

MAY 14, 2020

Earnings and Sales Growth: Across the developed world, 2020 is expected to be a year of retracting numbers, especially for the bottom-line. Besides the lockdown, greater limitations on stock buyback programs and plummeting cash flow are also likely to weigh on per-share metrics. In the emerging regions, however, many countries are forecasted to retain their positive levels of growth for both median earnings and sales. Emerging Asia, for example, includes more countries hit earlier on in the pandemic and are thus further along in their timelines for reopening (China, S. Korea). Emerging economies in the Americas have possibly benefitted from attracting less intercontinental or otherwise foreign travelers than the U.S. or Europe. In contrast to 2020, year-over-year growth rates in 2021 are estimated to be exceptionally high worldwide at the median, notwithstanding the aggregate, due to favorable comparisons.

Earnings Expectation Trends: Declining at double the rate of median sales estimates, current year earnings forecasts have been falling particularly hard in the developed regions, chiefly in Europe where the effects of the virus are among the most societally as well as economically intense. The countries in Developed Europe with the starkest quarter-over-quarter revisions at the median are Austria (-49.9%), Norway (-36.1%), and France (-34.0%). In Emerging Americas, Argentina (-46.4%) faced with the prospect of defaulting on its severe debt load under new leadership, serves as one of only two non-European nations in the top 10 most impacted countries from a 2020 median earnings standpoint.

Economic Comments: The unusualness of this cycle's recession and its trigger, which lacks contemporary precedent, has continued to create inherently difficult to predict circumstances for market commentators. A government-mandated shutdown of private businesses paired with tight restrictions of civilian mobility in response to a global pandemic and fear of a second wave as countries begin to reopen has brought with it such oddities as negative oil futures, near-zero and perhaps soon-to-be negative American interest rates, as well as the sudden need for rapid adoption of the work-from-home model across a wide swath of the economy. This has certainly been a time to reexamine investment portfolios, but also to keep in perspective the recovery as a fortunate inevitability.

Region / Select Countries	Current FY Expected Earnings Growth	Q/Q Change	Next FY Expected Earnings Growth	Q/Q Change	Current FY Expected Sales Growth	Q/Q Change	Next FY Expected Sales Growth	Q/Q Change	YTD Local Market Total Return
Developed	-9.9%	-18.4%	15.2%	+6.7%	-2.1%	-5.8%	5.0%	+1.1%	-12.3%
Americas	-10.9%	-20.0%	17.0%	+7.2%	-2.2%	-6.7%	5.9%	+1.3%	-9.9%
U.S.	-11.9%	-21.1%	17.2%	+7.2%	-2.2%	-6.7%	6.0%	+1.2%	-9.8%
Canada	-9.3%	-17.3%	13.1%	+5.0%	-0.2%	-4.5%	5.1%	+1.7%	-12.3%
Europe	-17.2%	-25.3%	20.1%	+12.0%	-3.1%	-6.2%	5.5%	+1.9%	-17.5%
Germany	-14.5%	-23.7%	23.7%	+14.7%	-1.7%	-5.2%	6.3%	+2.6%	-18.2%
U.K.	-16.5%	-23.5%	10.4%	+3.4%	-3.6%	-6.3%	3.1%	-0.3%	-20.8%
Asia	-2.9%	-10.4%	9.0%	+1.8%	-0.7%	-3.5%	2.7%	-0.5%	-16.2%
Japan	0.3%	-8.2%	8.2%	+1.0%	-0.4%	-2.9%	2.0%	-0.7%	-15.9%
Australia	-17.9%	-23.7%	8.2%	+3.6%	-2.9%	-6.2%	2.3%	-0.9%	-20.1%
Emerging	2.1%	-10.0%	18.4%	+5.4%	3.0%	-4.5%	8.2%	-0.2%	-13.9%
Americas	2.0%	-11.7%	17.9%	+5.7%	2.9%	-3.4%	7.4%	+0.8%	-26.5%
Brazil	1.5%	-15.5%	20.3%	+8.3%	3.2%	-3.3%	9.6%	+1.6%	-31.3%
Mexico	5.5%	-4.6%	13.9%	+3.4%	2.7%	-3.5%	6.2%	+0.4%	-14.5%
EMEA ¹	-4.4%	-15.3%	18.8%	+9.8%	2.2%	-4.1%	6.4%	+0.5%	-18.3%
Russia	-11.0%	-14.8%	23.9%	+17.1%	-5.8%	-7.3%	6.8%	+2.2%	-17.5%
S. Africa	-4.7%	-15.6%	12.6%	+3.7%	5.1%	-2.0%	6.2%	+0.6%	-12.0%
Asia	3.0%	-10.1%	16.0%	+2.2%	3.3%	-5.3%	8.6%	-0.8%	-11.1%
China	6.0%	-7.5%	17.4%	+1.4%	7.3%	-4.1%	12.1%	-0.2%	-6.4%
S. Korea	8.6%	-8.7%	22.8%	+12.5%	0.7%	-4.7%	6.5%	+1.8%	-12.8%

¹: EMEA: Europe, Middle East and Africa; Source: Refinitiv Financial; MSCI; Smith Asset Management Group; Data as of May 7, 2020; Values calculated using median estimates.

Past performance is not indicative of future results. As with any investment vehicle, there is always a potential for profit as well as the possibility of loss. Nothing contained in this presentation should be construed as a recommendation to buy or sell a security or economic sector.