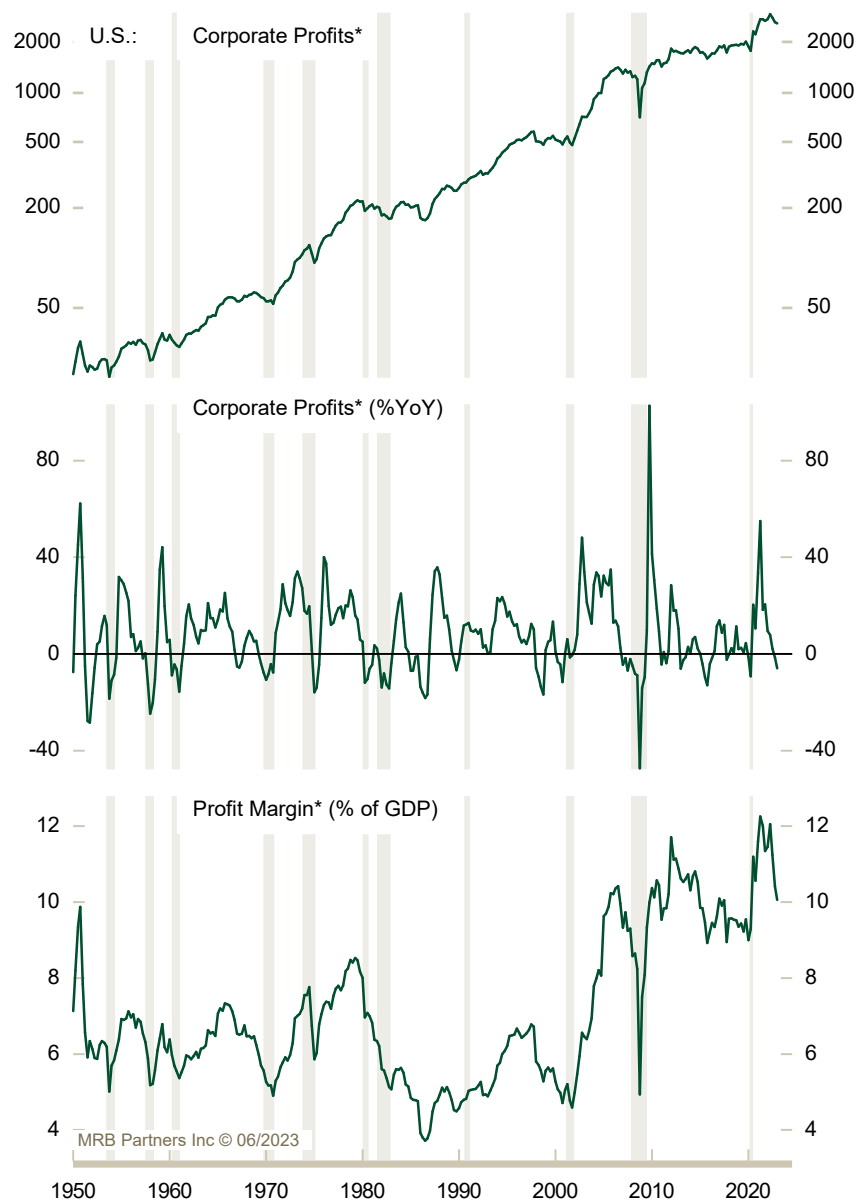
* Local currency; rebased to January 1995 = 100; source: MSCI
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 Note: Shaded for NBER-designated U.S. recessions

U.S.



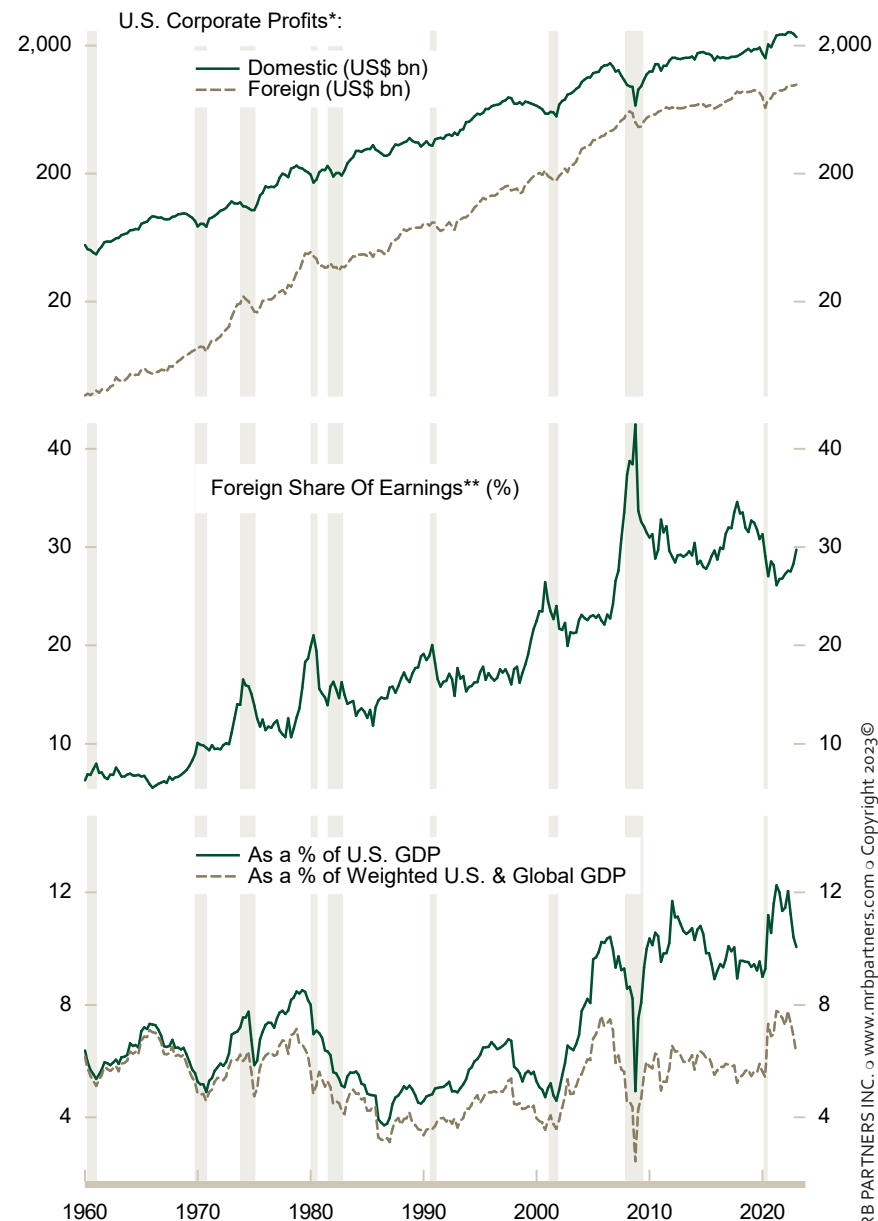
* Source: MSCI
 ** Deflated by headline CPI; rebased; local currency; smoothed; source: MSCI
 Note: Shaded for NBER-designated U.S. recessions; panel 3 truncated above 50

U.S.



* Profits after tax without inventory valuation and capital consumption; source: U.S. Bureau of Economic Analysis
Note: Shaded for NBER-designated U.S. recessions

U.S.



* After tax without inventory valuation and capital consumption adjustments; source: U.S. Bureau of Economic Analysis
** - - - 10-year moving average
Note: Shaded for NBER-designated U.S. recessions

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