

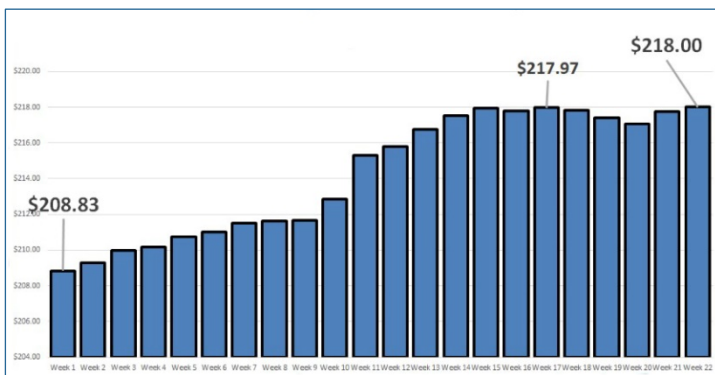
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MAJOR COMPANIES REPORT STRONG EARNINGS

Led largely by major banks, last week kicked off the third-quarter earnings report season. By the end of the week, 8% of S&P 500 companies had reported calendar third-quarter results. Of these firms, 80% topped earnings estimates and 83% beat anticipated revenue levels. So far, companies are reporting earnings that are 14.7% above earnings and 3.0% above anticipated revenues. According to FactSet, the blended earnings growth rate for third-quarter S&P 500 earnings currently is 30.0% versus the 27.5% expected at the end of the quarter.

Chart 1: 2022 S&P 500 Earnings Estimate



(Source: Janney Investment Strategy Group)

The latest look at expected S&P 500 earnings showed the 2021 S&P 500 estimate increasing 19 cents this week to \$201.14. The 2022 estimate went up 26 cents to \$218.00, which was a new high, three cents above the prior high. Positive earnings surprises in the Financials sector largely accounted for the overall increase in S&P 500 earnings since the end of the third quarter.

Expected earnings changes vary widely among the 11 S&P 500 sectors. For the full year, the market's most cyclical sectors are anticipated to produce the best year-over-year earnings gains. So far, however, this has not lined up well with the price performances of the sectors.

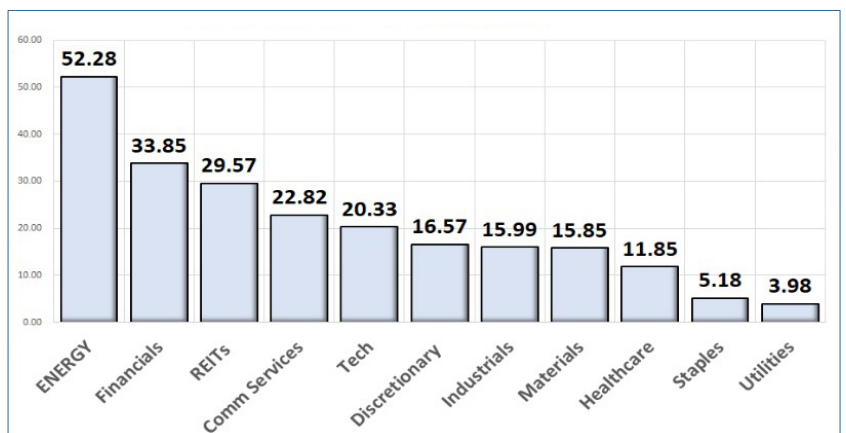
Chart 2: S&P 500 Sector Percentage Earnings Changes Expected

	2021 Q3	2021 Q4	Year
Energy*	NM	NM	NM
Industrials	72.6	122.8	93.6
Materials	89.9	45.6	78.9
Financials	25.8	3.3	55.6
Discretionary	-14	15.4	50.9
Comm Services	25	9.3	36.3
Technology	27.8	12.1	30.2
Real Estate	69.4	-11.2	21.2
Health Care	11.7	18.1	19.3
Staples	3.5	2.9	8.9
Utilities	-2.9	2.1	0.4

* - no year over year gain expected therefore no number for energy is included.

