



# When do Earnings Trough?

## Mapping the timeline of major market cycle lows

### AUTHOR:

Nick Nelson

+44(0) 7073 0753

[nick.nelson@absolute-strategy.com](mailto:nick.nelson@absolute-strategy.com)

### Markets are discounting a turn in the economic & profit cycle

January returns for Global equities both in terms of magnitude (+7%) and sector leadership show a willingness to look through the economic cycle and profit lows. We map the last 7 major cycle market lows over 50 years in the US for a timeline.

### The cycle timeline: P, P/E and E...when do they trough?

The P/E tends to trough at the low in the index, forward earnings trough c.3m after the low and trailing earnings c.10m after the low. If October '22 was a major cycle low, we should be about to see earnings upgrades – we view this as unlikely.

### Most variables not in place for a major cycle turn

We plot macro, market and sector variables from the 7 historic cycle lows, the October '22 low and the current levels. Only 1 of the 9 measures are consistent with the standard levels of major turning points.

### RELATED RESEARCH:

[Lower Inflation = Lower Profit Margins](#) 12<sup>th</sup> January 2023

[2023: The Focus Shifts to Earnings](#) 5<sup>th</sup> January 2023

[Outlook 2023: Sector Strategy](#) 8<sup>th</sup> December 2022

[Outlook 2023: Equity Regions](#) 1<sup>st</sup> December 2022

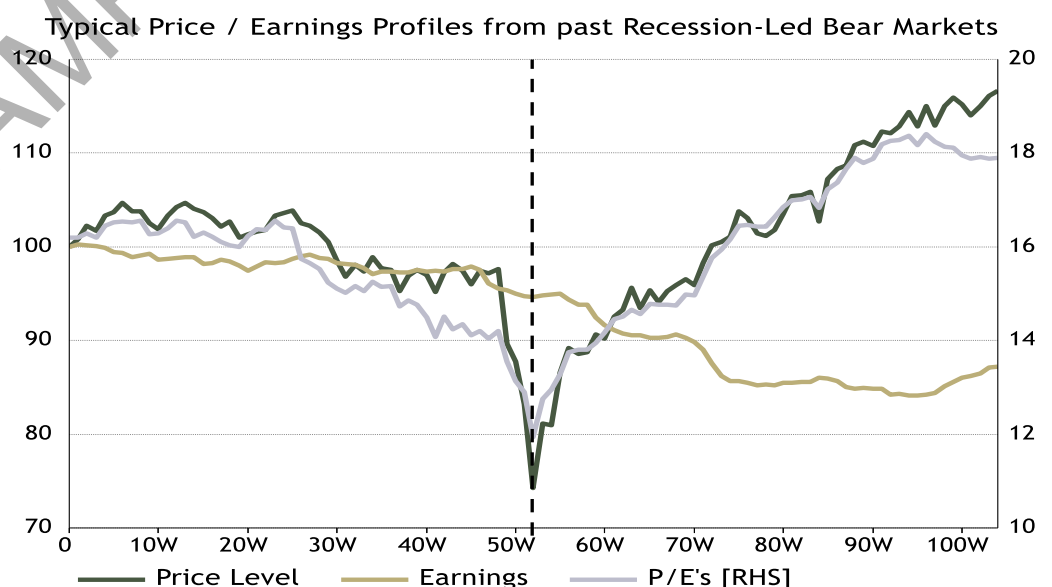
[New Bull Market or Bear Market Rally?](#) 24<sup>th</sup> November 2022

[Earnings Season Shows Hit to Margins](#) 17<sup>th</sup> November 2022

[Corporate Leverage: A Key Risk](#) 3<sup>rd</sup> November 2022

[Banks Sweet Spot Unlikely to Last](#) 27<sup>th</sup> October 2022

### Key Chart: Sequencing of P, P/E and E at major market cycle lows...



Source: ASR Ltd. / Refinitiv Datastream