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Earnings Estimate Revisions

With the start of the new year, many investors are looking for stocks that have the best prospects going into 2008. While value stocks have led the market higher for much of this bull market, as the economy slows, investors will place a premium on those stocks which are able to show growth and acceleration in earnings. In fact, the process appears to have started in 2007, as growth stocks outperformed value stocks for the first time since 1999.

With this in mind, we are introducing a new report where we will highlight positive and negative analyst earnings revisions over the last month by sector and group. We will also track this historically to show how the market reacts to the indicator. Below we list the S&P 1500 revisions by sector (explanations of each column are provided on page three).

In order to give readers a better understanding of the report, we use the Consumer Discretionary Sector as an example. Within that sector, on a net basis, analysts have lowered earnings estimates for 70 more companies than they have raised forecasts for (-70). With 276 stocks in the sector, this means that on a net basis, analysts have lowered forecasts for 25.4% of Consumer Discretionary stocks. On an individual stock basis, AZO, MCD, and DV are the stocks which have seen the most upward revisions, while TGT, FDO, and CHS have seen the greatest amount of earnings downgrades. The only sector where analysts are less positive is in the Financial sector, where the net revision percentage is over 50%.

On the positive side of the ledger, over the last month, three sectors have a positive level of net revisions (Consumer Staples, Energy, and Technology). Overall, for the S&P 1500, the estimate revision percentage is negative 15.1%. The three stocks which have seen the most downward revisions are STI, FITB and NCC revisions, while TXN, ORCL and AZO have seen the most upward revisions. Please see page two for a table of revisions by group.

Analyst Earnings Revisions By Sector - Last Month

Sector	Net Estimate Revisions	Companies in Sector	Percentage of Companies	Most Positive Revisions	Most Negative Revisions
Cons. Discret.	-70	276	-25.4	AZO, MCD, DV	TGT, FDO, CHS
Cons Staples	8	77	10.4	CCE, PBG, CAG	GIS, SFD, NTY
Energy	6	85	7.1	KWK, OXY, APA	SUN, NE, PDE
Financials	-131	257	-51.0	ACE, OXPS, CME	STI, NCC, FITB
Health Care	-5	169	-3.0	EW, PRGO, BCR	COO, VITL, WYE
Industrials	-25	204	-12.3	CPRT, MTW, KFY	ITW, FDX, NSC
Technology	10	260	3.8	TXN, ORCL, WDC	JBL, PALM, MU
Materials	-12	85	-14.1	SON, SMG, CF	AA, TIN, CMC
Telecom Svcs	0	12	0.0	T, EQ, S	CTL, VZ, Q
Utilities	-8	75	-10.7	EGN, NU, AWR	DYN, DTE, MDU
S&P 1500	-227	1500	-15.1	TXN, ORCL, AZO	STI, FITB, NCC

Like the sector analysis on page one showed, the groups that have seen the most positive earnings revisions are mostly defensive in nature (Food & Staples Retail, Foods, and Drugs and Biotech). This trend is somewhat peculiar though. While it comes as no surprise that defensive sectors gain favor and do relatively better when the economy slows, their earnings do not grow faster during these business climates. Any outperformance is usually a result of P/E expansion or earnings remaining steady. We suspect that the rising earnings forecasts could just be analysts trying to justify their increased bullishness on defensive stocks.

On the negative side, Banks have seen the most earnings downgrades with a net revision percentage of negative 87.5. This is followed by Transportation where a net of 61.3% of companies have seen their forecasts lowered.

Analyst Earnings Revisions By Group - Last Month

Group	Net Estimate Revisions	Companies in Group	Percentage of Companies	Most Positive Revisions	Most Negative Revisions
Autos & Parts	-9	19	-47.4	LEA, THO	WGO, JCI, HOG
Banks	-84	96	-87.5	STL	STI, NCC, FITB
Capital Goods	-1	126	-0.8	MTW, HON, ETN	ITW, GE, BEZ
Commercial Services	-5	47	-10.6	CPRT, KFY, MLHR	WCN, MNST, RSG
Consumer Durables	-8	72	-11.1	NKE, DECK, BTH	BDK, PVH, LEG
Consumer Services	-21	61	-34.4	MCD, DV, BID	DRI, RUTH, RT
Div. Financials	-19	49	-38.8	OXPS, CME, ITG	BAC, MER, C
Energy	6	85	7.1	KWK, OXY, APA	SUN, NE, PDE
Food & Staples Retail	9	19	47.4	CASY, COST, SWY	n/a
Food Bevg & Tobacco	4	42	9.5	CCE, PBG, CAG	GIS, SFD, JJSF
HC Equip & Svcs	-10	109	-9.2	EW, BCR, AMED	COO, VITL, CAH
Hhold & Pers Prod.	-5	16	-31.3	AVP	NTY, ENR, EL
Insurance	-18	55	-32.7	ACE, AFL, TRV	ALL, MBI, AOC
Materials	-12	85	-14.1	SON, SMG, CF	AA, TIN, CMC
Media	1	30	3.3	NYT, VIA/B, SSP	CMCSA, GCI, ETM
Drugs & Biotech	5	60	8.3	PRGO, LLY, MATK	WYE, PKI, ALO
Real Estate	-10	57	-17.5	SNH, BXP, DDR	BMR, SPG, KIM
Retailing	-33	94	-35.1	AZO, GES, BBY	TGT, FDO, CHS
Semiconductors	3	57	5.3	TXN, MCHP, ALTR	MU, NSM, EXAR
Software & Services	8	98	8.2	ORCL, ADBE, ATVI	PAYX, CSC, DRIV
Tech Hardware	-1	105	-1.0	WDC, QCOM, AAPL	JBL, PALM, CIEN
Telecom Services	0	12	0.0	T, EQ, S	CTL, VZ, Q
Transportation	-19	31	-61.3	LSTR, ALK, FWRD	FDX, NSC, UNP
Utilities	-8	75	-10.7	EGN, NU, AWR	DYN, DTE, MDU
S&P 1500	-227	1500	-15.1	TXN, ORCL, AZO	STI, NCC, FITB

Earnings Estimates Revision Report Fields Explained:

Net Estimate Revisions: Positive Estimate Revisions minus Negative Estimate Revisions.

Companies in Sector/Group: Number of companies in each sector or group.

Percentage of Companies: Net Estimate Revisions divided by total number of companies in sector/group.

Most Positive Revisions: Lists the three companies in each category with the highest number of positive revisions. "n/a" indicates that no stocks in the category had positive revisions.