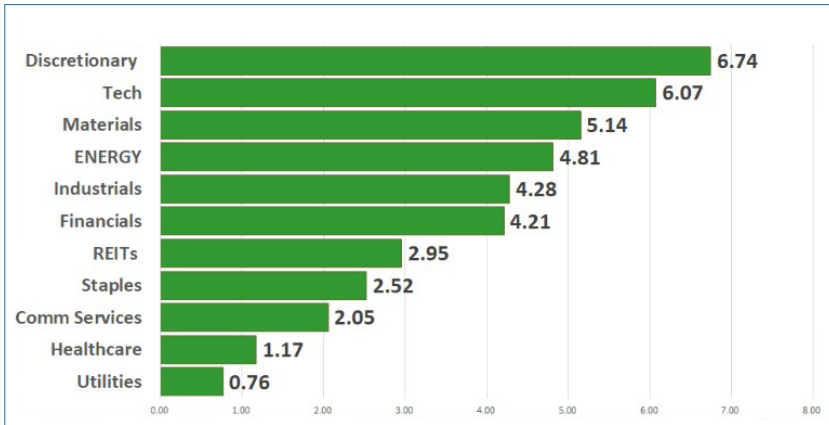
(Source: Janney Investment Strategy Group)

Chart 3: Year-to-Date 2021 Sector Percentage Changes



(Source: Janney Investment Strategy Group)

Chart 4: Percentage Results since Close on October 4, 2021



(Source: Janney Investment Strategy Group)

Sector price performance from the most recent interim low set October 4, 2021, also does not line up with earnings expectations. The table below shows analysts' earnings growth expectations for the current reporting period through the first quarter of 2022

Third Quarter 2021	30%
Fourth Quarter 2021	22.10%
Full-year 2021	43.20%
First Quarter 2022	5.70%
Full year 2022	9.50%

(Source: Janney Investment Strategy Group)

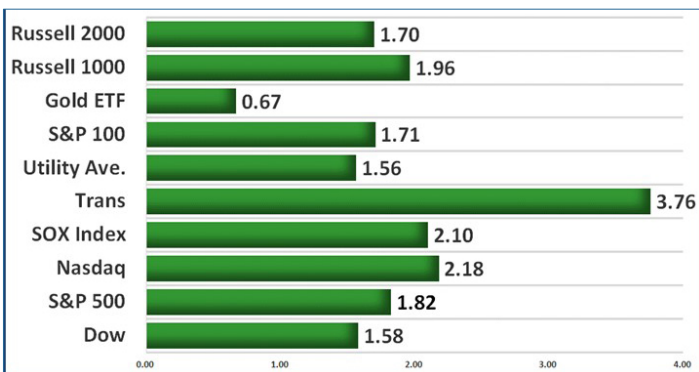
Assuming the S&P 500 achieves the earnings estimate for 2022, the index is trading at 20.5 times earnings versus the 18.3 five-year average and the 16.4 10-year average. Although the current earnings multiple is above average, it is far from peak multiples in previous bull markets. Considering the current interest rate environment, in our view, the current S&P 500 earnings multiple is not an impediment to higher stock prices.

The week of October 18, 2021, has 80 S&P 500 companies including eight Dow Jones Industrial Average components slated to report calendar third-quarter results. More than 600 firms overall are scheduled to report this week. More than 60 firms are to report the week of October 25.

This report will be updated each week through this earnings season. With the market approaching what traditionally has been its best seasonal period, the outcome of this earnings report season could have significant influence over how the market closes out 2021.

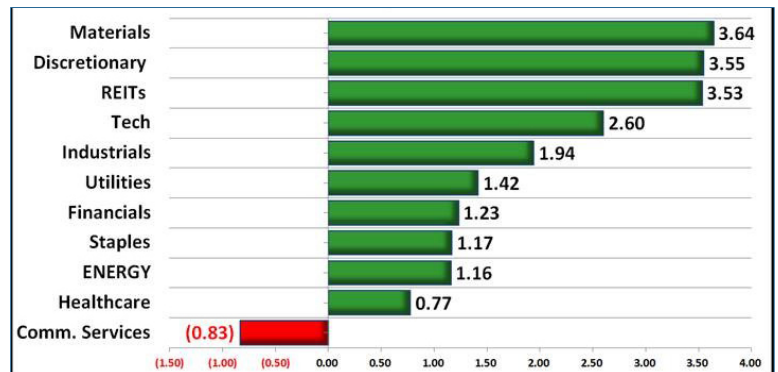
Market Results for the Week of October 11, 2021

Chart 5: Major Market Indices for the Week



(Source: Janney Investment Strategy Group)

Chart 6: Sector Percentage Change for the Week



(Source: Janney Investment Strategy Group)

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