

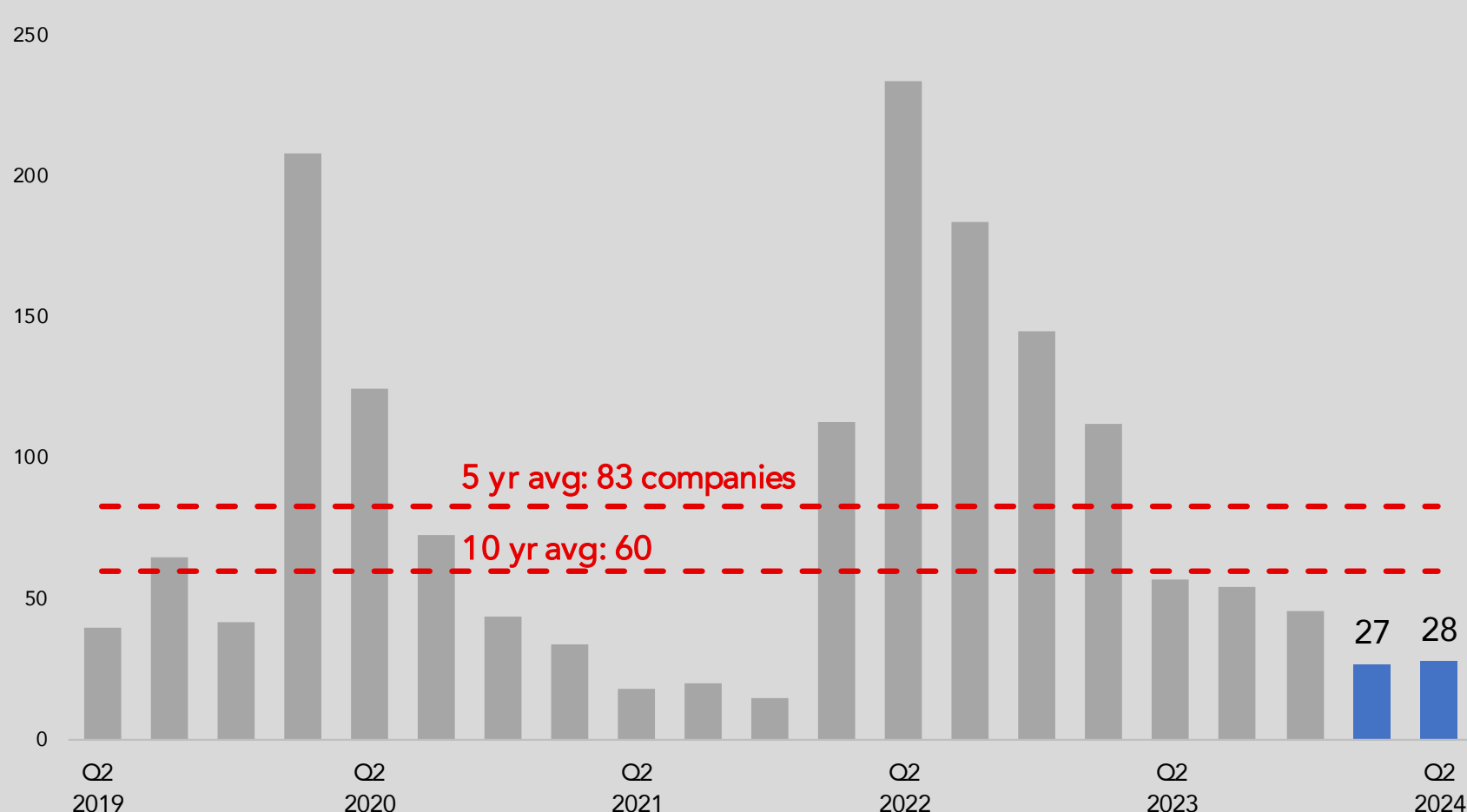
Chart of the Day



US “hard landing” risk has become a primary focus of markets and Fed policy going into the 2H 2024. Since the volatility of August 5th, numerous economic metrics (i.e., inflation, retail sales) suggests a “soft landing” remains the base case near term. However, headlines today regarding sizable downward revisions in US labor market data (expected Aug 21) have raised concerns. Looking to the corporate sector for additional insight, we would note that Q2 earnings results have thus far tilted toward the “softer landing” narrative.

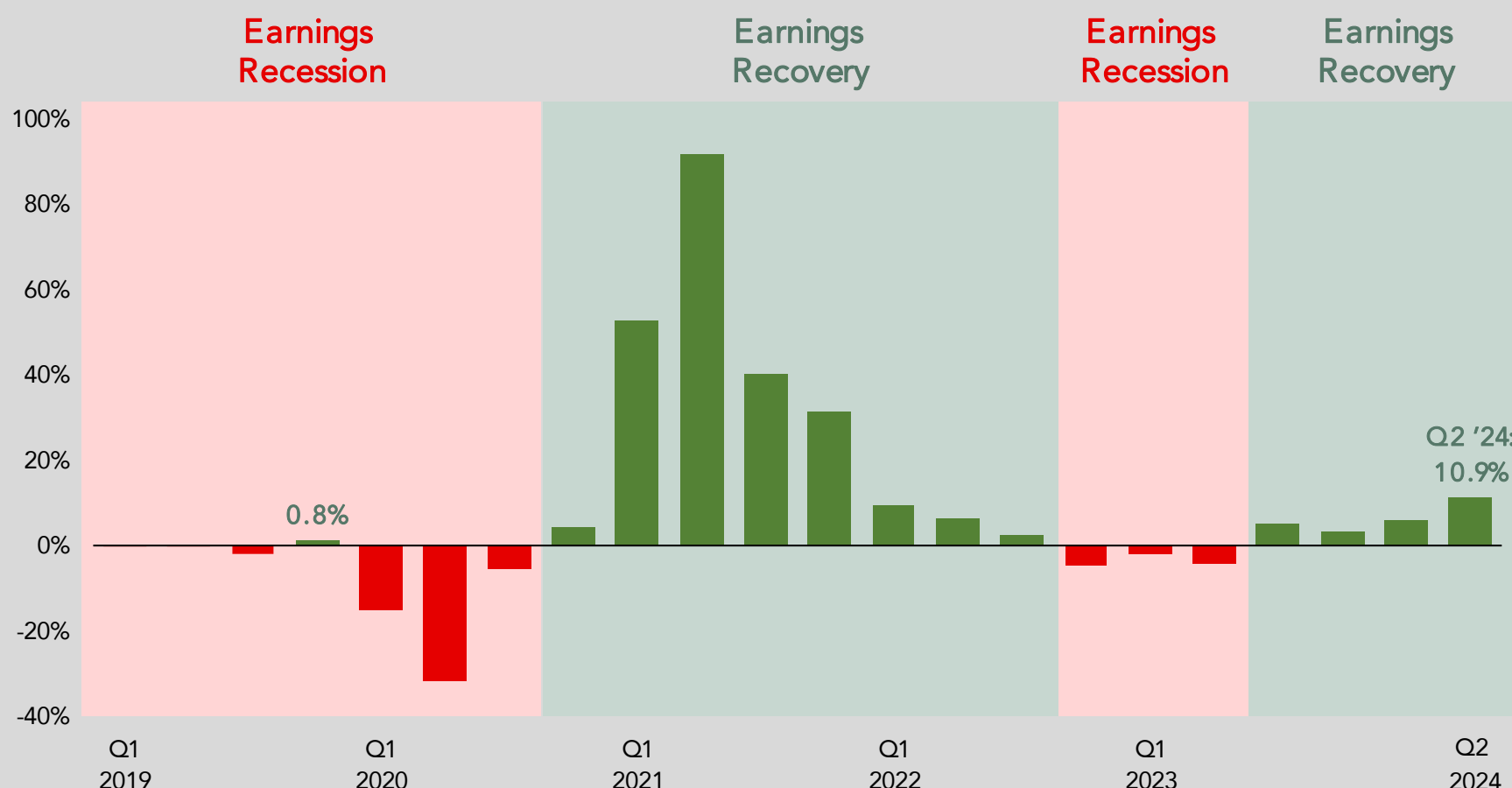
Thus far, Q2 S&P 500 earnings results have tilted toward the “soft landing” narrative. Based on the transcripts of S&P 500 Q2 earnings calls between June 15 and August 15, only 28 companies cited the word “recession.” This number stands well below 5 and 10 year averages of 83 and 60 companies, respectively.

of S&P 500 companies mentioning “recession” on quarterly earnings calls



As of August 16, with 93% of companies reporting, Q2 2024 earnings growth for the S&P 500 stands at 10.9%, the highest quarterly growth number since Q4 2021, and the 4th consecutive quarter of positive year-over-year earnings growth for the index. 79% of companies reported a positive EPS surprise (above 10 year average of 74%), while 60% reported a positive revenue surprise (below the 10 year average of 64%). To date, the market has been rewarding positive earnings surprises in line with historic averages, and punishing negative earnings surprises by more than average.

S&P 500 quarterly earnings growth, y/y



Source: (1-2) FactSet, Earnings Insight Report (August 16, 2024). FactSet forecast. Q2 2024 earnings growth rate of 10.9% is based on 93% of S&P 500 companies reporting actual earnings results.

**Global Corporate & Investment Banking
Capital Markets Strategy Team**



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Managing Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405 - 6952

“Macro stability isn’t everything, but without it, you have nothing.”